

August 26, 2014

RESS, EMAIL & COURIER

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

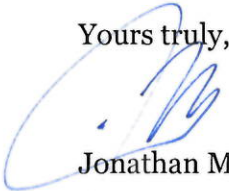
Attention: Ms. K. Walli, Board Secretary

Dear Ms. Wali:

**Re: Union Gas Limited - Application for Leave to Acquire Under Section
43(2)(a) of the *Ontario Energy Board Act***

We are counsel to Union Gas Limited ("Union"). On behalf of Union, we are hereby filing an application pursuant to section 43(2)(a) of the *Ontario Energy Board Act* (the "Act") for leave to acquire voting securities of Tipperary Gas Corp. and limited partnership interests in Huron Tipperary Limited Partnership 1. Further to this proposed acquisition, we also request, on behalf of Tipperary Gas Corp., an order pursuant to section 18(1) of the Act granting leave to transfer to Union a prior Board decision concerning the Tipperary Storage Pools. Finally, we request the cancellation of another prior Board decision which will no longer be relevant upon approval of the proposed acquisition.

Yours truly,



Jonathan Myers

cc: Mr. M. Murray, Union Gas Limited
Mr. C. Keizer, Torys LLP

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application by Union Gas Limited for an Order pursuant to Section 43(2)(a) of the *Ontario Energy Board Act, 1998*, granting leave to acquire voting securities of Tipperary Gas Corp. and limited partnership interests in Huron Tipperary Limited Partnership 1;

AND IN THE MATTER OF an application by Tipperary Gas Corp. for an Order pursuant to Section 18(1) of the *Ontario Energy Board Act, 1998* granting leave to transfer the Decision and Order of the Board in EB-2006-0018/-0159/-0279, in respect of the injection, storage and removal of gas from a gas storage area, to Union Gas Limited;

AND IN THE MATTER OF a request by Union Gas Limited to cancel the Decision and Order of the Board in EB-2008-0049, in respect of the approval of contract terms between Union Gas Limited and Huron Tipperary Partnership 1 under Section 2.3.1 of the Affiliate Relationships Code for Gas Utilities.

UNION GAS LIMITED

and

TIPPERARY GAS CORP.

August 26, 2014

EXHIBIT LIST

<u>Exh.</u>	<u>Tab</u>	<u>Sch.</u>	<u>Title</u>
A - INDEX			
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B - APPLICATION			
B	1	1	Application
	2	1	Summary of the Application
	3	1	Leave to Acquire Share Control - Section 43(2)(a)
	4	1	Leave to Transfer Board Order in EB-2006-0018/-0159/-0279 - Section 18(1)
	5	1	Request to Cancel Decision and Order in EB-2008-0049

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application by Union Gas Limited for an Order pursuant to Section 43(2)(a) of the *Ontario Energy Board Act, 1998*, granting leave to acquire voting securities of Tipperary Gas Corp. and limited partnership interests in Huron Tipperary Limited Partnership 1;

AND IN THE MATTER OF an application by Tipperary Gas Corp. for an Order pursuant to Section 18(1) of the *Ontario Energy Board Act, 1998* granting leave to transfer the Decision and Order of the Board in EB-2006-0018/-0159/-0279, in respect of the injection, storage and removal of gas from a gas storage area, to Union Gas Limited;

AND IN THE MATTER OF a request by Union Gas Limited to cancel the Decision and Order of the Board in EB-2008-0049, in respect of the approval of contract terms between Union Gas Limited and Huron Tipperary Partnership 1 under Section 2.3.1 of the Affiliate Relationships Code for Gas Utilities.

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation incorporated under the laws of the province of Ontario, with its head office in the Municipality of Chatham-Kent. Union carries out both an integrated natural gas utility business that combines the operations of distributing, transmitting and storing natural gas, and a non-utility storage business.
2. Tipperary Gas Corp. (“Tipperary GP”) is the general partner of Huron Tipperary Limited Partnership 1 (“Tipperary LP”), which carries out a non-utility gas storage business consisting primarily of the Tipperary North Storage Pools and Tipperary South Storage Pools (the “Tipperary Storage Pools”) in the Municipality of Central Huron and which owns the associated storage rights to land and facilities. Accordingly, Tipperary LP is a “storage company” within the meaning given in section 3 of the *Ontario Energy Board Act, 1998*, (“Act”).
3. Union and Tipperary GP are, together, the Applicants.

4. Union currently owns 75% of the shares of Tipperary GP and holds a 76.1423% limited partnership interest in Tipperary LP. Union acquired its 75% interest in Tipperary GP and a 75% limited partnership interest in Tipperary LP in 2007 following approval by the Ontario Energy Board (the “Board”) in EB-2007-0837. Since that time, through cash calls, Union has increased its limited partnership interest to 76.1423%.
5. Union is proposing to acquire, from Tribute Resources Inc. (“Tribute”), the remaining 25% of the shares of Tipperary GP and the remaining 23.8477% limited partnership interest in Tipperary LP (the “Proposed Acquisition”). An agreement giving effect to the Proposed Acquisition, conditional upon receiving leave from the Board under Section 43(2)(a) of the Act, has been entered into by the parties. Upon completion of the Proposed Acquisition, Union intends to wind up Tipperary GP, resulting in the dissolution of Tipperary LP.
6. In connection with the Proposed Acquisition, Union is applying for an order of the Board, granting leave to purchase Tribute’s 25% of the shares of Tipperary GP and its 23.8477% limited partnership interest in Tipperary LP, pursuant to Section 43(2)(a) of the *Ontario Energy Board Act, 1998* (the “Act”). As the subsequent winding up and dissolution of Tipperary GP and Tipperary LP do not result in the disposal of the Tipperary Storage Pools, which are already controlled by Union, no further approval of the Board is required to permit the transaction.
7. Subject to the Board approving the Proposed Acquisition, Tipperary GP applies for an order of the Board pursuant to Section 18(1) of the Act granting leave to transfer to Union the Decision and Order of the Board in EB-2006-0018/-0159/-0279 in respect of the injection, storage and removal of gas from a gas storage area. Such transfer should become effective upon completion of the Proposed Acquisition. Alternatively, if the Board concludes that leave to transfer this Decision and Order is not required, then the Applicants request that the Board confirm that, upon completion of the Proposed Acquisition, Union will have all rights granted under this Decision and Order and be subject to all relevant conditions thereunder.
8. In EB-2008-0049, the Board issued a Decision and Order granting approval to Union, pursuant to Section 2.3.1 of the *Affiliate Relationships Code for Gas Utilities*, of the

terms of a storage contract and a transportation contract it had proposed to enter into with Tipperary LP. Upon completion of the Proposed Acquisition, Union will no longer be in an affiliate relationship with Tipperary LP or Tipperary GP. Accordingly, Union requests that the Decision and Order of the Board in EB-2008-0049 be cancelled, subject to approval of, and effective upon completion of, the Proposed Acquisition.

9. The Proposed Acquisition will not affect the rational development or safe operation of natural gas storage in Ontario and will have no impact on the financial viability of the gas storage industry in Ontario. Moreover, the Proposed Acquisition will have no impact on any of Union's regulated customers because Union's shareholders will bear all of the risks associated with the transaction.
10. The Applicants request that the Board proceed by way of written hearing in accordance with Rule 32 of the Board's *Rules of Practice and Procedure*.
11. Union and Tribute are currently contemplating a closing date of November 30, 2014 for the Proposed Acquisition. As such, the Applicants request that the Board determine this Application by no later than October 31, 2014.
12. The Applicants request that copies of all documents filed with or issued by the Board in connection with this Application be served on the Applicants and their counsel, as follows:

(a) The Applicants:

Union Gas Limited
50 Keil Drive
Chatham, ON
N7M 5M1

Attention: Mr. Mark Murray
Tel: 519-436-4601
Fax: 519-436-4641
Email: mmurray@spectraenergy.com

(b) The Applicants' Counsel:

Torys LLP
Suite 3000
79 Wellington St. W.

Box 270, TD Centre
Toronto, ON M5K 1N2

Attention: Mr. Charles Keizer
Tel: 416-865-7512
Fax: 416-865-7380
Email: ckeizer@torys.com

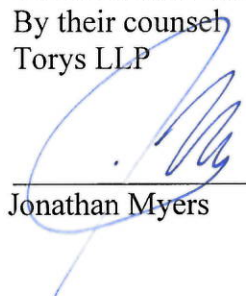
and

Mr. Jonathan Myers
Tel: 416-865-7532
Fax: 416-865-7380
Email: jmyers@torys.com

Dated at Toronto, Ontario, this 26th day of August, 2014.

**UNION GAS LIMITED and
TIPPERARY GAS CORP.**

By their counsel
Torys LLP



Jonathan Myers

SUMMARY OF THE APPLICATION

1. Pursuant to sections 43(2)(a) and 18(1) of the *Ontario Energy Board Act, 1998* (the “Act”), Union Gas Limited (“Union”) and Tipperary Gas Corp. (“Tipperary GP”), as the general partner on behalf of Huron Tipperary Limited Partnership 1 (“Tipperary LP”), as applicable, request from the Board:

a. an Order granting Union leave to acquire, from Tribute Resources Inc. (“Tribute”), 25% of the issued and outstanding shares of Tipperary GP and a 23.8477% limited partnership interest in Tipperary LP;

b. an Order transferring, to Union, the Board’s Order granting permission to Tipperary GP and Tribute to Inject, Store and Withdraw gas in and from the Tipperary Storage Pools (EB-2006-0018, EB-2006-0159, EB-2006-0279), or confirming that upon completion of the Proposed Acquisition Union will have all rights and be subject to all relevant conditions provided under such Order; and

c. an Order cancelling the Decision and Order of the Board in EB-2008-0049 in respect of the approval of contract terms between Union and Tipperary LP under Section 2.3.1 of the *Affiliate Relationships Code for Gas Utilities*.

2. Union currently owns 75% of the issued shares in Tipperary GP, with the remaining 25% of the shares being owned by Tribute. Tipperary GP is the General Partner of, and manages, Tipperary LP. Currently, Union owns 76.1423% of the limited partnership

1 interests in Tipperary LP, with 23.8477% owned by Tribute and 0.01% being held by
2 Tipperary GP.

3 3. Tipperary LP is in the business of developing, owning, maintaining and operating the
4 Tipperary North Storage Pools and the Tipperary South Storage Pools, which are located in
5 the Municipality of Central Huron, formerly known as the Township of Goderich, together
6 with the property rights, facilities, plant and associated equipment (the “Tipperary Storage
7 Pools”).

8 4. Union has entered into an agreement with Tribute and Tipperary GP to acquire by way of
9 share purchase Tribute’s remaining outstanding shares in Tipperary GP and Tribute’s
10 remaining limited partnership interest in Tipperary LP (the “Proposed Acquisition”). The
11 agreement is conditional on the Board granting leave in response to the present application.

12 5. Once the Proposed Acquisition is completed, Union would directly own 100% of the shares
13 of Tipperary GP and 99.99% of the limited partnership interests in Tipperary LP. Union
14 would also control the remaining 0.01% limited partnership interest that will then be held
15 by Tipperary GP.

16 6. Following completion of the Proposed Acquisition, Union intends to wind up Tipperary
17 GP, resulting in the dissolution of Tipperary LP. As this component of the transaction does
18 not result in the disposal of the Tipperary Storage Pools, which are already controlled by
19 Union, it does not trigger any further approval requirements from the Board.

1 7. Union will continue to operate the Tipperary Storage Pools as non-utility storage pools and
2 the Proposed Acquisition will not adversely impact Union's business or operations.

3 8. In addition, the Proposed Acquisition will not have any adverse public interest impacts.
4 There will be no adverse impacts on Union's customers and the Proposed Acquisition will
5 have no adverse impacts on competition, on the rational development and safe operation of
6 gas storage, or on the financial viability of the gas storage industry.

7 9. Union intends to complete the Proposed Acquisition by November 30, 2014 and, therefore,
8 requests a decision from the Board by October 31, 2014.

LEAVE TO ACQUIRE SHARE CONTROL

1. As indicated in Exhibit B, Tab 1, Schedule 1, Union is proposing to acquire, from Tribute, their remaining shares of Tipperary GP and their remaining limited partnership interests in Tipperary LP (the “Proposed Acquisition”). In connection with the Proposed Acquisition, Union is applying for an order of the Board, granting leave to purchase these shares of Tipperary GP and this limited partnership interest in Tipperary LP, pursuant to Section 43(2)(a) of the *Ontario Energy Board Act, 1998* (the “Act”).

Ownership Structure of Tipperary GP and Tipperary LP

2. Tipperary LP is structured as a limited partnership whose general partner is Tipperary GP.
3. Prior to December 18, 2007 Tribute owned 100% of the limited partnership units of Tipperary LP, as well as 100% of the shares of Tipperary GP.
4. Union initially acquired 75% of the limited partnership units of Tipperary LP, as well as 75% of the shares of Tipperary GP upon receiving an order from the Board on December 24, 2007 (EB-2007-0837). Since that time, through cash calls, Union has increased its limited partnership interest to 76.1423%. Tribute has retained the remaining 25% of the shares of Tipperary GP and 23.8477% of the limited partnership units in Tipperary LP.
5. The current structure relating to Tipperary LP is shown in **Appendix ‘A’** to this Exhibit B, Tab 3, Schedule 1.

Development of Tipperary Storage Pools

6. On October 25, 2004 the Board granted an application by Tribute and Tipperary GP for an order designating the Tipperary Storage Area as a gas storage area pursuant to s 36.1 of the Act (RP-2003-0253/EB-2003-0314). On June 17, 2005, the Board issued an Order granting Tribute and Tipperary GP authority to inject, store and withdraw gas from the Tipperary Storage Area (RP-2003-0253/EB-2003-0315).
7. On February 6, 2007, the Board approved an application by Tribute and Tipperary GP to extend the time for the commissioning of the Tipperary Storage Area, as well as conditions regarding the operating requirements of the pools (EB-2006-0018/EB-2006-0159/EB-2006-0279).
8. On December 24, 2007, the Board approved an application by Union for an order granting leave to acquire from Tribute 75% of the voting securities of Tipperary GP pursuant to section 43(2)(a) of the Act and a 75% limited partnership interest in Tipperary LP (EB-2007-0837).
9. On April 8, 2008, gas was injected into the Tipperary Storage Pools. From this initial injection to present Union has operated the Tipperary Storage Pools in a manner consistent with the other storage pools it owns or operates.
10. In EB-2006-0018/EB-2006-0159/EB-2006-0279 Union requested that various conditions of approval be amended on account of Union being the operator of the pools. These conditions required Tipperary GP to complete and file with the Board, the Ministry of

1 Natural Resources and all Parties to the proceedings, certain Operations and Maintenance
2 Procedures and an Emergency Response Plan, as required by CSA 341.1-14, as well as to
3 thereafter comply with any and all on-going obligations as required in respect of such
4 procedures and plans pursuant to CSA Z341.1-14 or any successor version thereto. The
5 Board decided on July 2, 2008 that Tipperary GP is exempt from these conditions subject
6 to Union acting as operator of the pools and requiring that Union prepare and file a
7 Summary of its Operations and Maintenance Procedures and Emergency Response Plan. In
8 EB-2007-0937, Union stated that its acquisition of the 75% interests in Tipperary GP and
9 Tipperary LP would provide the necessary funding and operational expertise needed to
10 facilitate the safe and timely development and operation of the Tipperary Storage Pools.

11 11. Subsequent to that acquisition, Union and/or Tipperary LP have constructed several
12 facilities that are necessary for the operation of the Tipperary Storage Pools.

13 12. Since operations began in 2008, Union has leased all space (3.1 PJ of working inventory) in
14 the Tipperary Storage Pools from Tipperary LP for a 10 year term pursuant to a Storage
15 Agreement entered into on December 18, 2007. During this same period, Union has also
16 operated the Tipperary Storage Pools on behalf of Tipperary LP pursuant to an Operating
17 Agreement entered into with Tipperary LP on December 18, 2007. Union markets this
18 storage space as part of its unregulated storage capacity. Tipperary LP also entered into an
19 M16 transportation agreement. An M16 transportation agreement allows third party
20 storage operators to offer their storage to customers at Dawn by providing transportation
21 between their storage pools and Dawn.

Proposed Acquisition

13. In 2013, Tribute and Union commenced discussions regarding the ownership structure of Tipperary LP and Tipperary GP.

14. In February 2014, Union and Tribute's negotiations resulted in Union agreeing to purchase all of Tribute's remaining shares in Tipperary GP as well as its remaining limited partnership interest in Tipperary LP.

15. Union and Tribute have entered into a Purchase and Sale Agreement dated August 18, 2014, which binds the parties to complete the Proposed Acquisition conditional on receipt of approval from the Ontario Energy Board. The transaction is scheduled to be completed November 30, 2014.

16. As indicated, following completion of the Proposed Acquisition, Union intends to wind up Tipperary GP, resulting in the dissolution of Tipperary LP. As this component of the transaction does not result in the disposal of the Tipperary Storage Pools, which are already controlled by Union, it does not trigger any further approval requirements from the Board.

Rationale for the Proposed Acquisition

17. The Proposed Acquisition will enable Union to achieve operational efficiencies. Union will gain efficiencies as a result of integrating the storage pools into its portfolio rather than operating the Tipperary Storage Pools through a separate entity. These efficiencies will include savings resulting from no longer having to produce separate financials, as well as

1 by no longer having to undertake separate budgeting, auditing, partnership reporting,
2 management oversight and contracting.

3 **Impacts of the Proposed Acquisition on Union's Business and Operations**

4 18. Currently, Tipperary LP has a ten year storage services contract with Union (EB-2008-
5 0049) whereby Union purchases all available storage capacity from the Tipperary Storage
6 Pools. Union markets this storage capacity through its unregulated storage business.

7 19. Upon completion of the Proposed Acquisition, and concurrent with the subsequent wind-up
8 and dissolution of Tipperary GP and Tipperary LP, Union will terminate the storage
9 services contract and continue to market the capacity of the Tipperary Storage Pools as part
10 of Union's unregulated storage portfolio.

11 20. Currently, Union has 100 PJs of regulated storage capacity and 68.1 PJs of unregulated
12 storage capacity, for a total storage capacity of 168.1 PJs within its storage portfolio. The
13 Tipperary Storage Pools have 3.1 PJ's of storage capacity of which 75% is already owned
14 by Union and reported in Union's total 168.1 PJ total storage capacity. After the Proposed
15 Acquisition, Union will report regulated storage capacity of 100 PJs, unregulated storage
16 capacity of 68.9 PJs, and a total storage capacity of 168.9 PJ's. .

17 21. For the purposes of complying with the Storage Transportation Access Rules ("STAR"),
18 Union currently posts all required information on its website for Tipperary GP under its
19 Affiliate Section. Upon completion of the Proposed Acquisition, information relating to

1 the Tipperary Storage Pools will be incorporated into Union's overall storage reporting
2 under STAR.

3 22. Union has operated the Tipperary Storage Pools on behalf of Tipperary LP since operations
4 commenced in April, 2008. The pools have a working capacity of 3.1 PJ and operate
5 between a cushion pressure of 2,040 kPaa and a PMOP of 7,260 kPaa.

6 23. The pools include two multi-lateral injection/withdrawal ("I/W") wells, two horizontal I/W
7 wells and 3 observation wells. The wells are connected with gathering lines to a 6.8 km
8 NPS 8 pipeline to the Tipperary Compressor and Metering Station. This station includes
9 two 1,000 HP reciprocating compressors, dehydration, and metering facilities. The pools
10 are connected into the NPS 8 Goderich transmission line which is owned and operated by
11 Union.

12 24. Currently, all reservoir engineering, geological, land and field operation services are
13 provided by Union. The facilities are currently compliant with all codes and standards
14 applicable to underground storage, pipelines, and station operations. All wells were drilled
15 and completed in accordance with CSA Z341-02 and the *Oil, Gas and Salt Resources Act*
16 ("OGSRA"), Provincial Operating Standards (Version 2.0). All design and specifications
17 for the storage and gathering pipelines were in accordance with the Ontario Regulation
18 210/01 for Oil and Gas Pipeline Systems.

19 25. Union has extensive experience in the development and operation of storage pools
20 generally, and with the Tipperary Storage Pools in particular. Union does not plan to alter
21 the current operation of the Tipperary Storage Pools and will comply with all applicable

1 laws, regulations and codes relating to their operation and maintenance. Specifically Union
2 has Operations and Maintenance Procedures and Emergency Response Plans as required by
3 CSA Z341.1-02. Moreover, the Tipperary Storage Pools will not be operated above the
4 maximum operating pressure equivalent to a pressure gradient of 15.8 kPa/m without leave
5 of the Board.

6 **Impacts of the Proposed Acquisition on the Public Interest**

7 **(a) Consumers/Ratepayers**

8 26. The Proposed Acquisition, which relates only to unregulated facilities, will have no impacts
9 on consumers or rates.

10 27. Union provides Tipperary LP with transportation services, required to move gas to and
11 from the Tipperary Storage Pools at the Board-approved M16 transportation rate. Union
12 also provides Tipperary LP with services for the operations, maintenance and
13 administration of the Tipperary Storage Pools at fully allocated costs. Both such
14 transactions are currently accounted for in Union's regulated utility operations.

15 28. Union is the sole purchaser of storage capacity from the Tipperary Storage Pools and
16 directly assigns the cost of this storage capacity to its unregulated storage operations.

17 29. Upon completion of the Proposed Acquisition, a number of accounting changes will be
18 undertaken to ensure that Union's utility customers are not impacted.

30. The current M16 transportation contract between Union and Tipperary LP will be terminated. An equivalent amount of revenue that was generated from the M16 transportation contract will be added to Union's regulated transportation revenues on an annual basis.

31. All direct costs of operating and maintaining the Tipperary Storage Pools will be allocated to Union's unregulated storage operation. Operating and maintenance allocation factors will be reviewed and updated upon wind-up and dissolution. This approach is consistent with Union's O&M cost allocation methodology as described in EB-2013-0365 at Exhibit A, Tab 2, pages 6-9.

32. Upon completion of the Proposed Acquisition, Tipperary LP's assets will be transferred into Union's asset management system. These assets will be identified as unregulated and will be excluded from Union's utility rate base. The two general plant allocation factors (vehicle and heavy work equipment; and all other general plant) will be updated to reflect the incremental unregulated storage assets and the updated Storage & Transmission factor. These allocation factors are described in EB-2013-0365 at Exhibit A, Tab 2, pages 12 - 13.

33. Based on the foregoing, it is Union's submission that the Proposed Acquisition will not have any adverse impacts on Union's ratepayers.

(b) Rational Development, Safe Operation and Financial Viability of Gas Storage

34. In EB-2007-0837, the Board explained that the scope of its public interest review under s. 43(2)(a) of the Act is defined by objectives 4 and 5.1 in s. 2 of the Act, which set out the

responsibilities of the Board in relation to gas storage. These objectives are to facilitate the rational development and safe operation of gas storage, and to facilitate maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.

35. In applying this test in EB-2007-0837, the Board noted that it had previously found in its Natural Gas Electricity Interface Review (“NGEIR”) that Union does not have a dominant position in the marketplace and that the storage market is workably competitive. Accordingly, in its Decision and Order approving Union’s initial acquisition of 75% of Tipperary GP and 75% of Tipperary LP, the Board states:

Given Union’s market position, and the small size of the Tipperary Storage Pools, the current proposal does not have an adverse impact on storage competition.

Further, it is consistent with the objectives of rational storage development and a financially viable industry that projects be completed, and the Board finds that this proposal, through the additional infusion of capital, facilitates the completion of the Tipperary project.¹

In the present application, the Proposed Acquisition will similarly have no adverse impact on competition, or on the rational development and safe operation of gas storage, or on the financial viability of the gas storage industry. Union will continue to operate the Tipperary Storage Pools in compliance with applicable regulations and codes. Moreover, there have been no material changes to Union or in the gas storage industry more generally that would reasonably cause the Board to alter its determination in the NGEIR proceeding, and confirmed in EB-2007-0837, that Union does not have a dominant position in the marketplace and that the storage market is workably competitive. The Board’s findings in EB-2007-0837 as to the immaterial size of the

¹ Ontario Energy Board, Decision and Order re Union Gas (EB-2007-0837), December 24, 2007, p. 4.

1 Tipperary Storage Pools remains relevant. In addition, it is notable that whereas in EB-2007-
2 0837 the Board considered the acquisition by Union of a 75% interest in the Tipperary entities,
3 in the present application Union is only seeking leave to acquire the remaining interests in these
4 entities of approximately 25%.

5 **Consultation with Landowners**

6 36. In order to address any potential landowner questions or concerns regarding the Proposed
7 Acquisition that may arise, Union has contacted the executive of the Tipperary Storage
8 Landowners Association (“TSLA”) and has attempted to contact all the landowners, within
9 the Tipperary Storage Pools to advise them of the Proposed Acquisition and to answer any
10 questions regarding the transaction.

11 37. Union has advised the landowners and TSLA that Union will honour all agreements
12 between them and Tipperary LP regarding all matters concerning the Tipperary Storage
13 Pools, including all financial commitments made by Tipperary LP. During this consultation
14 process no significant issues were identified.

15 38. Union intends to notify all affected landowners with existing roadway agreements and
16 surface lease agreements of the transfer and that Union will honour all commitments.

17 39. Union also intends to notify all affected landowners with existing facilities necessary for the
18 operation of the Tipperary Storage Pools of the transfer and that Union will honour all
19 commitments.

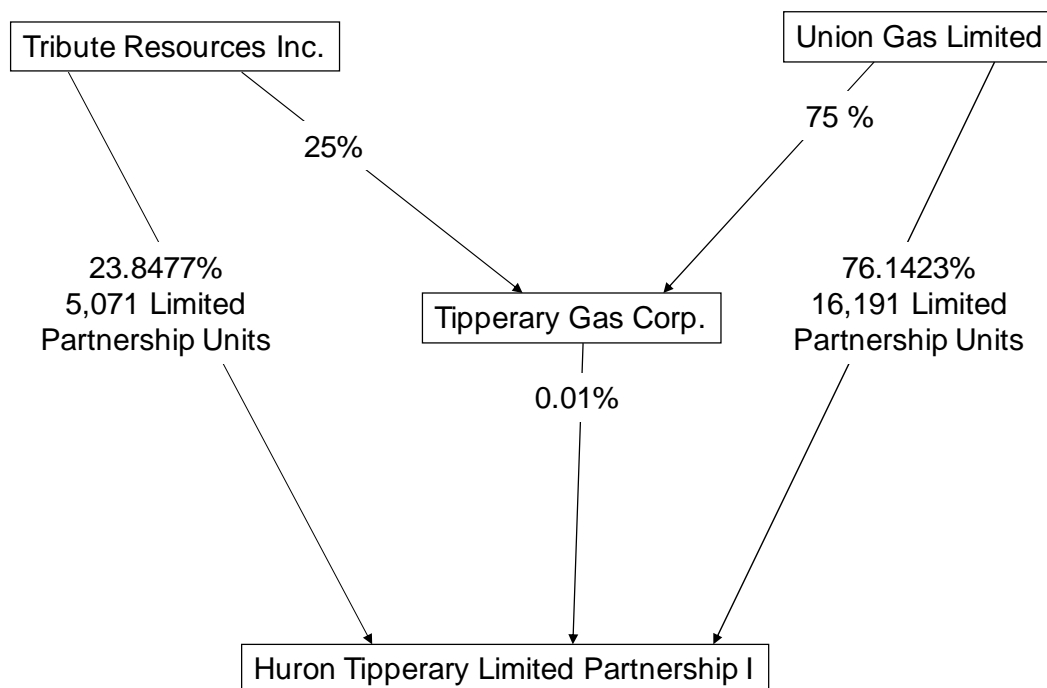
1 40. Union will continue to have a land agent available to answer any questions or concerns any
2 landowners might have with the purchase or the continued operation of the Tipperary
3 Storage Pools.

4 **Well Drilling Licenses**

5 41. Union wishes to advise the Board that, upon completion of the Proposed Acquisition, in
6 accordance with Subsection 10.1(1) of the *Oil, Gas and Salt Resources Act*, Union will be
7 applying to the Ministry of Natural Resources for the transfer of all well licenses held by
8 Tipperary GP required for the operation of the Tipperary Storage Pools.

APPENDIX 'A' - CURRENT STRUCTURE

Huron Tipperary Limited Partnership I
Ownership Structure as at June 30, 2014



LEAVE TO TRANSFER BOARD ORDER IN EB-2006-0018/-0159/-0279

- 1 1. Tipperary GP is authorized to operate the Tipperary Storage Pools pursuant to the Board's
2 Decision with Reasons dated February 6, 2007 in the combined proceeding EB-2006-
3 0018/EB-2006-0159/EB-2006-0279. A copy of the Decision with Reasons, which includes
4 certain Conditions of Approval, is provided in **Appendix 'A'** to this Exhibit B, Tab 5,
5 Schedule 1.
- 6 2. On March 27, 2008, Union filed an application with the Board (EB-2008-0075) to vary two
7 of the Conditions of Approval from the February 6, 2007 Decision with Reasons in EB-
8 2006-0279. These conditions related to requirements for certain operating plans and
9 procedures for the Tipperary Storage Pools. On April 8, 2008, Tipperary GP adopted this
10 application as filed by Union. The Board issued its Decision and Order on the application
11 to vary the conditions in EB-2006-0159/EB-2006-0279 on July 2, 2008. A copy of this
12 Decision and Order is provided in **Appendix 'B'** to this Exhibit B, Tab 5, Schedule 1.
- 13 3. In its Decision and Order in EB-2008-0075, the Board exempted Tipperary GP from
14 having to meet the requirements set out in conditions of approval 1.1.2.1 and 1.1.2.2 in EB-
15 2006-0159/EB-2006-0279² so long as Union is the operator of the Tipperary Storage Pools;
16 and allowing Union to evidence compliance with these conditions by way of preparing and
17 filing a summary document, which it did on July 28, 2008. Since that time, Union has
18 continually operated the Tipperary Storage Pools in compliance with the terms of EB-

² The Board, at p. 8 in its Decision and Order in EB-2008-0075, erroneously refers to the relevant conditions as being "conditions 1.1.2.1 and 1.1.2.1 in Board's Order EB-2007-0159". The Decision and Order is otherwise clear that the relevant conditions are 1.1.2.1 and 1.1.2.2 of EB-2006-0159/EB-2006-0279.

1 2008-0075, and Union intends to continue to do so subsequent to completion of the
2 Proposed Acquisition.

3 4. As such, subject to the Board approving the Proposed Acquisition, Tipperary GP applies for
4 an order of the Board pursuant to Section 18(1) of the Act granting leave to transfer to
5 Union the Decision and Order of the Board in EB-2006-0018/-0159/-0279 in respect of the
6 injection, storage and removal of gas from a gas storage area (the “2006 Order”). Such
7 transfer should become effective upon completion of the Proposed Acquisition.

8 5. Alternatively, if the Board concludes that leave to transfer the 2006 Order is not required,
9 then the Applicants request that the Board confirm that, upon completion of the Proposed
10 Acquisition, Union will have all rights granted under the 2006 Order and will be subject to
11 all relevant conditions thereunder.

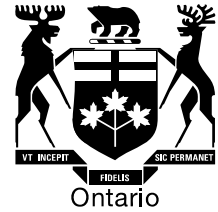
12 6. This alternative request is made based on a recognition that the nature of the Proposed
13 Acquisition and the subsequent wind-up and dissolution of Tipperary GP and Tipperary LP
14 may not actually require the 2006 Order to be transferred. In particular, the 2006 Order
15 was granted to Tipperary GP. As a result of the Proposed Acquisition, Union would
16 acquire 25% of the voting securities of Tipperary GP. This transaction would not trigger
17 the need for the 2006 Order to be transferred. Moreover, as a result of the subsequent
18 wind-up and dissolution, the rights and obligations of each of the wound-up and dissolved
19 entities will become Union’s. As such, if the Board agrees that leave to transfer the 2006
20 Order pursuant to s. 18(1) of the Act is not necessary, the Applicants nevertheless request
21 that the Board confirm that, upon completion of the Proposed Acquisition, Union will have

1 all rights granted under the 2006 Order and will be subject to all relevant conditions
2 thereunder.

APPENDIX 'A'

DECISION WITH REASONS OF THE ONTARIO ENERGY BOARD

(EB-2006-0018/-0159/-0279)



EB-2006-0018
EB-2006-0159
EB-2006-0279

IN THE MATTER OF the *Ontario Energy Board Act, 1998* S.O. 1998, C.15 (Schedule B);

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order granting leave to drill three wells in the Tipperary designated storage area.

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an extension of the order authorizing the injection of gas into, storage of gas in, and removal of gas from a gas storage area;

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order granting leave to drill three wells for which the licences expired in the Tipperary designated storage area.

BEFORE: Paul Sommerville
Presiding Member

Pamela Nowina
Member and Vice Chair

Ken Quesnelle
Member

DECISION WITH REASONS

February 6, 2007

1. EXECUTIVE SUMMARY

In this Decision with Reasons the Board approved three applications by Tipperary Gas Corp.

The first approval extends the time for the commissioning of the storage business at the Tipperary designated storage area in Huron County. The Board's earlier approval lapsed on December 31, 2006. The new authorization gives Tipperary until June, 2008 to operationalize the storage business at the site.

The other two applications were references from the Ontario Ministry of Natural Resources respecting well drilling licences for drilling activities at the Huron County site. The Board will recommend to the Ontario Ministry of Natural Resources that these licences be issued. The Minister of Natural Resources issues the respective drilling licences according to the Board's recommendations.

Each of the approvals granted by the Board were subject to a set of conditions respecting environmental, safety, and reporting and monitoring requirements. The conditions also require Tipperary to procure and maintain appropriate insurance coverage for its activities. These conditions acknowledged and engaged the particular expertise of the Ministry of Natural Resources in ensuring that appropriate practices are followed in the development and operation of the designated storage area.

STATUTORY AND REGULATORY FRAMEWORK

OEB Role - Authorization to Operate Storage Pool

Pursuant to section 38(1) of the Ontario Energy Board Act, 1998 (the OEB Act) the Ontario Energy Board (the "Board") can issue an order for authorization to inject gas into, store gas in and remove gas from a designated storage area. Section 38(1) of the Act reads:

Authority to store

38. (1) The Board by order may authorize a person to inject gas into, store gas in and remove gas from a designated gas storage area, and to enter into and upon the land in the area and use the land for that purpose. 1998, c. 15, Sched. B, s. 38 (1).

Referral of Application to Drill Well

Under section 40 of the Act upon referral by the Ministry of Natural Resources ("MNR") of an application to drill a well in a designated storage area the Board can issue a report to the Minister of Natural Resources (the "Minister") regarding approval of the application. The report of the Board is binding to the Minister and if this is a favorable report recommending that the application be granted, the MNR would issue a licence to drill a well. Section 40 of the Act states:

"Referral to Board of application for well licence

40. (1) The Minister of Natural Resources shall refer to the Board every application for the granting of a licence relating to a well in a designated gas storage area, and the Board shall report to the Minister of Natural Resources on it. 1998, c. 15, Sched. B, s. 40 (1).

Hearing

(2) The Board may hold a hearing before reporting to the Minister if the Applicant does not have authority to store gas in the area or, in the Board's opinion, the special circumstances of the case require a hearing. 1998, c. 15, Sched. B, s. 40 (2).

Copy of report to be sent to parties

(3) The Board shall send to each of the parties a copy of its report to the Minister made under subsection (1) within 10 days after submitting it to the Minister and such report shall be deemed to be an order of the Board within the meaning of section 34. 1998, c. 15, Sched. B, s. 40 (3).

Minister's decision

(4) The Minister of Natural Resources shall grant or refuse to grant the licence in accordance with the report. 1998, c. 15, Sched. B, s. 40 (4). "

License to Drill, Operate, Decommission Storage Wells

In addition to the role of the MNR defined by section 40 of the OEBA, MNR's authority regarding licences for drilling, operation and other activities related to wells is set out in the Oil, Salt and Gas Resources Act (OSGRA) as follows:

10. (1) No person shall drill, operate, deepen, alter or enter a well, or engage in any other activity on or in a well, except in accordance with a licence. 1996, c. 30, s. 64.

OSGRA definition of well includes production wells, storage wells and other wells.

Under OSGRA, Ontario Regulation 245/97 "*Exploration, Drilling and Production*" ("Regulation 245") specifies requirements for the well licences in more details. Section 3 (1) of the Regulation 245 sets the terms for expiration of a well licence as follows:

3. (1) A well licence expires on the first anniversary of its date of issue, if the well was not spudded before that date.

(2) The authority to drill that is granted in a well licence terminates on the earlier of,

(a) the TD date of the well; and

(b) the first anniversary of the date of issue of the licence.

(3) The authority to deepen a well that is granted in an amended well licence terminates on the earlier of,

(a) the TD date of the drilling to deepen the well; and

(b) the date specified as a condition on the amended well licence.

Section 4 of Regulation 245 requires that the holder of the licence notify the Minister of Natural resources of any change in the drilling program. Changes require approval of the Minister. Section 5 of Regulation 245 requires payment of an annual fee and the filing of an Annual Well Status Report by February 15 of each year.

MNR's Role in the Technical and Safety Aspects of the Operation of Storage Pool

In Ontario, CSA Z341 "Storage of Hydrocarbons in Underground Formations" ("CSA Z341") and Gas and Salt Resources of Ontario, Provincial Operating Standards,

Version 2.0 (the “Provincial Standards”) provide a comprehensive framework for the MNR to oversee the technical and safety aspects of storage pool development and operation. MNR is responsible for ensuring that the Provincial Standards including operation of wells, well plugging, and reporting and monitoring of various stages of storage operations are implemented by storage operators.

APPLICATIONS AND PROCEEDINGS

BACKGROUND

On October 25, 2004, the Ontario Energy Board (the “Board”) granted an application by Tribute Resources Inc. (“Tribute” or the “Applicant”) and Tipperary Gas Corp. (“Tipperary” or the “Applicant”) for an order designating the Tipperary Storage Area as a gas storage area, pursuant to s. 36.1 of the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Schedule B) (the “Act”) (RP-2003-0253/EB-2003-0314). The Tipperary Storage Area is located in the Township of Central Huron, Ontario. The Tipperary Storage Area consists of the North Pool and the South Pool. The operation of the Tipperary Storage Area has not commenced.

On October 25, 2004, the Board issued a favorable report to the Minister of Natural Resources (RP-2003-0253/EB-2003-0316) recommending approval of applications for licences to drill three horizontal wells, within the North Pool of the Tipperary Designated Storage Area, namely:

- Tribute et al # 22 (Horiz. #1), Goderich 2-39-IX; this is the main horizontal;
- Tribute et al # 22 (Horiz. #1-Lat.#1), Goderich 2-39-IX; this is the first horizontal lateral;
- Tribute et al # 22 (Horiz. #1-Lat.#2), Goderich 2-39-IX; this is the second horizontal lateral.

On April 19, 2005 the Board issued a supplementary report which dealt with revised applications to drill the three Tribute et al # 22 wells that were subject to the favourable report dated October 25, 2004. The only revision to the applications was a change in the name of the Applicant-operator of the wells Tribute et al # 22, from Clearwood Resources Inc. to Tipperary Gas Corp. All the conditions attached to the original report remained the same.

On May 24, 2005 drilling licences for the three wells Tribute et al # 22 were issued by the Ministry of Natural Resources ("MNR") in accordance with the Board's recommendations in the reports RP-2003-0253/EB-2003-0316. Those drilling licenses expired on May 24, 2006.

On June 17, 2005 the Board issued an Order granting the authority to inject, store, and withdraw gas from the Tipperary Designated Storage Area (RP-2003-0253/EB-2003-0315), subject to certain terms and conditions ("Order to Operate"). One of those conditions, Condition 1.7 provided as follows:

1.7. Should Tipperary fail to inject sufficient gas to achieve a reservoir pressure of 320 psig (2,200 kPa) before December 31, 2006, Tipperary shall be required to apply to the Board for an extension of the authority granted under the Board's Order and will be required to submit evidence to show why such an extension shall be granted.

The Application for Licences to Drill New Wells in the South Pool

By letter dated January 25, 2006, the Ministry of Natural Resources, Petroleum Resources Centre ("MNR"), referred to the Board, pursuant to section 40 of the Act, an application by Tipperary Gas Corp. ("Tipperary" or the "Applicant") for licences to drill one horizontal well and two lateral legs to be drilled off the proposed horizontal well in the South Field of the Tipperary Storage Area. The Board has assigned this application Board File No. EB-2006-0018.

In proceeding EB-2006-0018 the Applicant is seeking licences to drill the following horizontal well and two lateral legs:

- Tribute et al #23 (Horiz.#1), Goderich 2-39-IX
- Tribute et al #23 (Horiz.#1-Lat.#1), Goderich 2-39-IX
- Tribute et al #23 (Horiz.#1-Lat.#2), Goderich 2-39-IX

The Board issued a Notice of Application (the "Notice") on March 9, 2006 and a revised Notice on May 3, 2006. The Applicant served and published the revised Notice as directed by the Board. On June 19, 2006 the Board issued Procedural Order No. 1

setting the timeline for written interrogatories and Applicant's responses. The interrogatories and responses were filed as directed.

The Application to Extend the Time for the Commencement of Operation of the Tipperary Storage Area

On June 16, 2006, Tipperary requested that the Board:

- Extend the date in Condition 1.7 of the Board's Order – Authorization to Inject, Store and Remove Gas (RP-2003-0253/EB-2003-0315) from December 31, 2006 until December 31, 2007 and by a letter to the Board dated August 24, 2006 requested a further extension until June 30, 2008.
- Extend the time, provided for in its report to the MNR (RP-2003-0253/EB-2003-0316) regarding three expired drilling licences in the North Pool for 12 months, until April 30, 2007. The expired licences are for wells Tribute et al # 22 (Horiz #1), Trbute et al # 22 (Horiz #1-Lat #1) and Tribute et al # 22 (Horiz #1-Lat #2).

The Board assigned File No. EB-2006-0159 to these requests.

As previously noted, the licences for wells Tribute et al # 22 expired on May 24, 2006. The Applicant had not commenced drilling these wells prior to the licences' expiration.

The request by Tipperary that the Board extend the expired drilling licences raised specific procedural issues. The drilling licences were issued by the MNR on May 24, 2005 in accordance with the Board's earlier recommendation. Those drilling licenses expired on May 24, 2006. The Board, in its Procedural Order No. 3, issued on October 23, 2006 observed that it had no jurisdiction to consider the Applicant's request for an extension of these drilling licences. The Board can only consider licence applications in connection with a reference from the MNR.

Subsequently, on November 10, 2006, the Board received a reference from the MNR respecting applications for new drilling licences to drill Tribute et al # 22 (Horiz #1) well; Tribute et al # 22 (Horiz #1-Lat #1) well; and Tribute et al # 22 (Horiz #1-Lat #2) well.

The Board assigned this application Board File No. EB-2006-0279. By way of Procedural Order No. 4 issued on November 16, 2006 the Board, pursuant to section 21(5) of the Act, joined the proceeding EB-2006-0279 with already combined written EB-2006-0018 and EB-2006-0159 proceeding.

The Board decided to proceed by a way of written hearing.

Criteria for Board's review of the three applications in the joint proceeding are within the scope of issues that the Board would typically consider in reviewing the drilling licence application and storage pool operation applications by a non-regulated storage operator. The Board's review is focused on:

- the technical expertise and capability of the Applicants to safely drill the wells and operate the storage pool and to maintain the geological integrity of the designated storage pool;
- ensuring environmental protection of affected lands including subsurface water resources; and
- minimizing the adverse impact on affected landowners.

Intervenors and Observers

Intervenors in this proceeding are Ms. Marilyn R. Broadfoot, Mr. Lenus Yeo, the Tipperary Storage Landowners' Association (TSLA), Huron County Federation of Agriculture (HCFA), Northern Cross Energy Limited, Union Gas Limited ("Union"), the Ministry of Natural Resources and Market Hub Partners Canada L.P. ("MHP"). Observers are Selman Gas and Mr. Bill Gilmore.

BOARD FINDINGS

As noted above, the Applicant seeks three distinct approvals from the Board in this proceeding.

First, the Applicant seeks a new recommendation from the Board to the Minister of Natural Resources respecting a drilling license in the North Pool of the designated

storage pool (Tribute et al # 22). The license which had been issued by the Minister lapsed in May of 2006, and must be reissued if Tipperary is to proceed to drill wells in the North Pool.

The Board will recommend the reissuance of this license subject to conditions which appear in Appendix A to this decision. The conditions reflected in Appendix A are the same as those which were included with our original recommendation in RP-2003-0253/EB-2003-0314, with the addition of a requirement that obliges the Applicant to provide the monitoring Reports provided for in Section 4 to the Ministry of Natural Resources, as well as to the Board. This is a recognition that the oversight of the Ministry of Natural Resources of the drilling program and conformity with the other conditions is key. The Board has the jurisdiction and an obligation in appropriate circumstances to impose conditions on its recommendation. The Board relies on the technical resources of the MNR to monitor compliance or conformity with the very detailed and technical requirements of the various standards brought into play. Similarly, the Ministry of Natural Resources ensures that the subsurface investigation is performed according to prevailing standards within the well drilling and engineering communities.

Second, the Applicant seeks approval for a drilling license for drilling activities in the South Pool of the designated storage pool (Tribute et al #23).

The Board will recommend the issuance of these drilling licenses, subject to the conditions which appear in Appendix B to this application. These conditions are consistent with those included with the recommendation referenced above respecting the North Pool drilling program. As noted earlier in this Decision, the Board's consideration of these applications is focused on the ability of the Applicant to safely drill the wells and operate the storage pool in a manner that maintains the geological integrity of the storage pool, protects the environment, including the subsurface water resources and minimizes any adverse impacts on affected landowners.

The Board notes that no party objected to the issuance of the drilling licenses sought by the Applicant in these proceedings per se. Parties were concerned that the conditions attaching to the licenses and the authority to inject and withdraw gas were sufficient to

ensure that the drilling programs could be completed safely and in a manner that reasonably protected the interests of the affected landowners and the environment. The Board considers that the suite of conditions included with the respective approvals and recommendations are sufficient to reasonably ensure that the drilling programs, and the overall development of the Pool will be accomplished safely, and that our criteria for review of the applications are satisfied..

Landowners suggested, as one option, that the Board recommendations should require that the Applicant complete drilling in the North Pool before drilling in the South Pool is permitted. They suggested that this sequencing of drilling would allow the Applicant to demonstrate its competence to conduct the drilling activities safely in one pool before being authorized to progress to the drilling program in the other.

The Board considers that the various conditions governing the drilling program, together with the oversight of MNR, makes this staging of drilling operations unnecessary.

The third approval sought by the Applicant concerns an extension of time respecting the Applicant's authority to inject and withdraw natural gas from the designated storage pool. The Board's original authorization terminated in December 2006, and the Applicant seeks an extension to June, 2008.

This application raised more concerns than the other two.

In a letter dated June 13, 2006, by which Tipperary requested the extensions of the well drilling licences for wells Tribute et al. # 22 and the Order to Operate, the Applicant stated that it was unable to follow its original project schedule and in-service date for injection in 2006 due to adverse weather conditions in the winter 2005/2006 and unanticipated delays in acquiring permits required by the Ministry of Environment.

In a letter dated August 24, 2006 the Applicant provided additional explanation for well drilling and operation schedule delays. Tipperary discussed the difficulties it encountered in its efforts to comply with the Environmental Insurance Condition (Condition 1.1.1) which has to be fulfilled prior to commencement of construction. On July 17, 2006 Marsh Inc. completed an insurance study which was filed by the Applicant on July 26, 2006, in response to TSLA interrogatories.

Tipperary also described in more detail its expected timeline respecting the acquisition of a Noise and Air Emissions Certificate of Approval for the required compressor as required by the Ministry of Environment. This process was cited as another source of project delay.

Storage pools such as those involved in this application represent increasingly important elements in the development of competitive storage in the province of Ontario. A recent proceeding, EB-2005-0551, commonly referred to as “NGEIR”, resulted in a finding by the Board that sufficient competition exists in the natural gas storage business so as to allow the Board to forgo regulation of pricing.

The NGEIR decision also recognized the importance of the development of independent storage within Ontario by businesses exploiting the naturally occurring geological formations suitable for natural gas storage. The designated storage area to which this application applies is just such a facility.

The delay experienced by the Applicant in bringing the storage pool into service is concerning. Not only has this particular gas storage pool not become part of the competitive storage marketplace within the time frames contemplated, but limited pipeline resources have been taken out of play to accommodate a storage operation which has yet to materialize. The Applicant will connect to the market via an existing Union pipeline linked to Union’s integrated system. This existing Union pipeline would be used to full capacity, once the Tipperary storage pool is in operation. This issue was raised by Northern Cross, a prospective storage developer in the same area, in its viva voce testimony in the RP-2003-0253 Tribute proceeding in February, 2005. Tribute has essentially “locked up” the transportation capacity on this existing pipeline and Northern Cross, and any other independent storage operator wishing to locate on or near this pipeline would have to construct or invest in new pipeline to connect to the market.

The effect of our original authorization, and the inability of this Applicant to operationalize the storage pool according to its original timetable has been to freeze development of this gas storage pool and to unnecessarily constrain capacity on the natural gas distribution system.

It is important to the Board that approvals pursuant to section 38 will lead with reasonable dispatch to the development of the pools and their use within the overall competitive marketplace.

The Board is of the view that the state of the emerging independent storage market is and will remain of public interest. Transparency and predictability with regard to the service capacity of the independent storage market is enhanced when operators bring authorized storage pools into service in a timely fashion. For this reason, the Board considers approval conditions such as implementation deadlines to be desirable.

It is also true that the reasonable expectations of landowners with respect to compensation arising from the operation of the pools should not be unduly frustrated by operators who are either unable or unwilling to bring designated storage pools into safe, environmentally acceptable and commercial operation.

Having said that, the Board is aware that this operation is one of very few independent storage operations in Ontario at this time. As a small, independent operator this Applicant has been in uncharted waters and as noted, some of the regulatory underpinnings have themselves been in transition.

In light of the novelty of this undertaking the Board is prepared to grant the extension applied for, subject to revised conditions outlined below, with the firm expectation that the Applicant will bring the storage pool into service no later than the new deadline.

Accordingly the Board will extend its authorization to June 30, 2008.

The Board would be very concerned if the Applicant failed to execute the commissioning of the storage pool within this very generous new time frame.

This extension will be subject to conditions that are substantially similar to those which attached to our original authorization, with some significant enhancements. These conditions appear as Appendix C to this decision.

The significant differences involve a more explicit recognition of the pivotal role played by the Ministry of Natural Resources in the regulatory oversight of the development of the operation.

The Parties have been unable to agree on the appropriate form and content of the required Subsurface study.

Accordingly, Condition 1.1.1 will now require the Applicant to file a Subsurface Study consistent with Section 7.1 of CSA Standard Z 341.1-02, which is acceptable to the Ministry of Natural Resources, no less than 90 days prior to the planned commencement of operation of the pool.

Similarly, Conditions 1.1.2 et seq will require the Applicant to conduct the requisite tests and activities in a manner acceptable to the MNR. In this way, the Board can have confidence that the safety and environmental acceptability of the operation can be assured. It should be noted that the evidence discloses that MNR regards the Applicant's plans with respect to the protection of water supplies to be adequate to their purpose.

Condition 1.8, regarding insurance coverage, was the subject of considerable controversy.

In its Argument-in-Chief, dated November 3, 2006, the Applicant summarized the key features of the Marsh Study and committed to procuring the following coverage before commencement of construction operations to use Tipperary Designated Storage Area ("DSA") for storage:

- \$20 million coverage per occurrence for general liability for both construction and operational phase of the project;
- \$ 20 million coverage per occurrence for Sudden and Accidental Pollution for both construction and operational phase;
- \$ 5 million coverage per occurrence for Seepage and Pollution, Cleanup and Contamination for both construction and operational phase.

The Landowner intervenors expressed concern that the proposed insurance coverage did not make adequate provision for the potential for damage to livestock, and the resulting financial losses to farm operators.

As noted above, the Board has provided for a series of conditions which are directed to the safe and environmentally responsible development of the wells. These conditions have been enhanced to the extent that the activities described within them must be conducted to the satisfaction of the MNR. We also note that the MNR considers the proposed drilling plans of the Applicant as disclosed in its filings to be reasonable and appropriate.

The Board notes that the insurance coverage proposed by the Applicant, which derives directly from the Marsh study, provides for \$20 million in coverage respecting damage to property occasioned during the well construction and operations phases of the enterprise. While the Board accepts the proposed amount of coverage, the Board directs the Applicant to ensure that the coverage purchased includes damage to livestock and the resulting financial losses associated therewith. Accordingly, the Board finds that the insurance coverage proposed by the Applicant would meet the Board's condition 1.8, provided of course that it is actually procured prior to the operation of the pool and maintained for as long as the pool is in operation.

The Board will address the subject of costs in a separate decision.

DATED at Toronto February 6, 2007

Signed on behalf of the Panel

Original signed by

Paul Sommerville
Presiding Member

Appendix A

To Decision with Reasons

Conditions to the Licence to Drill a Well: Tribute #22 et al

EB-2006-0279

**Tipperary Gas Corp.
Tipperary Pool Development Project**

Conditions of Approval

1. General Requirements

- 1.1 Tipperary gas corp. ("Tipperary") shall adhere to the evidence and the undertakings provided in this proceeding and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.
- 1.2 Authorization for the issuance of the drilling licence is limited to twelve months from the date of the board's report to the ministry of natural resources.
- 1.3 The authority granted under this order to Tipperary is not transferable to another party without leave of the board.

2. Just and Equitable Compensation

- 2.1 Tipperary shall offer to pay landowners and/or tenants just and equitable compensation for any damages, including present and future crop damage

arising from: drilling of injection/withdrawal wells; installation of gathering pipelines; and access road construction.

3. Construction Requirements

- 3.1 Tipperary shall construct the facilities and restore the land in accordance with its Application and evidence filed in this proceeding and the undertakings given to the Board, except as modified by this Order and these Conditions of Approval.
- 3.2 Tipperary shall ensure that the movement of equipment is carried out in compliance with all procedures and plans filed with the Board, and as follows:
 - i) Tipperary shall make reasonable efforts to keep any affected landowner, as well as adjacent landowners and their respective tenant farmers, or their designated representatives, informed of its plans and construction activities; and
 - ii) the installation of facilities and construction shall be coordinated so as to minimize disruption of agricultural land and agricultural activities.
- 3.3 Tipperary shall, subject to the recommendation of an independent tile contractor and subject to the landowners' approval, construct upstream and downstream drainage headers adjacent to the drilling area and access roads that cross existing systematic drainage tiles, prior to the delivery of heavy equipment, so that continual drainage will be maintained.
- 3.4 Tipperary shall implement all the recommendations of the Storage Pool Environmental Management Plan filed at Tab 6 of the pre-filed evidence.

4 Monitoring and Reporting Requirements

- 4.1 Both during and after construction, Tipperary shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board and the Ministry of Natural Resources. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Tipperary shall attach a log of all comments and complaints to the interim and

final monitoring reports. The log shall record the times of all comments and complaints received, the substance of each comment and complaint, the actions taken in response, and the reasons underlying such actions.

- 4.2 The interim monitoring report shall confirm Tipperary's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 4.3 The final monitoring report shall describe the condition of the rehabilitated land and the effectiveness of the mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

5 Other Requirements

- 5.1 For the purposes of these conditions conformity of the Applicant with CSA 341.1-02 shall be to the satisfaction of the Ministry of Natural Resources.
- 5.2 Tipperary shall designate one of its employees as project manager who will be responsible for the fulfilment of these conditions, and shall provide the employee's name to the Ministry of Natural Resources, the Board and to all appropriate landowners.
- 5.3 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Facilities.

Appendix B

To Decision with Reasons

Conditions to Licence to Drill Wells: Tribute #23 et al

EB-2006-0018

Tipperary Gas Corp.

Tipperary Pool Development Project

Conditions of Approval

1 General Requirements

1.1 Tipperary gas corp. ("Tipperary") shall adhere to the evidence and the undertakings provided in this proceeding and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.

1.2 Authorization for the issuance of the drilling licence is limited to twelve months from the date of the board's report to the ministry of natural resources.

1.3 The authority granted under this order to Tipperary is not transferable to another party without leave of the board.

2 Just and Equitable Compensation

- 2.1 Tipperary shall offer to pay landowners and/or tenants just and equitable compensation for any damages, including present and future crop damage arising from: drilling of injection/withdrawal wells; installation of gathering pipelines; and access road construction.

3 Construction Requirements

- 3.1 Tipperary shall construct the facilities and restore the land in accordance with its Application and evidence filed in this proceeding and the undertakings given to the Board, except as modified by this Order and these Conditions of Approval.
- 3.2 Tipperary shall ensure that the movement of equipment is carried out in compliance with all procedures and plans filed with the Board, and as follows:
- i) Tipperary shall make reasonable efforts to keep any affected landowner, as well as adjacent landowners and their respective tenant farmers, or their designated representatives, informed of its plans and construction activities; and
 - ii) the installation of facilities and construction shall be coordinated so as to minimize disruption of agricultural land and agricultural activities.
- 3.3 Tipperary shall, subject to the recommendation of an independent tile contractor and subject to the landowners' approval, construct upstream and downstream drainage headers adjacent to the drilling area and access roads that cross existing systematic drainage tiles, prior to the delivery of heavy equipment, so that continual drainage will be maintained.
- 3.4 Tipperary shall implement all the recommendations of the Storage Pool Environmental Management Plan filed at Tab 6 of the pre-filed evidence.

4 Monitoring and Reporting Requirements

- 4.1 Both during and after construction, Tipperary shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board and the Ministry of Natural Resources. The interim monitoring report shall be filed within six months of the in-service date, and the

final monitoring report shall be filed within fifteen months of the in-service date. Tipperary shall attach a log of all comments and complaints to the interim and final monitoring reports. The log shall record the times of all comments and complaints received, the substance of each comment and complaint, the actions taken in response, and the reasons underlying such actions.

- 4.2 The interim monitoring report shall confirm Tipperary's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 4.3 The final monitoring report shall describe the condition of the rehabilitated land and the effectiveness of the mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

5 Other Requirements

- 5.1 For the purposes of these conditions conformity of the Applicant with CSA 341.1-02 shall be to the satisfaction of the Ministry of Natural Resources.
- 5.2 Tipperary shall designate one of its employees as project manager who will be responsible for the fulfilment of these conditions, and shall provide the employee's name to the Ministry of Natural Resources, the Board and to all appropriate landowners.
- 5.3 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Facilities.

Appendix C

To Decision with Reasons

Conditions to Extension of Order to Inject, Store and Withdraw Gas

EB-2006-0159

Tipperary Pool Development Project

Conditions of Approval

1. Operation of the Tipperary Pool

- 1.1 Tipperary Gas Corp. ("Tipperary") shall perform in accordance with the evidence filed with the Board and the undertakings given to the Board, and shall comply with all applicable laws, regulations and codes to the satisfaction of the responsible agency pertaining to the construction, operation and maintenance of the proposed project and, without limiting the generality of the foregoing, Tipperary shall comply with the following specific requirements:
 - 1.1.1 Prior to commencement of any injection, storage or withdrawal operations, Tipperary shall conduct and file with the Board, the Ministry of Natural Resources and all Parties to these proceedings, a thorough evaluation of all subsurface activities and their potential impact on the integrity of the storage facility as required by Section 7.1 of CSA Z341.1-02, including assessment of:
 - a) existing or abandoned wells within 1km of the subsurface perimeter of the storage zone, including activities within those wells, such as fracture treatments;
 - b) existing operations within 5km radius of the proposed storage scheme,

including operation, and minimum and maximum operating pressures; and

- c) for any existing wellbore penetrating the storage zone, the integrity of the well, including casing inspections, cement inspections, and hydraulic isolation of the storage zone from any overlying porous zones;. provided that, should such evaluation identify any risk and / or specify necessary remedial work, Tipperary agrees to implement, complete, and maintain such works prior to commencement of any injection, storage, or withdrawal;
- d) Tipperary shall file the Subsurface Assessment with the Board and the Ministry of Natural Resources at least 90 days prior to the commencement of operation of the pool.

1.1.2 Prior to commencement of any injection, storage or withdrawal operations, Tipperary shall complete and file with the Board, the Ministry of Natural Resources, and all Parties to these proceedings, the following plans and procedures as required by CSA 341.1-02:

1.1.2.1 Operations and Maintenance Procedures (s 10.1.1)

1.1.2.2 Emergency Response Plan (s. 10.1.2)

and thereafter comply with any and all on-going obligations as required in respect of such procedures and plans pursuant to CSA Z341.1-02 or any successor version thereto.

1.1.3 Tipperary shall implement and comply with the schedule for pressuring of the designated storage area facility (delta pressuring) as set out in the pre-filed evidence.

1.1.4 Tipperary shall comply with the revised Proposed Reservoir Monitoring Program as set in the pre-filed evidence.

1.2. Tipperary shall design, construct, operate, maintain and abandon the wells and facilities in accordance with the CSA Z341 Storage of Hydrocarbons in Underground Formations and in accordance with the Oil, Gas and Salt Resources Act and its regulations and operating standards.

1.3. Tipperary shall protect the integrity of the reservoir and ensure the safe operation of the Tipperary Pool by complying with the requirements of the Provincial Operating Standard, CSA Standard Z341 and any other applicable laws, regulations and codes.

1.4. Tipperary shall advise the Board's designated representative of any proposed material change or abnormal events in construction or restoration procedures

that are reported to authorities. In the event of an emergency, the Board shall be informed immediately after the fact.

- 1.5. Tipperary shall not operate the Tipperary Pool above a maximum allowed operating pressure representing a pressure gradient of 15.8 kPa/m. Tipperary shall operate the Tipperary Pool at a pressure not greater than the discovery pressure 400 psig (2,750kPag), until the conditions of section 7.5.2. of CSA Z341 are satisfied and without the leave of the Board.
- 1.6 Tipperary shall ensure that the construction, operation and maintenance of the Tipperary Pool does not affect the quality or supply of potable water. Tipperary shall conduct a water well test prior to and after the first cycle of gas storage and implement a Water Well Monitoring Program using the baseline water quality data provided in the evidence and in accordance with paragraph 1.6.1 below. In the event that the quality of the potable water is impacted by the construction, operation and maintenance of the Tipperary Pool, Tipperary shall provide adequate fresh water supplies to all affected landowners until the problem is rectified.
 - 1.6.1 Tipperary shall, at Tipperary's sole expense, conduct water tests:
 - (a) in accordance with the procedures and protocols mandated by Stantec; and
 - (b) on water from each well in the DSA that was tested by Stantec in the spring of 2004; and
 - (c) using tests conducted by individuals qualified to conduct such tests on samples of water collected by individuals qualified in the Province of Ontario to collect water samples; and
 - (d) that provide analyses identical to the analyses conducted on the water samples taken by Stantec in the spring of 2004 within the DSA at the following times:
 - (i) before spudding each vertical well to be drilled by Tipperary in the DSA, and
 - (ii) during the drilling of the intermediate string of each vertical well, and
 - (iii) within sixty (60) days of the completion of each such vertical well by Tipperary in the DSA, and
 - (iv) annually in each of the five (5) years following the year in which Tipperary first injects gas into the geological

reservoirs, or either of them, in the DSA (the "post first year injection tests")

provided that it is understood and agreed that:

- A. Tipperary shall forthwith and in any event within 45 days of receipt thereof by Tipperary, deliver to TSLA and to each of its members, full and complete copies of the water test results.
 - B. With reference to the post first year injection tests, Tipperary shall:
 - notify TSLA in writing when the gas injection cycle for each such year is complete, and
 - 1. retain the services of a qualified water sampler and instruct the sampler to schedule the collection of water samples during the month requested in writing by TSLA, and
 - 2. instruct the qualified water sampler to notify each member of the TSLA not less than 48 hours of his intention to attend and take samples of water from that member's well.
- 1.7. Should Tipperary fail to inject sufficient gas to achieve a reservoir pressure of 320 psig (2,200 kPa) before June 30, 2008. Tipperary shall be required to apply to the Board for an extension of the authority granted under the Board's Order and will be required to submit evidence to show why such an extension shall be granted.
- 1.8 Tipperary shall, after the date on which the OEB grants an order pursuant to Section 38(1) of the OEB Act and before commencement of drilling operations or pipeline construction to use the DSA for storage and thereafter while the DSA or any part thereof is being used for storage operations, obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage, in the amount that is determined by an independent party with expertise in adequacy of insurance coverage for environmental and other risks and potential impacts of gas storage operations in southwestern Ontario. Tipperary shall select and retain an independent expert from a list of experts that is prepared by the Board and placed on public file.

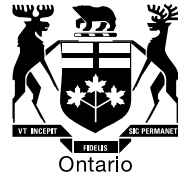
2. Other

- 2.1 For the purposes of these conditions conformity of the Applicant with CSA 341.1-02, the Oil, Gas and Salt Resources Act, and the Provincial Operating Standard shall be to the satisfaction of the Ministry of Natural Resources.
- 2.2. The authority granted under this Order to Tipperary is not transferable to another party, without leave of the Board.
- 2.3. The Board's designated representative for the purpose of these conditions shall be the Manager, Facilities.

APPENDIX 'B'

DECISION AND ORDER OF THE ONTARIO ENERGY BOARD

(EB-2008-0075)



EB-2008-0075

IN THE MATTER OF the *Ontario Energy Board Act* 1998,
S.O.1998, c.15;

AND IN THE MATTER OF application by Union Gas Limited
and Tipperary Gas Corp. for an order to vary certain
conditions of Board's Order EB-2007-0159.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Sommerville
Member

DECISION AND ORDER

By letter dated March 27, 2008, Union Gas Limited ("Union") requested that the Board vary two of the Conditions of Approval related to certain operating plans and procedures (the "Conditions") set out in the Decision with Reasons (EB-2006-0018/EB-2006-0159/EB-2006-0279) which was issued to Tipperary Gas Corp. ("Tipperary GP") on February 6, 2007.

In a separate proceeding, on December 24, 2007 the Board approved Union's proposal to acquire 75% voting securities of Tipperary GP pursuant to section 43(2)(a) of the *Ontario Energy Board Act* (the "Act") (EB-2007-0837). Tipperary GP is the general partner of Huron Tipperary Limited Partnership I ("Tipperary LP"), which owns the storage rights to land and facilities in the Tipperary North and South Storage Pools located in the Township of Goderich (the "Storage Pools"). Tipperary GP is a storage company as defined in the Act. Tipperary GP will remain the sole general partner under this arrangement.

On April 8, 2008, Tipperary GP and Union (the “Applicants”) confirmed by a joint letter to the Board that Tipperary GP adopted the application filed by Union on March 27, 2008 and requested that the Board treat it as a joint application.

The Application

The Conditions which are the subject of this Application are as follows:

1.1.2 Prior to commencement of any injection, storage or withdrawal operations, Tipperary shall complete and file with the Board, the Ministry of Natural Resources, and all Parties to these proceedings, the following plans and procedures as required by CSA 341.1-02:

1.1.2.1 Operations and Maintenance Procedures (s. 10.1.1)

*1.1.2.2 Emergency Response Plan (s. 10.1.2)
and thereafter comply with any and all on-going obligations as required in respect of such procedures and plans pursuant to CSA Z341.1-02 or any successor version thereto.*

The Applicants requested the Board’s approval in allowing Union to utilize its existing Operations and Maintenance Procedures (“O&M Procedures”) and Emergency Response Plan (“ERP”) as the operator of the Storage Pools.

The Applicants also requested an interim order permitting Union to operate the Storage Pools in the same manner and pursuant to the same procedures and emergency response practices governing Union’s operation of the other 19 storage pools in Ontario it controls, until such time as the Board can make a final determination on the request to vary the Conditions

Status of the Operation of the Storage Pools

Tipperary GP is authorized by Board Orders (EB-2006-0018/EB-2006-0159/EB-2006-0279) to operate the Storage Pools and it holds Well Licences issued by the Ministry of Natural Resource to operate the Storage Pools.

The Board's Decision with Reasons EB-2007-0837 required that all of the conditions attached to the Board Orders EB-2006-0018/EB-2006-0159/EB-2006-0279 are to be implemented by Tipperary GP even though it has contracted out the day to day operation of the Storage Pools to Union.

On April 16, 2008 by way of Procedural and Interim Order No. 1 ("Procedural Order") the Board granted a permit to Union and Tipperary GP for the commencement of the operation of the Storage Pools by Union in the manner Union operates 19 other storage pools in Ontario, until such time as the Board makes a final determination on the Application.

On April 21, 2008 Union on behalf of Union and Tipperary GP asked the Board for leave to operate the Storage Pools as per Condition 1.5 of the Board's Order to Inject, Store and Withdraw Gas from Storage Area (EB-2006-0159).

The Condition reads as follows:

- 1.5. Tipperary shall not operate the Tipperary Pool above a maximum allowed operating pressure representing a pressure gradient of 15.8 kPa/m. Tipperary shall operate the Tipperary Pool at a pressure not greater than the discovery pressure 400 psig (2,750kPag), until the conditions of section 7.5.2. of CSA Z341 are satisfied and without the leave of the Board.*

On May 1, 2008 the Board issued a letter to Union and Tipperary GP confirming that the requirements of section 7.5.2. of the CSA Z341 have been satisfied by Tipperary GP and that the Board was satisfied that the Storage Pools could be operated above discovery pressure.

Proceeding

All of the registered intervenors in the proceedings EB-2006-0018/EB-2006-0159/EB-2006-0279 and EB-2007-0837 were defined as Parties in this proceeding.

The Procedural Order set a schedule for all Parties to make written submissions to comment on, support or oppose the Application and for the Applicants to respond to any written submissions by the Parties.

The Procedural Order also directed Union and Tipperary GP to immediately send a joint letter to all the Parties, Ministry of Natural Resources and the landowners indicating that Union would be the operator of the Storage Pools and that it would apply Union's ERP and O & M Procedures in operating the Storage Pools.

Written submissions were received from the MNR; Tipperary Storage Landowners Association ("TSLA"); Mr. Lenus Yeo; Ms. Marilyn R. Broadfoot; and Huron County Federation of Agriculture ("HCFA"). On May 1, 2008 the Applicants filed reply submissions.

The Applicants Position

The Applicants submitted the following grounds for approving the request to vary the Conditions:

- The Conditions were imposed on Tipperary GP as it did not have any proven experience in operating a storage pool.
- Union has extensive experience and a good record in the development and operation of storage pools.
- Union has an existing ERP and O & M Procedures for its 19 storage pools. None of the 19 storage pools operated by Union are subject to the Conditions imposed on Tipperary GP.
- Union has committed to make available for review to the affected landowners its ERP. Union noted that, as a rule, emergency response plans are not made public as this may compromise the purpose of emergency response plans.
- Union's O & M Procedures are commercially sensitive materials and it is not appropriate to make them publicly available.

Position of the Ministry of Natural Resources

The MNR submitted that the O & M Procedures and the ERP should be completed for the Tipperary Storage Pool.

The MNR noted that CSA Z341 requires that operation, maintenance and ERP be completed for the storage of hydrocarbons in underground formations. Such procedures are particularly important in this situation because the Tipperary Pool is not typical of Union's other storage pools: its discovery pressure was 425 psia and the proposed operating pressure is 1096 psia; this represents a 250% increase in pressure. For the above reasons the MNR submitted that O & M Procedures and an ERP are necessary to address public safety, environmental and resource management concerns.

Recognizing Union's position with respect to commercial and confidentiality concerns, the MNR proposed that a summary of the procedures and the ERP be filed with the Ministry, the Board and the parties to the proceeding (the "Summary"). The MNR proposed that at a minimum, the following issues should be addressed in the Summary:

- A schematic of pressure and flow diagram, instrumentation and equipment. This includes the leak detection, high/low flow pressure alarms and emergency shutdown systems.
- Confirmation that procedures are available on site for the operating and maintenance personnel.
- For this particular application, evidence was presented regarding the proposed increase in injection pressures to bring the pool to its new design pressure. The operation procedure and any changes to the procedure for this operation should remain public.
- Confirmation that the storage pools are operated and maintained by qualified personnel who have been trained in the operating and maintenance procedures. Also that procedures are reviewed and updated as per CSA Z341.
- Given the information that Union Gas as the new operator now intends to operate the facility from a remote location, the Summary should include information with respect to what additional monitoring and enhanced security methods will be employed- e. g. fencing, remote video monitoring, security patrol services, daily visit by operations personnel?

- The maintenance procedure regarding the frequency of well testing for mechanical integrity as per CSA Z341 and the frequency of pipeline inspection in accordance with CSA Z662.
- A plan to deal with situations such as spills, leaks, blowouts and injuries and the contact information for such emergencies. A procedure on who should be contacted and the contact information in the event of an emergency- internal to Union as well as the local, municipal and provincial agencies should be developed and communicated.

Positions of Other Parties

TSLA submitted that conditions 1.2.1.1 and 1.2.1.2 (set out above) should be fully implemented by Tipperary GP and its shareholders (Union Gas). TSLA argued that the Board imposed similar conditions on Market Hub Partners Canada L.P. (“MHP”) when it sought approval to develop the St. Clair gas storage pool. MHP was instructed to publicly file O & M Procedures and an ERP prior to the commencement of injection, storage and withdrawal operations. TSLA acknowledged that Union met with the affected landowners and explained the process Union would follow in an emergency situation.

Ms Marilyn R. Broadfoot submitted that it would not be in the best interest of the landowners or the Municipality of Central Huron to make changes to the Conditions.

Mr. Lenus Yeo opposed the Conditions being varied. Mr. Yeo was particularly concerned about safety implications of operating the storage pool from a remote location and not having daily visits to the pool by “qualified personnel”. In his submission, Mr. Yeo seemed to support the MNR’s proposal: “In viewing the MNR response to this Procedural Order they present a more rational approach for the security and operation of the Tipperary Storage Pool with the public interest in mind.”

The Huron County Federation of Agriculture opposed the Conditions being varied. The HCFA stated that the specific aspects of the Storage Pools lead to the conditions and that it would not be in the best interest of the landowners to change the conditions at this time.

Reply by the Applicants

The Applicants confirmed that Union had already completed the O & M Procedures and an ERP and that conditions 1.2.1.1 and 1.2.1.2 would be fulfilled in accordance with the CSA Z341.

The Applicants agreed to prepare and file the Summary, as proposed by the MNR, and asked that the Board grant at least 30 days for Union to complete the Summary.

Regarding the public filing of the O & M Procedures, and especially the ERP, the Applicants maintained that public disclosure would not enhance the safe operation of the Storage Pools and may even reduce safety and “could result in interference with the execution of the plan”. The Applicants submitted that the MNR proposal for “the filing of a summary of the Emergency Response Plan, including all relevant contact information would better serve the public interest”. The Applicants noted that Mr. Yeo supported the proposal of the MNR.

The Applicants noted that Union had not been previously required to publicly file this kind of information and that operating and maintenance procedures should remain confidential because Union’s expertise should not be accessible to Union’s competitors.

TSLA and Mr. Lenus Yeo, as directly affected landowners, asked to be awarded cost eligibility status. The Applicants stated that it did not object to these cost award eligibility requests.

Board Findings

The Board has reviewed the evidence of the Applicants and submissions of the Parties and has decided to grant the joint request to Union and Tipperary GP that Tipperary GP be exempt from the fulfillment of conditions 1.1.2.1 and 1.1.2.1 in Board’s Order EB-2007-0159 as long as Union is the operator of the Storage Pools.

The Board however will not exempt Union from the fulfillment of conditions 1.1.2.1 and 1.1.2.1. Union will be exempt from publicly filing its O & M Procedures and the ERP. The Board notes that public filing of complete O & M Procedure may include commercially sensitive information and may economically

disadvantage Union relative to its storage development competitors. The Board will not require the public filing of the complete ERP. To do so may be counterproductive to safety and emergency response requirements.

The Applicants confirmed that Union already completed O & M Procedures and the ERP in conformity with the CSA Z341. The MNR, as the agency with authority and expertise to oversee the CSA Z341 implementation and technical and safety aspects of gas storage operation in Ontario submitted that a Summary of the O&M Procedures and the ERP would be sufficient.

The Board will require Union to prepare the Summary of the O& M Procedures and the ERP including the issues defined by the MNR in their submission dated April 25, 2008. The Board will also order Union to make the Summary available for public review.

Union will be given 30 days from the date of this decision and order to prepare and file the Summary with the Board, MNR, the Parties in this proceeding and the landowners in the designated storage area.

THE BOARD ORDERS THAT:

1. Tipperary Gas Corp. is exempt from fulfilment of conditions 1.1.2.1 and 1.1.2.1 in Board's Order EB-2007-0159 subject to Union Gas Limited acting as the operator of the Tipperary North and South Storage Pools located in the Township of Goderich.
2. Union Gas Limited shall adhere to conditions 1.1.2.1 and 1.1.2.1 in Board's Order EB-2007-0159 by way of preparing a Summary of its Operations and Maintenance Procedures and Emergency Response Plan. The Summary shall cover at a minimum the following:
 - a. A schematic of pressure and flow diagram, instrumentation and equipment. This includes the leak detection, high/low flow pressure alarms and emergency shutdown systems.
 - b. Confirmation that procedures are available on site for the operating and maintenance personnel.

- c. For this particular application, evidence was presented regarding the proposed increase in injection pressures to bring the pool to its new design pressure. The operation procedure and any changes to the procedure for this operation should remain public.
 - d. Confirmation that the operation is operated and maintained by qualified personnel who have been trained in the operating and maintenance procedures. Also that procedures are reviewed and updated as per CSA Z341.
 - e. Given the information that Union Gas as the new operator now intends to operate the facility from a remote location, the Summary should include information with respect to what additional monitoring and enhanced security methods will be employed- e. g. fencing, remote video monitoring, security patrol services, daily visit by operations personnel.
 - f. The maintenance procedure regarding the frequency of well testing for mechanical integrity as per CSA Z341 and the frequency of pipeline inspection in accordance with CSA Z662.
 - g. A plan to deal with situations such as spills, leaks, blowouts and injuries and the contact information for such emergencies. A procedure on who should be contacted and the contact information in the event of an emergency – both internal to Union as well as the local, municipal and provincial agencies should be developed.
3. Union Gas Limited shall file the Summary no later than 30 days from the date of this Decision and Order and file it with the Board, the MNR, the Parties in this Proceeding and all the landowners within the designated storage area of Tipperary North and South Storage Pools.
4. Eligible intervenors who seek an award of costs incurred to date shall file their cost submissions in accordance with the *Practice Direction on Cost Awards* with the Board Secretary and with Union Gas Limited and Tipperary Gas Corp. within 15 days of the date of this Decision. Union Gas Limited and Tipperary Gas Corp. may make submissions regarding

the cost claims within 30 days of the Decision and the intervenors may reply within 45 days of the Decision. A decision and order regarding cost awards will be issued at a later date. Upon receipt of the Board's cost award decision and order, Union Gas Limited and Tipperary Gas Corp. shall pay any awarded costs with dispatch.

5. Union Gas Limited and Tipperary Gas Corp. shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

DATED at Toronto, July 2, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

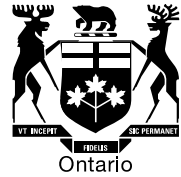
REQUEST TO CANCEL DECISION AND ORDER IN EB-2008-0049

- 1
- 2 1. In EB-2008-0049, the Board issued a Decision and Order granting approval to Union,
- 3 pursuant to Section 2.3.1 of the *Affiliate Relationships Code for Gas Utilities*, of the terms
- 4 of a storage contract and a transportation contract it had proposed to enter into with
- 5 Tipperary LP. As indicated in Exhibit B, Tab 4, Schedule 1, these contracts will be
- 6 terminated upon completion of the Proposed Acquisition. Moreover, upon completion of
- 7 the Proposed Acquisition, Union will no longer be in an affiliate relationship with
- 8 Tipperary LP or Tipperary GP. Accordingly, Union requests that the Decision and Order
- 9 of the Board in EB-2008-0049 be cancelled, subject to approval of, and effective upon
- 10 completion of, the Proposed Acquisition. A copy of the relevant Decision and Order is
- 11 provided in Appendix 'A' to this Exhibit B, Tab 6, Schedule 1.

APPENDIX 'A'

DECISION AND ORDER OF THE ONTARIO ENERGY BOARD

(EB-2008-0049)



EB-2008-0049

IN THE MATTER OF the *Ontario Energy Board Act*
1998, S.O.1998, c.15;

AND IN THE MATTER OF The Affiliate Relationships
Code for Gas Utilities Section 2.3.1- Approval for
Contract Terms between Union Gas Limited and
Huron Tipperary Limited Partnership 1.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Sommerville
Member

DECISION AND ORDER

Union Gas Limited (the “Applicant” or “Union”) filed an application dated February 19, 2008 with the Ontario Energy Board (the “Board”) pursuant to section 2.3.1 of the Affiliate Relationships Code (“ARC”) for an approval of Contract terms between Union and Huron Tipperary Partnership 1 (“Tipperary”). The Board has assigned file number EB-2008-0049 to the application.

Application

Union's application seeks approval of a Storage Contract and a Transportation Contract respectively between Union and Tipperary. Each of the subject contracts has a term of 10 years. Section 2.3.1 of the ARC states "the term of an affiliate contract between a utility and an affiliate shall not exceed five years, unless approved by the Board".

On December 24 , 2007 the Board approved Union's proposal to acquire 75% voting securities of Tipperary Gas Corp. pursuant to section 43(2)(a) of the *Ontario Energy Board Act* (EB-2007-0837) . Tipperary Gas Corp. is the general partner of Tipperary which owns the storage rights to land and facilities referred to as the Tipperary North and South Storage Pools located in the Township of Goderich, Municipality of Central Huron ("Storage Pools").

For the purpose of providing storage services, Union proposes to enter into a contract with Tipperary ("Storage Contract") for the capacity of the Storage Pools and an M16 transportation contract ("Transportation Contract") to transport gas to and from the Storage Pools.

Union stated that the Storage Contract and Transportation Contract will in all other respects conform to the requirements of the ARC.

Proceeding

On April 11, 2008 the Board issued Notice of Application and Written Hearing ("Notice") and directed Union to serve the Notice on all the parties in the EB-2007-0837 proceeding, namely: the Industrial Gas Users Association ("IGUA"); the Consumers Council of Canada ("CCC"); the Tipperary Storage Landowners Association ("TSLA"); Mr. Lenus Yeo, a landowner; and Mr. Goff Brand, a landowner. Union served the Notice as directed by the Board.

Submissions

By letter dated April 15, 2008 Mr. Lenus Yeo stated that he did not oppose the Application as long as agreements with the landowners and directives of the OEB are honored. On April 18, 2008 the TSLA submitted that they did not oppose the Application “provided that all previous agreements and commitments to the TSLA landowners and Conditions of Approval issued by the OEB remain in place and be adhered to.”

On April 23, 2008 Union sent a letter to the Board noting that two submissions were received and that neither TSLA nor Mr. Yeo opposed the Application. Union also asked that the Board proceed by way of a written hearing.

In its pre-filed evidence Union stated that the storage capacity that is subject to the Storage Contract (space and deliverability) will be part of Union’s unregulated assets in accordance with the NGEIR Decision (EB-2005-0551) and will not impact Union’s ratepayers during the 10 year term.

Board Findings

The Board reviewed the evidence of the Applicant and submissions by the parties and grants the approval of the application.

The Board notes that Union indicated that storage capacity of the Tipperary Pool, subject to the Storage Contract (space and deliverability) will be part of Union’s unregulated assets in accordance with the NGEIR Decision (EB-2005-0551) and therefore Union’s ratepayers would not be adversely affected.

With regard to the Transportation Contract, Union’s evidence confirmed that Tipperary will pay the Board approved MI6 transportation rate for term of the Transportation Contract. Also, the Transportation Contract conforms in all other respects to the requirements of the ARC. The Board is satisfied with Union’s

submission that the Storage Contract and the Transportation Contract will in all other respects conform to the requirements and the intent of the ARC.

The Board notes that no party opposed the 10 year contract request between Union and Tipperary provided that the conditions of approval as set out in Board Orders EB-2006-0018/EB-2006-0159/EB-2006-0279 and EB-2007-0837 are fulfilled. Approval of the instant application in no way effects the fulfillment of those conditions, nor does it effect the terms of any contractual arrangements between the operator of the pool and the landowners.

THE BOARD ORDERS THAT:

1. Pursuant to section 2.3.1 of the Affiliate Relationships Code for Gas Utilities Union Gas Limited is granted leave to enter into a 10 year term storage contract and transportation contract with Huron Tipperary Limited Partnership 1; and
2. Union Gas Limited shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

DATED at Toronto, June 24, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary