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**BY EMAIL**

January 22, 2015

Ontario Energy Board  
P.O. Box 2319  
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[BoardSec@ontarioenergyboard.ca](mailto:BoardSec@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Union Gas Limited (Union)  
Sarnia Expansion Pipeline Project  
Board Staff Submission  
Board File No. EB-2014-0333**

In accordance with the Procedural Order No.1, please find attached Board Staff's submission in the above noted proceeding. The applicant and the intervenor have been copied on this filing.

As a reminder, Union's reply submission is due by February 6, 2015.

Yours truly,

*Original Signed By*

Daniel Kim  
Advisor

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

Union Gas Limited

**SARNIA EXPANSION PIPELINE PROJECT**

**EB-2014-0333**

**January 22, 2015**

## **Introduction**

Union Gas Limited (Union) filed an application with the Ontario Energy Board (the Board) on November 4, 2014 under section 90 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B (the Act) for an order granting leave to construct approximately 4.8 kilometres of Nominal Pipe Size (NPS) 20 inch diameter steel natural gas pipeline, and associated facilities in the Township of St. Clair, in the County of Lambton. Union plans to start construction in the summer of 2015 for completion and in-service date of November 1, 2015.

The proposed NPS 20 pipeline will extend from Union's Payne Storage Facility to the Sarnia Industrial Line (SIL) System and will allow Union to ensure continued reliable, safe delivery of natural gas and serve the growing Sarnia market.

These submissions of Board staff are being filed in support of Union's application.

## **The Proceeding**

The Board issued a Notice of Application (Notice) on November 13, 2014. Union served and published the Notice as directed by the Board. NOVA Chemicals (Canada) Ltd. (NCCL) requested intervenor status and agreed with Union's request for the Board to hear the application by way of a written hearing.

The Board issued Procedural Order No. 1 on December 11, 2014 granting NCCL intervenor status.

## **The Need for the Project**

The purpose of the project is to meet the growing demand for natural gas in the Sarnia area, as well as ensure security of supply for Union's existing customers.

Union received requests for new firm T2 Storage and Transportation Carriage Service from NCCL and Shell Canada Products totalling 53,300 GJ/d commencing in stages between November 1, 2013 and November 1, 2015. Redacted copies<sup>1</sup> of these

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<sup>1</sup> Schedule 3-1 and Schedule 3-2

contracts were filed as part of Union's application. Union also noted that expansion facilities designed for the SIL system need to consider the estimated incremental T2 Storage and Transportation Carriage Service demand of nearly 70,000 GJ/d that Union expects to be requested between 2015 and 2019.

Union retained the services of Sussex Economic Advisors, LLC (Sussex) to analyze market dynamics related to the supply of natural gas for the SIL system. In summary, the report<sup>2</sup> observed that Union relies on natural gas flows to Dawn from upstream pipelines (i.e. Great Lakes Gas Transmission, Vector Pipeline, Michigan Consolidated, and Bluewater Gas Storage) to meet its supply requirement for the SIL system, as well as withdrawals of natural gas from its storage facilities at Dawn. The report indicated that flows on the upstream pipelines have declined and become less predictable, which increases risk regarding Union's existing approach to meeting its supply requirements. Sussex concluded that based on these observations, it is reasonable for Union to seek alternatives to increase the security of gas supply.

Board staff submits that the evidence filed by Union supports the need for the proposed pipeline.

## **Project Economics**

The estimated capital cost of the project is \$24.318 million. Union estimated the total pipeline costs to be \$18.367 million and the total station costs to be \$5.951 million. Union completed a Discounted Cash Flow analysis for the portion of the proposed pipeline serving SIL system demand growth. Union's analysis indicates a Net Present Value (NPV) of \$180,000 and a profitability index (PI) of 1.06.

In response to Board staff interrogatory #4, Union provided estimated annual costs of transportation services, cost of facilities, and the NPV and PI figures for the two other alternatives considered by Union. Board staff notes that the other two alternatives considered by Union would result in significantly higher annual operation and maintenance and facility costs, and have negative NPV and PI figures.

Board staff submits that the proposed pipeline project is the least cost alternative and is economically feasible.

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<sup>2</sup> Schedule 4-1, Union Gas Sarnia Industrial Line Market Analysis, October 2014

## Environmental Assessment and Pipeline Design

The pipeline route selection and environmental assessment were completed in accordance with *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 6<sup>th</sup> Edition, 2011*, (OEB Environmental Guidelines), as well as relevant federal and provincial environmental guidelines and regulations.<sup>3</sup> The results of the routing and environmental assessment are presented in an Environmental Report entitled *Payne-Sarnia Pipeline Project Environmental Report, May 13, 2014* (ER). The ER was completed by Stantec Consulting Ltd. and was submitted as part of the pre-filed evidence. Union noted that copies of this report were made available to affected landowners upon request.

The ER concluded that with the implementation of the recommendations in the ER, on-going communication and consultation, and adherence to related permit, regulatory and/or legislative requirements, any adverse residual environmental and/or socio-economic effects of the proposed pipeline are not anticipated to be significant.<sup>4</sup>

Union has committed to complying with all mitigation measures recommended in the ER.<sup>5</sup>

Union has also stated that all design installation and testing of the proposed pipeline, including station facilities will be conducted in accordance with the requirements of *Ontario Regulation 210/01, Oil and Gas Pipeline Systems* under the *Technical Standards and Safety Act 2000*.

Board staff has no issues with the environmental assessment and pipeline design.

## Land Issues

In response to Board staff interrogatory #1, Union submitted that it has closed on the purchase and sale of land adjacent to Union's existing Novacor Corunna Station and has a signed easement agreement with NCCL. Union also noted that the easement

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<sup>3</sup> Schedule 8-1, Page 7 of 131, Payne-Sarnia Pipeline Project Environmental Report, May 13, 2014

<sup>4</sup> Schedule 8-1, Page 63 of 131, Payne-Sarnia Pipeline Project Environmental Report, May 13, 2014

<sup>5</sup> Section 8, Page 2 of 2, Line 4

agreement with Moore Solar has been finalized with the only outstanding item being the amount of compensation. Union further noted that it is confident that it will reach an agreement with all of the directly affected landowners for the required permanent and temporary land rights prior to the planned construction schedule.

Board staff notes that Union has in place a comprehensive Landowner Relations Program, including a Complaint Tracking system, to address and resolve any issues and concerns occurring during and after construction. Board staff notes that this program has been in place for a number of years for Union.

### **Conditions of Approval**

If the Board approves Union's application, Board staff proposes that the Board establish standard conditions of approval attached as Appendix A to these submissions. In response to Board staff interrogatory #5, Union noted that it can accept all of the proposed conditions of approval.

### **Conclusion**

Board staff submits that Union has demonstrated the need for the proposed pipeline, that the project is the least cost alternative and is economically feasible, that there are no significant environmental impacts, that Union is committed to address the landowner issues and obtain necessary land rights, and that the design of the pipeline is in accordance with the current standards and regulatory requirements. Board staff further submits that the attached conditions of approval have been adopted by the Board in previous leave to construct applications under section 90<sup>6</sup> and should be included as part of the Board's order in this matter.

- All of which is respectfully submitted –

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<sup>6</sup> EB-2013-0420

**Appendix A**

**To**

**Board Staff Submissions**

**EB-2014-0333**

**EB-2014-0333**

**Union Gas Limited  
Leave to Construct Application**

**Board Staff Proposed  
Conditions of Approval**

**1 General Requirements**

- 1.1 Union Gas Limited ("Union") shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2014-0333 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2015, unless construction has commenced prior to that date.
- 1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee ("OPCC") review.
- 1.4 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.5 Within 15 months of the final in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and an explanation for any significant variances from the estimates filed in this proceeding.

**2 Project and Communications Requirements**

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.



- 2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.
- 2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.
- 2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

### **3 Monitoring and Reporting Requirements**

- 3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. 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. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union'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.

- 3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any 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.

#### **4 Other Approvals**

- 4.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, and shall provide an affidavit that all such approvals, permits, licences, and certificates have been obtained.