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BY EMAIL

February 13, 2015

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
BoardSec@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Union Gas Limited (Union)
Bay of Quinte Replacement Pipeline Project
Board Staff Submission
Board File No. EB-2014-0350**

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

As a reminder, Union's reply submission is due by February 27, 2015.

Yours truly,

Original Signed By

Daniel Kim
Advisor

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Union Gas Limited

BAY OF QUINTE REPLACEMENT PIPELINE PROJECT

EB-2014-0350

February 13, 2015

Introduction

Union Gas Limited (Union) filed an application with the Ontario Energy Board (the Board) on November 20, 2014 under section 90 (1) of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B* (the Act) for an order granting leave to construct approximately 1.3 kilometres of Nominal Pipe Size (NPS) 8 inch diameter steel natural gas pipeline and ancillary facilities. The proposed pipeline would replace a portion of its existing Picton lateral NPS 6 pipeline in Tyendinaga Township and Sophiasburg Township where it crosses the Bay of Quinte. Union plans to start construction in June 2015 for completion in the fall of 2015.

Board staff submits that the leave to construct, with certain conditions, should be granted based on the review of project need, project economics, the environment assessment and land issues.

The Proceeding

The Board issued a Notice of Application (Notice) on December 1, 2014. Union posted and served the Notice as directed by the Board. No person requested intervenor status in this proceeding.

The Need for the Project

The Ministry of Transportation of Ontario (MTO) will be conducting rehabilitation work on the Highway 49 Bridge (Skyway Bridge) crossing the Bay of Quinte. The existing pipeline is currently attached to the bridge structure. The proposed pipeline is necessary because of an order from the MTO to move the pipeline.

Union considered three alternative locations for the proposed pipeline. In consultation with the MTO, Union determined that the preferred location for the proposed pipeline was a directional drill adjacent to the Skyway Bridge within the MTO Right of Way (i.e. beneath the Bay of Quinte). Union stated that this location is preferred because of: (i) lower operating and maintenance costs over the life of the pipeline; (ii) easier and safer from a construction perspective; (iii) it reduces the number of high risk activity hours for future maintenance work; and (iv) allows for in-line inspection.

Union also noted that after reviewing the proposed growth and the current operation of the Picton Lateral, it was established that the NPS 8 pipe is the correct design for the replacement project. Union noted that this area has averaged a 2% growth annually¹.

In response to Board staff interrogatory #5, Union noted that the existing system has approximately two years of additional capacity before minimum inlet pressures will no longer be met and portions of the current NPS 6 will have to be reinforced. Union noted with the anticipated future growth on this system, installing an NPS 8 now will eliminate the need to loop or replace the river crossing in the future and provide some additional capacity to the system.

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

Project Economics

The estimated costs of the project are \$8.9 million. Union did not complete a Discounted Cash Flow analysis because the project is underpinned by the MTO's relocation requirements. Instead, Union used qualitative and quantitative analysis of the three different alternatives to determine the preferred option for the replacement.

In response to Board staff interrogatory #3, Union provided the estimated project costs and operations and maintenance costs for the alternatives that were considered. The proposed project had the lowest annual operation and maintenance and facility costs, as well as other advantages of a buried pipeline.

Board staff submits that Union's evidence supports the position that the proposed pipeline project is the least cost alternative.

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, 6th Edition, 2011*, (OEB Environmental Guidelines), as well as relevant federal and provincial environmental

¹ Application, page 3.

guidelines and regulations.² The results of the routing and environmental assessment are presented in an Environmental Report entitled *Bay of Quinte, Ontario Highway 49 Pipeline Relocation Environmental Report, November, 2014* (ER). The ER was completed by Neegan Burnside Ltd. and was submitted as part of the pre-filed evidence. Union noted that copies of this report were provided to all directly affected landowners and copies were made available to anyone upon request.

The ER concluded that the implementation of the recommended mitigation and protective measures outlined in the ER will adequately protect the sensitive environmental features throughout the construction process. The ER also concluded that sufficient use of on-going communication and consultation, and adherence to regulatory requirements will ensure the effectiveness of the mitigation and protective measures throughout the construction, operational and maintenance phases of the proposed project.³

Union stated that it will implement a program dealing with environmental inspection and this program will ensure that the recommendations in the ER are followed.⁴

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*⁵.

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

Land Issues

In response to Board staff interrogatory #1, Union submitted that the only new land rights required for the project are temporary land rights south of the Skyway bridge, which have been obtained. Union also noted that the encroachment permit application was filed December 12, 2014 and is under review by the MTO. Union is also working with the Mohawks of the Bay of Quinte for a new permit for the new and existing pipelines within the reserve.

² Bay of Quinte, Ontario Highway 49 Pipeline Relocation Environmental Report, November 2014, page 2.

³ Bay of Quinte, Ontario Highway 49 Pipeline Relocation Environmental Report, November 2014, page 47.

⁴ Application, page 9.

⁵ Application, page 4.

It is Board staff's understanding that Union's evidence and response to Board staff interrogatory #1 that no new permanent land rights need to be obtained by Union. Board staff requests that Union, in its reply submission, confirm its position on whether it is required to file the form of permanent easement agreement offered to affected landowners, as envisaged by section 97 of the Act⁶, and whether the Board's approval of such an agreement under section 97 would be required.

Board staff notes that Union has implemented a comprehensive program to provide landowners, tenants and other interested parties with information regarding the proposed pipeline.

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 #6, Union accepts all of the proposed conditions of approval.

Board staff also submits that if new land rights are required, there should be a condition of approval requiring Union to file with the Board the form of agreement offered to the landowner for approval.

Conclusion

Board staff submits that Union has demonstrated the need for the proposed pipeline, the evidence showed that the project is the least cost alternative, that there are no significant environmental impacts, that Union is committed to address the landowner issues and obtain necessary land rights and/or permits, 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 of the Act⁷ and should be included as part of the Board's order in this matter.

- All of which is respectfully submitted -

⁶ In an application under section 90, 91 or 92, leave to construct shall not be granted until the applicant satisfies the Board that it has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board. 1998, c. 15, Sched. B, s. 97.

⁷ EB-2013-0420.

Appendix A

To

Board Staff Submissions

EB-2014-0350

EB-2014-0350

**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-2014-0350 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.