



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

May 25, 2015

**Union Gas Limited
Panhandle Replacement Project
EB-2015-0041**

Introduction

Union Gas Limited (Union) applied with the Ontario Energy Board (OEB) on February 25, 2015 under section 90 of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B* (the Act) for approval to construct a replacement of NPS 16 pipeline on its Panhandle Transmission System (Project). This pipeline was originally built in 1951. The proposed Project follows the existing pipeline route and consists of construction of about 2.7 km of NPS 20 and 0.5 km of NPS 16 natural gas pipelines. The existing pipeline will be abandoned by removal except at main road intersections where it will be left in place.

Union plans to start construction in the summer of 2015 to meet a November 1, 2015 in-service date.

OEB staff supports Union's application subject to the proposed draft conditions of approval.

Process

The OEB issued notice on March 2, 2015. Union served and published the notice as directed. There are no intervenors. The Board proceeded by way of a written hearing. In accordance with the procedural order issued on May 1, 2015, the interrogatory phase was completed on May 19, 2015.

Need for the Project

The need for the Project is twofold:

- (i) Union needs to replace the existing pipeline to meet with pipeline design requirements of CSA Z341-11 standards for the increased population density along the existing pipeline (Class Location 3).
- (ii) Union proposes to increase the diameter of the 2.7 km section of the existing pipeline to add capacity for future demand growth on the Panhandle Transmission System.

OEB staff submits that Union demonstrated that the Project is needed to ensure compliance with the current pipeline design regulatory requirements and to add capacity for anticipated future growth along Panhandle Transmission System.

Project Cost and Economics

The estimated cost of the Project is \$9.7 million. Union did not conduct an economic analysis using the discount cash flow method because the primary driver for the Project is compliance with the provincial regulatory requirements for pipeline design. Union noted that the cost to increase the pipeline diameter adds about \$743,000 or 7% to the total Project cost. Union stated that the upsize of the pipeline diameter, at this time, is an efficient way to increase the capacity of the Panhandle Transmission system in anticipation of demand growth. According to Union's interrogatory response the cost of the Project will be added to the rate base in Union's 2019 rebasing application.

OEB staff has no concerns with the Project economics as it follows the OEB approved approach to capital cost recovery and subject to the OEB's approval of the proposed conditions of approval attached as Appendix A, Union will report the actual construction costs for the Project in its next rebasing proceeding.

The Environmental Assessment

An Environmental Report (ER) was completed by Azimuth Environmental on behalf of Union. Union provided the ER for review by the members of the Ontario Pipeline Coordinated Committee (OPCC), local municipalities, First Nations and Metis. In response to an OEB staff interrogatory, Union filed a summary of the comments received by the OPCC. There are no outstanding issues and concerns raised in the ER review. Union will appoint an inspector during construction to ensure that all mitigation measures recommended in the ER and the OPCC are implemented.

Union notified First Nations and Metis communities that would potentially be affected by the Project. To date, no concerns were raised by these parties except that Aamjiwaang First Nation requested to participate in archeological surveys. Union confirmed that it would accommodate this request.

OEB staff has no concerns regarding the environmental assessment as Union is committed to implement planned mitigation measures and to adhere to the proposed conditions of approval contained in Appendix A related to mitigation and construction monitoring and reporting.

Land Matters

The Project will be mainly located in the existing private easement and on the municipal land where Union's franchise agreement with the municipality granted Union land rights. Union stated that the only permanent land rights that Union has not acquired yet are from

the Hydro-Electric Power Commission of Ontario and Hydro One Networks Inc. Union is confident it would close negotiations with these entities and acquire all of the permanent land rights on time for the construction start.

Conditions of Approval

In response to OEB staff interrogatory 5, Union accepted the draft conditions of approval proposed by OEB staff. Union proposed clarifications to condition no. 4 which would require Union to notify the OEB of any changes to Board approved construction or restoration practices. Union provided a list of potential construction or restoration procedures that it believed would be encompassed by condition 4.

OEB staff agrees that the items listed in Union's interrogatory response would trigger the requirement to advise the OEB. OEB staff is of the view that the list of items should not be specifically set out in the conditions of approval because this list is not necessarily exhaustive. As an example, Union identifies the requirement for new permanent land rights as a change that should be reported to the OEB. OEB staff is of the view that new temporary land rights should also be included. OEB staff also notes that the condition specifically refers to Board-approved construction or restoration procedures. To the extent that any decision grants leave to construct based on specific construction or restoration procedures, any change to these procedures would be required to be reported to the OEB.

Appendix A

to

Board Staff Submission

Draft
Leave to Construct Conditions of Approval
Application under Sections 90 of the OEB Act
Union Gas Limited
EB-2015-0041

1. Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the Board's Decision and Order in EB-2015-0041 and these Conditions of Approval.
2. (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.

(b) Union shall give the Board notice in writing:
 - i. of the commencement of construction, at least ten days prior to the date construction commences;
 - ii. of the planned in-service date, at least ten days prior to the date the facilities go into service;
 - iii. of the date on which construction was completed, no later than 10 days following the completion of construction; and
 - iv. of the in-service date, no later than 10 days after the facilities go into service.
3. Union shall implement all the recommendations of the Environmental Report filed in the proceeding, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee review.
4. Union shall advise the Board of any proposed change to Board-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the Board. In the event of an emergency, the Board shall be informed immediately after the fact.
5. Union shall file, in the proceeding where the actual capital costs of the project are proposed to be included in rate base, a Post Construction Financial Report, which shall indicate the actual capital costs of the project and shall provide an explanation for any significant variances from the cost estimates filed in this proceeding.

-
6. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the Board one paper copy and one electronic (searchable PDF) version of each of the following reports:
- a) a post construction report, within three months of the in-service date, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
 - ii. describe any impacts and outstanding concerns identified during construction;
 - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction;
 - iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions; and
 - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.
 - b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 3;
 - ii. describe the condition of any rehabilitated land;
 - iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts of construction;
 - iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
 - v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.