



EB-2015-0041

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

AND IN THE MATTER OF an Application under section 90 of the Act for an order granting leave to construct natural gas pipeline in the in the Town of Lakeshore, in the County of Essex.

BEFORE: Emad Elsayed
Presiding Member

DECISION AND ORDER

Panhandle Replacement Project

June 4, 2015

Introduction

Union Gas Limited (Union) filed an application with the Ontario Energy Board (OEB) on February 25, 2015 seeking approval to construct a replacement of Nominal Pipe Size 16 inch (NPS 16) pipeline in the Town of Lakeshore, in the County of Essex (the Project). The application was made under section 90 of the *Ontario Energy Board Act, 1998* (the Act), and the OEB has assigned the application file number EB-2015-0041.

This pipeline was originally built in 1951. The proposed Project follows the existing pipeline route and consists of the construction of about 2.7 kilometres of NPS 20 and 0.5 kilometres of NPS 16 natural gas pipelines. The existing pipeline will be removed 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. A map showing the location of the proposed Project is attached as Appendix A.

For the reasons set out below, the OEB finds that the construction of the proposed Project is in the public interest. The OEB grants leave to construct, subject to the OEB's Conditions of Approval, which are attached as Appendix B.

The Proceeding

The OEB issued a notice on March 26, 2015. Union served and published the notice as directed by the OEB. There are no intervenors in this proceeding.

OEB staff filed a written submission on May 25, 2015, supporting Union's application. Union filed its reply on May 28, 2015 confirming its acceptance of the conditions of approval proposed by OEB staff.

The Public Interest Test

This is an application under section 90 of the Act seeking an order for leave to construct a natural gas pipeline. Section 96 of the Act provides that the OEB shall make an Order granting leave if the OEB finds that "the construction, expansion or reinforcement of the proposed work is in the public interest". When determining whether a project is in the public interest, the OEB typically examines the need for the project, the project cost and economics, the environmental impact, and the impact on land owners. Each of these issues is addressed below.

Need for the Project

Union explained that the need for the Project is driven by two factors:

1. The need to replace the existing pipeline to meet the design requirements of CSA Z662-11 standards for the increased population density along the existing pipeline (Class Location 3¹).
2. The need to increase the diameter of the 2.7 kilometres section of the existing pipeline to add capacity for future demand growth on the Panhandle Transmission System.

The OEB accepts Union's evidence related to the need to comply with the current pipeline design regulatory requirements and to add capacity for anticipated future growth along the Panhandle Transmission System. The OEB finds that Union has adequately justified the need for the Project.

¹ Class Location is a classification set out by the CSA Z662-11 that is based on land use and population density along both sides of the pipeline route.

Project Cost and Economics

The estimated capital cost of the Project is \$9.7 million. Union stated it did not complete a discounted cash flow analysis for the Project because the Project is underpinned by system integrity requirements and there are no new contracts associated with this replacement.

To address the class location issues, Union considered two other alternatives:

1. Size for size replacement
2. Replacement of individual sections of the pipeline identified as not meeting class location requirements

Union did not select option (1) as it would not serve the forecasted growth in the City of Windsor and County of Essex. Option (2) was eliminated as a result of inefficiencies related to the significant number of individual replacements required to meet all existing and future class requirements due to development. Based upon this analysis, Union decided that the Project is the preferred method to address these concerns.

Union noted that the incremental cost to increase the pipeline diameter is about \$743,000 or 7% of 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.

The OEB is satisfied that Union has considered a reasonable range of alternatives and that an appropriate alternative was selected. The OEB finds that replacing the pipeline with a larger diameter pipe involves a modest incremental cost, but is an efficient means by which to meet expected demand growth.

The OEB, therefore, finds that the cost of the Project is reasonable. The OEB will require a report from Union on the actual costs of the Project in its next rebasing proceeding, as shown in the attached Conditions of Approval.

Environmental Assessment

An Environmental Report (ER) was completed by Azimuth Environmental on behalf of Union and was submitted as part of the application. Union provided the ER for review by the members of the Ontario Pipeline Coordinating Committee (OPCC), local municipalities, First Nations and Metis. Union stated that there are no outstanding issues or concerns raised in the ER review process. 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.

The OEB finds that Union has adequately addressed the environmental issues through its proposed mitigation and restoration program and its commitment to implement the ER and OPCC recommendations. Union is also committed to adhere to the Conditions of Approval contained in Appendix B related to mitigation and construction monitoring and reporting.

The OEB is aware that other approvals will be required for the Project. The OEB finds that Union's compliance with the Conditions of Approval will ensure that the requirements of other approvals, permits, licences, and certificates are fully addressed.

Land Issues

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 it has all the necessary permanent private land rights in place. Union is working with Hydro One Networks Inc. to finalize necessary land rights.

Section 97 of the Act requires that Union offer landowners a form of easement agreement which the OEB has approved. Union filed a form of easement agreement that has been or will be offered to all the landowners directly affected by the Project. The OEB approves the proposed form of agreement.

The OEB also notes Union's commitment to implement its Landowner Relations program, including a Complaint Tracking System, to address and resolve any issues or concerns occurring during and after construction.

For the reasons set out above, the OEB finds that the proposed Project is in the public interest and grants Union the leave to construct subject to the Conditions of Approval set out in Appendix B.

THE OEB ORDERS THAT:

1. Union Gas Limited is granted leave, pursuant to subsection 90(1) of the Act, to construct a replacement of NPS 16 pipeline in the Town of Lakeshore, the County of Essex. The replacement consists of about 2.7 kilometres of NPS 20 and 0.5 kilometres of NPS 16 natural gas pipelines. The leave to construct is subject to the Conditions of Approval set forth in Appendix B.
2. Union Gas Limited shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto, June 4, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A

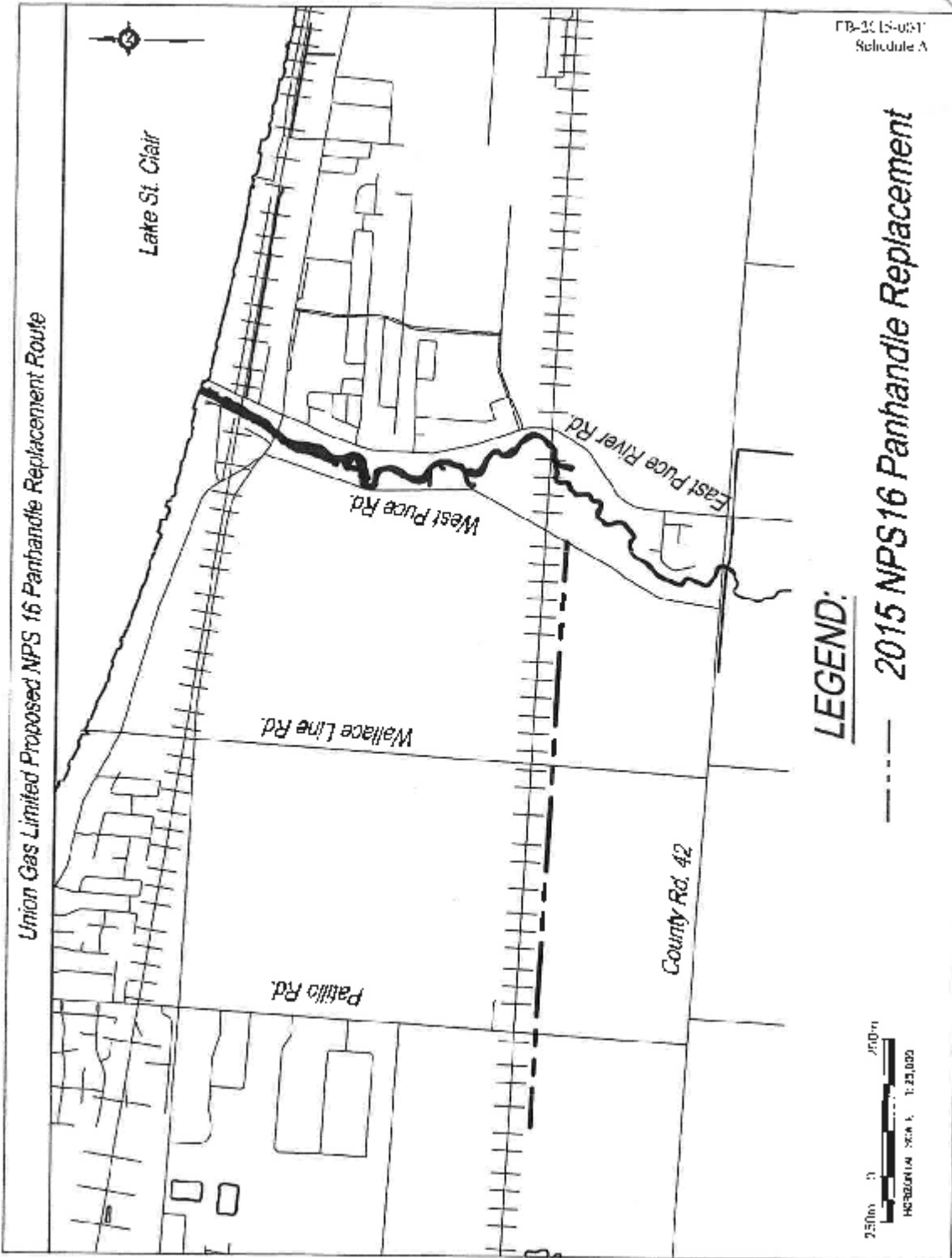
DECISION AND ORDER

EB-2015-0033

DATED: June 4, 2015

Map of Proposed Pipeline Project

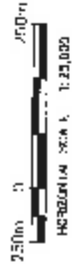
Union Gas Limited Proposed NPS 16 Panhandle Replacement Route



FB-2015-031
Schedule A

LEGEND:

2015 NPS 16 Panhandle Replacement



APPENDIX B

DECISION AND ORDER

EB-2015-0041

DATED: June 4, 2015

Conditions of Approval

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.