



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

September 28, 2015

NOVA Chemicals (Canada) Ltd.

Kimball Pipeline Replacement Project

EB-2015-0212

Introduction

NOVA Chemicals (Canada) Ltd. (NOVA) applied with the Ontario Energy Board (OEB) on June 26, 2015 under section 90 of the *Ontario Energy Board Act*, (Act) for approval to construct 4 kilometres of 12 inch diameter natural gas liquids (NGL) pipeline and ancillary facilities. The purpose of the pipeline is to connect NOVA's Corunna petrochemical facility to the existing natural gas liquids pipeline network (Kimball Pipeline Replacement Project or the Pipeline) in the Township St. Clair, Lambton County.

The Pipeline will be located in an existing right of way with easement rights owned by NOVA. Construction is planned to commence on or about June, 2017 with a planned in-service date on or about November, 2017. To address the risk of a possible delay of construction and in-service date of the Pipeline and optimize cash flow, NOVA asked for an order that, if granted, be valid for a period of thirty-six (36) months for construction to commence.

OEB staff supports the approval of NOVA's application subject to standard conditions of approval for the reasons set out below. OEB staff notes that in response to OEB staff interrogatory # 5, NOVA accepted the draft conditions of approval proposed by OEB staff with the exception of the condition on termination of the leave to construct order.

Regarding NOVA's request that an order be valid for a period of thirty-six (36) months for construction to commence, OEB staff submits that this proposed extension period is too long. OEB staff is also of the view that NOVA should report to the OEB by June 2017 on the anticipated construction start date. If there is a delay in construction start beyond June 2017, and there are no changes to the evidence that supported the approved application NOVA may seek an extension of additional 12 months for the construction to commence.

Process

The OEB issued Notices of Hearing on July 30, 2015 and on August 6, 2015. The notices were published, posted and served as per the direction of the OEB. There are no intervenors in the proceeding. The OEB proceeded by way of a written hearing. In accordance with the procedural order issued on September 1, 2015, the interrogatory phase was completed on September 19, 2015.

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Need and Economics of the Project

The need for the Pipeline is based on NOVA's business development plan. The estimated cost of the Pipeline is \$13.8 million. Since NOVA is a competitive corporation, the need, capital investments and costs recovery for the Pipeline proposed by NOVA are not regulated by the OEB. Therefore, OEB staff has no submissions on these aspects of NOVA's application.

The Environmental Assessment

An Environmental Report (ER) was completed by Stantec Consulting Ltd. on behalf of NOVA. NOVA provided the ER for review by the members of the Ontario Pipeline Coordinated Committee, local municipalities, First Nations and Metis. There are no outstanding issues and concerns raised in the ER review. NOVA notified First Nations and Metis communities that would potentially be affected by the Project. OEB staff has no concerns regarding the environmental assessment and consultation subject to NOVA's commitment to implement mitigation measures identified in the ER, consultation and in the OPCC review process.

Land Matters

Because the Pipeline will be located in an existing right of way with easement rights owned by NOVA, there are no outstanding land matters related to the Pipeline.

NOVA's Request for 36 Month Term of Leave to Construct Order

Typically, the OEB's order for leave to construct requires that construction starts within 12 months from the date an Order is issued. NOVA estimates that the construction will start on or about June 2017. Assuming the OEB approves the application in November 2015, NOVA's planned construction start would fall within about 20 months from the date of approval. NOVA has asked that the OEB grant an Order allowing for construction to commence within thirty-six months of the date the Order issued.

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In response to OEB staff interrogatory # 3 NOVA explained that the Pipeline construction schedule is to be closely aligned and coordinated with the construction of new pipeline on Kinder Morgan's (Kinder Morgan) Utopia East project (UTOPIA). UTOPIA is one of the projects that will complete the transportation path for NGLs to be delivered from Ohio, U.S.A., to the Corunna Site. According to NOVA, UTOPIA's construction is set to begin in November 2016 with an in-service date of January, 2018. For commercial reasons, including cash flow optimization, NOVA's objective is to complete the Pipeline construction just shortly before the in-service date of UTOPIA project.

If NOVA's construction starts on or about June 2017, NOVA anticipates an in-service date of November 2017, which is about 2 months prior to the planned UTOPIA's in-service date of January 2018.

To manage possible delays of UTOPIA's 2016 construction schedule and ensure that the Pipeline is completed prior to the in-service date of UTOPIA, NOVA asked for a 36 month term of OEB's order to start construction. NOVA added that early approval of the Pipeline by the OEB will contribute to more certainty to Kinder Morgan and to NOVA ethane suppliers that the Pipeline will be able to receive ethane on time.

In response to OEB staff interrogatory # 3 NOVA stated that it does not anticipate any changes to its application and evidence within the 36 month period from the date of OEB's approval.

OEB staff is of the view that a 36 month period from the date of the OEB's approval for construction to commence is too long to be approved at this juncture.

OEB staff proposes that the OEB direct NOVA to file with the OEB, by June 2017, a Construction Schedule Status Report identifying and explaining any changes to originally planned construction schedule.

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If there is a delay in construction start beyond June 2017, and there are no changes to the evidence that supported the approved application NOVA may seek an extension of additional 12 months for the construction to commence.

-All of which is respectfully submitted-