



**EB-2015-0303**

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**REPORT OF THE ONTARIO ENERGY BOARD  
TO THE MINISTER OF NATURAL RESOURCES AND FORESTRY  
APPLICATION BY ENBRIDGE GAS DISTRIBUTION INC. TO DRILL WELL IN THE  
CORUNNA DESIGNATED STORAGE AREA**

**Before: Cathy Spoel, Presiding Member  
Peter C. P. Thompson, QC, Member**

**Date: March 10, 2016**

## **1. INTRODUCTION AND SUMMARY**

Pursuant to section 40(1) of the Ontario Energy Act 1998 (Act) this Report recommends that the Minister of Natural Resources and Forestry (MNRF) grant the November 6, 2015 licence application of Enbridge Gas Distribution Inc. (Enbridge) to drill an Injection/Withdrawal (I/W) well in its Corunna designated storage area (DSA).

The well is needed to replace deliverability lost due to the abandonment, in 2011 and 2015, of two wells in the area and the conversion of one injection well to an observation well. Enbridge has the requisite expertise to: safely drill the well; maintain the geological integrity of the DSA; ensure the environmental protection of affected lands; and minimize adverse impacts on the affected landowner.

The affected landowner's compensation concern lies outside the ambit of this licence application reference proceeding. If this issue cannot be settled, then an application can be made under section 38 (3) of the Act to have the OEB determine the appropriate compensation amount.

## **2. THIS PROCEEDING**

On November 6, 2015, Enbridge applied to the MNRF under the Oil, Gas, and Salt Resources Act (OGSRA) for a licence to drill an I/W well in its Corunna DSA in the Township of St. Clair (Proposed Well). This well is designated as TC 9H (HORIZ #1) Moore 4 – 2- X.

On November 24, 2015 the MNRF referred this licence application to the OEB for a report to the Minister pursuant to section 40 (1) of the Act.

## **3. PROCESS**

On December 1, 2015 The OEB issued its Notice of the MNRF's referral to the OEB of this well drilling licence application. The MNRF intervened in the OEB proceeding.

On December 18, 2015 the only landowner affected by the licence application filed a letter of comment. This letter reflected concerns about the inability of the affected landowner and Enbridge to reach an agreement on compensation to be paid with respect to the Proposed Well.

The OEB proceeded by way of a written hearing. The process included interrogatories to and responses from Enbridge. Written submissions were filed on February 1, 2016 by OEB staff and the MNRF. OEB staff filed a supplemental submission on February 4, 2016. Enbridge filed its reply submissions on February 11, 2016.

## 4. FACTORS TO CONSIDER

When reviewing and reporting to the MNRF on natural gas storage well drilling licences the OEB considers public interest factors<sup>1</sup> similar to those considered in a leave to construct application under section 90 of the Act. These include:

- (a) the need for the Proposed Well;
- (b) the legal and regulatory requirements applicable to the Proposed Well;
- (c) the environmental impacts of the proposal;
- (d) landowner matters;
- (e) any other matter relevant to the public interest; and
- (f) conditions of approval.

The evidence and the OEB's findings related to each of these factors are described below.

### 4.1 NEED

Enbridge states that the Proposed Well is needed to replace deliverability lost due to the abandonment of wells designated as TC 6 and TC 4 in 2011 and 2015 respectively. Well TC 4 was an observation well that did not provide accurate data with respect to reef pressure during injection and withdrawal operations. In conjunction with this, well TC 3 was converted into an observation well – removing its ability to be used for injection purposes. Well TC 6 was abandoned because it could not be repaired to meet Canadian Safety Authority (CSA) Z341 Standard: “Storage of Hydrocarbons in Underground Formations” (CSA Z341). The result of these events was about a 23 % loss of the deliverability of the Corunna DSA. The Proposed Well is intended to replace the lost deliverability.<sup>2</sup>

OEB staff submitted that Enbridge adequately addressed the issue of need. The MNRF's submission did not question the need for the Proposed Well. The MNRF characterizes the Proposed Well as, effectively, a “replacement well”.<sup>3</sup>

The OEB finds that the Proposed Well is needed.

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<sup>1</sup> The OEB applied these considerations in its proceedings EB-2007-0891, EB-2010-0302, EB-2012-0060, EB-2014-0378, EB-2015-0033.

<sup>2</sup> Enbridge's letter to the OEB dated November 6, 2015, Enbridge's letter to the MNRF dated November 6, 2015, and Enbridge's submission dated February 11, 2016, paragraph 4.

<sup>3</sup> MNRF's submission, dated February 1, paragraph 2.

## 4.2 LEGAL AND REGULATORY REQUIREMENTS

The MNRF is the provincial authority that oversees the implementation of CSA Z341. Enbridge confirmed that it will conduct the drilling to meet the requirements of CSA Z341 to the satisfaction of the MNRF. The MNRF has no concerns with the details of the drilling program filed with the application.

During this proceeding Enbridge filed with the MNRF a Risk Assessment Study as required by CSA Z341. In an interrogatory response, Enbridge effectively accepts that its drilling licence request should be conditioned on MNRF's satisfaction with this Risk Assessment Study.<sup>4</sup> Enbridge also accepts the other Conditions of Approval proposed by OEB staff in Schedule 1 of their February 1, 2016 submission.<sup>5</sup>

Enbridge states that the Proposed Well will be designed, constructed, operated, maintained and abandoned in accordance with the Occupational Health and Safety Act and the OSGRA and their respective Regulations.

Enbridge is an experienced storage developer and operator. It is technically competent to undertake the planned drilling program and the Proposed Well completion activities.

The OEB finds that Enbridge has the requisite expertise to safely drill the well and maintain the geological integrity of the Corunna DSA. The OEB finds that, with its established expertise in natural gas storage well drilling and its acceptance of all of the Conditions of Approval proposed by OEB staff, Enbridge has satisfied the legal and regulatory requirements related to the Proposed Well.

## 4.3 ENVIRONMENTAL IMPACTS

Enbridge relies on the updated environmental screening report of its independent consultant - Stantec Consulting Ltd.<sup>6</sup> This report concluded that the Proposed Well is unlikely to have any significantly adverse impact on the environment. This report updated previous work that the consultant had done in the Corunna DSA with respect to other well and pipeline work approved by the OEB in prior proceedings. Neither OEB staff nor the MNRF questioned the consultant's conclusion.

The OEB finds that the Proposed Well is unlikely to have any significantly unfavourable impact on the environment.

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<sup>4</sup> Enbridge's response to interrogatory Exhibit I, Tab 1, Schedule 3i, page 3.

<sup>5</sup> Enbridge's response to interrogatory Exhibit I, Tab 1, Schedule 4.

<sup>6</sup> Enbridge's response to interrogatory Exhibit I Tab 1 Schedule 2, Appendix A.

#### 4.4 LANDOWNER MATTERS

Enbridge's rights to inject gas into, store gas in, and remove gas from lands in the Corunna DSA and to enter into and upon the land in that area to use that land for such purposes stem from the DSA Order made by the OEB more than 50 years ago on December 2, 1963 in a proceeding under OEB Docket Number E.B.O. 5. That said, the Proposed Well will directly affect the land of one landowner. Enbridge has constructed a number of storage-related facilities on this land since the operation of the Corunna DSA commenced in 1964.<sup>7</sup>

In his December 18, 2015 letter of comment this landowner expresses concerns about the inability to reach an agreement with Enbridge on compensation to be paid to him related to the Proposed Well. His letter indicates that he declined to execute the consent in paragraph 5 of the Licence Application Form 1 in the belief that providing that consent might compromise his entitlement to compensation.

The consent requested in paragraph 5 of the Licence Application Form 1 only relates to Enbridge's disclosure to the MNRF of the affected landowner's name, address, telephone number and postal code. The MNRF's issuance of the requested well drilling licence to Enbridge will have no effect on the amount of compensation to which the affected landowner is entitled. Section 38 (3) of the Act empowers the OEB to determine the appropriate compensation amount if the issue remains unresolved.<sup>8</sup>

The OEB finds that no new easements or land acquisitions are required to complete the drilling and operation of the Proposed Well.

The OEB notes the commitment made by Enbridge in its submissions to continue to engage the affected landowner to minimize the impact on him and to arrive at appropriate compensation.<sup>9</sup> The OEB urges Enbridge and OEB staff to apprise the affected landowner of the process to be followed to determine the compensation amount if the issue cannot be settled.

#### 4.5 OTHER MATTERS RELEVANT TO THE PUBLIC INTEREST

In the circumstances of this particular well replacement case, the OEB finds that there are no other matters relevant to the public interest to be considered in this proceeding.

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<sup>7</sup> Enbridge's response to interrogatory Exhibit I, Tab 1, Schedule 3ii, Appendix A.

<sup>8</sup> Section 38(3) of the Act reads: **Determination of amount of compensation** (3). No action or other proceeding lies in respect of compensation payable under this section and, failing agreement, the amount shall be determined by the Board. 1998, c. 15, Sched. B, s. 38 (3).

<sup>9</sup> Enbridge's submission dated February 11, 2016, paragraph 13.

#### 4.6 CONDITIONS OF APPROVAL

Enbridge accepts and the MNRF has no objections to all of the conditions of approval proposed by OEB staff.

The OEB finds these conditions of approval to be appropriate.

#### 5. RECOMMENDATION

The OEB recommends approval of the application for the well drilling licence in the Corunna DSA:

-TC 9H (HORIZ#1) Moore 4-2-X

This recommendation is subject to:

- (i) the conditions of approval attached as Schedule 1 to this Report ;
- (ii) a satisfactory review of the Risk Assessment Study by the MNRF; and
- (iii) adherence to all requirements of the CSA Z341 to the satisfaction of the MNRF.

The conditions of approval in Schedule 1 relate to the duration of the authority to issue a non-transferable licence to Enbridge, certain construction requirements, monitoring and reporting of any mitigation of construction impacts, and the requirement that Enbridge conform to the CSA Z341 standards to the satisfaction of the MNRF.

#### 6. OEB'S COSTS OF THIS PROCEEDING

Enbridge shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

**DATED** at Toronto, March 10, 2016

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

**Schedule 1**

**EB-2015-0303**

**Conditions of Approval**

**DATED: March 10, 2016**

**EB-2015-0303**  
**Conditions of Approval**  
**Well Drilling Licences Application**

**1. General Requirements**

- 1.1. Enbridge Gas Distribution Inc. (Enbridge) shall rely on the evidence filed with the OEB in proceeding EB-2015-0303 and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.
- 1.2. Authorization for the issuance of the drilling licences is limited to twelve months from the date of the OEB's Report to the Ministry of Natural Resources and Forestry.
- 1.3. The authority granted under this Order to Enbridge is not transferable to another party without leave of the OEB. For the purpose of this condition another party is any party except Enbridge Gas Distribution Inc.

**2. Construction Requirements**

- 2.1. Enbridge shall construct the facilities and restore the land in accordance with its Application and evidence given to the OEB, except as modified by this Order and these Conditions of Approval.
- 2.2. Enbridge shall ensure that the movement of equipment is carried out in compliance with all procedures filed with the OEB, and as follows:
  - i) Enbridge shall make reasonable efforts to keep the affected landowner as well as adjacent landowners and their respective tenant farmers, or their designated representatives, informed of its plans and construction activities; and
  - ii) the installation of facilities and construction shall be coordinated so as to minimize disruption of agricultural land and agricultural activities.
- 2.3. Enbridge shall, subject to the recommendation by an independent tile contractor and subject to the landowner's approval, construct upstream and downstream drainage headers adjacent to the drilling area and access roads that cross existing systematic drainage tiles, prior to the delivery of heavy equipment, so that continual drainage will be maintained.



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

- 3.1 Both during and after construction, Enbridge shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the OEB. 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. Where the deadline falls between December 1 and May 31, the deadline will be revised to the following June 1. Enbridge shall attach a log of all complaints 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 Enbridge'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 the rehabilitated land and the effectiveness of the 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. Project and Communication Requirements**

- 4.1 For the purposes of these conditions, conformity of Enbridge with CSA Z341, shall be to the satisfaction of the Ministry of Natural Resources and Forestry.
- 4.2 Enbridge shall designate one of its employees as project manager who will be responsible for the fulfilment of these conditions, and shall provide the employee's name to the Ministry of Natural Resources and Forestry, the OEB and to all appropriate landowners.
- 4.3 The OEB's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.