

ONTARIO ENERGY BOARD

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

**AND IN THE MATTER OF** an Application for approval to drill one injection/withdrawal well in the Corunna designated storage area in the Township of St. Clair in Lambton County.

**SUBMISSIONS OF  
ENBRIDGE GAS DISTRIBUTION INC.**

Overview

1. Enbridge Gas Distribution Inc. (“Enbridge” or the “Applicant”) applied on October 14, 2016<sup>1</sup> to the Ministry of Natural Resources and Forestry – Petroleum Operations Section (“MNRFP”) for approval to drill 1 well, the second horizontal leg, TC 9H2 (Horiz. #2) Moore 4-20-X (“TC9H2”) in the Corruna Designated Storage Area (“DSA”). Section 40 of the OEB Act obligates the Minister of Natural Resources and Forestry to refer the matter to the Ontario Energy Board (the “Board”) to prepare a report which is binding upon the Minister in determining whether or not to approve the well application.
2. Enbridge complied with the notice provisions established by the Board. Board Staff, MNRFP and Union Gas<sup>2</sup> were the parties to participate in this proceeding. Board Staff recommended a favourable report be issued and no other party has stated any objection to the Board recommending approval of the Application. Board Staff did provide comments on Enbridge’s interrogatory response

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<sup>1</sup> In the Procedural Order and Board Staff submissions this was mistakenly stated as December 20, 2016.

<sup>2</sup> Only Board Staff submitted interrogatories or made submissions.

recommending amending the typical draft conditions of approval. Board Staff also sought Enbridge's further comment regarding the treatment of the costs of the drilling.

### Background

3. Enbridge is proposing to drill the second horizontal leg TC9H2 because the original horizontal leg of well TC9H did not produce the deliverability expected from the seismic analysis nor did it meet the delivery required for the performance of the well and pool. The requirement to replace the existing deliverability since the Board considered the issue in EB-2015-0303 still exists. As will be recalled, the need for deliverability resulted from the abandonment of two wells and the conversion of an injection well to an observation well.
4. There are certain inherent risks in drilling wells more than 650 metres deep. Enbridge, in response to Board Staff Interrogatory #1(d), referenced the AAPG which indicated there is no absolutely certain result and there are multiple factors that impact the probability of success of a single well. The conclusion is that some wells will not perform as predicted.
5. Unfortunately, in completing the drilling of the first horizontal leg it was discovered that although there was some porosity, it was not as prolific as planned to provide the required deliverability. As such, the most efficient way to achieve to required deliverability is to utilize the vertical portion of the well and drill a second horizontal leg at a slightly different depth and location. The geological information gathered during drilling operations of TC9H1 determined that a more pervasive porosity zone existed at 690m. The path of the proposed second horizontal leg will be positioned to the east of the original leg, closer to the above-mentioned vertical wells and will have a greater probability to bisect the targeted porosity zone than the original horizontal leg (TC 9H1).

Please see the response to Board Staff Interrogatory #1 found at Exhibit I.EGDI.Staff 1 for further information.

### Board Considerations

6. The Board is providing a report to the Minister of Natural Resources and Forestry which either recommends accepting the application, with or without conditions or denying the application. In a prior Board proceeding, EB-2007-0891, at page 2, the Board expressed the issues which it considers in the making of a Report for the Minister as follows:

The Board's review is focused on the technical expertise and capability of the Applicant to safely drill the well, to maintain geological integrity of the designated storage pool, to ensure environmental protection of affected lands, and minimize adverse impacts on affected landowners.

7. No parties raised any concerns with Enbridge's ability to construct or operate the well safely and in an environmentally acceptable manner.

### Land Issues

8. The drilling operations will utilize the existing drilling pad. As a result of its existing approvals and land rights, no new easements or land acquisitions are required to complete the drilling or operation of the proposed well.
9. Enbridge will continue to engage the affected landowner to minimize the impact on the landowner. Compensation for the additional period of construction will be provided to the landowner either through agreement or through a future Board process.
10. Enbridge will continue to monitor and repair any tile drains damaged by the drilling operations.

Other Issues

11. Board Staff requested additional information regarding the treatment of the costs of the drilling operations and in respect of the draft conditions of approval.
12. Enbridge estimates that the drilling of the second horizontal leg will increase the cost of the drilling operations by approximately \$1 million, from the original cost of a single horizontal leg of \$2.6 million to \$3.6million. Enbridge has tracked the costs to date in the construction work-in-progress ("CWIP") account.
13. Upon completion of the work the costs will be transferred to the proper asset accounts consistent with the Uniform System of Accounts for Class A Gas Utilities. It should be noted that Enbridge does not intend to abandon the first horizontal leg as that would require additional work and costs and limit the deliverability. Rather, Enbridge plans to use the available deliverability from that leg along with the proposed leg for both injection and withdrawal purposes. Therefore, both wells will be used or useful and will eventually be included in rate base.
14. Until Enbridge commences its next rate cycle following a rebasing, the costs will be managed within the Enbridge approved capital envelope and the existing rates. As such, there will be no additional impact on ratepayers.
15. Following rebasing, the well would form part of the rate base. The revenue requirement associated with the second horizontal leg would be approximately \$0.1 million annually. Using the current rate assumptions this is equivalent to approximately 3 cents/year on a typical residential bill.
16. Board Staff also made comment that draft condition #2 should be deleted. Board Staff did not support Enbridge's suggestion to delete Condition #6 as stated in

response to Board Staff Interrogatory #2 found at I.EGDI.STAFF.2. Board Staff acknowledged that Condition #6 could be redundant but felt that there would be no harm in retaining the requirement. Enbridge has provided its commitment to monitor drainage and repair any tiles damaged as a result of the drilling operation. If the condition is redundant there is no need or benefit from having it in any approval.

Conclusion

17. Enbridge operates several storage facilities in Ontario, including the DSA in which the well is to be drilled. No party has raised any concern regarding Enbridge's ability to carry out these activities and no party has raised any concern regarding the technical, consultation, landowner or geologic integrity aspects of the Application. There is a need for the deliverability from the well.
18. Enbridge respectfully requests the Board issue a report at its earliest opportunity recommending the Minister of Natural Resources approve the requested Application to drill the requested well, TC 9H2.

DATED April 7, 2017 at Toronto, Ontario.

ENBRIDGE GAS DISTRIBUTION INC.  
By its counsel

AIRD & BERLIS LLP

(Original Signed)

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Scott Stoll