

UNION GAS LIMITED

2017 TERMINUS WELL REPLACEMENT PROJECT

EB-2017-0162

ONTARIO ENERGY BOARD (OEB) STAFF INTERROGATORIES
June 23, 2017

Interrogatory # 1

Ref: Evidence page 3, Lines 4-18: "Need for the Facilities" and page 6:" Proposed Facilities"

Preamble:

Union Gas indicated that the need for the proposed well and pipelines is to replace $490 \times 10^3 \text{ m}^3/\text{day}$ deliverability lost by abandoning one Injection/Withdrawal (I/W) well and converting one I/W into an observation well as a result of Union's Integrity Management Program.

As part of the project, Union Gas will also convert one observation well into a I/W well.

Questions:

- a) Out of the total deliverability of the Terminus Pool, what percentage of deliverability is $490 \times 10^3 \text{ m}^3/\text{day}$?
- b) Please confirm that the new wells will provide deliverability replacement without adding incremental deliverability to the Terminus Pool operation.
- c) Did Union Gas consider drilling a well to provide incremental deliverability in the near future, in addition to the replacement of the deliverability loss? If so, please discuss if Union Gas is planning another Terminus storage enhancement project to address this need?
- c) Which approvals does Union Gas require from the Ministry of Natural Resources and Forestry (MNRF) for conversion of an observation well into an I/W well?

Interrogatory # 2

Ref: Evidence page 9, Lines 6-11: "Project Cost and Economics" and Schedule 14 "Total Estimated Well Capital Cost-Summary"

Preamble:

Union Gas estimated total capital costs for the project, including well drilling and gathering pipelines, at \$1.797 M. Union Gas did not include a Discounted Cash Flow (DCF) analysis for the project. Union Gas explained that this project is "a maintenance project" and as such will be "prorated to both the regulated and un-regulated portfolios. Union Gas also indicated that for the Terminus Pool the regulated to un-regulated split is 62.3% and 37.7% respectively.

Questions:

- a) Please provide a breakdown of capital costs for comparable well drilling and gathering pipelines projects currently in service and recently approved by the OEB.
- b) Please indicate the timing and the method for recovery of the construction costs for the project. Please discuss in relation to the regulated to unregulated storage business split indicated in the evidence.

Interrogatory # 3

Ref: Evidence pages 10-11, "Land Matters", Schedule 16: "Pipeline Easement", Schedule 17: "Letter of Acknowledgment" dated April 5, 2017

Preamble:

Union Gas filed a copy of the executed Letter of Acknowledgment between Union Gas and the affected landowners. According to the Letter of Acknowledgment and Storage Lease Agreements, Union Gas has the authority to drill the well and install the pipeline at the affected property. However, Union Gas stated it would secure an easement agreement with the affected landowners in a form submitted in Schedule 16 of the Evidence.

According to section 97 of the *Ontario Energy Board Act, 1998* (OEB Act), “In an application under section 90, 91 or 92, leave to construct shall not be granted until the applicant satisfies the Board that it has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board.” Union Gas will therefore require the OEB’s approval of the form of easement agreement that it has offered or will offer to the affected landowners. Union Gas sought an approval of that form by the OEB.

Questions:

- a) Please explain why Union Gas intends to offer a new form of easement agreement for the pipelines to the affected landowners despite the fact that it has the authority to install the pipelines pursuant to the existing Storage Lease Agreements.
- b) Has the form of pipeline easement agreement, that Union Gas has offered or will offer to the landowners whose property is directly affected by the proposed pipeline, been previously approved by the OEB? If so, in which proceeding(s)?

Interrogatory #4

Ref: Evidence Schedule 19, Email by the Ministry of Energy to Union Gas, dated February 23, 2017; Schedule 20: *Indigenous Consultation Report, Terminus Well Drilling Project*

Preamble:

The 2016 edition of the *OEB Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario* (OEB Environmental Guidelines) sets out new streamlined procedures and protocols for Indigenous consultation and the duty to consult on natural gas pipeline and storage projects that are subject to the OEB’s approval. Union Gas is required to adhere to these procedures and protocols and to file the required documentation with the OEB as part of its evidence in support of its application.

In accordance with the OEB Environmental Guidelines, Union Gas’ evidence includes an *Indigenous Consultation Report, Terminus Well Drilling Project*. Union Gas also

filed a copy of the e-mail/letter from the Ministry of Energy in which it is advised to "...proceed as you have in the past for well applications". To date, Union Gas has not filed any other documentation it received from the Ministry of Energy related to the Duty to Consult (for example, a determination as to whether the Duty to Consult has been triggered by the Project and an assessment of Indigenous consultation activities undertaken by Union Gas).

Questions:

- a) Please comment on the email letter from the Ministry of Energy found in Schedule 19 and indicate whether that letter is a formal delegation to Union Gas of the procedural aspects of the Duty to Consult?
- b) What other documents (related to the Duty to Consult delegation and environmental assessment) does Union Gas anticipate the Ministry of Energy will issue to Union Gas in accordance with the OEB Guidelines?
- c) What is the expected timing of Union Gas filing these documents with the OEB?
- d) Please provide an update on the Indigenous consultation undertaken since the application was filed. Identify any concerns raised in the consultation and describe how Union Gas is planning to address the concerns raised by First Nations and Metis communities affected by the proposed project.

Interrogatory # 5

Ref: Evidence page 9, Lines 19-23 "Environmental Matters"; Schedule 15, "2017 Terminus Well Replacement Project: Environmental Protection Plan"

An Environmental Protection Plan (EPP) was prepared by Union Gas to meet the intent of the OEB Environmental Guidelines. The EPP covers both the proposed well and the pipeline. The EPP was provided to members of the Ontario Pipeline Coordinating Committee (OPCC) on April 10, 2017 for review and comments. To date, no comments from the OPCC review are included in the evidence.

Question:

Please file a summary and updates of comments and concerns received from the public consultation and the OPCC review, as well as Union Gas' responses and planned actions to mitigate each of the issues and address each of the concerns.

Interrogatory #6

Ref: Application EB-2017-0162, page 1, paragraph 2

Union Gas applied for leave to construct facilities under section 90(1) of the OEB Act. If Union Gas does not agree to any of the draft conditions of approval noted below, please identify the specific conditions that Union Gas disagrees with and explain why.

For conditions in respect of which Union Gas would like to recommend minor changes, please provide the proposed changes.

**Draft
Leave to Construct Conditions of Approval
Application under Section 90 of the OEB Act
Union Gas Limited
EB-2017-0162**

1. Union Gas Limited (Union Gas) shall construct the facilities and restore the land in accordance with the OEB's Decision and Order in EB-2017-0162 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 Gas shall give the OEB 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 Gas 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 Gas shall advise the OEB of any proposed change to OEB-approved construction or restoration procedures. Except in an emergency, Union Gas shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.
- 5. Union Gas 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 Gas shall monitor the impacts of construction, and shall file with the OEB 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 Gas' 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 Gas, 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 Gas' 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 Gas, including the date/time the complaint was received; a description of the complaint; any actions taken to address the complaint; and the rationale for taking such actions.

Interrogatory #7

Ref: Application EB-2017-0162, page 1, paragraph 1

Preamble:

Union applied for well drilling licences under section 40(1) of the OEB Act. Should the OEB find the applications in the public interest it would issue a favourable report to the Minister

of Natural Resources and Forestry recommending issuance of a well licence and certain conditions.

Question:

Please comment on the following conditions of approval proposed by OEB staff.
Please note that these conditions are draft and subject to additions or changes.

DRAFT
Union Gas Limited
EB-2017-0162
Conditions of Licence - Well Drilling and Operation

1. Union Gas Limited (Union Gas) shall rely on the evidence filed with the OEB in EB-2017-0162 proceeding and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.
2. The authority granted under this licence to Union Gas is not transferable to another party without leave of the OEB. For the purpose of this condition another party is any party except Union Gas Limited.
3. Union Gas shall construct the facilities and restore the land in accordance with its Application and evidence given to the OEB, except as modified by this licence and these Conditions.
4. Union Gas shall ensure that the movement of equipment is carried out in compliance with all procedures filed with the OEB, and as follows:
 - i) Union 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.
5. Union Gas 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.

6. Both during and after construction, Union Gas shall monitor the impacts of construction, and shall file with the OEB 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 Gas' 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 Gas, 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 Gas' adherence to Condition 1;
- ii. describe the condition of any rehabilitated land;
- iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts 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 Gas, 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.

7. For the purposes of these conditions, conformity of Union Gas with CSA Z341.1-14 “Storage of Hydrocarbons in Underground Formations” shall be to the satisfaction of the Ministry of Natural Resources and Forestry.