



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Sarnia Airport Storage Pool LP

EB-2017-0362

April 9, 2018

APPLICATION

Union Gas Limited (Union) on behalf of Sarnia Airport Storage Pool LP (SASP) filed an application on December 13, 2017 under subsection 38(1) of the *Ontario Energy Board Act, 1998* (OEB Act)¹ with the OEB to vary a condition related to the maximum operating pressure of the Sarnia Airport natural gas designated storage pool (Sarnia Pool). SASP asked that it be allowed to increase the operating pressure to 11,580 kPa which corresponds to a pressure gradient of 17.2 kPa/m (0.76 psi/ft) by September 2018 (the Project). The Sarnia Pool is owned by the SASP and operated by Union. The Sarnia Pool is located in the City of Sarnia, in Lambton County, and has been in operation since 2009.

SASP noted that pending final decision by the Ministry of Natural Resources and Forestry (MNRF) the proposed increase in operating pressure is anticipated to comply with the relevant requirements of Canadian Standards Association (CSA) standard Z341.1-14 - *Storage of Hydrocarbons in Underground Formations* (CSA Z341) to the satisfaction of the Ministry of Natural Resources and Forestry (MNRF). SASP has advised that the studies and reports that the MNRF needs to review in order to determine whether the applicant complies with CSA Z341 have been filed with the MNRF.

On July 28, 2008 the OEB issued a Decision with Reasons² that included the following approvals:

- An Order designating a gas storage area pursuant to section 36.1(1) of the OEB Act
- A favourable report of the OEB under subsection 40(1) of the OEB Act to the Ministry of Natural Resources and Forestry to recommending that the MNRF issue licences to drill three (3) injection/withdrawal wells and to re-enter and complete one (1) existing well within the proposed Sarnia Pool
- Leave to construct transmission and gathering pipelines within the proposed Sarnia Pool, pursuant to subsection 90(1) of the Act
- Authority to inject gas into, store gas in, and remove gas from the Sarnia Pool, pursuant to subsection 38(1) of the OEB Act

All of the above approvals enabled the operation of the Sarnia Pool as a natural gas storage pool. The order granting the authority to operate the Sarnia Pool under section 38(1) of the

¹ Section 38(1) is the statutory basis for the OEB to grant authorization to inject, store and withdraw gas from a storage pool.

² EB-2008-0002

OEB Act contained a number of conditions, including condition no. 1.6, which related to the maximum operating pressure of the Sarnia Pool. The wording of that condition was as follows:

MHP and AltaGas³ shall not operate the Sarnia Airport Storage Pool above a maximum allowed operating pressure representing a pressure gradient of 15.8 kPa/m of depth to the top of the reservoir and shall not operate the Sarnia Airport Storage Pool at a pressure greater than the discovery pressure of 4,014 kPaa until leave of the Board is obtained.

In accordance with the above noted condition, on July 31, 2008 the OEB received an application for leave of the OEB to operate the Sarnia Pool above the pool discovery pressure. The applicant submitted that the evidence it filed in the original proceeding demonstrated that relevant requirements of CSA Z341 were satisfied and that therefore it should be granted leave to operate the Sarnia Pool at a pressure gradient of 15.8 kPa/m of depth. On December 24, 2008, the OEB approved that application and allowed the operation of the Sarnia Pool at a maximum operating pressure of 15.8kPa/m of depth (Amending Order)⁴.

In the current application SASP requested that the OEB vary the conditions of approval related to the Sarnia Pool to allow an increase in the operating pressure from 15.8 kPa/m of depth to 17.2 kPa/m of depth. SASP proposed the following new wording that would have the effect of varying the condition no. 1.6:

Sarnia Airport Storage Pool Limited Partnership shall not operate the storage pool above a pressure representing a pressure gradient of 17.2 kPa/m (0.76 psi/f) of depth without leave of the Board. Sarnia Airport Storage Pool Limited Partnership shall provide summaries of an engineering study and geological study in support of any leave application and a formal confirmation from the Ministry of Natural Resources and Forestry that operating the pool at the increased operating pressure complies with the requirements of the CSA Z341 standard.

PROCESS

The OEB issued a Notice of Hearing on January 31, 2018. Intervenor status has been granted to MNRF, which actively participated in the proceeding. According to Union's⁵ Affidavit of Service dated February 14, 2018, the Notice of Hearing was posted on Union's

³ SASP is a partnership between Market Hub Partners Management Inc. (MHP) and AltaGas Ltd. These entities were applicants in the original proceeding. The Sarnia Pool is operated by Union Gas Limited by way of contract by SASP which is an affiliate of Union Gas Limited.

⁴ EB-2008-0002

⁵ As noted, Union Gas Limited applied on behalf of the SASP to the OEB and all the procedural and administrative required steps in this proceeding have been carried out by Union.

website and served directly on the affected landowners; the clerks of the City of Sarnia and the County of Lambton; all affected utilities and railway companies; the Petroleum Operations Section of the MNRF; all intervenors in the proceeding where the original decision to authorize the operation of the Sarnia Pool was granted⁶; and all Indigenous communities in the vicinity of the Sarnia Pool, all in accordance with the OEB's directions. On March 8, 2018 the OEB issued Procedural Order No.1 setting the timeline for filing of interrogatories, interrogatory responses, written submissions and reply submissions by SASP. The discovery phase was completed with SASP's filing of its responses to OEB staff and MNRF interrogatories on March 29, 2018.

EVIDENCE

The increase in the operating pressure will increase the capacity of the Sarnia Pool. The total capacity of the Sarnia Pool is 181,200 10³m³ and the increase in the operating pressure will add 17,600 10³m³ of capacity. SASP noted that the increased storage capacity of the Sarnia Pool will be sold as unregulated storage service at market prices. Union contracted to purchase all of the additional incremental capacity at market-based prices. SASP stated in its application that the Project is part of its un-regulated storage business and "as such economics have not been completed for the Project"⁷.

All of the landowners within the boundaries of the Sarnia Pool are private landowners. SASP indicated that it informed all the landowners within the Sarnia Pool about the proposed operating changes and that no issues or concerns have been raised by the landowners. SASP stated that it sent notification letters and it served the Notice of Hearing to the Indigenous communities in the vicinity of the Sarnia Pool and that no Indigenous communities expressed any concerns or comments regarding the Project.

SASP also stated that there are no environmental impacts resulting from the proposed operating change. SASP confirmed in response to MNRF interrogatory #4 that it submitted all necessary forms to the MNRF related to works on wellheads that are part of the Project.

In accordance with the requirements of CSA Z341, SASP provided MNRF with the following studies and reports (Sarnia Pool Reports) for their review:

- An Engineering study completed by Geofirma Engineering Ltd. (Geofirma) confirming that the maximum safe operating pressure for the Sarnia Airport Pool exceeds 17.2 kPa/m (0.76 psi/ft).

⁶ EB-2008-0002

⁷ EB-2017-0362 Application, page 4, paragraph 19
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- An Assessment of Neighbouring Activities Report as prescribed by CSA Z341 Clause 7.2 assessing: a) wells within 1 kilometre; b) operations within 5 kilometres; and c) the integrity of all wells penetrating the storage zone.
- An analysis of hazards and operability (HAZOP) for the Sarnia Airport Pool.

Union met, on behalf of SASP, with the MNRF's Petroleum Operations Section on October 13, 2017 to discuss the Project. The MNRF has been an active intervenor in this proceeding and submitted five interrogatories requesting additional information regarding the Project. In its responses to those interrogatories, SASP confirmed that all the activities within the scope of CSA Z341 related to the Project will be completed in accordance with the requirements of CSA Z341.

SASP stated that it understands that the MNRF will file comments on compliance with the CSA Z341 and on the Sarnia Pool Reports in MNRF's final submissions in this proceeding to be filed on April 9, 2018.

OEB STAFF SUBMISSION

OEB staff submits that the main consideration in the OEB's review of this application for an increase in the maximum operating pressure in the Sarnia Pool is the operator's compliance with the applicable sections of CSA Z341. This falls under the authority of the MNRF. SASP is expected to communicate directly with the MNRF to demonstrate compliance with CSA Z341 to ensure safe operations of its storage. SASP stated, in its pre-filed evidence, that it has filed with the MNRF the required studies and reports in support of its compliance with CSA Z341. OEB staff notes that the MNRF to date has not indicated any concerns about SASP's request to increase the operating pressure.

OEB staff submits that, because the Sarnia Pool storage services are market-based services, not regulated by the OEB, staff has no issues regarding rate payers bearing the costs of the Project. OEB staff is satisfied that all directly affected landowners were contacted and informed about the application and that no directly affected landowner has raised any concerns related to the maximum operating pressure increase in the Sarnia Pool. Further, OEB staff notes that SASP identified no environmental impacts as a result of the proposed changes in operating pressure. Regarding the Indigenous consultation,

OEB staff is satisfied that SASP sent notification letters and served the Notice of Hearing to the Indigenous communities in the vicinity of the Sarnia Pool and no concerns or comments were received from these communities.

Provided that the OEB receives confirmation that the MNRF is satisfied with SASP's compliance with CSA Z341, OEB staff supports the application and submits that the following wording, proposed by SASP, should be used to vary the OEB's condition of approval no.1.6 in its December 24, 2008 Amending Order in EB-2008-0002:

Sarnia Airport Storage Pool Limited Partnership shall not operate the storage pool above a pressure representing a pressure gradient of 17.2 kPa/m (0.76 psi/f) of depth without leave of the Board. Sarnia Airport Storage Pool Limited Partnership shall provide summaries of an engineering study and geological study in support of any leave application and a formal confirmation from the Ministry of Natural Resources and Forestry that operating the pool at the increased operating pressure complies with the requirements of the CSA Z341 standard.

- All of which is respectfully submitted -