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BY E-MAIL

February 21, 2019

Ms. Sherry Pineo
Manager, Petroleum Operations Section
Ministry of Natural Resources
659 Exeter Road, London, ON M6E 1L3
sherry.pineo@ontario.ca

Dear Ms. Pineo:

**Re: Report to the Minister of Natural Resources and Forestry
Enbridge Gas Inc., Application to Drill Wells in the Dow-Moore Storage Pool
Ontario Energy Board File Number: EB-2017-0354**

Pursuant to Section 40 of the Ontario Energy Board Act, the Ministry of Natural Resources and Forestry referred to the Ontario Energy Board (OEB) applications by Enbridge Gas Inc. (formerly Enbridge Gas Distribution Inc. [Enbridge]) to drill wells TD26, TD27, TD28H and TD29H in the Dow-Moore Storage Pool. Attached, please find the OEB's report to the Minister of Natural Resources and Forestry that recommends the issuance of a well drilling license to Enbridge for wells TD26, TD27, TD28H and TD29H.

Please direct any questions relating to this application to Ritchie Murray, Project Advisor at 416-544-5182 or Ritchie.Murray@oeb.ca.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment

c: Joel Denomy, Joel.Denomy@enbridge.com
Guri Pannu, Guri.Pannu@enbridge.com
Jug Manocha, Jug.Manocha@ontario.ca

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2017-0354

**REPORT OF THE ONTARIO ENERGY BOARD
TO THE MINISTER OF NATURAL RESOURCES AND FORESTRY**

Dow-Moore Storage Pool Well Drilling Project

**Before: Susan Frank, Presiding Member
Robert Dodds, Member
Cathy Spoel, Member**

Date: February 21, 2019

1. INTRODUCTION AND SUMMARY

Enbridge Gas Distribution Inc. (now Enbridge Gas Inc. and referred to here as Enbridge)¹ filed an application (Application) dated November 28, 2016 with the Ministry of Natural Resources and Forestry (MNRF) for a licence to drill three wells within the Dow-Moore Storage Pool (DMSP): observation well TD26 and gas storage wells TD28H and TD29H. The application was referred to the Ontario Energy Board (OEB) by the MNRF on December 8, 2017 pursuant to section 40 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (schedule B) (OEB Act). Enbridge asked that the OEB issue a favourable report to the Minister of Natural Resources and Forestry pursuant to subsection 40(1) of the OEB Act (Report to the MNRF) recommending that the MNRF grant a licence to Enbridge to drill and operate the three wells.

On January 19, 2018, the OEB requested that Enbridge provide further information to support its application and informed Enbridge that the application would be placed into abeyance until the additional information was received.

On July 19, 2018, the MNRF pursuant to Section 40 of the OEB Act, referred to the OEB Enbridge's application to drill a fourth well in the DMSP: observation well TD27.

On October 26, 2018, Enbridge filed with the OEB a revised Application that included all four wells (two observation wells and two gas storage wells) that it proposes to drill in the DMSP. The work to construct all four wells is collectively referred to as the Project and Enbridge plans to construct the Project between January and June 2019.

The OEB is satisfied that the Project is necessary and will not adversely impact Enbridge's ratepayers. The OEB recommends approval of the well drilling licence for the four wells identified in the Application subject to the conditions listed in Appendix A. These conditions are consistent with prior OEB approvals for well construction.²

2. PROCESS

The OEB issued a Notice of Hearing on December 18, 2018. No one sought intervenor status and no one requested a hearing.

The OEB is disposing of this proceeding without a hearing on the basis that:

¹ The original application and subsequent updated application were filed by Enbridge Gas Distribution Inc. On August 30, 2018, the OEB approved the amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited to become Enbridge Gas Inc.

² E.g., EB-2017-0162, Union Gas Limited, 2017 Terminus Storage Pool Well Replacement Project

- no person requested a hearing within a reasonable time set by the Board after the Board gave notice of the right to request a hearing,³ and
- the updated filing on October 20, 2018 contained all information requested by OEB in letter of January 19, 2018 required to make the OEB's decision.

At the direction of the Panel, OEB staff contacted Enbridge and asked it to review and comment on a set of eleven proposed conditions of approval of the requested licence. Enbridge did not object to the proposed conditions. The OEB has added two more conditions to the list: conditions 12 (designation of a Project Manager) and 13 (designation of OEB representative). The full set of recommended conditions is provided in Appendix A.

3. FACTORS TO CONSIDER

When reviewing and reporting to the MNRF on natural gas storage well drilling licence applications, the OEB considers the following:

- the need for the well(s)
- costs of drilling and construction and impact on rate-payers
- the environmental impacts of the proposal
- landowner matters
- Indigenous consultation
- proposed licence conditions

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

3.1 NEED

Enbridge asserts that the two horizontal gas storage wells are needed to replace deliverability lost due to the abandonment of five gas storage wells and one observation well, and that the observation wells are required to monitor the gas content and pressure in the underground storage area.⁴

In 2017, Enbridge abandoned the observation well TD7 and storage wells TD8, TD9, TD12, TD21 and TD22; in the same year, Enbridge converted the storage well TD25 to an observation well.⁵ The two new gas storage wells are needed to replace 60% of the

³ OEB Act, s.21(4)(i)

⁴ Exhibit B, Tab 1, Schedule 1, page 2

⁵ Ibid., page 1

deliverability lost in the DMSP due to the abandonment of these five gas storage wells, the conversion of the gas storage well to an observation well, and the abandonment of the observation well.⁶ The two new storage wells also take into consideration the deliverability lost when TD16 was abandoned in 2013 and TD23 was abandoned in 2015.⁷

The OEB accepts the need to maintain the deliverability of the DMSP at the level prior to the abandonment and conversion of former wells. The Project will not result in an increase in the capacity of the DMSP.

The OEB accepts the two observation wells are needed to monitor gas content and pressure and ensure the continuing safety of the storage area.

3.2 COSTS AND IMPACT ON RATE-PAYERS

The two new horizontal wells will form part of Enbridge's regulated storage operations, and the abandoned and converted wells are a part of regulated storage assets.⁸ The total projected capital cost for drilling the four wells is \$6.57 million and there will be an estimated \$2,500 in annual operating costs.⁹

The capital costs will be capitalized and included in rate base. In the recent amalgamation application of Enbridge and Union Gas Limited, the OEB approved a price cap incentive regulation formula for the setting of rates for fiscal years 2019-2023.¹⁰ There is not anticipated to be a rate impact to Enbridge customers from the drilling of the wells until the costs are included in rate base in 2024.

The \$6.57 million in capital costs and \$2,500 in annual operating costs have been adequately detailed and will not have a material impact on rate payers.

3.3 ENVIRONMENTAL IMPACTS

Enbridge engaged Stantec Consulting Ltd. to complete the necessary Environmental Screenings and prepare an Environmental Protection Plan (EPP) in accordance with the OEB's *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines in Ontario, 2016*.

⁶ Ibid.

⁷ Ibid.

⁸ Exhibit B, Tab 1, Schedule 1, page 1

⁹ Exhibit D, Tab 1, Schedule 1, page 1

¹⁰ EB-2017-0306 & EB-2017-0307

Two species at risk (SAR), namely the Little Brown Myotis and the Butler's Gartersnake, may occur within the vicinity of the Project. Mitigation measures to minimize impacts to SAR were developed in consultation with the MNRF.¹¹

Stage 1-2 Archaeological Assessments (AA) including two pedestrian surveys, were completed in 2017 and submitted to the Ministry of Tourism, Culture and Sport. Based on the results of the Stage 1-2 AA, no archaeological resources were identified and no further archaeological work was recommended for this area.¹²

Mitigation measures designed to minimize environmental and socio-economic impacts were also developed as part of the EPP. With the implementation of the recommended mitigation measures and adherence to permit, regulatory and / or legislative requirements, the potential environmental and/or socio-economic impacts of the Project are not anticipated to be significant.¹³

Environmental screening by a third party consultant identified no significant potential environmental or socio economic impact given Enbridge's commitment to implementing the recommended mitigation measures.

3.4 LANDOWNER MATTERS

The gas storage wells will be located on land owned by Enbridge. Temporary working areas will be required for TD27, TD28H and TD29H, and as a result one tenant farmer on Enbridge property will be impacted. The tenant farmer has been notified of the upcoming work and crop loss compensation will be paid to the farmer once the work has been completed.¹⁴

Enbridge has obtained other needed agreements and approvals for:

- crossing agreements with various pipeline companies in order to construct the gravel lanes over their pipelines,¹⁵ and
- construction of a new entrance of LaSalle Line from the Township of St. Clair.¹⁶

The OEB finds no ongoing land issues as the wells are on land owned by Enbridge. The temporary working area arrangements have been made with no issues identified.

¹¹ Exhibit C, Tab 1, Schedule 1, Attachment 1, page 6

¹² Ibid.

¹³ Exhibit C, Tab 1, Schedule 1, page 2

¹⁴ Exhibit F, Tab 1, Schedule 1, page 2

¹⁵ Ibid., page 4

¹⁶ Cover letter to Application update filed by Enbridge with the OEB on January 24, 2019.

3.5 INDIGENOUS CONSULTATION

The Ministry of Energy, Northern Development and Mines (MENDM) delegated to Enbridge the procedural aspects of the Crown's duty to consult. On September 10, 2018, the MENDM provided Enbridge with a letter indicating its Indigenous consultations are sufficient for the purposes of wells TD26, TD28H and TD29H. On January 23, 2019, the MENDM provided Enbridge with a letter indicating its Indigenous consultations are sufficient for the purposes of well TD27.

The MENDM has confirmed that Enbridge's Indigenous consultations are sufficient for the purposes of the Project.

The OEB expects Enbridge will continue to work closely with any potentially impacted Indigenous communities as the project moves forward.

4. RECOMMENDED LICENCE CONDITIONS

The OEB recommends that the licence to drill and operate the four wells be subject to the conditions presented in Appendix A to this Report.

5. RECOMMENDATIONS

The OEB finds that the Project is necessary and will not adversely impact Enbridge's ratepayers. The OEB recommends approval of the application for the well drilling licence for wells TD26, TD27, TD28H and TD29H in the DMSP, subject to the conditions in Appendix A. These recommendations shall expire twelve months from the date of this Report.

DATED at Toronto, February 21, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A
Proposed Conditions of Licence - Well Drilling and Operation

1. Enbridge Gas Inc. (Enbridge) shall rely on the evidence filed with the OEB in EB-2017-0354 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 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 Inc.
3. 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 licence and these Conditions.
4. Enbridge shall implement all the recommendations of the Environmental Protection Plan filed in the proceeding.
5. 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 to minimize disruption of agricultural land and agricultural activities.
6. Concurrent with the Final Monitoring report referred to in Condition 8(b), Enbridge shall file 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. Enbridge shall also file a copy of the Post Construction Financial Report in the proceeding where the actual capital costs of the project are proposed to be included in rate base, or any proceeding where Enbridge proposes to start collecting revenues associated with the project, whichever is earlier
7. 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.
8. Both during and after construction, Enbridge 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:

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- 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 Enbridge' 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 Enbridge, 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 Enbridge' 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 during 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 Enbridge, 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.
9. For the purposes of these conditions, conformity of Enbridge:
- a) With CSA Z341.1-18 "Storage of Hydrocarbons in Underground Formations" shall be to the satisfaction of the Ministry of Natural Resources and Forestry; and

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- b) With the requirements for wells as specified in the Oil, Gas and Salt Resources Act, its Regulation 245/97, and the Provincial Operating Standards v.2 shall be to the satisfaction of the Ministry of Natural Resources and Forestry.
10. Enbridge shall provide a written report to the MNRF if the conversion from an Observation well to a storage well changes the parameters of the DMSP with respect to capacity.^[1] This report shall be provided to the MNRF within 45 days of the change in parameters.
11. Enbridge shall provide 30 days advance notification to the MNRF of any conversion works for wells within the DMSP.^[2]
12. Enbridge shall designate one of its employees as project manager who will be responsible for the fulfillment of these conditions, and shall provide the employee's name and contact information to the Ministry of Natural Resources and Forestry, the OEB and to all the appropriate landowners.
13. The OEB's designated representative for the purpose of these Conditions of Approval shall be the OEB's Manager of Supply and Infrastructure.

^[1] The MNRF may alternatively remove this condition and establish an Undertaking for Enbridge.

^[2] *ibid.*