Willis

Sarnia Airport Storage Pool Project
Liability Insurance Study

Prepared by Willis Canada Inc.

August, 2008

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1. INTRODUCTION

Willis Canada Inc. has been requested by Market Hub Partners Canada L.P. ("MHP Canada") to provide an independent opinion as to an adequate amount of insurance that should be maintained for the proposed construction and operation of the Sarnia Airport Storage Pool Project (the "Project"). MHP Canada is requesting this Liability Insurance Study on behalf of Sarnia Airport Storage Pool Limited Partnership (the "SASPLP"), which is anticipated to be formed by Market Hub Partners Management Inc. ("MHP Management Inc.") and AltaGas Ltd., and their affiliates, during summer 2008.

Ontario Energy Board (the "OEB" or the "Board") Staff issued a proposed set of standard Conditions of Approval for the Project on May 16, 2008 (EB-2008-0002 Authorization to Inject, Store and Remove Gas) and the Board subsequently issued Conditions of Approval in its Decision with Reasons on July 28, 2008. One of the specific Conditions of Approval requires that insurance coverage be obtained and maintained in full force and effect, including but not limited to liability and pollution coverage, in an amount determined to be adequate by an independent party. The Board's Conditions of Approval are included as an Appendix to this report.

The Board is required to determine if the construction of a natural gas pipeline or facility is in the public interest by considering, *inter alia*, safety and environmental impacts. As well, the Board approves reservoirs and geological formations that are suitable for the storage of natural gas. We have based our comments, opinions and recommendations for insurance with this in mind.

The specific focus of our opinion is for liability insurance against claims made by Third Parties for Bodily Injury, Property Damage (including loss of use thereof), and also including Liability arising out of Pollution caused to Third Party property. A recommendation for coverage for losses arising from a rupture or other uncontrolled natural gas release at the wellhead is also included in this report.

This is not intended to be an exhaustive review of all insurable risks that could be faced by the Project, but rather a review of key exposures with the likely greatest financial impact, leading to an objective recommendation of a reasonable minimum limit of insurance, the maintenance of which would serve the public interest by being satisfied that SASPLP would have, as a minimum, the financial capacity to meet claims arising from the construction or operation of the Project. By recommending a 'per occurrence' limit to address what we believe to be the most serious potential outcomes, other sources of loss will also be adequately

covered as there will be no aggregation of limits (except where customary in standard industry policy forms). The amount of insurance would of course be in addition to the financial ability of SASPLP to satisfy claims against it from its own resources. We have not commented on the financial ability of SASPLP as our study is concerned with determining an adequate level of insurance to be carried.

Our recommendations are based upon the information provided to us by MHP Canada on behalf of SASPLP; publicly available information regarding the Project, SASPLP and related entities; and our extensive experience as an insurance broker, risk management advisor and loss prevention consultant to companies involved in similar businesses or operations in Canada and around the world. Willis Canada Inc. has previously provided an independent opinion regarding liability insurance coverage for Ontario storage facilities for MHP Canada with respect to the St. Clair Pool (EB-2006-0166 – St. Clair Storage Pool Project Liability Insurance Study, January 2007) (the "St. Clair Pool Insurance Study").

On site inspections were not made in connection with this report; our recommendations have been made based on an extensive review of documentation (including plans, photographs, aerial mapping, drawings and other material) provided to us. We have also engaged key project personnel in teleconferences to obtain information or clarification of information to enable us to complete our study. The proposed construction and operation of the facilities present no unusual risks (that would materially change the risk profile) compared to other natural gas storage, injection and withdrawal facilities, even considering the location of the Sarnia Chris Hadfield Airport. Additionally, at this stage of the project, site visits would not add significantly to the information that has been submitted. The information we have received has allowed us to understand the land uses and specifically the nature of the land uses at the Sarnia Chris Hadfield Airport.

2. PROJECT OVERVIEW

(A) Project Ownership

SASPLP will be a limited partnership formed under the laws of Ontario by respective subsidiaries of MHP Management Inc. and AltaGas Ltd. for the purposes of developing, constructing, owning, operating, marketing and maintaining the Sarnia Airport Pool. Formal partnership documents are currently being negotiated and are expected to be executed in the third quarter of 2008.

The general partner of SASPLP will be Sarnia Airport Storage Pool Management Inc. ("SASP Management Inc."), a corporation to be formed under the federal laws of Canada, which will be owned 50% by MHP Management Inc. and 50% by AltaGas Ltd.

The limited partners of SASPLP will be MHP Canada and AltaGas Operating Partnership. Each limited partner will have a 49.995% limited partner interest in SASPLP while SASP Management Inc. will hold the residual 0.01% general partner interest. Development of the Sarnia Airport Pool will be funded by the limited partners of SASPLP.

(B) Project Description

SASPLP is proposing to convert an existing natural gas production pool to an underground gas storage pool in the City of Sarnia, Lambton County, Ontario with an estimated working gas capacity of 5.26 Bcf. The reservoir was discovered in 1981 with the drilling of well BTS 2-11-VIII at a pressure of 4,014 kPaa and was produced from May 1989 to May 2003. SASPLP plans to delta-pressure the reservoir to 10,685 kPaa. Construction is scheduled to commence as early as September 2008. Construction and well drilling is scheduled to be completed between September 2008 and May 2009 with the pool proposed to be put into service no later than June 1, 2009. Storage services will be sold at market-determined rates. MHP Management Inc. will be contracted to manage the facilities on behalf of SASPLP and operation and maintenance services will be subcontracted to Union Gas Limited ("Union Gas"), a qualified Ontario storage operator. SASPLP will be the operator of the pool as defined under the *Oil, Gas and Salt Resources Act*. The storage space and deliverability will be connected to the integrated storage and transmission system of Union Gas.

(C) Description of Facilities

SASPLP will need to construct the following facilities as part of the Project: drill three new injection/withdrawal wells; re-enter and complete one existing well;

construct approximately 18 kilometres of NPS 12 natural gas pipeline; and construct an interconnection to the Union Gas transmission system.

Currently wells AIR.1, AIR.2, C.8 and BTS 2-11-VIII exist within the Sarnia Airport Pool reservoir. As part of the Project, wells AIR.1.H1, AIR.3 and AIR.4 have been designed and will be drilled in compliance with Standard CAN/CSA Z341.1-06, the *Oil, Gas and Salt Resources Act*, its regulations and Provincial Operating Standards, and the *Occupational Health and Safety Act.* BTS 2-11-VIII will be re-entered and deepened as part of the Project in compliance with the standards noted herein. A drilling program has been filed in support of the drilling license application containing detailed drilling procedures and casing specifications for all four wells. The drilling program includes the geological prognosis, reporting and safety procedures required by the *Occupational Health and Safety Act* and the *Oil, Gas and Salt Resources Act*, and is specifically designed to protect groundwater resources. SASPLP will ensure that technically competent contractors are retained to undertake the planned drilling program and the proposed well completion activities.

SASPLP, through MHP Management Inc., will require operations and maintenance activities to be carried out to comply with all applicable laws, regulations and operating standards, including the latest versions of the Oil, *Gas and Salt Resources Act*, its regulations and Provincial Operating Standards, Standard CAN/CSA Z341.1, the *Occupational Health and Safety Act*, and *Ontario Regulation 210/01 for Gas Pipeline Systems* as well as with the Emergency Response Plan and Operations and Maintenance Procedures being supplied by Union Gas.

The gathering and transmission pipelines and associated facilities have been designed for a maximum operating pressure of 12,065 kPag in accordance with *Ontario Regulation 210/01 for Gas Pipeline Systems.*

The Project area is primarily rural and there are fewer than 20 residential dwellings along the proposed pipeline route. Land use is primarily for agricultural purposes with the southwest portion of the proposed Designated Storage Area being located within Sarnia Chris Hadfield Airport property. The proposed facilities within the Designated Storage Area have been designed and will be constructed, operated and maintained to avoid interference with the operation of the Sarnia Chris Hadfield Airport and to comply with the regulations governing operation of the airport. There is one commercial greenhouse operation along the pipeline route. It is felt that this exposure does not add any significant risk that is not already addressed in the Environmental and Socio-Economic Assessment report and that any risks associated with the commercial greenhouse operation are contemplated in the minimum recommended liability requirements.

3. SUMMARY OF RECOMMENDED INSURANCE COVERAGE

We have made no recommendation that insurance of SASPLP's own assets should be included as a specific requirement, as we do not believe that this serves the public interest or is a requirement of the Board Condition of Approval. We understand that SASPLP will maintain insurance on its owned assets, but we have limited our recommendation to the scope and limit of liability insurance that should be required of SASPLP, as referred to in the Board Condition of Approval.

(A) Construction Phase

The Construction Phase covers the entire period of construction up to the commencement of commercial operations, and includes well drilling and construction of the pipelines and surface facilities.

(i) Commercial General Liability

Commercial General Liability covers Bodily Injury (including death) and Property Damage (including loss of use thereof) to Third Parties as a result of all activities related to the construction and installation of the facilities and equipment for the Project.

The scope of policy coverage should not be more limited than provided by the Insurance Bureau of Canada ("IBC") Forms 2100 and 2320 (or replacements thereof) and should include, as a minimum, the following:

- Cross Liability / Severability of Interest
- Non-owned Automobile Liability
- Contingent Employers Liability
- Blanket Contractual Liability
- Coverage for Completed Operations
    - For a minimum of 12 months following commencement of Commercial Operations
- Coverage for Contractors and Sub-contractors for Work Performed by them Relating to the Project
- Forest Fire Fighting Expenses
- Coverage to include Excavation and/or Collapse and/or Underpinning
- Sudden and Accidental Pollution Liability
    - To at least the scope of coverage provided by IBC Form 2313, or its equivalent

The limit of liability arising out of all claims from any one occurrence is recommended to be a combined single minimum limit of $35,000,000.

The policy limit should be available to multiple occurrences which occur during the policy period and should not be subject to an aggregation of limits during the policy period, except where required by industry practice.

(ii) Operators Extra Expense Coverage

Operators Extra Expense Coverage is recommended from the commencement of work to upgrade wells and/or drill the injection/withdrawal wells and should be arranged on an annual basis throughout the construction period.

Policy coverage should include as a minimum:

- Costs of Bringing a Well Under Control
- Costs of Making Wells Safe
- Well or Underground Blow Out
- Evacuation Expenses
- Deliberate Well Firing
- Removal of Wreckage and Debris
- Seepage and Pollution, Clean-up and Contamination from the Well(s)

Coverage should be based on Energy Exploration & Development ("EED") Form 8/86, or its equivalent.

Coverage is recommended to include all producing and shut-in wells, all plugged and abandoned wells, all wells being worked over or upgraded and all newly drilled wells commencing from the spud-in date.

The limit of liability insurance arising out of all claims from any one occurrence is recommended to be a minimum of $15,000,000.

We have not made a specific recommendation regarding insurance for gradual pollution or environmental impairment. We refer to our comments in Section 1 of this report that we are making a recommendation for liability insurance to address what we believe to be the most serious potential outcomes. We feel that the sudden and accidental pollution liability coverage we have recommended under a Commercial General Liability policy and also under an Operator's Extra Expense policy will provide an adequate limit of coverage to meet claims arising from all major pollution events.

(iii) Automobile Liability

Automobile Liability Coverage is required for all licensed vehicles owned or leased by SASPLP (or its contractors) that will be used in connection with the construction of the Project.

The minimum amount of coverage is prescribed by statute. However, it is our recommendation that a **minimum limit of liability of $5,000,000** per vehicle be carried.

(B) Commencement of Commercial Operations

(i) Commercial General Liability

The limit of liability arising out of all claims from any one occurrence is recommended to be a combined single minimum limit of $35,000,000 and should be subject to the same policy form and scope of coverage referenced above in Section 3(A)(i).

The insurance should be seamless and provide continuity between the end of construction and the start of commercial operations. The start of commercial operations should be considered as the date that commissioning starts (i.e. when gas is introduced into the pipeline system for testing or is withdrawn from the wells for testing). The Commercial General Liability policy provided for the construction should be replaced with coverage from the commencement of commercial operations for the same limit as recommended in Section 3(A)(i) above.

(ii) Operator's Extra Expense

The limit of liability insurance arising out of all claims from any one occurrence is recommended to be a minimum of $15,000,000.

Operator's Extra Expense Coverage should be arranged on an annual basis throughout commercial operation and should be subject to the same policy form and scope of coverage referenced above in Section 3(A)(ii).

(iii) Automobile Liability

Automobile Liability Coverage is required for all licensed vehicles owned or leased by SASPLP (or its contractors) that will be used in connection with the operation of the Project.

The minimum amount of coverage is prescribed by statute. However, it is our recommendation that a **minimum limit of liability of $5,000,000** per vehicle be carried.

Coverage should be arranged on an annual basis upon commencement of commercial operations.

(C) Deductibles or Self Insured Retentions

We recommend that each of the insurance policies referenced above in Sections 3(A) and 3(B) be subject to a deductible or self insured retention of not more than $500,000 each loss. However, should the risk management and insurance philosophy of SASPLP be such that a higher level of retention is proposed, we would consider this acceptable subject to:

(a) the recommended limits of insurance being excess of the amount of such deductible or self insured retention, and

(b) the amount of deductible or self insured retention being in no event greater than $1,000,000 for each loss.

(D) Construction and Operation

If the *Workplace Safety and Insurance Act* applies to SASPLP, it is expected that a valid certification be made prior to the commencement date of any work.

We note that Board's Condition of Approval requires SASPLP to file proof of insurance for the construction activities and for the operation of the facilities. Therefore, we recommend that proof of insurance be filed either (i) annually to maintain current certificates of insurance or (ii) when there is a fundamental change to the coverage.

It should be a requirement of the policies that the insurers provide advance written notice of any intended cancellation or non-renewal of the coverage.

It is further recommended that coverage only be placed with insurers that hold a rating from A.M. Best of A- (or equivalent).

4. BASIS OF INSURANCE STUDY

The purpose of the study is to identify likely sources of claims from events that are possible and foreseeable from the operations described. It is not intended to be a study of every possible risk and source of claim, but rather those that may give rise to a significant legal liability to SASPLP. The nature of the business does not provide for scenarios of high frequency/low severity losses, but any such losses will be adequately covered by the 'per occurrence' limit recommended. The operations contemplated provide scenarios of low frequency to the extent that meaningful occurrence patterns are difficult to quantify precisely. We have therefore focused on what could occur in a 'worst case' and its impact rather than a prediction of the likelihood of a given event occurring to arrive at a conservative recommendation for adequate insurance to protect the public interest.

Documents that we have reviewed in preparing this report include the following:

- EB-2008-0002 Pre-Filed Evidence and Schedules (December 28, 2007)
- Stantec Consulting Ltd. – Environmental Report (August 2005)
- Stantec Storage Pool Pipeline Environmental Report (April 2007)
- EB-2008-0002 Interrogatory Responses (May 2008)
- The Airport Pool Project What-If Analysis and Operability Issues - UGM Engineering Ltd. (September 2007)
- Willis Energy Limited – Insurance Loss Database (updated 2007)
- Willis Canada Inc. – St. Clair Pool Storage Project Liability Insurance Study (January 2007)
- Marsh Canada Limited – Insurance Study, Tipperary Pool Development Project (July 2006) (the "Marsh Report")
- CAODC Standard Drilling Contract
- Typical Site Preparation Contract Job Description

In addition to our review and assessment of these documents, we have also based our recommendations on our knowledge and experience of similar operations where we have provided insurance placement services, risk advisory services, loss prevention engineering services and insurance claims consultancy.

As stated in the St. Clair Pool Insurance Study, the insurance study prepared by Marsh Canada accurately represents the major anticipated risks associated with a natural gas storage pool development and our own research arrives at similar conclusions and recommendations. We understand that there are few livestock operations in the vicinity of the Project area and we believe that the operation of the Project presents minimal risk to livestock operations and minimal potential liability to SASPLP. Based on our review and assessment, the construction and operating risks contemplated by the Project can be summarized as follows:

- Are common in the gas storage business
- Are regulated by both the OEB and Ministry of Natural Resources
- Do not involve new or unproven technologies
- Will be conducted by experienced operators
- Will take place away from large population concentrations
- Are located close to lightly traveled roadways
- Are not located in a seismic zone or otherwise exposed to natural catastrophes
- Are not significantly impacted by the proximity of the Sarnia Chris Hadfield Airport based on the regulations governing activities near the airport and the standards developed for the construction and operation of the Sarnia Airport Pool, including setback and spacing requirements, emergency planning completed in association with the operator of the airport and design of the drilling equipment.
- Have insurance loss histories which indicate low frequency and severity of liability claims (there have been a number of losses involving natural gas storage operations which have involved extensive loss to the operator's property – including gas in storage – but very large liability claims, i.e. greater than $10,000,000 have not historically been associated with low frequency incidents). The drilling of the wells for the Project will be undertaken by an experienced contractor and will be governed by a standard CAODC contract. The risks assumed by the operator under this agreement are contemplated in our recommendation for Operator's Extra Expense insurance.

It is also important to note that while the large majority of gas storage facilities in North America are depleted reservoirs, (source, Energy Information Administration) nearly all catastrophic losses have occurred at salt cavern storage facilities. It has been demonstrated that salt cavern gas storage poses substantially different developmental and operational risks than depleted reservoir storage. We have taken this into account in assessing limits of liability.

(A) Environmental Impairment / Water Contamination

Risk assessment studies have been conducted to determine, *inter alia*, the likelihood of a serious water contamination problem. For instance, the What-If Analysis and Operability Issues report completed for the Sarnia Airport Pool discuss controls for drilling fluids and cuttings, the very minor chance of escape from pools from delta pressure, and the surface casing (cemented and pressure tested) of wells set well below the freshwater zone. Our own assessment of the risks in both the construction and operational phases is consistent with the conclusion of the Marsh Report; i.e. that while spills of hazardous substances and/or hydrocarbon migration are possibilities, the affect of such would result in liability claims far less than the recommended limits of liability insurance.

For significant financial liability to result to SASPLP there would need to be an undetected contamination of long duration exposing a large number of people and/or livestock to a degree that would cause serious bodily injury, or death. SASPLP has proposed a mitigating strategy to supply potable water in the event of contamination. Liability would be based on a claimant's ability to show that bodily injury or property damage resulted from the activities of SASPLP. The suggested limit of liability insurance is, in our opinion, sufficient to meet any foreseeable claims including loss of livestock. It should be noted that there are no set values for the compensation of victims, and for the most part estimates rely on precedent. It has been our intention to allow a 'cushion' between a reasonable valuation of foreseeable loss scenarios and our recommended minimum limit of liability to protect the public interest from the inherent uncertainty in precisely quantifying claim payments. The location of the Airport relative to the drilling activity does introduce a slightly higher loss potential with a serious event potentially being able to affect operations at the airport. However based on our review of the documents presented we believe these risks have been well managed and an effective emergency plan has been put in place to deal with any potential problems. The experience of the Contractors and the standards that will be put in place also mitigates the probability of any serious loss. We are aware that, in the past, concems have been expressed by Ontario farmers as to the potential for soil or crop contamination particularly from contamination emanating from construction vehicles and equipment during the course of normal operation of the facilities. We concur with the findings of the Marsh Report that while this possibility exists, the financial impact of such would be within the limit of liability proposed in this report.

Contamination arising from a major accident or incident may be reasonably expected to be more severe, however in the event of a catastrophic incident involving hydrocarbon release and combustion, the products of combustion would not be expected to contribute significantly to deterioration in air or water quality, and most likely not over a sustained period.

(B) Catastrophic Well / Reservoir Failures

There has been a very low frequency rate of failures from depleted reservoir storage facilities. (See historical losses review from Willis Energy Loss Database attached.) We have commented earlier on the difference between the historical loss experiences of depleted reservoir storage and of salt cavern storage. The injected gas will be comparatively dry, sweet gas which minimizes both environmental hazard and can limit corrosion potential. SASPLP will be required to comply with standard CAN/CSA Z341.1 relating to the storage of hydrocarbons in underground formations, as well as the *Oil, Gas and Salt Resources Act*, including its regulations and the Provincial Operating Standards. In the event of an uncontrolled release of natural gas as a result of a well blowout with subsequent ignition, the potential exists for Bodily Injury or Property Damage to Third Parties in the immediate vicinity of the wellhead. The information provided suggests that the location of the facilities relative to local residences/populations would limit the financial impact of injuries or damages to an amount significantly less than the proposed limit of insurance for Operator's Extra Expense and/or Commercial General Liability.

However with the location of the airport relative to the Project, though as discussed the risks have been very well managed, it is possible that a serious event could have an effect on the operations of the airport. We believe this is a remote probability with all the precautions taken. This risk is also hard to quantify and is one of the main reasons we have conservatively recommended a higher liability limit than for the St. Clair Pool Project.

For the operating phase of the Project, the Pre-Filed Evidence submitted on behalf of SASPLP in EB-2008-0002, has stated that Union Gas, a qualified Ontario storage operator, will provide operations and maintenance services and expertise. It is our opinion that Union Gas would be regarded by the insurance community as fully capable in this field.

It is our conclusion that an event of catastrophic failure that involved both multiple Third Party (i.e. excluding employees) fatalities and Property Damage would result in financial liability to SASPLP significantly below the recommended limits for Commercial General Liability (Bodily Injury and Property Damage) and Operators Extra Expense (Well Control/Firefighting, Pollution and Evacuation Expense).

(C) Pipeline Construction and Operation

The proposed Project does not present significantly different risks or exposures than other 'small inch' high pressure steel pipeline operations in the area. SASPLP has developed plans and has sought permits from the St. Clair Region Conservation Authority for the proposed crossings of natural watercourses. Normal protective measures such as cathodic protection and leak detection will

be observed. The design of the surface facilities will be in accordance with *Ontario Regulation 210/01 for Gas Pipeline Systems*, including standard CAN/CSA Z662 (which provides code requirements for, *inter alia*, pipeline materials, installation and testing requirements and ongoing testing and emergency response planning) and the *Technical Standards and Safety Act* (2000).

In the event that there is a catastrophic rupture and fire in either the pipeline or the interconnected Union Gas facilities, placement of emergency block valves will limit the duration of such a fire. A worst case event to contemplate fire in a populated area resulting in fatalities and/or serious injuries and significant Third Party Property Damage necessitates an estimate of the number of casualties involved. While likelihood of an occurrence may be statistically predicted, the extent of Third Party involvement is more difficult to predict and therefore a conservative estimate is suggested. Assuming two fatal injuries and three serious long term injuries, all of which would involve a settlement contemplating economic dependency, Canadian liability awards, even allowing for economic inflation, would be unlikely to result in a total liability of greater than $ 10,000,000 to $17,500,000 in our opinion. We have therefore recommended a liability insurance limit of two times the estimated maximum exposure. The amount is higher than the previously recommended amount for the St. Clair Pool Project, as previously discussed due to (i) the proximity to the Sarnia Chris Hadfield Airport, however this increased risk has been considered in all the construction standards and safety contingencies that have been incorporated in the Project, and (ii) the relative difference in development costs between the two projects.

(D) Liability from Vehicular Accidents

During the construction phase, a greater number of licensed vehicles than normal may be present on the roadways in the vicinity of the Project. During the operating phase, it would be expected that vehicular traffic would be more infrequent, but we have assumed a worst case scenario of an at fault accident causing serious bodily injury and/or death to Third Parties.

5. SUMMARY OF LOSS ESTIMATE SCENARIOS

(A) Construction Phase

Environmental Loss – Storage Pool Development and Operations

- Minor clean up and remediation from spills of hazardous substances, ground water contamination, agricultural crop contamination

  - Less than $2,000,000 from any single event

Environmental Loss – Transmission Line

- Minor clean up and remediation during construction – spills of hazardous substances, uncontrolled release of hydrostatic test water, ground water contamination

  - Less than $2,000,000 from any single event

(B) Operating Phase

Environmental Loss – Release of Hazardous Substances

- Soil remediation, groundwater contamination

  - Less than $2,000,000 from any single event

Third Party Bodily Injury/Property Damage – Transmission Pipeline Explosion and Fire

  - Less than $10,000,000 from any single event

Third Party Bodily Injury/Property Damage – Well Blowout and Fire

- Fire damage to residential property and bodily injury

  - Less than $10,000,000 from any single event

- Well control/ fire fighting costs, evacuation expenses, pollution and contamination clean up expense

  - Less than $10,000,000 from any single event

Third Party Bodily Injury / Property Damage - Pipeline Rupture and Fire

- Loss of residential property, damage to occupied vehicles, serious injuries and/or fatalities

  - Less than $17,500,000 from any single event

(C) Vehicle Accident (Construction or Operating Phase)

At fault accident involving a third party vehicle with a fatality and serious injuries

- Less than $5,000,000 from any single event

APPENDICES:

- Ontario Energy Board Conditions of Approval (EB-2008-0002 – Authorization to Inject, Store and Remove Gas)
- Curriculum Vitae
- Extract from Willis Energy Loss Database
- Aerial Map – Well Locations (including pad location for proposed wells)
- Pipeline Location Map

Curriculum Vitae

Robert Gefers
Senior Vice President
Willis Energy Practice

Bob Gefers joined Willis in 2003 where he is currently a Senior Vice President working out of our Houston office. His experience in the energy insurance arena spans 25 years and includes risk management, underwriting and, more recently, broking/account executive roles on both the wholesale and retail sides.

Throughout his career, Bob has been involved in the design and execution of most of the major energy insurance packages worldwide (hydrocarbon processing, exploration and production and power generation), including onshore and offshore property, construction and liability.

Before coming to Willis, Bob worked with Aon in the U.S. Prior to that, he was recruited to join Lloyd's at the Agnew Syndicate and later became partner in charge of the energy division of Wellington. He came to Lloyd's from AIG where he headed up their London and European energy operations, which included a branch office of Starr Tech, AIG's operation that underwrites U.S.-based energy accounts and AIG's marine energy book. Before that, Bob set up an energy division for Cigna Worldwide, both onshore and offshore property and construction.

Bob began his insurance career in 1979 in the claims and engineering department of AIG, where he became underwriting manager for its oil and petrochemical division.

Bob holds a Bachelor's Degree in Economics from Fordham University and a Bachelor's in Mechanical Engineering from Polytechnic Institute of New York.

Peter Boucher
Senior Vice-President, Marine Manager
Willis Vancouver

Peter Boucher has 38 years experience in all aspects of insurance. As a third generation insurance broker, he joined the Royal Insurance Group as a management trainee in 1970. In 1976 he joined a firm of Average Adjusters, where he had the privilege to adjust many different types of complex marine and energy claims.

In 1981 Peter immigrated to Canada as Claims Manager for a large international broker in Vancouver. In 1983 Peter became a full member by examination of the Association of Average Adjuster's of Canada. In 1984 Peter joined an international broker as an Account Executive in Calgary.

In 1988 Peter returned to Vancouver in an Account Executive capacity, during this time he also served as Manager of the Transportation Department. In 2001 he was elected as Chairman of the Association of Average Adjusters.

In January of 2004 Peter joined Willis Canada as an Account Executive and Marine Manager with responsibility for a variety of large accounts and marine business in Western Canada.

Peter has extensive experience with the placement of energy business and energy claims. In the late '70's with respect to offshore operations in the North Sea and in the mid '80's operations in the Beaufort and Canada's East Coast. He also served for a number of years as a member of Shell Canada's emergency response team.

Peter is a Fellow of the Chartered Insurance Institute, he holds a Canadian Risk Manager designation and he is a past chairman of the Average Adjusters Association of Canada.

Judy Johnson, *CIP*
Assistant Vice President & Account Manager,
Willis Canada

Judy joined Willis in May of 2005 as an Account Manager bringing 16 years of Insurance experience. In this position Judy is responsible for the management of several accounts and is the first point of contact for daily enquiries by clients and will be able to respond to all questions and concerns.

During her career Judy spent some time working in a related business in an administrative capacity which adds value to her position as the Account Manager on the team.

Judy has her Canadian Accredited Broker designation (CAIB), and recently passed the Chartered Insurance Professional and has gained her designation (CIP).

Judy holds a level II license from the Insurance Council of British Columbia as well as non-resident licenses in both Nunavut and Northwest Territories.

Energy

In terms of risk management, the energy market sector is a growth industry. The scale and complexity of risks are climbing rapidly, and the risk management burden is exacerbated by the fact that energy policies for exploratory and operational risks, both onshore and offshore, are primarily underwritten on an annual basis. This is due to tradition and the year-to-year uncertainty surrounding reinsurance. The recent and intense spike in Atlantic and Caribbean hurricane activity is a reminder of just how pronounced that uncertainty can be. The record-breaking storms also prove that claims on a vast scale are not only possible, but can accumulate to levels well beyond what markets have experienced before.

Upstream and downstream operational challenges abound as well. For example, the move to deep water exploration and production has created whole new classes of production units. Environmental and health and safety risks are growing just as rapidly, with human and capital resources being stretched to the limit. Refineries running at record capacities add to the hazards that must be managed and, if desired, transferred. Tens of billions of dollars are being invested upstream, midstream and downstream at a record pace, with the scale of construction challenging the capacity of insurance markets to respond. Much of this investment is in areas of perceived high political risk, which must also be considered in risk management decisions.

These issues are not entirely new, of course, and the marketplace offers options. Companies have turned to industry mutuals, captives, higher retentions, enterprise risk management techniques and commercial underwriters to find solutions.

What does it take to negotiate these options? Experience, marketplace foresight, industry knowledge, a global presence, engineering support, a recognized claims team, and risk management savvy. Willis Energy provides all of these through our Client Advocate® service model, our efficient, direct and effective means of delivering focused risk management expertise that is backed by our *Glocal* approach – global resources, delivered locally. Your Willis Client Advocate will work with you to assemble a global team, whose members you will have a direct say in selecting.

Our practice consists of 175 professionals based in energy and insurance capitals around the world, including Beijing, Calgary, Dubai, Houston, London, Moscow and New York. Since the founding of the practice in 1991, we have risen to become a leader in our field, serving some of the world's largest oil and gas groups – nationals, majors and large independents – as well as small upstream or downstream entities with their unique needs.

You Might Need Us if You Are:

- A national oil company expanding your domestic infrastructure and/or growing your business internationally
- A major oil group that is looking for world-class service to match your worldwide scope
- A large independent company seeking a dedicated team that understands your specific needs
- A small upstream or downstream player that needs protection from operational, catastrophic, environmental and other risks
- Any company involved in the construction of an oil and gas facility of any size or scope
- Any combination of the above
- A drilling or service contractor

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Energy

Key Types of Coverage

- Property & Casualty
- Business Interruption
- Construction
- Directors & Officers
- Employee Benefits/Health
- Environmental
- Special Crime
- Marine and Cargo
- Mergers & Acquisitions
- Political Risk

What Willis Can Do for You

- Coverage strategy and marketing
- Claims management and loss control
- Alternative risk transfer and enterprise risk management
- Project finance review
- Captive management
- Market monitoring and update, e.g., our semi-annual flagship publication *Energy Market Review*
- Engineering

Why Willis

- We have a powerful presence in major energy capitals around the world.
- We have extensive experience in refinery, petrochemical, chemical and LNG exploration, production and mid-stream operations as well as onshore and offshore operations
- We are recognized around the world as leaders in onshore and offshore construction
- We have highly experienced, energy-trained professional engineers on staff.
- We often handle all of a client's insurance needs; however, we realize that some clients prefer to maintain relationships with two or more brokers. We will consider working with other brokers, and do in fact have many joint appointments with our competitors.
- We believe we are the most qualified broker in designing and implementing OIL wraparound programs and currently work with many of OIL's members.
- Our "oil patch" products are recognized as the most innovative and efficient in the industry.

Contact Information

For additional information, visit our web site at www.willis.com or contact Phillip Ellis at +44 (0)20 7975 2046, ellisp@willis.com or Bertil Olsson at +1 713 625 1043, bertil.olsson@willis.com.

• The Willis Value Experience is built on a foundation of set protocols and processes that ensure quality and transparency • The Client Engagement Guide frames our relationship with clients • The Willis Excellence Model guides the insurance placement and marketing process • The Willis Client Bill of Rights defines our delivery of open communication and value to our clients •

COM/3563/09/06

Willis Energy Loss Database

WillisOnline

Home Overall OEE Logs Energy Losses Admin

Energy Losses
OEE

Home

Search

Overall Losses

OEE Losses

Date of Loss
- by Month
- by Year

Location of Loss
- by Area
- by Country

Type of Loss
- by Cause
- by Category
- by Subcategory

Actual Cost Categories

Indexed Cost Categories

Well Details
- by Depth Category
- by Status
- by Rating Area
- by Well Type

Full List by Year
- All Losses
- OEE Actual
- OEE Indexed

Full List by Value
- All Losses
- OEE Actual
- OEE Indexed

Logs

By Year

Expand Collapse Previous Next Download

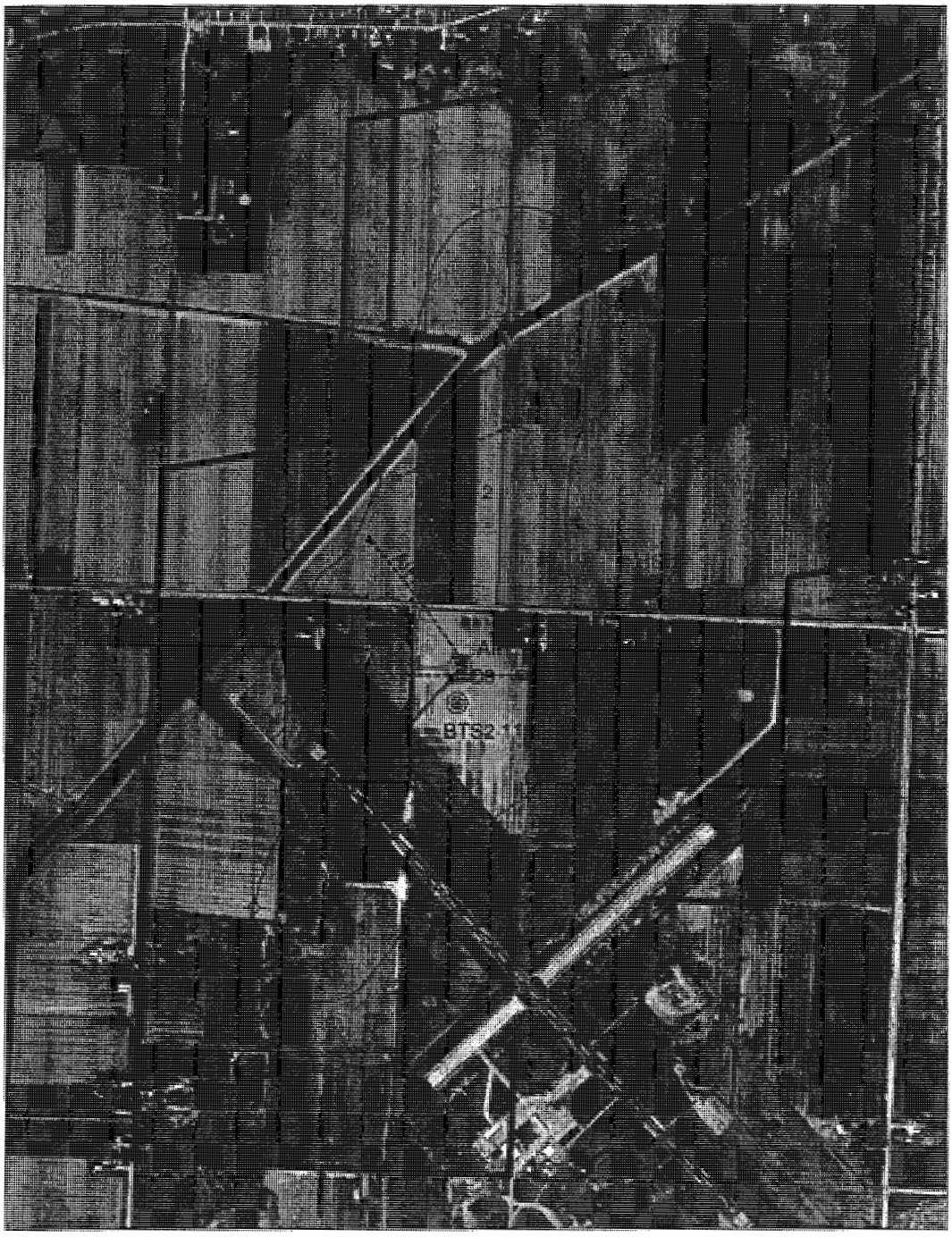
Page 1 of 1

	Incidents	OEE Actual US$	Average OEE Actual US$	OEE Indexed US$	Average OEE Indexed US$
1979	2	9,116,118	4,558,059	20,344,181	10,172,091
1982	3	19,869,605	6,623,202	33,708,722	11,236,241
1987	1	2,177,911	2,177,911	3,582,993	3,582,993
1988	1	1,069,510	1,069,510	1,663,439	1,663,439
1989	1	2,960,000	2,960,000	4,436,669	4,436,669
1994	1	2,400,000	2,400,000	3,473,187	3,473,187
1996	1	1,072,000	1,072,000	1,496,082	1,496,082
1998	5	14,919,506	2,983,901	20,404,675	4,080,935
1999	1	4,000,000	4,000,000	5,455,197	5,455,197
2000	1	8,500,000	8,500,000	11,489,343	11,489,343
2001	3	10,869,000	3,623,000	14,684,038	4,894,679
2002	1	2,500,000	2,500,000	3,366,405	3,366,405
2003	2	2,700,000	1,350,000	3,577,836	1,788,918
2004	1	32,550,000	32,550,000	39,035,086	39,035,086
2005	1	1,000,000	1,000,000	1,137,762	1,137,762
2006	3	4,589,630	1,529,877	4,893,707	1,631,236
2007	3	7,860,000	2,620,000	7,860,000	2,620,000
	31	128,153,280	4,133,977	180,609,321	5,826,107

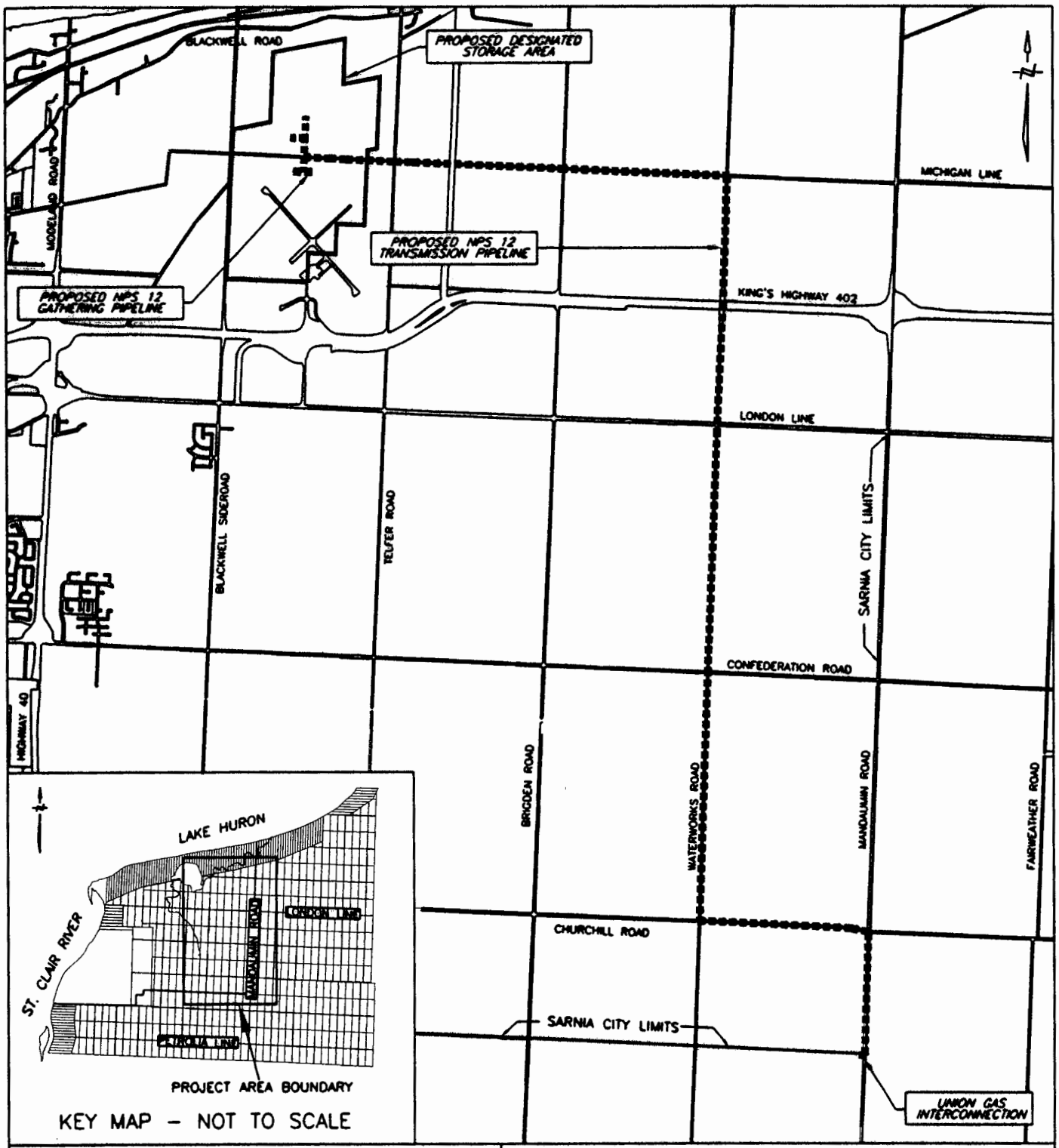
Area = North America and Country = Canada and On offshore = Land and Category = Well and Cause = Blowout

Produced:01-Aug-2008

Aerial Photograph



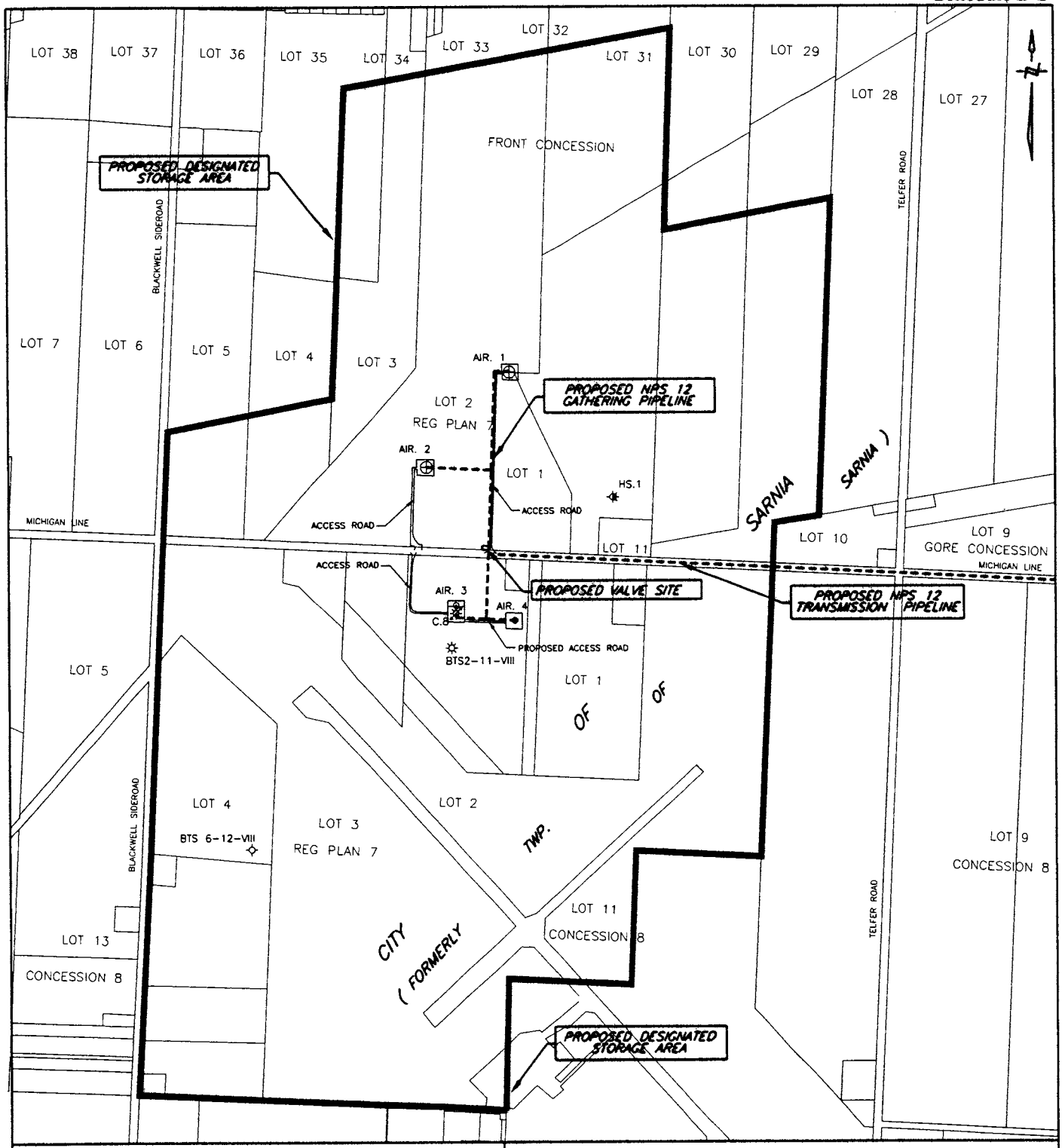
Schedule B-1



REVISIONS				
NO.	DATE	BY	APP'D	REMARKS

SARNIA AIRPORT POOL PROJECT
FACILITIES OVERVIEW
CITY OF SARNIA, COUNTY OF LAMBTON

DRAWN BY: MONTEITH & SUTHERLAND	DATE: 2007-12-03	SCALE: 1: 60000	PLOT SPEC.: 1=60
CHECKED BY: L. JEROMEL	DATE: 2007-12-03	AC/DRAW CODE:	
APPROVED BY: L. JEROMEL	DATE: 2007-12-03	JOB NO.:	
SIZE: A	SHEET: 1 of 1	DRAWING NO.: SASP-SAP-03	



REVISIONS				
NO.	DATE	BY	APP'D	REMARKS

SARNIA AIRPORT POOL PROJECT
DESIGNATED STORAGE AREA DETAIL
CITY OF SARNIA

DRAWN BY: MONTEITH & SUTHERLAND	DATE: 2007-12-03	SCALE: 1: 14000	PLOT SPEC.: 1=14
CHECKED BY: L. JEROMEL	DATE: 2007-12-03	AC/DRAW CODE:	
APPROVED BY: L. JEROMEL	DATE: 2007-12-03	JOB NO.:	
SIZE: A	SHEET: 1 of 1	DRAWING NO.: SASP-SAP-04	

APPENDIX D

TO

DECISION WITH REASONS

EB-2008-0002

Market Hub Partners Management Inc. and AltaGas Ltd.

Authorization to Inject, Store and Remove Gas

Dated July 28, 2008

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2008-0002

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by Market Hub Partners Management Inc. and AltaGas Ltd. for an order authorizing the injection of gas into, storage of gas in, and removal of gas from a gas storage area.

BEFORE: Paul Vlahos
Presiding Member

Paul Sommerville
Member

Cathy Spoel
Member

ORDER

AUTHORIZING THE INJECTION OF GAS INTO, STORAGE OF GAS IN, AND REMOVAL OF GAS FROM A GAS STORAGE POOL

Market Hub Partners Management Inc. and AltaGas Ltd. (the "Applicants") have filed applications with the Ontario Energy Board, (the "Board") dated December 28, 2007, under sections 36.1(1), 38(1), 40(1) and 90(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B that would, if granted, allow the Applicants to develop Sarnia Airport Gas Storage Pool in the geographic area of the City of Sarnia, County of Lambton, Ontario ("Sarnia Airport Pool Project"). The Board has assigned File No. EB-2008-0002 to this Application.

The Applicants applied to the Board for orders designating a gas storage area, authorizing the injection of gas into, storage of gas within, and withdrawal of gas from a storage reservoir; leave to construct natural gas pipelines; and a favorable report of the

Board to the Minister of Natural Resources with respect to the Application for licences to re-enter and complete one (1) existing well and to drill three (3) injection/withdrawal wells in the proposed Sarnia Airport Gas Storage Pool. Collectively, the orders and report sought by the Applicants will support the conversion of the existing Sarnia Airport Pool from production to storage.

The Notice of Application was issued on February 14, 2008. The Applicants served and published the Notice of Application as directed by the Board. The Board proceeded by a written hearing.

On July 28, 2008 the Board issued a Decision with Reasons approving all the applications sought under Board File No. EB-2008-0002. This Order authorizing the injection of gas, storage of gas in and removal of gas from the Sarnia Airport Pool is issued in accordance with the Board's July 28, 2008 Decision with Reasons.

THE BOARD ORDERS THAT:

Market Hub Partners Management Inc. and AltaGas Ltd., pursuant to section 38(1) of the *Ontario Energy Board Act*, 1998, are authorized to inject gas into, store gas in and remove gas from the area known as Sarnia Airport Pool in the geographic City of Sarnia, County of Lambton, Province of Ontario, which has been designated as a gas storage area, and to enter into and upon the land in the area for such purposes, subject to Conditions of Approval set forth in the Schedule 1 to this Order.

DATED at Toronto, July 28, 2008
ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Schedule 1

EB-2008-0002

Market Hub Partners Management Inc. and AltaGas Ltd.

Conditions of Approval

Authorization to Inject, Store and Remove Gas

EB-2008-0002
Market Hub Partners Management Inc. and AltaGas Ltd.

Conditions of Approval

Authorization to Inject, Store and Remove Gas

1. Operation of the Sarnia Airport Storage Pool

1.1 Market Hub Partners Management Inc. and AltaGas Ltd. ("MHP and AltaGas) shall adhere to the evidence filed with the Board in the EB-2008-0002 proceeding. MHP and AltaGas shall comply with applicable laws, regulations and codes to the satisfaction of the responsible agency pertaining to the construction, operation and maintenance of the proposed project and should evaluations conducted in accordance with those applicable laws, regulations and codes identify any risk and/or specify any remedial work, shall implement, complete and maintain such works prior to commencement of any injection.

1.2. Prior to commencement of any injection, storage or withdrawal operations, MHP and AltaGas shall obtain all the necessary storage rights within the Sarnia Airport Designated Storage Area.

1.3. MHP and AltaGas shall design, construct, operate, maintain and abandon the wells and facilities in accordance with the CSA Z341.1-06 Storage of Hydrocarbons in Underground Formations and in accordance with the *Oil, Gas and Salt Resources Act* and its regulations and operating standards.

1.4. MHP and AltaGas shall protect the integrity of the reservoir and ensure the safe operation of the Sarnia Airport Storage Pool by complying with the requirements of the Provincial Operating Standard, CSA Standard Z341.1-06 and any other applicable laws, regulations and codes.

1.5. MHP and AltaGas shall advise the Board's designated representative of any proposed material change or abnormal events in construction or restoration procedures that are reported to authorities. In the event of an emergency, the Board shall be informed immediately after the fact.

1.6. MHP and AltaGas 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.

1.7. MHP and AltaGas shall ensure that the construction, operation and maintenance of the Sarnia Airport Storage Pool do not affect the quality or supply of potable water. MHP and AltaGas shall conduct a water well test prior to and after the first

cycle of gas storage and implement a Water Well Monitoring Program. In the event that the quality of the potable water is impacted by the construction, operation and maintenance of the Sarnia Airport Storage Pool, MHP and AltaGas shall provide adequate fresh water supplies to all affected landowners until the problem is rectified.

1.8. Should MHP and AltaGas fail to commence injection before June 1, 2010 MHP and AltaGas shall be required to apply to the Board for an extension of the authority granted under the Board's Order and will be required to submit evidence to show why such an extension shall be granted.

1.9. MHP and AltaGas shall, after the date on which the OEB grants an order pursuant to Section 38(1) of the OEB Act and before commencement of drilling operations or pipeline construction to use the DSA for storage, and thereafter while the DSA or any part thereof is being used for storage operations, obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage, in the amount that is determined to be adequate by an independent party with expertise in adequacy of insurance coverage for environmental and other risks and potential impacts of gas storage operations in southwestern Ontario. MHP and AltaGas shall file with the Board documentation proving that the insurance coverage has been obtained as required by this condition.

2. **General**

2.1 For the purposes of these conditions conformity of the Applicant with CSA Z341.01-06, the Oil, Gas and Salt Resources Act, and the Provincial Operating Standard shall be to the satisfaction of the Ministry of Natural Resources.

2.2 The authority granted under this Order to MHP and AltaGas is not transferable to another party, without leave of the Board. For the purpose of this condition another party is any party except Sarnia Airport Storage Pool Limited Partnership.

2.3 The Board's designated representative for the purpose of these conditions shall be the Manager, Facilities Applications.