



EB-2014-0333

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

AND IN THE MATTER OF an application by Union Gas Limited for an order or orders granting leave to construct natural gas pipelines and ancillary facilities in the Township of St. Clair, in the County of Lambton.

BEFORE: Emad Elsayed
Presiding Member

Cathy Spoel
Member

DECISION AND ORDER
February 26, 2015

Union Gas Limited (Union) filed an application with the Ontario Energy Board (OEB) on November 4, 2014 under section 90 of the Ontario Energy Board Act (the Act), 1998, for an order granting leave to construct approximately 4.8 kilometres of Nominal Pipe Size (NPS) 20 inch diameter steel natural gas pipeline, and associated facilities in the Township of St. Clair, in the County of Lambton.

For the reasons set out below, the OEB finds that the construction of the proposed pipeline is in the public interest. The Board grants leave to construct, subject to the OEB's Conditions of Approval, which are attached as Appendix A.

The Proposed Pipeline

The proposed NPS 20 pipeline will extend from Union's Payne Station Facility to the Sarnia Industrial Line (SIL) system and will allow Union to ensure the continued reliable and safe delivery of natural gas, and meet the growing needs of the Sarnia market.

Union anticipates the construction to begin in the summer of 2015 and be completed by November 1, 2015. A map showing the location of the proposed pipeline is attached as Appendix B.

The Proceeding

The OEB issued a Notice of Application (Notice) on November 13, 2014. Union served and published the Notice as directed by the OEB. NOVA Chemicals (Canada) Ltd. (NCCL) requested and was granted intervenor status and agreed with Union's request for the OEB to hear the application by way of a written hearing.

OEB staff filed a written submission on January 22, 2015, supporting Union's application. Union filed its reply on January 26, 2015, confirming its acceptance of the conditions of approval proposed by OEB staff. NCCL did not file a submission.

The Public Interest Test

This is an application under section 90 of the Act seeking an order for leave to construct a natural gas pipeline. Section 96 of the Act provides that the OEB shall make an Order granting leave if the OEB finds that "the construction, expansion or reinforcement of the proposed work is in the public interest". When determining whether a project is in the public interest, the OEB typically examines the need for the project and the alternatives, the economics, the impact on the ratepayers, the environmental impact, the impact on land owners, and the pipeline design technical requirements.

The following issues define the scope of the proceeding:

- Is there a need for the proposed pipeline? What were the alternatives?
- Are there any undue negative rate implications for Union's ratepayers caused by the construction and operation of the proposed pipeline?
- What are the environmental impacts associated with construction of the proposed pipeline and are they acceptable?
- Are there any outstanding landowner matters for the proposed pipeline routing and construction?
- Is the pipeline designed in accordance with the current technical safety requirements?

Each of these issues is addressed below.

The Need for the Pipeline and the Alternatives

Union stated that this project is needed to meet the growing demand for natural gas in the Sarnia area, as well as to ensure security of supply for existing customers.

Union received requests for new firm T2 Storage and Transportation Carriage Service from NCCL and Shell Canada Products totalling 53,300 GJ/d commencing in stages between November 1, 2013 and November 1, 2015. Union provided redacted copies of these contracts. Union also submitted that expansion facilities designed for the SIL system need to consider the estimated incremental T2 Storage and Transportation Carriage Service demand of nearly 70,000 GJ/d that Union forecasts to be requested between 2015 and 2019.

Union retained the services of Sussex Economic Advisors, LLC (Sussex) to analyze market dynamics related to the supply of natural gas for the SIL system. The report prepared by Sussex observed that Union relies on natural gas flows to Dawn from upstream pipelines, as well as withdrawals of natural gas from its Dawn storage facilities, to meet its supply requirement for the SIL system. The report indicated that flows on the upstream pipelines have declined and become less predictable, which increases the risk associated with Union's existing approach to meeting its supply requirements. Sussex concluded that it is reasonable for Union to seek alternatives to increase the security of gas supply.

Union considered two other alternatives for the proposed pipeline. The first alternative would be incremental supply at Courtright and SIL system capacity expansion. Union rejected this alternative on the basis that it does not provide any security of supply to the SIL system and Union would require additional facilities connected to Union's storage and transportation system or would require significant incremental transportation services. Union estimated the cost of facilities required within Union's in-franchise system to transport the additional 120 TJ/d to the Sarnia market to be approximately \$38.4 million. The second alternative would be to secure incremental supply from other third party interconnecting pipelines and where required, SIL system capacity expansion. This alternative was also rejected because it does not provide security of supply to the SIL system. In response to OEB staff interrogatory #4, Union calculated negative net present value (NPV) and profitability indices (PI) for these alternatives.

The OEB finds that the evidence supports the need for the proposed pipeline and related facilities. The Board is also satisfied that Union has considered a reasonable range of alternatives and that the proposal is superior to these alternatives.

Project Economics and Impact on Ratepayers

The estimated costs of the project are \$24.31 million. Union estimated the total pipeline costs to be \$18.36 million and the total station costs to be \$5.95 million. Union completed a discounted cash flow analysis for the proposed pipeline serving the SIL system demand growth. Union's analysis indicates a NPV of \$180,000 and a PI of 1.06.

The OEB finds that the evidence on the project costs and economics are acceptable. As the actual costs will not be available until the proposed pipeline is completed, the OEB will require a report from Union on the actual costs of the project upon completion. This requirement is included in the attached Conditions of Approval.

Environmental Assessment

The pipeline route selection and environmental assessment were completed in accordance with the OEB's *Environmental Guidelines for the Location, Construction, and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 6th edition, 2011* (OEB Environmental Guidelines). The results of the routing and environmental assessment are presented in an Environmental Report entitled *Payne-Sarnia Pipeline Project Environmental Report, May 13, 2014* (ER). The ER was completed by Stantec Consulting Ltd. and was submitted as part of the application. Union committed to comply with all mitigation measures recommended in the ER. Union also stated that all design installation and testing of the proposed pipeline, including station facilities will be conducted in accordance with the requirements of *Ontario Regulation 210/01, Oil and Gas Pipeline Systems* under the *Technical Standards and Safety Act, 2000*.

The evidence indicates that there was extensive public and agency consultation, Ontario Pipeline Coordinating Committee (OPCC) review as well as consultation with aboriginal groups. Union stated that the consultation was consistent with the OEB Environmental Guidelines.

The OEB finds that Union has adequately addressed the environmental issues through its proposed mitigation and restoration program and its commitment to implement the recommendations in the environmental report.

Land Issues

Union filed, as part of its application, a form of easement agreement that has been or will be offered to all the landowners directly affected by the proposed pipeline.

Temporary land rights for a period of 2 years will be needed for a workspace along the pipeline route. In response to OEB staff interrogatory #1, Union submitted that it has closed on the purchase and sale of land adjacent to Union's existing Novacor Corunna Station and has a signed easement agreement with NCCL. Union also noted that the easement agreement with Moore Solar has been finalized with the only outstanding item being the amount of compensation. Union further noted that it is confident that it will reach an agreement with all of the directly affected landowners for the acquisition of permanent and temporary land rights prior to the planned construction schedule.

Section 97 of the Act requires that Union offer landowners a form of easement agreement which the OEB has to approve. The OEB approves the proposed form of agreement included in the evidence. The OEB also notes Union's commitment to implement its Landowner Relation Program, including Complaint Tracking system, to address and resolve any issues and concerns occurring during and after construction.

Pipeline Design – Technical and Safety Requirements

Union provided evidence that the pipeline design specifics for the pipe, hydrostatic testing, the minimum depth of the pipeline cover, and Class Location are in accordance with the requirements of Ontario Regulation 210/01, Oil and Gas Pipeline Systems, under the *Technical Standards and Safety Act, 2008* and the CSA Z662-11 Oil and Gas Pipeline Systems Code.

Regarding Class Location¹, the existing pipeline is located in a mix of Class 1 and Class 2 categories. To address the increased potential safety risk due to growth and development along the pipeline route, the design specification for the new NPS 20 pipeline will be in accordance with Class 3 requirements. Union stated that the pipe will

¹ Class Location is a classification set out by the CSA Z662-11 that is based on land use and population density along both sides of the pipeline route.

be manufactured to the American Petroleum Institute 5L Line Pipe standard.

The OEB accepts Union's evidence that the pipeline will meet the construction and operational requirements for safe operation. The Technical Standards and Safety Authority, as the agency overseeing the operation of the pipeline in Ontario, has the authority to implement all the applicable standards.

For the reasons set out above, the OEB finds that the proposed pipeline is in the public interest and grants Union the leave to construct subject to the Conditions of Approval set out in Appendix A.

IT IS ORDERED THAT:

1. Union Gas Limited is granted leave, pursuant to subsection 90 (1) of the Act, to construct approximately 4.8 kilometres of 508 millimetre diameter (Nominal Pipe Size 20 inch) Extra High Pressure steel pipeline and facilities located in the Township of St. Clair, in the County of Lambton, subject to the Conditions of Approval set forth in Appendix A.
2. Union Gas Limited shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto, February 26, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A
TO THE BOARD'S DECISION AND ORDER IN
EB-2014-0333
DATED: February 26, 2015
Conditions of Approval

EB-2014-0333

Union Gas Limited Leave to Construct Application

Conditions of Approval

1 General Requirements

- 1.1 Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2014-0333 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the OEB, authorization for Leave to Construct shall terminate December 31, 2015, unless construction has commenced prior to that date.
- 1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee (OPCC) review.
- 1.4 Union shall advise the OEB's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the OEB or its designated representative. In the event of an emergency, the OEB shall be informed immediately after the fact.
- 1.5 Within 15 months of the final in-service date, Union shall file with the OEB Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and an explanation for any significant variances from the estimates filed in this proceeding.

2 Project and Communications Requirements

- 2.1 The OEB's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.

- 2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the OEB's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the OEB's Order being issued.
- 2.3 Union shall give the OEB's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.
- 2.4 Union shall furnish the OEB's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the OEB's Order.
- 2.5 Union shall file with the OEB's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union shall furnish the OEB's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

3 Monitoring and Reporting Requirements

- 3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the OEB. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term

effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.

- 3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

4 Other Approvals

- 4.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, and shall provide an affidavit that all such approvals, permits, licences, and certificates have been obtained.

APPENDIX B
TO THE BOARD'S DECISION AND ORDER IN
EB-2014-0333
DATED: February 26, 2015
Map of Proposed Pipeline Project

