

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2016-0378

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

**APPLICATION BY ENBRIDGE GAS DISTRIBUTION INC. TO DRILL A WELL
IN THE CORUNNA DESIGNATED STORAGE AREA**

Before: Paul Pastirik, Presiding Member

Date: May 4, 2017

1. INTRODUCTION AND SUMMARY

Enbridge Gas Distribution Inc. (Enbridge) applied on October 14, 2016 under the *Oil, Gas, and Salt Resources Act* (OGSRA) for a licence to drill one horizontal Injection/Withdrawal (I/W) well in its Corunna Designated Storage Area (Corunna Pool). Pursuant to section 40(1) of the *Ontario Energy Board Act 1998* (Act), the OEB issues this Report recommending that the Minister of Natural Resources and Forestry (MNRF) grant to Enbridge a licence to drill the following I/W well:

- Horizontal I/W well – TC9 (Horiz #2 Moore 4-2-10) (TC9 H2 or the Proposed Well)

In 2016 Enbridge drilled a horizontal leg (TC9 H1 or the Original Well) but did not reach the porosity zone expected from the seismic analysis to accomplish the needed deliverability. To achieve the desired deliverability, Enbridge determined that it would drill a new horizontal well, and to that end, Enbridge applied for a licence to drill the Proposed Well. The licence for the Original Well was granted by the MNRF based on a favorable *Report of the Ontario Energy Board to the Minister of Natural Resources and Forestry*, dated March 10, 2016 (EB-2015-0303 Report). Enbridge stated that the evidence filed in the current application does not differ from the evidence filed in the EB-2015-0303 proceeding. Enbridge noted that there will be no impacts in addition to those the OEB considered in the EB-2015-0303 proceeding. The existing drilling pad, vertical wellbore and kick-off point for the Original Well will be used for the drilling of TC9 H2. No additional land is needed for the drilling of TC9 H2. The environmental assessment filed and reviewed in the EB-2015-0303 proceeding has not changed.

The OEB has reviewed the evidence and recommends to the MNRF the issuance of the licence for drilling and operation of TC9 H2. The OEB is satisfied that Enbridge confirmed that there are no changes regarding landowner matters, environmental and construction impacts, and the Risk Assessment since the EB-2015-0303 Report. The OEB finds that Enbridge has adequately addressed the need for the well; that the impact of construction cost on Enbridge's rate-payers is not significant; that there are no outstanding landowner, environmental or Indigenous consultation issues; and that legal and regulatory requirements are appropriately addressed by Enbridge.

The OEB's recommendation includes the proposed licence conditions attached as

Appendix A to this Report.

2. PROCESS

On November 28, 2016 the MNRF referred the Proposed Well application to the OEB pursuant to section 40 (1) of the Act. The OEB received the application and the supporting evidence on December 20, 2016.

The OEB issued a Notice of Application on February 7, 2017. Enbridge served and published the Notice of Application as the OEB directed.

Union Gas Limited (Union Gas) and the MNRF were registered intervenors in the proceeding. The OEB proceeded by way of a written hearing. In accordance with Procedural Order No. 1 issued on March 6, 2017 the interrogatory phase was completed on March 20, 2017. OEB staff filed written submission on March 29, 2017. Union Gas and the MNRF did not file any interrogatories or submissions. The record for the proceeding was closed on April 7, 2017 with Enbridge's reply submission.

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;
- costs of drilling and construction and impact on rate-payers;
- the legal and regulatory requirements applicable to the well;
- the environmental impacts of the proposal;
- landowner matters;
- Indigenous consultation; and
- proposed licence conditions.

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

3.1 NEED

According to Enbridge's evidence, the need for TC9 H2 is the same as the need for the Original Well – to replace storage deliverability lost due to abandonment of two I/W wells and the conversion of one I/W well into an observation well in 2011 and 2015.

The OEB found in its EB-2015-0303 Report that the need for the Original Well based on the requirement to replace lost deliverability is acceptable.

As the Original Well failed to address the need and the need remains unchanged, the OEB finds that the Proposed Well is needed.

3.2 COSTS AND IMPACT ON RATE-PAYERS

The total cost of drilling both the Original Well and the Proposed Well is \$3.6 million. The Original Well drilling and construction cost was \$2.6 million and the Proposed Well cost is an estimated additional \$1 million. Enbridge noted that the Proposed Well will be drilled using the already constructed drilling pad, surface entry point and kick-off point used for the Original Well. Both the Original Well and the Proposed Well will be used and useful and contribute to the total deliverability of the Corunna Pool. Both wells will be included in the rate base in the next cost of service rates cycle following rebasing. Until rebasing, there will be no impact on Enbridge's rate-payers. Once the rebasing is in effect, Enbridge forecasted \$0.1 million revenue requirement annually, which will, based on current rate assumptions, result in a 3 cent annual increase for a typical residential bill.

The OEB finds that the costs of the Proposed Well will have no significant impact on Enbridge's rate-payers.

3.3 LEGAL AND REGULATORY REQUIREMENTS

In Ontario, the geological, engineering, operational, technical and safety aspects of underground storage operations, including the drilling, operation and modification of storage wells, are within the authority of the MNRF in accordance with the requirements of *CSA Z341.1-14 – "Storage of Hydrocarbons in Underground Formations"* (CSA Z341

standards) and the *Gas and Salt Resources of Ontario, Provincial Operating Standards* (the Provincial Standards). The MNRF was an intervenor in the proceeding but did not actively participate.

Enbridge submitted a Drilling Program for the MNRF's review. The MNRF did not file any concerns with the Drilling Program filed with the application. Enbridge noted that there are no changes to the Risk Assessment study that were previously reviewed by the MNRF in advance of the favourable EB-2015-0303 Report and the Original Well drilling licence issued by the MNRF.

Enbridge stated that the Proposed Well will be designed, constructed, operated, maintained and abandoned in accordance with the *Occupational Health and Safety Act* and the OGSRA and their respective Regulations.

The OEB notes that Enbridge is an experienced storage developer and operator, technically competent to undertake the planned drilling program and the wells completion activities. The OEB finds that Enbridge has the requisite expertise to safely drill the well and maintain the geological integrity of the Corunna Pool.

Regarding Enbridge's compliance with CSA Z341, OEB's proposed condition # 6 to the licence to drill and operate the Proposed Well stipulates that compliance shall be determined to the satisfaction of the MNRF.

3.4 ENVIRONMENTAL IMPACTS

Enbridge submitted that there will be no changes to the environmental assessment conducted for the Original Well. Enbridge noted that drilling of the Proposed Well will not cause any impacts not already considered and reviewed in EB-2015-0303. Stantec Consulting Inc. completed for Enbridge a "Corunna 3 Horizontal Well and Pipeline Environmental Screening Report" on December 3, 2015 (Environmental Report). The Environmental Report filed with the application in EB-2015-0303 is, according to Enbridge, applicable to the Proposed Well environmental assessment. The Environmental Report concluded that the Original Well is unlikely to have any significant adverse impact on the environment.

The OEB found in the EB-2015-0303 Report that the Original Well is unlikely to have any significantly unfavourable impact on the environment. The OEB's view is that since Enbridge submitted that the drilling of the Proposed Well will not introduce new or

significant environmental impacts, the favourable finding in its EB-2015-0303 Report is pertinent to the Proposed Well. The OEB notes that that its proposed conditions of the licence to drill and operate the Proposed Well will require Enbridge to monitor and report to the OEB impacts and the mitigation of impacts of the Proposed Well construction and drilling.

3.5 LANDOWNER MATTERS

Enbridge does not require any new easements or land for drilling of the Proposed Well as it will be drilled at an already constructed drilling pad using the same surface entry point. Regarding the potential impacts and compensation to the only directly affected landowner, Enbridge has committed to communicate with the landowner to minimize the impacts and to compensate the landowner for construction of the Proposed Well.

The OEB is satisfied that no new easements or land acquisitions are required to complete the drilling and operation of the Proposed Well. The OEB encourages Enbridge to work with the landowner to minimize the potential impacts and negotiate an agreement regarding the compensation related to the drilling of the Proposed Well on his property.

3.6 INDIGENOUS CONSULTATION

Pursuant to the OEB's Letter of Direction issued with the Notice of Application, Enbridge served the Notice of Application, the application and the evidence on Indigenous Communities with lands or interest in the lands affected by the Proposed Well and on the representative office of Metis Nations of Ontario.¹ The Proposed Well directly affects only one landowner on whose property the drilling will take place. According to Enbridge, there are no directly affected Indigenous Communities within the boundaries of the Corunna Pool.²

To date, no issues have been brought forward regarding the Proposed Well by the First Nations or Métis communities. Due to the location and specifics of the

¹ Based on the proofs of service of the Notice of Application in Enbridge's Affidavit of Service of the Notice of Application EB-2016-0378, dated February 27, 2017.

² Based on Search of Title information in Enbridge's Affidavit of Service of the Notice of Application EB-2016-0378, dated February 27, 2017.

Proposed Well, Enbridge does not expect any issues to be raised in the future by the First Nations or Métis communities.

The OEB finds that Enbridge has adhered to the intent of the OEB Environmental Guidelines regarding Indigenous consultation. It appears that, as of the date of this Decision, Enbridge has adequately addressed the requirement for consultation with Indigenous Communities.

3.7 PROPOSED LICENCE CONDITIONS

The recommendation in this Report includes the recommendation that the licence to drill and operate the well be subject to the conditions presented in Appendix A to this Report. The conditions relate to the authority to issue the licence, certain construction requirements, monitoring and reporting of any mitigation for construction impacts, and a requirement that Enbridge conform to the CSA Z341 standards to the satisfaction of the MNRF. These conditions are standard conditions and were provided to Enbridge by the OEB staff in the interrogatories for comments. Enbridge agreed to all of the conditions with one exception. Enbridge suggested that the following condition be deleted:

“Enbridge shall, subject to the recommendation by an independent tile contractor and subject to the landowners 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.”

Enbridge explained that most of the surface construction work has been completed with drilling of the Original Well. Enbridge maintained that no disturbance of the surface drainage or tiling will occur during drilling of the Proposed Well and that the above condition is not needed. Enbridge has committed to continue to monitor the tile and surface drainage, to repair any damage to the tile drainage system and to include the results of this monitoring and repair in the post construction report or final monitoring report as required by the Condition # 5.

OEB staff's view was that this condition should remain in the event of any unanticipated or unplanned surface work that may disturb the drainage system and felt there is no detriment to including this condition if no such work is undertaken.

The OEB agrees with Enbridge that there is no reason to keep the condition as no potentially drainage disturbing surface work is planned. The OEB is satisfied that Enbridge will ensure that any possible impact on surface drainage is mitigated and will comply with monitoring and reporting conditions of the licence to drill and operate the Proposed Well.

4. RECOMMENDATIONS

The OEB recommends approval of the application for the well drilling licence for TC9 (Horiz #2 Moore 4-2-10) (TC9 H2) I/W in the Corunna Pool, subject to certain proposed conditions in Appendix A.

These recommendations shall expire twelve months from the date of this Report.

DATED at Toronto, May 4, 2017

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

To the

EB-2016-0378

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

**APPLICATION BY ENBRIDGE GAS DISTRIBUTION INC. TO DRILL A WELL
IN THE CORUNNA DESIGNATED STORAGE AREA**

**Conditions of Licence
Well Drilling and Operation**

May 4, 2017

Enbridge Gas Distribution Inc.
EB-2016-0378
Conditions of Licence
Well Drilling and Operation

1. Enbridge Gas Distribution Inc. (Enbridge) shall rely on the evidence filed with the OEB in EB-2016-0378 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 Distribution 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 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 so as to minimize disruption of agricultural land and agricultural activities.
5. 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:
 - 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's 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's adherence to Condition 1;
 - ii. describe the condition of any rehabilitated land;
 - iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts construction;
 - iv. include the results of analyses and monitoring programs and any recommendations arising

- therefrom; and
 - v. include a log of all complaints received by Enbridge, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, and the rationale for taking such actions.
- 6. For the purposes of these conditions, conformity of Enbridge with CSA Z341 shall be to the satisfaction of the Ministry of Natural Resources and Forestry.