



EB-2009-0144

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B and in particular Sections 38(1) thereof;

AND IN THE MATTER OF an application by Union Gas Limited for an Order varying the conditions of approval in the following proceedings Bentpath East Pool (EBO 206), Oil City Pool and Bluewater Pool (RP-1999-0047) relating to the allowable pressure gradient in these four natural gas storage pools in the in the City of Sarnia and Townships of Enniskillen and Dawn-Euphemia, in the County of Lambton.

BEFORE: Paul Sommerville
Presiding Member

DECISION AND ORDER

Union Gas Limited ("Union") has filed an application with the Ontario Energy Board (the "Board"), dated May 12, 2009, under sections 38(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the "Act") seeking approval to increase the operating pressures in three natural gas storage pools – Bentpath East Pool, Oil City Pool and Bluewater Pool (the "Pools") – above the pressures set in the Board's original conditions of approval. The Pools are located in the City of Sarnia and Townships of Enniskillen and Dawn-Euphemia, in the County of Lambton.

The Application

In previous proceedings related to the Pools, the Board issued Orders stating that Union could not operate the Pools above a pressure gradient of 15.8 kPa per meter of depth (0.7 psi per foot of depth) without leave of the Board. These Orders were issued under section 38(1) of the Act related to the following applications: Bentpath East Pool (EBO 206), Oil City Pool and Bluewater Pool (RP-1999-0047).

The proposed increase in the operating pressures would increase the working capacity of the Pools by 14,700 10^3m^3 , which Union intends to use to provide storage services to customers at market-based rates.

Union proposes to increase the operating pressures of the Pools by November 1, 2009.

Proceeding

The Board issued a Notice of Application and Written Hearing on June 2, 2009. Union served the Notice as directed by the Board.

Enbridge Gas Distribution Inc. ("Enbridge") was the only party that requested intervenor status in the proceeding. The Board granted Enbridge intervenor status. William and Barbara Cascaden, Tom and Kim Wilkins and the Township of Dawn-Euphemia were granted observer status.

Written comments were filed by Judith and Doug McLachlin, Fred and Pat Sterling, Tom and Kim Wilken, William and Barbara Cascaden, Lorne Mitchell; and by the Corporation of the Township of Dawn-Euphemia

No party requested an oral hearing, although Fred and Pat Sterling, in their written comment suggested that an open meeting would be desirable. The Board has decided to proceed by way of a written hearing, not having been convinced that an oral hearing was a more appropriate approach to a consideration of the issues involved in this case.

The Board issued a Procedural Order on July 17, 2009 setting the timeline for Enbridge, the sole intervenor, and Board Staff to file any submissions and for Union to file reply submissions. No submissions were filed by Enbridge or Board Staff. On July 28, 2009 Union filed its final submissions in which it addressed concerns raised by the landowners. That completed the record of the proceeding.

Union's Evidence

The pre-filed evidence covered geology, engineering and land matters.

Union noted that it previously applied to the Board in EB-2008-0038 for leave to vary similar conditions of approval for Enniskillen 28 (EBRM 95), Oil Springs East (EBRM 167), Payne (EBRM 98) and Dow A (EBRM 172) Pools, and that the Board issued a decision that replaced the original conditions with the following:

"Union Gas Limited shall not operate the storage pool above a pressure representing a pressure gradient of 0.73 psi per foot of depth without leave of the Board. Union Gas Limited shall file an engineering study and a geological study in support of any leave application. "

Union applied to the Board for leave to vary the Conditions of Approval placed on Oil City, Bluewater and Bentpath East Pools to replace the existing conditions with the conditions previously ordered by the Board in EB-2008-0038.

Union's evidence is to the effect that the requested increase in the Pool pressures is within the limits as prescribed by CSA Z341.1-06. This standard, which is promulgated by the Canadian Standards Association ("CSA") is considered to be authoritative. Union confirmed that the Pools will continue to be operated in compliance with all required codes and regulations.

Union indicated that clause 7.6.2 (b) of CSA Z341.1-06 requires that the maximum operating pressure shall not exceed 80% of the fracture pressure of the caprock formation. Union submitted that in all three pools the maximum operating pressure as proposed will be in compliance with this provision in the CSA standard.

In accordance with CSA Z341.1-06 Clause 9.3., emergency shut-down valves that isolate the storage facility from the transmission pipeline are currently in

place at each pool station with remote operation from the Dawn Operations Centre.

Regarding the economics of the proposed project, Union stated that the additional capacity of 14,700 10³m³ created by the proposed increased operating pressures “will be used to meet the requirements of Union’s customers such as power generators and marketers and specifically the needs of customers seeking storage services dealt with in the (“Board”) decision in the EB-2005-0551 Natural Gas Electricity Interface Review (“NGEIR”) and an economic study on the value of the proposed changes is not necessary.”

Union consulted directly affected individual landowners and the landowners organized as part of the Lambton County Storage Association (“LCSA”) and noted that no significant issues were identified in the consultation process. Union indicated that it would continue to meet with landowners in these Pools and the LCSA to address the concerns that have been identified and any new issues that may be raised by the landowners.

Comments

The Board received comments from the following persons:

- Judith and Doug McLachlin, e-mail, July 21, 2009;
- Fred and Pat Sterling, fax, June 18, 2009;
- William Cascaden and Barbara Cascaden, letter dated June 16, 2009 (observer);
- Corporation of the Township of Dawn-Euphemia, letter dated June 16, 2009 (observer);
- Lorne Mitchell, e-mail, June 16, 2009; and
- Tom and Kim Wilkin, e-mail, June 12, 2009.

The comments generally express concerns with respect to safety and with respect to the effect that the proposed changes in operating pressure may have on the supply and quality of water wells. The issue of additional compensation for affected landowners was also raised.

Union's Final Submissions

In its final submission Union responded to concerns and issues raised in letters of comment by the landowners and the Township of Dawn-Euphemia.

Union indicated that its long-standing Water Well Monitoring Program has been implemented for all of the storage operations and that no issues have been identified specific to the Bentpath East Pool. Also, it stated that no complaints had been received. In support of its submissions Union filed a review of hydrogeology related to storage operations in Bentpath East Pool prepared by Dillon Consulting Limited. That report, which forms part of the record of this proceeding, concludes that the increase in operating pressure in Bentpath East Pool proposed by Union “does not pose a threat to the groundwater supply of the interface aquifer”.

With regard to reef integrity of the storage pools and the operation of the storage facilities, Union submitted that the technical evaluations and engineering assessments were completed in accordance with the requirements of the CSA standard. As a result, as indicated in the pre-filed evidence, Union is in the process of replacing four wellheads, twelve master valves and installing a new casing in one well. The work will be completed prior to increasing the operating pressure. Union confirmed that all the facilities will be safely operated in compliance with the applicable CSA codes.

With respect to the compensation issue raised by Cascadens, Union submitted that it does not have an agreement for storage rights with these property owners but it has compensated them in the past and is willing to compensate them in the same amount as other landowners who have agreements with Union. Union also noted that if the Cascadens have issues related to compensation, they have the right to bring forward a section 38 application to the Board.

Board Findings

The Board will grant Union's request and will allow Union to increase the operating pressures in Bentpath East Pool, Oil City Pool and Bluewater Pool above the pressures set in the Board's original conditions of approval for the Pools.

In doing so, the Board imposes the proposed condition that Union shall not operate the Pools above a pressure gradient of 0.73 psi per foot of depth without further leave of the Board.

The Board is satisfied that insofar as the proposed increase in operating pressure is being implemented in a manner that is consistent with the applicable CSA standard it should be approved. The Board is also mindful of Union's very considerable experience and expertise in the operation of storage facilities in the Province. The Company has also consistently demonstrated a willingness to engage with landowners in a constructive manner. The Dillon Report on the hydrogeology of the Bentpath East Pool is also supportive of Union's proposal.

Development of enhanced natural gas storage facilities is an important element in meeting the reasonable expectations of a variety of natural gas users in the Province. When such projects can be implemented by a responsible company in a manner that meets the applicable safety and technical standards, as is the case here, they should be approved.

THE BOARD ORDERS THAT:

1. The following conditions to Board Orders shall be removed:
 - Condition 2 of the Order to Inject, Store and Remove Gas from Bentpath East EBO 206 (1998);
 - Condition 2 of the Order to Inject, Store and Remove Gas from Bluewater RP-1999-0047 (2000); and
 - Condition 2 of the Order to Inject, Store and Remove Gas from Oil City RP-1999-0047 (2000).

2. Each of the conditions above shall be replaced by the following condition:

Union Gas Limited shall not operate the storage pool above a pressure representing a pressure gradient of 0.73 psi per foot of depth without leave of the Board. Union Gas Limited shall file an engineering study and a geological study in support of any leave application.

3. Union Gas Limited shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

DATED at Toronto, July 31, 2009

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary