



EB-2008-0038

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B and in particular Sections 38(1) and 40(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 EBO 172 (Dow A Pool), EBRM 167 (Oil Springs East Pool), EBRM 98 (Payne Pool) and EBRM 95 (Enniskillen 28 Pool) relating to the allowable pressure gradient in these four natural gas storage pools in the City of Sarnia and Townships of St. Clair and Enniskillen, in the County of Lambton.

BEFORE: Paul Sommerville
Presiding Member

Bill Rupert
Member

DECISION AND ORDER

Union Gas Limited ("Union") filed an application with the Ontario Energy Board, (the "Board") dated February 14, 2008, under sections 38 (1) and 40(1) of the *Ontario Energy Board Act, 1998* seeking the Board's approval to increase the operating pressure in four natural gas storage pools: the Dow A Pool, the Oil Springs East Pool, the Payne Pool and the Enniskillen 28 Pool (the "Pools"). The Pools are located in the City of Sarnia and Townships of St. Clair and Enniskillen, Lambton County.

The Application

In the EBO 172 (Dow A Pool), EBRM 167 (Oil Springs East Pool), EBRM 98 (Payne Pool), and EBRM 95 (Enniskillen 28 Pool) proceedings, the Board issued orders with a condition that Union could not operate the Pools above a pressure gradient of 0.7 psi per foot of depth (15.8 kPa/m) without leave of the Board. These orders were made under section 38(1) of the Act for the Dow A Pool and the Oil Springs East Pool, and under section 40(1) of the Act for the Payne Pool and the Enniskillen 28 Pool.

The proposed increase in the operating pressures in the Pools would result in increased working gas capacity of 56,700 10³ m³, or approximately 1.3% of the Union's total working gas capacity. Union stated that the additional capacity will be used to meet the requirements of storage customers, such as power generators and marketers, which acquire storage services from Union at market-based rates.

The Applicant has proposed to increase the operating pressures of the Pools by November 1, 2008.

Proceeding

The Board issued a Notice of Application and Hearing on March 17, 2008. Union served the Notice as directed by the Board. The Ministry of Natural Resources ("MNR") was the only intervenor in the proceeding. There were no observers and no comment letters were received from any party. The MNR did not have a preference as to whether the hearing is written or oral.

The MNR acknowledged that it would assist the Board in "ensuring ongoing safety and compatibility of these subsurface activities proposed under Union Gas Limited's proposed new storage pressure regime".

The Board issued a Procedural Order No. 1 on May 15, 2008 indicating it would proceed by way of a written hearing and scheduled a Technical Conference as a suitable forum for the MNR, Board Staff and Union to address the technical and safety matters related to Union's proposal.

Union's Evidence

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

Regarding the economics of the proposed project, Union stated that the capacity 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 noted that when the Board imposed the existing gas pressure limits on the Pools, there were no codes or regulations governing the operation of gas storage pools at higher pressure gradients. Subsequently, the MNR has required conformance with Canadian Standards Association Z341 “Storage of Hydrocarbons in Underground Formations” (“CSA Z341”) The MNR has the provincial authority to oversee the implementation of the CSA Z341 under the Ontario Regulation 245/97 of the *Oil, Gas and Salt Resources Act*. Union indicated that the proposed increase in pressure is within the limits prescribed by CSA Z341. Union stated that the Pools will continue to be operated in compliance with all applicable codes and regulations.

Union consulted directly affected individual landowners and the landowners organized in a Lambton County Storage Association and noted that no significant issues were identified in the consultation process.

Union's pre-filed evidence included the wording for the existing pressure gradient conditions as follows (Schedule 1, Pre-filed Evidence):

EB-2008-0038
Schedule 1

**2008 Storage Enhancement Project
Pressure Gradient Conditions**

Pool	Order	Condition
Dow A	EBO 172 Condition 2 of the Inject Store Remove Order	Neither Union nor the joint venture shall operate the pool above a pressure representing a pressure gradient of .7 psi per foot of depth without leave of the board. Union or the joint venture shall support any leave application with an engineering, geological and economic study showing that the greater pressures are safe and in the public interest prior to applying to exceed said pressure.
Oil Springs East	EBRM 167 Condition 4 Inject Store Remove Order	ICG shall not operate the oil springs east pool above a pressure representing a pressure gradient of .7 psi per foot of depth without leave of the board. Union shall support any leave application with an engineering and economic study showing that the greater pressures are safe and in the public interest
Payne	EBRM 98 Condition 3 Well Drilling Application for Payne 23 Observation Well	Union shall not operate the Payne pool above a pressure representing a pressure gradient of .7 psi per foot of depth without leave of the board. Union shall support any leave application with an engineering study and economic study showing that the greater pressures are safe and in the public interest.
Enniskillen 28	EBRM 95 Condition 3 Well Drilling Application	Union shall not operate the enniskillen pool above a pressure representing a pressure gradient of .7 psi per foot of depth without leave of the board. Union shall support any leave application with an engineering study and economic study showing that the greater pressures are safe and in the public interest.

Technical Conference

A transcribed Technical Conference, held on June 3, 2008 at the Board's offices in Toronto, was attended by Union, the MNR and Board Staff. A transcript of the Technical Conference is part of the public record. The purpose of the Technical Conference was to clarify and discuss the evidence, for Union to provide responses to written questions of the MNR and Board Staff which were circulated in advance, as well as to ask additional questions. In the Technical Conference Union presented an overview of the application and delivered written responses to the questions. Union confirmed it would comply with safety and technical operating requirements of the CSA Z341. No issues or concerns remained outstanding regarding compliance with the CSA Z341.

In the Technical Conference the MNR agreed to a change in the maximum operating pressure to a pressure representing .73 psi per foot of the depth of a pool, as was requested by Union. The MNR did not propose any additional conditions.

Union, the MNR and Board Staff agreed on proposed wording for a single

condition that would replace the existing conditions in each of the four orders. Union, MNR and Board Staff supported a requirement that leave of the Board to increase the operating pressure above 0.73 psi per foot of depth of a pool would have to be supported by geological and engineering studies. Economic studies would not be required on the basis that the cost of increasing the pressure would be borne by Union, not ratepayers, and that the resulting increased capacity would be sold at market-based rates.

The Proposed Draft Condition

On June 6, 2008, Board Staff sent a modified draft proposed condition to the MNR for review:

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.

In a letter dated June 6, 2008, the MNR agreed to the above draft proposed condition and stated it would not make any further submissions assuming that Union would agree to the proposed wording.

On June 9, 2008, Board Staff sent the draft proposed condition to Union for comments, noting that Board Staff and the MNR agreed that the wording was appropriate.

On June 11, 2008 Union agreed to the draft condition and stated that because all the parties agreed to the draft condition and there were no remaining outstanding issues to address Union would not file any further written submissions with the Board unless the Board directed otherwise.

This completed the record of the proceeding.

Board Findings

The Board will grant the request to Union and will allow Union to increase the operating pressures in Dow A Pool, Oil Springs East Pool, Payne Pool and Enniskillen 28 Pool above the pressures set in the Board's original conditions of approval for the Pools.

The Board accepts the proposed condition that Union shall not operate the Pools above a pressure gradient of 0.73 psi per foot of depth without leave of the Board.

Furthermore, the Board finds that should Union wish to increase the operating pressure of the Pools above 0.73 psi per foot of depth, it must apply for the leave of the Board. Such an application should be supported with engineering and geological studies.

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 Dow A Pool (EBO 172);
 - Condition 4 of the Order to Inject, Store and Remove Gas from Oil Springs East Pool (EBRM 167);
 - Condition 3 of Well Drilling Application for Payne 23 Observation Well in Payne Pool (EBRM 98); and
 - Condition 3 of Well Drilling Application in Enniskillen 28 Pool (EBRM 95)

2. 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 10, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary