

EB-2009-0061

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 granting leave to construct a natural gas pipeline in
the City of Kingston, County of Frontenac.

BEFORE: Pamela Nowina
Vice Chair & Presiding Member

Paul Sommerville
Member

Cynthia Chaplin
Member

DECISION AND ORDER

Union Gas Limited (“Union”) applied to the to the Ontario Energy Board (the “Board”) on February 27, 2009 for an Order granting leave to construct 4.5 km of NPS 6 hydrocarbon pipeline in order to increase the capacity of the existing pipeline system located in the former Township of Kingston. The proposed pipeline would be tapped to Union's existing pipeline (Kingston Township Lateral) at the Creekford Road crossing approximately 900 m east of Westbrook Road and from this tap location it would run east along Creekford Road to Gardiners Road. The route would then turn south along Gardiners Road to the connection location at Fortune Crescent. This proposed pipeline route is shown on the map attached as Appendix B

The Board assigned File Number EB-2009-0061 to the application.

There are no intervenors in this proceeding.

The Board proceeded by way of written hearing as this was requested by the applicant and there were no requests for an oral hearing.

Background

Union indicates that the existing NPS 6 Kingston Township lateral (5.5 km in length), which was installed in 1966, originates at a tap location on the TransCanada pipeline system in the former Township of Kingston at Westbrook Rd. (Lot 2 Con. 5) and delivers gas to the Woodbine Town Border Station (TBS). The pre-filed evidence states that the existing NPS 6 Kingston Township lateral is an unregulated pipeline operating at 6,895 kPa Maximum Operating Pressure (MOP) in common pressure with the TransCanada pipeline at this location. At Woodbine TBS, the pressure is regulated to an outlet MOP of 1,210 kPa and this station supplies the high pressure network that feeds Kingston Township. The pre-filed evidence further indicates that the high pressure network in Kingston Township feeds the Kingston Township's distribution network which operates at a MOP of 420 kPa.

Evidence & Board Findings

Project Need

In its pre-filed evidence Union states that it is necessary to increase the capacity of the Kingston Township system in order to meet existing and forecasted loads for the winter of 2009/2010. The pre-filed evidence further states that a computer simulation of the Kingston Township system was performed for Winter 2009/2010 using the forecasted market demand. This computer simulation indicated that the existing Kingston Township system would have a design day capacity shortfall and a line pressure deficiency at Woodbine TBS (critical point on the system) during the Winter 2009/2010 if no reinforcement was carried out. In contrast, with the proposed Creekford Rd TBS in service, along with 4.5 km of NPS 6 reinforcement pipeline, there would be a system capacity surplus of 2,050 m³/hr as well as adequate line pressure at Woodbine TBS. It is Union's contention that in order to avoid a possible supply system failure under maximum demand conditions, the construction of the proposed pipeline and station would need to be in place by Winter 2009/2010.

Alternatives Considered

Union states that the following project alternatives were considered:

- Joining the Kingston area pipeline system to the Bath area pipeline system.
 - Involves the installation of 4.5 km of NPS 6 3,450 kPa MOP from Union's Bath Township system, a TBS and 2.0 km of NPS 6 1,210 kPa MOP pipeline attaching to the S/W portion of the Kingston 1,210 MOP network.
- Paralleling the existing Kingston lateral with a second circuit (system looping).
 - Involves the installation of 2 km of NPS 8 pipeline along the existing Kingston lateral.
- Supplying the Kingston system from a second supply point (Sydenham Road) and an additional lateral at a different location.
 - Involves a second supply by tapping the existing Sydenham Road lateral at the TBS at that location, installing 6.0 km of NPS 4 6,895 kPa of pipeline along Sydenham Road, installing a pressure regulating station at Fortune Crescent Road and installing 0.9 km of NPS 6 1,210 kPa of pipeline.
- Supplying the Kingston system from a second supply point (Creekfield Road) and an additional lateral at a different location.
 - Involves a second supply by tapping the existing Kingston lateral, installing a pressure regulating station and installing 4.5 km of NPS 6 1,210 kPa of pipeline along Creekford Road and Gardiners Road.

In reviewing all the alternatives, it was Union's judgment that the Creekford Road alternative meets operating pressure requirements, has the highest profitability index, reinforces the network at the location of highest forecasted growth and provides for a relatively long-lasting solution. As a result, the Creekford Road alternative is Union's preferred choice to upgrade the City of Kingston system.

The Board is satisfied that Union has appropriately identified the need for the project and the project alternatives. The Board is also satisfied that the proposed project represents an acceptable approach for meeting the identified need and is the preferred alternative.

Proposed Facilities, Project Costs & Economic Feasibility

Union estimates the total cost of the proposed 4.5 km pipeline at \$2,138,821.00 and this covers all costs related to material, construction and labour, environmental protection measures, land acquisitions, contingencies, and interest during construction. A further

cost breakdown as presented is as follows:

- Estimated material cost of \$198,921.00 covers the cost of all pipe, valves, fittings, coatings, miscellaneous items and stores overhead.
- Estimated construction and labour cost of \$1,845,300 covers the installation of the pipeline and also land rights.
- Estimated contingencies and interest during construction is \$94,600.

In order to assess the project, Union has employed an economic feasibility test in accordance with the OEB's recommendations in the E.B.O. 188 report on Natural Gas System Expansion as follows:

- when the proposed facilities are included in Union's 2009 new business investment portfolio, the resulting Profitability Index ("P.I.") is 1.29.
- including the proposed facilities in Union's rolling portfolio as at January 31, 2009 results in a P.I. of 1.48.
- the stand alone Discounted Cash Flow ("DCF") analysis indicates that the proposed facilities have a Net Present Value ("NPV") of \$2,732,102.00 and a P.I. of 1.27.

Union therefore submits that this project is economically feasible and in the public interest. Union also states that there are additional project benefits with respect to energy cost savings (fuel switching) and reductions in air emissions.

The Board accepts Union's evidence regarding the costs and the economic evaluation of the project.

Land and Landowner Matters

Union states that its preferred alternative consists of a route that is mostly within road allowances in the City of Kingston and the County of Frontenac. Union also states that it has met with and discussed the road allowance portions of the project with City of Kingston personnel. Union asserts that representatives from the City of Kingston have given Union preliminary approval to construct the pipeline in these locations. For the portions of the proposed pipeline to be placed on private easements, Union states that it

plans to meet with the directly affected landowners to obtain the necessary land rights to construct the pipeline. In the pre-filed evidence Union indicates there are six properties along the pipeline route where private easements will be needed and one property where a purchase will be required. Union states that it plans to use its standard form of easement in discussion regarding these six properties and Union has filed its standard form of easement in the pre-filed evidence.

The Board is satisfied that Union is effectively resolving the landowner issues associated with the project. The Board also approves the form of easement which has been filed by Union.

Aboriginal Peoples

Union stated that letters to provide information on the project were sent to potentially affected First Nation communities in the area on September 15 and September 17, 2009. The pre-filed evidence indicates that letters were sent to the Mohawks of Quinte and the Alderville First Nation. In an Interrogatory Response dated June 18, 2009, Union stated that an additional correspondence was sent to these two communities on February 9, 2009 and telephone messages were left on April 14, 2009. Union asserted that it received no feedback from these communities for any of its contact attempts.

The Board finds that Union's approach to dealing with Aboriginal issues is acceptable.

Environmental Matters and General Community Consultations

Union indicated that it retained Azimuth Environmental (Azimuth) to carry out an Environmental Review (ER) in order to evaluate possible environmental and socio-economic effects of the proposed pipeline.

Union states that the ER has been prepared to meet the intent of the Ontario Energy Board's *Environmental Guidelines for Locating, Constructing and Operating Hydrocarbon Pipelines in Ontario (2003)*. Union further states that the objectives of the ER were to:

- a) document existing environmental features;
- b) identify agency and public concerns;
- c) identify potential environmental impacts as a result of construction ;
- d) present mitigation techniques to minimize environmental impacts; and
- e) provide the pipeline contractor and environmental inspector involved in the

construction of the pipeline with general and site-specific guidelines for environmental protection that supplement Union's construction specifications.

Union contends that the results of this ER indicate that the location of the proposed pipeline is environmentally acceptable. Mitigation measures to reduce the effects of construction are also included in the ER. Union asserts that by following its standard construction practices and adhering to the mitigation measures proposed in the ER, construction of this project will have negligible impacts on the environment and no significant environmental or cumulative effects should be anticipated from development of the proposed pipeline.

Union states that copies of the ER were submitted to the Ontario Pipeline Coordination Committee ("OPCC") on February 26, 2009 and copies of the ER were also provided to the Cataraqui Region Conservation Authority, local municipalities and First Nations. Copies of the ER were also made available upon request to landowners. A partial summary of the comments regarding the ER and Union's responses to these comments was provided in the pre-filed evidence and the remaining documentation was filed with Union's Interrogatory Responses dated June 17, 2009.

Union advises that letters were sent out on September 17, 2008 to various agencies to inform them of the proposed project and that letters were also sent on October 15, 2008 to inform these groups of a public information session. Union further advises that all directly and indirectly affected landowners along the pipeline route were sent similar letters on October 15, 2008 informing these groups of the project and of the public information session that Union was planning.

To solicit input from the general public with respect to the project, Union stated that a Notice was printed in the local newspaper on Friday, October 17, 2008, informing the area residents of a public information session. The intent of this session was to provide a forum to identify the preliminary preferred pipeline route and to provide the public with an opportunity to review the details of the proposal and comment on the environmental information collected to date.

Union stated that the session was held on October 27, 2008, at the Inista Centre at 1350 Gardiners Road in Kingston, Ontario and that attendees asked general questions concerning the location of the facility, pipeline construction methods as well as questions concerning possible natural gas service from the area adjacent to the new

pipeline. Union stated that there were no significant environmental concerns raised by the attendees of this session.

As noted within, Union indicated that it met with representatives of the Engineering Department from the City of Kingston, to solicit input on the alignment of the proposed pipeline and that the City of Kingston engineers were in general agreement with Union's proposal. Union indicated that it will continue to work with the city until the project is completed. Union asserts that during construction of the proposed pipeline, it will implement an environmental inspection program. This program will ensure that the recommendations in the ER are followed.

Union replied in an Interrogatory Responses dated June 17, 2009 that it has obtained approval from the Cataraqui Region Conservation Authority for all watercourses crossed as part of this project. Union indicated that the Cataraqui Region Conservation Authority is the "governing authority" for matters such as these and grants approval on behalf of the Ministry of Natural Resources and Department of Fisheries and Oceans as required.

The environmental assessment/route selection study was reviewed by the OPCC Committee and no additional significant issues were identified.

Accordingly, the Board finds that there are no outstanding environmental issues that need to be addressed prior to approval of the application. The Board's approval is subject, however, to a set of conditions that Union has indicated it accepts. These Conditions of Approval are attached as Appendix A.

IT IS ORDERED THAT:

Union Gas Limited is granted leave pursuant to subsection 90 (1) of the *Ontario Energy Board Act, 1998* to construct 4.5 km of NPS 6 hydrocarbon pipeline in order to increase the capacity of the existing pipeline system located in the former Township of Kingston subject to the Conditions of Approval set forth in Appendix A. The proposed pipeline will be tapped to Union's existing pipeline (Kingston Township Lateral) at the Creekford Road crossing approximately 900 m east of Westbrook Road and from this tap location it will run east along Creekford Road to Gardiners Road. The route will then turn south along Gardiners Road to the connection location at Fortune Crescent.

Dated at Toronto, June 22, 2009

ONTARIO ENERGY BOARD

Original Signed By

John Pickernell
Assistant Board Secretary

Appendix “A”

To Decision and Order

EB-2009-0061

June 22, 2009

**CONDITIONS OF APPROVAL
EB-2009-0061**

Union Gas Limited – Creekford Road Reinforcement Project

1 General Requirements

- 1.1 Union Gas Limited shall construct the facilities and restore the land in accordance with its application and evidence, except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2010, unless construction has commenced prior to then.
- 1.3 Except as modified by this Order, Union Gas shall implement all the recommendations of the Environmental Study 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 Gas shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union Gas shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.

2 Project and Communications Requirements

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.
- 2.2 Union Gas shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfilment of the Conditions of Approval on the construction site. Union Gas shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.
- 2.3 Union Gas shall give the Board's designated representative and the Chair of the OPCC ten days written notice, in advance of the commencement of the construction.

- 2.4 Union Gas shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union Gas shall file with the Board'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 Gas shall furnish the Board'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 Gas shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within eighteen months of the in-service date. Union Gas 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 Gas' 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.
- 3.4 Within fifteen months of the in-service date, Union shall file with the Board a written Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and shall explain all significant variances from the estimates filed with the Board.

4 Easement Agreements

- 4.1 Union Gas shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

5 Other Approvals

- 5.1 Union Gas shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

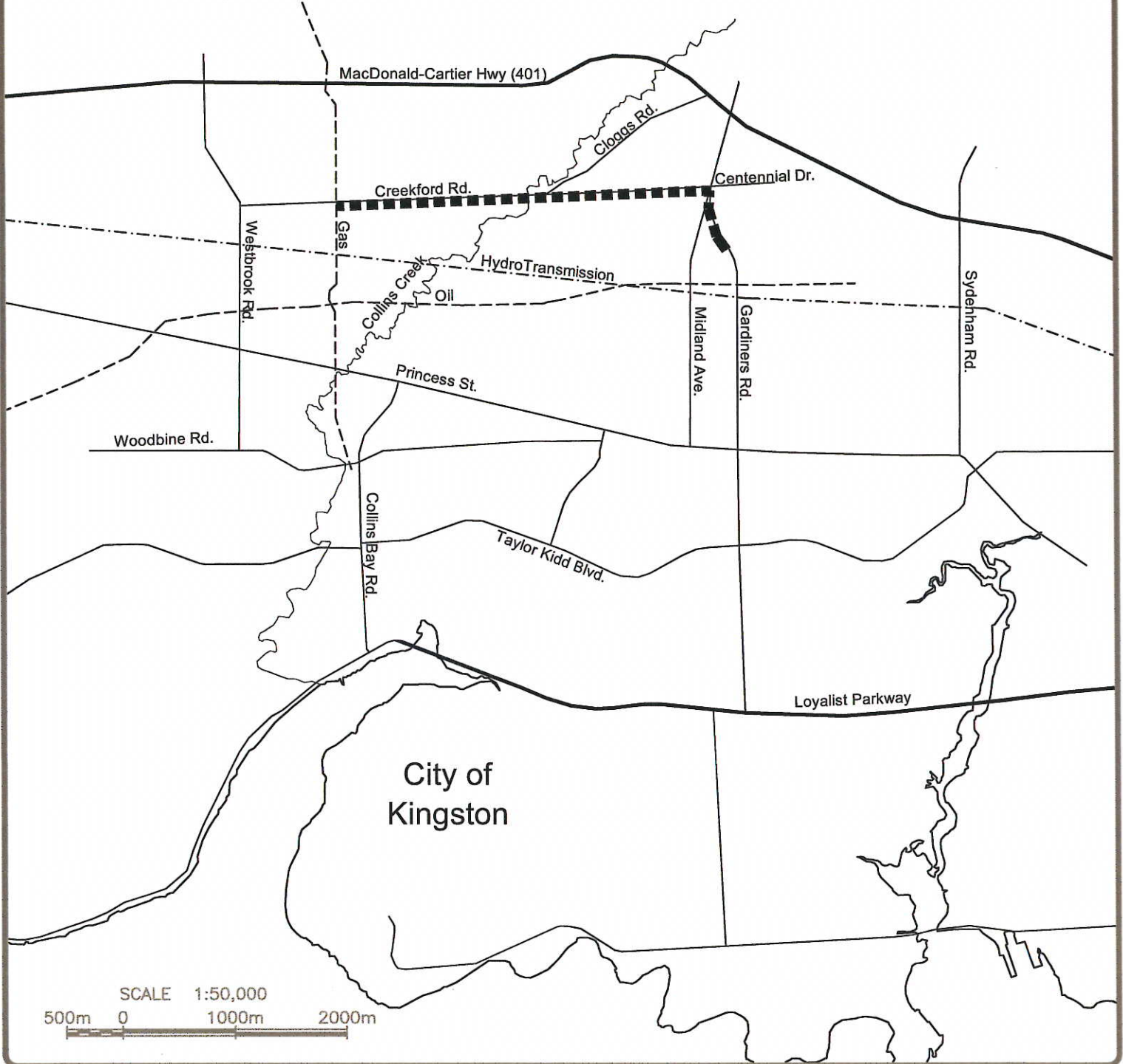
Appendix “B”

To Decision and Order

EB-2009-0061

June 22, 2009

Union Gas Limited Proposed Creekford Road Reinforcement



SCALE 1:50,000
500m 0 1000m 2000m

LEGEND:

--- PROPOSED PIPELINE ROUTE



Union Gas Limited Proposed
Creekford Road Reinforcement

Creekford Road
Reinforcement

DATE ISSUED: 10 Mar, 09

CREATED BY: JLM

PROJECT NO.: 08-175

REFERENCE:

Figure No.