

**EB-2006-0243**

**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 Natural Resource Gas Limited for an Order pursuant to Section 90(1) of the *Ontario Energy Board Act, 1998*, granting leave to construct a natural gas pipeline and ancillary facilities in the Township of Malahide, Municipality of Thames Centre and the Town of Aylmer.

**BEFORE:** Gordon Kaiser  
Presiding Member and Vice Chair

Ken Quesnelle  
Member

Cathy Spoel  
Member

## **DECISION AND ORDER**

### **Introduction**

Natural Resource Gas Limited (“NRG”) has filed an application with the Ontario Energy Board (the “Board”) dated October 13, 2006, under section 90(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15. NRG has applied for an Order of the Board granting leave to construct approximately 28.5 kilometres of 6 inch diameter steel natural gas pipeline and ancillary facilities (the “Proposed Facilities”).

The construction of the Proposed Facilities will allow NRG to meet the natural gas distribution requirements of an ethanol plant proposed by Integrated Grain Processors Co-operative Inc. (“IGPC”), to be located in Aylmer, Ontario, within NRG's franchise area.

## **Proposed Facilities**

The Proposed Facilities will interconnect with facilities, to be constructed by Union Gas Limited, north of Highway 401 on Bradley Avenue where the NRG franchise area abuts the Union Gas Limited franchise area. The pipeline of approximately 28.5 km in length, runs in southeasterly direction and traverses sections of the Township of Malahide, the Municipality of Thames Centre and ends in the Town of Aylmer.

A map of the proposed natural gas pipeline route and the ethanol plant is attached as Schedule "A", to this decision.

## **Proceeding**

The Board held an oral hearing in this matter on December 18, 2006, at which four intervenors, the Integrated Grain Processors Co-operative ("IGPC"), Union Gas Limited ("Union"), the Municipality of Thames Centre and the County of Middlesex ("the Municipalities"), participated. All parties support the application. On January 19, 2007 the Board held an oral hearing in order to review the status of the contracts between NRG and IGPC. The Board reiterated its position that it wished to review the final executed contracts prior to rendering its decision.

On January 31, 2007, the Board received and reviewed two final executed contracts between IGPC and NRG - the Gas Delivery Contract ("GDC"), and the Pipeline Cost Recovery Agreement ("PCRA").

## **Economics of the Proposed Facilities**

An economic evaluation of the project was completed in accordance with the requirements of the Board's Guidelines set out in the E.B.O. 188 report on Natural Gas Systems Expansion. The results indicate that the Proposed Facilities have a net present value of \$8.5 million and without any capital contribution, the profitability index of the Proposed Facilities would be 0.55. To protect the ratepayers of NRG, a capital contribution of approximately \$3.8 million is required from IGPC to achieve a profitability index of 1.0. The PCRA between NRG and IGPC provides for this capital contribution.

This project represents a significant net capital expenditure by NRG of approximately 5.3 million dollars. The GDC covers delivery of natural gas for a period of 7 years and

corresponds to of the economic evaluation horizon that was used to calculate the \$ 3.8 million capital contribution.

The GDC establishes the minimum volume of gas that IGPC is required to accept and pay for in any contract year as well as the price at which that gas is to be supplied. NRG has committed to developing a new rate for the customer to be included in its fiscal 2008 rate application which is anticipated to be filed with the Board in April, 2007.

Prior to the commencement of the delivery of gas pursuant to the GDC, the customer is required to provide a security deposit to NRG in the amount of one month's delivery using the appropriate rate at the commencement date. NRG is entitled to draw upon the security deposit in the event that IGPC does not pay the invoice within the time frame that is provided in this GDC.

The PCRA requires IGPC to provide an irrevocable delivery letter of credit in the amount of \$5.3 million, which IGPC must maintain for as long as it continues to receive service. This letter of credit will be reduced annually to an amount equal to the net book value of the assets of this project. This aspect of the PCRA will ensure that NRG can draw on this letter of credit in the event of either a default by IGPC or its ceasing operation prior to the assets are fully depreciated, thereby avoiding the potential for stranded assets. This protects NRG and its ratepayers.

## **Environmental**

Based on the environmental report filed as Exhibit C, Schedule 3, NRG indicates that it is not expected that there will be any significant environmental impacts from the Proposed Facilities, as they will be constructed on existing road allowances. NRG also indicated that it will mitigate any such environmental impacts. There will, however be minor temporary impacts resulting from construction activities.

## **Landowner Issues**

The Proposed Facilities will be constructed within existing road allowances. Accordingly no easements will be required except for temporary workspace. A list of abutting landowners is found at Exhibit C, Schedule 2 of NRG's application. NRG's evidence indicates that all affected landowners were made aware of the project both in their consultation and by way of the Boards Notice of this proceeding. There were no objections raised by landowners in this proceeding.

**Board Finding**

The Board is satisfied that the terms and conditions of the two agreements, the GDC and the PCRA, adequately protect the interests of NRG and its ratepayers against anticipated risks. In making its finding to grant the requested leave to construct, the Board is placing significant reliance on the terms and conditions of both the PCRA and GDC that protect the interest of NRG's ratepayers.

The Board finds that the Proposed Facilities are in the public interest and grants the requested leave to construct. The Board notes that this is a significant expansion of NRG's facilities and will increase its rate base by approximately 50 per cent

The Board appreciates that a project of this magnitude has not been without its complexities and appreciates the co-operation of all parties involved.

**IT IS THEREFORE ORDERED THAT:**

1. Natural Resources Gas Limited is granted leave pursuant to subsection 90 (1) of the *Ontario Energy Board Act, 1998* to construct approximately 28.5 kilometers of 6 inch natural gas pipeline and related facilities, commencing near the City of London, and running in southeasterly direction and traverses sections of the Township of Malahide, the Municipality of Thames Centre and ends in the Town of Aylmer.
2. The granting of leave is subject to the Conditions of Approval set forth in Appendix "B".

**DATED** at Toronto, 2007 February 02.

**ONTARIO ENERGY BOARD**

*Original signed by*

**Gordon Kaiser**

Signed on behalf of the panel

**SCHEDULE "A"**

**to the Decision and Order**




**BOARD FILE NO. EB-2006-0243**

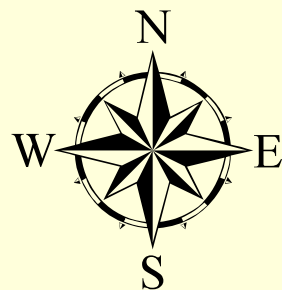
**February 2, 2007**

**Proposed NRG Ltd. Gas Pipeline Route**

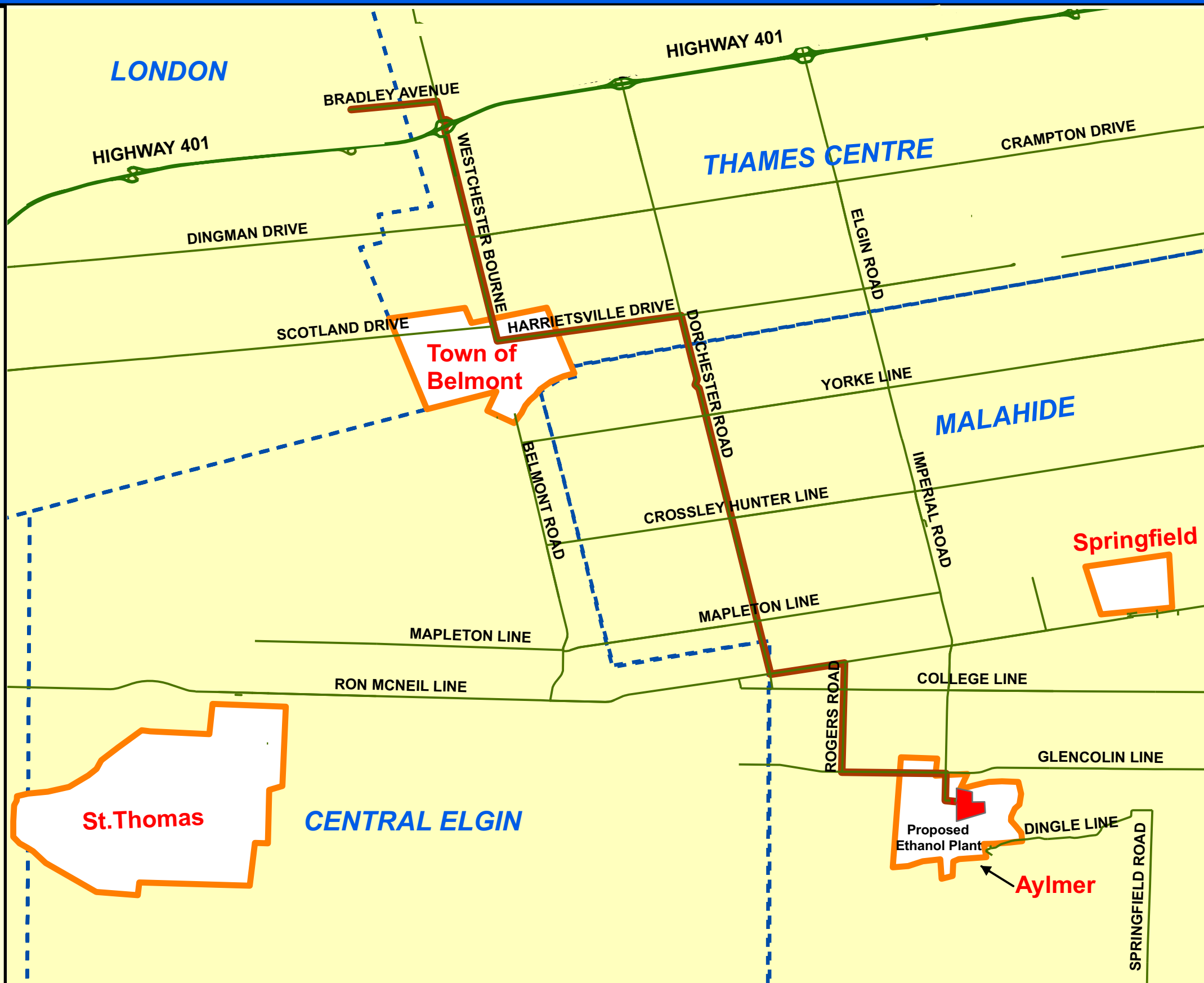
# Proposed NRG Ltd. Gas Pipeline Route

## Legend

-  City/Town
-  Municipal Boundaries
-  Proposed Gas Pipeline Route



0 3,400 6,800 Meters



**SCHEDULE "B"**

**to the Decision and Order**

**BOARD FILE NO. EB-2006-0243**

**February 2, 2007**

**Conditions of Approval**

## **Schedule "B"**

### **CONDITIONS OF APPROVAL EB-2006-0243**

#### **Natural Resources Gas Limited–Proposed Pipeline to IGPC Project**

#### **1 General Requirements**

- 1.1 Natural Resources Gas Limited (NRG) 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, 2007, unless construction has commenced prior to then.
- 1.3 Except as modified by this Order, NRG shall implement all the recommendations of the Environmental Study Report filed in the pre filed evidence, and all the recommendations and directives identified in the Ontario Pipeline Coordinating Committee ("OPCC") review.
- 1.4 NRG shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, NRG 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, Facilities Applications.
- 2.2 NRG 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. NRG 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 NRG 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 NRG 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 NRG 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 NRG 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, NRG 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. NRG 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 NRG'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.
- 3.4 Within fifteen months of the in-service date, NRG 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 NRG 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 and Contracts**

- 5.1 NRG 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.
- 5.2 NRG shall not, without the prior approval of the Board, consent to any alteration or amendment to the Gas Delivery Contract or the Pipeline Cost Recovery Agreement as those agreements were executed on January 31, 2007, where such alteration or amendment has or may have any material impact on NRG's ratepayers.