

EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B; and in particular sections 36.1(1), 38(1), 39(2), 40(1), 90(1), thereof;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for approval of a market-based rate that will govern gas storage services contracts entered into by Market Hub Partners Canada L.P.;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for an Order designating the area known as the St. Clair Storage Pool, in the Geographic Township of St. Clair, County of Lambton, as a gas storage area;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for authority to inject gas into, store gas in and remove gas from the areas designated as the St. Clair Pool, and to enter into and upon the lands in the said areas and use the said lands for such purposes;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. to the Ministry of Natural Resources for a license to drill a well in the said areas;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for approval storage services contracts entered into by Market Hub Partners Canada L.P.;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for an Order granting leave to construct natural gas pipelines in the Township of St. Clair in the County of Lambton.

BEFORE: Gordon Kaiser
Presiding Member
Cynthia Chaplin
Member
Ken Quesnelle
Member

**REASONS FOR DECEMBER 22, 2006
DECISION OF THE BOARD**

Dated February 13, 2007

1. Introduction

On December 22, 2006 the Board issued its Decision in each of the matters applied for by Market Hub Partners Canada L.P. (“MHP Canada” or the “Applicant”) (docket numbers EB-2006-0163, EB-2006-0164, EB-2006-0165, EB-2006-0166, EB-2006-0167).¹ The Board issued the Decision with reasons to follow because it believed that it was important to advise the parties of its decision without delay and indicated that it would issue reasons for its Decision in due course. The reasons for the Board’s Decision provided in this document (the “Reasons”) are intended to supplement the Decision issued on December 22, 2006 (the “Decision”) and do not in any way derogate from or amend the Decision.

In its Decision, the Board provided an outline of the applications filed by MHP Canada and a general description of the proceeding. The Decision is attached as Appendix “A” to these Reasons.

2. Applications and Proceeding

2.1 St. Clair Facilities Proceeding

In this proceeding the Board considered evidence relating to the Applicant’s request for the following approvals related to the St. Clair Storage Project applications:

- Designation of the gas storage area (EB-2006-0163);
- Authority to inject gas into, store gas in, and remove gas from the St. Clair pool (EB-2006-0164);
- A report of the Board to the Minister of Natural Resources (the “Minister”) to whom MHP Canada has applied for a licence to drill one horizontal I/W well within the proposed St. Clair pool (EB-2006-0166);
- Leave to construct transmission and gathering pipelines within the proposed St. Clair pool (EB-2006-0167); and
- General terms and conditions of storage services contracts (EB-2006-0165).

¹ Decision on the application under EB-2006-0162 for the approval to charge market-based rates was issued as part of the Natural Gas Electricity Interface Review (“NGEIR”) on December 7, 2006.

2.2 Proposed Facilities

In order to bring the St. Clair pool into operation by June 30, 2007, MHP Canada needs to complete drilling of one new I/W well, upgrade the existing wells and build access roads², and construct natural gas gathering transmission pipelines to connect to the Union Gas Limited's integrated transmission system.

There are three existing wells within the proposed St. Clair pool boundaries. These wells were drilled between 1999 and 2001 and were used for production and to explore the characteristics of the reservoir. As part of the St. Clair Project development the existing wells will be upgraded as follows: Sombra 2-A-X ("SCWS 2-A-X") will be converted to an A1 carbonate observation well; Manti 1 ("M.1") will be converted to a Guelph observation well; West Sombra 2 ("WS.2") will be converted to an I/W well. These upgrades do not require new licence applications, but well view diagrams and reports and workover programs were included as part of MHP Canada's evidence. MHP Canada stated that the new horizontal well combined with the converted I/W well WS.2 would permit one full annual cycle of the working inventory of the St. Clair storage pool.

MHP Canada plans to start construction of the well drilling pad and access road immediately upon receipt of the required Board Orders, to start well drilling in winter 2007 and to start construction of the pipelines in May 2007. The boundaries of the proposed Designated Storage Area ("DSA"), the location of the proposed I/W well and the routes of the proposed transmission and gathering pipelines and access roads are attached in Appendix E to these Reasons.

2.3 Applicant

MHP Canada is a partnership of St. Clair Pipelines (1996) Ltd. ("SCPL"), the limited partner (99.9% ownership), and Market Hub Partners Management Inc., the general partner (0.1% ownership). SCPL is directly owned 100% by Westcoast Energy Inc. Market Hub Partners Management Inc. is 100% owned by UEI Holdings (New Brunswick) Inc., itself owned 100% by Westcoast Energy Inc. ("WEI").

² Board approval is not required for construction of access roads and for upgrade of existing wells that have been previously licenced.

WEI is owned by Spectra Energy Corporation as a result of a spin-off from former owner Duke Energy Corporation (“DEC”) on January 1, 2007. Spectra Energy Corporation has its head office in Houston, Texas. WEI, acquired by DEC in March of 2002, conducts business in Canada as Spectra Energy Transmission (“SET”).

SCPL has been exploring Ontario for storage opportunities since 1996, and the St. Clair Pool was SCPL’s first successful discovery. In 2002, the assets of SCPL in the St. Clair Pool were transferred to MHP Canada, a partnership formed for the purpose of holding and developing assets related to the storage of natural gas.

The parent, SET, has an extensive storage portfolio in the United States and in Ontario, and it or its predecessor companies have operated natural gas systems in Ontario for over 90 years. SET intends to extend its merchant storage activities into Canada. In addition to the current application SET plans to develop an additional 5.2 Bcf of natural gas storage in Ontario for service as early as 2008, known as the Sarnia Airport Storage Pool Project.

2.4 Proceeding and Participants

The Board proceeded by way of written hearing. A detailed description of the procedural steps may be found in Appendix B attached to these Reasons. A complete list of participants in the proceeding may be found in Appendix C.

2.5 Regulatory Framework -Gas Storage Development and Operation

In this proceeding the Board exercises its authority under the *Ontario Energy Board Act, 1998* (“OEB Act”) to designate a gas storage area, to issue authorization to operate the DSA, to issue a report to the Minister of Natural Resources on application for a storage well drilling licence, and to grant leave to construct hydrocarbon pipelines.

Regarding the drilling of wells and safety and technical aspects and operation of DSAs, the Ministry of Natural Resource (“MNR”) has authority under the *Oil, Salt and Gas Resources Act* (“OSGRA”).

OEB Role

The OEB Act provides the Board with the following mandate with respect to the designation of a gas storage area.

36.1 (1) The Board may by order,

- (a) *designate an area as a gas storage area for the purposes of this Act;*
or
(b) *amend or revoke a designation made under clause (a).*

Pursuant to section 38(1) of the Act, the Board may issue an order for authorization to inject gas into, store gas in and remove gas from a DSA. Section 38(1) of the Act reads:

38. (1) The Board by order may authorize a person to inject gas into, store gas in and remove gas from a designated gas storage area, and to enter into and upon the land in the area and use the land for that purpose.

Under section 40 of the Act, upon referral by Minister of Natural Resources of an application to drill a well in a designated storage area, the Board may issue a report to the Minister regarding approval of the application. The report of the Board is binding on the Minister and, if it is a favorable report recommending that the application be granted, then the licence will be issued. Section 40 of the Act states:

40. (1) *The Minister of Natural Resources shall refer to the Board every application for the granting of a licence relating to a well in a designated gas storage area, and the Board shall report to the Minister of Natural Resources on it.*
(2) *The Board may hold a hearing before reporting to the Minister if the applicant does not have authority to store gas in the area or, in the Board's opinion, the special circumstances of the case require a hearing.*
(3) *The Board shall send to each of the parties a copy of its report to the Minister made under subsection (1) within 10 days after submitting it to the Minister and such report shall be deemed to be an order of the Board within the meaning of section 34.*
(4) *The Minister of Natural Resources shall grant or refuse to grant the licence in accordance with the report.*

MNR Role

The MNR is responsible for the technical and safety aspects of storage pool development and operation in accordance with requirements of CSA Z341.1-02 "Storage of Hydrocarbons in Underground Formations" ("CSA Z341") and the Gas and Salt Resources of Ontario, Provincial Operating Standards, Version 2.0 (the "Provincial Standards"). CSA Z341 and the Provincial Standards provide a comprehensive framework for monitoring storage operations in Ontario.

Section 10 of the *Provincial Standards* adopts the *CSA Standard Z341*. It reads:

Facilities for storage of hydrocarbons in underground formations shall be designed, constructed, operated, maintained and abandoned in accordance with CSA Standard Z341-98 Storage of Hydrocarbons in Underground Formations.

The MNR is responsible for ensuring that the Provincial Standards, including those related to the operation of wells, well plugging, and the reporting and monitoring of various stages of storage operations, are implemented by storage operators.

The MNR's authority regarding licences for drilling, operation and other activities related to a well is set in the OSGRA as follows:

10. (1) No person shall drill, operate, deepen, alter or enter a well, or engage in any other activity on or in a well, except in accordance with a licence.

The OSGRA definition of well includes production wells, storage wells and other wells. Under Ontario Regulation 245/97 "Exploration, Drilling and Production" ("Regulation 245") of the OSGRA, the requirements for the well licences are specified in more detail.

3. Designation of Gas Storage Pool (EB-2006-0163)

3.1 Decision

In the December 22, 2006 Decision, the Board found that the pool is suitable for natural gas storage and accepted the proposed boundary of the designated storage area.

3.2 Introduction

The Board's review of a storage pool designation application typically covers two main questions:

- Is the underlying geological formation appropriate for storage operations?
- Is the tract of land to be designated appropriately sized to provide for safe operation of the storage pool?

It is noted that criteria to assess geological suitability of the pool for storage and determining the appropriate boundaries of the pool are mainly technical determinations.

3.3 Evidence

The Applicant's evidence is that St. Clair pool was discovered in June 1999 and was used for gas, brine and oil production between December 2000 and June 2002. There are three existing wells within the proposed boundaries of the pool: Sombra 2-A-X; Manti 1, and West Sombra 2. These wells were drilled between 1999 and 2001 and were used for production and to explore the characteristics of the reservoir. The boundaries of the proposed designated storage area, the location of the proposed I/W well and the routes of the proposed transmission and gathering pipelines and access roads are shown on the map attached as Appendix D to these Reasons.

MHP Canada holds the Petroleum and Natural Gas leases with all the landowners within the proposed DSA. MHP Canada also holds the Gas Storage Lease Agreements for each property within the proposed DSA with exception of the CSX Transportation Property and the Corporation of the Township of St. Clair road allowances. MHP Canada stated it would obtain these storage rights prior to December 31, 2006. As of this date MHP has not filed additional evidence on this matter.

The St. Clair pool is a dolomitized pinnacle reef located in the Michigan Basin which provides natural gas underground storage resources mostly in Michigan and partly in Southwestern Ontario.

The Applicant indicated that the geology of the St. Clair pool, and its physical size and location were examined by a 3-D seismic survey in September 1998. The results of the 3-D survey were reinterpreted and supplemented with examination of well drill cuttings, analysis of data collected from well petrophysical logs, examination of gas production and well records. MHP's interpretation of geological data in the pre-filed evidence indicates that the St. Clair pool is suitable for gas storage.

The Applicant's evidence is that the St. Clair pool is classified as Guelph pinnacle reef and consists of carbonate, with porosity characteristics suitable for gas storage. The pool is overlain with A-1 carbonate which is composed of dolomite with minor anhydrite. The A-1 layer provides a lateral seal preventing gas from migrating horizontally away from the Guelph pinnacle reef.

The proposed boundaries of the St. Clair storage pool are drawn by determining the maximum probable extent of A1 carbonate porosity with the purpose of delineating laterally impermeable container. Both A1 layer and Guelph pinnacle reef are overlain by an A-2

anhydrite layer which provides a cap rock seal over the storage pool. Although the evidence indicated that the A2 is an effective top seal of the geological storage container, MHP Canada stated that it would obtain a cap rock sample and send the results of caprock analysis to the MNR in compliance with clauses 5.2.3 and 7.5.2(b) of the CSA Z341.

MHP calculated the size of the St. Clair pool by comparison of calculations by volumetric method to production decline method to achieve higher confidence in the results. Based on the pool's interpreted boundaries, MHP Canada proposed that 124 hectares (307 acres) be designated as a gas storage area. The proposed DSA includes the pool and a buffer zone. The buffer zone is an area between the boundary the designated area to protect the storage reservoir from third party exploration activities.

An assessment of subsurface activities within five kilometre radius of the proposed storage pool boundaries was provided. Adjacent storage pools within a five kilometre radius are the Bickford and Sombra storage pools, operated by Union Gas Limited. MHP Canada stated that it has monitored the pressures in St. Clair pool since its discovery and that its records indicate no communication with the adjacent pools, confirming that St. Clair pool is laterally sealed container.

3.4 Submissions

No party, except the MNR, provided submissions regarding the MHP Canada's application for designation of the St. Clair pool as a storage area.

An executed copy of the MNR form entitled "Record of Technical Data" for a proposed DSA was included in the evidence. The form, dated October 25, 2002, confirms that the MNR reviewed the geological interpretation of the boundaries of the natural gas pool and the drilling completion reports and logs for gas wells within the proposed DSA. In its submissions, the MNR confirmed that it has no issues with the designation of the storage pool.

3.5 Reasons

The Board's Decision in this matter is based on the geological evidence provided by the Applicant as well as the submissions of the MNR confirming the geological suitability of the pool and the boundaries.

The Order designating St. Clair Storage Area (EB-2006-0163) including metes and bounds of the St. Clair storage area boundary is attached as Appendix E to these Reasons.

4. Authorization to Inject, Store and Withdraw Gas (EB-2006-0164)

4.1 Decision

In the December 22, 2006 Decision, the Board indicated that it would grant to MHP Canada an order pursuant to section 38(1) of the Act authorizing the injection, storage and withdrawal of gas subject to certain conditions. The Board's Order to Inject, Store, and Remove Gas (EB-2006-0164) with conditions, is attached as Appendix F to these Reasons.

4.2 Introduction

An order under section 38(1) of the Act effectively authorizes a prospective storage operator to operate the designated storage pool. This order is an authorization that will allow MHP Canada to operate the storage pool once the pool is designated. The order also requires that necessary facilities such as storage wells, gathering pipelines and transmission pipelines are approved, licensed and constructed as appropriate.

When dealing with such applications the Board typically considers the following questions:

- Are appropriate safety requirements for proposed injection/withdrawal activities going to be ensured?
- Have the proposed storage wells been appropriately designed and are construction and maintenance plans in order?
- Will all relevant codes and standards be followed?
- Is the proposed maximum operating pressure safe and prudent?
- What are the potential impacts of injection/withdrawal activities?
- Are the proposed mitigation programs appropriate?
- Is the applicant a capable prospective storage operator in terms of technical and financial capabilities to develop and operate the proposed storage facilities?
- Is the applicant appropriately accountable for losses or damages occasioned by its activities?

4.3 Evidence

In its evidence MHP Canada included a section entitled "Assessment of Neighbouring Subsurface Activities" ("Subsurface Assessment"). This evidence comments on storage activities within a five kilometre radius of the pool boundary and on the location and activities of existing and abandoned wells within the subsurface perimeter of the storage

pool. The information is interpreted by MHP Canada as a support for the delineation of the proposed boundaries of the St. Clair storage pool.

MHP Canada indicated that Union's Bickford and Sombra storage pools as well as four other Silurian reefs producing oil and/or gas in Michigan are intersected by or lie just inside the western boundary of the five kilometre radius of the pool boundary. Maps with the locations of these pools relative to the St. Clair pool are part of the MHP Canada evidence.

Within the one kilometre zone of A1 carbonate porosity of the St. Clair pool, MHP Canada noted that there are four exploration and two production development wells that were drilled between 1951 and 2000. Each of the six wells were abandoned and plugged. The evidence includes the location diagram and the well information, records of plugging, and records of drilling and completion for these six wells. The plugging records in the evidence were issued by the former Ministry of Energy and Resources Management. These records are now issued by the MNR.

MHP Canada indicated that discovery pressure of the St. Clair pool is 6,730 kPaa. MHP Canada has determined the maximum operating pressure to be 8,770 kPaa, which is consistent with CSA Z341.1-02 requirements, assuming favourable results from the cap rock strength test. MHP Canada has committed to get a cored sample of the cap rock and submit it for testing to confirm that the A2 unit is an impermeable cover to the porous zone. The gas working inventory is 31,700 10³m³.

MHP Canada proposed a one year initial pressurization program. It plans to monitor the pool and the pressure gradient during initial pressurization and subsequently. MHP Canada included a monitoring program for the St. Clair pool during delta pressuring of the pool in the first year of operation and subsequently during every year of the operation. No party contested the safety of the proposed maximum operating pressure.

4.4 Reasons

Authority to Inject, Store and Withdraw Gas

The Board is satisfied that all of the considerations identified above are addressed by the Applicant in the evidence and submissions.

It is noted that the MNR is the key provincial agency responsible for the technical and safety aspects of storage pool development and operation. The scope of the MNR's role

and authority is set in the OSGRA, in Ontario Regulation 245/97 “*Exploration, Drilling and Production*”, CSA Z341.1-02 “*Storage of Hydrocarbons in Underground Formations*” and in the *Gas and Salt Resources of Ontario, Provincial Operating Standards, Version 2.0* .

By attaching a comprehensive set of conditions to its approval, the Board intends to ensure that MHP Canada will develop and operate the St. Clair pool in a safe and environmentally sound manner and in compliance with all applicable standards. Some of these conditions are discussed in greater detail below.

The Applicant’s history of storage exploration is satisfactory. The Applicant is affiliated with Union Gas Limited, which has a long and satisfactory history of developing and operating storage pools in Ontario. No concerns arise as a result of this affiliation.

The Board notes that MHP’s adherence to the conditions of approval related to the provincial regulations and standards under the oversight of the Petroleum Resources Centre of the MNR should lead to a safe and environmentally sound use of the storage pool as a provincial resource.

Submissions on issues surrounding the MHP Canada’s application for authorization to inject, store and withdraw gas were provided by Tribute Resources Inc.(“Tribute”), MNR and Board Staff. Other intervenors did not actively participate with regard to the application for authorization to operate St. Clair pool. Tribute supported MHP Canada’s without raising or commenting on any specific issues.

The MNR raised a number of technical and operational issues related to compliance with the CSA Z341.1. Board Staff proposed a set of standard conditions of approval.

Conditions

In its submissions, Board Staff proposed a set of conditions to be attached to the Board’s order if the approval to operate the St.Clair pool is granted. These conditions are standard conditions for this type of approval. The Board attached very similar conditions to its approval of the Tipperary storage pool in the RP-2003-0253 proceeding that was concluded in 2005. The conditions address the following:

- Requirements that MHP Canada adhere to its evidence and comply with applicable laws including OSGRA, regulations and codes, specifically CSA Z341 regarding:

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- Subsurface assessment of neighbouring activities;
- Operations and Maintenance Procedures (“O&M Procedures”);
- Emergency Response Plan (“ERP”);
- Schedule of pressuring the storage pool;
- Protection of integrity of the reservoir and safety by complying to the Provincial Operating Standards; and
- Maximum allowed operating pressure as per CSA Z341.
- Impacts and the mitigation of the impacts of construction, operation and maintenance of the pool on quality and supply of potable water.
- Adequate environmental insurance coverage in effect prior to construction commencement.
- Authority granted by the order to MHP Canada is not transferable without approval of the Board.
- Designating Board’s representative for the purpose of the conditions to be Manager, Facilities.

Tribute commented that, for the sake of symmetry in treating the non-regulated storage developers in Ontario, the proposed conditions be imposed by the Board on MHP Canada in the same way the Board imposed the conditions on Tribute’s approval.

MHP Canada accepted all of the proposed conditions. MHP Canada’s major comments dealt with:

- Condition 1.1.2 on publicly filing the ERP and O&M Procedure; and
- Condition 1.7 on environmental insurance required.

The MNR generally supported the conditions. The MNR did raise issues regarding MHP Canada’s compliance with the requirements of the CSA Z341.1-02 prior to injection start. Specifically:

- Subsurface assessment requirements under Section 7.1 of CSA Z341.1: a) the subsurface assessment of activities related to existing or abandoned wells within one kilometre of the subsurface perimeter of the storage zone, including activities within those wells, such as fracture treatments; and b) existing storage pools operations within five kilometre radius of the proposed St. Clair storage area;
- O&M Procedures requirements under Section 10.1.1 of CSA Z341.1; and

- ERP requirements under Section 10.1.2. of CSA Z341.1.

Subsurface Assessment

Board Staff proposed in condition 1.1.1 that MHP Canada adhere to the requirements of CSA Z341.1-02 section 7.1. The wording of the draft conditions 1.1.1 reflects the wording of section 7.1 of the CSA Z341.1-02:

1.1.1 Prior to commencement of any injection, storage or withdrawal operations, MHP Canada shall conduct and file with the Board, Ministry of Natural Resources and any party or intervenor to these proceedings, a thorough evaluation of all subsurface activities and their potential impact on the integrity of storage facility as required by Section 7.1 of the CSA Z341.1-02, including assessment of:

a) existing or abandoned wells within 1km of the subsurface perimeter of the storage zone, including activities within those wells, such as fracture treatments;

b) existing operations within 5km radius of the proposed storage scheme, including operation, and minimum and maximum operating pressures; and

c) for any existing wellbore penetrating the storage zone, the integrity of the well, including casing inspections, cement inspections, and hydraulic isolation of the storage zone from any overlying porous zones provided that, should such evaluation identify any risk and / or specify necessary remedial work, MHP Canada agrees to implement, complete, and maintain such works prior to commencement of any injection, storage, or withdrawal.

MNR's position on the subsurface assessment is that it should be completed and that *"it is crucial that the full assessment be prepared and submitted either voluntarily or by Order, and thereafter reviewed and analyzed by public scrutiny"*. MNR did not provide further submissions on what would entail "the full assessment" or how the "public scrutiny" would be conducted.

MHP Canada's position is that the information in the evidence is sufficient and that further risk assessment is not required to satisfy the intent of section 7.1 of the CSA Z341.1-02. In

its reply argument MHP Canada also stated that it can document specific compliance with section 7.1 of CSA Z341.1-02 “to the extent that specific, outstanding concerns, if any, are identified in condition 1.1.1 of Authorization to Inject, Store and Remove Gas.”

MHP Canada maintained that Section 7.1 does not suggest a “Full Risk Assessment” and that a methodology for such an assessment is not specified. MHP Canada stated that the technical issues related to the operation of the St. Clair storage pool do not call for any assessment additional to what is already in MHP Canada’s evidence.

The Board relies on the technical resources of the MNR to monitor compliance or conformity with the very detailed and technical requirements of the various standards brought into play. Similarly, the Ministry of Natural Resources ensures that the subsurface investigation is performed according to prevailing standards within the well drilling and engineering communities.

Accordingly, Condition 1.1.1 will now require the Applicant to file a Subsurface Study consistent with Section 7.1 of CSA Standard Z 341.1-02, which is acceptable to the Ministry of Natural Resources. It would be open to MHP Canada to request the confidential treatment of this filing with the Board in accordance with the Board’s *Rules of Practice and Procedure* and the Board’s *Practice Direction on Confidential Filings* and the Board will deal with such a request at that time.

O&M Procedures and ERP

Preparation of the O&M Procedures and ERP are required by CSA Z341.-02 sections 10.1.1 and 10.1.2, respectively. Board Staff proposed in condition 1.1.2 that MHP Canada adhere to the requirements of CSA Z341.1-02 sections 10.1.1 and 10.1.2:

1.1.2 Prior to commencement of any injection, storage or withdrawal operations, MHP Canada shall complete and file with the Board and the Ministry of Natural Resources the following plans and procedures as required by CSA 341.1-02:

1.1.2.1 Operations and Maintenance Procedures (s 10.1.1)

1.1.2.2 Emergency Response Plan (s. 10.1.2)

and thereafter comply with any and all on-going obligations as required in respect of such procedures and plans pursuant to CSA Z341.1-02 or any successor version

thereto.

The MNR's position is that, although MHP Canada agrees to prepare the documentation for O&M and ERP, it is not acceptable that MHP Canada assign these responsibilities to unspecified contractors. The MNR requested that the documentation for both O&M and ERP be available to the "public at large and open to public scrutiny".

MHP Canada replied that it would contract with an experienced storage operator for daily operation and maintenance of the storage pool. MHP Canada emphasized its commitment to establish an operational policy and be accountable for the integrity of the pool and for safe operations. Regarding the O&M and ERP being developed by the third party contractors, MHP Canada stated that these prospective contractors would have "mature ERP and O&M" procedures used in storage operations in Ontario.

MHP Canada indicated that it would have the O&M and ERP completed prior to start of injection as required by condition 1.1.2 proposed by Board Staff. MHP Canada disagreed with the MNR that public review of the O&M and ERP is appropriate and took the position that there are risks of commercial harm and safety risks associated with disclosing O&M and ERP information. MHP Canada suggested that the documents be available for review by the MNR and the Board at its offices and/or the offices of MHP Canada's maintenance and operation contractor.

The Board in the conditions attached to authorization to operate St. Clair DSA will require that the O&M and ERP be filed with the MNR and the Board. It would be open to MHP Canada to request the confidential treatment of any of these filings with the Board in accordance with the Board's *Rules of Practice and Procedure* and the Board's *Practice Direction on Confidential Filings* and the Board will deal with such a request at that time.

Environmental Insurance

Board Staff proposed the following wording for the condition related to environmental insurance:

- 1.7 *MHP Canada shall, after the date on which the OEB grants an order pursuant to Section 38(1) of the OEB Act and before commencement of construction operations to use the DSA for storage, and thereafter while the DSA or any part thereof is being used for storage operations, obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage, in the amount*

that is determined by an independent party with expertise in adequacy of insurance coverage for environmental and other risks and potential impacts of gas storage operations in southwestern Ontario. MHP Canada shall file with the Board documentation in support that the insurance coverage is obtained as required by this condition.

MHP Canada agreed in principle with this condition but proposed changes to the wording, specifically to replace “...before commencement of construction operations to use the DSA for storage...” with “...before commencement of drilling operations or pipeline construction...” MHP Canada also suggested that the wording “...in the amount that is determined by an independent party...” be replaced with “...in an amount determined to be adequate by an independent party...” The Board accepts the suggested modifications of the wording by MHP.

5. Application for a Well Drilling Licence – Report of Board to MNR (EB-2006-0166)

5.1 Decision

In the December 22, 2006 Decision, the Board indicated that it had prepared a favorable report to the Minister of Natural Resources. The Board’s Report recommending the approval of the application to drill a well SC.1 is subject to the conditions set out in the Report and is attached as Appendix G to these Reasons.

5.2 Evidence and Submissions

The approval of an application for a licence to drill a gas well in a DSA in Ontario is considered pursuant to section 40 of the OEB Act. An applicant files the drilling licence application with the MNR and the MNR refers the application to the Board for processing. Upon review of the referred application and related evidence, the Board prepares a report to the Minister of Natural Resources (the “Report”). The Report is binding on the Minister. Typically, the Board’s review of an application for a well licence includes the geological evidence related to the well location and proposed drilling program, the technical capability of an applicant to conduct the drilling in accordance with applicable standards and codes, and environmental and landowner related matters.

In this proceeding, MHP Canada applied for a licence to drill a new horizontal I/W well St. Clair 1 (Horizontal 1), Sombra 8-B-XI (“SC.1”).

The Board has reviewed the evidence and submissions regarding the application to drill SC.1 well and has prepared a favorable report by the Board to the Minister of Natural Resources.

The Board notes that the evidence indicates that the Applicant is technically competent to undertake the planned directional drilling program and the proposed well completion activities and that the Proposed Conditions deal with potential adverse impacts and effects of the drilling of the well SC.1. The Report describes in more detail the evidence and submissions and provides reasons for the favorable Decision regarding the drilling licence. The Board attached a set of standard conditions to the Report.

6. Leave to Construct Pipelines (EB-2006-0167)

6.1 Decision

In the December 22, 2006 Decision, the Board granted MHP Canada leave to construct 0.5 kilometres of NPS 10 natural gas storage gathering pipeline, about 0.05 kilometre of NPS 4 natural gas storage gathering pipeline and about 0.6 kilometre of NPS 10 transmission pipeline within Lots A and B, Concession XI in the Township of St. Clair (formerly Township of Sombra) in Lambton County pursuant to subsection 90 (1) of the Act. The Order and Conditions of Approval (EB-2006-0167) were attached to the Decision.

6.2 Evidence and Submissions

None of the registered intervenors provided evidence or submissions specifically related to leave to construct application in the St. Clair Storage Project proceeding. Board Staff, in its submissions, proposed draft conditions for the leave to construct order.

Evidence of MHP Canada

Need

MHP Canada submitted that the proposed facilities are needed for the transportation of gas between St. Clair pool and the market. The design of the pipelines and I/W wells within the storage pool would allow MHP Canada to use the full working capacity of the St. Clair pool on an annual basis.

Design Specifications

The Applicant's evidence shows that the proposed gathering and transmission pipelines have been designed in accordance with the requirements of *Ontario Regulation 210/01 for Gas Pipeline Systems* under the jurisdiction of Technical Standards Safety Authority.

Environmental and Construction Matters

Construction of the pipelines is planned to start in May 2007 to achieve a June 2007 in-service date. The methods and techniques for construction of the pipelines are described in the evidence.

The Board's *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario* ("the OEB Guidelines") set the approach to routing, environmental assessment, mitigation and public and agency consultation. The evidence includes "*Environmental Report-Proposed St. Clair Storage Pool Development Project*" ("EA Report") prepared for MHP Canada by Stantec Consulting Ltd. ("Stantec") dated April 2005. The EA Report was originally completed in 2002 and was revised in 2005.

The EA Report describes "Storage Pool and Pipeline Environmental Management Plan". The EA Report concludes that:

the proposed pipeline and development of the storage pool has minimal potential environmental effects and that the mitigation measures proposed will ensure that construction and operation of the pipeline and storage pool will result in negligible long-term effects.

The Board notes that no watercourse crossings are encountered by the proposed pipelines and that the pipeline construction will result in limited woodlot tree removal. MHP Canada

has committed to replace the trees as required. The Applicant's evidence also stated that cumulative effects are not anticipated from the St. Clair Storage Project development. The original and revised EA Reports were reviewed by the Ontario Pipeline Coordinating Committee (OPCC), local municipalities and the St. Clair River Conservation Authority. There are no outstanding issues or concerns regarding the OPCC, municipal review or landowner reviews.

Land Matters

MHP Canada obtained fee simple property for interconnection with Union's system. The proposed pipelines are located within the boundaries of the St. Clair designated storage area on properties owned by Alfred and Sharon Branton and by Alfred Branton. Temporary working space for the pipeline construction will be obtained prior to construction commencement.

For the transmission pipeline, MHP Canada has executed revised permanent easement agreements with Alfred Branton and with Sharon and Alfred Branton. These agreements were registered in the Land Registry Office in Sarnia, Ontario and were filed by MHP Canada on September 18, 2006. The revision of the permanent easements was due to a minor re-alignment of the pipeline route.

Gas Storage Leases grant MHP Canada the right to construct, operate and maintain gathering pipelines and roadways to connect the wells. MHP Canada stated that it reached an understanding with the affected landowners as to the location of gathering pipelines and that this is reflected in the Letter of Acknowledgment which is part of the evidence. MHP Canada stated that formal easement agreements for gathering pipelines will be executed immediately following construction.

Submissions by Board Staff

Board Staff proposed a set of conditions that the Board would typically attach to a leave to construct order.

The Proposed Conditions require MHP Canada to construct the facilities and restore the land in accordance with its application and evidence, to implement all the recommendations of the EA Report, and to follow all the recommendations of the OPCC. The conditions set project communication, monitoring and reporting requirements including reporting on landowner complaints and resolving the issues. The conditions also require that all

necessary approvals to construct, operate and maintain the pipeline be acquired.

The Applicant and intervenors had the opportunity to comment on the Proposed Conditions. No comments were received from intervenors. MHP Canada agreed with the proposed conditions and suggested a change in the condition on timing of the filing of final monitoring report.

6.3 Reasons

Section 96(1) of the OEB Act provides that if, after considering an application under section 90 of the OEB Act, the Board is of the opinion that a proposed work is in the public interest, then the Board shall make an order granting leave to carry out the work.

The Board notes there are no outstanding issues or concerns regarding the OPCC review of the EA Report. The Board also notes MHP Canada's commitment to adhere to the requirements of the EA Report and its pre-filed evidence.

The Board is satisfied that the proposed routing of the pipeline is appropriate and that potential environmental impacts have been adequately assessed.

As required by Section 97 of the OEB Act, the Board has considered and approves the form of easement agreement MHP Canada offered to the directly affected land owners. The Board is satisfied that MHP Canada has effectively addressed the landowner issues associated with the project.

The Board notes that MHP Canada accepted all the conditions of approval and suggested a modification in the condition 3.1. The Board accepts the suggestion of MHP Canada that the final monitoring report be filed within 15 months of the in-service date to make it consistent with timing for filing final monitoring report related to horizontal well SC.1 drilling.

The Board finds all other conditions proposed by Board Staff acceptable. Based on the evidence provided the Board determined that the project is in the public interest and, in accordance with Section 96(1) of the OEB Act, as part of its December 22, 2006 Decision the Board issued an order granting leave to construct.

7. General Terms and Conditions for Storage Contracts (EB-2006-0165)

7.1 Decision

In the December 22, 2006 Decision, the Board found that the proposed General Terms and Conditions provided by MHP Canada as an attachment to its letter of September 18, 2006 are acceptable. The Board required MHP Canada to provide any update 90 days in advance of its first injection operation.

7.2 Evidence

Attached to its letter of September 18, 2006 MHP Canada provided proposed General Terms and Conditions that would be applicable to its St. Clair Storage Project. In its argument-in-chief, MHP Canada indicated that it confirmed the September 18, 2006 General Terms and Conditions subject to modification up to 90 days prior to first injection into the storage facility, "subject to the main NGEIR decision, and specifically a determination by the Board that it will refrain from regulating storage rates and services, in whole or in part (IR-OEB No.6)."

Reasons

The Board's NGEIR decision did grant market based rates for storage. This however does not eliminate the requirement for the general terms and conditions which constrain unregulated storage activities and separate them from those which are regulated. The NGEIR decision specifically indicated that MHP Canada would not be required to seek approval of storage contracts on the condition that it operates within a base set of service terms and conditions approved in this proceeding.

DATED at Toronto, February 13, 2007
ONTARIO ENERGY BOARD

Original Signed By

Gordon Kaiser, Vice-chair and Presiding Member

Original Signed By

Cynthia Chaplin, Member

Original Signed By

Ken Quesnelle, Member

APPENDIX A

TO

REASONS

FOR

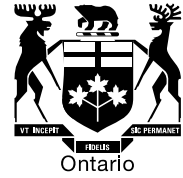
DECEMBER 22, 2006 DECISION OF THE BOARD

MARKET HUB PARTNERS CANADA L.P.

EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167

DECISION WITH REASONS TO FOLLOW OF THE BOARD
ISSUED DECEMBER 22, 2006

Dated February 13, 2007



EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B; and in particular sections 36.1(1), 38(1), 39(2), 40(1), 90(1), thereof;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for approval of a market-based rate that will govern gas storage services contracts entered into by Market Hub Partners Canada L.P.;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for an Order designating the area known as the St. Clair Storage Pool, in the Geographic Township of St. Clair, County of Lambton, as a gas storage area;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for authority to inject gas into, store gas in and remove gas from the areas designated as the St. Clair Pool, and to enter into and upon the lands in the said areas and use the said lands for such purposes;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. to the Ministry of Natural Resources for a license to drill a well in the said areas;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for approval storage services contracts entered into by Market Hub Partners Canada L.P.;

AND IN THE MATTER OF an application by Market Hub Partners Canada L.P. for an Order granting leave to construct natural gas pipelines in the Township of St. Clair in the County of Lambton.

BEFORE: Gordon Kaiser
Presiding Member

Cynthia Chaplin
Member

Ken Quesnelle
Member

DECISION WITH REASONS TO FOLLOW

December 22, 2006

1. Applications and Proceeding

1.1 Application to Develop St. Clair Storage Project

Re-activated Proceeding

On June 30, 2006 Market Hub Partners Canada L.P. ("MHP Canada" or the "Applicant") requested that the Ontario Energy Board (the "Board") re-activate a proceeding originally filed on June 30, 2005, on the St. Clair gas storage pool development (the "Adjourned Proceeding"). The re-activated proceeding involves a request for a number of approvals related to a proposal to provide storage services upon development of approximately 32,200 10³m³ (1.1 Bcf) of natural gas storage space in its St. Clair Gas Storage Pool ("St. Clair Storage Project"). The St. Clair gas storage pool is proposed to connect to Union Gas Limited's system. The planned in-service date is June 30, 2007.

The Board has assigned the following file numbers to the re-activated proceeding: EB-2006-0162/EB-2006-0163/ EB-2006-0164/EB-2006-0165/ EB-2006-0166/EB-2006-0167.

To develop the St. Clair Storage Project MHP Canada has applied for the following approvals:

- Approval of a market-based rate that will govern gas storage services contracts entered into by MHP Canada pursuant to section 36 of the *Ontario Energy Board Act, 1998* (the "Act") (EB-2006-0162);
- An order designating the storage area pursuant to section 36.1(1) of the Act (EB-2006-0163);
- Authority to inject gas into, store gas in, and remove gas from the St. Clair Pool pursuant to subsection 38(1) of the Act (EB-2006-0164);
- Approval to enter into agreements with parties that agree to be subject to market-based rates as are approved for MHP Canada for storage services, pursuant to section 39(2) of the Act (EB-2006-0165);
- A favourable report of the Board under subsection 40(1) of the Act, to the Minister of Natural Resources to whom MHP Canada has applied for a licence to drill one horizontal injection/withdrawal ("I/W") well within the proposed St. Clair Pool (EB-2006-0166); and

- A leave to construct transmission and gathering pipelines within the proposed St. Clair pool, pursuant to subsection 90(1) of the Act (EB-2006-0167).

MHP Canada requires all of the above orders and a favorable report to the MNR in order to provide storage services from the St. Clair pool.

Splitting the Review of the Applications

In the Notice of Re-activated Proceeding, issued on August 11, 2006, the Board stated that it did not intend, in the St. Clair Storage Project proceeding, to consider evidence or issue a decision in relation to MHP Canada's request for a market-based rate pursuant to section 36 of the Act (EB-2006-0162), nor to consider the evidence or issue a decision in relation to MHP Canada's request for approval to enter into agreements for storage services, pursuant to section 39(2) of the Act (EB-2006-0165). The Board indicated that it would make these decisions in the Natural Gas Electricity Interface Review ("NGEIR") proceeding (EB-2005-0551) which was conducted by the Board from December 25, 2005 to November 7, 2006. In the NGEIR proceeding, MHP Canada asked that the Board make a decision on "Core Points", specifically: that MHP Canada cannot exercise market power; that MHP Canada be granted authority to charge market-based rates for its services; and that MHP Canada be allowed flexibility to contract for services without requiring approval of individual contracts, provided that MHP Canada operates within a base set of service terms and conditions approved by the Board.

NGEIR Decision – MHP Canada "Core Points"

As part of the NGEIR proceeding, on September 7, 2006, the Board issued an oral decision on MHP Canada's "Core Points". On October 31, 2006, in accordance with the "Core Points" decision, the Board ordered that MHP Canada can charge market-based rates for its storage services and that it would not be required to seek approval of storage contracts under section 39(2) of the Act. The Board ordered that MHP Canada shall operate within a base set of service terms and conditions which would be

approved by the Board in the St. Clair Pool Storage Project proceeding (EB-2006-0165). The Board also ordered that MHP Canada shall file in the St. Clair Pool Storage Project proceeding its proposed standard terms and conditions for storage contracts (“standards terms for storage contracts”) for the Board’s review and approval. Accordingly, MHP Canada filed the standard terms for storage contracts for the Board’s consideration on September 18, 2006.

St. Clair Facilities Proceeding

In this proceeding the Board considered evidence relating to the Applicant’s request for the following approvals related to the St. Clair Storage Project applications (“St. Clair Facilities Proceeding”):

- Designation of the gas storage area (EB-2006-0163);
- Authority to inject gas into, store gas in, and remove gas from the St. Clair Pool (EB-2006-0164);
- A report of the Board to the Minister of Natural Resources (the “Minister”) to whom MHP Canada has applied for a licence to drill one horizontal I/W well within the proposed St. Clair pool (EB-2006-0166);
- Leave to construct transmission and gathering pipelines within the proposed St. Clair pool (EB-2006-0167); and
- General terms and conditions of storage services contracts (EB-2006-0165).

Proposed Facilities

The main focus of the St. Clair Facilities Proceeding has been on the technical, operational, and construction related aspects of the St. Clair pool development.³ In order to bring the St. Clair pool into operation by June 30, 2007, as planned, MHP Canada needs to complete drilling of one new I/W well, upgrade the existing wells and build access roads⁴, and construct about 500 metres of NPS 10 natural gas gathering

³ This decision deals with the general terms and conditions of the storage services contracts (EB-2006-0165).

⁴ Board approval is not required for construction of access roads and for upgrade of existing wells that have been previously licensed.

pipeline, about 50 metres of NPS 4 natural gas gathering pipeline and about 600 metres of NPS 10 natural gas transmission pipeline which ties in to the Union Gas Limited's transmission system at the point of intersection of Smith Line and Baseline Road.

There are 3 existing wells within the proposed St. Clair pool boundaries. These wells were drilled between 1999 and 2001 and were used for production and to explore the characteristics of the reservoir. As part of the St. Clair Project development the existing wells will be upgraded as follows: Sombra 2-A-X ("SCWS 2-A-X") will be converted to an A1 carbonate observation well, Manti 1 ("M.1") will be converted to a Guelph observation well and West Sombra 2 ("WS.2") will be converted to an I/W well. These upgrades do not require new licence applications. However well view diagrams and reports and workover programs were provided by MHP Canada in the pre-filed evidence. MHP Canada stated that the new horizontal well combined with the converted I/W well WS.2 would permit one full annual cycle of the working inventory of the St. Clair storage pool.

MHP Canada plans to start construction of the well drilling pad and access road immediately upon receipt of the required Board Orders, to start well drilling in January 2007 and to start construction of the pipelines in May 2007. The boundaries of the proposed designated storage area, the location of the proposed I/W well and the routes of the proposed transmission and gathering pipelines and access roads will be provided in appendices attached to the reasons that will follow this Decision.

1.2 Proceeding and Participants

The Board proceeded by a way of written hearing.

In this proceeding the following parties were granted status as registered intervenors: Aiken & Associates, Consumers Council of Canada, Enbridge Gas Distribution Inc. ("Enbridge"), James John McKillican, John Wolnik & Associates Inc., the Industrial Gas Users Association ("IGUA"), Tribute Resources Inc. ("Tribute"), Petroleum Resources Centre of the Ministry of Natural Resources ("MNR"), Union Gas Limited ("Union").

1.3 Decision with Reasons to Follow

The Board believes that it is important to advise the parties of its decision without further delay. The Board will issue reasons for this Decision in due course. Details of the proceeding as well as the Orders, Conditions of Approval,⁵ the Board Report to the MNR and other relevant information will be provided as appendices to reasons that will follow this Decision.

2. Decisions with Reasons to Follow

2.1 Designation of Gas Storage Pool (EB-2006-0163)

The Board finds that the pool is suitable for natural gas storage and accepts the proposed boundary of the designated storage area. The order designating St. Clair Storage Area (EB-2006-0163) including metes and bounds of the St. Clair storage area boundary will be attached as an appendix to the reasons to follow this Decision.

2.2 Authorization to Inject, Store and Withdraw Gas (EB-2006-0164)

The Board will grant to MHP Canada an order authorizing injection and withdrawal subject to certain conditions. The Board's Order to Inject, Store, and Remove Gas (EB-2006-0164) with conditions, will be attached as an appendix to the reasons to follow this Decision.

2.3 Application for a Well Drilling Licence – Report of Board to MNR (EB-2006-0166)

The Board prepared a favorable report to the Minister of Natural Resources. The Board's Report recommending the approval of the application to drill a well SC.1 is subject to the conditions set out in the Report and will be attached as an appendix to the reasons that will follow this Decision.

2.4 Leave to Construct Pipelines (EB-2006-0167)

The Board grants Market Hub Partners Canada L.P. leave to construct 0.5 kilometres of NPS 10 natural gas storage gathering pipeline, about 0.05 kilometre of NPS 4 natural

⁵ Other than the Leave to Construct Order with Conditions of Approval for EB-2006-0167, which are attached to this Decision with Reasons to Follow.

gas storage gathering pipeline and about 0.6 kilometre of NPS 10 transmission pipeline within Lots A and B, Concession XI in the Township of St. Clair (formerly Township of Sombra) in Lambton County pursuant to subsection 90 (1) of the Act. The Order and Conditions of Approval (EB-2006-0167) are attached as Appendix "A" to this Decision.

2.5 General Terms and Conditions for Storage Contracts (EB-2006-0165)

The Board finds that the proposed general Terms and Conditions provided by MHP Canada as an attachment to its letter of September 18, 2006 are acceptable. MHP Canada shall provide any update 90 days in advance of the first injection operation.

3. Cost Awards

Eligible intervenors who seek an award of costs incurred to date shall file their cost submissions in accordance with the *Practice Direction on Cost Awards* with the Board Secretary and with MHP Canada by January 8, 2007. MHP Canada may make submissions regarding the cost claims by January 22, 2007 and intervenors may reply by February 5, 2007. Upon receipt of the Board's cost award orders, MHP Canada shall pay any awarded costs with dispatch.

MHP Canada shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

ONTARIO ENERGY BOARD

DATED at Toronto, December 22, 2006.

Original signed by

Gordon Kaiser, Vice-chair and Presiding Member

Original signed by

Cynthia Chaplin, Member

Original signed by

Ken Quesnelle, Member

APPENDIX "A"

TO

**DECISION WITH REASONS TO FOLLOW
MARKET HUB PARTNERS CANADA L.P.**

EB-2006-0162

EB-2006-0163

EB-2006-0164

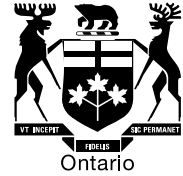
EB-2006-0165

EB-2006-0166

EB-2006-0167

**LEAVE TO CONSTRUCT
ORDER WITH CONDITIONS**

Dated February 13, 2007



EB-2006-0167

IN THE MATTER OF the *Ontario Energy Board Act*, S.O. 1998,
c. 15, Sched. B;

AND IN THE MATTER OF an application by Market Hub
Partners Canada L.P. for an Order granting leave to construct
natural gas pipelines in the Township of St. Clair in the County
of Lambton.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Cynthia Chaplin
Member

Ken Quesnelle
Member

ORDER

THE APPLICATION AND PROCEEDING

Market Hub Partners Canada L.P. (“MHP Canada” or the “Applicant”) proposes to provide storage services upon development of approximately 32,200 10³m³ (1.1 Bcf) of natural gas storage space in its St. Clair Gas Storage Pool (“St. Clair Storage Project”). On June 30, 2006 MHP Canada requested that the Ontario Energy Board (the “Board”) re-activate a previously adjourned proceeding on the St. Clair Storage Project which, among other applications, included a leave to construct pipelines within the storage pool boundaries.

In the re-activated proceeding, MHP Canada has applied for the following approvals: approval of a market-based rate for storage services contracts (EB-2006-0162); an order designating the storage area (EB-2006-0163); authority to inject gas into, store

gas in, and remove gas from the St. Clair Pool (EB-2006-0164); approval to enter into storage agreements with parties (EB-2006-0165); a favourable report to the Minister of Natural Resources on application for a licence to drill one horizontal injection/withdrawal (“I/W”) well within the proposed St. Clair Pool (EB-2006-0166); and a leave to construct transmission and gathering pipelines within the proposed St. Clair pool, pursuant to subsection 90(1) of the Act (EB-2006-0167). MHP Canada requires all of the above approvals to provide storage services from the St. Clair Pool.

This Order deals with MPH Canada’s application under section 90 of the *Ontario Energy Board Act* (“Act”) for leave to construct 0.5 kilometres of NPS 10 natural gas storage gathering pipeline, about 0.05 kilometre of NPS 4 natural gas storage gathering pipeline and about 0.6 kilometre of NPS 10 transmission pipeline within Lots A and B, Concession XI in the Township of St. Clair (formerly Township of Sombra) in Lambton County.

The NPS 10 transmission pipeline is proposed to commence at the comingling point at the end of storage gathering pipelines in Lot A, Concession XI, St. Clair Township and runs south and easterly towards Baseline Road within easements adjacent to Smith Line. The transmission pipeline would connect to Union Gas Limited’s system at a northwest point of Smith Line and Baseline Road intersection. The proposed NPS 4 and NPS 10 gathering pipeline originate at the proposed new I/W well SC.1 and connect to the proposed NPS transmission pipeline.

The Board issued a Notice of Re-activated Proceeding on August 11, 2006. The Notice was served by MHP Canada as directed by the Board. Registered intervenors in this proceeding are: Aiken & Associates, Consumers Council of Canada, Enbridge Gas Distribution Inc. (“Enbridge”), James John McKillican, John Wolnik & Associates Inc., the Industrial Gas Users Association (“IGUA”), Tribute Resources Inc. (“Tribute”), Petroleum Resources Centre of the Ministry of Natural Resources (“MNR”), Union Gas Limited (“Union”).

The Board has proceeded with this application by way of a written hearing.

Based on the finding made by the Board in its Decision with Reasons to Follow Dated December 22, 2006 (to which this Appendix is attached), the Board makes the following Order.

THE BOARD ORDERS THAT:

Market Hub Partners Canada L.P. is granted leave to construct 0.5 kilometres of NPS 10 natural gas storage gathering pipeline, about 0.05 kilometre of NPS 4 natural gas storage gathering pipeline and about 0.6 kilometre of NPS 10 transmission pipeline within Lots A and B, Concession XI in the Township of St. Clair (formerly Township of Sombra) in Lambton County, pursuant to subsection 90 (1) of the Act, subject to the Conditions of Approval set forth in Appendix A.

DATED at Toronto, December 22, 2006

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

Appendix "A" to the Order

Market Hub Partners Canada L.P.

Leave to Construct Order

EB-2006-0167

**Conditions of Approval
Leave to Construct**

December 22, 2006

**Market Hub Partners Canada LP
St. Clair Pool Development Project
EB-2006-0167
Conditions of Approval**

Leave to Construct

1 General Requirements

- 1.1 Market Hub Partners Canada LP (“MHP Canada”) shall construct the facilities and restore the land in accordance with its application and evidence filed in EB-2006-0167, 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, MHP Canada 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 MHP Canada shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, MHP Canada 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.
- 2.2 MHP Canada 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. MHP Canada 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 MHP Canada 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 MHP Canada 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 MHP Canada 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 MHP Canada 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, MHP Canada 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 fifteen months of the in-service date. MHP Canada 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 MHP Canada'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.

4 Easement Agreements

- 4.1 MHP Canada 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 MHP Canada 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

REASONS

FOR DECEMBER 22, 2006 DECISION OF THE BOARD

MARKET HUB PARTNERS CANADA L.P.

EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167

DESCRIPTION OF THE PROCEEDING

Dated February 13, 2007

DESCRIPTION OF THE PROCEEDING

The current proceeding is a reactivation of an earlier proceeding (RP-2005-0019) which was adjourned.

Adjourned Proceeding

Market Hub Partners Canada L.P. (“MHP Canada” or the “Applicant”) had filed an application dated June 30, 2005 (“the adjourned application”) with the Ontario Energy Board (the “Board”) pursuant to sections 36, 36.1(1), 38(1), 40(1) and 90(1) of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B. In this application MHP Canada applied to the Board to develop and provide storage services of approximately 32,200 10³m³ (1.1 Bcf) of natural gas storage capacity in its St. Clair gas pool. The planned in-service date was to be June 30, 2006.

The Board issued a Notice of Application on July 14, 2005. The Applicant served and published the Notice as directed by the Board. The last date for intervention was August 10, 2005. The Board decided that it would proceed by way of oral hearing. Interrogatories were ordered to be filed on or before Friday, September 2, 2005, and Responses were to be filed with the Board and delivered to all intervenors on or before Tuesday, September 13, 2005.

The intervenors and the Board filed interrogatories on September 2, 2005.

On September 13, 2005 the applicant filed responses to a limited number of interrogatories and informed the Board and the intervenors that it was seeking an adjournment of the proceeding. On September 20, 2005 the applicant, by way of a letter to the Board, provided more details on its request for adjournment. MHP Canada stated that the adjournment would permit parties and the Board to deal with issues of storage competition through the Natural Gas Forum (NGF) implementation. The applicant noted that according to the Board’s NGF implementation plan, the Gas Electricity Interface and Storage Allocation proceeding could be completed before the end of June 2006. The applicant requested that the Board adjourn the proceeding until 30 days after the

release of the Board's decision on storage regulation.

The intervenors informed the Board counsel that they did not object to the adjournment. The Board on September 29, 2005 ordered the application adjourned until 30 days after the release of the Board's decision in the Natural Gas Electricity Interface and Storage Allocation proceeding. On November 8 the Board issued an Interim Decision on Cost Award, directing the Applicant to pay the costs of IGUA and the Board's costs to date.

Re-activated Proceeding

On June 30, 2006 MHP Canada requested that the Board re-activate the earlier proceeding on the St. Clair Storage Project (the "Adjourned Proceeding"). MHP Canada requested the Board's approvals by November 1, 2006 in order to meet the planned in-service date for the St. Clair Storage Project. The planned in-service date is June 30, 2007. In the re-activated proceeding, MHP Canada applied for all of the approvals it sought in the Adjourned Proceeding:

- Approval of a market-based rate that will govern gas storage services contracts entered into by MHP Canada pursuant to section 36 of the *Ontario Energy Board Act, 1998* (the "Act") (The Board assigned file number EB-2006-0162);
- An Order designating the storage area pursuant to section 36.1(1) of the Act (EB-2006-0163);
- Authority to inject gas into, store gas in, and remove gas from the St. Clair Pool pursuant to subsection 38(1) of the Act (EB-2006-0164);
- Approval to enter into agreements with parties that agree to be subject to market-based rates as are approved for MHP Canada for storage services, pursuant to section 39(2) of the Act (EB-2006-0165);
- A favourable report of the Board under subsection 40(1) of the Act, to the Minister of Natural Resources to whom MHP Canada has applied for a licence
- to drill one horizontal injection/withdrawal ("I/W") well within the proposed St. Clair Pool (EB-2006-0166); and

- A leave to construct transmission and gathering pipelines within the proposed St. Clair pool, pursuant to subsection 90(1) of the Act (EB-2006-0167).

In parallel with the present proceeding MHP Canada was an active participant in the Natural Gas Electricity Interface Review (“NGEIR”) proceeding (EB-2005-0551) which commenced on December 29, 2005, and in that proceeding MHP Canada had requested that the Board expedite a decision on “Core Points” which are described in MHP Canada’s NGEIR evidence as follows:

- MHP Canada cannot exercise market power;
- MHP Canada, similar to independent storage developers, will be granted authority to charge market-based rates for its services; and
- MHP Canada will be allowed flexibility to contract for services without requiring approval of individual contracts, provided that MHP Canada operates within a base set of service terms and conditions approved by the Board.

On August 11, 2006 the Board issued a Notice of Re-activated Proceeding (the “Notice”) on the St. Clair Storage Project development. The Applicant served the Notice of Re-activated Proceeding as directed by the Board. In the Notice of Re-activated Proceeding the Board indicated that it intended to hold a written hearing in the matter and that the Board would not hold a written hearing if a party satisfied the Board that there was good reason for holding an oral hearing. No party indicated a preference for a written or oral hearing. The Board proceeded by a way of written hearing.

In the Notice of Re-activated Proceeding, the Board also stated that it did not intend, in the St. Clair Storage Project proceeding, to consider evidence or issue a decision in relation to MHP Canada’s request (EB-2006-0162) for a market-based rate pursuant to section 36 of the Act, nor to consider the evidence or issue a decision in relation to MHP Canada’s request (EB-2006-0165) for approval to enter into agreements for storage services, pursuant to section 39(2) of the Act, because these two issues would be addressed in the NGEIR proceeding as part of the “Core Points” decision. The Board set the scope of the proceeding by indicating that it intended to consider evidence

relating to the Applicant's request for the following approvals related to the St. Clair Storage Project application:

- Designation of the storage area pursuant to section 36.1(1) of the Act (EB-2006-0163);
- Authority to inject gas into, store gas in, and remove gas from the St. Clair Pool pursuant to subsection 38(1) of the Act (EB-2006-0164);
- A report of the Board, under subsection 40(1) of the Act, to the Minister of Natural Resources to whom MHP Canada has applied for a licence to drill one horizontal injection/withdrawal well within the proposed St. Clair Pool (EB-2006-0166); and
- Leave to construct transmission and gathering pipelines within the proposed St. Clair pool, pursuant to subsection 90(1) of the Act (EB-2006-0167).

Core Points Decision

As part of the NGEIR proceeding, on September 7, 2006, the Board issued an oral decision on MHP Canada's "Core Points". On October 31, 2006, in accordance with the "Core Points" decision the Board issued an order as follows:

- "1. MHP Canada is hereby granted approval pursuant to section 36 of the Ontario Energy Board Act, 1998 to charge market-based rates for its storage services; that is storage service rates that are subject to the Union Gas Limited C1 range rate schedule, approved by the Board and in effect from time to time. The Union Gas Limited C1 range rate schedule approved in RP-2003-0063 and in effect as of the date of this Order is attached hereto as Appendix "B" for reference.*
- 2. MHP Canada shall not be required to seek approval of storage contracts under section 39(2) of the Ontario Energy Board Act, 1998, subject to the following conditions:*
 - (a) MHP Canada shall operate within a base set of service terms and conditions approved by the Board in the St. Clair Pool Storage Project proceeding (EB-2006-0165), the scope of which proceeding was expanded to include the review of the general terms and conditions for contracts for storage services offered by MHP Canada;*
 - (b) MHP Canada shall file with the Board and deliver to all registered*

intervenors in the St. Clair Pool Storage Project Proceeding (EB-2006-0165) copies of its proposed standard terms and conditions for storage contracts.”

NGEIR Decision

In the conclusion of the NGEIR proceeding the Board issued Decision with Reasons on November 7, 2006 and found the following regarding “forbearance” on third party storage (Decision with Reasons (EB-2005-0551) subsection 5.1, page 54):

“The Board will refrain from setting rates and approving contracts related to third-party storage, both utility-affiliated storage and independent storage. These storage developers will be operating in the competitive storage markets, and the Board agrees that they should have the ability to offset the substantial risks of these developments with the flexibility to price storage in a way which captures the market value of those storage services. “

Re-activated Proceeding

On September 11, 2006 the Board issued **Procedural Order No.1** in the present proceeding the Board expanding the scope of the St. Clair proceeding to include the review of the general terms and conditions for contracts for storage services offered by MHP Canada (EB-2006-0165) and the following steps were subsequently completed:

- On Monday, September 18, 2006 MHP Canada filed with the Board and delivered to all intervenors copies of its proposed standard terms and conditions for storage contracts (EB-2006-0165) as directed in the Board’s oral decision dated September 7, 2006 (EB-2005-0551).
- On Monday, October 2, 2006 the intervenors and Board Staff filed written interrogatories on the Applicant’s pre-filed evidence with the Board and delivered copies to MHP Canada and all intervenors.
- On Tuesday, October 11, 2006, the Applicant filed with the Board its responses to the interrogatories and delivered the responses to all the intervenors. In answering Board Staff Interrogatory No. 1, MHP Canada provided its revised response to Board Staff Interrogatory No. 16 from the Adjourned Proceeding. As part of its response MHP Canada indicated that it would file certain information in

confidence. MHP Canada subsequently filed this information in confidence with the Board.

- On Friday, October 20, 2006, MHP Canada filed its argument-in-chief.
- On October 27, 2006, Board Staff, Tribute Resources Inc., Petroleum Resources Centre of the Ministry of Natural Resources and IGUA filed final arguments. No other intervenors filed final arguments.

In its final argument, IGUA stated that although MHP Canada relied on the Board's *Rules of Practice and Procedure* to file the information requested in the Board Staff Interrogatory No. 16 in confidence, MHP Canada has not proceeded in accordance with the Rule 10 of the *Rules of Practice and Procedure* and did not first obtain an Order of the Board permitting the confidential filing. IGUA objected to the confidential filing of the updated information provided by MHP Canada in response to Board Staff Interrogatory No. 16 (of the Adjourned Proceeding).

Issue of Confidentiality Raised by IGUA

- In its final argument, in a letter dated October 27, 2006 IGUA also submitted that:

“...the Board must monitor the returns being earned by a utility which the Board permits to operate under the auspices of market based rates...”, and in a letter dated October 31, 2006 IGUA further wrote: “IGUA reiterates that the Board should not refrain from continuing to maintain regulatory and supervisory oversight over the market-based rates which it allows MHP Canada and others to charge.”

The Board considered the submissions and objections by IGUA.

On November 1, 2006, the Board issued **Procedural Order No. 2** to accommodate a confidentiality filing process. Procedural Order No. 2 prescribed the required steps for a confidentiality request in accordance with Rule 10 of the Board's *Rules of Practice and Procedure* and the Board's *Practice Direction on Confidential Filings*. Dates were ordered for filing the request for confidentiality, for objections to the request and for a reply to the objections. A request for confidentiality was submitted on November 2, 2006. Numerous objections letters of support were received from intervenors.

In Procedural Order No. 2, the Board also ordered that the date for MHP Canada's reply

argument, originally scheduled for November 3, would be rescheduled and, if necessary, a date for Board Staff and intervenors supplemental or amended final arguments would be set in a future procedural order.

On November 30, 2006, the Board issued a decision on the request by MHP Canada for confidentiality in respect of the information filed. The Board found that Board Interrogatory No.16 was no longer relevant and that MHP Canada's request for confidentiality was moot. The Board returned to the Applicant, without any review, the Applicant's responses to Interrogatories No.16 in the Adjourned Proceeding and updated information filed in response to Board Interrogatory No. 1 in the present proceeding.

Completion of the Record

On December 1, 2006 the Board issued **Procedural Order No.3** in which it ordered that Market Hub Partners Canada L.P. shall file its reply argument to intervenors and Board Staff on or before Tuesday, December 5, 2006. MHP Canada submitted its reply argument dated December 5, 2006.

**APPENDIX C
TO
REASONS
FOR DECEMBER 22, 2006 DECISION OF THE BOARD
MARKET HUB PARTNERS CANADA L.P.**

**EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167**

COMPLETE LIST OF PARTIES

Dated February 13, 2007

COMPLETE LIST OF PARTIES

Applicant

Duke Energy/ Market Hub
Partners Canada L.P.

Representative

Mr. Jim Redford
Vice President
MHP Canada Management Inc.
20 Bloomfield Road
P.O. Box 2040
Chatham ON N7M 5L9

Tel: 519-436-4577
Fax: 519-358-4449
Email: jredford@duke-energy.com

AND

Mr. L.E. Smith. Q.C.
Counsel for MHP Canada L.P.
Bennett Jones LLP
Barristers & Solicitors

Interveners

1. Aiken & Associates

Mr. Randy Aiken
Aiken & Associates

2. Consumers Council of Canada
(the 'Council')

Mr. Robert B. Warren
WeirFoulds
Barristers & Solicitors

AND

Ms. Julie Girvan

3. Enbridge Gas Distribution Inc.

Ms. Bonnie Jean Adams
Assistant Regulatory Coordinator
Enbridge Gas Distribution Inc.

AND

Mr. David Stevens
Legal Counsel
Enbridge Gas Distribution Inc.

4. John Wolnik & Associates Inc.

Mr. John Wolnik
John Wolnik & Associates Inc.

- | | |
|--|--|
| 5. The Industrial Gas Users Association (IGUA) | Mr. Peter C.P. Thompson
Borden Ladner Gervais LLP |
| AND | Mr. Peter L Fournier
President
Industrial Gas Users Association |
| 6. Tribute Resources Inc. | Mr. Robert Lockhart
Tribute Resources Inc. |
| 7. Petroleum Resources Centre of the Ministry of Natural Resources | Mr. Jug Manocha
Caverns & Storage Engineer
Petroleum Resources Centre
Ministry of Natural Resources |
| 8 Union Gas Limited ('Union') | Mr. Pat McMahon
Manager, Regulatory Research and Records
Union Gas Limited |

APPENDIX D

TO

REASONS

FOR

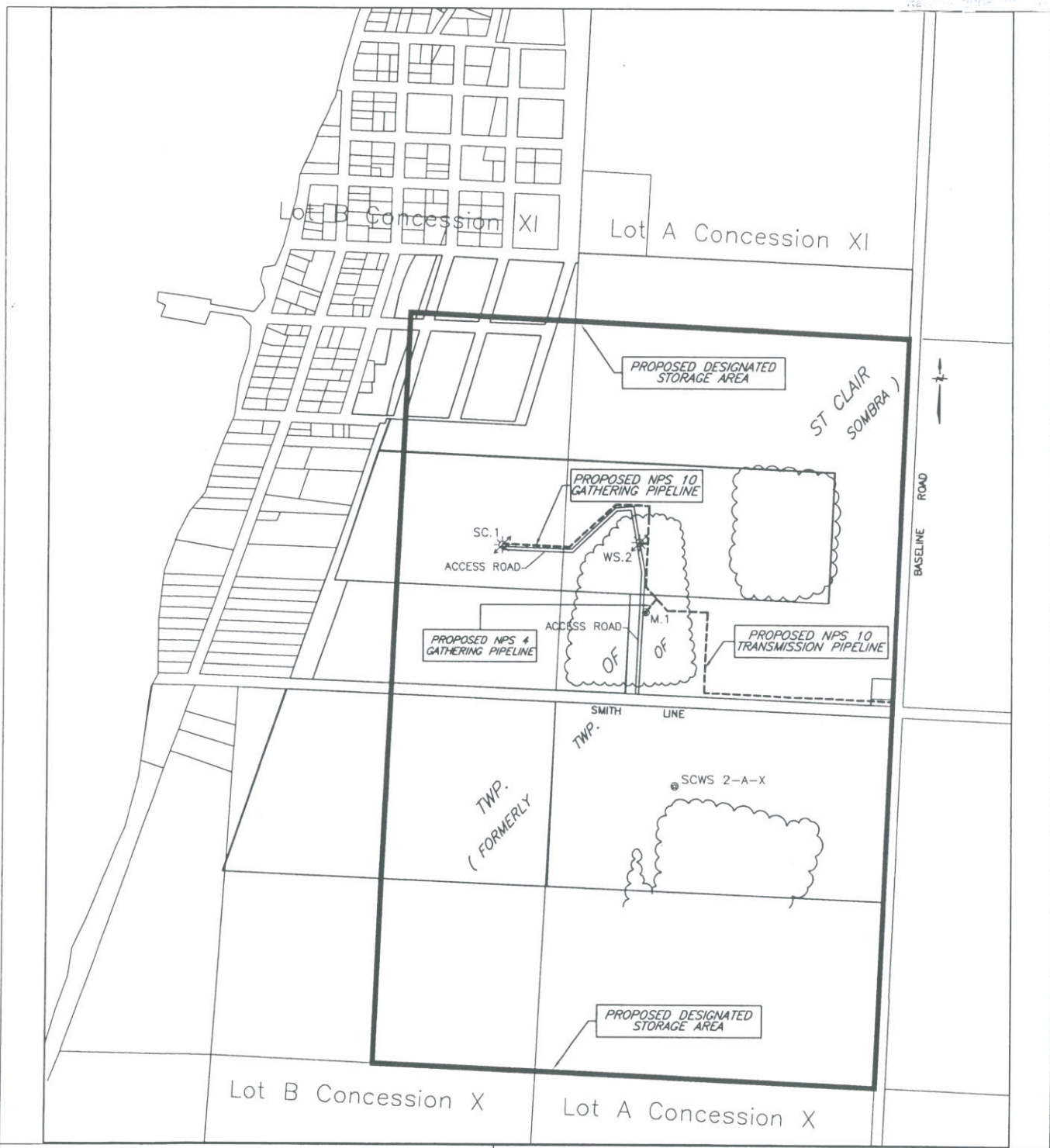
DECEMBER 22, 2006 DECISION OF THE BOARD

MARKET HUB PARTNERS CANADA L.P.

EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167

MAP OF THE PROPOSED PROJECT

Dated February 13, 2007



REVISIONS				
NO.	DATE	BY	APP'D	REMARKS
1	2006-06-20	MS	MHP	MINOR ALIGNMENT CHANGE

MARKET HUB PARTNERS CANADA L.P.

ST. CLAIR POOL PROJECT
FACILITIES OVERVIEW
TOWNSHIP OF ST CLAIR

DRAWN BY MONTEITH & SUTHERLAND	DATE 2005-06-17	SCALE 1: 10000	PLOT SPEC. 1=10
CHECKED BY	DATE	AC/DRAW CODE	
APPROVED BY MHP Canada	DATE 2005-06-21	JOB NO.	
SIZE A	SHEET 1 of 1	DRAWING NO. MHP-SCP-01	

**APPENDIX E
TO
REASONS
FOR
DECEMBER 22, 2006 DECISION OF THE BOARD
MARKET HUB PARTNERS CANADA L.P.**

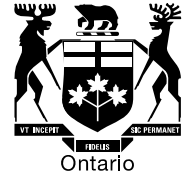
**EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167**

ORDER TO DESIGNATE STORAGE AREA

Dated February 13, 2007

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2006-0163

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by Market Hub Partners L.P. for an order designating an area known as the St. Clair Pool in the geographic Township of St. Clair, in the County of Lambton, Province of Ontario as a gas storage area.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Cynthia Chaplin
Member

Ken Quesnelle
Member

ORDER

Market Hub Partners L.P. (the "Applicant") filed an application, dated June 30, 2006, with the Ontario Energy Board under sections 36, 36.1, 38, 39 and 40 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B (the "Act").

The Applicant applied to the Board for orders designating a gas storage area; authorizing the injection of gas into, storage of gas within, and withdrawal of gas from a storage reservoir; approving rates and providing approval to enter into agreements. The Applicants also sought a favorable report of the Board to the Minister of Natural Resources with respect to the Application for a licence to drill one injection/withdrawal

well in the proposed designated storage area. Collectively, the orders and report sought by the applicant to be granted by the Board will support the conversion of the existing St. Clair Pool in the Township of St. Clair from production to storage. The planned in-service date is June 2007. The Board assigned the Application for an order to designate gas storage area File No. EB-2006-0163.

The Board issued a Notice of Application dated August 11, 2006. The applicant served and published this Notice according to the Board's Letter of Direction. The Board has issued three Procedural Orders in connection with the Application. A written hearing was held in this matter.

The Board has considered the evidence and the arguments made. The Board issued its Decision dated December 22, 2006. In the Reasons for the Decision issued February 13, 2007 the Board found that there is sufficient evidence to approve the Application for an order designating a gas storage area and to report favourably to the Minister of Natural Resources on the need to drill the injection/withdrawal well within designated storage area. The Board has also found that it is appropriate to authorize injection into and withdrawal of gas from the St. Clair Pool.

The Board finds that the St. Clair Pool is suitable for natural gas storage and accepts the proposed boundary of the designated storage area.

THEREFORE THE BOARD ORDERS THAT:

1. The area described by the Metes and Bounds description attached as Attachment to this order is designated as a gas storage area.

DATED at Toronto February 13, 2007

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

Schedule 1

EB-2006-0163

**METES AND BOUNDS DESCRIPTION
OF THE BOUNDARY OF THE
ST. CLAIR DESIGNATED STORAGE AREA**

Dated February 13, 2007

METES AND BOUNDS DESCRIPTION
OF THE PROPOSED BOUNDARY OF THE
ST. CLAIR POOL DESIGNATED STORAGE AREA
IN THE GEOGRAPHIC TOWNSHIP OF SOMBRA
TOWNSHIP OF ST. CLAIR. COUNTY OF LAMBTON

ALL AND SINGULAR that certain parcel or tract of land in the Geographic Township of Sombra, Township of St. Clair in the County of Lambton and being composed of part of Lots A and B, Concession 11, part of Lots A and B, Concession 10, part of the original Road Allowance between Concessions 10 and 11 (West Smith Line), part of Lot 5 and all of Lots 6 to 13, both inclusive, on the east side of Duke Street and the south side of Smith Street, part of Lot 5 and all of Lots 6 to 13, both inclusive, on the west side of Duke Street, part of Lot 5 and all of Lots 6 to 13, both inclusive, on the west side of East Street and on the south side of Smith Street, part of Lots 5, 12 and 13 and all of Lots 6 to 11, both inclusive, on the east side of Kenzie Street, part of Lots 5, 6, 7 and 8 on the west side of Kenzie Street and on the south side of Smith Street, part of Kenzie Street, part of Duke Street, Part of East Street, part of King Street and part of South Street all according to Registered Plan 3 for the Township of St. Clair which said parcel may be more particularly described as follows:

COMMENCING at the northeast corner of said Lot A, Concession 10;

THENCE northerly a distance of 66.0 feet to the southeast corner of said Lot A, Concession 11;

THENCE northerly along the easterly limit of said Lot A, Concession 11 a distance of 2200.0 feet;

THENCE westerly and parallel with the southerly limit of said Lots A and B, Concession 11, a distance of 2970.0 feet;

THENCE southerly and parallel with the easterly limit of said Lot A, Concession 11, a distance of 2200.0 feet to a point in the southerly limit of said Lot B, Concession 11,

THENCE southerly a distance of 66.0 feet to a point in the northerly limit of said Lot B,

Concession 10, distant 2970 feet westerly there along the northerly limit of said Lots A and B, Concession 10 from the north east corner of said Lot A, concession 10;
THENCE southerly and parallel with the easterly limit of said Lot A, Concession 10, a distance of 2200.0 feet:

THENCE easterly and parallel with the northerly limit of said Lots B and A, Concession 10, a distance of 2970.0 feet to a point in the easterly limit of said Lot A, Concession 10;

THENCE northerly along the last mentioned limit a distance of 2200.0 feet more or less to the point of commencement.

APPENDIX F

TO

REASONS

FOR

DECEMBER 22, 2006 DECISION OF THE BOARD

MARKET HUB PARTNERS CANADA L.P.

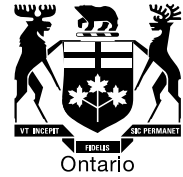
EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167

Authorization to Inject, Store and Remove Gas
and
Conditions of Approval

Dated February 13, 2007

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2006-0164

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by Market Hub Partners L.P. for an order authorizing the injection of gas into, storage of gas in, and removal of gas from a gas storage area.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Cynthia Chaplin
Member

Ken Quesnelle
Member

ORDER

Market Hub Partners L.P. (the "Applicant") filed an Application with the Ontario Energy Board ("the Board") dated June 30, 2006 pursuant to section 38(1) of the *Ontario Energy Board Act, 1998* (the Act) for an order for authorization to inject gas into, store gas in and remove gas from a designated storage area known as St. Clair Pool in the geographic Township of St. Clair, County of Lambton, Province of Ontario. This application was assigned the File No. EB-2006-0164.

On February 13, 2007 the Board designated St. Clair Pool as a designated gas storage area by an Order EB-2006-0163.

The Board issued a Notice of Application dated August 11, 2006. The Applicant served and published this Notice according to the Board's Letter of Direction. The Board has issued three Procedural Orders in connection with the Application. A written proceeding was held. Argument was completed on December 5, 2006.

THE BOARD ORDERS THAT:

1. Market Hub Partners L.P. is authorized to inject gas into, store gas in and remove gas from the area known as St. Clair Pool in the geographic Township of St. Clair, County of Lambton, Province of Ontario, which has been designated as a gas storage area by OEB Order EB-2006-0163 and to enter into and upon the land in the area for such purposes, subject to Conditions of Approval set forth in the attachment to this Order.

DATED at Toronto, February 13, 2007

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

Schedule 1

EB-2006-0164

Authorization to Inject, Store and Withdraw Gas

Conditions of Approval

Dated February 13, 2007

EB-2006-0164
Market Hub Partners Canada L.P.
St. Clair Pool Development Project
Conditions of Approval

Authorization to Inject, Store and Remove Gas

1. Operation of the St. Clair Storage Pool
 - 1.1 Market Hub Partners Canada LP (“MHP Canada”) shall adhere to the evidence filed with the Board in the EB-2006-0164 and comply with applicable laws, regulations and codes to the satisfaction of the responsible agency pertaining to the construction, operation and maintenance of the proposed project and, without limiting the generality of the foregoing, MHP Canada shall comply with the following specific requirements:
 - 1.1.1 Prior to commencement of any injection, storage or withdrawal operations, MHP Canada shall conduct and file with the Board, Ministry of Natural Resources and any party or intervenor to these proceedings, a thorough evaluation of all subsurface activities and their potential impact on the integrity of storage facility as required by Section 7.1 of the CSA Z341-02, including assessment of:
 - a) existing or abandoned wells within 1km of the subsurface perimeter of the storage zone, including activities within those wells, such as fracture treatments;
 - b) existing operations within 5km radius of the proposed storage scheme, including operation, and minimum and maximum operating pressures; and
 - c) for any existing wellbore penetrating the storage zone, the integrity of the well, including casing inspections, cement inspections, and hydraulic isolation of the storage zone from any overlying porous zones provided that, should such evaluation identify any risk and / or specify necessary remedial work, MHP Canada agrees to implement, complete, and maintain such works prior to commencement of any injection, storage, or withdrawal.
 - d) MHP Canada shall file the Subsurface Assessment consistent with Section 7.1 of the CSA standard Z341-02 prior to the commencement of operation of the pool.
 - 1.1.2 Prior to commencement of any injection, storage or withdrawal operations, MHP Canada shall complete and file with the Board and the Ministry of Natural Resources the following plans and procedures as required by CSA Z341-02:

1.1.2.1 Operations and Maintenance Procedures (s 10.1.1)

1.1.2.2 Emergency Response Plan (s. 10.1.2)

and thereafter comply with any and all on-going obligations as required in respect of such procedures and plans pursuant to CSA Z341-02 or any successor version thereto.

- 1.1.3 MHP Canada shall implement and comply with the schedule for pressuring of the designated storage area facility (delta pressuring) as set out in the pre-filed evidence.
- 1.1.4 MHP Canada shall comply with the Proposed Reservoir Monitoring Program for St. Clair Storage Pool submitted as a Schedule 7-1 in the pre-filed evidence.
- 1.2. Prior to commencement of any injection, storage or withdrawal operations, MHP Canada shall obtain all the necessary storage rights within the St. Clair Designated Storage Area.
- 1.3. MHP Canada shall design, construct, operate, maintain and abandon the wells and facilities in accordance with the CSA Z341-02 Storage of Hydrocarbons in Underground Formations and in accordance with the *Oil, Gas and Salt Resources Act* and its regulations and operating standards.
- 1.4. MHP Canada shall protect the integrity of the reservoir and ensure the safe operation of the St. Clair Storage Pool by complying with the requirements of the Provincial Operating Standard, CSA Standard Z341-02 and any other applicable laws, regulations and codes.
- 1.5. MHP Canada shall advise the Board's designated representative of any proposed material change or abnormal events in construction or restoration procedures that are reported to authorities. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.6. MHP Canada shall not operate the St. Clair Storage Pool above a maximum allowed operating pressure representing a pressure gradient of 15.8 kPa/m of depth to the top of the reservoir. MHP Canada shall operate the St. Clair Storage Pool at a pressure not greater than the discovery pressure of 6730 kPa until the conditions of section 7.5.2. of CSA Z341 are satisfied and leave of the Board is obtained.
- 1.7. MHP Canada shall ensure that the construction, operation and maintenance of the St. Clair Storage Pool do not affect the quality or supply of potable water. MHP Canada shall conduct a water well test prior to and after the first cycle of gas storage and implement a Water Well Monitoring Program. In the event that the quality of the potable water is impacted by the construction, operation and maintenance of the St. Clair Storage Pool, MHP Canada shall provide adequate

fresh water supplies to all affected landowners until the problem is rectified.

- 1.8. Should MHP Canada fail to inject sufficient gas to achieve a reservoir pressure of 5384 kPa before June 30, 2008 MHP Canada shall be required to apply to the Board for an extension of the authority granted under the Board's Order and will be required to submit evidence to show why such an extension shall be granted.
- 1.9. MHP Canada shall, after the date on which the OEB grants an order pursuant to Section 38(1) of the OEB Act and before commencement of drilling operations or pipeline construction to use the DSA for storage, and thereafter while the DSA or any part thereof is being used for storage operations, obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage, in the amount that is determined to be adequate by an independent party with expertise in adequacy of insurance coverage for environmental and other risks and potential impacts of gas storage operations in southwestern Ontario. MHP Canada shall file with the Board documentation proving that the insurance coverage obtained as required by this condition.
2. General
 - 2.1 For the purposes of these conditions conformity of the Applicant with CSA Z341-02, the Oil, Gas and Salt Resources Act, and the Provincial Operating Standard shall be to the satisfaction of the Ministry of Natural Resources.
 - 2.2 The authority granted under this Order to MHP Canada is not transferable to another party, without leave of the Board.
 - 2.3 The Board's designated representative for the purpose of these conditions shall be the Manager, Facilities Applications.

APPENDIX G

TO

**DECISION WITH REASONS
MARKET HUB PARTNERS CANADA L.P.**

**EB-2006-0162
EB-2006-0163
EB-2006-0164
EB-2006-0165
EB-2006-0166
EB-2006-0167**

Board Report to the Minister of Natural Resources

MHP Canada Well Licence Application

Dated February 13, 2007

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2006-0166

IN THE MATTER OF the Ontario Energy Board
Act, 1998, Schedule B;

AND IN THE MATTER OF an application by Market
Hub Partners Canada L.P. to the Ministry of Natural
Resources for a license to drill a well in the area
designated as the St. Clair Pool in the Township of St.
Clair in the County of Lambton.

REPORT OF THE BOARD

February 13, 2007

Introduction

MHP Canada proposed to provide storage services upon development of approximately 32,200 10³m³ (1.1 Bcf) of natural gas storage space in its St. Clair Gas Storage Pool ("St. Clair Storage Project"). As part of the applications to develop the St. Clair pool, MHP Canada applied with the MNR for a licence to drill a new horizontal I/W well St. Clair 1 (Horizontal 1), Sombra 8-B-XI ("SC.1") within the St. Clair storage pool.

In the Board Reasons for its December 22, 2006 Decision, the Board designated St. Clair pool as a designated Storage Area ("DSA") (EB-2006-0163). Currently the applicant is planning to start operating the pool in the summer 2007.

MHP Canada applied for a licence to drill horizontal well SC.1. The well SC.1 consists of a vertical section and a horizontal leg drilled into the Guelph formation. To complete the drilling of the SC.1 well MHP Canada applied with the MNR for 2 separate licences:

- Licence for pilot vertical hole St.Clair, Sombra 8-B-XI.
- Licence for horizontal leg of the well St.Clair, Sombra 8-B-XI

The Board's review is, in this case, focused mostly on the technical expertise and capability of the applicants to safely drill the wells, to maintain geological integrity of the designated storage pool, to ensure environmental protection of affected lands, and to minimize adverse impact on affected landowners.

MNR, Board Staff and Tribute provided submissions regarding the application to drill well SC.1.

Proposed Drilling Programs

The pre-filed evidence supporting the applications to drill SC.1 well consists of: "Drilling Procedure"; "Casing Program"; and "Environmental Report-Proposed St. Clair Storage Pool Development Project" ("EA Report") prepared for MHP Canada by Stantec Consulting Ltd. ("Stantec") dated April 2005. The Applicant confirmed that the well design and drilling will comply with the requirements of the *Occupational Health and Safety Act* and the *Oil, Gas and Salt Resources Act*.

MHP Canada submitted that the well path, determined on the basis of interpretation of the reservoir geology, is engineered properly and is technically achievable and that the cemented casings of the proposed well would protect the freshwater zone and the integrity of the storage pool. The Applicant confirmed that the well casing design and testing will be in full compliance with a standard CSA Z341.1.

The Drilling Programs include geological prognosis, casing and cementing summary, drilling procedures, and the reporting and safety procedures required by the *Occupational Health and Safety Act* and the *Oil, Gas and Salt Resources Act*.

Environmental Impacts of Drilling and Construction

The EA Report prepared by Stantec in accordance with the “OEB Guidelines for Locating, Constructing and Operating Hydrocarbon Pipelines in Ontario (the “OEB Guidelines”). The EA Report was subject to agency review and public review as directed in the OEB Guidelines. In the EA Report, Stantec concluded that the *“development of the pool has minimal potential environmental effects and that the mitigation measures proposed will ensure that construction and operation of the pipeline and storage pool will result in negligible long-term effects”*. MHP Canada confirmed that it would comply with the mitigation recommended by the EA report and would accept the mitigation developed in agreement with the directly affected landowners.

Landowner Matters

The surface location of the proposed horizontal wells is on Tract 8, lot B, concession XI on the property of Mr. Alfred Branton. Mr. Branton is the only landowner directly affected by the approval of well drilling licence.

The Applicant has a gas storage lease for Mr. Branton’s property. This lease provides the surface rights needed to drill the proposed wells and construct facilities on the property. Temporary working rights will also be acquired from Mr. Branton. Easement rights needed to construct the access road and well pad will be secured from Mr. Branton in accordance with the Letter of Acknowledgment which is part of the pre-filed evidence.

Conditions of Approval

During the proceeding the Applicant and intervenors had the opportunity to comment on draft conditions of drilling licences approval proposed by Board Staff ("Proposed Conditions"). The Proposed Conditions cover general requirements such as term and transferability, compensation to landowners for damages, construction, monitoring, reporting and communication requirements.

MHP Canada stated that the conditions are acceptable and commented on condition 2.1 which, as proposed by Board Staff, reads:

2.1 MHP Canada shall offer to pay landowners and/or tenants just and equitable compensation for any damages, including present and future crop damage arising from: drilling of injection/withdrawal wells; installation of gathering pipelines; access road construction.

MHP Canada suggested that the installation of gathering pipelines is not consider for approval under the Well drilling licence application and the reference to "installation of gathering pipelines" be removed from condition 2.1.

The Board notes that the Conditions deal appropriately with potential adverse impacts and effects of the drilling of the well SC.1. According to the Conditions the Applicant should adhere to the evidence and all the undertakings given at the hearing and to comply with all applicable laws, regulations and codes during construction of the wells. Furthermore, the Conditions call for land restoration and for minimizing adverse impacts on agricultural land and farming operations. Also, the Conditions require monitoring and reporting to the Board of impacts and their mitigation during and after construction, and the recording of landowner's concerns and reporting on the resolution of these concerns.

Recommendation

The Board notes that MNR, who is the steward of the gas storage resources in Ontario, was an active participant in the proceeding. MNR raised no issues regarding the evidence submitted by MHP Canada in support of well SC. 1 well drilling licence application. MNR indicated that the issuing of the licence should be subject to standard set of conditions and in principle agreed to the conditions proposed by Board Staff. MNR stated in the submissions that it *“has no issue with the proposed well location or drilling program and subject to compliance with normal procedural requirements, does not challenge the technical capability of the applicant to drill a gas well”*.

The Board’s review of the referred well licence application found that the proposed drilling is in the public interest with respect to the integrity of the gas storage reservoir, the safety of drilling operations, the environmental impacts of drilling and construction, and impacts on directly affected landowner. The Board found the Applicant to be technically competent to undertake the planned drilling program and the proposed well completion activities.

The Board requires the Applicant to adhere to the recommendations of the Stantec Report. The Conditions also stipulate that the licence for well SC.1 is not transferable without the approval of the Board. The Conditions also set a twelve month term from the date of the Report for the MNR to issue a well licence. Regarding the compensation to directly affected landowner Mr. Branton condition 2.1 states that MHP Canada’s compensation should include damages associated with drilling of injection/withdrawal wells and installation of gathering pipelines access road construction. Although the gathering pipelines and access road do not fall under licence to drill approval these facilities are associated with well operation and are, as stated in the pre-filed evidence, already included in the Gas Storage Lease with Mr. Brandon.

In accordance with the decision of December 22, 2006 the Board recommends approval of the Applications for drilling licences subject to the conditions of approval attached in Schedule 1 to this Report.

Schedule 1

Market Hub partners Canada L.P.

Application for Well Licence

EB-2006-0166

Board's Conditions of Approval

Dated February 13, 2007

**Market Hub Partners Canada LP
St. Clair Pool Development Project
EB-2006-0166**

Conditions of Approval

Well Drilling Licences Application

1. General Requirements

- 1.1. Market Hub Partners Canada LP. ("MHP Canada") shall adhere to the evidence as filed with the Board in EB-2006-0166 and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.
- 1.2. Authorization for the issuance of the drilling licence is limited to twelve months from the date of the Board's Report to the Ministry of Natural Resources.
- 1.3. The authority granted under this Order to MHP Canada is not transferable to another party without leave of the Board.

2. Just and Equitable Compensation

- 2.1. MHP Canada shall offer to pay landowners and/or tenants just and equitable compensation for any damages, including present and future crop damage arising from: drilling of injection/withdrawal wells; installation of gathering pipelines; access road construction.

3. Construction Requirements

- 3.1. MHP Canada shall construct the facilities and restore the land in accordance with its Application and evidence and the undertakings given to the Board, except as modified by this Order and these Conditions of Approval.
- 3.2. MHP Canada shall ensure that the movement of equipment is carried out in compliance with all procedures filed with the Board, and as follows:
 - i) MHP Canada 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.
- 3.3 MHP Canada 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.
- 3.4 MHP Canada shall implement all the recommendations of the Storage Pool and Pipeline Environmental Management Plan filed in the pre-filed evidence.
4. Monitoring and Reporting Requirements
- 4.1 Both during and after construction, MHP Canada 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 fifteen months of the in-service date. MHP Canada shall attach a log of all complaints 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.
- 4.2. The interim monitoring report shall confirm MHP Canada'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.
- 4.3 The final monitoring report shall describe the condition of the rehabilitated land and the effectiveness of the 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.

5. Project and Communication Requirements
 - 5.1 For the purposes of these conditions, conformity of the Applicant with CSA Z341-02, shall be to the satisfaction of the Ministry of Natural Resources.
 - 5.2 MHP Canada shall designate one of its employees as project manager who will be responsible for the fulfilment of these conditions, and shall provide the employee's name to the Ministry of Natural Resources, the Board and to all appropriate landowners.
 - 5.3 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Facilities Applications.