

January 26, 2015

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
Toronto, Ontario M4P 1E4

**Attention: Rosemarie T. Leclair, Chair and CEO**

Dear Ms. Leclair,

**Subject: Energy East Pipeline Project - OEB Consultation and Review, Part Two**

As part of its participation in the Ontario Energy Board's (OEB) public consultation activities being undertaken for the Energy East Project, Energy East would like to take this opportunity to provide some responses to statements that have been made by technical advisors retained by the OEB in support of your consultative process. The comments below are based on the presentation made available on the OEB's website entitled "Community Discussion Presentation – Energy East Consultation and Review, Part Two, January 2015".

Before proceeding to the specific comments, it is worth noting that the development of a large pipeline project like Energy East is not a static exercise. Although the National Energy Board (NEB) application has been submitted, Energy East will continue to refine certain aspects of the Project and will provide additional information to the NEB as it is completed. Some of the many additional studies that are planned are mentioned in our comments on the preliminary information we have reviewed below.

(1) Preliminary Assessment – Economic Impacts (slide 16 of 52)

This slide indicates that the economic benefits associated with the Energy East Project "are likely inflated ... do not consider other costs, broader policy issues, or externalities ... [that] local benefits are expected but the benefits may be small, especially on the section in northern Ontario that is being converted". Energy East would like to respond to each of these assertions in turn.

"Economic benefits estimated by TransCanada are likely inflated" as a result of using an Input/Output (I/O) model due to use of assumptions relied upon by the I/O model described on slide 16 of 52. Energy East notes that this preliminary analysis is largely targeted at the following assumptions used in the Conference Board of Canada's study filed with the NEB:

1. The structure of the economy remains unchanged going forward in terms of how the supply chain of the economy is organized
2. That there are sufficient workers to undertake the work associated with the Project

Energy East considers these assumptions to be valid and they provide appropriate results that are not overstated. The discussion of these factors is lengthy and not appropriate for this letter so we would suggest a meeting at a convenient time to discuss further.

### *Use of Multipliers*

The Mowat analysis, and resulting comments included in the *Community Discussion Presentation*, are also critical of the use of multipliers to estimate economic benefits. It is important to note that the economic benefits are not estimated using multipliers. The multipliers in this case were an outcome of the process, not an input, reflecting how the spending associated with the Project was input into Statistics Canada's model. As such, the assertion about multipliers is incorrect, both in terms of how the economic impacts were estimated and what the influence of these multipliers would be on the size of the estimated economic impacts.

### *Discounting*

The comments suggest that a discount rate was not used in the economic impact calculations; this is incorrect. In fact, the spending figures were discounted to account for the impacts of inflation, thus all of the impacts are reported in 2013 dollars. In this case, we are trying to describe the real (or inflation adjusted) economic impacts of the project in terms of jobs, GDP, and fiscal impacts. As such, the inflation rate is the appropriate discount rate.

The consultant also identifies that “The results from the economic models only show benefit of the spending, and do not consider other costs, broader policy issues, or externalities”. Energy East understands that the development of this Project is occurring within a complex economy involving the responsible and sustainable development of Canada’s natural resources. However we consider the role that the Energy East Project plays in driving changes in the economy to be largely over-stated in the consultant analysis. Further, we consider the effect of economic changes, like carbon taxes or the price of oil, on the Project to be misunderstood. This is another area where the subject is complex and an opportunity to have a dialogue regarding the Energy East position would be beneficial.

“Local benefits are expected to be small, especially on the section in northern Ontario that is to be converted”. Energy East notes that while the aggregate benefits that would accrue to municipalities as a result of municipal taxes may not appear to be overly large in relation to the Project’s anticipated capital costs, we contend that these figures are important to the local communities that would collect them. Further, the consultant appears to assume that if the conversion segment of the Project is not converted to oil service that it will continue to operate in gas service – this assumption is not at all a certainty. In short, Energy East believes that the conversion segment of the Project represents a net municipal tax benefit for the affected communities.

Finally, it is important to note that the construction workforce for this type of Project includes more than specialized occupations such as welders or heavy equipment operators that are more likely to be brought in to a specific job site from elsewhere in Ontario. Local construction impacts would likely include a wide variety of jobs, such as material handlers, that don't necessarily require specialized skills. In addition, the secondary impacts associated with the

Project – such as providing transportation services for material and accommodation and meals for workers – are also likely to provide significant local benefits.

(2) Preliminary Assessment – Pipeline Safety Impacts (slide 30 of 52)

This slide recommends that hydrostatic testing be conducted on a section of conversion pipeline, where some of the pipeline is tape coated, to verify the findings of the in-line inspections. A hydrostatic test verifies the pressure-containing capacity of the pipeline at one moment in time but it does not provide any information on potential anomalies that may exist on the pipeline that do not fail during the test.

The Engineering Assessment filed with the NEB outlines the integrity plan TransCanada proposes, including the use of inline inspection tools to identify potential anomalies, including stress corrosion cracking, metal loss, coating disbondment, geohazards and geometry of the pipeline. Specific to stress corrosion cracking, EMAT inline inspection technology is being utilized. As part of the filing, TransCanada identified that it would correlate these findings with field excavations to substantiate the performance of the EMAT tool. As an additional safety precaution, during initial operations, the tape coated sections of the pipeline will operate at 80% of the maximum allowable operating pressure until an ultrasonic inspection tool can be run to further verify the integrity of the pipeline for liquid service. Ultrasonic technology has the ability to detect even smaller stress corrosion cracks. As this is an independent technology, it will serve as a final verification of the results of the EMAT inspection. Quite simply, Energy East believes that this plan is superior to a hydrostatic test and will establish a baseline for continuing integrity management in liquid operations to ensure safe operations of the pipeline.

(3) Preliminary Assessment – Emergency management (slide 35 of 52)

This slide recommends that Energy East demonstrate that potential release volumes are as low as reasonably practical, taking into account location of valves and leak detection system performance. Energy East has taken into consideration during the engineering, design, and routing of the Project the goal of minimizing potential releases from the Project in the unlikely event that an accident occurs. To support this, Energy East, as part of its application, provided the methodology that was used to determine valve locations (Vol. 4, Section 2.11) and their preliminary locations in Vol. 4 Section 3 and Vol. 5, Section 4.2 for the new pipe and conversion sections, respectively. Additionally – and importantly – during detailed engineering, Energy East will continue to optimize the valve placements, in close consultation with the communities, First Nations and local stakeholders (such as Conservation Authorities) along our project route, in order to minimize the impact in the unlikely event of an accident or malfunction.

The leak detection system is described in Vol. 7, Section 4.12 where we confirm that Project was designed in accordance with CSA Z662. This section indicates the theoretical performance of the system based on the types of systems that will be employed. Performance of the leak detection system will be confirmed after the commencement of operations to ensure that the system is performing appropriately.

(4) Preliminary Assessment – Emergency management (slide 36 of 52)

This slide recommends that Energy East conduct a detailed analysis of potential spill release and trajectory for critical locations in Ontario and perform a response capability assessment to demonstrate that it will be able to respond effectively and that impacts can be mitigated to acceptable levels.

As part of the Environmental and Socio-Economic Assessment (ESA) (Vol 6, Section 4: Accidents and Malfunctions) that was submitted as part of the Energy East NEB application, three representative sites of interest were chosen within the province of Ontario for detailed risk assessment to characterize the potential environmental effects for different crude types, of various potential release volumes. These three sites were selected as being representative for sites of interest across the Project, when viewed in combination with 8 other sites located across the Project of interest for the purposes of the ESA. Energy East is currently undertaking additional work to determine potential viable pathways to help inform project-specific emergency response plans and confirm optimal valve locations.

In Vol 7, Section 6 Energy East has committed to developing a project specific emergency response plan to ensure that the appropriate emergency response resources are in place prior to the commencement of operations of the Project. To date, Energy East has conducted engagement activities with local municipalities and emergency first responders along the Project's footprint. Geographical response areas are currently being selected and specific response plans will be developed with the input of local first responders and other response agencies. These plans will be shared once they are finalized.

(5) General Observations – Environment (slide 40 of 52)

This slide indicates that the Energy East NEB application is incomplete. Energy East considers that this is not the case as the application provides sufficient information to understand the potential effects of the Project, how those effects are to be mitigated by Energy East, and how Energy East intends to operate the Project.

Energy East will be submitting additional information to support the conclusions found in the ESA which will include Technical Data Reports, assessment updates based on findings from 2014 field data, and Project revisions in the first quarter of 2015. Mitigation packages, complete with updated Environmental Protection Plans, environmental alignment sheets and resource-specific mitigation tables, will be submitted to the Board in during the second quarter 2015. Additional works are also being prepared to address concerns that have been raised with respect to the Project since the filing of the application to the NEB in October 2014.

(6) General Observations – Environment (slide 41 of 52)

This slide implies that the environmental assessment of the conversion section of the Project is incomplete as only new works associated with the Project are considered and because no description of alternative routing of the Project for this section is included.

As part of its application, Energy East has assessed all new facilities associated with the conversion segment of the Project, which includes 28 new pump stations and roads, 2 trenchless river crossings and operations/maintenance within Ontario.

In addition, this slide indicates that Energy East hasn't considered the routing differences between a natural gas line and an oil pipeline. Energy East has thoroughly described the Engineering Assessment provided in Volume 5, Appendix 1 that it has undertaken to demonstrate the pipeline to be converted is fit for purpose as an oil pipeline. This includes confirming the existing route through an evaluation of the potential accidents and malfunctions. Energy East considers that the conversion section of the Project is fit for oil service and takes into account the appropriate differences that exist between the two service options. The simple reality is any routing modification along the conversion section would increase environmental disturbance.

(7) General Observations – Environment (slide 42, 43, 44, and 45 of 52)

These slides make a number of assertions with respect to the adequacy of information in a number of areas which Energy East would like to refute.

A common theme of these slides is the assertion that Energy East has not provided sufficient information with respect to potential impacts to drinking water sources (ground water or surface water based). Energy East considers drinking water sources to be of fundamental importance to individuals and communities that rely on them. To this end, Energy East has identified these water resources in the Application and has identified measures to protect them in the unlikely event of an accident or malfunction.

In the Environmental and Socio-Economic Assessment submitted to the NEB, hydrogeology, which includes groundwater wells and aquifers, was identified as a VC (valued component) that was reviewed to determine if there would be a potential negative interaction. Information regarding this VC, including registered well locations is presented. This information is contained in Volume 2 for each province traversed by the Project. The ESA determined that the Project would have no significant environmental effect on these resources.

In addition, the ESA includes a number of hypothetical scenarios as part of the accidents and malfunction analysis (Volume 6, Section 4) which reviews the potential for the Project to impact drinking water sources as a result of an accident or malfunction. These scenarios indicated that in the unlikely event that an accident or malfunction occurred and oil reached a water intake, drinking water would either not be impacted or if it was, the impacted area would be able to be remediated and continued to be used as a drinking water source. Energy East has committed to providing drinking water from an alternative source to mitigate temporary effects of an accident or malfunction.

To ensure any potential effects to ground water or surface water are minimized, Energy East is undertaking additional studies to further analyze all major water course crossings which will be submitted to the NEB in the second quarter 2015. As noted above, this work will influence valve siting and help to inform geographical response plans that are part of the Project specific Emergency Response plan.

(8) Impacts on Parks and Natural Areas (slides 47 of 52)

This slide indicates that additional information is required for provincial parks and wetlands traversed by the Project. Both types of areas have been reviewed within the ESA and it was

determined that the conversion part of the Project would not significantly impact these areas as the pipeline is already constructed. Energy East will be filing additional detailed baseline studies of wetlands crossed as part of the new build facilities and pipeline which will be provided in the first quarter 2015 as a supplemental Technical Data Report that will confirm existing findings regarding potential effects to wetlands (see Volume 2 of the ESA). Protection of sensitive areas including provincial parks will be covered for the whole pipeline under the Emergency Response Plan. Finally, revised Environmental Protection Plans will be filed with the NEB by the end of the first quarter 2015 which will contain additional site-specific mitigation options.

(9) Other Considerations – (slide 51 of 52)

Energy East is continuing its engagement activities with Aboriginal groups along the Project's route and will provide information obtained from Traditional Resource Land Use studies, which are being conducted by each Aboriginal Group in its traditional territory, as they become available (Q3 2015). With these studies in hand, Energy East will confirm conclusions found in the ESA and update mitigation measures in the construction Environmental Protection Plans.

Potential environmental and socio-economic effects associated with power lines required for the Project have been considered as part of the cumulative effects assessment in the ESA. However, these infrastructure projects are subject to provincial regulation and will be undertaken by third-parties who would be required to obtain the necessary provincial regulatory permits.

We look forward to an opportunity to discuss these comments with you at an appropriate time during your deliberations.

Yours truly,



Stefan Baranski  
Regional Director, Ontario  
Energy East Project