



LETTER DECISION

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Dear Mr. Forrester, Mr. Williams and Ms. Buchinski:

**Kinder Morgan Cochin ULC (KM Cochin)
Application pursuant to section 58 and Part IV (Application) of the *National Energy Board Act* (NEB Act) for the KM Cochin Reversal Project (Project)**

The National Energy Board (NEB or Board) has considered the above referenced Application for the Project dated 17 August 2012 and amended 25 January 2013, and has issued the attached Orders, the effect of which is to approve the Project. Please see the attached Orders outlining the specifics of the Project and approvals.

Pursuant to section 58 of the NEB Act, the Board has issued the attached Order XO-K077-015-2013 (Section 58 Order), and grants KM Cochin an exemption from the provisions of paragraph 30(1)(a), subsection 30(2) and section 31 of the NEB Act. The Board does not grant KM Cochin an exemption from the provisions of paragraph 30(1)(b) or section 47 of the NEB Act. Accordingly, KM Cochin is required to apply for Leave to Open (LTO) prior to placing the Project into operation.

Pursuant to Part IV of the NEB Act, the Board has also issued the attached Order TO-006-2013, the effect of which is to approve the applied-for tolls, toll principles and the tariffs for the Project.

In coming to its decision to issue the Orders, the Board fully considered all of the evidence and comments that were submitted. In particular, the Board considered the submissions made by the Rich Gas Producer Group (RGPG), Ms. Sandra Elliott, the Little Pine First Nation (LPFN), and the Explorers and Producers Association of Canada (EPAC). The Board's analyses and conclusions are set out below.

1.0 Project Overview and the NEB Process

1.1 Application and Project Overview

On 17 August 2012, KM Cochin filed the Application pursuant to section 58 and Part IV of the NEB Act for authorizations relating to the proposed Project. In the Application, KM Cochin requested the following relief from the Board:

- (i) an order pursuant to section 58 of the NEB Act authorizing the modification, construction, and operation of the facilities required in Canada for the Project for the transport of low viscosity hydrocarbons (Light Condensate) in westbound service, and exempting those facilities from the provisions of sections 30, 31 and 47 of the NEB Act;
- (ii) approval under Part IV of the NEB Act for the tolls, toll principles, and the tariffs which will apply to the transportation of Light Condensate on the Cochin Pipeline System (Cochin Pipeline) in westbound service following the reversal; and
- (iii) such further and other relief as KM Cochin may request or the Board may deem appropriate, pursuant to section 20 of the NEB Act.

The Cochin Pipeline is an existing 3,058 kilometer (km), 12-inch multi-product system that currently provides eastbound transportation service for propane from Fort Saskatchewan, Alberta to the mid-western United States and Windsor, Ontario. The current propane flow capacity is approximately 76,000 barrels per day (bpd). Since 2007, the Cochin Pipeline has been operated at a pressure of 4,137 kilopascals (kPa) or 600 pounds per square inch (psi).

The scope of the Project originally included a flow reversal to westbound service from the international border near Elmore, Saskatchewan to Fort Saskatchewan, Alberta, a change in product type from propane to Light Condensate, and an increase in operating pressure from 4,137 kPa (600 psi) to 6,895 kPa (1,000 psi). The Project will primarily utilize existing pipeline facilities, but will require metering, block valve, and pump station modifications and additions.

On 21 December 2012, the Board issued Safety Order SO-K077-005-2012 (Safety Order) for the Cochin Pipeline which imposed a pressure restriction of 4,137 kPa (600 psi) and required a Fitness For Service (FFS) assessment to be conducted and filed for approval within 180 days. The purpose of the FFS is to re-affirm the integrity of the Cochin Pipeline at its current operating pressure of 4,137 kPa (600 psi). The Board has denied KM Cochin's request in the Application for exemption from section 47 of the NEB Act. Prior to seeking LTO, KM Cochin must satisfy Condition 4 of the Section 58 Order which relates to the Safety Order.

On 25 January 2013, KM Cochin amended the Application by removing the request for an increase in operating pressure from 4,137 kPa (600 psi) to 6,895 kPa (1,000 psi). Accordingly, the Board assessed the Project based on the current operating pressure of 4,137 kPa (600 psi).

Project Map



1.2 The NEB Process

The Board's assessment for the Application was commenced as a non-hearing assessment which is typical for a section 58 application. The RGPG and the LPFN requested that the Board convene a hearing for the Project. Upon reviewing the submissions of the RGPG and the LPFN, the Board decided in both cases not to convene a hearing. In lieu of a hearing, the Board established a separate written process for each of the RGPG and the LPFN. Both the RGPG and the LPFN made written submissions to which KM Cochin submitted replies. Submissions from these groups were fully considered by the Board and are discussed in sections 2.2 Need for the Project, and 2.5 Aboriginal Consultation and Traditional Land Use.

2.0 Assessment of the Application

2.1 Engineering Matters

KM Cochin proposes to operate the western portion of the Cochin Pipeline in westbound service from the international border at Elmore, Saskatchewan to Fort Saskatchewan, Alberta. Installation of drag reducing agent injection equipment at each of the 10 pump stations on the Cochin Pipeline in Canada would enable the transportation of approximately 60,000 bpd of Light Condensate in westbound service.

KM Cochin submitted that the Project would be constructed in accordance with the requirements of the Board's *Onshore Pipeline Regulations, 1999* (OPR-99), as amended, Canadian Standards Association (CSA) Z662-11 Oil and Gas Pipeline Systems, and the most recent version of all other applicable acts, codes, and regulations. It would also comply with company manuals, which are compliant with the OPR-99 and codes and standards.

Views of Ms. Sandra Elliott

Ms. Elliott made two submissions regarding the Application. Ms. Elliott is a certified organic farmer who owns land that is crossed by the Cochin Pipeline. She expressed concerns in her submissions about the new product to be shipped on the Cochin Pipeline and requested more information from KM Cochin about the Project. She also expressed concerns about KM Cochin's plans to increase the volume of the product shipped because of the age of the pipeline, as well as the potential for integrity issues which may result in her farm losing its organic certification.

Views of KM Cochin

KM Cochin made three submissions in response to Ms. Elliott where it reiterated the commitments made in the Application including its commitment to the safe and reliable operation of the Cochin Pipeline. KM Cochin also noted that it cannot increase the operating pressure of the Cochin Pipeline without approval from the Board after first demonstrating that it can be operated safely at an increased pressure.

Views of the Board

When a company designs, constructs, operates, or abandons a pipeline, it must do so in accordance with legislative requirements, commitments made in its application, and the conditions attached to any approval. In the Application, KM Cochin committed to complying with OPR-99, as amended. On 10 April 2013, the OPR-99 were amended and renamed the *National Energy Board Onshore Pipeline Regulations* (OPR). The OPR references various engineering codes and standards including CSA Z662-11. KM Cochin is responsible for ensuring that it follows the design, specifications, programs, manuals, procedures, measures, and plans developed and implemented by the company in accordance with legislative requirements.

The Board monitors a company's compliance with its conditions of approval, and with legislative requirements during all stages of the construction and operation of a project. The Board also evaluates the need for specific compliance verification activities and determines whether an on-site inspection or review of the company's management systems (audit) is required. The Board may take actions in response to a complaint from an affected party.

The integrity of the Project is influenced by the design, previous operating environment, and maintenance history of this pipeline. The proposed operating parameters (flow direction, product type, and operating pressure) combined with current pipeline integrity may exacerbate existing issues or create new ones. The safe operation of pipelines is paramount to the Board and the Board expects that integrity issues will be identified and managed effectively by the companies it regulates (Conditions 4 to 7 of the attached Section 58 Order). The Board denies KM Cochin's request for exemption from section 47 of the NEB Act, and prior to seeking LTO KM Cochin must satisfy Condition 4 of the attached Section 58 Order.

2.2 Need for the Project

As part of its evaluation process for the economic feasibility of an Application, the Board assesses whether the facilities are needed and would be used at a reasonable level in the proposed service over their expected economic life. For this Application, the Board considered the supply and demand of propane and Light Condensate in western Canada, alternative transportation methods for exporting propane from Alberta, and the timing of the proposed Project.

Views of KM Cochin

KM Cochin submitted a report by consultants Purvin & Gertz, Inc. (PGI) with the Application which provides forecasts through to 2020. In PGI's view, the growth of unconventional gas production in western Canada may slow, but will not reverse, the expected decline in conventional gas production. Since the vast majority of propane produced in western Canada comes from natural gas processing, PGI forecasted that future propane supply will follow the forecasted decline in gas production. PGI also predicted that propane demand in Canada will increase with time, and that propane exports are expected to decline in a manner consistent with the predicted decline in natural gas exports.

PGI projected that western Canadian crude oil production will continue to increase, primarily due to the growth in the oil sands. The growth in bitumen production will increase the demand for diluent in order to comply with pipeline transportation density and viscosity requirements. Additionally, PGI predicted that diluent from Canada (for example, pentanes plus from gas processing plants and condensate) would be unable to meet the demand from oil sands operations. PGI concluded that the Light Condensate supply delivered by the reversed Cochin Pipeline would be easily accommodated by the western Canadian oil sands market.

The PGI report lists alternatives available for the transportation of propane from western Canada other than by means of the Cochin Pipeline, either as part of the natural gas liquids (NGL) -rich gas transported on the Alliance Pipeline, as NGL mix on the Enbridge mainline, as pure propane via rail, or on Spectra Energy's Petroleum Transportation Company (PTC) Pipeline. PGI concluded that given these alternative transportation methods, and the declining supply and increasing demand for propane in Canada, the volumes of propane that would be displaced from the Cochin Pipeline could be transported by these alternatives, with no material impact on propane markets in western Canada.

KM Cochin indicated that it had discussions with current propane shippers and future Light Condensate shippers about the Project. According to KM Cochin, current propane shippers on the Cochin Pipeline stated that they have other more cost-effective options for transporting their product, including both rail and pipeline.

Views of the Rich Gas Producer Group

The RGPG made three submissions and stated that while it is not opposed to the Project, it is concerned with the timing of the Project. The RGPG submitted that although its members have not been shippers on Cochin Pipeline, they rely on it as an outlet for excess Alberta propane production. The RGPG objected to the conclusions of the PGI report relating to future propane supply, stating that PGI underestimated future propane supply from unconventional resources and the future needs of propane export transportation. The RGPG also stated that neither PGI nor KM Cochin provided sufficient analysis of the propane transportation alternatives available at Fort Saskatchewan, Alberta including rail tank cars and loading facilities to move the displaced volumes.

The RGPG submitted that the proposed reversal of the Cochin Pipeline is premature and that approving the Project before adequate transportation options are in place could create a propane transportation bottleneck in Alberta. According to the RGPG, companies have been making investments in developing rich gas production and in gas processing and fractionation facilities to extract gas liquids, and this investment could be jeopardized if the Project is approved as proposed by KM Cochin.

The RGPG requested that the Project be delayed until the fourth quarter of 2015 when, in its view, there may be sufficient construction of rail tank cars and loading facilities in Fort Saskatchewan, Alberta to handle the volumes of propane that would not be transported on the Cochin Pipeline if the Project was approved.

Views of the Explorers and Producers Association of Canada

The EPAC made one submission and stated that it is not opposed to the Application in principle, and was not endorsing submissions of either the RGPG or KM Cochin. The EPAC submitted that the timing aspect of the proposed Project deserves careful consideration to assess whether viable market-based export alternatives exist or are likely to emerge in sufficient time to avoid contributing to the present oversupply of propane in the Canadian market.

Response of KM Cochin to the Rich Gas Producer Group

KM Cochin made three submissions in response to the RGPG. KM Cochin confirmed that the current Cochin Pipeline propane shippers have alternative transportation options for all the propane volumes it currently transports, and that these options were more cost competitive than the Cochin Pipeline. KM Cochin also submitted that the Cochin Pipeline is currently underutilized, and also that its current shippers have advised that in the absence of a toll incentive in the current tariff, they would not transport propane on the Cochin Pipeline in the 2013-2014 contract-year.

KM Cochin noted that an open season was conducted between 24 April and 31 May 2012 (Open Season) for westbound Light Condensate transport on the Cochin Pipeline. KM Cochin further noted that existing Cochin shippers will have until the end of the 2013-14 contract year (31 March 2014) to remove product from the Cochin Pipeline. In response to the RGPG

submission that the proposed reversal of the Cochin Pipeline is premature, KM Cochin noted that the timing of the Open Season and the Project's expected July 2014 in-service date provides 24 months of notice to allow shippers to make alternative propane transportation arrangements. KM Cochin noted that Keyera and Pembina, two midstream companies that are making investments to expand their facilities, were aware of the Project in April 2012 and have continued their investment programs. KM Cochin submitted that this demonstrates that industry does not intend to rely on the Cochin Pipeline to transport their product to markets outside of Alberta.

KM Cochin observed that no member of the RGPG is a shipper on the Cochin Pipeline or demonstrated that they produce any purity propane which could be shipped on the Cochin Pipeline. In addition, although the RGPG stated that neither Alliance nor Enbridge were alternatives to the Cochin Pipeline, KM Cochin provided evidence which demonstrated that at least two members of the RGPG were reported to have entered into agreements for transportation of their production on the Alliance Pipeline.

Views of the Board

The natural gas and propane forecasts in the PGI report are consistent with trends identified in Board analyses concerning natural gas deliverability. The contribution of unconventional gas production in the western Canada gas forecast was taken into account in a reasonable manner in PGI's analysis. The Board is of the view that the level of detail and conclusions provided by PGI regarding propane transportation options are also reasonable.

Other than the RGPG, no other stakeholder including current Cochin Pipeline shippers submitted comments or asked that the Project be delayed. Evidence submitted by KM Cochin demonstrates that members of the RGPG have obtained alternate means of propane transportation other than the Cochin Pipeline.

The lack of market support for the RGPG's request to delay the Application is a further indication of the low interest in maintaining the Cochin Pipeline in its current propane service. In contrast, the binding open season for the Project was over-subscribed, which is strong evidence of market need for the Project. Additionally, the Cochin Pipeline is currently underutilized, and current Cochin Pipeline shippers have indicated that in the absence of a toll incentive in the current tariff, they would not transport propane on the Cochin Pipeline in the 2013-2014 contract-year. The Board has determined that the 24 months between the April 2012 open season and removal of propane from the Cochin Pipeline on 31 March 2014 is sufficient notice to allow for alternative propane transportation arrangements to be made. Given the foregoing, the Board is not persuaded to delay approval of the Project.

2.3 Economics Matters

2.3.1 Notification of Commercial Third Parties

Views of the Rich Gas Producer Group

The RGPG submitted that KM Cochin did not provide any form of direct notification to the RGPG member companies and that KM Cochin did not satisfy Board Filing Manual requirements in that regard.

Views of KM Cochin

In response to the RGPG, KM Cochin submitted that notification of its Application was provided to shippers and other interested parties in advance of submitting the Application including by way of a widely publicized open season conducted in April and May 2012. In addition, KM Cochin submitted that it provided notice of the Project by other means such as newspapers and publications along the Cochin Pipeline route and by providing notice to its list of shippers and other interested commercial third parties. According to KM Cochin, no concerns have been expressed by the future shippers of Light Condensate and concerns raised by the current propane shippers have been addressed and resolved.

Views of the Board

The Board finds that KM Cochin sufficiently notified third parties of the Application. The Board is of the view that current and future shippers and all directly affected commodity suppliers, end users and other pipelines were adequately notified of the Project.

2.3.2 Open Season

The Open Season was conducted by KM Cochin and the operator of the Cochin Pipeline in the United States, Kinder Morgan Cochin LLC (collectively, “Kinder Morgan”). As part of the Open Season, long-term volume commitments were offered to potential shippers of Light Condensate on the Cochin Pipeline. Potential shippers had the opportunity to sign a Transportation Service Agreement (TSA) to commit to shipping at least 5,000 bpd and no more than 50,000 bpd for a minimum 10-year term.

Information on the Open Season was made available on Kinder Morgan’s website to any party interested in making a long-term volume commitment to ship on the Cochin Pipeline. KM Cochin submitted that throughout the Open Season, Kinder Morgan held several meetings and conference calls with interested shippers in order to respond to queries regarding the Open Season.

Kinder Morgan received shipping commitments totaling more than 100,000 bpd, which exceeded the proposed 54,000 bpd capacity for committed service. Accordingly, pipeline capacity was allocated downward on a pro-rata basis for those who entered into a TSA (Committed Shippers).

2.3.3 Uncommitted Capacity and Common Carrier Status

KM Cochin submitted that a minimum of 10 percent of pipeline capacity would be reserved for uncommitted volumes, which would be allocated to shippers based upon each shipper's monthly nominations. KM Cochin explained that the Cochin Pipeline would be capable of transporting approximately 60,000 bpd of Light Condensate, with 54,000 bpd of pipeline capacity reserved for committed shipments and the remaining 6,000 bpd available for uncommitted shipments.

According to KM Cochin, the uncommitted volumes would enable at least seven spot shippers each month to ship the minimum batch size on the connecting Explorer pipeline for delivery into the Cochin Pipeline. KM Cochin indicated that it is not aware of more than seven spot shippers interested in shipping on the Cochin Pipeline at this time.

KM Cochin also stated that other transportation options are available for parties to bring Light Condensate to the Alberta market, such as the Enbridge Southern Lights pipeline or by rail.

Views of the Board

Subsection 71(1) of the NEB Act provides an oil pipeline's common carrier obligations. The Board has previously found that an oil pipeline acts in a manner consistent with its common carrier obligations when an open season is properly conducted and where the facilities are either readily expandable or capacity is left available for monthly nominations.

The Board is satisfied that Kinder Morgan's Open Season granted potential shippers a fair and equal opportunity to participate and was transparent in providing information on the terms of service. The Board notes that documentation related to the Open Season was widely accessible, and that the Open Season was over-subscribed. The Board also notes that it received no complaints regarding the Open Season.

KM Cochin has committed to reserve 6,000 bpd, or 10 percent of pipeline capacity, for uncommitted service. Considering that this capacity is sufficient to enable receipt of shipments from connecting pipelines and that no participant disputed the fairness of the Open Season or the resulting capacity allocation, the Board finds that KM Cochin's proposal is consistent with its common carrier obligations.

2.3.4 Tolls

KM Cochin stated that it is seeking approval of market-based tolls. Under KM Cochin's proposal, service on the pipeline would be provided to Committed Shippers pursuant to either an international joint toll (Committed Joint Rate) or an incentive toll (Volume Incentive Rate). The Committed Joint Rate would be charged on each Committed Shipper's annual committed volume, regardless of whether this volume was shipped or not. This is referred to by KM Cochin as a deficiency fee and is understood more commonly as a take-or-pay provision. The Volume Incentive Rate would apply only to uncommitted shipments delivered by Committed Shippers

who committed during the open season to ship the Maximum Committed Volume, which was initially set at 50,000 bpd.

With respect to Uncommitted Shippers, transportation service on the Cochin Pipeline would be provided pursuant to an uncommitted toll for local Canadian shipments (Canadian Local Toll) or an international joint toll for shipments originating in the United States for delivery into Canada (Uncommitted Joint Rate).

**Comparison of Tolls for Transportation Service
on the Reversed Cochin Pipeline System
(per barrel)**

	Committed		Uncommitted	
	Committed Joint	Volume Incentive	Canadian Local	Uncommitted
	Rate	Rate	Toll	Joint Rate
	(USD\$)	(USD\$)	(CAD\$)	(USD\$)
Toll Rate	4.95	4.50	3.7559	7.50

KM Cochin stated that all of the proposed tolls may be adjusted for any future fees which could be mandated by governmental authorities, including any abandonment cost recovery ordered by the Board. KM Cochin stated that no concerns were expressed regarding the rate structure, including in relation to proposed tolls, tariffs, and rules and regulations.

Views of the Board

The Board finds that the proposed committed tolls are just and reasonable given that KM Cochin’s proposed tolls were supported by the Committed Shippers through TSAs in circumstances where alternative transportation options are available, and in the context of a fair and transparent open season. The Board has considered the proposed differential between the Committed Joint Rate and the Uncommitted Joint Rate. The Board accepts that the differences in tolls between committed and uncommitted service reflect the different level of financial commitments and the risk undertaken with respect to the Project.

Although the Cochin Pipeline is a Group 1 pipeline, the tolls for service on the Cochin Pipeline are regulated by the Board on a complaint basis. The Board notes that no party to the proceeding expressed concerns regarding the proposed tolls and tariffs. The Board continues to be responsible for ensuring that tolls are just and reasonable, and will consider complaints from both committed and uncommitted shippers. The Board may also examine a pipeline’s tolls on its own initiative.

2.3.5 Ability to Finance

KM Cochin submitted that the estimated \$260 million cost of the Project would be financed under the general structure of Kinder Morgan's parent company. KM Cochin further advised that the cost of the Project would be supported by the long-term financial commitments and contractual obligations of Committed Shippers.

No concerns were raised about the proposed method of financing or the ability of KM Cochin's parent company to finance the Project.

Views of the Board

The Board finds the proposed method of financing for the Project to be reasonable.

2.4 Public Consultation

KM Cochin initiated consultation activities by providing Project and technical information to landowners and other stakeholders through a variety of means, such as mail-outs, telephone calls, personal visits and newspaper advertisements.

Views of Ms. Sandra Elliott

As noted in section 2.1 Engineering Matters, Ms. Elliott is a certified organic farmer who owns land that is crossed by the Cochin Pipeline. Ms. Elliott expressed concerns about the effect a spill may have on the soil and groundwater. Ms. Elliott also raised general concerns about Canada's water supply, the expansion of the Alberta oil sands, greenhouse gasses, and the need for alternatives to fossil fuel technology.

Views of KM Cochin

Ms. Elliott was first informed of the Project as part of KM Cochin's public consultation program. In response to Ms. Elliott's submissions, KM Cochin contacted Ms. Elliott to discuss her questions and concerns regarding the Project. KM Cochin responded to Ms. Elliott's questions regarding transportation of Light Condensate, depth of cover, future building permits, and the 30 meter zone. KM Cochin also performed a "locate" of the pipeline on Ms. Elliott's land, and provided her with a copy of the easement and the contact information of two KM Cochin personnel.

KM Cochin confirmed that it is committed to continued consultation with its stakeholders and will endeavor to respond to additional inquiries about the Project from Ms. Elliott in a timely and responsive matter. However, KM Cochin submitted that some of the general concerns expressed by Ms. Elliott about pipeline systems were out of the scope of this Project as well as the continued operation of the Cochin Pipeline.

KM Cochin also committed to continue consultation with its stakeholders through the continued operation of the Cochin Pipeline according to its Public Awareness Program.

Views of the Board

The Board expects regulated companies to conduct an appropriate level of public involvement activities, commensurate with the nature, scope and setting of each project. The Board is satisfied that all potentially affected stakeholders were adequately consulted given the nature, scope, and setting of the Project and that interested persons had a sufficient opportunity to provide comments on the proposed Project.

The NEB Filing Manual encourages companies to create plans for future consultation and follow-up throughout the lifecycle of a project which may include activities such as public awareness programs, continuing education, and consultation with persons regarding proposed operations that may potentially affect them. This also includes the requirement that KM Cochin fulfill section 35 of the OPR for a Continuing Education Program for emergency response.

The Board considers consultation to be an ongoing process and expects KM Cochin to continue its consultation efforts with its stakeholders and to address concerns that are raised throughout the regulatory process, construction, operation, and abandonment phases of the Cochin Pipeline.

The Board notes Ms. Elliott's concerns about the safety of the Project and the Cochin Pipeline's continued operation. Safety and integrity concerns are addressed above in this summary in section 2.1 Engineering Matters.

2.5 Aboriginal Consultation and Traditional Land Use

Views of KM Cochin

KM Cochin stated that it designed its Aboriginal Engagement Program with the goal of informing groups in proximity of the Project and providing opportunities to ask questions or raise concerns, either directly with KM Cochin or the Board, and where reasonable and practical, to incorporate concerns into Project planning.

Views of the Little Pine First Nation

The LPFN is a signatory to Treaty 6 who objected to the Project and made three submissions concerning the Application. The LPFN submitted that their constitutionally protected Aboriginal and Treaty rights may be directly and adversely affected by the Project, and expressed concerns that the Project may negatively impact their ability to carry out traditional land use activities in the Project area. The LPFN also stated that they seek employment and business opportunities with respect to the Project, but that the neither the Application nor responses by KM Cochin to information requests adequately discussed how such opportunities can be accessed by the LPFN in a meaningful way.

The LPFN also submitted that KM Cochin's consultation was not adequate since they did not engage with the LPFN to identify potential effects and current land use of the Project, or establish appropriate mitigation. The LPFN stated that they were not initially included in KM Cochin's engagement activities and that the LPFN was only provided Project information after the Board asked KM Cochin an information request which identified the LPFN.

Response of KM Cochin to the Little Pine First Nation

KM Cochin made two submissions in response to the LPFN. KM Cochin stated that the proposed construction activities will take place at existing pump stations within the KM Cochin fence line, and at existing block valve sites along the Cochin Pipeline right of way. There are no new permanent right of way requirements for the Project and the pump stations are not located on Crown land. One block valve site is located on Crown land which is currently leased to a cattle rancher in Alberta.

KM Cochin submitted that any temporary work space adjacent to the existing block valve sites would be primarily for vehicle and equipment parking, and would not result in ground disturbance. KM Cochin also noted that potential interactions between the Project and wildlife are limited due to the agricultural land uses around the block valves and pump stations. KM Cochin submitted that, due to the short timeframes for construction, current land uses and proposed mitigations, no significant adverse environmental effects are anticipated as a result of the Project.

With respect to employment opportunities on the Project, KM Cochin submitted that the construction phase of the Project will be small, so no permanent full-time employment will be created. However, there may be some positive effects to local communities due to the purchase of local goods and services.

KM Cochin confirmed that the Project information package sent to the LPFN was received on 8 November 2012. KM Cochin noted that, at that time the LPFN raised no objections and did not request more information from KM Cochin until the LPFN's first submission to the Board on 4 April 2013.

Views of the Board

The Board's Filing Manual requires applicants to consult with Aboriginal groups that are potentially affected by a proposed project. The extent of the consultation that needs to be carried out is determined, to a large extent, by the nature, scope and setting of a project.

The Board notes that the Project occurs within KM Cochin's existing right of way and on previously disturbed land. Given the nature, scope, and setting of the proposed Project, and considering the mitigation proposed, the Board is of the view that traditional land use interactions are unlikely to occur as a result of the Project. The Board further notes that the LPFN did not provide information to demonstrate how the activities proposed by the Project would affect the LPFN's rights. However, the Board expects KM Cochin to

notify land users, including Aboriginal groups and landowners, as to when construction will occur.

The Board expects companies to communicate opportunities for local employment and economic participation in proposed projects, including opportunities for interested local businesses and contractors, and Aboriginal groups. Table A-3 of the Board Filing Manual provides employment and economy filing requirements but the Filing Manual also allows for such analyses to be excluded where there are no interactions predicted. Since this Project involves only short-term construction activities, the Board is satisfied that KM Cochin provided sufficient analysis for this Filing Manual requirement.

The Board is also satisfied that the LPFN was provided with sufficient information about the Project and had an opportunity to make their views known to KM Cochin and the Board. Although KM Cochin did not include the LPFN in its initial consultations for the Project, it did notify the LPFN in November 2012 after the Board identified the LPFN in an information request to KM Cochin. After the Board subsequently received two written submissions from the LPFN, it established a written process to receive further comments from the LPFN. In their third and final submission on 9 May 2013 the LPFN stated that they had no further submissions concerning the Project. As mentioned above, the Board expects KM Cochin to continue its consultation efforts and address concerns raised by stakeholders and Aboriginal Groups throughout the planning, construction, operation and abandonment of this Project.

2.6 Environment and Socio-Economic Matters

The Board considers environmental and socio-economic matters under the NEB Act. The Board expects applicants to identify the effects a project may have on biophysical and socio-economic elements, identify mitigation measures it will implement to reduce those effects, and assess any residual effects once the mitigation measures have been applied. Applicants are expected to identify and consider the impacts a project may have on environmental and socio-economic conditions and to consider mitigation of negative impacts and the enhancement of project benefits.

Views of KM Cochin

KM Cochin submitted an Environmental and Socio-Economic Assessment (ESA) with the Application which provided an analysis of the potential Project-environment interactions. KM Cochin predicted that all environmental effects will be short term in duration and reversible through design measures and the implementation of mitigation measures described in the ESA. As such, KM Cochin predicted that there will be no significant adverse environmental effects from the project.

Views of the Board

The maps provided by KM Cochin identify residences within 500 meters of the Project. To ensure noise emissions as a result of the Project are within acceptable levels, Condition 8 is included in the attached Section 58 Order.

Given the limited scope and scale of the Project and considering that no new permanent lands are required, and with the addition of Condition 8 in the attached Section 58 Order, the Board is satisfied that KM Cochin has identified the relevant environmental and socio-economic effects associated with the Project and has proposed appropriate mitigation. The Board is of the view that any adverse environmental impacts of the Project would be satisfactorily addressed through standard company programs and policies.

KM Cochin is directed to serve a copy of this letter decision and attached Orders on all interested persons including any person who made submissions concerning the Application.



R.D. Vergette



D. Hamilton
Member



A. Scott
Member

Calgary, Alberta
May 2013

Attachments

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