

EB-2007-0782
Georgian Bay Reinforcement Project
Post-Construction Financial Report on Costs and Variances
March 4, 2010

Introduction

Enbridge Gas Distribution Inc. (“Enbridge”) applied to the Ontario Energy Board (the “Board”) on January 23, 2008 for an Order granting Leave to Construct 20 kilometers (“km”) of NPS 12 diameter natural gas pipeline and related facilities in the City of Barrie, Township of Springwater in the County of Simcoe. The pipeline addressed the need identified by Enbridge to increase the capacity of the Georgian Bay System to meet existing and forecasted loads.

The Board assigned file number EB-2007-0782 to this application and issued a favourable decision on May 21, 2008.

This Post Construction Financial Report summarizes the actual capital costs of the project and provides an explanation of significant variances from the estimates.

Project Summary

Pipeline construction activities commenced in June 2008 and were completed in December 2008. Post construction restoration work was initiated in the spring following the completion of construction, and was completed in 2009.

Construction was monitored during the project to ensure appropriate measures were implemented to mitigate any environmental impacts.

Cost and Variance Reporting

The actual project cost of \$8.8 million is approximately \$3.6 million less than the original estimate of \$12.4 million reported in EB-2007-0782, Exhibit C, Tab 1, Schedule 1. A detailed comparison of actual versus estimated project costs is shown in Table 1 provided on the following page.

Table 1 - Total Project Costs
Georgian Bay Reinforcement Project

Item No.	Breakdown	Budgeted Cost	Actual Cost	Variance
1.0	Materials Costs	\$2,734,536	\$2,175,049	-20%
2.0	Labour Costs	\$6,824,078	\$5,388,229	-21%
3.0	External, Land & Regulatory Costs	\$805,074	\$660,140	-18%
4.0	Contingency	\$1,554,553	\$0	n/a
5.0	Overheads	\$518,184	\$574,515	11%
6.0	Total Reinforcement Cost	\$12,436,425	\$8,797,933	-29%

The total estimated project cost included a standard 15% contingency to account for costs that were unforeseeable at the time of filing. This project was completed 29% under budget with contingency included, and 19% under budget with contingency excluded. A rationale for the variances is listed below.

- 1.0 The price of steel was particularly volatile when the budget cost for materials was prepared. The price of steel had decreased significantly by the time materials were secured. Lower than expected steel prices, along with a favourable exchange rate contributed to reduced materials prices.
- 2.0 Labour costs were volatile when the estimates were prepared. The labour estimate was based on an analysis of historical unit costs for NPS 12 pipelines and courtesy quotes obtained from Contractors. The final costs were significantly lower than expected. The Contractor engaged on the project has a permanent operations presence in the Barrie area, and was therefore able to utilize and capitalize on existing local infrastructure and efficiencies.

- 3.0 The difference between the budgeted and actual external costs can be attributed to savings on third party inspection costs. These costs were minimized by utilizing internal inspection personnel.
- 4.0 Contingency was not required on the project as construction conditions were favourable. The pipeline route yielded fair ground conditions consistent with the results of the pre-construction geotechnical report.
- 5.0 Actual overheads were within 11% of the budgeted amount.

Conclusion

Favourable labour and material costs, construction conditions and effective project management resulted in the completion of the project at a cost \$3.6 million lower than the original estimate.