

November 19, 2012

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0226/0227
Thunder Bay Pipeline Project**

This letter will update the Ontario Energy Board (“OEB”) on Union Gas Limited’s (“Union”) Thunder Bay Pipeline Project. It will also serve to amend Union’s application and evidence submitted to the OEB on April 27, 2012.

Need and Proposed Facilities:

Union’s original Application consisted of two sections of pipeline; a NPS 16 section from the Onion Lake Station to the Belrose Station which served two functions in that it replaced the existing NPS 10 pipeline which had integrity concerns and provided the additional capacity needed to serve the Thunder Bay Generating Station; and, a NPS 12 section from the Belrose Station to the Thunder Bay Generating Station.

On October 31, 2012 Ontario Power Generation (“OPG”) terminated its contract with Union to supply the Thunder Bay Generating Station. A copy of the termination letter can be found at Attachment 1. With the termination of the contract by OPG, Union is withdrawing its request to construct a natural gas pipeline between the Belrose Station and the Thunder Bay Generating Station.

Union was proposing to construct a NPS 16 pipeline from the Onion Lake Station to the Belrose Station in its original Application which would replace an existing NPS 10 pipeline. The purpose of this pipeline was twofold; to meet the requirements of the Thunder Bay Generating Station and to address integrity concerns with the existing NPS 10 pipeline.

Union would like to amend its Application to now construct a NPS 12 pipeline from the Onion Lake Station to the Belrose Station. As stated above the existing pipeline required replacement to

address integrity concerns that were identified through the pipeline integrity program. Union reviewed the current operation of the Thunder Bay system and during this review it was determined that the Thunder Bay system has reached capacity. In order to maintain the minimum pressures at various points in the system it is necessary to increase the size of the pipeline from NPS 10 to NPS 12.

Union is not proposing any changes to the existing pipelines between the TCPL tap and the Onion Lake Station.

Construction, Pipeline Design, and Costs:

Union is proposing to construct the proposed NPS 12 pipeline in the summer of 2013 following the schedule that is found as Attachment 2 and was submitted in the original application for the Onion Lake Station to Belrose station.

The Design and Pipe specifications have been updated to reflect the changes which Union is proposing and they can be found at Attachment 3.

Union has updated the project costs to reflect that the pipeline will only be constructed between the Onion Lake Station and the Belrose Station. Revised Pipeline and Environmental costs can be found in Attachments 4 and 5, respectively.

Project economics have not been completed for the project as there are no new customers being served by the proposed facilities.

Lands, Environment, Métis and First Nations:

Union currently has agreement in principle with all but one landowner along the route of the pipeline between the Onion Lake Station and the Belrose Station. Union is working with this landowner to address concerns he has with tree clearing and the imposition of an easement on his property. Union believes it will be possible to address these concerns.

There are no updates to the Environmental Report as a result of the change in project scope. Union has met with local agencies and initiated the permit acquisition process. Union will have all necessary permits and authorizations in place prior to construction.

Union is in the process of informing the Red Sky Métis Independent Nation (“RSMIN”) and local First Nations about the change in scope of the project. The changes in scope will not impact the Traditional Study that was completed by the RSMIN as the area of concern identified by RSMIN was on the section between the Belrose station and the Thunder Bay Generating Station which Union no longer proposed to construct. Union will continue to work with the First Nations and RSMIN on employment and procurement opportunities within the new project scope.

Summary

Union requests that the OEB approve the amended Thunder Bay Pipeline Project which includes a NPS 12 pipeline from the Onion Lake Station to the Belrose Station. The pipeline is required to ensure the continued safe and efficient operation of the Thunder Bay system.

If you have any additional questions or require information please contact the undersigned at (519) 436-4601.

Sincerely,

[original signed by]

Mark A. Murray, LL.B
Manager, Regulatory Projects and Lands Acquisition

:mjp

Encl.

cc: Neil McKay, OEB Board Staff
All participants



700 University Avenue Toronto, Ontario M5G 1X6

October 31, 2012

Union Gas Limited
P.O. Box 2001,
50 Keil Drive North,
Chatham, Ontario
N7M 5M1

Attention: Mr. David Simpson
GM, Infranchise Sales and Marketing Business Development & Commercial Accounts
FAX: (519) 436-4645

AND

Attention: Manager, Contracting & Customer Support
FAX: (519) 436-4645

Re: **Northern Gas Distribution Contract**
Contract ID: 14260
Contract Name: OPGI Thunder Bay WDA

Dear Mr. Simpson,

Ontario Power Generation Inc. ("OPG") and Union Gas Limited ("Union") executed the Northern Gas Distribution Contract (Contract ID: 14260) as of the 4th day of April, 2012 (the "Contract").

Pursuant to Section 4 of the General Terms & Conditions of the Contract OPG hereby delivers notice to Union, that a decision, effective immediately, has been made to discontinue work associated with conversion of the Thunder Bay Generating Station to use natural gas. Accordingly, we hereby exercise OPG's right of termination pursuant to Section 8 of the Contract.

If you should have any further questions please contact Sandy Drysdale at (416) 592-8361 or Enzo D'Alimonte at (416) 592-5130.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce Boland".

Bruce Boland
SVP Commercial Operations & Environment

Cc: E. D'Alimonte
S. Drysdale

THUNDER BAY GENERATING STATION: NATURAL GAS PIPELINE PROJECT

DESIGN AND PIPE SPECIFICATIONS

Design Specifications: NPS 12

Class Location	-	Class 2
Design Factor	-	0.8
Location Factor (General)	-	0.900
Location Factor (Roads)	-	0.625
Maximum Design Pressure	-	6895 kPa
Maximum Operating Pressure	-	6895 kPa
Test Medium	-	Water
Test Pressure	-	9653 kPa
Valves/Fittings	-	PN 100
Minimum Depth of Cover	-	0.9 m

Pipe Specifications:

Size	-	NPS-12
Wall Thickness	-	7.1 mm
Grade	-	414 MPa
Type	-	Electric Resistance Weld
Description	-	C.S.A. Standard Z245.1-02
Category	-	Cat. II, M5C
Coating	-	Fusion Bond Epoxy/Yellow Jacket
% SMYS	-	38%

TOTAL ESTIMATED PIPELINE CAPITAL COSTS**THUNDER BAY INTEGRITY PROJECT****Pipeline and Equipment**

NPS 12 Steel Pipe, Coated 17,680 metres	\$1,921,000
Small Bore Pipe, Valves, Fittings, Miscellaneous Material	\$873,000

Sub-Total	\$2,794,000
-----------	-------------

Stores Overhead – Valves, Fittings and Misc. Material	\$27,000
---	----------

Total Pipeline and Equipment	\$2,821,000
-------------------------------------	--------------------

Construction and Labour

Lay 17,680 metres of NPS 12 Steel Pipe	\$16,275,000
Boring, Weights, Testing, Valving, Casing	
Miscellaneous Contract Labour	

Company Labour, X-Ray, Construction Survey, Legal, Mill Inspection and Consultants	\$3,830,000
---	-------------

Easements, Lands & Damages	\$1,665,000
----------------------------	-------------

Total Construction and Labour	\$21,770,000
--------------------------------------	---------------------

Total Pipeline and Equipment and Construction and Labour	\$24,591,000
---	---------------------

Contingencies	\$1,777,000
----------------------	--------------------

Interest During Construction	\$358,000
-------------------------------------	------------------

Total Estimated Pipeline Capital Costs – 2012/13 Construction	\$26,726,000
--	---------------------

Includes the Estimated Environmental Costs Identified in Attachment 5

TOTAL ESTIMATED ENVIRONMENTAL COSTS**THUNDER BAY
PIPELINE PROJECT (2013)****Pre-Construction**

Environmental Assessment	\$	120,000
Archaeology		20,000
Soil Sampling		10,000
Surveys		15,000
Hearing Costs (Environmental Consultant)		10,000
Permits		<u>35,000</u>

Total Pre-Construction **\$ 210,000**

Construction

Environmental Inspection	\$	50,000
Water Well Sampling		30,000
Stream Crossings		18,000
Site Restoration		520,000
Pipe Disposal Sampling		<u>50,000</u>

Total Construction **\$ 668,000**

Post Construction

Site Restoration	\$	130,000
Environmental Inspection/Monitoring		10,000
Tree Replacement		<u>40,000</u>

Total Post Construction **\$ 180,000**

Total Estimated Environmental Costs **\$ 1,058,000**