

March 8th, 2013

BY RESS & Courier

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

Dear Ms. Walli:

**Re: Union Gas Limited (“Union”)
Leamington Expansion Pipeline Project
Board File # EB-2012-0431**

Please find attached Union’s Reply Submissions in this matter.

Sincerely,

[original signed by]

Mary Jane Patrick
Administrative Analyst, Regulatory Projects
:mjp
Encl.

cc: Neil McKay, Manager Facilities Applications
Zora Crnojacki, Project Advisor
All intervenors

EB-2012-0431

IN THE MATTER OF The Ontario Energy Board Act, 1998, S.O.
1998, c.15, Schedule B, and in particular, s.90 thereof;

AND IN THE MATTER OF an Application by Union Gas
Limited for an Order granting leave to construct a natural gas
pipeline and ancillary facilities in the Municipality of Leamington
and the Town of Lakeshore, both in the County of Essex

**REPLY SUBMISSION OF
UNION GAS LIMITED**

This submission filed on behalf of Union Gas Limited (“Union”) is in Reply to the submission of Board Staff issued on February 27, 2013.

Project Economics

Board Staff identified in their submission that Union should be required to collect the \$2 Million contribution from the greenhouse growers before commencing construction of the proposed pipeline.

The following paragraphs provide Union’s response:

1. Attachment # 1 is the Revised Contract and Forecast Customer Growth Schedule. Changes to this schedule from what was originally filed are summarized below:
 - a) The pipeline capacity has now been substantially allocated in the first year of the project; and,
 - b) There are a greater percentage of customers forecasted to switch from Interruptible to Firm service than was originally forecasted.

The impact of these changes is that there are more revenues earlier in the project. In addition, for those customers converting from Interruptible to Firm service, there is no longer a need to construct distribution facilities to serve them.

2. Attachment # 2 is the Revised Project Economics. Changes to this schedule from what was originally filed are summarized below:
 - a) There are additional revenues in the early years of the economic analysis;
 - b) The costs to connect new customers are reduced since there are fewer new customers requiring distribution facilities;

- c) 2013 rates have been used in the revenue calculation; and,
 - d) With these changes, there is no longer a customer contribution required.
- 3. Union is proposing to sign the new contract customers prior to construction of the proposed pipeline, and will convert the existing contracts from Interruptible to Firm service when their current term expires.
 - 4. With this updated information Union respectfully submits that the Board Staff submission that the \$2 Million contribution from the greenhouse growers be collected prior to the start of construction is no longer applicable.

Conditions of Approval

- 5. Union does not object to the proposed conditions of approval being included as part of the Board's order in this proceeding.

Conclusion

- 6. Based on the above information and Board Staff support for the project, Union requests that the Board approve the project in a timely manner.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated: March 8th, 2013

Mark Murray
Manager, Regulatory Projects and Land Acquisitions

ATTACHMENT # 1

CONTRACTED AND FORECASTED CUSTOMER GROWTH

			Interruptible Distribution Service (# of acres)	Firm Distribution Service (# of acres)	Conversion from Interruptible to Firm (# of acres)	Start Date Requested
	Contract	1			7	November 2013
		2			10	November 2013
		3			4	November 2013
		4	12			December 2013
		5	20	20	25	November 2013
		6		4		November 2013
		7		1.5		November 2013
		8	30			November 2013
		9		10		November 2013
		10			6	November 2013
		11			10	November 2013
		12			7	November 2013
		13			2.5	November 2013
		14		5.2	8.2	November 2013
		15			3	November 2013
		16			8	November 2013
		17			14	November 2013
		18			8	November 2013
		19			23	November 2013
		20			6.7	November 2013
		21			5	November 2013
		22			7	November 2013
		23			10	November 2013
		24			6	November 2013
		25			15	November 2013
		26			6.5	November 2013
		27			12	November 2013
		28			4	November 2013
		29			26	November 2013
		30			16	November 2013
		31			3.4	November 2013
		32			30	November 2013
		33			14	November 2013
		34			24	November 2013
		35		4		November 2014
		36	20			November 2014
		37	9	8		December 2014
		38		32		November 2015
		39	12			December 2015
	TOTAL		103	84.7	321.3	

ATTACHMENT # 2

Project Information Summary Overall Leamington Project.

Rate Area: UnionSouth
Description: 509 Firm acres attachment.
Division: Windsor
Project Number: No project number supplied
Comments: 509 firm acres available.

DCF Economic Results Base Case	
Profitability Index	1.18
Net Present Value	1,771,530
Total Project ROE	19.79%
5 yr PBR Cash Flow ROE *	19.79%
First yr. of Corp. Revenue Sufficiency	1

Sensitivities on DCF Base Case			
Capital		Volume	
Less 5 %	Add 5 %	Less 5 %	Add 5 %
1.24	1.13	1.18	1.18
2,215,535	1,327,524	1,771,530	1,771,530
23.09%	16.75%	19.79%	19.79%
23.09%	16.75%	19.79%	19.79%
-	-	-	-

Cumulative Discounted Cash Flows:

Inflows \$ 11,610,173
 Outflows \$ 9,838,644

Revenue (Deficiencies)/Sufficiencies:	2013	2014	2015	2016	2017	Final Year
Company Total	\$ 280,862	\$ 755,404	\$ 937,871	\$ 1,027,200	\$ 1,029,078	\$ (688,249)
Residential Class	n/a	n/a	n/a	n/a	n/a	n/a
Per Residential Customer	n/a	n/a	n/a	n/a	n/a	n/a
Earnings Before Interest and Taxes *	\$ 273,897	\$ 1,260,832	\$ 1,446,512	\$ 1,535,262	\$ 1,535,102	
Financial Statement Earnings *	\$ 256,744	\$ 858,587	\$ 990,359	\$ 1,047,708	\$ 1,040,149	
Financial Statement ROE *	45.57%	25.27%	29.38%	31.96%	32.73%	

Aid Information

Total amount of contribution required for desired PI of --> **0.80** \$ -
 Remaining amount of contribution after lump sum for desired PI \$ -

Input Summary

	2013	2014	2015	2016	2017	Total Project
Number of Attachments	1	1	1	-	-	3
Gross Capital Expenditures	\$ 9,434,319	\$ 370,029	\$ 39,284	\$ -	\$ -	\$ 9,843,632
Contribution In Aid of Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Capital	\$ 9,434,319	\$ 370,029	\$ 39,284	\$ -	\$ -	\$ 9,843,632
Project Life	13					
Discount Rate	5.10%					
In Service Month:	Nov					
Rate Inflator	0.00%					
Inflation Factor	0.00%					

Prepared by: mrountre
 Approved by:
 Reviewed by:

DREAM Version: 2013 DREAM--v01