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August 6, 2013

**VIA COURIER and EMAIL**

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

**Re: Enbridge Gas Distribution Inc. ("Enbridge")**
**EB-2010-0241Torbram Rd. Replacement Project**
**Conditions of Approval - Financial Monitoring Report**

In the Ontario Energy Board's Decision issued on January 20, 2011, the Conditions of Approval required Enbridge to file a Post Construction Financial Report with the Board within 15 months of the in-service date. The final in-service date for the Torbram Rd. Replacement project was September 6, 2012 and requires Enbridge to file the financial report before the end of December 2013.

Enclosed please find the financial report for the Torbram Rd. Replacement project.

Any future developments will be communicated to the Board.

If you have any questions, please contact the undersigned.

Yours truly,

(Original Signed)

Stephanie Allman
Regulatory Coordinator

cc: Pascale Duguay, Manger, Facilities Applications, Ontario Energy Board (via courier and email)

EB-2010-0241

Torbram Road Relocation Project

Post-Construction Financial Report on Costs and Variances

August 6, 2013

## Introduction

Enbridge Gas Distribution Inc. (“Enbridge”) applied to the Ontario Energy Board (the “Board”) on September 30, 2010 for an Order granting Leave to Construct approximately 270 metres (“m”) of NPS 12 steel extra high pressure (“XHP”) natural gas pipeline to accommodate the proposed grade separation of Torbram Road and the Weston Subdivision railway tracks in The City of Mississauga (“City”).

The Board assigned file number EB-2010-0241 to this application and issued a favourable decision on January 20, 2011.

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

## Project Summary

As indicated in the response to Board Staff interrogatory #3, this project which is the subject of this application is part of a more extensive work required to accommodate the grade separation.  This report applies to the project work for this application only. Pipeline construction activities commenced in July 2012 and were completed in September 2012.

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 $3.1 million is less than the original estimate of $3.9 million reported in EB-2010-0241, Exhibit E, Tab1, 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**

Torbram Relocation Project

| Item No. | Breakdown | Budgeted Cost | Actual Cost | Variance |
|---|---|---|---|---|
| 1.0 | Material Cost | $324,317 | $342,746 | +6% |
| 2.0 | Pipeline Installation Costs | $2,073,314 | $1,712,840 | -17% |
| 3.0 | External Cost | $303,532 | $232,240 | -23% |
| 4.0 | Land Costs | $114,790 | $280,394 | +144% |
| 5.0 | Overheads | $637,639 | $562,834 | -12% |
| 6.0 | Contingency | $425,093 | $0 | n/a |
| 7.0 | Total Relocation Cost | $3,896,686 | $3,131,054 | -20% |
| 8.0 | Re-billable | $3,615,258 | $2,692,707 | -26% |

The total estimated project cost included an 11% contingency to account for costs that were unforeseeable at the time of filing. This project was completed 20% under budget with contingency included, and 10% under budget with contingency excluded. A rationale for the variances is listed below.

1.0 The final Material costs were 6% higher than expected. The difference between the budgeted and actual Material costs can be attributed to an extra by-pass line that was required, and therefore, the acquisition of an extra set of fittings. The original estimate had made an assumption that only one by-pass line would suffice, and therefore, had accounted for the materials for only one by-pass line.

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 our contractors. The final costs were slightly lower than expected. The contractor engaged on the project had permanent operations presence in the Mississauga area, and was therefore able to utilize and capitalize on existing local infrastructures and efficiencies.

3.0 The actual external costs were 23% lower than expected. Due to the close proximity of the pipeline to the CN Railway tracks, railway monitoring costs were originally included as part of the budgeted costs. After examining the permitting criteria closer, it was discovered that railway permitting costs were not required.

4.0 The difference between the budgeted and actual Land costs can be attributed to the large proportion of temporary easements required in additional to permanent easements. For permanent easements, it is easier to estimate accurately since the estimates are based on current market values. For temporary easements, each situation is unique and the temporary lease rate is negotiated with the landowner. In this case, the lease rate CN Rail requested was much higher than what we had originally estimated. The CN temporary lease agreement also had to be renewed for a second lease term since the first targeted construction date had to be pushed out due to the other temporary and permanent easement agreements still requiring more time for negotiations and closings.

5.0. Overhead charges for this particular project were roughly estimated using a fixed percentage of total project costs referenced in the Operational Agreement that is in place between Enbridge and The City of Mississauga. Actual overhead charges are calculated using a series of pre-specified formulas, so some variance between a rough estimate and actuals would be expected. Since the project was completed under budget, it would also be expected that the actual overheads will be lower than originally budgeted.

6.0 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.

7.0 As mentioned earlier, the actual total relocation cost came in 20% under budget with contingency included, and 10% under budget with contingency excluded.

8.0 Cost sharing for this project was calculated based on taking a combination of a 35% re-billable (35/65 split as per the Operational Agreement between Enbridge Gas and The City of Mississauga) of the direct project costs for the portions of the relocated pipe falling inside the municipal road allowance, and a 100% re-billable of the direct project costs for the portions of the relocated pipe falling outside the municipal road allowance. The difference between the budgeted and actual Re-billable costs is one that is lower by 26% and it can be attributed to two factors: i) the budgeted cost sharing is based on taking a percentage of the estimated overall project cost; the actual cost sharing is based on taking a percentage of the actual overall project cost, which is 20% lower than originally budgeted, and ii) the budgeted cost sharing calculations were estimated using an assumption of a 30m wide road allowance; the actual road allowance was later confirmed to be 56.5m wide. Therefore, the portion originally estimated to be re-billable at 35% was increased, and the portion that was originally estimated to be re-billable at 100% was decreased.

## Conclusion

Favorable labour and material costs, construction conditions and effective management resulted in completion of the project at a cost $766K lower than the original estimate.

The cost sharing with the City has been settled per the arrangement in Exhibit I Tab 1 Schedule 3.