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February 12, 2014

**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-2011-0323 Alliston Reinforcement Project**  
**Conditions of Approval - Financial Report**

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In accordance with Section 1.5 of the Conditions of Approval in the Ontario Energy Board's Decision dated January 23, 2012, enclosed please find the Post Construction Financial Report for the above noted proceeding.

If you have any questions, please contact the undersigned.

Yours truly,

(ORIGINAL SIGNED)

Bonnie Jean Adams  
Regulatory Coordinator

cc: Zora Crnojacki, OPCC Chair (via email)  
Pascal Duguay, Manger, Facilities Applications, Ontario Energy Board (via email)

EB-2011-0323

Alliston Pipeline Reinforcement Project

Post-Construction Financial Report on Costs and Variances

February 12, 2014

Introduction

Enbridge Gas Distribution Inc. ("Enbridge") filed an application with the Ontario Energy Board (the "Board") on September 29, 2011, under section 90 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B for an order granting leave to construct approximately 9.0 kilometers of 203 millimeter diameter (Nominal Pipe Size 8 inch) Extra High Pressure steel pipeline (the "pipeline") to reinforce the existing natural gas delivery system in the Alliston Ontario area.

The Board assigned the file number EB-2011-0323 to this application and granted leave to construct on January 23, 2012.

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

Project Summary

Pipeline construction activities commenced in July 2012 and were completed in December 2012. Most of the restoration activities were completed in 2013. Construction was monitored during the project to ensure appropriate measures were implemented to mitigate any environmental impacts. Final restoration activities may be required in the spring of 2014 as communicated in the Interim Monitoring Report filed with the Board in May of 2013. Once the snow has melted this spring, the results of the clean-up program and status of existing restoration will be examined for additional work that may be required. Enbridge projected an estimate of \$200,000 for the outstanding spring restoration in the actual Pipeline Installation amount shown in Table 1 on the following page. These costs include expenses related to erosion control and re-seeding (i.e., erosion blanketing, topsoil installation, hydro-seeding, and hydro-excavation as needed). The actual costs reported within this report assume that restoration expenses amounting to \$200,000 will be incurred in 2014.

Cost and Variance Reporting

The actual project cost of \$4.2 million is less than the submitted estimate of \$5.3 million reported in EB-2011-0323, Exhibit C, Tab 2, 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

Alliston Pipeline Reinforcement Project

Item No.	Breakdown	Budgeted Cost	Actual Cost	Variance
1.0	Material Cost	\$ 978,449	\$ 875,473	-11%
2.0	Pipeline Installation Costs	\$ 2,837,838	\$ 2,873,757*	1%
3.0	External Cost	\$ 640,214	\$ 249,410	-61%
4.0	Overheads	\$ 222,825	\$ 151,716	-32%
5.0	Contingency	\$ 668,474	\$ -	-100%
6.0	Total Project Cost	\$ 5,347,800	\$ 4,150,356*	-22%

\* This cost includes the preliminary estimate of \$200,000 for outstanding restoration costs that may be incurred after a spring examination of re-vegetation progress. The life to date cost for Pipeline Installation is \$2,673,757.

The total estimated project cost included a 15% contingency to account for costs that were unforeseeable at the time of filing. This project was completed 22% under budget with contingency included, and 11% under budget with contingency excluded. The rationale for variances is as follows:

- 1.0 The final Material Costs were \$102,976 or 11% lower than expected. The majority of this difference can be attributed to the difference in the price of steel between the time the estimate was created and the time the steel was purchased.
- 2.0 Pipeline Installation Costs (excluding the additional restoration) are currently approximately \$164,000 or 6% lower than anticipated. Enbridge negotiated a Lump Sum contract with a third party to complete the work. Contract scope changes and associated costs were minimal due to a well-defined initial scope and the rural nature of the installation area. As previously noted, after examining the re-vegetation progress in the spring, additional restoration expenses are expected to be incurred in 2014. With an estimate of \$200,000 for additional restoration, the actual cost for Pipeline Installation will be approximately or \$36,000 or 1% higher than originally anticipated.
- 3.0 The Actual external costs were \$390,804 or 61% lower than estimated. The estimate provided was based on hiring third party inspection personnel. Considerable cost savings were achieved by assigning internal inspection resources to the project.

4.0 Overhead costs were approximately \$71,000 under budget. Construction went smoothly, management was effective, and minimal additional support was required.

5.0 Contingency was not required on the project.

#### Conclusion

The existing natural gas delivery system in the Alliston, Ontario area has been successfully reinforced. Additional restoration efforts are likely to be required in 2014, adding to the total Pipeline Installation Cost. Assuming additional restoration costs will amount to \$200,000, it is concluded that favourable labour and material costs, construction conditions, use of internal inspection resources, and effective management resulted in completion of the project at a cost \$1.2 million lower than the original estimate.