

May 27, 2014

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2013-0365 - Union Gas Limited – 2014 Rates – Leamington Expansion Pipeline Project Evidence**

As per Procedural Order No. 4, please find attached Union's evidence related to the Leamington Expansion Pipeline Project.

Should you have any questions, please contact me at 519-436-5476.

Yours truly,

*[Original Signed by]*

Chris Ripley  
Manager, Regulatory Applications

cc: Crawford Smith (Torys)  
EB-2013-0365 Intervenors

1 The purpose of this evidence is to explain Union's contracting practice with respect to the  
2 Leamington Expansion Pipeline Project (the "Leamington Line"). The evidence provides an  
3 overview of Union's application for leave to construct the Leamington Line, followed by a  
4 description of Union's contracting practice in relation to the Leamington Line.

5  
6 **The Leamington Line Application (EB-2012-0431)**

7 The application and evidence (the "Application") in relation to the Leamington Line was filed by  
8 Union on November 23, 2012. A copy of the Application is attached at Appendix A.

9  
10 In response to requests for additional natural gas service from greenhouse growers in the  
11 Leamington area, Union was seeking an Order from the Board under section 90(1) of the Act for  
12 leave to construct approximately 8.5 km of NPS 12 natural gas pipeline in the Municipality of  
13 Leamington, and the Town of Lakeshore in the County of Essex.

14  
15 In July, 2012 Union issued an Expression of Interest ("open season") to the market area to  
16 determine the level of interest for the Leamington Line, and to provide prospective customers  
17 with an expected cost per acre that would be attributed to the customers requesting service. The  
18 cost referenced was \$10,300 per acre for interruptible service and \$20,500 per acre for firm  
19 service.

20  
21 The open season was well received and provided Union with an understanding of the potential  
22 growth in the greenhouse market in the area. The results of the open season guided Union's

1 forecast of loads and costs. Based on these forecasts, Union prepared a discounted cash flow  
2 (“DCF”) analysis pursuant to the Board’s E.B.O. 188 Guidelines. Union’s revenue forecast was  
3 based on ten years of gas use from the customer group. Customers were forecast to attach to the  
4 Leamington Line during the first three years that the line was in service. Revenue in the DCF  
5 was for ten years from the year of attachment. For example, year one additions had revenue  
6 through year ten and year three attachments had revenue from year three to year 13. The  
7 economics of the Application were based on recovering the cost of the Leamington Line by  
8 allocating the cost to each acre of new greenhouse gas load.

9  
10 As initially filed in the Application, the revenue forecast for the ten year period and the  
11 forecasted costs resulted in a profitability index (“PI”) of less than 1.0. The evidence determined  
12 an aid to construct of \$2.092 million would be needed for a PI of 1.0.

13  
14 Board Staff filed its written submission on February 27, 2013. A copy of this submission is  
15 attached at Appendix B. Despite its overall support, it was Board Staff’s position that the  
16 Application should not be approved absent the upfront payment of the aid to construct. As Board  
17 Staff stated at p. 4:

18 *“Board staff submits that given the stated purpose of the Proposed Pipeline is*  
19 *commercial in nature, namely to provide additional natural gas service to greenhouse*  
20 *growers, Union should be required to receive the \$2 million contribution from*  
21 *greenhouse growers before constructing the Proposed Pipeline. This would ensure that it*  
22 *meets a P.I. of 1.0 and there is no cross-subsidization from other ratepayers to support*  
23 *commercial operations.”*  
24

1 During the submission period, Union updated its DCF analysis to reflect changes in forecast  
2 costs associated with the Leamington Line and updated information with respect to the timing of  
3 attachments and the relative portion of those attachments which were anticipated to request firm,  
4 as opposed to interruptible, service. While the ten year revenue term did not change, the above  
5 changes did result in an updated PI for the Leamington Line of 1.18. Union filed its reply  
6 submission on March 8, 2013. Union's reply submission is attached at Appendix C. In its  
7 submission, Union provided its updated DCF analysis. At p.2 of its submission, Union argued  
8 that:

9 *"With this updated information Union respectfully submits that the Board Staff*  
10 *submission that the \$2 Million contribution from the greenhouse growers be collected*  
11 *prior to the start of construction is no longer applicable."*  
12

13 The Board approved Union's Leamington Line leave to construct on March 28, 2013. The  
14 Board's Decision is attached at Appendix D. In its Decision, the Board noted at p. 5:

15 *"In its reply submission, Union indicated that capacity has now been substantially*  
16 *allocated in the first year of the project and that a greater percentage of existing*  
17 *customers are forecasted to switch from interruptible to firm service than what was*  
18 *originally forecasted, resulting in fewer new customers requiring additional distribution*  
19 *facilities.*  
20

21 *The impact of these changes, in Union's submission, is that there are now additional*  
22 *revenues in the early years of the economic analysis as well as lower costs since there is*  
23 *no longer a need to construct new distribution facilities.*  
24

25 *Union submitted that based on these changes, the calculated P.I. is 1.182 and the \$2*  
26 *million contribution from the greenhouse growers to be collected prior to the start of*  
27 *construction is no longer required.*  
28

29 *The Board accepts Union's evidence on the cost estimates and will not require Union to*  
30 *collect a contribution from greenhouse growers prior to constructing the Proposed*  
31 *Pipeline."*  
32

Union did not require an upfront aid to construct the Leamington Line. However, consistent with its updated DCF analysis Union did require a contractual revenue commitment from customers in order for Union to construct the Leamington Line. Absent a commitment from customers, Union would be at risk if customers did not attach to the Leamington Line or did not consume gas as forecast.

Following approval of the leave to construct application, Union began the process of contracting with customers for the type of service (firm and interruptible) and quantity of gas specific to each customer. This process is described further below.

### **Overview of Contracting Practice**

In relation to each customer, the following steps were undertaken.

1. Site specific costs of the distribution capital for each customer were estimated. This represents the cost to connect the customer to the distribution system. The cost could be as low as zero if the customer's existing station has capacity and the distribution pipe supplying the station has sufficient capacity. If insufficient capacity existed in either, a cost was estimated.
2. A proportionate cost of the Leamington Line at \$9,000 per acre for interruptible customers and \$18,000 per acre for firm customers, as updated for the DCF analysis in Union's reply submission at Appendix C, was added to the cost. The sum of the distribution costs and the Leamington Line are the costs.

1        3. The forecasted net revenue was calculated as the rate multiplied by volume for a given  
2        term, less the estimated annual O&M per customer. The rates came from the applicable  
3        rate schedule. The volume and term (subject to a maximum of 10 years) was selected by  
4        the customer.

5        The net present value (“NPV”) of the net revenue versus the NPV of the cost determines if the  
6        customer has a PI of at least 1.0 for their circumstances.

7  
8        **Minimum Annual Volume (“MAV”)**

9        As the name implies, the MAV refers to the contractual annual volume commitment made by a  
10       customer to Union.

11  
12       The customer selects the MAV. The customers’ knowledge of their business and risk tolerance  
13       will impact their choice for MAV. Union prepares the PI calculation based on the net revenue  
14       attributed to the MAV parameters for a term of 10 years. If the PI is greater than 1.0, Union will  
15       calculate the minimum number of years required for a PI 1.0 and advise the customer. Typically,  
16       customers select the shortest term possible.

17  
18       The average term chosen by customers on the Leamington Line is seven years. The minimum  
19       term is one year because of certain qualifying parameters in Rate M4 and Rate M5. The  
20       difference between the MAV as the qualifying requirement in the Rate Schedule and the MAV in  
21       the customers’ contract is, as set out above, the need for customer commitment to a net revenue

1 equal to recover their share of the cost of service. Put differently, the MAV reflects a  
2 commitment to a revenue stream required to offset Union's upfront cost of providing service.

3  
4 Absent an appropriate MAV, the revenue forecast underpinning the Leamington Line would be  
5 at risk. This could result in Union's other customers subsidizing the cost of the Leamington Line  
6 – the concern identified by Board Staff in its submission above.

7  
8 **Aid to Construct**

9 An aid to construct is an incremental cash payment, typically in advance, in addition to the rates  
10 for service.

11  
12 If a customer chose not to commit to an MAV for their share of the Leamington Line costs, the  
13 customer had the choice to pay the \$9,000 or \$18,000 per acre cost as an aid. Only one customer  
14 chose to pay their allocated cost of the Leamington Line up front rather than commit to a  
15 minimum term beyond one year.

16  
17 **Communication Subsequent to the Application**

18 Following approval of the Application by the Board, Union and the Ontario Greenhouse  
19 Vegetable Growers' Association exchanged correspondence further describing the steps outlined  
20 above. Copies of this correspondence are attached at Appendix E.

1    **Summary**

2    The contracting practice followed by Union in relation to the Leamington Line was appropriate  
3    and consistent with the approach taken by Union in connection with other distribution facility  
4    expansions and the Board's E.B.O. 188 Guidelines. The MAV chosen by the customer is a  
5    contractual commitment to the revenue forecast that underpins the economics of the Leamington  
6    Line. The contractual commitment is consistent with the customer's request for service through  
7    the open season process.

8  
9    Union provides flexibility for the customer to choose the term (number of years) for the revenue  
10   commitment. The required total revenue is the annual revenue (MAV) multiplied by the number  
11   of years. An increase or decrease in the MAV has a corresponding opposite change in the  
12   minimum term.

13  
14   Absent a contractual commitment by the greenhouse growers, Union would not have constructed  
15   the Leamington Line. As noted in interrogatory B12.9S, Union is currently considering the  
16   feasibility of another loop of the Leamington line to respond to customer demand. Feasibility of  
17   this looping would be dependent upon customer commitments (MAV or comparable financial  
18   commitment and term of revenue stream) consistent with the loop completed.





November 23, 2012

BY RESS and 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**

Enclosed please find two copies of Union's Application and pre-filed evidence for the above-noted project.

Please note that Schedule 12 – Environmental Report is not included in the electronic filing. A CD of Schedule 12, along with hard copies will be provided in our hard copy filing which we will be forwarding by courier. The same will also be available on our website.

In the event that you have any questions on the above or would like to discuss in more detail, please do not hesitate to contact me at 519-436-4601.

Sincerely,

[original signed by]

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

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

## **ONTARIO ENERGY BOARD**

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

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### **UNION GAS LIMITED**

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1. Union Gas Limited (the "Applicant") hereby applies to the Ontario Energy Board (the "Board"), pursuant to Section 90(1) of the Ontario Energy Board Act (the "Act"), for an Order granting leave to construct approximately 8.5 kilometres of NPS 12 natural gas pipeline (the "Proposed Pipeline"), in the Municipality of Leamington and the Town of Lakeshore, in the County of Essex.
2. Attached hereto as Schedule "A" is a map showing the general location of the proposed pipeline and the municipalities, highways, railways, utility lines and navigable waters through, under, over, upon or across which the proposed pipeline will pass.
3. The construction of the Proposed Pipeline will allow the Applicant to serve the growing greenhouse market in the Municipality of Leamington.
4. The Applicant requests that this Application be dealt with in accordance with Section 34 of the Board's Rules of Practice and Procedure for written hearings.

5. The Applicant now therefore applies to the Board for an Order granting leave to construct the proposed pipeline as described above.

Dated at Municipality of Chatham-Kent this 23rd day of November, 2012.

  
\_\_\_\_\_  
Per: Dan Jones,  
Assistant General Counsel for  
Union Gas Limited

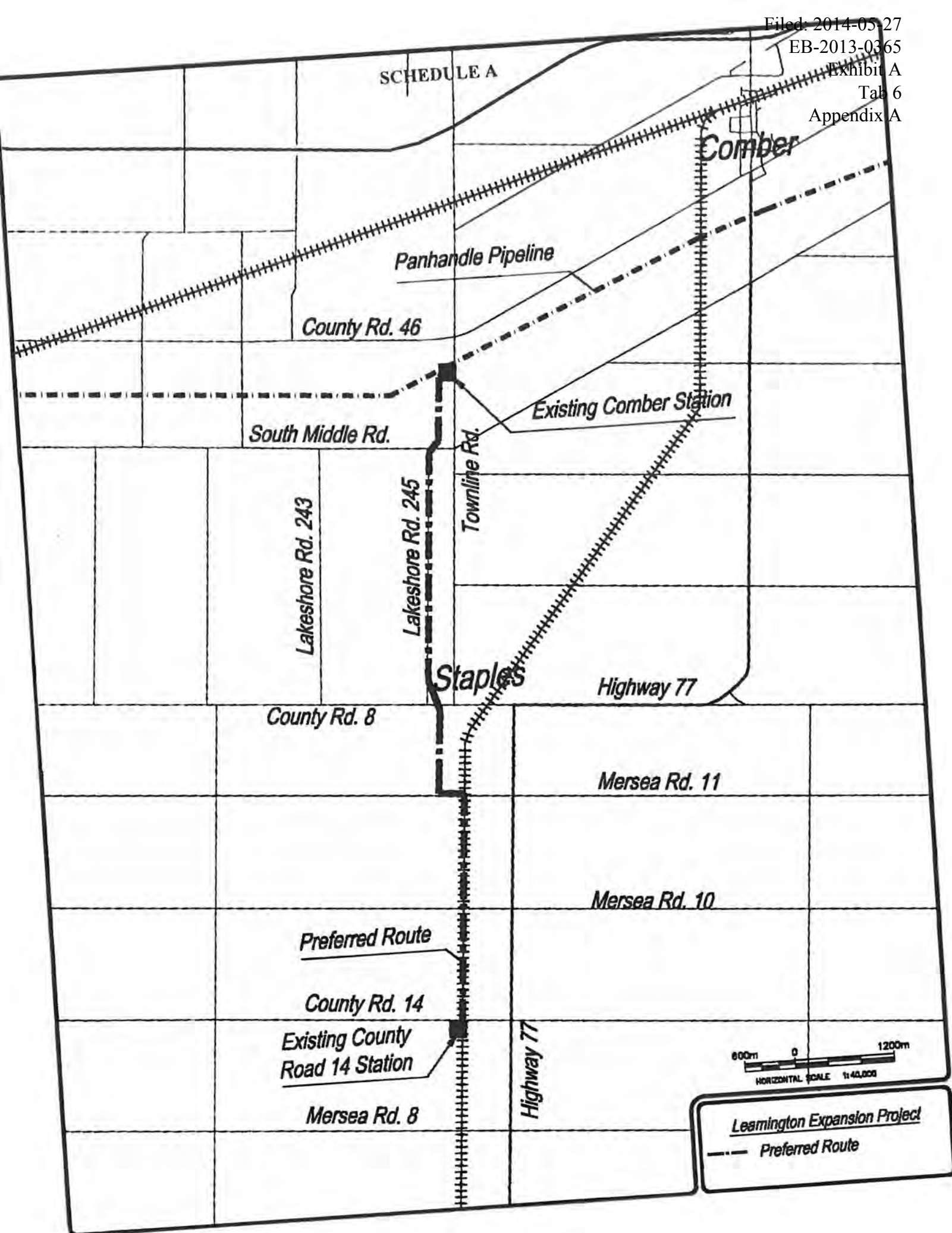
Comments respecting this Application should be directed to:

Mark Murray  
Manager, Regulatory Projects & Lands Acquisition  
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N7M 5M1  
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## Leamington Expansion Pipeline Project

### Applications

Leave to Construct

### Prefiled Evidence

<b>Project Summary .....</b>	<b>1</b>
<b>Need for Pipeline .....</b>	<b>2</b>
<b>Facilities Planning .....</b>	<b>3</b>
<b>Project Costs and Economics .....</b>	<b>5</b>
<b>Pipeline Design and Construction .....</b>	<b>7</b>
<b>Environmental Matters .....</b>	<b>10</b>
<b>Land Matters .....</b>	<b>12</b>
<b>First Nation and Métis .....</b>	<b>14</b>

Schedule 1 -	Letters of Support identifying Growth Potential
Schedule 2 -	Open Season Package
Schedule 3 -	Contracted and Forecasted Customer Growth
Schedule 4 -	Existing High Pressure System
Schedule 5 -	Existing Local Distribution Network
Schedule 6 -	Potential Routes Considered
Schedule 7 -	Estimated Pipeline Capital Costs
Schedule 8 -	Estimated Station Costs
Schedule 9 -	Discounted Cash Flow
Schedule 10 -	Construction Schedule
Schedule 11 -	Design and Pipe Specifications
Schedule 12 -	Environmental Report
Schedule 13 -	OPCC comments
Schedule 14 -	Estimated Environmental Costs
Schedule 15 -	Map – Running Line/Permanent and Temporary land rights
Schedule 16 -	Permanent and Temporary Lands
Schedule 17 -	Easement Form
Schedule 18 -	Complaint Resolution System
Schedule 19 -	First Nations and Métis correspondence

## PROJECT SUMMARY

1. In response to requests for additional natural gas service from greenhouse growers in the Leamington area, and to ensure the continued efficient operation of the Union Gas Limited (“Union”) pipeline system, Union is seeking an Order under Section 90(1) of the Ontario Energy Board Act for leave to construct approximately 8.5 kilometers of NPS 12 natural gas pipeline in the Municipality of Leamington, and the Town of Lakeshore in the County of Essex.
2. The Leamington system can be broken down into two components: the high pressure system, and the low pressure local distribution network (“Leamington System”). The purpose of this project is to reinforce the high pressure system, 8.5 km of NPS 12 natural gas pipeline (the “Proposed Facilities”) as shown on Schedule A in Union’s Application. There will be no customers directly connected to this pipeline. Customers are spread out throughout the local distribution network and will be connected to the distribution system following normal new business guidelines.
3. Union has entered into negotiations with 18 customers that account for 51% of the capacity of the Proposed Facilities. Union will continue to sign contracts with growers until the Proposed Facilities are at full capacity.
4. The total capital costs of the Proposed Facilities, including all pipeline and station costs, are estimated to be approximately \$8,200,000.00.
5. An economic analysis has been completed for the Projects. This analysis shows that, with a contribution from the growers, the Proposed Facilities have a positive profitability index which, combined with other factors identified in paragraph 41 demonstrates that the construction project is in the public interest.
6. The economic analysis that has been completed includes the Proposed Facilities and any distribution facilities required to connect all contracted and forecast customers. As the project does not have a PI of 1 an aid to construct will be required.
7. An Environmental Report (“ER”) has been prepared for the Proposed Facilities. The ER concludes that there will be no significant environmental impacts associated with construction

1 of the Proposed Facilities given Union's standard construction procedures and the mitigation  
2 measures recommended in the ER.

- 3 8. The contracted customers require natural gas service for November 1, 2013. Union plans to  
4 construct the Proposed Facilities during the summer 2013 season in order to allow  
5 construction of the pipeline during favourable weather conditions. Therefore, Union  
6 respectfully requests the timely approval of this application by March 2013.

7  
8 **NEED FOR PIPELINE**

9 ***MARKET REQUIREMENTS***

10 ***Overview***

- 11 9. Union has received a number of requests for firm and interruptible natural gas service from  
12 greenhouse growers in the Leamington, Kingsville, Mersea Township and Gosfield South  
13 Township area.
- 14 10. These requests have come from new greenhouse operations, greenhouses that operate on fuels  
15 other than natural gas, and from growers who want to switch from interruptible service to firm  
16 natural gas service. Schedule 1 provides a letter of support from the Corporation of the  
17 Municipality of Leamington.
- 18 11. In order to determine the level of interest in natural gas service, Union held an open season to  
19 allow growers and other users of natural gas to express their interest in natural gas service. A  
20 copy of the open season package can be found at Schedule 2.
- 21 12. As part of the open season Union placed advertisements in local newspapers, held customer  
22 meetings with both growers and energy marketers, and notified all contract greenhouse  
23 customers. The open season was very well received, and provided Union with a clear  
24 understanding of the potential growth in the greenhouse market
- 25 13. There are 18 customers, representing 21% of the Union's contract rate greenhouse growers,  
26 that have entered into negotiations with Union ("Contract Customers"). This represents 51%



of the capacity of the Proposed Facilities. Schedule 3 identifies the individual customers who are in contract negotiations with Union.

14. Some growers have identified that they do not require additional natural gas service at the present time but will require additional service in the near future ("Forecast Customers"). Schedule 3 also indicates the forecasted greenhouse growth for the next 3 years.

15. While it is possible to only build for the Contract Customers that have shown an interest in the open season, a more practical and economic approach is to build for the Contract and Forecast Customers.

16. The customers are aware that Union will follow its new business guidelines regarding connection to the distribution system which may include the collection of an aid to construct.

17. The Forecast Customers will also follow these guidelines when they connect to the system. This may include an aid to construct to cover the cost of constructing both the high and low pressure systems.

## **FACILITIES PLANNING**

### ***Existing Facilities***

18. The Leamington and Kingsville pipeline system consists of two distinct components. There is a high pressure system and a local distribution network. The high pressure system is supplied by Union's NPS 20 Panhandle Line and operates at a maximum operating pressure (MOP) of 6040 kPag. Downstream of this high pressure system is the local distribution network which provides natural gas service to the customers in the Leamington and Kingsville area. The local distribution network consists of a 1900 kPag MOP system and a 420 kPag MOP system.

19. There are three high pressure pipelines that serve the Leamington and Kingsville local distribution network. The NPS 6 Essex Line was constructed in 1958, the NPS 8 North Leamington Line was constructed in 1968, and the NPS 8 Leamington North Reinforcement Line ("Mersea Line") was constructed in 1997.

20. The existing Leamington and Kingsville high pressure system is shown on Schedule 4. The local distribution network is shown on Schedule 5.

21. Due to tremendously strong growth in the greenhouse market in the Leamington and Kingsville area over the past couple of years, the high pressure system is currently at capacity on a peak day. Union is not able to connect any additional firm customers to the local distribution network without reinforcement of the high pressure system.

### ***Proposed Facilities***

22. Union is seeking approval for an Order to leave to construct for approximately 8.5 km of NPS 12 high pressure pipeline. These facilities would loop the existing North Leamington Line from the Comber Transmission Station to the County Road 14 Station. The proposed pipeline will be constructed on road allowance from the NPS 20 to County Road 8 and on the abandoned railroad corridor south of County Road 8.

23. As the purpose of the Proposed Facilities is to provide more gas to the local distribution network, there will be no customers attached directly to the Proposed Facilities.

24. There will be modifications at the Comber Transmission Station and a connection to the North Leamington Line at the County Road 14 Station to facilitate the Proposed Facilities.

25. The proposed pipeline is designed to a maximum operating pressure of 6040 kPag.

26. Customers who were successful in the open season will be attached to the local distribution network. There may be some additional pipeline and station facilities required to attach these customers to the local distribution network. Facilities required to connect new greenhouse customers are typically smaller diameter plastic and steel pipelines that do not require a leave to construct application. These individual facilities are reviewed on a customer by customer basis as per the new business attachment guidelines.

27. Union has completed a Facilities Business Plan ("FBP") for the reinforcement of the high pressure pipeline system and the local distribution network. The FBP identifies some larger diameter pipelines to reinforce the local distribution network. The FBP has also identified future phases of the high pressure system reinforcement, if greenhouse growth continues at the current rate. Union will seek future Orders for leave to construct as growth develops on the system.

## ***Alternatives Considered***

28. To reinforce the high pressure pipeline system, Union considered three different starting points on the NPS 20 Panhandle Line as the source of gas for this project. The Leamington North Reinforcement Line/NPS 20 Panhandle Valve site, the Comber Transmission Station and a point east of Comber Transmission Station near Highway 77 which follows the abandoned railway corridor. The three potential routes are shown on Schedule 6.
29. The Comber Transmission Station was selected for the following reasons:
- It is the lowest cost option due to the ability to utilize an existing station at the take off;
  - It had the opportunity for alternative routes that would provide the shortest route from the Panhandle system to the area requiring reinforcement; and,
  - It provides the ability to utilize part of the abandoned railway corridor.
30. Several pipe sizes were considered for this project. NPS 8, 10, 12 and 16 inch nominal diameter were considered. An NPS 12 was determined to be the appropriate size based on the results of the open season and the expected growth in the area as detailed in the Facilities Business Plan.

## **PROJECT COSTS AND ECONOMICS**

### ***Project Costs***

31. The total estimated capital cost for all the facilities required for the Project including pipeline and stations is as follows:

Total Pipeline Cost (including Environmental cost)	\$6,400,000.00
Total Station Cost	<u>\$1,800,000.00</u>
Total Project Cost	<u>\$8,200,000.00</u>

32. The total estimated capital pipeline costs and station costs can be found at Schedules 7 and 8 respectively.

33. The estimated total capital cost of the project includes contingencies and interest during construction (“IDC”).

34. The estimated material cost of the pipeline of \$1,500,000.00 covers the costs of all pipe, valves, fittings, coatings, miscellaneous items and stores overheads. Estimated costs for all materials are based on past experience and recent manufacturer quotes. The stores overheads cover all warehousing and handling costs of the materials.

35. The estimated costs of construction and labour of \$4,100,000.00 covers the installation of the pipeline, valving facilities and land acquisition. The construction and labour cost estimate is based on Union’s experience with construction of similar projects.

36. The estimated costs associated with environmental measures are included in the total pipeline capital costs shown in Schedule 7. These costs are identified as pre construction-related, construction related, and post-construction related. The estimated total environmental costs are \$246,500.00.

#### ***Project Economics***

37. Union has employed an economic feasibility test consistent with the Board’s recommendations in the E.B.O. 188 Report on Natural Gas System Expansion to assess the economics of this project.

38. The Board has found that new distribution facilities are in the public interest if no undue burden is placed on existing customers. When the proposed facilities are included in Union’s 2013 new business investment portfolio the resulting Profitability Index (“PI”) would be 1.14. Similarly, including the proposed facilities in Union’s rolling portfolio as at October 2012 would result in a PI of 1.43.

39. To provide the Board with additional information, a standalone Discounted Cash Flow (“DCF”) analysis was completed. It can be found at Schedule 9. This schedule indicates that the proposed facilities have a PI of 1.0 with a contribution of \$2,092,349.00.

40. Union therefore submits that the distribution of natural gas by Union to the Leamington area is economically feasible and in the public interest.

1

2 ***Other Public Interest Considerations***

3 41. There are a number of other public interest factors for consideration as a result of the addition  
4 of the proposed facilities. These additional public interest considerations include the  
5 following:

6 **Reduced Air Emissions**

7 Natural gas, because of its cleaner-burning properties compared to other fossil fuels, has an  
8 increasingly important role to play in reducing the environmental impacts of energy use.  
9 Emissions from the combustion of natural gas are less than other fossil fuels on a per unit of  
10 energy basis.

11 **Utility Taxes** - Income and municipal taxes paid by Union as a direct result of the project are  
12 included as costs in the economic analysis. These taxes are not true economic costs of the  
13 project, but rather represent transfer payments within the economy as they are available for  
14 redistribution by the federal, provincial and municipal governments. Since these taxes have  
15 been included as a cost in the analysis, they must also be considered as a benefit in order to  
16 reflect the appropriate economic benefit on an overall basis.

17 **Employment** - The construction of this project will result in additional direct and indirect  
18 employment. There will be additional employment of persons directly involved in the  
19 construction of the project and the manufacture of pipe. There are also substantial indirect  
20 benefits or multiplier effects related to these activities. Therefore, as a result of the  
21 construction of the proposed facilities, the Ontario economy would receive a positive  
22 employment benefit.

23

24 **PIPELINE DESIGN AND CONSTRUCTION**25 ***Construction Matters***

26 42. Between the Comber Transmission and County Road 14 stations, the proposed pipeline will  
27 be constructed on easement, road allowance and an abandoned rail corridor.

43. The prime construction contractor will mobilize to the area. Access roads will be constructed to gain entry to the working area. It will be necessary to clear and grade both the easement and temporary land use areas. Topsoil will be stored in the temporary land use areas. Clearing along road allowance will also be required. Stringing trucks will deliver the NPS 12 pipe. The pipeline will then be welded, x-rayed, coated. Bending will take place if required. The trenching crew will excavate a new trench. Spoil will be placed, separate from the topsoil. The welded pipe will be lowered into the trench. Sand-padding will be installed as needed given the ground conditions. The trench will be backfilled. Watercourse crossings will be an open cut or directionally drilled. All roads crossings will be horizontally drilled if possible. Welding crews will complete all tie-ins of trenched, open-cut and bored sections. The continuous pipeline will then be cleaned, hydrostatically tested and dried. Final tie-ins will be completed at the stations and the pipeline placed into service. Final clean up of the easement and the road allowance will be completed.
44. The Proposed Facilities will be constructed using Union's standard practices and procedures and will be in compliance with the mitigation measures identified in the ER.
45. Material is readily available for the project and Union foresees no problem in obtaining contractors to complete the proposed construction. Construction contract documents will be prepared at a later date. The ER will be included as part of the contract documents.
46. Permits, approvals and authorizations are pending from the Municipality of Leamington, Town of Lakeshore, Hydro One, and the Essex Region Conservation Authorities. Union expects to receive all approvals prior to construction.

### ***Construction Schedule***

47. Schedule 10 provides the proposed construction schedule for the project. Construction of the Proposed Facilities is expected to begin in May 2013 in order to meet the requested in-service date for commissioning in November 2013 and to construct the pipeline summer weather conditions.

1 ***Design and Pipe Specifications***

2 48. All design, installation and testing of the natural gas pipelines are in accordance with the  
3 requirements of Ontario Regulation 210/01, Oil and Gas Pipeline Systems under the Technical  
4 Standards and Safety Act 2000. This regulation governs the installation of pipelines in the  
5 Province of Ontario. The minimum design and pipe specifications for the proposed NPS 12  
6 pipelines are outlined in Schedule 11.

7 49. The Ontario regulations include a classification system on land use and population density to  
8 determine the appropriate design factors.

9 50. A Class 1 location contains ten or fewer dwellings intended for human occupancy within a  
10 200 m wide strip of land on either side of the centerline of any continuous 1.6 km length of  
11 pipeline.

12 51. A Class 2 location contains more than ten but fewer than 46 dwellings intended for human  
13 occupancy within a 200 m wide strip of land on either side of the centerline of any continuous  
14 1.6 km length of pipeline. Further, a Class 2 location is designated to contain the following:

- 15 a. A building that is occupied by 20 or more persons during normal use;
- 16 b. A small, well-defined outside area that is occupied by 20 or more persons during  
17 normal use such as a playground, recreation area, outdoor theatre, or other place of  
18 public assembly; or
- 19 c. An industrial installation such as a chemical plant or hazardous substance storage area,  
20 where release of products from a pipeline could cause the industrial installation to  
21 produce a dangerous or environmentally hazardous condition.

22 52. A Class 3 location contains more than 46 dwellings intended for human occupancy within a  
23 200 m wide strip of land on either side of the centerline of any continuous 1.6 km length of  
24 pipeline.

25 53. The proposed NPS 12 pipeline is located within Class 1 locations. The pipeline is designed to  
26 meet the requirements of Class 3 locations in areas where the potential for such development  
27 exists.

54. The MOP for the proposed NPS 12 pipeline is 6040 kPag and will have an outside diameter of 323.9 millimeters.

55. The minimum depth of cover specified is 1.2 metres to the top of the pipe. Additional depth will be provided to accommodate existing or planned underground facilities, or in specific areas in compliance with the applicable regulated standards.

## **ENVIRONMENTAL MATTERS**

56. Azimuth Environmental Consulting Inc. prepared an ER for the proposed pipeline dated October 2012. The results of the ER indicate that the location of the proposed pipeline is environmentally acceptable. Union believes that by following its standard construction practices and adhering to the mitigation measures identified in the ER, construction of this project will have negligible impacts on the environment. No significant cumulative effects are anticipated from development of the proposed pipeline. A copy of the ER can be found at Schedule 12.

57. The ER was prepared in accordance with the Board's document "Environmental Guidelines for Locating, Constructing and Operating Hydrocarbon Pipelines in Ontario" [2011].

58. The objectives of the ER were to:

- a. Define a study boundary in the area of the proposed pipeline and review environmental conditions within this area;
- b. Identify pipeline route alternatives;
- c. Evaluate route alternatives and document the route selection process;
- d. Undertake detailed environmental studies of the proposed route and assess the potential environmental effects of construction and operating a pipeline along this route;
- e. Record the concerns of Provincial ministries, municipalities, conservation authorities and landowners along the proposed route;
- f. Recommend mitigation measures which minimize any adverse environmental impacts of pipeline construction; and



- 1           g. Provide pipeline contractors and the environmental inspector involved in the  
2           construction of the pipeline with general and site-specific guidelines for environmental  
3           protection that supplement Union's construction specifications.
- 4   59.   Letters were delivered to all directly and indirectly affected landowners along the preliminary  
5           preferred route and to landowners on alternative routes. Letters were either forwarded by mail  
6           or by mail drop and were provided to inform landowners of the project and of the Information  
7           Session. Also, at the same time letters were forwarded to environmental agencies,  
8           municipalities, First Nations and Métis, to inform them of the project and of the Information  
9           Session.
- 10   60.   To solicit input from the general public with respect to the project, a Notice of Information  
11           Session was published in two local papers. The Information Session, which identified a  
12           preliminary preferred route and several alternative routes along with potential mitigation  
13           measures, was held on July 24, 2012 in Comber, Ontario. The Session was attended by seven  
14           members of the public. Questions asked at this time included requests for natural gas service,  
15           traffic control, access to properties and general inquiries about the project. Discussions with  
16           attendees did not result in the identification of any concerns with the preliminary preferred  
17           route.
- 18   61.   A copy of the ER was submitted to the Ontario Pipeline Coordination Committee ("OPCC")  
19           on November 14, 2012. Also, a copy of the ER was sent to local municipalities, the Essex  
20           Region Conservation Authority, First Nations, Métis and upon request to interested parties.  
21           Directly affected landowners received a copy of the Executive Summary and will be provided  
22           a copy of the ER upon request. A summary of the comments and Union's response to  
23           concerns from agencies and interested parties will be filed, when received, as Schedule 13.
- 24   62.   The total estimated environmental mitigation costs associated with the construction of the  
25           Proposed Facilities are identified in Schedule 14. These costs are identified as pre-  
26           construction related, construction-related and post-construction related. The estimated total  
27           environmental costs are \$246,500.00.
- 28   63.   There are seven drain crossings associated with the construction of this project. Union will  
29           obtain all necessary permits associated with these crossings prior to construction.

64. When the project is constructed, the most up-to-date construction specifications will be followed.

65. Union will ensure that the recommendations in the ER, commitments and the conditions of approval are followed. An environmental inspector will monitor construction activities and ensure that all activities comply with all conditions of approval.

66. The results of the ER indicate that the environmental and socio-economic effects associated with construction of the project are generally short-term in nature and minimal. There are no significant cumulative effects as a result of this pipeline construction.

## **LAND MATTERS**

### ***Land Requirements***

67. The proposed facilities will be constructed on private easement lands, road allowances and an abandoned railway corridor owned by the Municipality of Leamington.

68. Union will be required to obtain the necessary crossing permits or agreements with local Municipalities, Conservation Authority, and other utilities along the pipeline route.

69. Union will not require any fee simple purchase of land.

70. Union has met or will be speaking with all of the directly affected landowners along the proposed pipeline route.

71. There is one private landowner that Union will require permanent land rights from for the Proposed Facilities. Union has been in contact with the landowner and will obtain a signed agreement in December 2012.

72. Union will require temporary land use for the pipeline construction from seven separate land owners. Union will be contacting and negotiating with those landowners.

73. Union has negotiated the use of the abandoned railway corridor with the Municipality of Leamington and will be obtaining a signed agreement in the next couple of months.

74. Schedule 15 is a map that shows the running line of the pipeline and the permanent and temporary land rights required for the pipeline.

***Pipeline-Related Easement Requirements***

75. Schedule 16 lists the names and addresses and identifies the permanent and temporary land use rights required to construct the proposed pipeline.

76. Union's form of easement is attached as Schedule 17 this form will be offered to all new landowners where permanent easements are required. This easement covers the installation, operation and maintenance of one pipeline. The main restrictions imposed upon the individual landowner by having this easement is that the landowner cannot erect buildings or privacy fencing in the easement. The landowner can, however, install service pipe or utility lines or develop the easement into a laneway or driveway entrance upon prior written approval by Union.

77. Temporary Land Use Agreements are usually required for a period of two years. This allows Union the opportunity to return in the year following construction to perform further clean-up and remediation work as may be required. Union will offer a form of Temporary Land Use Agreement previously approved by the Board and utilized by Union in the past on similar pipeline projects.

78. At the conclusion of construction, Union will seek a Full and Final Release from each of the directly affected landowners. This Full and Final Release will include compensation for any damages caused or attributed to the pipeline construction.

***Landowner Issues***

79. Union has implemented a comprehensive program to provide landowners, tenants, and other interested persons with information regarding the proposed pipeline. Project information was distributed through correspondence and meetings with the public.

80. For over a decade Union has had in place a comprehensive Landowner Relations program which has proven successful on other projects. The key elements of this program are a Complaint Tracking system, and the assignment on a full-time basis of a Landowner Relations

1 Agent to projects such as these to ensure that commitments made to landowners are fulfilled,  
2 to address questions and concerns of the landowners, and to act as a liaison between  
3 landowners and the contractor and company engineering personnel. Union's Complaint  
4 Resolution System will be used in this project to record, monitor, and ensure follow-up on any  
5 complaint or issue received by Union related to the construction. This process assists in  
6 resolving complaints and tracking the fulfillment of commitments. A process chart and  
7 explanatory notes that describe the Complaint Resolution System are found in Schedule 18.  
8 In addition to the Landowner Relations Agent's duties during construction, the individual  
9 assigned to this position will conduct pre-construction and post-construction interviews to  
10 capture any concerns (so that they can be resolved, if at all possible) and document specific  
11 landowner concerns and comments (so that they can be considered in the planning of future  
12 projects).

- 13 81. After construction, negotiations with landowners will continue, where necessary, to settle any  
14 damages that were not foreseen or compensated for, prior to construction.

15 **FIRST NATION AND MÉTIS**

- 16 82. Union has a long standing practice of consulting with Métis and First Nations, and has  
17 programs in place whereby Union works with them to ensure they are aware of Union's projects  
18 and have the opportunity to participate in both the planning and construction phases of the  
19 project.

- 20 83. Union has an extensive data base and knowledge of First Nations and Métis organizations in  
21 Ontario and consults with the Tribal organizations and the data bases of the Ministry of Natural  
22 Resources, Ministry of Aboriginal Affairs and Aboriginal Affairs and Northern Development  
23 Canada to ensure consultation is carried out with the most appropriate groups.

- 24 84. Union has signed a General Relationship Agreement with the Métis Nation of Ontario which  
25 describes Union's commitments to the Métis when planning and constructing pipeline projects.

- 26 85. The following First Nations and Métis were notified by letter regarding the Project on two  
27 separate occasions.

Chief Liz Cloud	Chippewas of Kettle and Stony Point First Nations
Chief Chris Plain	Aamjiwnaang First Nation
Chief Joseph Gilbert	Walpole Island First Nation
Chief Louise Hillier	Caldwell First Nation
Chief Greg Peters	Moravian of the Thames First Nation
Chief Richard Miskokomon	Chippewa of the Thames First Nation
Chief Patrick Waddilove	Munsee Delaware First Nation
Chief Joel Abrams	Oneida First Nation
Melanie Paradis	Director of Lands, Resources and Consultation Métis Nation of Ontario

1

2 86. Union conducted formal consultations with the following First Nations and the Métis Nation  
3 for the Project:

4           ○ Caldwell First Nation

5 87. The consultation included:

6           ○ April 27, 2012 phone call with Chief Hillier regarding this project

7           ○ Formal meeting with Chief Hillier and Caldwell First Nation Councilors to review  
8 this project.

9 88. Copies of the correspondence that were sent to the First Nations and Métis groups can be found  
10 in Schedule 19.

11 89. The following issues were raised as part of the consultations process:

12           ○ Caldwell First Nation did not bring up anything specific to this project but we were  
13 informed that in the future they will be securing lands to create their Reserve as part  
14 of their Land Claim settlement but not likely in the area of the Pipeline

15

- 1     90.     Union proposed to address these concerns in the following manner:
- 2                     ○ Union will discuss Permit requirements to have pipe on Reserve lands once Caldwell
- 3                     First Nation secures their lands.
- 4     91.     During construction, Union has inspectors in the field who are available to First Nation's and
- 5                     Métis organization as a primary contact to discuss and review any issues that may arise during
- 6                     construction.
- 7     92.     When Union completes the necessary archaeological assessments for the project Union will
- 8                     consult with and provide the result of the surveys to any First Nations or Métis upon their
- 9                     request.



# THE CORPORATION OF THE MUNICIPALITY OF LEAMINGTON

111 Erie Street North, Leamington, ON, Canada N8H 2Z9  
Telephone (519) 326-5761 • Fax (519) 326-2481

Filed: 2014-05-27  
EB-2013-0365  
Exhibit A  
Tab 6  
Appendix A  
**OFFICE OF THE MAYOR**  
**John Paterson**  
Email: jpaterson@leamington.ca

November 21, 2012

Union Gas Limited  
3840 Rhodes Drive  
Windsor, ON  
N9A 6N7

Attn: Mark Egbedeyi-Emmanuel, District Manager, Windsor/Chatham

Dear Mr. Egbedeyi-Emmanuel:

RE: Leamington Reinforcement Line Project

Leamington is very supportive of Union Gas' Leamington Reinforcement Line Project and is encouraged that this initiative is being considered by the Ontario Energy Board.

The Municipality relies heavily on the greenhouse sector which contributes significantly to employment in the region. The sector has expanded dramatically in the last five years and this growth is expected to continue as the sector works to address market demands. In order to keep pace with this expansion, the new pipeline is essential. It will allow not only the greenhouse sector to operate effectively, but it will also help the municipality in its investment attraction programs, and future residential growth.

The Municipality has enjoyed a long and extremely amicable relationship with Union Gas and appreciates their efforts to provide the best, most cost effective and modern service delivery to our businesses and residents.

We look forward to the completion of this very important project.

Yours truly,

John Paterson  
Mayor

JP/kms  
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## **Union Gas Leamington Pipeline Expansion Project Expression of Interest in Gas Service for Commercial and Industrial Customers**

Union Gas is seeking expressions of interest in gas distribution service from new and existing commercial and industrial customers, to support a proposed new 12-inch diameter pipeline to be built in the Leamington and Kingsville area.

Firm and Interruptible distribution service would be available beginning as early as Nov. 2013, contingent on sufficient market support and approval of the pipeline project by the Ontario Energy Board. Services include:

1. Firm distribution service (265 new acres) to greenhouses in Leamington and Kingsville area
2. Interruptible distribution service (141 new acres) to greenhouses in Leamington and Kingsville area
3. Conversion of customers from Interruptible distribution service to Firm distribution service (103 existing acres) for greenhouses in Leamington and Kingsville area

This offer excludes individual customer specific costs required to serve specific customers such as customer station costs, customer service lateral cost and extensions.

This offer closes at 12 p.m. EDT on July 27, 2012. Completed Expression of Interest Bid Forms must be returned on or before 12 p.m. EDT on July 27, 2012.

For information on this project or to submit a binding expression of interest, see the "What's New" section on [www.uniongas.com/business](http://www.uniongas.com/business).

### **Project Contacts:**

John Squazzin Union Gas Account Manager 519 436-5478 <a href="mailto:jsquazzi@uniongas.com">jsquazzi@uniongas.com</a>	Jeff Blunt Union Gas Account Manager 519 436-5298 <a href="mailto:jblunt@uniongas.com">jblunt@uniongas.com</a>
--	---



**Union Gas Limited**

**Expression of Interest for**

**Leamington Expansion Project**

July 6, 2012

To serve a growing demand for natural gas in the Leamington and Kingsville area, Union Gas is proposing to build a new 12-inch diameter pipeline from the existing Union Gas Comber Station located on Townline Road just south of County Road 46 to an existing Union Gas station located along County Road 14 (see attached map).

The "*Leamington Expansion Project*" will provide additional capacity to serve an equivalent of 509 acres of greenhouses in the Leamington and Kingsville, area.

Union Gas is pleased to announce a binding expression of interest for Firm and Interruptible distribution service on the proposed new pipeline, beginning as early as November 2013.

Development of this project is contingent on sufficient market support and approval of the project by the Ontario Energy Board (OEB).

**Proposed Services:**

Capacity would be available for the following three services, depending on market support:

- 1) *Firm distribution service (265 New Acres) to greenhouses in the Leamington and Kingsville area; and***
- 2) *Interruptible distribution service (141 New Acres) to greenhouses in the Leamington and Kingsville area; and***
- 3) *Conversion of customers from Interruptible distribution service to Firm distribution service (103 Existing Acres) for greenhouses in the Leamington, and Kingsville area.***

This offering does not include the individual customer specific costs that are required to serve specific customers such as customer station costs, customer service lateral cost and extensions. This offering is only for the facilities shown in the attached map.

This Open Season closes at **12:00 p.m. EDT on July 27, 2012.**

**1. Service Description and Details:**

**Term:**

As this expansion project requires a significant capital investment and is being constructed during a period of changing gas supply dynamics, the term of these agreements is to be a minimum of one year contractual commitments and or upfront payment for capacity. The facilities, rates and services included in this binding Expression of Interest will be subject to OEB approval.

**2. Submitting a Binding Expression of interest**

If you wish to participate in the ***Leamington Expansion Project***, please complete, sign and return the Expression of Interest via email or fax to:

ATTN: Jeff Blunt or John Squazzin  
Email: llajoie@uniongas.com  
Fax: 613-634-4541

**Completed forms must be returned on or before 12 p.m. EDT on July 27, 2012**

**Expression of Interest Process:**

This binding Expression of Interest is being offered to assist Union Gas with determining facility design requirements to meet market needs. Union Gas will acknowledge customers bid in writing or e-mail on or before 4 p.m. EDT on July 31, 2012. Union Gas in its sole discretion reserves the right to reject any and all proposals received.

The returned forms will be time stamped by the date on the fax or e-mail date.

Union will evaluate awarding of capacity on a first come first serve basis and when capacity is required. Earliest start date is November 1, 2013 and the term the customer is willing to commit to for the service.

Successful bidders will be expected to execute a Union Gas Distribution Contract within two years of Union Gas receiving OEB approval to build the facility. The bidders will also submit an irrevocable letter of credit or cash payment by the end of August 30, 2012. Once a contract has been executed, the letter of credit will be returned.

If one of the three services mentioned above is sold out, and capacity is still available for the other services, Union Gas reserves the right to contact the next customer in line based on the received faxed date and time to offer this customer one of the unsold services.

Any suggested Conditions Precedent that the Customer proposes should be clearly articulated and attached to the bid form and will be considered during the capacity allocation process. Successful participants in the Expression of Interest will be expected to submit a letter of credit or make cash payment by August 30, 2012.

To discuss the Letter of Credit in more detail, contact your Account Manager or Jeff Blunt or John Squazzin.

Union Gas anticipates allocating capacity to successful bidders and executing the associated contracts no later than August 30, 2012.

If you have any questions about the *Leamington Expansion Project*, please contact:

Jeff Blunt, Account Manager, Greenhouse Markets, (519) 436-5478;  
jblunt@uniongas.com

John Squazzin, Account Manager, Greenhouse Markets, (519) 436-5298;  
jsquazzi@uniongas.com

**Expression of Interest BID FORM**

**Page 1 of 1**

Please complete, sign and return this Expression of Interest Bid Form on or before 12:00 p.m. EDT on July 27, 2012, via email or fax to:

**ATTN: Jeff Blunt or John Squazzin** via

**Email:** llajoie@uniongas.com

**or Fax:** 613-634-4541

**This is a binding bid, subject to specified conditions precedent.** The purpose of the Leamington Expansion Project is for Union Gas to determine the facility design requirements to support market needs. Union Gas will determine whether or not to proceed with offering any of the services defined in the Leamington Expansion Project based on the assessment of the results from this Expressions of Interest by signing and returning this Distribution Service Bid Form,

Customers may submit one bid form. Please indicate your requirements below:

**Expression of Interest Binding Bid:**

- ☐ Interruptible Distribution Service; number of acres requesting \_\_\_\_\_ acres (\$10,300/acre)
- ☐ Firm Distribution Service; number of acres requesting \_\_\_\_\_ acres (\$20,500/acre)
- ☐ Conversion of customers from Interruptible distribution service to Firm distribution service; number of acres requesting \_\_\_\_\_ acres (\$20,500/acre)

TOTAL (Interruptible, Firm + Conversion) Acres \_\_\_\_\_

☐ Non Greenhouse Applications \_\_\_\_\_ m<sup>3</sup> /hour (\$ 205/m<sup>3</sup> /hour).

Start Date ☐ Nov 1, 2013 or \_\_\_\_\_ ☐ (m/d/yr)

Customer's Condition Precedence:

Method of Providing commitment

☐ Cash payment Amount: \_\_\_\_\_ or ☐ Letter of Credit Amount: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

**CUSTOMER LEGAL NAME** \_\_\_\_\_

By: \_\_\_\_\_

Signature:

E-mail:

Name:

Phone:

# Contracted and Forecasted Customer Growth

Filed: 2014-05-27

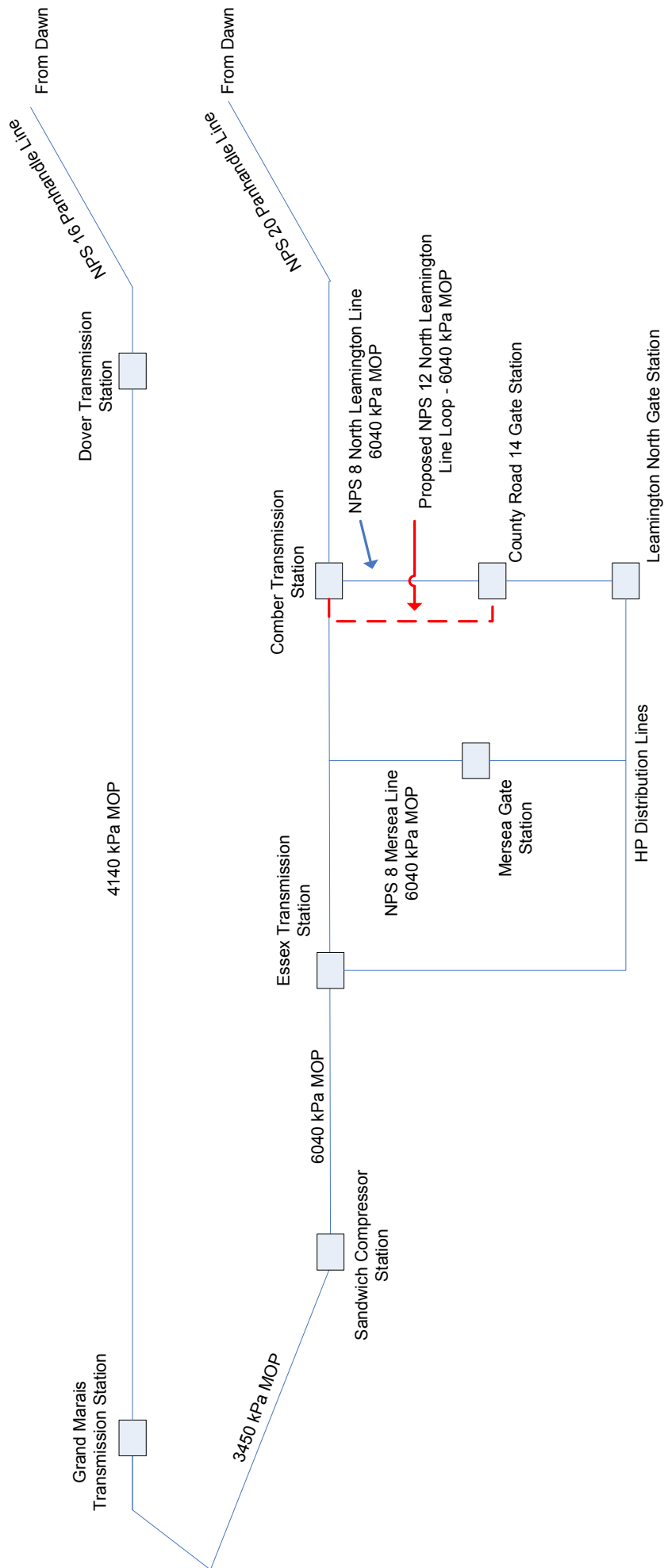
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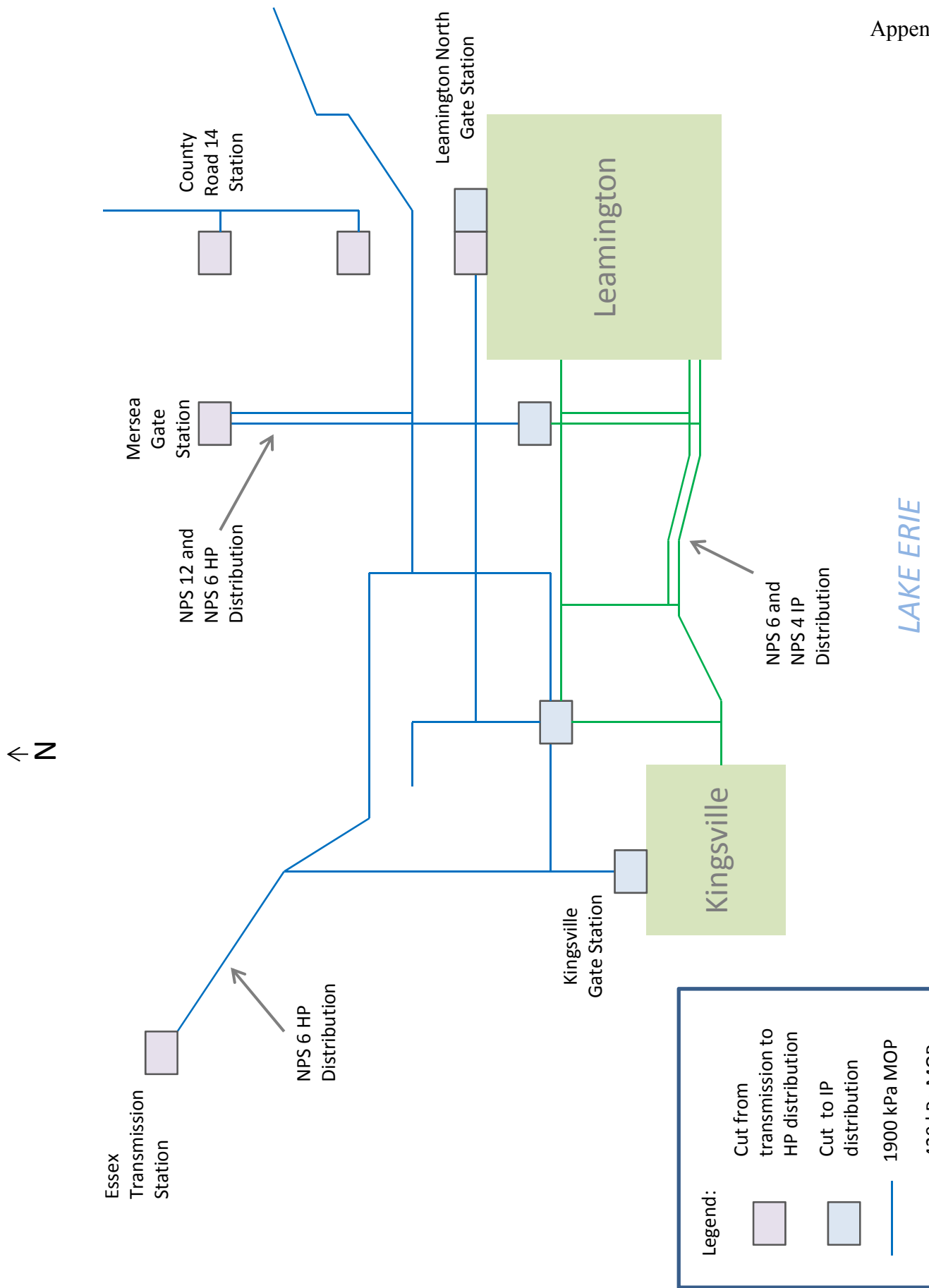
Exhibit A

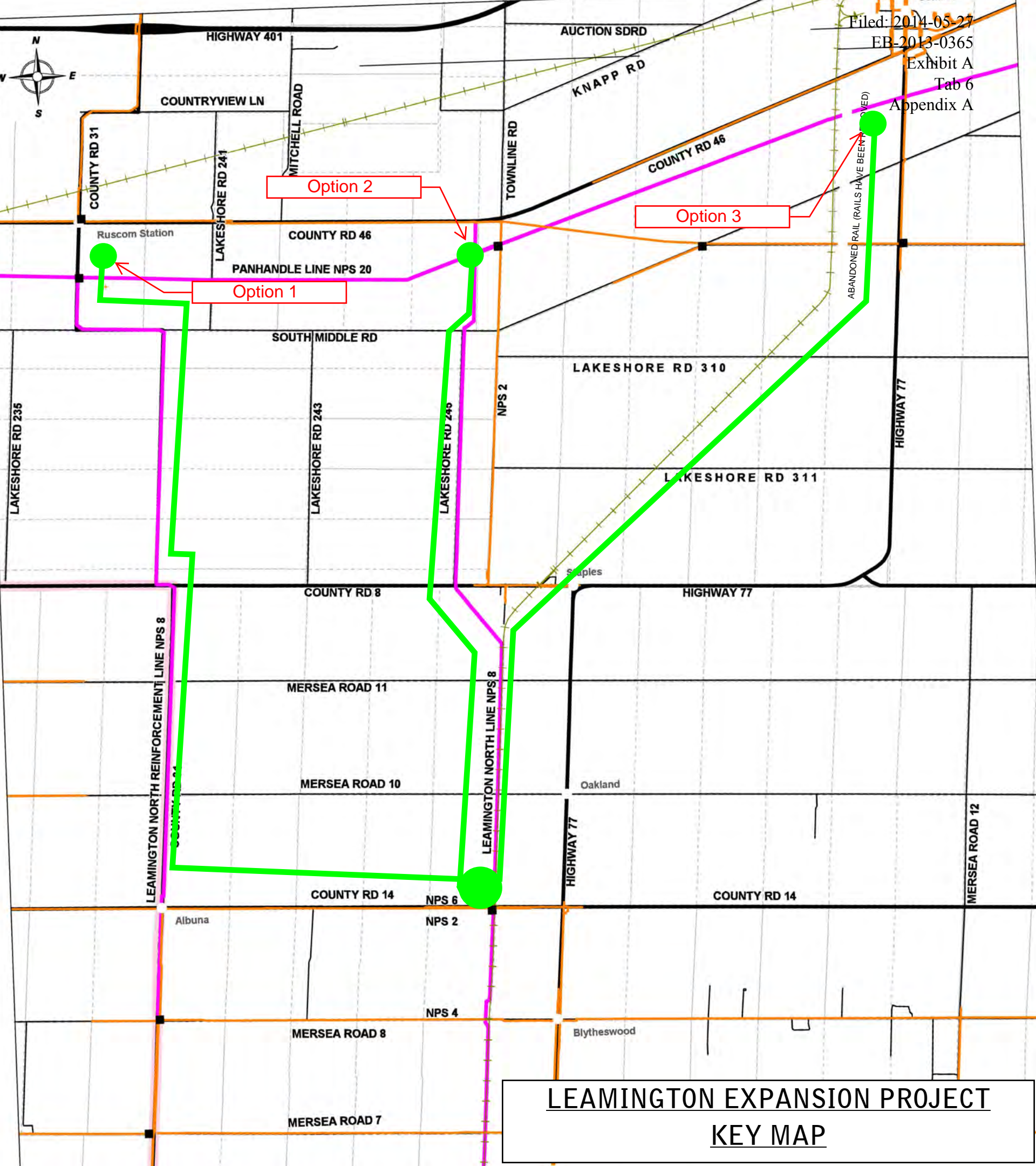
Tab 6

Appendix A  
Request

	Interruptible Distribution Service (# of acres)	Firm Distribution Service (# of acres)	Conversion from Interruptible to Firm (# of acres)	Start Date
Contract				November 2013
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			15	November 2013
13			2.5	November 2013
14		5.2	8.2	November 2013
15			5.5	November 2013
16	9	8		December 2014
17		32		November 2015
18	12			December 2015
	<b>83.0</b>	<b>80.7</b>	<b>93.2</b>	
Forecast				November 2014
1		30		November 2014
2		30		November 2014
3			15	November 2014
4	20			November 2014
5		30		November 2015
6		30		November 2015
7			15	November 2015
9		30		November 2016
10		34.3		November 2016
11			17.8	November 2016
	<b>103</b>	<b>265</b>	<b>141</b>	









**TOTAL ESTIMATED PIPELINE CAPITAL COSTS****LEAMINGTON PIPELINE PROJECT****Pipeline and Equipment**

NPS 12 Steel Pipe, Coated 8,500 metres	\$1,350,000	
Valves, Fittings and Miscellaneous Material	\$119,000	

Sub-Total	\$1,469,000	
-----------	-------------	--

Stores Overhead – Valves, Fittings and Misc. Material	\$14,000	
---	----------	--

<b>Total Pipeline and Equipment</b>		<b>\$1,483,000</b>
-------------------------------------	--	--------------------

**Construction and Labour**

Lay 8,500 metres of NPS 12 Steel Pipe	\$3,166,000	
Boring, Weights, Testing, Valving, Casing		
Miscellaneous Contract Labour		

Company Labour, X-Ray, Construction Survey, Legal, Mill Inspection and Consultants	\$534,000	
---	-----------	--

Easements, Lands, Damages & Regulatory	\$373,000	
--	-----------	--

<b>Total Construction and Labour</b>		<b>\$4,073,000</b>
--------------------------------------	--	--------------------

<b>Total Estimated Pipeline Capital Costs - 2013 Construction</b>		<b>\$5,556,000</b>
---	--	--------------------

Escalation	\$157,000	
------------	-----------	--

Contingencies	\$571,000	
---------------	-----------	--

Interest During Construction	\$108,000	
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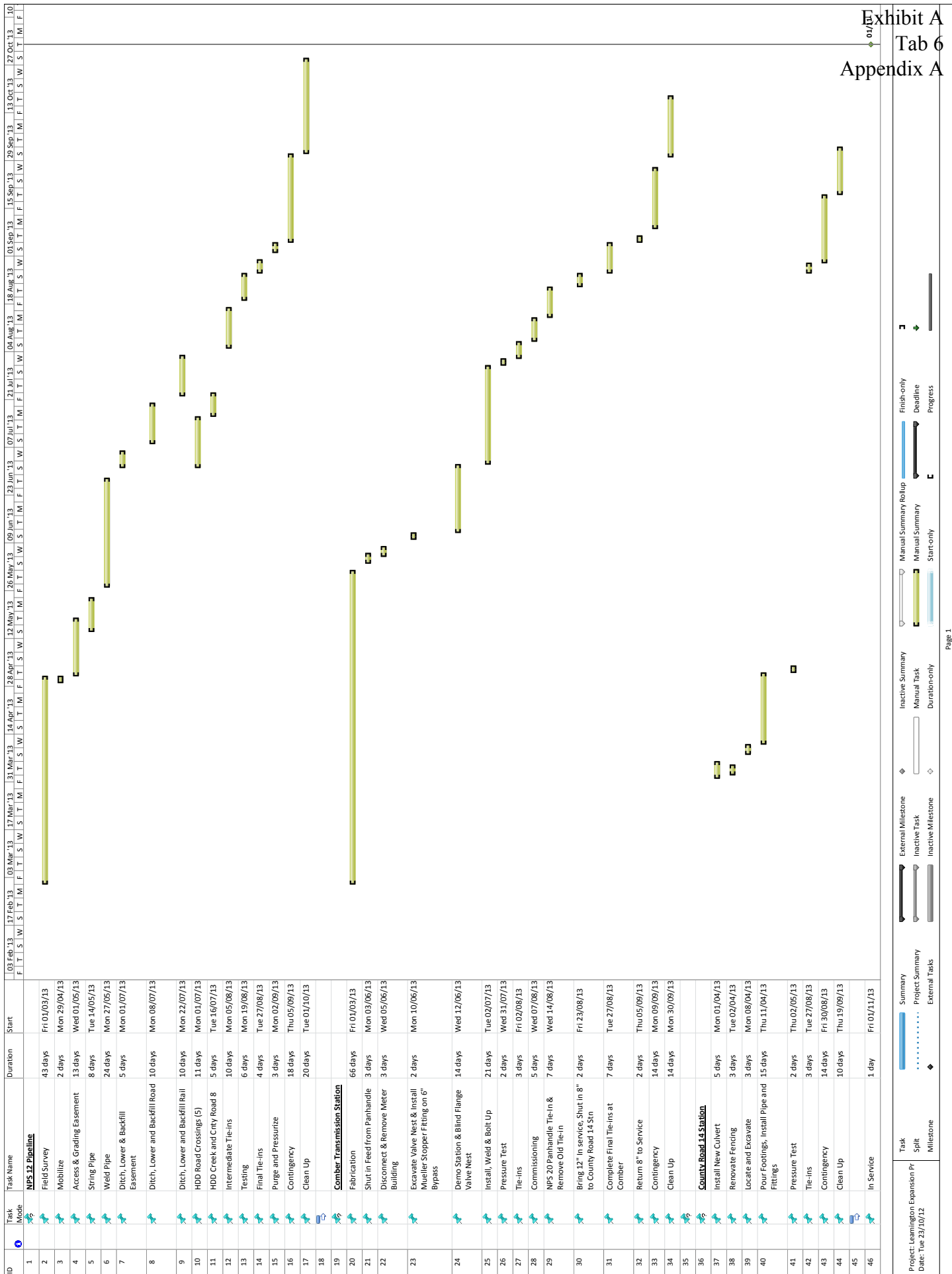
<b>Total Estimated Pipeline Capital Costs – 2013 Construction</b>		<b>\$6,392,000</b>
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Includes the Estimated Environmental Costs Identified in Schedule 14.

**TOTAL ESTIMATED STATION CONSTRUCTION COSTS****STATION MODIFICATIONS**

Station Equipment	\$743,000	
Construction and Labour	<u>\$852,000</u>	
<b>Total Station Equipment and Construction and Labour</b>		<b>\$1,595,000</b>
Escalation	\$48,000	
Contingency	\$106,000	
Interest During Construction	<u>\$29,000</u>	
<b>Total Estimated Station Capital Costs – 2013 Construction</b>		<b><u><u>\$1,778,000</u></u></b>

Profitability Index Project	1.00
1	1.00
2	1.00
3	1.00
4	1.00
5	1.00
6	1.00
7	1.00
8	1.00
9	1.00
10	1.00
11	1.00
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88	1.00
89	1.00
90	1.00
91	1.00
92	1.00
93	1.00
94	1.00
95	1.00
96	1.00
97	1.00
98	1.00
99	1.00
100	1.00



Project: Leamington Expansion Pr

Date: Tue 23/10/12

Page 1

**LEAMINGTON EXPANSION: NATURAL GAS PIPELINE PROJECT****DESIGN AND PIPE SPECIFICATIONS****Design Specifications: NPS 12**

Class Location	-	Class 1
Design Class Location	-	Class 3
Design Factor	-	0.80
Location Factor	-	0.625
Maximum Design Pressure	-	6040 kPa
Test Medium	-	Water
Test Pressure	-	Min: 9653 kPa, Max: 10343 kPa
Valves/Fittings	-	PN 100 above grade; buried fittings Grade 359, 7.1 mm wall, Cat I
Minimum Depth of Cover	-	1.2 m

**Pipe Specifications:**

Size	-	NPS-12
Wall Thickness	-	7.1 mm
Grade	-	359 MPa
Type	-	Electric Resistance Weld
Description	-	C.S.A. Standard Z245.1-02
Category	-	Cat. I, M5C
Coating	-	Yellow Jacket/Abrasion Resistant Coating
% SMYS	-	38%

**Summary of Comments**

**TO BE FILED WHEN RECEIVED**

**TOTAL ESTIMATED ENVIRONMENTAL COSTS****LEAMINGTON EXPANSION  
PROJECT****Pre-Construction**

Environmental Assessment	\$	35,000
Archaeology		15,000
Soil Sampling		10,000
Hearing Costs (Environmental Consultant)		5,000
Permits		<u>3,000</u>

**Total Pre-Construction** \$ **68,000**

**Construction**

Environmental Inspection	\$	5,000
Water Well Sampling		10,000
Stream Crossings		1,500
Site Restoration		<u>120,000</u>

**Total Construction** \$ **136,500**

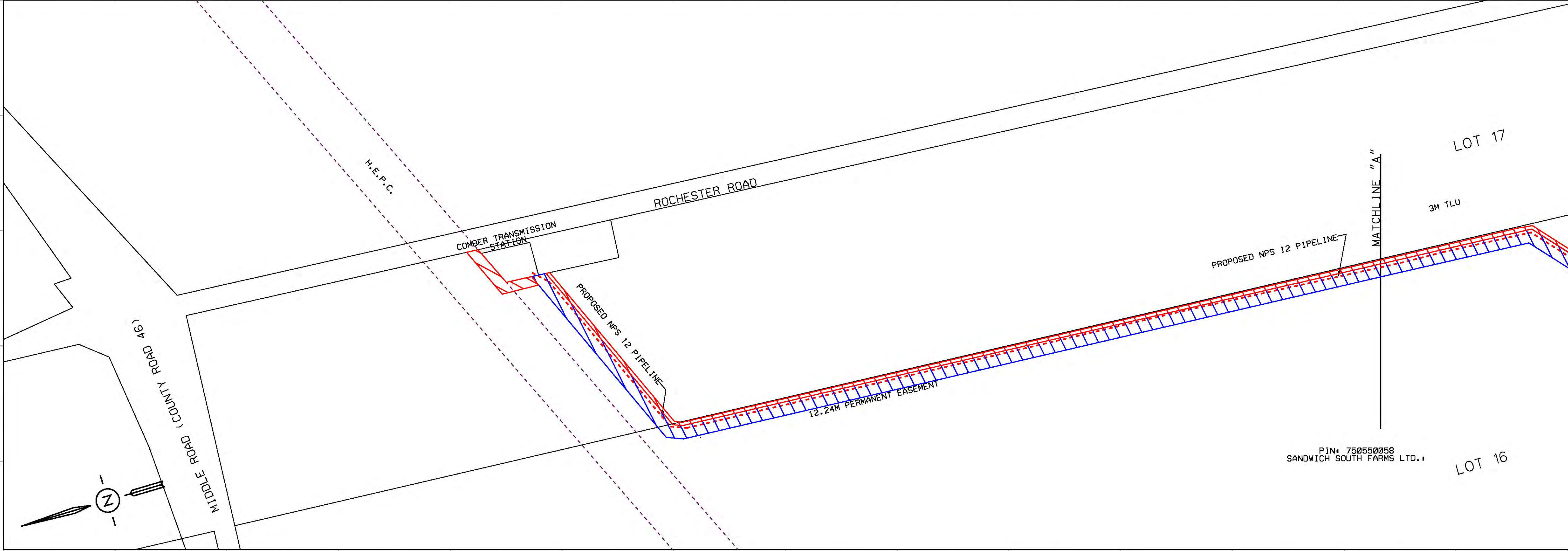
**Post Construction**


Site Restoration	\$	40,000
Environmental Inspection/Monitoring		<u>2,000</u>

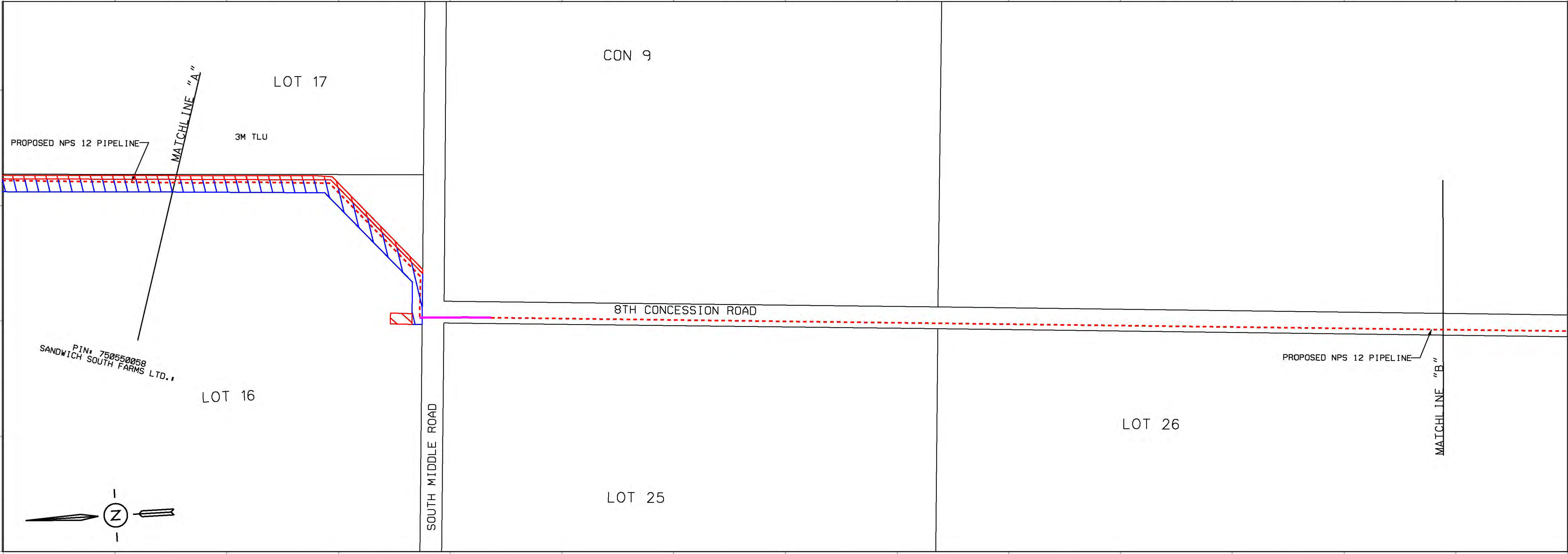
**Total Post Construction** \$ **42,000**


**Total Estimated Environmental Costs** \$ **246,500**



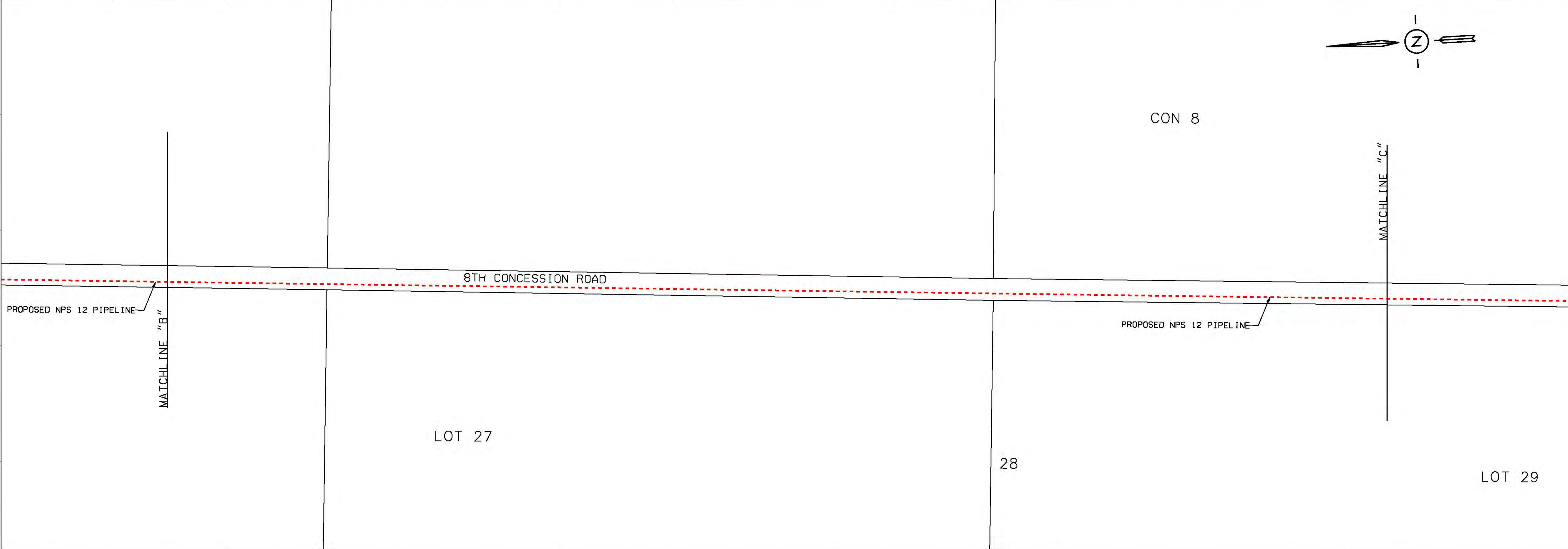



No.	DATE	BY	APPD	REMARKS	
REVISIONS					
 <b>uniongas</b> A Spectra Energy Company					
LEAMINGTON EXPANSION PROJECT					
DRAWN BY	N.R.N.		DATE	2012/11/12	
CHECKED BY			DATE	PLAT SPEC	1:2
APPROVED BY			DATE	DWG CODE	M548-GL-1.2.dgn
			DATE	JOB NUMBER	
SIZE	D		SHEET	3 of 16	
			DRAWING No.	M548-GL-1.2	

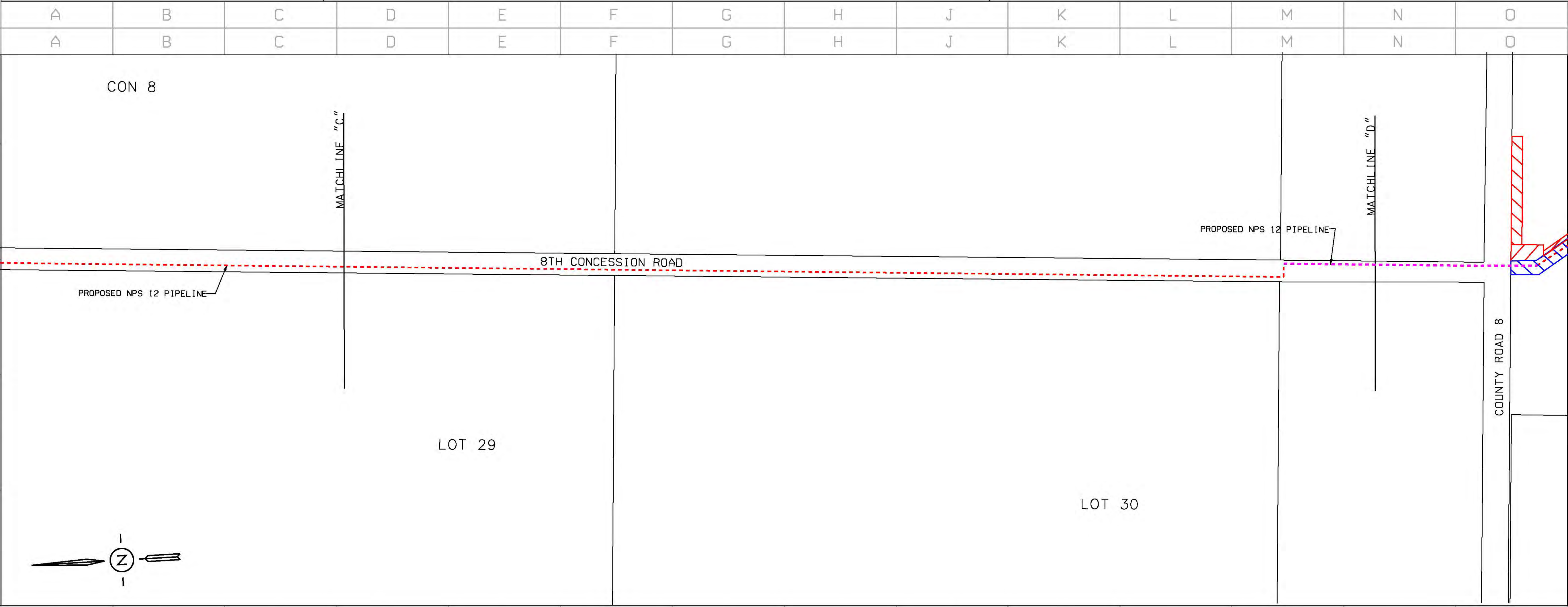



No.	DATE	BY	APPD	REMARKS	
REVISIONS					
 <b>uniongas</b> A Spectra Energy Company					
LEAMINGTON EXPANSION PROJECT					
DRAWN BY	N.R.N.	DATE	2012/11/12	PLAT SPEC	1:2
CHECKED BY		DATE		DWG CODE	M548-GL-1.2.dgn
APPROVED BY		DATE		JOB NUMBER	
SIZE	D	SHEET	4 of 16	DRAWING No.	M548-GL-1.2



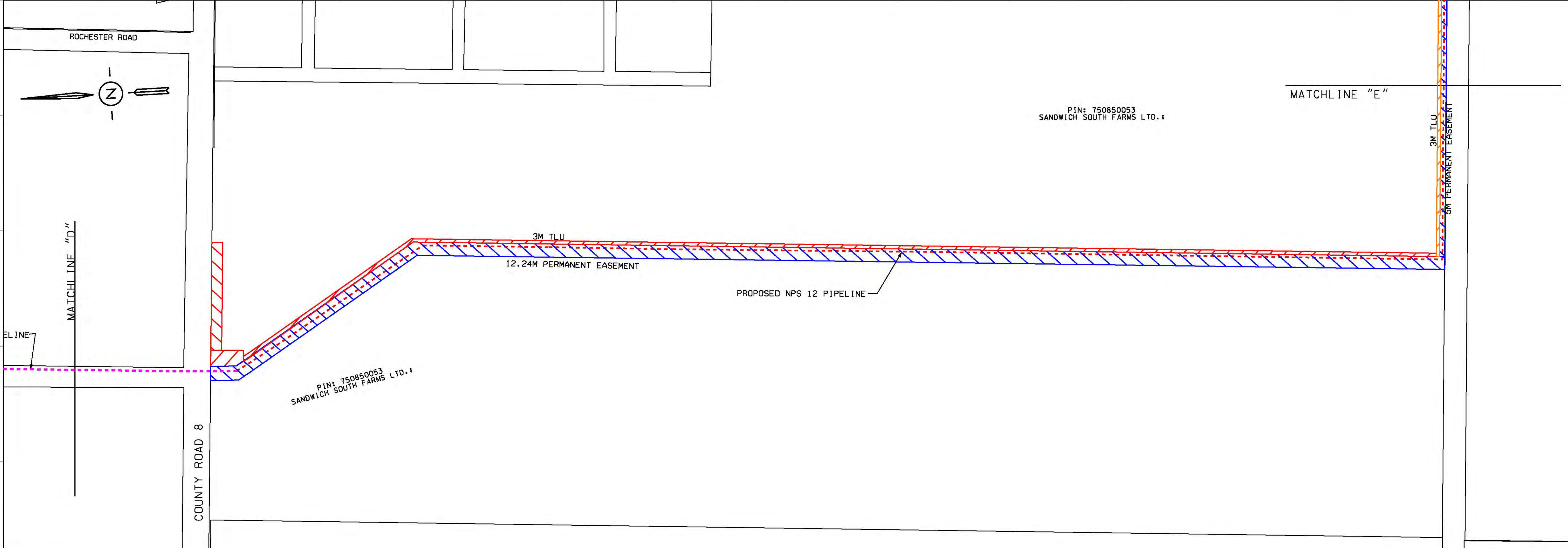



No.	DATE	BY	APPD	REMARKS	
REVISIONS					
 <b>uniongas</b> A Spectra Energy Company					
LEAMINGTON EXPANSION PROJECT					
DRAWN BY	N.R.N.	DATE	2012/11/12	PLAT SPEC	1:2
CHECKED BY		DATE		DWG CODE	M548-GL-3-4.dgn
APPROVED BY		DATE		JOB NUMBER	
SIZE	D	SHEET	3 of 8	DRAWING No.	M548-GL-3-4

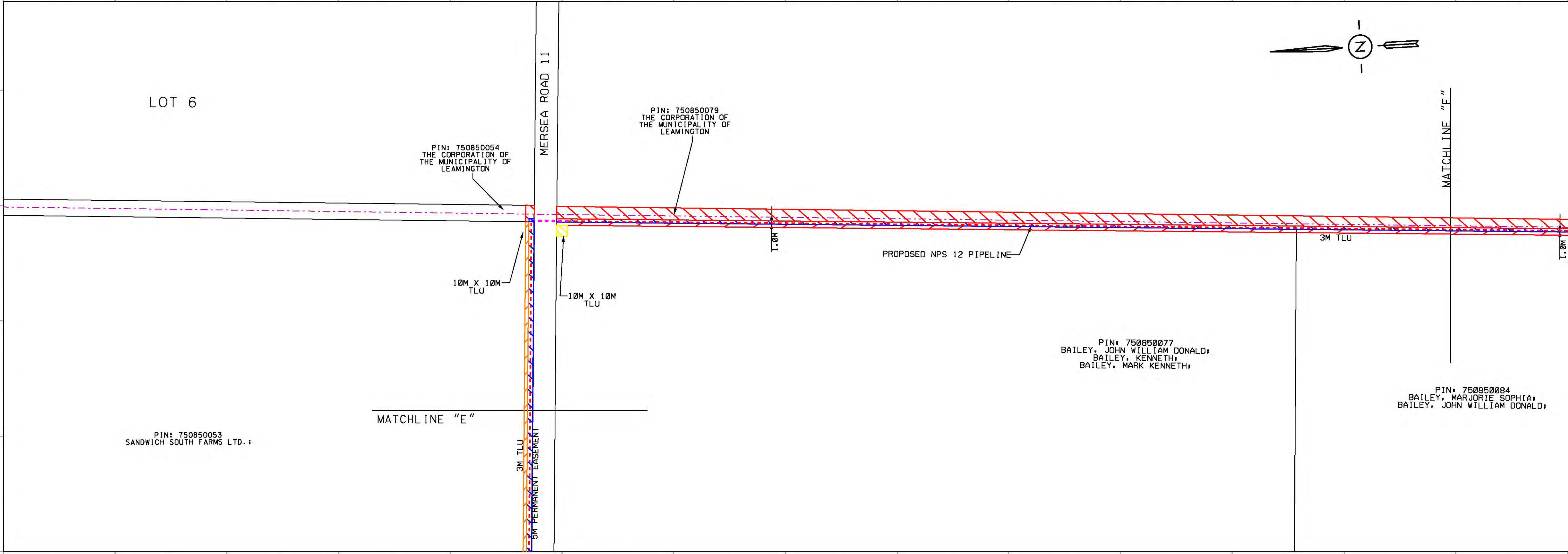



No.	DATE	BY	APPD	REMARKS	
REVISIONS					
 <b>uniongas</b> A Spectra Energy Company					
LEAMINGTON EXPANSION PROJECT					
DRAWN BY	N.R.N.	DATE	2012/11/12	PLAT SPEC	1:2
CHECKED BY		DATE		DWG CODE	M548-GL-3-4.dgn
APPROVED BY		DATE		JOB NUMBER	
SIZE	D	SHEET	4 of 8	DRAWING No.	M548-GL-3-4



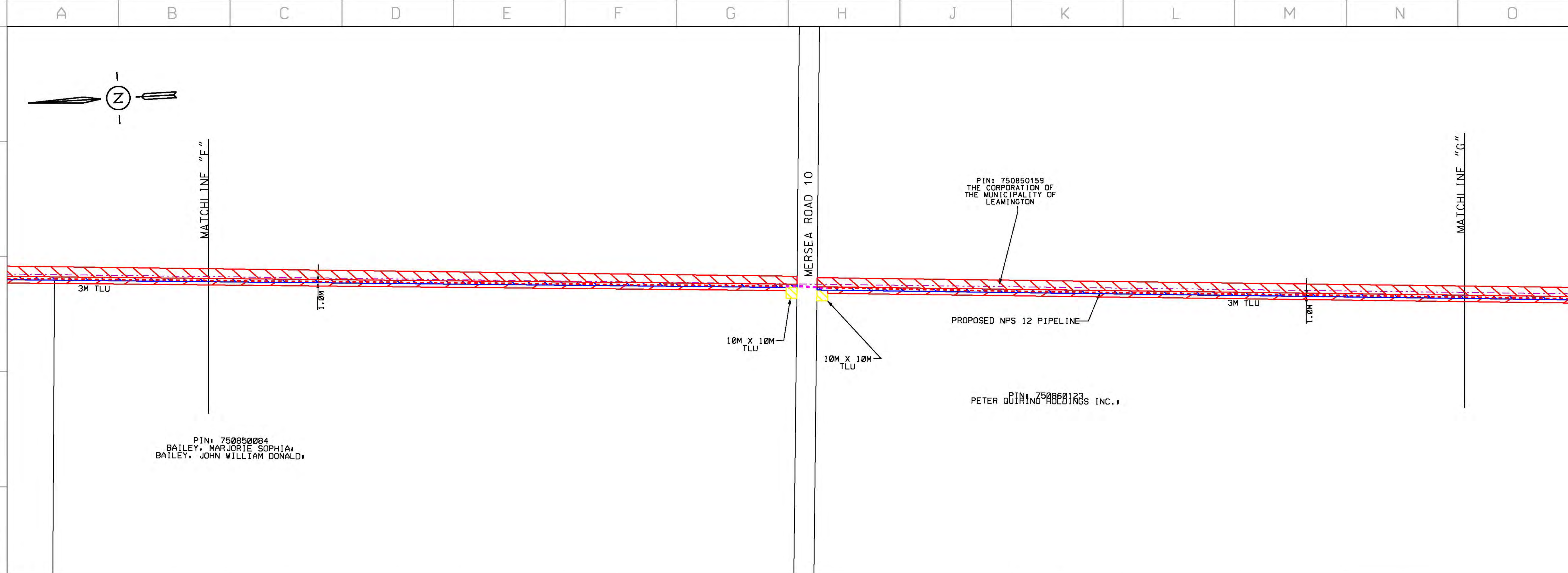



No.	DATE	BY	APPD	REMARKS	
REVISIONS					
 A Spectra Energy Company					
LEAMINGTON EXPANSION PROJECT					
DRAWN BY	N.R.N.	DATE	2012/11/12	PLLOT SPEC	1:2
CHECKED BY		DATE		CAD CODE	M548-GL-5.6.dgn
APPROVED BY		DATE		JOB NUMBER	
SIZE	D	SHEET	5 of 8	DRAWING No.	M548-GL-5.6

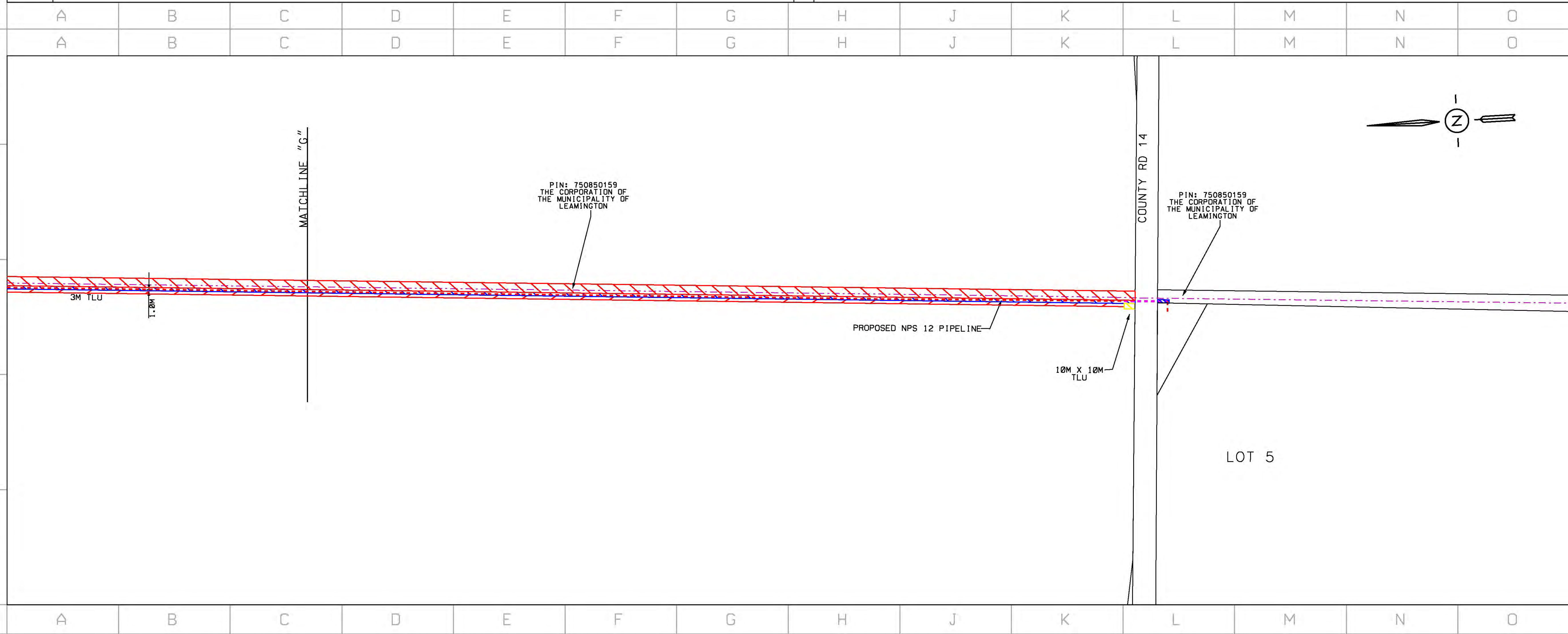



No.	DATE	BY	APPD	REMARKS	
REVISIONS					
 A Spectra Energy Company					
LEAMINGTON EXPANSION PROJECT					
DRAWN BY	N.R.N.	DATE	2012/11/12	PLLOT SPEC	1:2
CHECKED BY		DATE		CAD CODE	M548-GL-5.6.dgn
APPROVED BY		DATE		JOB NUMBER	
SIZE	D	SHEET	6 of 8	DRAWING No.	M548-GL-5.6





No.	DATE	BY	APP'D	REMARKS					
<div style="text-align: center;">  <h2 style="margin: 0;">UNIONGAS</h2> <p style="margin: 0; font-weight: normal;">A Spectra Energy Company</p> </div>									
<h1>LEAMINGTON EXPANSION PROJECT</h1>									
CUSTOM BY	N.R.N.	DATE	2012/11/12		PILOT SPEC#	1-2			
CHECKED BY		DATE			CAD CODE#	M548-GL-7.8_dgn			
APPROVED BY		DATE			JOB NUMBER				
SUB		SHEET	7 of 8		DRAWING No.	M548-GL-7.8			



No.	DATE	BY	APP'D	REMARKS					
REVISONS									
 <div style="display: inline-block; vertical-align: middle; text-align: center;"> <b>uniongas</b>  <i>A Spectro Energy Company</i> </div>									
<b>LEAMINGTON EXPANSION PROJECT</b>									
DRWN BY	<b>N.R.N.</b>			DATE	<b>2012/11/12</b>		PLOT SPEC#	<b>1:2</b>	
DRAWN BY				DATE			CAD CODE	<b>M548-GL-7.8_dgn</b>	
APPROVED BY				DATE			JOB NUMBER		
SZ/D			SHEET	8 of 8		GRADING No.	<b>M548-GL-7.8</b>		

File #	PIN	NAME & ADDRESS	PROPERTY DESCRIPTION	PERMANENT EASEMENT Dimensions (Metres) Area Length Width (Hectares)	TEMPORARY EASEMENT Dimensions (Metres) Area Length Width (Hectares)	MORTGAGE, LIEN/LEASE &/OR ENCUMBRANCES
1	75055-0057 LT		Pt n1/2 Lt 13, Con SMR (Rochester); Pt s1/2 Lt 13, Con SMR (Rochester); Pt n1/2 Lt 14, Con SMR (Rochester); Pt s1/2 Lt 14, Con SMR (Rochester); Pt Lt 15, Con SMR (Rochester); Pt n1/2 Lt 16, Con SMR (Rochester); Pt Lt 17, Con SMR (Rochester) Pt 1 to 6 12R603, Pt 8 to 15 12R603, Pt 2 to 6 12R645, Pt 7 12R603 Except s1/2 Lt 16 Con SMR; S/T R567049, R561727, R569792, R561705; S/T R425001, R014428; Subject to an easement in gross over Pt. 1 12R24869 as in CE539570; Town of Lakeshore		10.0m x 50.78m  0.05 ha 0.13 ac	(e) Hydro Electric Power Commission of Canada 185 Clegg Road Markham, ON L6G 1B7 #R014428; Notice #CE539566  (e) Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 #R425001  (e) Comber Wind Limited Partnership 480 de la Cite Boulevard Gatineau, Quebec J8T 8R3 #CE539570  (e) Comber Wind General Partnership 480 de la Cite Boulevard Gatineau, Quebec J8T 8R3 #CE539570
2	75055-0058 R		Pt Lt 15, Con SMR (Rochester); Pt N 1/2 Lt 16 Con SMR (Rochester); Pt S 1/2 Lt 16 Con SMR (Rochester); Pt Lt 17 Con SMR (Rochester) as in R1344070 S of 12R-603 T/W & S/T R 1344070 Lakeshore  3015 County Rd 46	12.24m x 1166.67m  1.43 ha 3.53 ac	3.0m x 118.29m 10.0m x 20.0m 10.0m x 23.0m  0.37 ha 0.94 ac	Notice of Charge of Lease - National Bank of Canada Suite 2700, 530-8th Ave. S. W. Calgary, Alberta T2J 3S8 #R1551023  (e) Comber Wind Limited Partnership by its General Partner Comber Wind General Partnership by its Partners, Brookfield BRP Canada Corp and 2184014 Ontario Limited 480 Boulevard de la Cité, Gatineau, Quebec J8T 8R3 #R1552019  (e) Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 R425001; R474152; R477677; R541388 R543094; R544512; R547298
23	75085-0053 LT		Lt 70-83, 89-102 PL 375; Pt Huron St. Elm St. Ash St., St. Clair St. PL 375 Mersea closed by R1248685 Pt Lt 5 Con 11 (Mersea) Pt 2, 12R-13648 S/T R412647; R801214 Learnington	12.24m x 1171.0m 5.0m x 332.4m  1.59 ha 3.95 ac	30.0m x 15.0 (irr) 3.0m x 1133.0m 3.0m x 322.4m 10.0m x 10.0m  0.48 ha 1.2 ac	(e) Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 #R412647; #R801214  Pembina Exploration Limited 707-8th Avenue S. W. Calgary, Alberta T2J 2M7 #R1086131; #R1289595

File #	PIN	NAME & ADDRESS	PROPERTY DESCRIPTION	PERMANENT EASEMENT Dimensions (Metres) Area Length Width (Hectares)	TEMPORARY EASEMENT Dimensions (Metres) Area Length Width (Hectares)	MORTGAGE, LIEN/LEASE &/OR ENCUMBRANCES
27	75085-0077 LT		Pt Lt 5 Con 10 (Mersea) as in R1345423 Leamington 508 Mersea Rd 11		3.0m x 684.29m 10.0m x 10.0m 0.22 ha 0.53 ac	(e) Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 #R412648
29	75085-0084 LT		Pt Lt 5 Con 10 (Mersea) as in R824857 S/T R411871 Leamington		3.0m x 686.05m 10.0m x 10.0m 0.22 ha 0.53 ac	(e) Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 #R411871
30	75086-0123 LT		Pt Lt 5 Con 9 (Mersea) as in R1536850 S/T Esmt over Pt 1, 12R24824 as in CE498722 Leamington 525 Essex Rd 14		10.0m x 10.0m 3.0m x 1364.47m 10.0m x 10.0m 0.44 ha 1.08 ac	(m) Farm Credit Canada 200-1133 St. George Blvd Moncton, NB E1E 4E1 #CE473516 Notice of Security Interest Farm Credit Canada 200-1133 St. George Blvd Moncton, NB E1E 4E1 #RCE473517 (e) Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 #RCE498722,
37	75085-0079 75085-0159 75085-0147		Pt Lt 5 Con 10 (Mersea) Pt N 1/2 Lt 6 Con 10 (Mersea) Pt S 1/2 Lt 6 Con 10 (Mersea) Prt 1, 12R-19206 Leamington Pt Lt 5 Con 8 (Mersea) Pt Lt 5 Con 9 (Mersea)	3.0m x 1370.32m 3.0m x 1365.36m 0.82 ha 2.02 ac	12.0m x 1370.32m 12.0m x 1365.36m 3.29 ha 8.12 ac	(e) The Canada Southern Railway Company 277 Front St. W. 8th floor Toronto, ON M5V 2X7 #R1530946 Notice of Charge of lease National Bank of Canada Suite 2700-530-8th Ave S. W. Calgary, Alberta T2 ( 358 #CE442382 (l) Dundee Oil and Gas Limited 28th Floor Dundee Place 1 Adelaide St E Toronto, ON M5C 2V9 #CE437190





For Internal Use Only
Lands File No.:
Cheque No.:
Project:
Acct No.:

PIPELINE EASEMENT

(the "Easement")

Between

(herein called the "Transferor")

and

**UNION GAS LIMITED**

(herein called the "Transferee")

This Easement is an easement in Gross

WHEREAS the Transferor is the owner in fee simple of those lands and premises more particularly described as:  
PIN:           Insert Legal           (hereinafter called the "Transferor's Lands").

The Transferor does hereby GRANT, CONVEY, TRANSFER AND CONFIRM unto the Transferee, its successors and assigns, to be used and enjoyed as appurtenant to all or any part of the lands of the Transferee's lands the right, liberty, privilege and easement on, over, in, under and/or through a strip of the Transferor's Lands more particularly described as being PIN:           Insert Legal           Being Part of the PIN (hereinafter referred to as the "Lands") to survey, lay, construct, maintain, inspect, patrol, alter, remove, replace, reconstruct, repair, move, keep, use and/or operate one Pipe line for the transmission of pipeline quality natural gas as defined in The Ontario Energy Board Act S.O. 1998 (hereinafter referred to as the "Pipeline") including therewith all such buried attachments, equipment and appliances for cathodic protection which the Transferee may deem necessary or convenient thereto, together with the right of ingress and egress at any and all times over and upon the Lands for its servants, agents, employees, those engaged in its business, contractors and subcontractors on foot and/or with vehicles, supplies, machinery and equipment for all purposes necessary or incidental to the exercise and enjoyment of the rights, liberty, privileges and easement hereby granted. The Parties hereto mutually covenant and agree each with the other as follows:

1. In consideration of the sum of           DOLLARS (\$) of lawful money of Canada (hereinafter called the "Consideration"), which sum is payment in full for the rights and interest hereby granted and for the rights and interest, if any, acquired by the Transferee by expropriation, including in either or both cases payment in full for all such matters as injurious affection to remaining lands and the effect, if any, of registration on title of this document and where applicable, of the expropriation documents, subject to Clause 12 hereof to be paid by the Transferee to the Transferor within 90 days from the date of these presents or prior to the exercise by the Transferee of any of its rights hereunder other than the right to survey (whichever may be the earlier date), the rights, privileges and easement hereby granted shall continue in perpetuity or until the Transferee, with the express written consent of the Transferor, shall execute and deliver a surrender thereof . Prior to such surrender Transferee shall remove all debris as may have resulted from the Transferee's use of the Lands from the Lands and in all respects restore the Lands to it's previous productivity and fertility so far as is reasonably possible , save and except for items in respect of which compensation is due under Clause 2. hereof. Transferor and Transferee hereby agree that nothing herein shall oblige Transferee to remove the Pipeline from the Lands as part of Transferee's obligation to restore the Lands.
2. The Transferee shall make to the Transferor (or the person or persons entitled thereto) due compensation for any damages to the Lands resulting from the exercise of any of the rights herein granted, and if the compensation is not agreed upon by the Transferee and the Transferor, it shall be determined by arbitration in the manner prescribed by the Expropriations Act, R.S.O. 1990, Chapter E-26 or any Act passed in amendment thereof or substitution therefore. Any gates, fences and tile drains curbs, gutters, asphalt paving, lockstone, patio tiles interfered with by the Transferee shall be restored by the Transferee at its expense as closely as reasonably possible to the condition and function in which they existed immediately prior to such interference by the Transferee and in the case of tile drains, such restoration shall be performed in accordance with good drainage practice and applicable government regulations.
3. The Pipeline (including attachments, equipment and appliances for cathodic protection but excluding valves, take-offs and fencing installed under Clause 9 hereof) shall be laid to such a depth that upon completion of installation it will not obstruct the natural surface run-off from the Lands nor ordinary cultivation of the Lands nor

any tile drainage system existing in the Lands at the time of installation of the Pipeline nor any planned tile drainage system to be laid in the Lands in accordance with standard drainage practice, if the Transferee is given at least thirty (30) days notice of such planned system prior to the installation of the pipeline; provided that the Transferee may leave the Pipeline exposed in crossing a ditch, stream, gorge or similar object where approval has been obtained from the Ontario Energy Board or other Provincial Board or authority having jurisdiction in the premises. The Transferee agrees to make reasonable efforts to accommodate the planning and installation of future tile drainage systems following installation of the pipeline so as not to obstruct or interfere with such tile installation.

4. As soon as reasonably possible after the construction of the Pipeline, the Transferee shall level the Lands and unless otherwise agreed to by the Transferor, shall remove all debris as may have resulted from the Transferee's use of the Lands therefrom and in all respects restore the Lands to its previous productivity and fertility so far as is reasonably possible, save and except for items in respect of which compensation is due under Clause 2 hereof.

5. The Transferee shall indemnify the Transferor for any and all liabilities, damages, costs, claims, suits and actions which are directly attributable to the exercise of the rights hereby granted, except to the extent of those resulting from the gross negligence or wilful misconduct of the Transferor.

6. In the event that the Transferee fails to comply with any of the requirements set out in Clause 2, 3, or 4 hereof within a reasonable time of the receipt of notice in writing from the Transferor setting forth the failure complained of, the Transferee shall compensate the Transferor (or the person or persons entitled thereto) for any damage, if any, necessarily resulting from such failure and the reasonable costs if any, incurred in the recovery of those damages.

7. Except in case of emergency, the Transferee shall not enter upon any of the Transferor's Lands, other than the Lands, without the consent of the Transferor. In case of emergency the right of entry upon the Transferor's Lands for ingress and egress to and from the Lands is hereby granted. The determination of what circumstances constitute an emergency, for purposes of this paragraph is within the absolute discretion of the Transferee, but is a situation in which the Transferee has a need to access the pipeline in the public interest without notice to the Transferor, subject to the provisions of paragraph 2 herein. The Transferee will, within 72 hours of entry upon such lands, advise the Transferor of the said emergency circumstances and thereafter provide a written report to Transferor with respect to the resolution of the emergency situation. The Transferee shall restore the lands of the Transferor at its expense as closely as reasonably practicable to the condition in which they existed immediately prior to such interference by the Transferee and in the case of tile drains, such restoration shall be performed in accordance with good drainage practice.

8. The Transferor shall have the right to fully use and enjoy the Lands except for planting trees over the lesser of the Lands or a six (6) metre strip centered over the Pipeline, and except as may be necessary for any of the purposes hereby granted to the Transferee, provided that without the prior written consent of the Transferee, the Transferor shall not excavate, drill, install, erect or permit to be excavated, drilled, installed or erected in, on, over or through the Lands any pit, well, foundation, pavement, building, mobile homes or other structure or installation. Notwithstanding the foregoing the Transferee upon request shall consent to the Transferor erecting or repairing fences, hedges, pavement, lockstone constructing or repairing tile drains and domestic sewer pipes, water pipes, and utility pipes and constructing or repairing lanes, roads, driveways, pathways, and walks across, on and in the Lands or any portion or portions thereof, provided that before commencing any of the work referred to in this sentence the Transferor shall (a) give the Transferee at least (30) clear days notice in writing describing the work desired so as to enable the Transferee to evaluate and comment on the work proposed and to have a representative inspect the site and/or be present at any time or times during the performance of the work, (b) shall follow the instructions of such representative as to the performance of such work without damage to the Pipeline, (c) shall exercise a high degree of care in carrying out any such work and, (d) shall perform any such work in such a manner as not to endanger or damage the Pipeline as may be required by the Transferee.

9. The rights, privileges and easement herein granted shall include the right to install, keep, use, operate, service, maintain, repair, remove and/or replace in, on and above the Lands any valves and/or take-offs subject to additional agreements and to fence in such valves and/or take-offs and to keep same fenced in, but for this right the Transferee shall pay to the Transferor (or the person or persons entitled thereto) such additional compensation as may be agreed upon and in default of agreement as may be settled by arbitration under the provisions of The Ontario Energy Board Act, S.O. 1998, or any Act passed in amendment thereof or substitution therefore. The Transferee shall keep down weeds on any lands removed from cultivation by reason of locating any valves and/or take-offs in the Lands.

10. Notwithstanding any rule of law or equity and even though the Pipeline and its appurtenances may become annexed or affixed to the realty, title thereto shall nevertheless remain in the Transferee.

11. Neither this Agreement nor anything herein contained nor anything done hereunder shall affect or prejudice the Transferee's rights to acquire the Lands or any other portion or portions of the Transferor's lands under the provisions of The Ontario Energy Board Act, S.O. 1998, or any other laws, which rights the Transferee may exercise at its discretion in the event of the Transferor being unable or unwilling for any reason to perform this Agreement or give to the Transferee a clear and unencumbered title to the easement herein granted.

12. The Transferor covenants that he has the right to convey this easement notwithstanding any act on his part, that he will execute such further assurances of this easement as may be requisite and which the Transferee may at its expense prepare and that the Transferee, performing and observing the covenants and conditions on its part

to be performed, shall have quiet possession and enjoyment of the rights, privileges and easement hereby granted. If it shall appear that at the date hereof the Transferor is not the sole owner of the Lands, this Indenture shall nevertheless bind the Transferor to the full extent of his interest therein and shall also extend to any after-acquired interest, but all moneys payable hereunder shall be paid to the Transferor only in the proportion that his interest in the Lands bears to the entire interest therein.

13. In the event that the Transferee fails to pay the consideration as hereinbefore provided, the Transferor shall have the right to declare this easement cancelled after the expiration of 15 days from personal service upon the Secretary, Assistant Secretary or Manager, Lands Department of the Transferee at its Executive Head Office in Chatham, Ontario, (or at such other point in Ontario as the Transferee may from time to time specify by notice in writing to the Transferor) of notice in writing of such default, unless during such 15 day period the Transferee shall pay the said consideration; upon failing to pay as aforesaid, the Transferee shall forthwith after the expiration of 15 days from the service of such notice execute and deliver to the Transferor at the expense of the Transferee, a valid and registerable release and discharge of this easement.

14. All payments under these presents may be made either in cash or by cheque of the Transferee and may be made to the Transferor (or person or persons entitled thereto) either personally or by mail. All notices and mail sent pursuant to these presents shall be addressed to the Transferor at \_\_\_\_\_ and to the Transferee at Union Gas Limited, P.O.Box 2001, 50 Keil Drive North, Chatham, Ontario N7M 5M1. Attention: Manager, Lands or to such other address in either case as the Transferor or the Transferee respectively may from time to time appoint in writing.

15 The rights, privileges and easement hereby granted are and shall be of the same force and effect as a covenant running with the land and this Indenture, including all the covenants and conditions herein contained, shall extend to, be binding upon and enure to the benefit of the heirs, executors, administrators, successors and assigns of the Parties hereto respectively; and, wherever the singular or masculine is used it shall, where necessary, be construed as if the plural, or feminine or neuter had been used, as the case may be.

16. The Transferor hereby acknowledges that this transfer will be registered electronically and the Transferor hereby authorizes the Transferee to complete the registration of this transfer.

DATED this                      day of     January                      2010

\_\_\_\_\_  
**Name & Title:**  
  
I have authority to bind the corporation

\_\_\_\_\_  
**Name & Title:**  
  
I have authority to bind the corporation  
  
Address:

**UNION GAS LIMITED**

\_\_\_\_\_  
**Name: Mervyn R. Weishar**  
**Senior Lands Agent**  
  
I have authority to bind the Corporation

Additional Information: (if applicable)  
  
Solicitor:  
  
  
Telephone:



Municipality of Chatham-Kent

Province of Ontario

DECLARATION REQUIRED UNDER  
SECTION 50 OF THE PLANNING  
ACT, R.S.O. 1990, as amended

I, Mervyn R. Weishar, of the City of Municipality of Chatham-Kent , in the Province of Ontario.

DO SOLEMNLY DECLARE THAT

1. I am, Senior Lands Agent Lands Department of Union Gas Limited, the Transferee in the attached Grant of Easement and as such have knowledge of the matters herein deposed to.

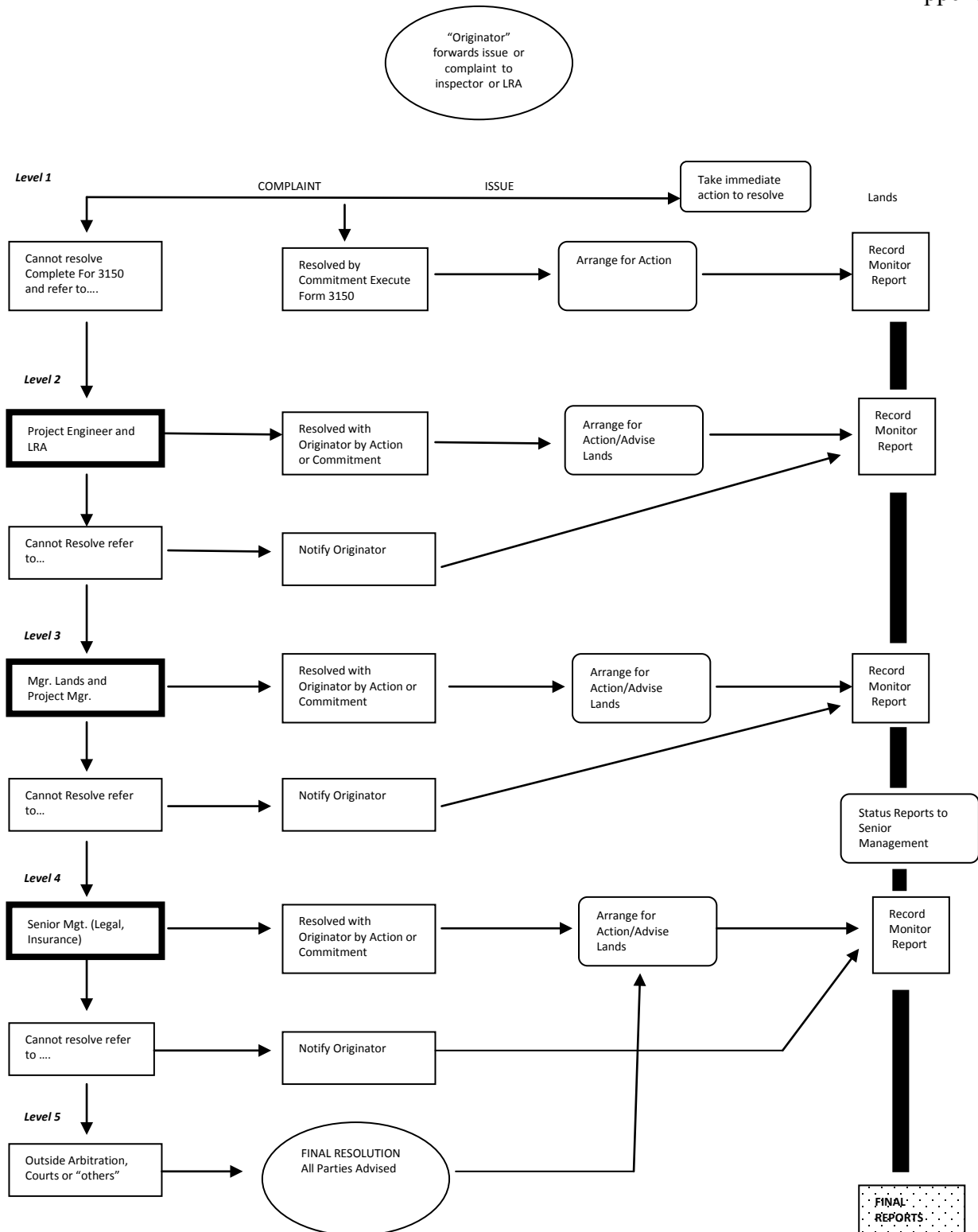
2. The use of or right in the land described in the said Grant of Easement is being acquired by Union Gas Limited for the purpose of a hydrocarbon transmission line within the meaning of part VI of the Ontario Energy Board Act , 1998.

AND I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath, and by virtue of The Canada Evidence Act.

DECLARED before me at the  
Municipality of Chatham-Kent,  
in the Province of Ontario

this day of January ,2010

A Commissioner, etc.



1. "originator" of complaint or issue may be landowner or company representative
2. Parties indicated in heavy outlined boxes shall assume responsibility for actions subsequently required in the resolution process. Parties identified in brackets may only be required for resolution or specific technical concerns
3. "L.R.A." refers to Landowner Relations Agent

## **LANDOWNER COMPLAINT RESOLUTION SYSTEM EXPLANATION OF PROCESS CHART**

### **Key Definitions**

**Originator** – The originator of a complaint or issue is the landowner or Union Gas personnel who initiates a complaint or issue by making it known to the Landowner Relations Agent or a company inspector.

**Landowner Relations Agent (LRA)** – A person assigned on a full time or part time basis to record, monitor, and ensure follow-up on any complaint or issue received by Union related to construction, to address questions and concerns of the landowners, and to act as a liaison between landowners and the contractor and engineering personnel.

**Issue** – A concern of a landowner which can be resolved within three ( 3 ) working days. Immediate action is taken to resolve such matters.

**Complaint** – A concern of a landowner which cannot be resolved within three ( 3 ) working days.

**Commitment** – If an issue or complaint is resolved at any level of the Complaint Resolution system through the efforts and liaison activities of the Landowner Relations Agent or other personnel, the resolution is recorded to ensure proper future follow-up.

**Outside Arbitration** – includes the Board of Negotiation, O.M.B., and O.E.B.

**Others** – refers to other regulatory bodies and tribunals

### **Levels of the Complaint Resolution System**

**Level 1:** The LRA or company inspector receives issues or complaints, and the following can happen:

- a) Immediate action could be arranged by the LRA or inspector to resolve the issue or complaint; or
- b) A complaint can be resolved by a commitment in which case the LRA is responsible for arranging for the committed action and having the commitment recorded in the Complaint Resolution system; or
- c) If a complaint cannot be resolved through the efforts of the LRA or inspector, the applicable form ( Form 3150 ) is completed and then recorded, and the complaint is referred to **Level 2**.

**Level 2:** The LRA and the Construction Supervisor work together to develop a resolution for the complaint, and the following can happen:

- a) the complaint may be resolved with the originator by action or commitment and the action or commitment is recorded in the Complaint Resolution System; or
- b) if the complaint cannot be resolved, the originator is notified, the non-resolution is recorded, and the complaint is referred to **Level 3**.

**Level 3:** The Manager, Lands and the Project Manager work together to develop a resolution for the complaint, and the following can happen:

- a) complaint may be resolved with the originator by action or commitment and the action or commitment is recorded in the Complaint Resolution System; or
- b) if the complaint cannot be resolved, the originator is notified, the non-resolution is recorded, and the complaint is referred to **Level 4**;

When complaints reach this level, status reports are generated through the Complaint Resolution System and are forwarded to Senior Management.

**Level 4:** Senior Management (with possible input from the Legal and Risk and Claims Departments) attempts to develop a resolution to the complaint, and the following can happen:

- a) the complaint may be resolved with the originator by action or commitment and the action or commitment is recorded in the Complaint Resolution System; or
- b) if the complaint cannot be resolved, the originator is notified, the non-resolution is recorded, and the complaint is referred to **Level 5**;

**Level 5:** Involves the resolution of a complaint by outside arbitration or others, and the following will happen:

A final resolution will occur, all parties will be advised, and any action required will be arranged by the LRA or other Lands Department personnel.

**Note:** the Complaint Resolution System is used to generate final reports to the Ontario Energy Board

**Patrick, Mary Jane**

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**From:** Bonin, John  
**Sent:** June-20-12 8:04 AM  
**To:** Chief Gregory Peters  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf, Moravian of the Thames.pdf

Chief Peters :

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

I wanted to let you in advance of any publication of the open house information and to see if you require any further information regarding the project?

Look forward to hearing back from you!

*Miigwech!*

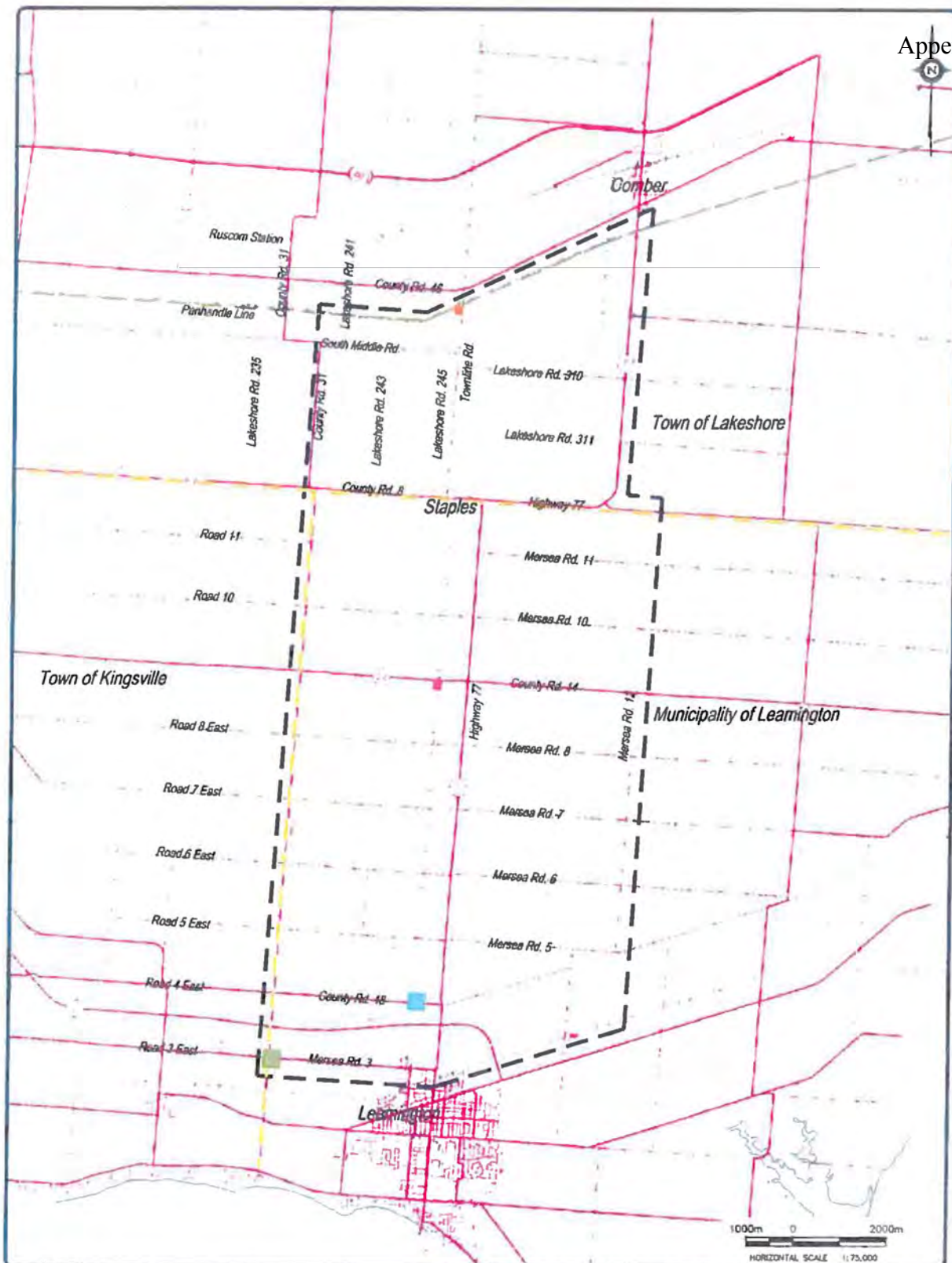
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbonin@uniongas.com](mailto:jbonin@uniongas.com)



<ul style="list-style-type: none"> <li>--- Proposed Study Area</li> <li>--- Panhandle Line</li> <li>--- Municipal Boundaries</li> <li>Existing Comber Station</li> <li>Existing County Road 14 Station &amp; Midpoint</li> <li>Proposed Station &amp; Midpoint (Location to be determined)</li> <li>Proposed Station &amp; End Point (Location to be determined)</li> </ul>	<p><b>Study Area</b></p> <p>Leamington North Loop Pipeline Project</p> <p>March 2012</p> <p>1</p>
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Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Moravian of the Thames  
R.R. #3  
Thamesville, ON N0P 2K0

Attention: Greg Peters

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Peters:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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The study area is located in the County of Essex in the Municipalities of Leamington, Town of Lakeshore and the Town of Kingsville. Please see attached map Figure 1.



A Public Information Centre regarding the proposed project is planned to be held in the summer of 2012. A notice will be placed in local newspapers and First Nations, Métis Nation, interested agencies and directly affected landowners will be informed by mail. We are requesting any relevant environmental or socioeconomic information that in your opinion should be included in the assessment of alternative pipeline routes.

Your response would be appreciated by June 1st, 2012. If you have no concerns regarding the proposed project and/or its construction and you do not require any further correspondence regarding the project please indicate that in writing to the undersigned.

If you have any questions, please contact me at (705) 721-8451 or by email at [paul@azimuthenvironmental.com](mailto:paul@azimuthenvironmental.com). Thank you for your cooperation.

Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.



**Patrick, Mary Jane**

Appendix A

**From:** Bonin, John  
**Sent:** June-20-12 8:01 AM  
**To:** Chief Richard "Joe" Miskokomon (chief@cottfn.ca)  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Chippewas of the Thames First Nation.pdf

Chief Miskokomon:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

I wanted to let you in advance of any publication of the open house information and to see if you require any further information regarding the project?

Look forward to hearing back from you!

*Miigwech!*

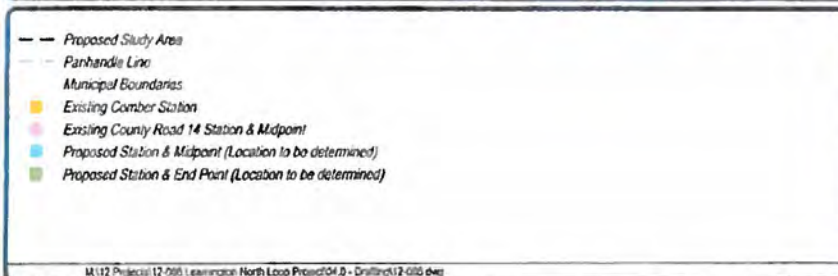
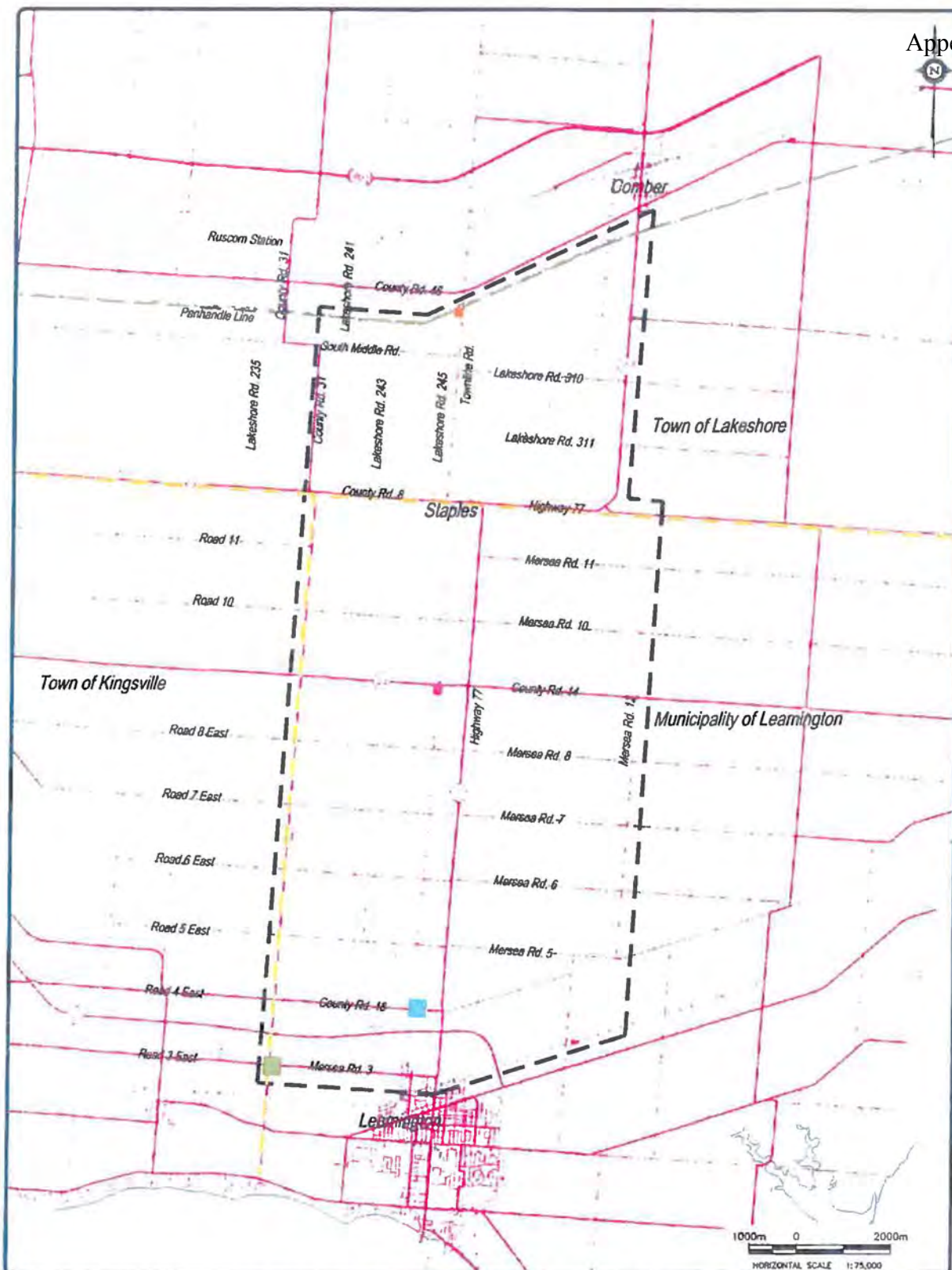
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbodin@uniongas.com](mailto:jbodin@uniongas.com)



AZIMUTH ENVIRONMENTAL CONSULTING INC.	
Study Area	
Leamington North Loop Pipeline Project	
DATE	March 2012
CREATED BY	JLM
REVISED	12-085
REFERENCE	Geopoint Maps



Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Chippewas of the Thames First Nation  
R.R.#1,320 Chippewa Road  
Muncy, ON N0L 1Y0

Attention: Richard "Joc" Miskokomon

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Miskokomon:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.

**Patrick, Mary Jane**

Appendix A

**From:** Bonin, John  
**Sent:** June-20-12 8:00 AM  
**To:** Liz.Cloud@kettlepoint.org  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Chippewas of Kettle and Stoney Point First Nation.pdf

Chief Cloud:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

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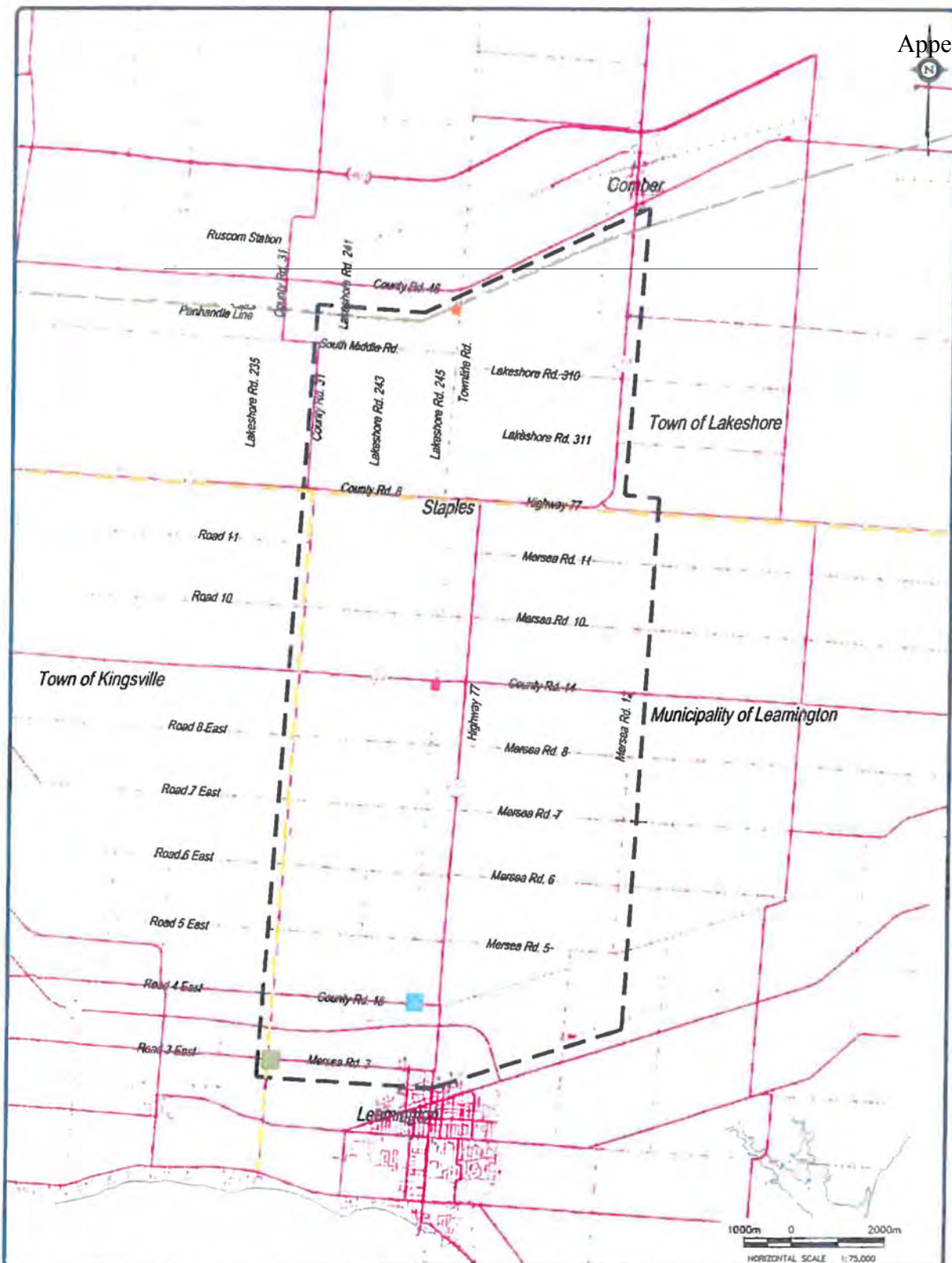
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbonin@uniongas.com](mailto:jbonin@uniongas.com)



- Proposed Study Area
- ... Panhandle Line
- Municipal Boundaries
- Existing Comber Station
- Existing County Road 14 Station & Midpoint
- Proposed Station & Midpoint (Location to be determined)
- Proposed Station & End Point (Location to be determined)

**AZARITH ENVIRONMENTAL CONSULTING INC.**

Study Area

Leamington North Loop Pipeline Project

March 2012

CDP #120117

12-005

CDP #120117

1





Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Chippewas of Kettle and Stoney Point First Nation

R.R. #2

Forrest, ON N0N 1J0

Attention: Liz Cloud

**RE:            Environmental Report Commencement - Union Gas Limited  
                Leamington North Loop Pipeline Project**

Dear Chief Cloud:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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If you have any questions, please contact me at (705) 721-8451 or by email at [paul@azimuthenvironmental.com](mailto:paul@azimuthenvironmental.com). Thank you for your cooperation.

Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.



**Patrick, Mary Jane**

---

**From:** Bonin, John  
**Sent:** June-20-12 7:56 AM  
**To:** Chief Chris Plain  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Aamijwnaang First Nation.pdf

Chief Plain:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

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*Miigwech!*

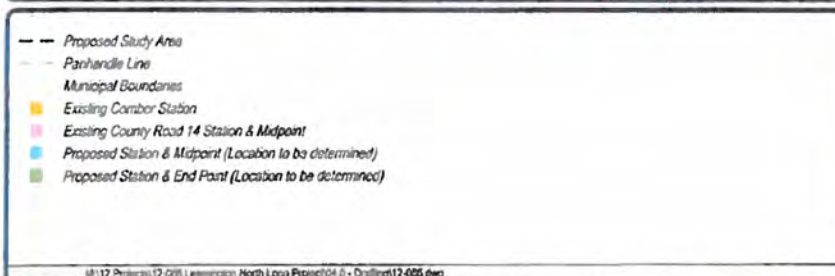
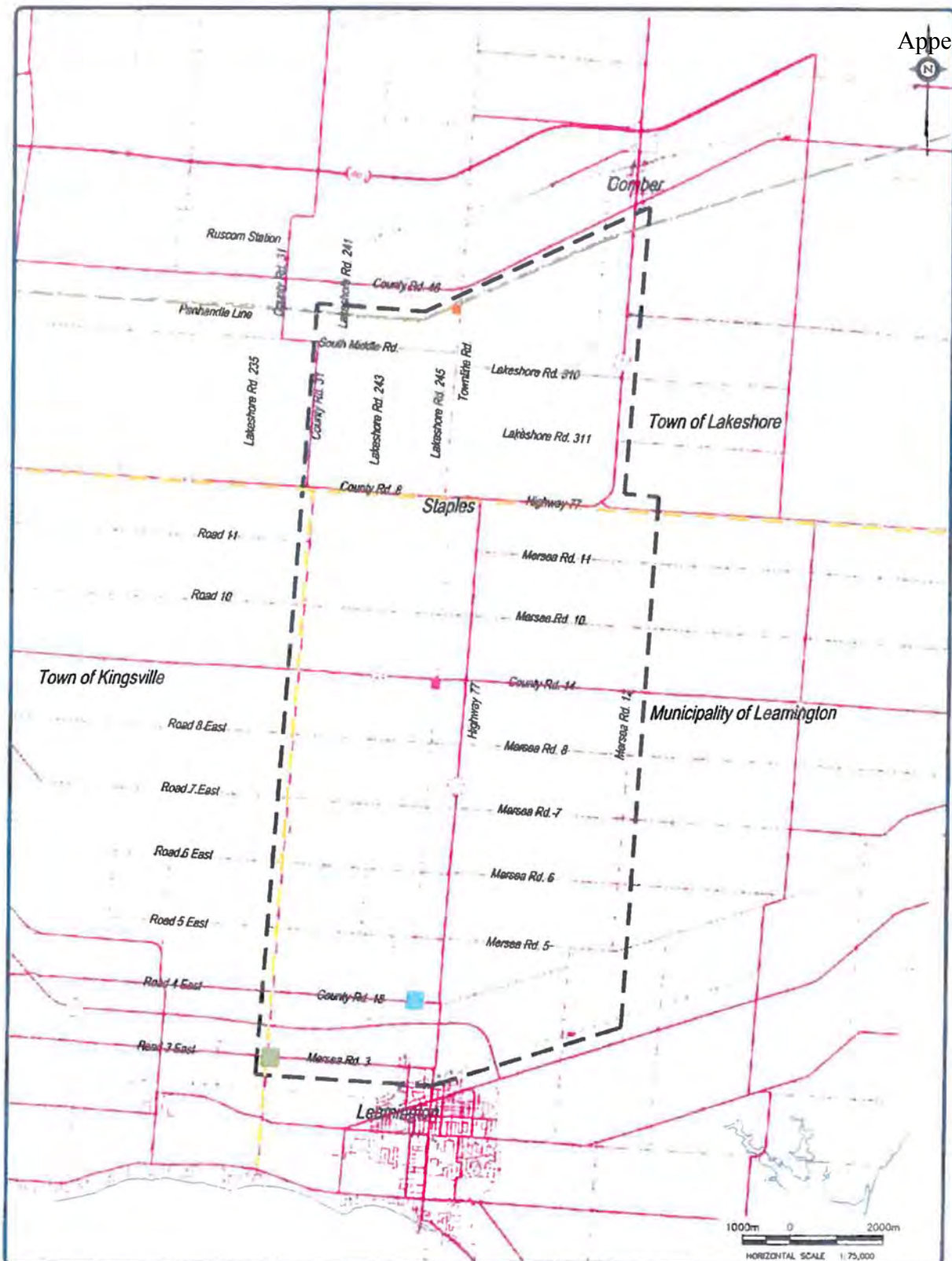
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbonin@uniongas.com](mailto:jbonin@uniongas.com)



AZIMUTH ENVIRONMENTAL CONSULTING INC.	
Study Area	
Leamington North Loop Pipeline Project	
DATE ISSUED	March 2012
PREPARED BY	JLM
REVISED	12-085
REFERENCES	Consultant Maps



Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Aamjiwnaang First Nation  
978 Tashmoo  
Sarnia, ON N7T 7H5

Attention: Chris Plain

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Plain:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc. Agr.  
Vice-President  
Attach.

**Patrick, Mary Jane**

---

**From:** Bonin, John  
**Sent:** June-20-12 7:55 AM  
**To:** Chief Burton Kewayosh (burton.kewayosh@wifn.org)  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Walpole First Nation.pdf

Chief Gilbert:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

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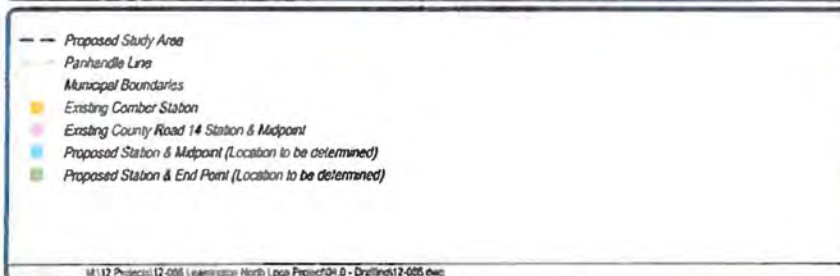
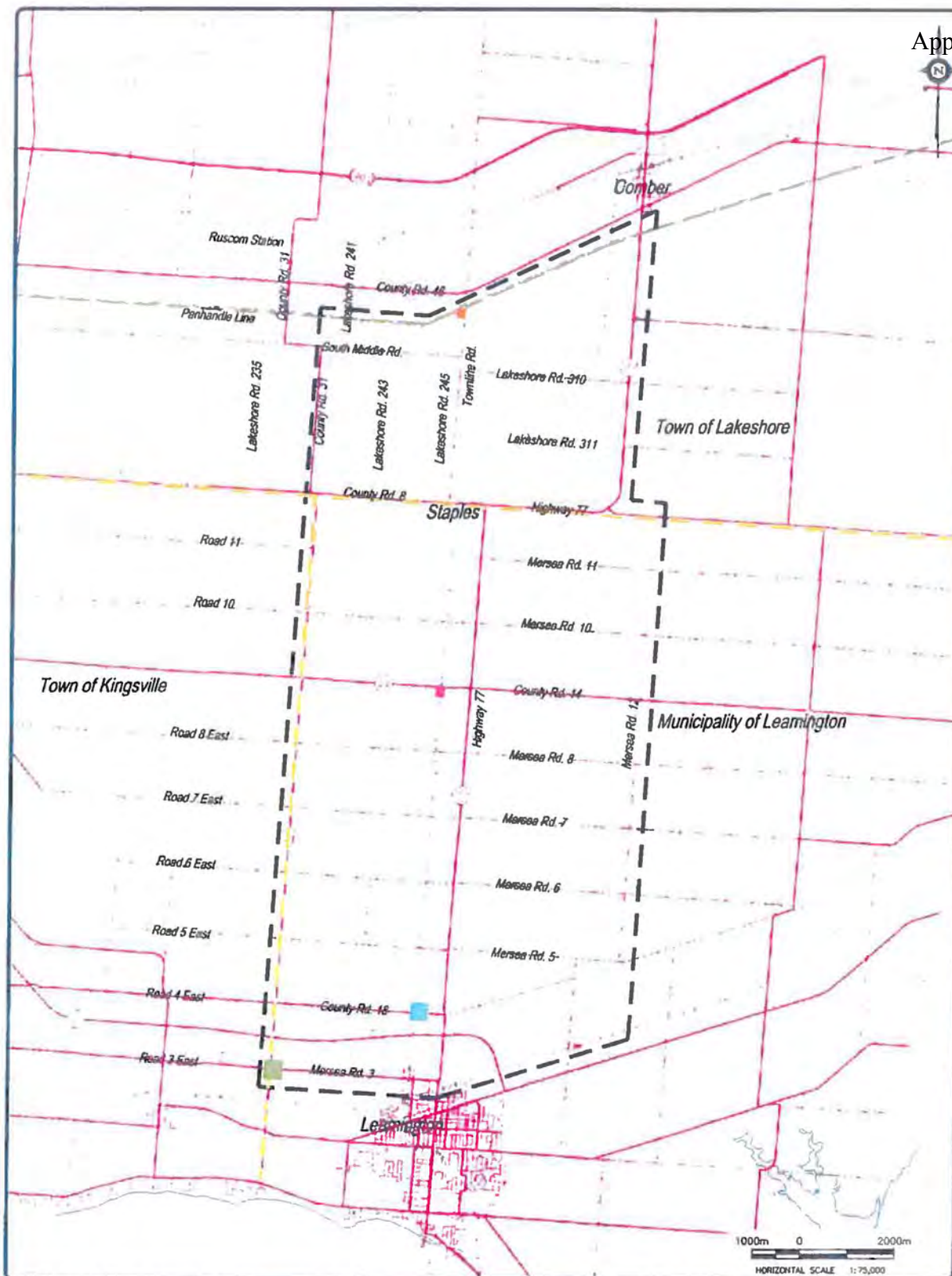
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbonin@uniongas.com](mailto:jbonin@uniongas.com)



AZARITH ENVIRONMENTAL CONSULTING INC.	
Study Area	
Leamington North Loop Pipeline Project	
DATE: March 2012	1
CREATED BY: JLM	
REVISION: 12-085	
REVISION: 12-085	





Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Walpole First Nation  
R.R. #3  
Wallaceburg, ON N8A 4K9

Attention: Joseph Gilbert

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Gilbert:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.



**Patrick, Mary Jane**

---

**From:** Bonin, John  
**Sent:** June-20-12 7:52 AM  
**To:** Chief Louise Hillier  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Caldwell First Nation.pdf; Study Area Map Leamington.pdf

Chief Hillier:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

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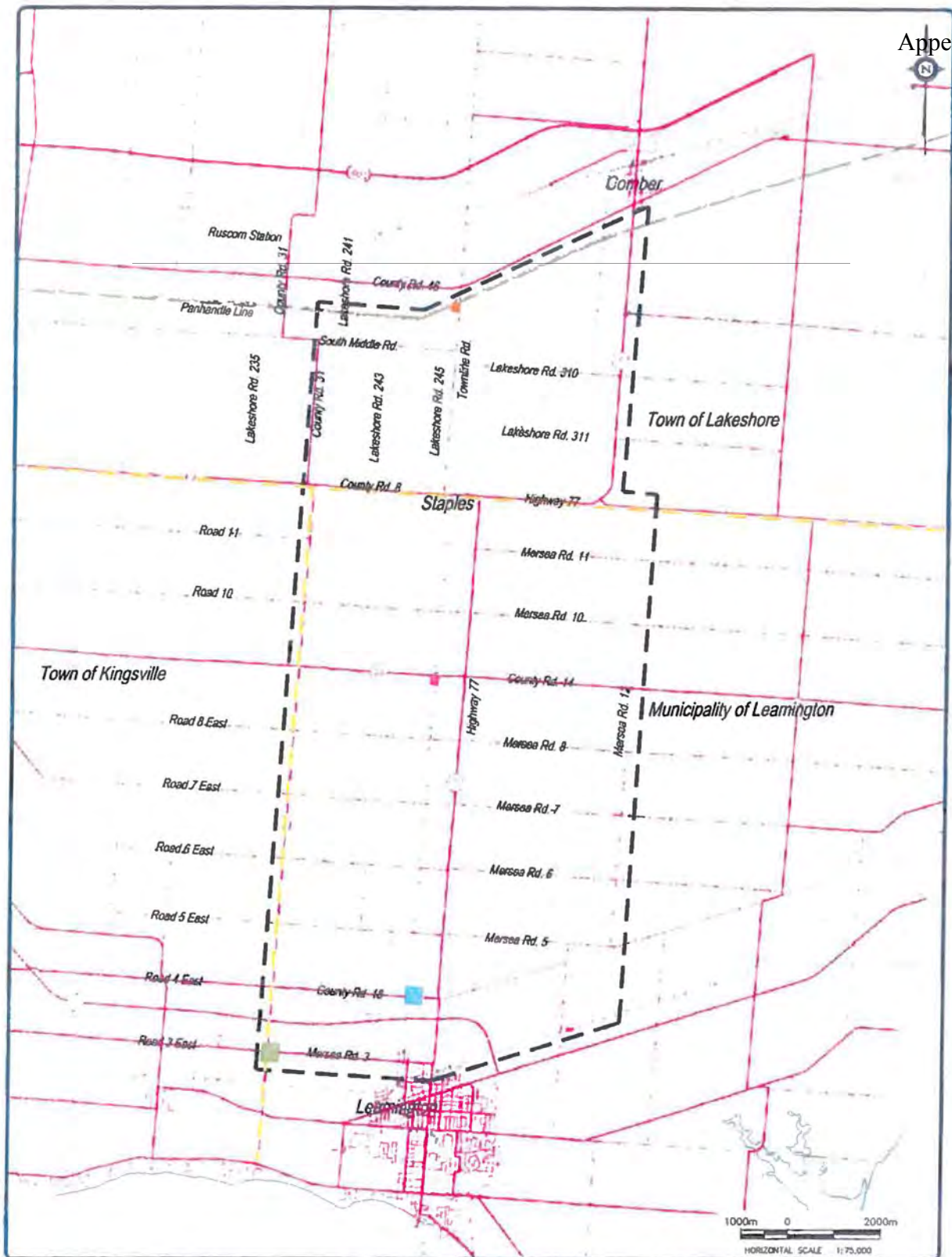
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbbonin@uniongas.com](mailto:jbbonin@uniongas.com)



--- Proposed Study Area
..... Panhandle Line
----- Municipal Boundaries
● Existing Comber Station
● Existing County Road 14 Station & Midpoint
● Proposed Station & Midpoint (Location to be determined)
● Proposed Station & End Point (Location to be determined)

AZURITH ENVIRONMENTAL CONSULTING INC.	
Study Area	
Leamington North Loop Pipeline Project	
DATE: 2012	March 2012
CREATED BY:	JUM
PROJECT NO.:	12-005
REVISIONS:	Consulting Maps



Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Caldwell First Nation  
P.O. Box 388  
Leamington, ON N8H 3W3

Attention: Louise Hillier

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Hillier:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.

**Patrick, Mary Jane**

---

**From:** Bonin, John  
**Sent:** June-20-12 8:31 AM  
**To:** hankr@metisnation.org  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Metis Consultation Unit.pdf

Hank:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

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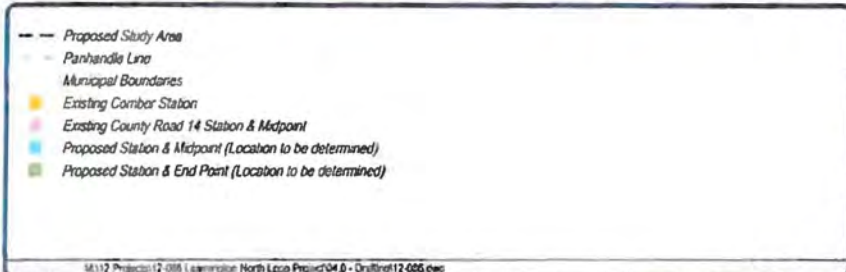
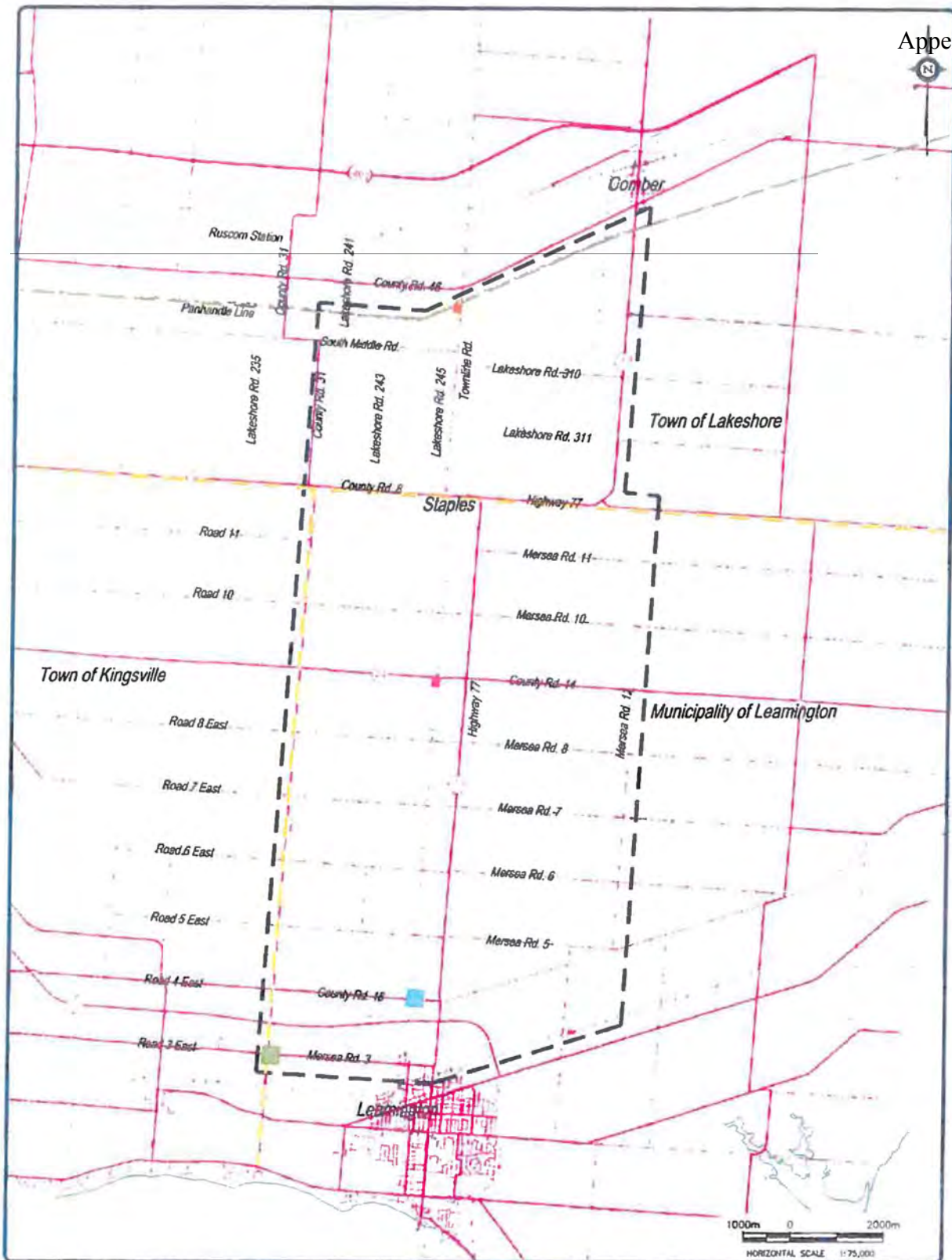
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbonin@uniongas.com](mailto:jbonin@uniongas.com)



AZIMUTH ENVIRONMENTAL CONSULTING INC.	
Study Area	
Leamington North Loop Pipeline Project	
DATE: 2012	March 2012
PREPARED BY:	JLM
REVISION:	12-000
REFERENCE:	Caswell Maps





Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Metis Consultation Unit,  
Metis Nation of Ontario Head Office  
500 Old St. Patrick Street, Unit D  
Ottawa, ON K1N 9G4

Attention: Sir/Madame

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Sir/Madame :

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

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Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.



**Patrick, Mary Jane**

---

**From:** Bonin, John  
**Sent:** June-20-12 8:07 AM  
**To:** Chief Joel Abram  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Oneida First Nation.pdf

Chief Abram:

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

I wanted to let you in advance of any publication of the open house information and to see if you require any further information regarding the project?

Look forward to hearing back from you!

*Miigwech!*

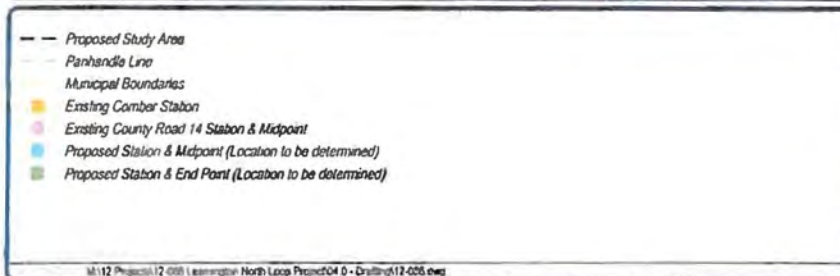
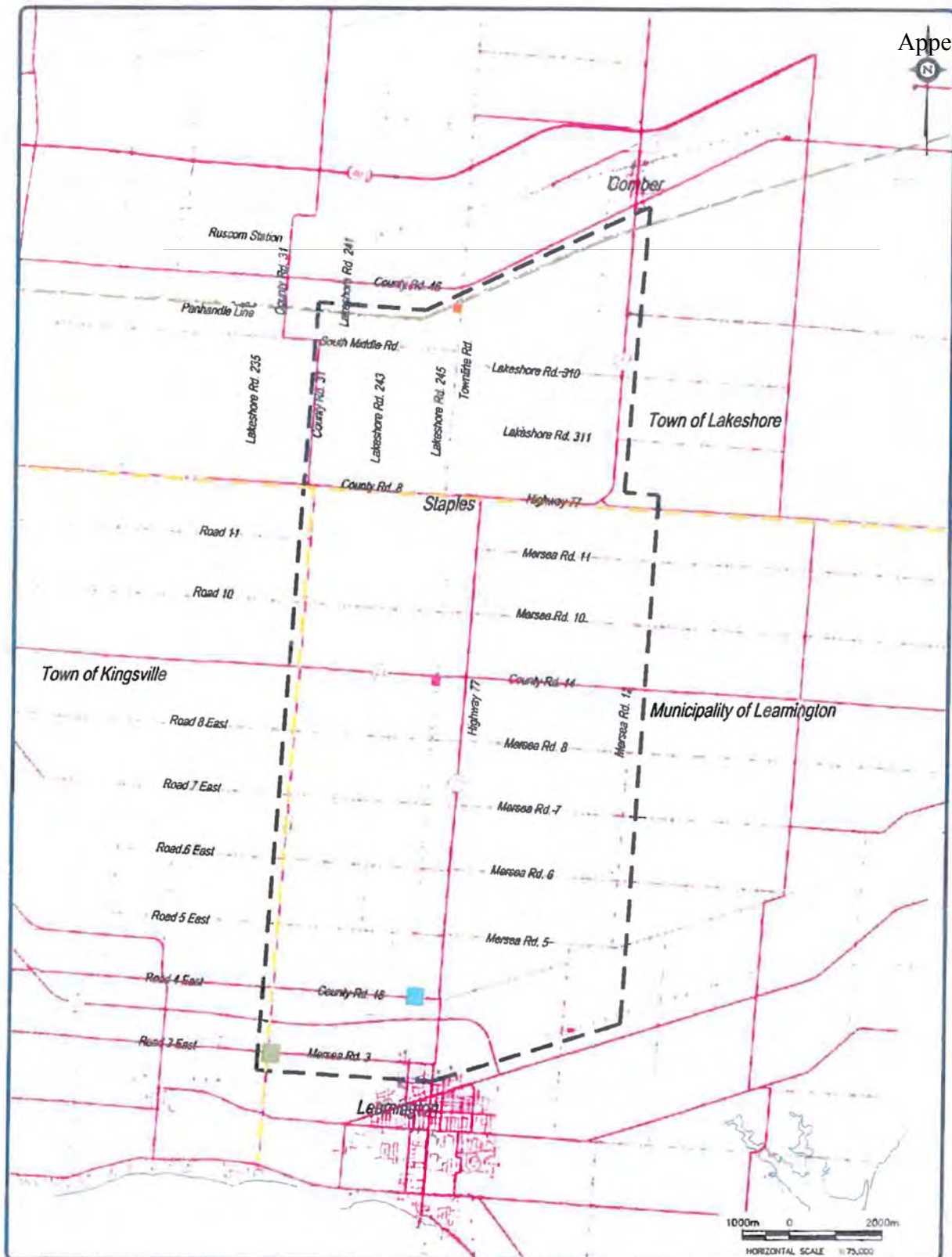
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbodin@uniongas.com](mailto:jbodin@uniongas.com)



AZIMUTH ENVIRONMENTAL CONSULTING INC.		
Study Area		
Leamington North Loop Pipeline Project		
DATE: 2012	March 2012	
DESIGNED BY:	JLM	
DRAWN BY:	12-086	1
REVISIONS:	Geospatial Maps	



Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Oncida First Nations  
2212 Elm Ave  
Southwold, ON N0L 2G0

Attention: Joel Abram

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Abram:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

The project is proposed to be built in two phases. The first phase would have the pipeline run from the Panhandle Line to the existing station at County Road 14 and the abandoned railway line west of Highway 77. The second phase would continue the pipeline from the station at County Road 14 to a new station near the intersection of County Road 31 and Mersea Road 3. There would be a mid-point station for the second phase at County Road 18 and the abandoned railway line. Phase one construction is proposed for 2013 while phase two construction is proposed for sometime in the future.

The study area is located in the County of Essex in the Municipalities of Leamington, Town of Lakeshore and the Town of Kingsville. Please see attached map Figure 1.





A Public Information Centre regarding the proposed project is planned to be held in the summer of 2012. A notice will be placed in local newspapers and First Nations, Métis Nation, interested agencies and directly affected landowners will be informed by mail.

We are requesting any relevant environmental or socioeconomic information that in your opinion should be included in the assessment of alternative pipeline routes.

Your response would be appreciated by June 1st, 2012. If you have no concerns regarding the proposed project and/or its construction and you do not require any further correspondence regarding the project please indicate that in writing to the undersigned.

If you have any questions, please contact me at (705) 721-8451 or by email at [paul@azimuthenvironmental.com](mailto:paul@azimuthenvironmental.com). Thank you for your cooperation.

Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President  
Attach.

Patrick, Mary Jane

---

**From:** Bonin, John  
**Sent:** June-20-12 8:05 AM  
**To:** Chief Waddilove  
**Subject:** Proposed Leamington North Loop Project  
**Attachments:** Study Area Map Leamington.pdf; Munsee-Delaware First Nation.pdf

Chief Waddilove :

On April 9, 2012, you would have received the following information from Azimuth Environmental Consulting about the proposed project that Union Gas is undertaking in the Leamington area from County Rd 46 to Hwy 77 as the first phase of this project. All indications are that it will likely be installed in the existing abandoned railway line for most of the route. The proposed project is still being studied and an Environmental assessment is under way. Part of the information gathering process is to hold an open house for the nearby landowners. The open house will likely be held mid-summer in the Leamington area.

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Look forward to hearing back from you!

*Miigwech!*

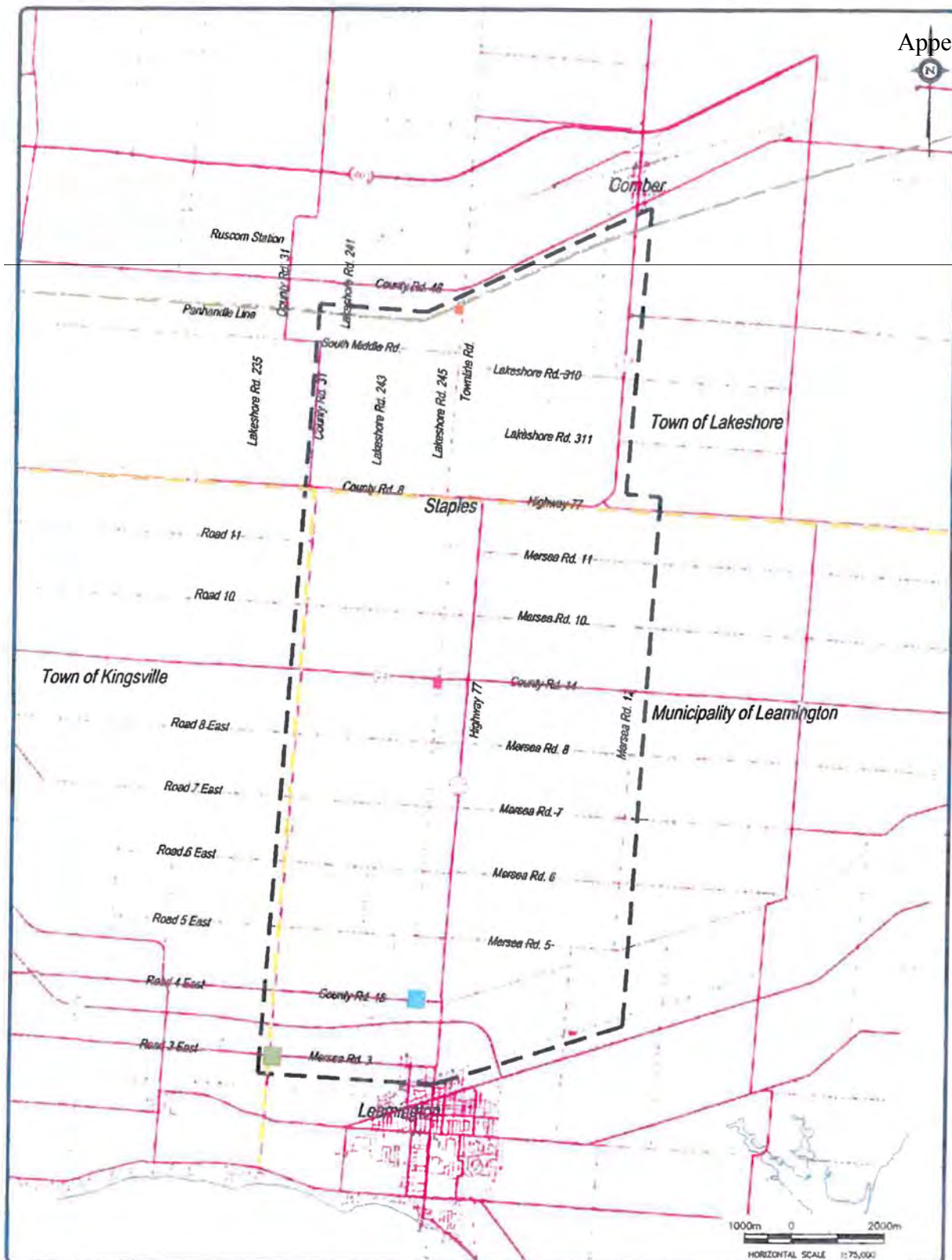
*John Bonin*

Manager Aboriginal Affairs

Union Gas

Phone: 519-539-8509 ext 5021063

Email: [jbonin@uniongas.com](mailto:jbonin@uniongas.com)



- Proposed Study Area
- ... Panhandle Line
- Municipal Boundaries
- Existing Comber Station
- Existing County Road 14 Station & Midpoint
- Proposed Station & Midpoint (Location to be determined)
- Proposed Station & End Point (Location to be determined)

AZIMUTH ENVIRONMENTAL CONSULTING, INC.	
Study Area	
Leamington North Loop Pipeline Project	
DATE: March 2012	1
CREATED BY: JLM	
PROJECT #:	
DATE: 12-08	
DATE: 12-08	
DATE: 12-08	





Environmental Assessments & Approvals

April 9, 2012

AEC 12-086

Munsee-Delaware First Nation  
RR#1  
Muncy, ON N0L 1Y0

Attention: Patrick Waddilove

**RE: Environmental Report Commencement - Union Gas Limited  
Leamington North Loop Pipeline Project**

Dear Chief Waddilove:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union) to prepare an Environmental Report (ER) for the proposed Leamington North Loop Pipeline Project. The project will potentially include the construction of a 12 or 16 inch natural gas pipeline from the existing Union Gas Panhandle Line south of County Road 46 between Ruscom and the Community of Comber to a proposed station near County Road 31 and Mersea Road 3, north of Leamington. The proposed project is needed to help Union Gas meet the increasing demand for natural gas in both the Leamington and Kingsville area.

The project is proposed to be built in two phases. The first phase would have the pipeline run from the Panhandle Line to the existing station at County Road 14 and the abandoned railway line west of Highway 77. The second phase would continue the pipeline from the station at County Road 14 to a new station near the intersection of County Road 31 and Mersea Road 3. There would be a mid-point station for the second phase at County Road 18 and the abandoned railway line. Phase one construction is proposed for 2013 while phase two construction is proposed for sometime in the future.

The study area is located in the County of Essex in the Municipalities of Leamington, Town of Lakeshore and the Town of Kingsville. Please see attached map Figure 1.





A Public Information Centre regarding the proposed project is planned to be held in the summer of 2012. A notice will be placed in local newspapers and First Nations, Métis Nation, interested agencies and directly affected landowners will be informed by mail.

We are requesting any relevant environmental or socioeconomic information that in your opinion should be included in the assessment of alternative pipeline routes.

Your response would be appreciated by June 1st, 2012. If you have no concerns regarding the proposed project and/or its construction and you do not require any further correspondence regarding the project please indicate that in writing to the undersigned.

If you have any questions, please contact me at (705) 721-8451 or by email at [paul@azimuthenvironmental.com](mailto:paul@azimuthenvironmental.com). Thank you for your cooperation.

Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.

Vice-President

Attach.



Environmental Assessments & Approvals

July 5, 2012

AEC 12-086

Town of Kingsville  
2021 Division Road North  
Kingsville, ON N9Y 2Y9

Attention: Dan DiGiovanni  
Chief Administrative Officer

**RE: Preliminary Preferred Route - Union Gas Limited  
Leamington Expansion Project**

Dear Mr. DiGiovanni:

Azimuth Environmental Consulting, Inc. (Azimuth) has been retained by Union Gas Limited (Union Gas) to prepare an Environmental Report (ER) for the proposed Leamington Expansion Project.

Earlier you received notice from Azimuth about a pipeline project from north of Staples to the edge of Leamington that was to be constructed in phases. Plans have changed regarding that project and Union Gas is now proposing the Leamington Expansion Project.

The project includes the construction of a 12 inch natural gas pipeline from the existing Union Gas Comber Station located on Rochester Townline Road just south of County Road 46 to an existing Union Gas station located along County Road 14. The proposed project is needed to help Union Gas meet the growing demand for natural gas in the Leamington and Kingsville area, which is being driven by growth in the greenhouse industry. Construction is proposed to begin in the spring of 2013.

A preliminary preferred route has been identified that would exit the existing Comber Station to the west and would parallel an existing Union Gas Pipeline until reaching the County Road 14 Station. Shortly after leaving the Comber Station the pipeline would turn south to align with Lakeshore Road 245. Upon reaching Lakeshore Road 245 it would follow the road allowance to County Road 8. After crossing County Road 8 it would turn southeast to access the abandon railway right-of-way which it would follow to the



existing station at County Road 14. The preliminary preferred route and alternative routes are shown on the attached figure.

We are requesting your agency provide any comments you may have on the preliminary preferred route to assist us in assessing the suitability of the route. Your agency's response would be appreciated by July 31, 2012. If your agency has no concerns regarding the preliminary preferred route, please indicate that in writing to the undersigned.

**An Information Session will be held on July 24, 2012 at the Comber Legion located at 6420 Main Street in Comber from 6:00 – 8:00 p.m.** The purpose of the Information Session is to present all aspects of the project to affected landowners, the public, First Nations, Métis and government agencies and provide the opportunity for comment on this proposal. Representatives from Azimuth and Union Gas will be present to answer questions.

If you have any questions, please contact me at (705) 721-8451 or by email at paul@azimuthenvironmental.com. Thank you for your cooperation.

Yours truly,

**AZIMUTH ENVIRONMENTAL CONSULTING, INC.**

Paul Neals, B.Sc.Agr.  
Vice-President

Attach.





- LEGEND**
- Preliminary Preferred Route
  - Alternative Route
  - ..... Proposed Study Area
  - ..... Panhandle Line
  - Municipal Boundaries
  - Existing Comber Station
  - Existing County Road 14 Station

DAYSTAMP: M:\12 Projects\12-086 Leamington North Loop Project\04.0 - Drafting\12-086.dwg

Printed by: 2009/07/27 10:10:10 AM

File: M:\12 Projects\12-086 Leamington North Loop Project\04.0 - Drafting\12-086.dwg Layout: Figure 2 Plotcode: 1



Preliminary Preferred Route  
and Alternative Routes

Leamington Expansion Project

DATE ISSUED: July 2012  
CREATED BY: JLM  
PROJECT NO.: 12-086  
REFERENCE: First Base Solutions

Figure No.  
1

## APPENDIX B



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**Union Gas Limited**

### **LEAMINGTON EXPANSION PIPELINE PROJECT**

**EB-2012-0431**

**February 27, 2013**



## Introduction

Union Gas Limited ("Union") filed an application with the Ontario Energy Board (the "Board") on November 23, 2012 under sections 90 and 97 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B (the "Act"), for an order granting Union leave to construct approximately 8.5 kilometres of Nominal Pipe Size 12 natural gas pipeline (the "Proposed Pipeline") in the Municipality of Leamington and the Town of Lakeshore, in the County of Essex. The Board has assigned the application file number EB-2012-0431. Construction of the Proposed Pipeline is planned to start in May 2013 in order to meet the required in-service date of November 2013.

## The Proceeding

The Board issued a Notice of Application and Written Hearing (the "Notice") dated January 10, 2013. No person has requested intervenor status in this proceeding. The Board notes that Enbridge Gas Distribution Inc. requested observer status. On February 6, 2013, the Board received a letter of comment from Brookfield Renewable Energy Group ("Brookfield"). In accordance with the procedural schedule, Board staff filed interrogatories on February 8, 2013 and Union filed interrogatory responses on February 15, 2013.

## The Need for the Proposed Pipeline

Union has received a number of requests for firm and interruptible natural gas service from greenhouse growers in the Leamington, Kingsville, Mersea Township and Gosfield South Township area. These requests have come from new greenhouse operations, greenhouses that operate on fuels other than natural gas, and from growers who want to switch from interruptible service to firm natural gas service.

Union has entered into negotiations with 18 customers ("Contract Customers") that account for 51% of the capacity of the Proposed Pipeline. Union stated that it would continue to sign contracts with growers until the Proposed Pipeline is at full capacity. Union stated that some growers have identified that they do not require additional

natural gas service at the present time but will require additional service in the near future ("Forecast Customers").

Union stated that although it is possible to only build for the Contract Customers that have shown an interest in the Proposed Pipeline, a more practical and economic approach is to build for the Contract Customers and the Forecast Customers.

Board staff submits that the evidence filed by Union supports the need for the Proposed Pipeline.

### **Project Economics**

The upfront capital cost for the Proposed Pipeline is estimated to be \$8.2 million. Union has employed an economic feasibility test consistent with the "Ontario Energy Board Guidelines for Assessing and Reporting on Natural System Expansion in Ontario" set out in the Ontario Energy Board's EBO 188 "Report to the Board" dated January 30, 1998 ("EBO 188").

The Proposed Pipeline has a P.I. of 1.0 if it receives the \$2 million contribution from growers and would therefore pass the feasibility tests set out in EBO 188. However, there is no P.I. provided if the Proposed Pipeline does not receive the \$2 million contribution from growers.

All projects must achieve a minimum threshold P.I. of 0.8 for inclusion in a utility's Rolling Project Portfolio.<sup>[1]</sup> The Rolling Project Portfolio must have a P.I. of more than 1.1. Union has stated that when the Proposed Pipeline is included in Union's 2013 new business investment portfolio, the resulting P.I. would be 1.14. Similarly, including the Proposed Pipeline in Union's rolling portfolio as at October 2012 would result in a P.I. of 1.43.

---

<sup>[1]</sup> EBO 188, Report of the Board, January 30, 1998

Union stated in its Application that it is going to receive approximately \$2 million in contribution from growers. In Union's response to Board staff interrogatories, Union stated that if contract negotiations are unsuccessful and the Proposed Pipeline is completed without any contribution from growers, the rate impact on a typical residential customer in Rate M1 would be less than \$0.50 per year.

Board staff submits that given the stated purpose of the Proposed Pipeline is commercial in nature, namely to provide additional natural gas service to greenhouse growers, Union should be required to receive the \$2 million contribution from greenhouse growers before constructing the Proposed Pipeline. This would ensure that it meets a P.I. of 1.0 and there is no cross-subsidization from other ratepayers to support commercial operations.

### **Routing, Environmental Assessment, and Pipeline Design**

The Proposed Pipeline will loop the existing North Leamington Line from the Comber Transmission Station to the County Road 14 Station. The Proposed Pipeline will be constructed on a road allowance from the NPS 20 Panhandle Line to County Road 8 and on the abandoned railroad corridor south of County Road 8. There will be modifications at the Comber Transmission Station and a connection to the North Leamington Line at the County Road 14 Station to facilitate the Proposed Pipeline.

The route selection for the Proposed Pipeline was completed in accordance with the *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 6<sup>th</sup> edition, 2011* ("OEB Environmental Guidelines"). The results of the routing and environmental assessment are presented in a report entitled *Leamington Expansion Project, Environmental Report* (the "ER"). The ER was completed by Azimuth Environmental Consulting, Inc. and was submitted as part of the pre-filed evidence.

Union stated that by following its standard construction practices and adhering to the mitigation measures identified in the ER, construction of this project will have negligible

impacts on the environment. No significant cumulative effects are anticipated from development of the Proposed Pipeline.

Union has stated that the design specifications are in accordance with the requirements of Ontario Regulation 210/01—Oil and Gas Pipeline Systems, made under the *Technical Standards and Safety Act 2000*.

In response to Board staff's interrogatory in relation to Brookfield's letter of comment, Union stated that it is aware that Brookfield has overhead and underground infrastructure crossing the Proposed Pipeline and Union has contacted Brookfield to begin planning the crossing of Brookfield's infrastructure. Union further stated that the planning process will develop protocols that will ensure that both Brookfield's and Union's facilities can co-exist and not impact each other.

### **Land Issues**

The Proposed Pipeline will be constructed on private easement lands, road allowances and an abandoned railway corridor owned by the Municipality of Leamington. There is one private landowner that Union will require permanent land rights from for the Proposed Pipeline.

Union stated in its interrogatory responses that there is an agreement in principle with the private landowner and that the documents are currently being reviewed by the landowner's solicitor.

Union also stated that the anticipated timeline for obtaining all permits for location and construction is April 15, 2013.

Union filed with the Board a Pipeline Easement Agreement that Union will offer to the affected landowners.

### **Conditions of Approval**

Board staff filed proposed conditions of approval (attached as Appendix A to these submissions) in Interrogatory #6. Union responded that it did not have any concerns with or objections to the proposed conditions.

### **Conclusion**

Board staff submits that Union has demonstrated the need for the Proposed Pipeline. However, Board staff submits that since the purpose of the Proposed Pipeline is to provide additional natural gas service to commercial greenhouse growers, Union should be required to receive the \$2 million contribution from greenhouse before constructing the Proposed Pipeline which would ensure a P.I. of 1. Board staff further submits that the proposed conditions of approval be included as part of the Board's order in this matter.

**Appendix A**  
  
**to**  
  
**Board Staff Submissions**  
  
**EB-2012-0431**



**EB-2012-0431****Union Gas Limited  
Leave to Construct Application****Board Staff Proposed Draft****Conditions of Approval****1 General Requirements**

- 1.1 Union Gas Limited ("Union") shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2012-0431 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2014, unless construction has commenced prior to that date.
- 1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the members of the Ontario Pipeline Coordinating Committee ("OPCC").
- 1.4 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.5 Within 15 months of the final in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and shall explain all significant variances from the estimates filed in the proceeding.

**2 Project and Communications Requirements**

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.
- 2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.

- 2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.
- 2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

### **3 Monitoring and Reporting Requirements**

- 3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

### **4 Easement Agreements**

- 4.1 Union shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

## **5 Other Approvals and Agreements**

- 5.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

## APPENDIX C

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



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 8<sup>th</sup>, 2013

---

Mark Murray  
Manager, Regulatory Projects and Land Acquisitions

## 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
	<b>Contract</b>	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
	<b>TOTAL</b>		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**

<b>Profitability Index</b>	<b>1.18</b>
<b>Net Present Value</b>	<b>1,771,530</b>
<b>Total Project ROE</b>	<b>19.79%</b>
<b>5 yr PBR Cash Flow ROE *</b>	<b>19.79%</b>
<b>First yr. of Corp. Revenue Sufficiency</b>	<b>1</b>

**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:**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Final Year</b>
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**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total Project</b>
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





Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



**EB-2012-0431**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Union Gas Limited for an order pursuant to section 90 of the *Ontario Energy Board Act, 1998*, granting leave to construct a natural gas pipeline and facilities in the Municipality of Leamington and the Town of Lakeshore, in the County of Essex.

**BEFORE:** Paula Conboy  
Presiding Member

Emad Elsayed  
Member

### **DECISION AND ORDER**

**March 28, 2013**

Union Gas Limited ("Union") filed an application with the Ontario Energy Board (the "Board") on November 23, 2012 under section 90 of the *Ontario Energy Board Act, 1998* (the "Act"), for an order granting Union leave to construct approximately 8.5 kilometres of Nominal Pipe Size ("NPS") 12 (inch diameter) natural gas pipeline (the "Proposed Pipeline") in the Municipality of Leamington and the Town of Lakeshore, in the County of Essex. The Board also notes that Union requires Board approval of the form of easement agreement provided in the application (as required by section 97 of the Act). The Board has assigned the application file number EB-2012-0431.

For the reasons set out below, the Board finds that the construction of the Proposed Pipeline is in the public interest and grants Union leave to construct subject to the Board's Conditions of Approval attached as Appendix A to this Decision and Order (the "Conditions of Approval"). The Board also approves the proposed form of Pipeline

Easement Agreement that has been offered or will be offered to all landowners affected by the approved route.

### **The Proposed Pipeline**

The Proposed Pipeline will parallel the existing North Leamington Line from the Comber Transmission Station to the County Road 14 Station. The Proposed Pipeline will be constructed on a road allowance from the existing NPS 20 Panhandle Line to County Road 8 and on the abandoned railroad corridor south of County Road 8. There will be modifications at the Comber Transmission Station and a connection to the North Leamington Line at the County Road 14 Station to facilitate the Proposed Pipeline.

Construction of the Proposed Pipeline is planned to start in May, 2013 in order to meet the required in-service date of November, 2013.

A map showing the location of the Proposed Pipeline is attached as Appendix B to this Decision and Order.

### **The Proceeding**

The Board issued a Notice of Application ("Notice") dated January 10, 2013. On February 6, 2013, the Board received a letter of comment from Brookfield Renewable Energy Group ("Brookfield"). Board staff filed interrogatories on February 8, 2013 and Union filed interrogatory responses on February 15, 2013. Board staff filed a written submission on February 27, 2013 and Union filed its reply submission on March 8, 2013.

### **Infrastructure Crossing the Proposed Pipeline**

In its letter of comment, Brookfield stated that it has overhead and underground infrastructure crossing the Proposed Pipeline and would like to be included in the planning and construction stages of the project. Brookfield stated that it would like a crossing agreement developed where it has underground intersections.

In response to Board staff interrogatories, Union stated that it is aware that Brookfield has overhead and underground infrastructure crossing the Proposed Pipeline. Union

stated that it has contacted Brookfield to begin planning the crossing of Brookfield's infrastructure. Union further stated that the planning process will develop protocols that will ensure that both Brookfield's and Union's facilities can co-exist without any negative impacts. Lastly, Union stated that it will contact Brookfield before crossing Brookfield's infrastructure during the construction stages of the Proposed Pipeline.

### **The Public Interest Test**

This is an application under section 90 of the Act seeking an order for leave to construct a hydrocarbon pipeline. Section 96 of the Act provides that the Board shall make an order granting leave to carry out the work under section 90 if the Board finds that "the construction, expansion or reinforcement of the proposed work is in the public interest." When determining whether a project is in the public interest, the Board typically considers the following factors:

1. Is there a need for the Proposed Pipeline?
2. Has the economic feasibility of the Proposed Pipeline been demonstrated?
3. What are the environmental impacts associated with construction of the Proposed Pipeline and have they been adequately addressed?
4. Are there any outstanding landowner matters for the Proposed Pipeline routing and construction?
5. Is the Proposed Pipeline designed in accordance with the current technical and safety requirements?

Each of these issues is addressed below.

### **The Need for the Proposed Pipeline**

In its application, Union stated that it has received a number of requests for firm and interruptible natural gas service from greenhouse growers in the Leamington, Kingsville, Mersea Township, and Gosfield South Township area. These requests have come from new greenhouse operations, existing greenhouses that operate on fuels other than natural gas, and from growers who want to switch from interruptible service to firm natural gas service.

Union has entered into negotiations with 18 customers ("Contract Customers") who would account for 51% of the capacity of the Proposed Pipeline. Union stated that it

would continue to sign contracts with growers until the Proposed Pipeline is at full capacity. Union indicated that some growers have identified that they do not require additional natural gas service at the present time but will require additional service in the near future ("Forecast Customers").

Union stated that although it is possible to only build for the Contract Customers who have shown an interest in the Proposed Pipeline, a more practical and economic approach is to build for Contract Customers and Forecast Customers.

In its reply submission, Union filed a Revised Contract and Forecast Customer Growth Schedule. Union also stated that the Proposed Pipeline's capacity has now been substantially allocated in the first year of the project and there is a greater percentage of customers forecasted to switch from interruptible to firm service than what was originally forecasted.

The Board finds that Union has adequately substantiated the need for the Proposed Pipeline.

### **Project Economics – Feasibility of the Proposed Pipeline**

The upfront capital cost for the Proposed Pipeline is estimated to be \$8.2 million. Union has employed an economic feasibility test consistent with the "Ontario Energy Board Guidelines for Assessing and Reporting on Natural System Expansion in Ontario" set out in the Ontario Energy Board's EBO 188 "Report to the Board" dated January 30, 1998 ("EBO 188").

In EBO 188, the Board determined that all individual projects must achieve a minimum threshold Profitability Index (P.I.) of 0.8 for inclusion in a utility's Rolling Project Portfolio. In that decision, the Board also determined that an overall project portfolio P.I. of 1.10 (to include a safety margin) or better is in the public interest.

Union calculated that the project P.I. would be 1.0 with an expected \$2 million contribution from growers. They also stated that when the Proposed Pipeline is included in Union's 2013 new business investment portfolio, the resulting portfolio P.I.

would be 1.14. Further, the company indicated that including the Proposed Pipeline in Union's Rolling Project Portfolio as at October 2012 would result in a P.I. of 1.43.<sup>1</sup>

In its interrogatory responses, Union stated that if contract negotiations are unsuccessful and the Proposed Pipeline is completed without any contribution from growers, the rate impact on a typical residential customer in Rate M1 would be less than \$0.50 per year.

Board staff submitted that given the stated purpose of the Proposed Pipeline is commercial in nature, namely to provide additional natural gas service to greenhouse growers, Union should be required to collect the \$2 million contribution before constructing the Proposed Pipeline. This would ensure that the Proposed Pipeline meets a P.I. of 1.0 on a stand alone basis and therefore not result in cross-subsidization from other ratepayers.

In its reply submission, Union indicated that capacity has now been substantially allocated in the first year of the project and that a greater percentage of existing customers are forecasted to switch from interruptible to firm service than what was originally forecasted, resulting in fewer new customers requiring additional distribution facilities.

The impact of these changes, in Union's submission, is that there are now additional revenues in the early years of the economic analysis as well as lower costs since there is no longer a need to construct new distribution facilities.

Union submitted that based on these changes, the calculated P.I. is 1.18<sup>2</sup> and the \$2 million contribution from the greenhouse growers to be collected prior to the start of construction is no longer required

The Board accepts Union's evidence on the cost estimates and will not require Union to collect a contribution from greenhouse growers prior to constructing the Proposed Pipeline.

The Board will require Union to file a Post Construction Financial Report of the actual costs of the Proposed Pipeline once it is completed.

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<sup>1</sup> EB-2012-0431, Pre-filed Evidence, page 6

<sup>2</sup> Union reply submission, attachment #2, March 8, 2013



## Environmental Impacts

The route selection for the Proposed Pipeline was completed in accordance with the *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 6<sup>th</sup> edition, 2011* (“OEB Environmental Guidelines”). Union filed the results of the routing and environmental assessment in a report entitled *Leamington Expansion Project, Environmental Report* (the “ER”).

Union stated that, by following its standard construction practices and adhering to the mitigation measures identified in the ER, construction of this project will have negligible impacts on the environment.

To ensure this is the case, the Board has imposed monitoring and reporting requirements in the Conditions of Approval. The Board finds that the environmental plans proposed by Union are acceptable.

The Board is aware that other approvals will be required for construction of the Proposed Pipeline. Therefore, the Board is including in its Conditions of Approval the requirement for Union to “obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.”

## Landowner Matters

The Proposed Pipeline will be constructed on private easement lands, road allowances and an abandoned railway corridor owned by the Municipality of Leamington. Union has indicated that it will require permanent land rights from one private landowner. Union stated in its interrogatory responses that it has reached an agreement in principle with this landowner.

Union anticipates the timeline for obtaining all permits for location and construction is by April 15, 2013.

Union filed a Pipeline Easement Agreement that it proposes to offer affected landowners. Board staff did not raise any concern with the proposed form of agreement, and the Board approves it as filed.

**Pipeline Design - Technical and Safety Requirements**

Union confirmed that the design specifications for the Proposed Pipeline are in accordance with the requirements of Ontario Regulation 210/01, made under the *Technical Standards and Safety Act 2000*, Oil and Gas Pipeline Systems.

The Board finds that the Proposed Pipeline meets the construction and operational requirements for safe operation. The Technical Standards and Safety Authority, as the agency overseeing the operation of pipelines in Ontario, has the authority to enforce all of the applicable standards.

**THE BOARD ORDERS THAT:**

1. Union Gas Limited is granted leave to construct approximately 8.5 kilometres of NPS 12 natural gas pipeline and facilities located in the Municipality of Leamington and the Town of Lakeshore, in the County of Essex, subject to the Conditions of Approval set out in Appendix A to this Decision and Order.
2. Pursuant to section 30 of the *Ontario Energy Board Act, 1998*, Union shall pay the Board's costs of and incidental to, this proceeding immediately upon receipt of the Board's invoice.

**DATED** at Toronto, March 28, 2013

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

## Appendix A

### Conditions of Approval

**EB-2012-0431****Union Gas Limited  
Leave to Construct Application****Conditions of Approval****1 General Requirements**

- 1.1 Union Gas Limited ("Union") shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2012-0431 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2014, unless construction has commenced prior to that date.
- 1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the members of the Ontario Pipeline Coordinating Committee ("OPCC").
- 1.4 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.5 Within 15 months of the final in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and shall explain all significant variances from the estimates filed in the proceeding.

**2 Project and Communications Requirements**

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.
- 2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.

- 2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.
- 2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

### **3 Monitoring and Reporting Requirements**

- 3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

### **4 Easement Agreements**

- 4.1 Union shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

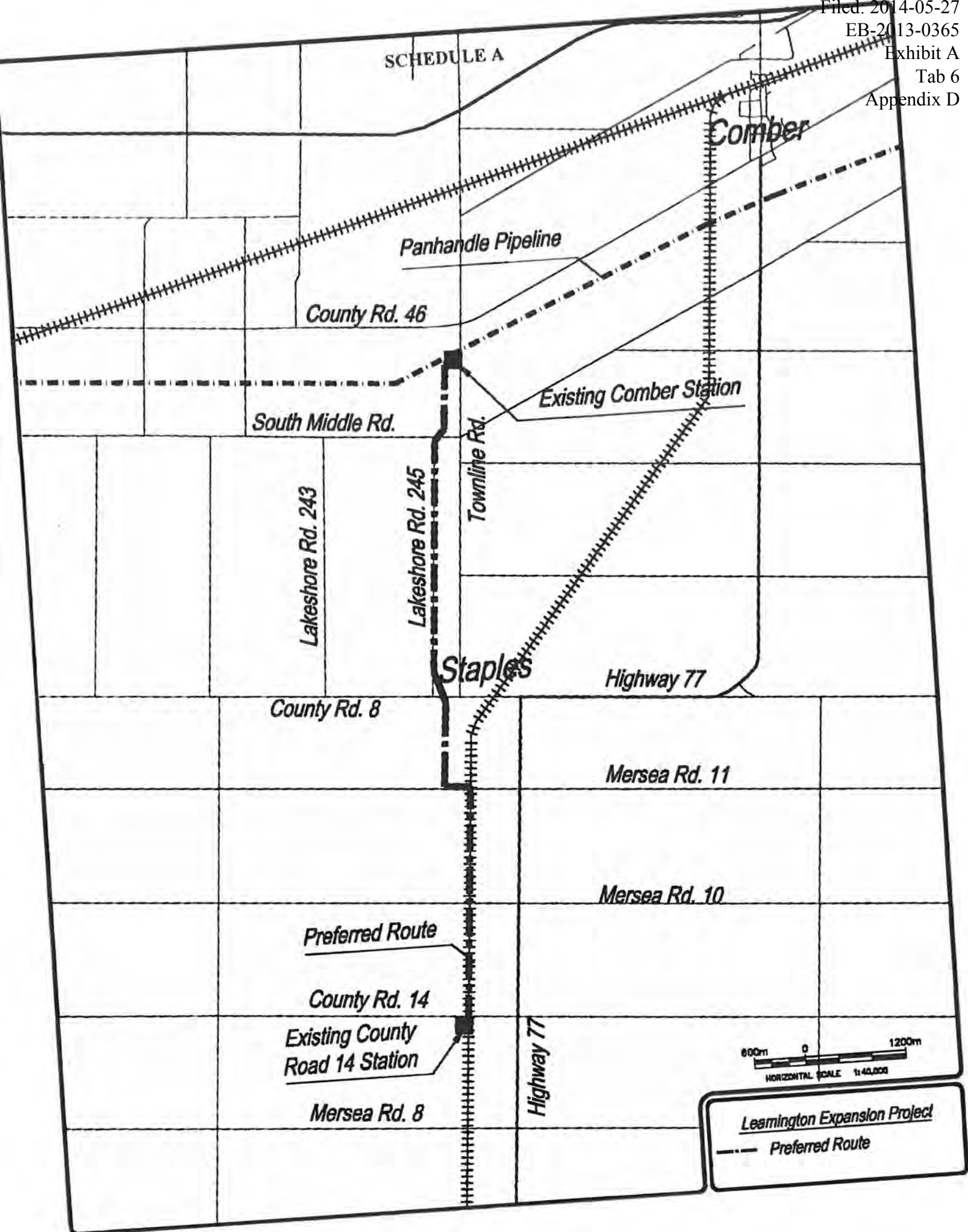


## **5 Other Approvals and Agreements**

- 5.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

## **Appendix B**

### **Map of the Location of the Proposed Pipeline**







Ontario Greenhouse Vegetable Growers  
32 Seneca Road  
Leamington, Ontario N8H 5H7  
(519) 326-2604 / 1-800-265-6926  
(519) 326-7842 Fax  
WEB SITE - [www.ontariogreenhouse.com](http://www.ontariogreenhouse.com)

Ms. Rosemarie Leclair  
Chair & Chief Executive Officer  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

April 8, 2013

Dear Ms. Leclair,

The Ontario greenhouse vegetable sector is a major contributor to the Ontario economy, generating over \$700 million in farmgate receipts and accounting for 10,000 jobs annually. The Ontario Greenhouse Vegetable Growers (OGVG) is the organization representing all 224 greenhouse pepper, tomato and cucumber growers in the province.

Given the nature of our production systems, our sector is heavily reliant on energy, particularly natural gas. With one third of production costs being energy-related, our growers are very sensitive to pricing adjustments and access to natural gas supply.

As the Ontario Energy Board oversees the natural gas sector in Ontario and is responsible for ensuring consumers obtain reliable energy services at reasonable cost, OGVG would like to convey our concerns to the OEB regarding the recent decisions and activities of gas suppliers, particularly Union Gas. OGVG understands that the greenhouse market is very important to Union Gas, and as a valued customer we would expect reasonable consultation to ensure that greenhouse producers' concerns are heard and addressed.

In order to better illustrate the concerns of our sector, the following outlines a few examples of issues expressed by our growers:

**2013 Delivery Rate Increase**

In January 2013, M4 (firm) and M5A (interruptible) customers including greenhouse growers were informed that the delivery rate for their rate class would be increased. For M5A customers, this was an increase of an average of 37.6% compared to the previously approved rate, which equates to an annual increase of approximately \$2,000 per acre of greenhouse. This is an enormous increase, and Union Gas customers were not provided with any consultation or justification as to how this new rate was determined and do not understand how such a significant increase could have been approved. OGVG is seeking clarification on behalf of our members, and

are requesting to be informed in advance of any future changes so that we have the opportunity to voice our concerns.

**2011 Deferral Account Invoice**

In late March 2013, growers with MSA contracts received notifications regarding a 2011 deferral account clearing adjustment. On average, this adjustment equated to a retroactive \$2,000 per acre extra charge for natural gas. OGVG is aware that this adjustment was approved by OEB, but we are disappointed that our members as significant energy users, were not directly consulted, and that Union Gas simply expected customers to discover this information for themselves via the Union Gas Enerline newsletter. We request clarification on this issue, and ask Union Gas to consult with our sector before future pricing adjustments are approved.

**Proposed Comber Natural Gas Pipeline**

OGVG was pleased to learn of the decision last year to proceed with a plan to build a new natural gas pipeline from Comber to increase service in Essex County. Since that time many growers have expressed dissatisfaction with the process. For example, growers have felt pressured to make agreements with Union Gas in order to secure supply for future greenhouse expansions before their banks have even approved the loan for their expansion. Growers have also felt pressured to secure firm contracts instead of interruptible contracts, and there has been a lack of clarity regarding the benefits/costs of each type of contract particularly with the recent pricing adjustments for MSA contracts. We ask that Union Gas re-evaluate their implementation plans for the Comber pipeline and any other future infrastructure improvements, and participate in discussions with OGVG, its members, and other stakeholders in order to ensure success of the project for all parties.

Overall, on behalf of our members, OGVG requests that we and our growers be notified of any future proposed changes that may affect our sector, and that this notification take place in time for OGVG and our members to provide feedback (i.e. prior to OEB approval). We ask that Union Gas as well as other energy suppliers, engage and consult with OGVG on a regular basis in order to ensure a prosperous future for the energy sector and the Ontario greenhouse sector.

We look forward to hearing from you.

Regards,



Don Taylor  
Chair

Cc.

The Honourable Kathleen Wynne, Minister of Agriculture and Food  
The Honourable Bob Chiarelli, Minister of Energy  
Mr. Steve Baker, President, Union Gas





May 2, 2013

Mr. Don Taylor  
Ontario Greenhouse Vegetable Growers  
32 Seneca Road  
Leamington, Ontario  
N8H 5H7

Dear Mr. Taylor,

Union has reviewed the letter you sent on behalf of the Ontario Greenhouse Vegetable Growers ("OGVG"), dated April 8, 2013 to the Ontario Energy Board ("OEB") expressing concerns related to communication and process around:

1. Recent OEB approved increases to rates charged to M5A (interruptible) customers effective January 1, 2013 (EB-2011-0210 – 2013 Rates Proceeding);
2. Charges associated with the 2011 Deferral Account and Earnings Sharing disposition proceeding (EB-2012-0087 – 2011 Deferral Account Proceeding); and
3. Contracting for firm vs interruptible service on the proposed Comber pipeline facilities (EB-2012-0431 – Leamington Expansion Project).

First and foremost, Union values its relationship with the OGVG and takes the concerns expressed in the letter very seriously. Union agrees that a reasonable level of consultation with customers, particularly stakeholders, such as the OGVG, on all matters pertaining to natural gas service, including regulatory proceedings before the OEB, is an essential part of doing business. Union has a committed Sales & Marketing team that recognizes and understands that a strong ongoing relationship with customers can provide mutual benefit.

With respect to your concerns related to the impacts on M5A customers associated with Union's 2013 Rates Proceeding and the 2011 Deferral Account Proceeding, Union understands the concerns raised in your letter. In both cases, however, the rates and the associated impacts were approved only after extensive review by intervenors and the OEB. For example, Union's 2013 Rates Proceeding, which took over a year to complete, included Public Notice in newspapers across Union's franchise area, 3,200 pages of evidence, responses to over 1,800 written questions from intervenors and an oral hearing before the OEB. It was only after this significant process that the OEB issued its decision allowing Union to implement 2013 rates. A similar process was followed for the 2011 Deferral Account Proceeding.

Notwithstanding the significant process described above, it is clear from your letter that OGVG feels that their views were not adequately represented at these proceedings and consultation was inadequate. As part of all rate setting proceedings, the OEB requires Union to publish a formal Notice, prepared by the OEB, in various newspapers across our franchise area. For the 2013 Rates Proceeding, Union was directed to publish Notice in the Leamington Post. Union was not required to publish in the Leamington Post for its 2011 Deferral Account Proceeding. However Union did make our natural gas contract customers, including the greenhouse growers, aware of this proceeding through several of our Enerline communications.

The Notice includes an overview of the application and informs parties how to actively participate in the regulatory proceeding as a registered intervenor or observer. To ensure that OGVG is aware of upcoming regulatory proceedings, Union will commit to send directly to OGVG a copy of any Notices impacting their members. This will provide OGVG with the necessary information to allow OGVG to determine how best to participate in the regulatory process.

With respect to the Leamington Expansion Project, Union has had numerous communications with greenhouse growers. In July, 2012, Union mailed “Expression of Interest for the Leamington Expansion Project” to all greenhouse customers which gave them the option of new firm distribution service to support new natural gas load, new interruptible distribution service to support new natural gas load, or conversion of interruptible distribution service to firm distribution service. . Union held an Open House on July 24, 2012 in Leamington to discuss the project, provide clarity and respond to any specific customer inquiries.

Based on the interest expressed by customers in securing additional capacity, Union applied for and received OEB approval to proceed with the Leamington Expansion Project. Union can only expand its system when it is economically feasible either through long term contractual obligations or financial contributions. Further, these contractual and/or financial commitments must be in place before construction begins and to meet in service deadlines. To the extent, that some customers require more information related to this expansion project or for Union’s services, I encourage them to call their account representatives.



Please contact me at 519 436-5275 if you have any further questions or concerns.

Yours Truly,

Mark Kitchen  
Director, Regulatory Affairs

Cc: Steve Baker, President, Union Gas  
Rick Birmingham, Vice President Regulatory Affairs, Union Gas  
Dave Simpson, GM Infranchise Sales & Marketing Customer Care, Union Gas  
Rosemarie Leclair, Chair & Chief Executive Officer, Ontario Energy Board  
The Honourable Kathleen Wynne, Minister of Agriculture and Food  
The Honourable Bob Chiarelli, Minister of Energy



Ontario Greenhouse Vegetable Growers  
32 Seneca Road  
Leamington, Ontario  
N8H 5H7  
(519) 326-2604 / 1-800-265-6926  
(519) 326-7842 Fax  
[www.ontariogreenhouse.com](http://www.ontariogreenhouse.com)

June 28<sup>th</sup>, 2013

Mr. Dave Simpson  
GM In-franchise Sales & Marketing Customer Care  
Union Gas Ltd.  
50 Keil Drive North  
Chatham, ON  
N7M 5M1

**RE: Leamington Expansion Project - Comber Line Reinforcement**

Dear Mr. Simpson,

We are in receipt of Union's letter of May 6<sup>th</sup> in response to our letter of April 8<sup>th</sup>. We thank Union Gas and those copied for your invitation to participate at the Ontario Energy Board so we may better understand natural gas matters that affect our members. We have been accepted as an intervenor by the Board in your upcoming 2012 Earnings Sharing and Deferral Account disposition proceeding and intend on staying actively involved in this and future proceedings. We trust that our participation will be mutually beneficial in creating greater satisfaction for our members and your customers.

We respect that Union Gas has been actively trying to address the growing need for natural gas to supply our members in the Leamington and Kingsville area. We thank the company for meeting with our members at the Open House last summer to provide information and respond to inquiries on the Comber Line Reinforcement. Your presence was welcomed. In spite of this, we have not received any updates regarding your Ontario Energy Board ("Board") approval and your expected timelines for project completion. We would respectfully request an update on your Board decision, including any pertinent changes to your application that affect our members, and your expected timelines for project construction and completion.

We also understand that you have been communicating with our members with a view to establishing contracts to support the project. Union's letter refers to needing economic feasibility through "long term contractual obligations or financial contributions". While your response to our request for an update on the Board decision may speak to this matter, at this time we feel it necessary that to gain a more complete understanding of the contracting process so that we may better serve our members. We fully respect Union's need to enter into equitable binding arrangements to provide the company with a reasonable expectation of meeting its rate of return on the project. However, it is essential that our members fully comprehend the contracting process to avoid any confusion in the future. We also want to ensure that the financial commitments of this process do not become a barrier to accessing the service that Union's franchise rights provide.

We appreciate the outreach offer provided by Union in their letter encouraging growers to contact account representatives for more information. While a direct member to account representative interaction may answer some questions, we feel that in some instances a unified sector wide response may be more appropriate. Information gathered in this manner should result in a mutually beneficial contracting process and significantly reduce confusion amongst growers involved in the project. To that end, we have recently provided members with some questions to ask their account representatives. To ensure that we know Union's official position on these topics we request that Union provide us answers to the following questions in writing:

- 1) How does Union calculate the minimum annual volume stipulated in the contract? Please provide the formula and process that is used.
- 2) If based upon the consumption history of a greenhouse operation, how has Union taken into account any conservation measures applied in the existing or contemplated future operations?
- 3) What would happen if winter weather was very warm and the operation did not consume the minimum volume in the contract?
- 4) During the primary term of the contract, what are the grower's obligations to Union for the minimum annual volume in the event of:
  - a. Selling the business
  - b. Closing the business
- 5) We have heard that Union is seeking credit upfront to keep a place in the queue for the pipeline capacity. If that is correct, does Union publicize the queue and the capacity committed versus remaining capacity available?
- 6) If credit is provided with the contract for future capacity rights, are these rights to the capacity transferrable to a third party? If so, what are the conditions and what happens to the credit provided? If not, what happens to the credit if the capacity is not needed?

We trust that you understand the importance of this project to our members and their businesses. Given that we are approaching Canada Day and are almost half-way to our next Canadian winter, we would respectfully request a prompt response to our inquiry to ensure that our members can benefit from your service this year.



George Gilvesy  
General Manager, Ontario Greenhouse Vegetable Growers

cc. Don Taylor, OGVG  
Justine Taylor, OGVG  
Steve Baker, Union Gas  
Mark Kitchen, Union Gas

July 18, 2013  
Mr. George Gilvesy  
General Manager  
Ontario Greenhouse Vegetable Growers  
32 Seneca Road  
Leamington, ON  
N8H 5H7

**RE: Leamington Expansion Project – Comber Line Reinforcement**

Dear Mr. Gilvesy

Union has reviewed the letter you sent on behalf of the Ontario Greenhouse Vegetable Growers (“OGVG”), dated June 28, 2013. Based on the content of the letter, Union has summarized the letter into the following items:

1. Update regarding the Leamington Expansion Pipeline Project (Board file EB-2012-0431)
2. Understanding of the contracting process as it relates to OGVG members
3. Written response to the six questions contained in the June 28 letter

**1. Update regarding the Leamington Expansion Project (Board file EB-2012-0431)**

Union received Ontario Energy Board (the “Board”) approval on March 28, 2013 to proceed with a leave to construct approximately 8.5 km of a 12” natural gas pipeline starting on the Townline Road north of South Middle Road and continuing south along Lakeshore Road 245 and then on the abandon railroad corridor south of Count Road 8. The pipeline will end at the County Road 14 station.

Union began construction on May 27, 2013 with a target in-service date of November 2013. At this time, there are no changes to the application as approved by the Board.

**2. Understanding of the contracting process as it relates to OGVG members**

As you may be aware, prior to the initiation of the Leamington Expansion Project, Union had received a number of requests for natural gas service from greenhouse growers in Leamington, Kingsville, Mersea Township and Gosfield South Township. These requests came from new greenhouse operations, greenhouses that operate on fuels other than natural gas, and from growers who wanted to switch from interruptible service to firm natural gas service. To determine the level of interest in natural gas service, Union held an open season to allow growers and other users of natural gas with the opportunity to express their interest in natural gas service. “Open Season” is an industry term. It is a process which is used to allow customer an opportunity to bid for services that Union believes there is a market need for. As part of the open season package, Union provides the customers with a description of the service, the expected parameters for the service, which would include, but not be limited to: quantities, contract term length, one-time charges, and conditions precedent. In some case, as with the Leamington Expansion, there may be a need to build facilities to support the open season, and Board approval may be required based on the results of the open season.

The open season for the Leamington expansion was well received and provided Union with a clear understanding of the potential growth in the greenhouse market for the area.



A total of 509 acres of greenhouse capacity was identified through the open season process. The acreage is a mix of new firm and interruptible acreage as well as conversion from interruptible to firm service. It was this identified acreage that supported Union's facilities application.

As with all project expansions, to insure that all project costs are recovered from customers who are requesting natural gas service, customers may be required to provide Contributions In Aid of Construction, also called an "aid to construct". An aid to construct is required when the projected natural gas load revenues are less than the projected costs over the life of the new facilities. In the case of the Leamington Expansion project, there was an aid to construct required to maintain the economic feasibility for the project. This economic feasibility test expansion projects is prescribed by the Board.

As a result, greenhouse growers who are requesting natural gas service as part of the Leamington Expansion Project are required to provide an aid to construct to recover the costs to build facilities. The project has identified that the aid for this project is \$18,000.00 per acre for firm natural gas service and \$9,000.00 per acre for interruptible natural gas service. The aid to construct requirement can be satisfied in two ways:

1. Pay a one time up front lump sum payment. A customer choosing this option would then sign a one year gas distribution contract; or
2. Spread the payment of the aid to construct over a longer term with the greenhouse grower executing a contract with Union, committing to an annual volume of gas that will recover the required aid. Should the grower choose this alternative, a minimum annual volume (MAV) is negotiated with the customer that will ensure that the amount of aid is fully recovered over the term of the contract. The length of the term will vary depending on the MAV volumes the customer is committing to.

### **3. Written response for the six question contained in the June 28 letter**

#### **Responses to Questions**

- 1. How does Union calculate the minimum annual volume (MAV) stipulated in the contract? Please provide the formula and process that is used.**

A: There is no formula for the minimum annual volume. For each contract rate class, the "floor" for the MAV would be the minimum volume required to qualify for the rate class. For example, the current M4 rate class has a minimum qualifying annual volume of 700,800 m3, but the contracted MAV would be 146 times the Contracted Demand. The minimum qualifying volume for the M5 rate is 700,000 m3. As of January 1, 2014, the minimum volume required to qualify for contract rate in the M4 (firm capacity) and M5A (interruptible capacity) rate classes will be reduced to annual volume requirement of 350,400 m3 and 350,000 m3 respectively.

An MAV may be negotiated with any contract rate customer based on a number of factors. For the Leamington Expansion project, negotiated MAV's have been put in place to insure that the capital costs for the project are fully recovered. With the Leamington Expansion Project, it was identified that customer would need to contribute an aid in order for the project to be economically feasible. Customers can pay the aid as one lump sum, or the amount of the aid can be spread out by committing to an annual volume over a contract term. By doing so, the aid is recovered over the term of the contract as long as the customer meets the agreed to annual volume of consumption. This is identified as the minimum annual volume (MAV).

- 2. If based upon the consumption history of a greenhouse operation, how has Union taken into account any conservation measures applied in the existing or contemplated future operation?**

A: The MAV is not solely based on historical consumption. The MAV is the amount that a customer is committing to either consume and pay for through usage, or pay for if not consumed. Historical usage is a measure Union and the customer can refer to assess if the business is likely to use similar volume going forward. Union does not take into account any conservation measures applied when determining the need for an MAV.

Since the MAV has a floor based on the minimum volume requirement for the rate class, if the resulting existing or future conservation measures were to cause the annual volume to be below the qualifying level for the rate class, the customer would no longer qualify for contract rate and would be moved to the applicable rate class.

If the conservation measures do not impact rate class eligibility, then the MAV would be reviewed at the contract anniversary date and any negotiated change may be incorporated into the contract.

**3. What would happen if winter weather was very warm and the operation did not consume the minimum volume in the contract?**

A: The MAV is the minimum amount of volume that must be consumed during the term of the contract. Should the contracted minimum annual volume requirement not be met, the applicable charges would be applied, as outlined in the signed gas distribution contract. The charge will be the quantity of the MAV shortfall multiplied by the applicable charge as specified in the rate schedule. The charge would be billed in the first month following the end of the contract year (Section 5 of the Gas Distribution Contract).

**4. During the primary term of the contract, what are the grower's obligations to Union for the minimum annual volume in the event of:**

- a. Selling the business**
- b. Closing the business**

A: Any contract for natural gas service is between Union and the customer. These contractual agreements are not assignable without consent from Union.

If a grower were to sell their business during the term of the contract, the obligations for the entire contract will be dependent on the type of sales agreement put in place between the buyer and the seller as well as Union's agreement to assign any contract to the buyer. Since each sale can be unique, two simplified scenarios are presented below:

Scenario 1: Purchaser only buys the assets from the grower, with no obligations to any existing contracts.

- In this scenario, the current holder of the contract (the grower) would be responsible for all obligations of the contract. With regards to the MAV, the grower would be responsible for any deficiency volumes resulting from the existing distribution contract.

Scenario 2: Purchaser buys all assets and liabilities from the grower. The purchaser assumes all obligations of the growers existing contracts, subject to Union consent to the assignment of the contract(s) to the purchaser

- In this scenario, the purchaser would be responsible for all obligations of the contract, including the MAV.

Closing the Business: If the business is closed during the term of the contract, the grower is still responsible for all obligations of the contract.

5. **We have heard that Union is seeking credit upfront to keep a place in the queue for the pipeline capacity. If that is correct, does Union publicize the queue and the capacity committed versus remaining capacity available?**

A: There is no queuing for distribution pipeline capacity.

With regards to the Leamington Expansion project, since construction has commenced and the pipeline will be in service by November 2013, Union now needs to contract with those growers who expressed interest in taking natural gas service associated with the expansion. From the expressions of interest, growers have been approached to confirm the exact number of acres that are either new to natural gas service (firm or interruptible) or will be converting from interruptible natural gas service to firm service. In both instances, a contract will need to be entered into. All gas distribution contracts go through a number of approvals within Union, and one of those approvals is a review of the customer's financial viability. Based on contract parameters (i.e. MAV, estimated annual usage, and contracted demand), payment history, financial statements, internal credit ratings and in the case of the Leamington Expansion Project and defined in #2 above, any aid to construct amount that the customer has committed to, Union will determine the amount of unsecured credit to extend to a customer – this is known as the unsecured credit limit. If the unsecured credit limit is sufficient to cover the expected financial exposure to Union, then no financial assurance is requested and the contracting process will continue. However, if the unsecured credit limit is not sufficient, then financial assurance will need to be provided to cover the difference between the unsecured credit limit and the expected financial exposure. Financial assurances can be in the form of a cash deposit, letter of credit, or parental guarantee if there is a qualifying parent company with sufficient credit available. The need for financial assurance is one of the conditions in Section 2 of the gas distribution contract.

6. **If credit is provided for future capacity rights, are these rights to the capacity transferrable to a third party? If so, what are the conditions and what happens to the credit provided? If not, what happens to the credit if the capacity is not needed?**

A: Financial Assurance is not requested for future capacity rights.

Should any customer be required to provide financial assurance to Union, as may be required for the gas distribution contract, Union reviews the customer's credit limit on an annual basis to determine if the limit is sufficient to cover the expected financial exposure to Union. Should the unsecured credit limit be

increased to a level that allows any provided financial assurance to be reduced or eliminated, the amount of the financial assurance will be returned to the customer.

We hope that this addresses the questions you had regarding the Leamington Expansion and look forward to meeting in person with you soon to address any follow up questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Jackie Carle". The signature is fluid and cursive, with the first name "Jackie" written in a larger, more prominent script than the last name "Carle".

Directory, Residential Commercial Sales  
Union Gas Limited



Ontario Greenhouse Vegetable Growers  
32 Seneca Road  
Leamington, Ontario  
N8H 5H7  
(519) 326-2604 / 1-800-265-6926  
(519) 326-7842 Fax  
www.ontariogreenhouse.com

July 22<sup>nd</sup>, 2013

Ms. Jackie Caille  
Director, Residential Commercial Sales  
Union Gas Ltd.  
50 Keil Drive North,  
Chatham, ON N7M 5M1

**RE: Leamington Expansion Project - Comber Line Reinforcement**

Dear Ms. Caille,

Thank you for your letter of July 18th.

While we have clarity on some points, one of the fundamental premises of your letter is: "In the case of the Leamington Expansion project, there was an aid to construct required to maintain the economic feasibility for the project."<sup>1</sup> We recall that Union had initially informed the growers that an aid would be required. However, we have come to understand that Union has subsequently informed the Board that the overall project aid is not, in fact, required and the Board relied on that in providing its approval.<sup>2</sup>

It is our understanding that while Union has the right to establish the appropriate security for credit risks or seek aid from individual customers for additional customer service facilities that are not profitable; Union does not have the right to use the previous project aid-to-construction estimate to:

- 1) Secure an upfront cash deposit nor
- 2) Establish a minimum annual volume to secure aid-to-construction over the 10 year contract.<sup>3</sup>

We trust that our interpretation is correct but seek your concurrence on our understanding as this point is extremely critical to our members having an effective understanding of their position in negotiating a bi-lateral contract. To that end, it is our intent, with your confirmation of the above point, to summarize the answers we have received from Union. We would send that summary to Union for its concurrence. Upon receiving Union's concurrence that we have the facts straight, the summary would be provided to our members and, presumably Union's contract representatives.

Your expedited response to this letter would promote effective communication and contracting for this much needed project and reduce our need to seek clarification from the Ontario Energy Board.

Sincerely,

A handwritten signature in black ink, appearing to read "George Gilvesy", written in a cursive style.

George Gilvesy  
General Manager, Ontario Greenhouse Vegetable Growers

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<sup>1</sup> Union Response Letter dated July 18th, page 2, paragraph 2.

<sup>2</sup> EB-2012-0431 Decision and Order dated March 28, 2013, page 5.

<sup>3</sup> Union Response Letter, page 2, response 1, second paragraph



August 8, 2013

Mr. George Gilvesy  
General Manager  
Ontario Greenhouse Vegetable Growers  
32 Seneca Road  
Leamington, ON  
N8H 5H7

**RE: Leamington Expansion Project – Comber Line Reinforcement**

Dear Mr. Gilvesy

Thank you for your letter of July 22nd.

As follow up to our July 31<sup>st</sup> meeting, Union agreed to clarify my letter of July 18<sup>th</sup> and in particular the circumstances where aid is required and my response to your question 2.

In question 2, part of my response was...

*"As a result, greenhouse growers who are requesting natural gas service as part of the Leamington Expansion Project are required to provide an aid to construct to recover the costs to build facilities. The project identified that the aid for this project is \$ 18,000.00 per acre for firm natural gas service and \$9,000.00 per acre for interruptible natural gas service. The aid to construct requirement can be satisfied in two ways:*

- 1. Pay a one time up front lump sum payment. A customer choosing this option would then sign a one year distribution contract: or*
- 2. Spread the payment of the aid to construct over a longer term with the greenhouse grower executing a contract with Union, committing to an annual volume of gas that will recover the required aid. Should the grower choose this alternative, a minimum annual volume (MAV) is negotiated with the customer that will ensure that the amount of the aid is fully recovered over the term of the contract. The length of term will vary depending on the MAV volumes the customer is committed to."*

In my letter, I used the term "aid" to describe the financial commitment that a grower wishing to connect to the new facilities may make to cover the allocated costs. I apologize for any confusion that this terminology may have caused and appreciate the opportunity to have met with you Ms. Taylor, Mr. Taylor and Mr. Quinn to clarify the process to determine "aid" and the individual calculations that would occur specific to each grower. Per your request, Union has summarized our discussion from that day as follows.

In our meeting of July 31<sup>st</sup> Mr. Hockin described the methodology for the aid calculation and the circumstances where an aid would or would not apply. To review, an "aid" is required when the net present value (NPV) of the revenue is less than the NPV of the costs. In this respect the aid is a shortfall of revenue in comparison to the costs. Union will determine the costs (as described below), and the customer will determine level and length of term for the revenue stream, subject to a maximum term of 10 years. The customer will choose the minimum annual volume (MAV) and the number of years for the contract. This is the revenue stream that is discounted to a

net present value to compare to the costs. Subject to meeting the qualifying requirements of the rate schedule, the choice of term and volume is a decision made by the customer.

The determination of whether an aid is required is done using a common methodology and applied on a customer specific basis using customer specific costs and revenues. The Leamington Expansion Project is a new supply line to the area. The capital cost of the new line has been unitized in a manner that will enable a proportionate share of the cost to be attributed to growers based on the capacity for the number of acres the customer is requesting. For ease of communications, we equated the volume capacity to an equivalent usage per acre because acres are a common point of reference from the perspective of the growers. The unitized cost is \$9000 / \$ 18000 per acre for interruptible or firm service respectively, and is applied to all growers. Non-greenhouse operations (such as a larger commercial/industrial user) will be allocated a proportionate share of the supply line costs using a factor of \$205/m<sup>3</sup>/hour). This factor is noted in the open season documents. The charge is an equivalent to the per acre allocation quoted in the open season. For practical reasons the allocation will not be applicable to residential customers.

The allocated cost of the supply line is added to the customer specific distribution costs to determine the total cost for such customer. The revenue parameters are chosen by the customer based on the gas service needs that support the grower's operations. These include the Contract Demand (CD), the MAV and the length of term for the contract subject to a maximum 10 years. Where the NPV of the revenue stream is less than the NPV of the costs as noted above, there is a revenue shortfall and the customer has the choice of either making a lump sum payment in advance or modifying the parameters that were used for the revenue determination. This includes increasing the CD, MAV, or the term of the contract; or any combination of these with a lump sum payment. In our meeting we discussed the 10 year contract term. This is a maximum term. A term less than 10 is available to customers at their option. A lesser term will have a lesser committed revenue stream and will of course impact the NPV of the revenue. By way of example, if a 10 year revenue stream results in a PI of 1.20 (revenue is excess of the cost), the customer may choose to either reduce the MAV and keep the 10 years or keep the MAV and reduce the term, or a combination of both. Provided the PI does not fall below 1.0 an aid would not be required. Conversely in an example where a 10 year term has PI of .80 either additional revenue or a lump sum payment of an aid is required. In this example the customer choices for the revenue stream are: Increasing the CD or MAV or a lump sum payment or any combination of this.

In our meeting there were questions asked in regards to a whether a queue exists for the capacity. There is no queue. Capacity of the supply line is on first come first served basis. The availability in the future is based on the take up rates as committed by customers via signed contracts.

In our meeting we discussed reference to the \$2 million aid payment requirement as was noted in the filing we made to the Ontario Energy Board (OEB). At the time of filing, the \$2 million figure was an estimate of the revenue shortfall for the entire project based on a forecasted rate of take up of the capacity over a 3 year period; the estimated cost of the supply line; and the estimated cost of the distribution system to connect the customers. As we discussed that forecast, derived from customer discussions, was based on a mix of acres that would sign up for firm or interruptible service, and existing acres that would convert from interruptible to firm service. In the later case the cost of distribution facilities is considerably less than the cost to connect new acres on a new site. This was an aggregated estimate of the project in total. The determination of whether an individual customer would need to pay an aid would be determined as I have described above.

In March Union updated the forecasted attachments and the forecasted distribution costs. The net result was a forecasted PI of 1.18. The increase in PI was driven by a reduction of the forecasted distribution costs primarily because the acres being committed were more weighted towards a conversion from interruptible to firm service. The forecasted cost of the supply line at approximately \$8.2 million did not change. The PI of 1.18 assumed a 10 year revenue term for all customers and in such circumstances the revenues would exceed the costs. On an individual basis there may be circumstances where a customer has a PI less than 1.0 and an aid may be required. This is the example as I described above.

We appreciate the opportunity to have met with you and your colleagues in person to discuss this on July 31<sup>st</sup>. I trust that our discussion at that meeting, along with this additional communication, provides a clear understanding of the financial requirements regarding the Leamington Expansion.

Should you have further questions regarding this project or any other matter of interest to your association or its members, please do not hesitate to contact me or Patrick Boyer, Manager Greenhouse, Retail Energy and Wholesale Markets, pboyer@uniongas.com (519) 436-5470. We look forward to keeping in touch with your association and its members going forward.

Sincerely,

A handwritten signature in black ink that reads "Jackie Caille". The signature is written in a cursive style with a large, stylized "J" and "C".

Jackie Caille  
Director, Residential Commercial Sales

November 5, 2013

Union Gas Ltd.  
50 Keil Drive North,  
Chatham, ON N7M 5M1

Attention: Ms. Jackie Caille, Director, Residential Commercial Sales

**RE: Leamington Expansion Pipeline Project - OGVG Request for Information**

We are writing on behalf of the Ontario Greenhouse Vegetable Growers ("OGVG") as a follow-up to communications with Union Gas this past summer. As you know, DR QUINN & ASSOCIATES LTD. was retained by OGVG to address concerns originally communicated to the Ontario Energy Board ("the Board") in their letter of April 8, 2013.

Our communications this past summer were helpful in providing a consistent message to the growers regarding Union's position on the Leamington Expansion Pipeline Project ("the Project"). However, we were left with concerns regarding the economic evaluation of the project and Union's stated policies regarding required financial security for access to service that would flow from the project. In our meeting of July 31st, we asked some questions regarding the economics, design and capacity of the Project and were directed to the filings in EB-2012-0431 and some clarifying tables showing the increases in estimates of acreages to be served over time. Despite having reviewed the EB-2012-0431 material, your letters and the tables provided, our concerns remain.

The purpose of this letter is to understand the Board-approved decisions and policies that underpin Union's requirement for financial security from customers served by the Project. Further, we are also requesting the provision of some of the background information that supported the economic analysis and facilities design. Accordingly, we are providing you with the following questions in order to, hopefully, help our client understand whether its apparent concerns are in fact real.

**Board Approvals**

From the docket it appears that the initial application for the Project included an aid-to-construction to support a profitability index of 1.0. However, we understand that Union subsequently informed the Board that the overall project aid was not required and the Board relied on that information in providing its approval.<sup>1</sup> Since there is no required aid-to-construction, please provide the Board authority that Union is relying upon to:

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<sup>1</sup> EB-2012-0431 Decision and Order dated March 28, 2013, page 5.

**DR QUINN & ASSOCIATES LTD.**

## Appendix E

- 1) Secure an upfront cash deposit; or
- 2) Establish a minimum annual volume to secure the amount of the deposit over the 10 year contract

as a pre-condition for access to the incremental service.

Economic Evaluation

Please provide a breakdown of the increase in annual volumes by rate class that were forecasted in the first 5 years of the economic run included in Union's Reply Submission<sup>2</sup>. Please confirm that the Discounted Cash Flow analysis in that submission did not include upfront capital contributions by customers.

Facilities Design

As communicated in our meeting, we are seeking to understand the capability of the pipeline to meet future needs. The application speaks to contracted and forecasted growth and provides basic information about the size, length and location of the Project. To inform our understanding of the incremental capacity of the project and its ability to meet growth, please provide:

- 1) The five year forecast of increased hourly demand by rate class.
- 2) The increase in hourly capacity created by the Project.
- 3) The forecasted surplus in capacity in 5 years.

Your clear responses to this letter would reduce our need to seek clarification through the Ontario Energy Board.

On behalf of OGVG,



Dwayne R. Quinn  
Principal  
DR QUINN & ASSOCIATES LTD.

- c. P. Duguay - OEB  
G. Gilvesy, J. Taylor - OGVG  
M. Buonaguro

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<sup>2</sup> EB-2012-0431 Union Reply Submission dated March 8, 2013



December 2, 2013

Mr. Dwayne R. Quinn  
DR QUINN & Associates Ltd.  
130 Muscovy Dr.  
Elmira, ON  
N3B 3P7

RE: Leamington Expansion Pipeline Project – OGVG Request for Information

Dear Mr. Quinn,

From your letter dated November 5<sup>th</sup>, 2013, Union understands that there are 3 areas where your client, Ontario Greenhouse Vegetable Growers (OGVG) is seeking further clarity regarding the Leamington Expansion Pipeline Project. The 3 topics requiring further understanding relate to: Ontario Energy Board (OEB) authority Union is relying on for this project, economic evaluation and facilities design. Each is addressed in turn below:

#### OEB Authority

Your letter requested Union to provide the Board authority that Union is relying upon to:

- 1) Secure and upfront cash deposit, or
- 2) Establish a minimum annual volume to secure the amount of deposit over the 10 year contract

Union's project economics for the Leamington Expansion project were completed following the EBO 188 Guidelines, and Union's Distribution New Business Guidelines.

When Union prepares and submits an application to the OEB it includes the project economics and the assumptions that underpin those calculations. When the OEB approves the application, those assumptions underpinning the calculations are approved as well. The only exception to this would be a specific reference in the Board's decision that changes or revises those assumptions.

The Leamington Expansion project revised economic assumptions included a revenue stream for 10 years consistent with the attachment forecast.

In order for the project to have a PI of 1.0, a grower, or any contract customer is required to sign a contract that will support a revenue stream for a PI of 1.0 for their share of the costs. This will require a contract term of up to 10 years or the customer can provide an upfront payment, or a combination of both. This process will match the revenues identified in the project economics.

#### Economic Evaluation

Your letter also requested:

- 1) A breakdown of the increase in annual volumes by rate class that were forecasted for the first 5 years of the economic run included in Union's Reply Submission for EB-2012-0431 dated March 8, 2013.



- 2) Confirm that the Discounted Cash Flow analysis in that submission did not include upfront capital contributions by customers. Tab 6 Appendix E

The breakdown of the increase in annual volumes by rate class that were forecast in the economic evaluation for the Leamington Expansion Project can be found in the table below.

	2013	2014	2015	2016	2017
Total (m3)	10,022,762	64,512,370	71,946,370	79,346,370	79,346,370
M2	414,583	2,487,500	2,487,500	2,487,500	2,487,500
M4	4,083,657	24,852,740	26,606,740	26,606,740	26,606,740
M5	5,524,522	37,172,130	42,852,130	50,252,130	50,252,130

The analysis in Union's Reply Submission for EB-2012-0431 dated March 8, 2013 did not include any capital contribution by customers.

#### Facilities Design

Lastly, with regards to the incremental capacity of the project and its ability to meet growth, you requested Union to provide:

- 1) The five year forecast of increased hourly demand by rate class.
- 2) The increase hourly capacity created by the project.
- 3) The forecasted surplus in capacity in year 5.

The forecast for the Leamington Expansion project is not based on the hourly demands by rate class. The economics for the project are derived from the revenue for each of the three types of acres being served by the project – new firm, new interruptible and conversion from interruptible to firm – and the applicable rate class identified for each type. Based on the applicable rate class for each type, a forecast of revenues for the project was developed.

The Leamington Expansion Pipeline project has the firm capacity to provide 48,633 m3/hour and an additional 10,300 m3/hr of interruptible capacity.

There was no surplus capacity forecasted in year 5 of the project.

Sincerely,



Directory, Residential Commercial Sales  
Union Gas Limited

cc: P. Duguay, OEB  
M. Kitchen, P. Boyer, Union Gas Ltd.  
G. Gilvesy, J. Taylor, OGVG  
M. Buonaguro