

November 25, 2014

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

Dear Ms. Walli:

**RE: EB-2014-0234 – Goldcorp Inc. – Payment of Construction Delay Costs –
Interrogatory Responses**

Please find attached Union's responses to the EB-2014-0234 interrogatories.

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)
Goldcorp Inc.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Union's Evidence dated October 28, 2014 (EB-2014-0234); Union's Post Construction Financial Report, dated April 22, 2014 (EB-2011-0040); Letter of comment by the Corporation of the Municipality of Red Lake, dated July 10, 2014 (EB-2014-0234); Goldcorp's Response to Board staff IR #2, dated October 14, 2014 (EB-2014-0234).

Preamble: Union's Post Construction Financial Report summary table for Phase 1 shows the total increase in estimated project costs being \$4.3 million (the difference between the estimated \$26.9 million and actual \$31.2 million total Phase 1 costs). Union confirmed this in its evidence page 4 lines 11 and 12 stating: "The total variance from the original cost estimate was \$4.3 million, of which \$3.3 million were delay cost".

Goldcorp's response to Board Staff IR #2 stated that the amount of additional capital contribution that Union requested is \$2.375 million.

In a letter dated July 10, 2014, on page 2 paragraph 2, the Municipality of Red Lake stated that "...under its agreement with Union Gas, the Municipality of Red Lake (and its funding partners) are not responsible for any cost overruns related to the project".

Union stated in the evidence that "...the actual costs used to determine the Contribution in Aid of Construction ("CIAC") were prudently incurred, and should be recovered by Union".

- a) How is Union planning to recover \$1.0 million which is the difference between \$4.3 million of the total variance and the \$3.3 million delay costs? If applicable, what would be the projected impact on Union's ratepayers?
- b) Who will bear the cost of \$0.925 million which is the variance between the \$3.3 million and \$2.375 million if there is no agreement that the Municipality or its funding partners are responsible for any cost overruns? If this cost is not recovered from the Municipality or from Goldcorp how does Union plan to recover the cost? If applicable, what would be the projected impact on Union's ratepayers?
- c) If the Board were to determine that Union should recover \$2.375 million costs from its ratepayers, what would be the annual estimated impact on the rates of an average residential

customer in each of Union's rate zones?

Response:

a) - c)

Union updated its rate base for the \$1.0 million at the conclusion of the project. However, Union's rates will not be impacted by the rate base change until Union's 2019 Cost of Service Application.

Union updated its rate base for the \$0.925 million at the conclusion of the project. However, Union's rates will not be impacted by the rate base change until Union's 2019 Cost of Service Application.

If the Board were to determine that Union should recover \$2.375 million costs from its ratepayers, Union would update its rate base immediately. Union's rates will not be impacted by the rate base change until Union's 2019 Cost of Service Application.

Union estimates that the bill impact for the average residential customer in each Union North zone would be approximately \$1.25 per year.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Union's Post Construction Financial Report, dated April 22, 2014 (EB-2011-0040)

Referring to the table on page 2 of the Post-Construction Financial report, please identify per each cost item, including total project costs, which variances are caused directly by the construction delay over two seasons and which variances are caused by other reasons. Please provide the variance and a detailed explanation for each cost item and each cause of the variance.

Response:

Please see Attachment 1.

Cost Item	Variance (Estimated-Final Costs)	Caused by construction delay over two seasons	Caused for other reasons	Explanation
Pipeline and Equipment				
Pipe NPS 8, 6, 4 & 2	\$ 20,621.63	\$ -	\$ 20,621.63	Variance < 1% of estimate (insignificant).
Valves, Fitting, Misc	\$ 1,023,231.04	\$ -	\$ 1,023,231.04	Materials obtained at reduced cost.
Stores overhead	\$ -118,991.43	\$ -	\$ -118,991.43	Additional material handling and warehousing; delay portion included in prime contractor variance
Construction and Labour				
Prime Contract	\$ -5,045,100.00	\$ -2,895,331.67	\$ -2,149,768.33	Two-Season delay: Additional mobilization/demobilization, equipment standby, loss of productive time Other reasons: Increased clearing and HDD costs; scope changes by customer and agencies
Ancillary Contracts	\$ -705,909.42	\$ -388,214.00	\$ -317,695.42	Two-Season delay: Additional Inspection costs due to extended timelines Other reasons: Greater inspection and outside service costs than estimated
Company Labour	\$ -481,642.23	\$ -	\$ -481,642.23	More work was completed by Union personnel over the two year period than estimated.
Land Rights/Regulatory	\$ -121,164.62	\$ -	\$ -121,164.62	OEB oral hearing not anticipated; additional costs were incurred to obtain easements which were required to accommodate changes in the pipeline route.
Contingency	\$ 1,169,764.00	\$ -	\$ 1,169,764.00	Offset variances related to causes other than the construction delay.
Total Project Costs	\$ -4,259,191.03	\$ -3,283,545.67	\$ -975,645.36	