


May 13, 2014

Mr. John Frostiak
56 McManus Street
Red Lake, Ontario

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ONTARIO ENERGY BOARD



Dear Mr. Frostiak:

This letter is in response to the letter that you sent the Ontario Energy Board ("OEB") on April 17, 2014 regarding natural gas service to the McManus and Chukuni subdivisions. Union Gas does not consider the changes that were made to the construction plan for Phase 2 of the Red Lake project to be significant changes requiring OEB approval. When Union Gas provides service to a new community the construction plan is generally considered a work in progress with areas having the lowest cost /connection getting served first. This practice is followed so that the maximum number of customers can be served. It was always Union Gas' intent to pipe and serve as much of the area as possible with the funding that was available. As you may remember, when Union Gas held open houses in the Cochenour Arena in 2012 a number of areas were identified as feasibility review areas which were only to be served if funds were available after the core areas had been completed.

Union Gas has now filed a Post Construction Financial Report with the OEB. The report shows that Union Gas will spend \$4.1 M more than what was planned for Phase Two. Phase Two was originally forecast to cost \$19.5 M. To date Union Gas has spent 20.9 M, a difference of 1.4 M. Union Gas forecasts to spend an additional \$2.7 M over the next eight years providing service connections to customers who currently have gas lines in front of their residences or businesses.

Union Gas is available to review the provision of natural gas service to the McManus and Chukuni Subdivisions in the summer of 2014. This review would look at natural gas service to the McManus and Chukuni subdivisions as a standalone project. This project would be required to meet the requirements of the EBO 188 guidelines and the latest version of the Union Gas New Business Guidelines submitted to the OEB as part of the Union Gas 2013 rate application. As part of this review we would like to meet with you on site to review potential running lines for the mains and service lines that would be required to serve the subdivisions. We would also like to review with you the natural gas surveys you completed to assist us in the development of a revised attachment forecast. With this new information in hand, revised project economics could be completed using the new costs estimate for the redesigned pipeline network, and the revenues which would be realized from the new attachment forecast. Union Gas would then determine

the financial contribution required from each new customer (Aid to Construct) to construct the project. At that time Union Gas would get back to you to determine if there is still enough interest in the project to move it forward.

Thank you for your interest in obtaining natural gas services to your area.

Yours truly,

A handwritten signature in black ink, appearing to read "Steven Jelic", with a stylized flourish at the end.

Steven Jelic
District Manager