

April 26, 2016

BY RESS

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 Project
Board File # EB-2016-0013**

Please find enclosed Union’s completed Undertakings.

Sincerely,

[original signed by]

W.T. (Bill) Wachsmuth, RPF
Senior Administrator, Regulatory Projects

Encl.

cc: M. Millar, Manager Facilities Applications
L. Gluck, Chair (OPCC)
All Intervenors

UNION GAS LIMITED

UNDERTAKING NO. J1.1:

UNION TO PROVIDE THE THREE SCENARIOS

Response:

- A. 10 year term with 10 years of interruptible service at \$ 970,000 per year
- B. 20 year term with zero Interruptible service
- C. 20 year term with 20 years of interruptible service at \$ 970,000 per year

Results:

Case	PI
A	1.51
B	1.75
C	2.40

In each scenario either the revenue term is increased or an assumption of interruptible revenue is assumed for an extended period of time.

As previously explained, it is unlikely that customers will contract or otherwise commit longer term to interruptible service given that they have requested firm service. It is more likely that customers will commit or convert to firm service when it becomes available. Union anticipates that capacity will become available in 2017 (1 year after the in service date for the Leamington 2 project). If customers avail themselves of the firm service in 2017 (as expected), then Staff's scenarios would not exist.

In scenario B above, the term of the DCF is extended from 10 years to 20 years. Extending the term creates a view of the potential PI after 20 years but it does not change the need for the revenue commitment. The DCF at Schedule 8 indicates that the PI reaches 1.0 at about year 9. As such the results of scenarios B do not change requirements of customers to commit individually to a term that would meet a PI of 1.0 for their share of the costs.

UNION GAS LIMITED

UNDERTAKING NO. J1.2:

UNION TO CONFIRM WHETHER OR NOT THERE WAS A \$2-MILLION SHORTFALL IN REVENUES

Response:

At the time Union filed its leave to construct application for Phase 1 of the Leamington Project in November of 2012, approximately 51% of the incremental capacity had been contracted for. The remaining capacity was forecast to be contracted for by the end of 2016 and included distribution facilities to attach the new customers. Total capital was estimated at \$8.2 M for Transmission and \$4.7 M for Distribution for a project estimate of \$12.9 M. The economics filed in the original pre-filed evidence identified that an Aid to Construct of approximately 2.1M was required to bring the project to a PI of 1.

Between November 2012 and March 2013 additional contracts were signed for the remaining incremental capacity. These contracts were conversion from Interruptible service to Firm service. These customers did not require distribution facilities as they already had gas service, thus reducing the total capital to \$8.2 M Transmission and \$1.7 Distribution for a project estimate of \$9.8 M. With the entire capacity being underpinned by signed contracts and lower project capital, no Aid to Construct was required to bring the project to a PI of 1. The revised economics were filed with the Board as part of Union's reply argument filed March 2013. The above is also set out at pp. 9-10 of the Board's Decision and Order EB-2013-0365.

UNION GAS LIMITED

UNDERTAKING NO. J1.3:

UNION TO ADD A COLUMN TO SHOW HOW MANY CUSTOMERS IN EACH OF THOSE CATEGORIES

Response:

Board Staff IRR 3c

Duration of Contracts Signed (years)	Range of MAV (annual m3)	Customers
2	2,630,630	1
3	964,368 – 2,350,656	4
4	912,788 – 8,500,000	15
5	1,091,680 – 10,000,000	6
6	974,740 – 8,500,000	9
7	1,297,160 – 4,407,924	4
8	1,303,536 – 6,850,000	3
9	2,215,880 – 11,576,000	5
10	2,620,600 – 7,530,134	8

UNION GAS LIMITED

UNDERTAKING NO. J1.4:

UNION TO EXPLAIN WHY UNDER THE HEADING 3.4.4 WAS HYDRO ONE'S PROPOSED TRANSMISSION LINE NOT REFERRED TO IN THAT SECTION, AND WHETHER THE CONSULTANT WAS AWARE OF THE PROPOSED TRANSMISSION LINE

Response:

Section 3 of the Leamington Phase II Pipeline project Environmental Report describes the current/existing environmental setting and features in the study area. As HONI's proposed facilities have not been constructed they were not identified in this section of the Environmental Report.

Azimuth Environmental Consulting Inc. ("Azimuth") was and remains aware of the SECTR project.

UNION GAS LIMITED

UNDERTAKING NO. J1.5:

UNION TO IDENTIFY WHEN THE FIELD WORK WAS DONE THAT ASSESSED THE CONDITION SOUTH OF THE COUNTY LINE AND WHEN IT BECAME APPARENT TO UNION THAT IT WOULD NEED TO MOVE FROM THE ORIGINAL PROPOSED WESTERN EDGE OF THE CORRIDOR MUCH CLOSER TO THE HYDRO ONE TRANSMISSION LINE

Response:

Union met with the Municipality of Leamington on April 29, 2015 to introduce the Leamington Phase II project and to discuss potential running line options. Both parties indicated that the rail corridor was the preferred option. Union outlined the next steps in the planning and design process.

On June 5, 2015 Union's project team conducted a site visit with the construction contractor to review potential running lines within the rail corridor. It was at this meeting that Union identified that the preferred route to be on the gravelled portion of the rail corridor as there were significant construction and maintenance challenges with maintaining the same running line as Leamington Phase I.

On June 17, 2015 Union met with the Municipality of Leamington with a preliminary drawing of the proposed 5m easement within the rail corridor. The Municipality was in agreement with the location and Union proceeded with the pre-engineering work which included geotechnical, survey, and horizontal directional drill designs.

UNION GAS LIMITED

UNDERTAKING NO. J1.6:

UNION TO IDENTIFY HOW LONG THOSE THREE CONTRACTS WOULD HAVE TO BE IN ORDER TO OBVIATE THE NEED FOR THE AID-TO-CONSTRUCT THAT THEY'VE AGREED TO

Response:

1. AID = \$118,823, that customer would require 25 year term to get \$0 AID
2. AID = \$63,746, would require a term = 12 years to get \$0 AID
3. AID = \$11,180 would require a term = 13 years to get \$0 AID