

R7.1

April 21, 2016

Mr. John Wolnik  
EPCOR Utilities Inc.  
2000 – 10423 101 St NW.  
Edmonton, Alberta  
T5H 0E8

**Re: South Bruce Project: Initial Project Economics**

Dear Mr. Wolnik,

Union Gas Limited (“Union”) has completed the initial project economics for the South Bruce Project.

The South Bruce Project, as defined by EPCOR, is based on the request for Union to provide 10,900 cubic meters per hour (“m<sup>3</sup>/hour”) of distribution service at a pressure of 300 pounds per square inch (“psi”). The identified load will come off at Dornoch directly from Union’s NPS 10” main pipeline. This service is based on the natural gas loads confirmed and agreed to by EPCOR and Union on November 17, 2015.

The review of the requirements to service the gas load has been completed and the forecasted estimate of costs was communicated to EPCOR as follows:

**South Bruce Project Total Costs - Order of Magnitude Estimate (+50%/-25%)**

Customer Station	1,200,000
Revenue Requirement – Advancement of Reinforcement	4,200,000
	<b>\$ 5,400,000</b>

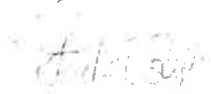
The project economics are based on the following input assumptions:

- Contracted Demand: 218,000 cubic meters (“m<sup>3</sup>”)
- Minimum Annual Volume: 31,828,000 m<sup>3</sup>
- Estimated Annual Volume: 38,485,000 m<sup>3</sup>
- Distribution Service Rate Class: M9
- In Service Date: December 1, 2017
  
- Economics were calculated using a 10 year and 20 year contract term
- 100% of the volumes assumed to occur on December 2017 with no graduated volume.
- Volumes will continue at the same level for the entire assumed length of the M9 distribution service contract.

Based on the results of a 10 year contract term, the required aid prior to construction is estimated to be \$3,000,000. For a 20 year contract term, the required aid prior to construction is estimated to be \$1,000,000. The contract term required to eliminate any aid required prior to construction would be 28 years.

If there are any questions regarding the project economics please do not hesitate to contact me directly.

Yours truly,



Patrick Boyer  
Manager, Greenhouse, REM & Wholesale Markets  
Union Gas Limited