

By RESS & Courier

March 9, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Union Gas Limited
Bay of Quinte Replacement Project
Board File # EB-2014-0350

Pursuant to Condition 1.5 of the Board's Conditions of Approval, attached please find Union's Post Construction Financial Report for the above-noted project.

Sincerely,

[original signed by]

Shelley Bechard
Administrative Analyst, Regulatory Projects
Encl.

cc: Zora Crnojacki
Nancy Marconi
Regulatory Library

POST CONSTRUCTION FINANCIAL REPORT

2015 BAY OF QUINTE REPLACEMENT PROJECT

In compliance with the Ontario Energy Board Order EB-2014-0350 and Condition 1.5, the following is a report on the capital pipeline cost for the 2015 Bay of Quinte Replacement Project.

The Project current actual cost is \$8,534,884 or 4% lower than estimated cost filed with the Board. The following explains any significant variances.

	Filed Cost EB-2014-0350	Actual Cost	Variance	Variance
	\$	\$	\$	%
<u>Pipeline and Equipment</u>				
NPS 8 Steel Pipe with Abrasion Coating and Fittings	\$315,000	\$267,746	-\$47,254	-15% ⁽¹⁾
Miscellaneous Materials	\$72,000	\$65,625	-\$6,375	-9% ⁽²⁾
Total Pipeline and Equipment	\$387,000	\$333,371	-\$53,189	-14%
<u>Construction and Labour</u>				
HDD 1,350m of 219.1mm O.D. Pipe	\$5,279,500	\$6,109,168	\$829,668	16% ⁽³⁾
Stopping & Tapping, X-Ray, Survey, Miscellaneous Outside Services & Consultation	\$1,680,000	\$1,646,906	-\$33,094	-2%
Company Expenses & Labour	\$110,000	\$363,811	\$253,811	231% ⁽⁴⁾
Regulatory & Legal	\$200,000	\$0	-\$200,000	-100% ⁽⁵⁾
Easement, Lands & Damages	\$30,000	\$50,994	\$20,994	70% ⁽⁶⁾
Total Construction and Labour	\$7,299,500	\$8,170,879	\$871,379	12%
Total Pipeline, Equipment, Construction and Labour	\$7,686,500	\$8,504,250	\$818,190	11%
Escalation	\$26,500	\$0	-\$26,500	-100%
Contingencies	\$1,087,000	\$0	- \$1,087,000	-100% ⁽⁷⁾
Interest During Construction	\$100,000	\$30,634	-\$100,000	-100% ⁽⁸⁾
Total Estimated Pipeline Capital Cost	\$8,900,000	\$8,534,884	\$-365,116	-4%

Note: The abandoned pipeline removal off the Bay of Quinte skyway bridge is scheduled in 2017.

(1) and (2) Actual cost for Material and Equipment for the Project were lower than original estimates which were based upon historical average unit cost. Steel costs were lower at the time of purchase than when estimates were completed.

(3)& (4) The increase in the actual cost for prime contractor and company expenses and labour were higher than the original estimates is attributes to the failure of the initial drilling shot from the south side to the north side of the Bay of Quinte, this required to bring a second drilling machine to complete the drilling operation from the south side of the Bay of Quinte by the method of intersection.

(5) The estimates filed for Regulatory and Legal were based on Union Gas anticipation of an oral hearing instead a written process was followed

(6) Actual cost for easements and damages were higher than the original estimate which was based upon historical land values from similar projects. The failure of the directional drill identified above also increased land and damages compensation

(7) Contingencies were estimated as required for unforeseen expenditures and allocated throughout the project and applied to the increase in contractor and land cost.

(8) Interest During Construction was significantly lower than estimated as the cost to borrow was lower than estimated (interest rates were lower) and actual expenditures were realized later than the cash flow used in the estimate.