

**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.

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

**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 attributed 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.