

January 22, 2018

BY RESS & Courier

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

Dear Ms. Walli:

**Re: Union Gas Limited (“Union”)
Panhandle NPS 16 Replacement (Lakeshore) Project
Board File # EB-2013-0420**

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

Sincerely,

[Original Signed By]

Shelley Bechard
Administrative Analyst, Regulatory Projects
:sb
Encl.

cc: Z. Crnojacki
N. Marconi
Reg Library

POST CONSTRUCTION FINANCIAL REPORT

2014 PANHANDLE LINE REPLACEMENT PROJECT

In compliance with the Ontario Energy Board Order EB-2013-0420 and Condition 1.5, the following is a report on the capital pipeline cost for the 2014 Panhandle Line Replacement.

The Project current actual cost is \$25,345,238 or 14% lower than estimated cost filed with the Board. The following explains any significant variances.

	Filed Cost EB-2013-0420	Actual Cost	Variance	Variance
	\$	\$	\$	%
<u>Pipeline and Equipment</u>				
NPS 20 Steel Pipe 13,700 meters & Valves, Fittings and Miscellaneous Materials	2,164,000	3,269,106	1,105,106	51% ⁽¹⁾
<u>Construction and Labour</u>				
Lift 13,700 of NPS 16 & Lay 13,700 m of NPS 20 Steel Pipe and Miscellaneous Contract Labour	16,072,000	16,226,622	154,622	1%
Company Labour, Inspection, X-Ray, Construction Survey, Legal, Environmental, Archeology, and Permitting	4,198,000	3,139,362	-1,058,638	-25% ⁽²⁾
Easement, Lands & Damages	2,983,000	2,564,489	-418,511	-14% ⁽³⁾
Total Construction and Labour	23,253,000	21,199,579	-1,322,526	-6%
Subtotal Estimated Pipeline Capital Costs – 2014 Construction	25,417,000	25,199,579	-217,421	-1%
Contingencies	3,812,000 ⁽⁴⁾	-		n/a
Interest During Construction	368,000	145,658	-222,341	-60% ⁽⁵⁾
Total Estimated Pipeline Capital Cost	29,597,000	25,345,238	-4,251,762	-14%

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

(2) The increase in the actual cost for company expenses and labour were higher than the original estimates is attributes to the failure of the initial horizontal directional drilling shot across the East Puce

River, this required to re-engineer and complete more geotechnical studies to ensure the second drill shot is successful. However, the

(3) Actual cost for easements and damages were lower 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

(4) Contingencies were estimated as required for unforeseen expenditures and allocated throughout the project and applied to the increase in materials expenditure, prime contractor, Company Labor, third party and land costs.

(5) 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.