

February 20, 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”)
Dawn-Parkway 2016 Expansion Project
Board File # EB-2014-0261**

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**2016 DAWN PARKWAY EXPANSION****HAMILTON-MILTON PIPELINE PROJECT**

In compliance with the Ontario Energy Board Order EB-2014-0261 and Conditions 1.5, 3.1 and 3.3, the following is a report on the capital pipeline cost for the 2016 Dawn Parkway Expansion Hamilton-Milton Pipeline Project.

The Project actual cost was \$46,075,352 as of December 31, 2017 and 20% lower than estimated cost filed with the Board. The following explains any significant variances.

Description	Filed Cost EB-2014-0261	Actual Cost	Variance	Variance
	\$	\$	\$	%
Materials	\$18,897,000	\$24,941,302	\$6,044,302	+32% ⁽¹⁾
Construction and Labour	\$160,425,000	\$158,075,838	(\$2,349,162)	-1% ⁽²⁾
Contingencies (including OEB adjustment)	\$47,980,000	\$0	(\$47,980,000)	-100% ⁽³⁾
Interest During Construction	\$3,735,000	\$1,944,508	(\$1,790,492)	-48% ⁽⁴⁾
Total Estimated Pipeline Capital Cost	\$231,037,000	\$184,961,648	(\$46,075,352)	-20%

(1) Actual cost for Materials for the Project was higher than original estimates. The majority of this increase was associated with the fact that foreign exchange rates rose steeply between the time estimates were created and when materials were actually obtained. As well, preliminary design estimates were used at the time evidence was submitted to the OEB. Actual cost reflects final design (including new integrity standards). Increases in material cost were offset by use of contingencies.

(2) Construction and Labour cost were lower than original estimate. Cost associated with temporary land and damages were incomplete at the time of submission to the OEB evidence and actual property values negotiated were somewhat lower than projected. As well, very few landowners utilized outside legal counsel and use of fewer consultants for property appraisals, tree evaluation, and other landowner related rights resulted in cost reductions. Increases associated with contractor costs and environmental were offset by contingencies.

(3) Contingencies were estimated as required for unforeseen expenditures and allocated throughout the project (such as being applied to the increase in material cost). A large portion of contingency's was attributed to forecast risk items originally in the estimate at the time of submission of evidence to the OEB and were successfully mitigated. (Key examples of identified risks that were mitigated include:

potential Niagara Escarpment Commission delay (related to Limestone Creek), possible horizontal directional drilling of Kilbride Swamp, and additional watercourse crossings.)

(4) Interest During Construction, was significantly lower than estimated as expenditures on contingencies were not realized and actual expenditures were realized later than the cash flow used in the estimate.