

**Ontario Energy
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**Commission de l'énergie
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BY E-MAIL

February 27, 2018

Karen Hockin
Union Gas Limited
Manager, Regulatory Initiatives
50 Keil Drive North
P.O. Box 2001
Chatham ON N7M 5M1
khockin@uniongas.com

Dear Ms. Hockin:

**Re: Union Gas Limited
Kingsville Transmission Reinforcement Project
Ontario Energy Board File Number EB-2018-0013**

On January 26, 2018, Union Gas Limited (Union Gas) filed an application for leave to construct approximately 19 kilometres of natural gas pipeline in the Town of Lakeshore (Project). The application also requests approval for recovery of the Project's net revenue requirement for the period from 2019 to 2028 through use of an Incremental Capital Module (ICM), as well as approval for an associated variance account. The ICM is described in Union Gas' Rate Setting Mechanism application¹, EB-2017-0307.

The OEB has reviewed the application and has determined that the request for recovery of the Project's net revenue requirement for 2019 to 2028 through the ICM is premature. Union Gas' Rate Setting Mechanism application includes a proposal for approval of the parameters to calculate treatment of qualifying capital investments through an ICM and the appropriate means for seeking approval from the OEB to adjust rates. In addition, the OEB notes that without an understanding of Union Gas' capital plans, the OEB will not be able to determine if the ICM materiality threshold has been exceeded. Accordingly, the OEB will not hear Union Gas' proposal to recover the costs associated with the Project through the ICM at this time.

If Union Gas still wishes to proceed with the leave to construct application at this time, it must advise the OEB within 7 days from the date of this letter.

¹ Rate Setting Mechanism Application filed jointly with Enbridge Gas Distribution Inc.

Please direct any questions relating to this application to Zora Crnojacki, Project Advisor at 416-440-8104 or Zora.Crnojacki@oeb.ca.

Yours truly,

Original Signed By

Kristi Sebalj
Registrar