

March 5, 2018

**RESS, EMAIL & COURIER**

Ontario Energy Board  
P.O. Box 2319  
27th Floor, 2300 Yonge Street  
Toronto, ON M4P 1E4

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

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

We are legal counsel for Union Gas Limited (“Union”) in respect of the above noted matter. This letter is in response to the Ontario Energy Board’s (“OEB”) February 27, 2018 letter in which the OEB advised that the OEB would not hear, at this time as part of this proceeding, Union’s proposal to recover the costs associated with the Kingsville Transmission Reinforcement Project (“Kingsville Project”) through the Incremental Capital Module (“ICM”) mechanism and the OEB requested that Union indicate as to whether it wished to proceed with the leave to construct the Kingsville Project.

Union recognizes that its rate setting mechanism application (EB-2017-0307) is currently ongoing. However, the Kingsville Project is caught in the transition from Union’s established Capital Pass Through mechanism (“CPM”) defined in Union’s current Incentive Rate Mechanism (“IRM”) to the ICM mechanism sought as part of its rate setting mechanism application.

In addition to the Kingsville Project, other important projects such as the construction of the Sudbury Replacement Project in 2018 and a yet to be filed reinforcement of the Owen Sound transmission line (required to serve South Bruce) are also caught in the transition period. The Kingsville and Sudbury projects are estimated to cost \$106M and \$74M respectively. The rationale for its request related to ICM in the current proceeding is because Union is concerned about the magnitude of the costs of the Kingsville Project. To meet the needs of customers and support the safe and reliable delivery of service to customers, Union will have to incur material costs over a long lead period to develop these significant projects and to achieve in-service deadlines to meet the needs of customers. The result is that Union will be incurring significant costs before the review of the ICM threshold in 2019 rates.

However, given the need for the Project and what we believe to be in consumers’ best interest, Union advises that notwithstanding the OEB’s decision to not consider the proposal to recover the costs of this Project under an application of the ICM mechanism in this proceeding, Union

intends to proceed with the remainder of its application and seek leave to construct the Kingsville Project. Union also wishes to advise and be clear that subject to the Board's approval of a rate setting mechanism and related ICM parameters, Union intends to apply for ICM recovery in its 2019 Rate setting application.

Yours truly,

*[Original signed by]*  
Charles Keizer

CK/jw

cc: Ms. Karen Hockin, Union