

September 24, 2009

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**RE: CGAAP to IFRS Conversion Costs
Request for Deferral Account**

Dear Ms. Walli:

The purpose of this letter is to request the Board's approval of an accounting order to establish a deferral account to record the one-time administrative costs Union Gas Limited ("Union") will incur to convert accounting policies and processes from Canadian Generally Accepted Accounting Principles ("CGAAP") to International Financial Reporting Standards ("IFRS"). Union is not requesting as part of this application that the Board make any determination with respect to whether balances that accumulate in the deferral account will be recoverable from ratepayers at a future point in time. Further details regarding this request are provided below.

The Canadian Accounting Standards Board ("AcSB") requires that all publicly accountable enterprises adopt IFRS in place of CGAAP for interim and annual reporting for the fiscal years beginning on or of after January 1, 2011. As an entity that issues debt in the public market, Union is a publicly accountable enterprise and must comply with the accounting changes required by the AcSB.

The conversion to IFRS must be completed in time to allow for reporting of financial statements for fiscal years beginning on or after January 1, 2011. Publicly accountable enterprises will also be required to report prior year financial statements (2010) for comparative purposes under IFRS. As a result, Union must complete the required system and reporting changes by early 2010.

The Report of the Board: Transition to Financial Reporting Standards was issued on July 28, 2009. The Board stated on page 27 that it "will establish a deferral account for distributors for incremental one-time administrative costs related to the transition to IFRS." The Board also noted on page 27 that

it “will not restrict the IFRS transition costs account by establishing a fixed start date for amounts to be recorded.”

Accordingly, Union requests that the Board approve the attached draft accounting order establishing a deferral account to record the incremental one-time administrative costs related to the transition to IFRS. Union is not seeking any determination of the potential disposition of these costs at this time.

It is Union’s intention to seek any recovery of 2009 one-time administrative costs as part of the 2009 deferral disposition in 2010.

If you have any comments about this matter, please contact me at (519) 436-5476.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc: Neil McKay (OEB)
Bill Cowan (OEB)
Michael Penny (Torys)

UNION GAS LIMITED

**Accounting Entries for
CGAAP to IFRS Conversion Costs
Deferral Account No. 179-120**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-120 Other Deferred Charges - CGAAP to IFRS Conversion Costs
Credit	-	Account No. 728 General Expense

To record, as a debit (credit) in Deferral Account No. 179-120 the difference between the actual incremental one-time administrative costs incurred to convert accounting policies and processes from their current compliance with Canadian Generally Accepted Accounting Principles (CGAAP) to their future compliance with International Financial Reporting Standards (IFRS) and the costs included in rates as approved by the Board.

Debit	-	Account No. 179-120 Other Deferred Charges - CGAAP to IFRS Conversion Costs
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-120, interest on the balance in Deferral Account No. 179-120. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.