

October 15, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, ON
M4P 1E4

**Re: Union's Reply to the City of Kitchener's Objection to Union's Confidentiality Request
EB-2007-0717**

Dear Ms. Walli:

On August 8, 2007 Union Gas ("Union") submitted an application requesting that the Board approve, without a hearing, the parties to, the period of, and the storage space that is the subject of a T1 Contract between LANXESS Inc. ("LANXESS") and Union.

The City of Kitchener ("Kitchener") and the Industrial Gas Users Association ("IGUA") submitted letters of intervention on September 4, 2007. In its letter, Kitchener objected to Union's request that the Board hold the commercial terms not pertaining to the storage parameters of this contract in confidence as per Rule 10 of the Ontario Energy Board "Rules of Practice and Procedure".

The Board issued Procedural Order No. 1 on October 5, 2007 which identified that Union was to respond to Kitchener's objection to Union's request for confidentiality on or before October 15, 2007. This letter is Union's reply.

Union's request that specific contractual terms be held in confidence arises from concerns that customers have that the disclosure of information will prejudice their competitive position. This is specifically identified as a factor the Board will consider in determining whether information should be kept confidential in Appendix B of the Board's "Practice Direction on Confidential Filings". Attached, please find a letter from LANXESS that identifies their concerns with respect to commercially sensitive information and confidentiality. The letter supports Union's request for confidentiality.

Since the disclosure of commercially sensitive information would prejudice the competitive position of LANXESS, Union requests that the Board hold the commercial

terms not pertaining to the storage parameters of this contract in confidence as per Rule 10 of the Ontario Energy Board "Rules of Practice and Procedure". Further, in Union's submission, the redacted commercial terms in question do not have any bearing on this application for approval of the party, term and amount of storage nor do they have any impact on Kitchener.

If you have any questions concerning this reply please contact me at (519) 436-5476.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc Robert Caputo (OEB)
 Michael Millar (OEB)
 Jim Gruenbauer (City of Kitchener)
 Alick Ryder (Ryder Wright Blair & Holmes LLP)
 Peter Thompson (Borden Ladner Gervais LLP)
 Murray Newton (IGUA)
 Terry Furlotte (LANXESS)

October 12, 2007

Union Gas Limited
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Chatham, ON N7M 5M1

LANXESS Inc.
P.O. Box 3001
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Sarnia, Ontario Canada N7T 7M2

Attention: Mr. Murray Smith, P. Eng., Manager, Major Industrial Markets

Phone: (519) 337-8251
Fax: (519) 339-7723
www.lanxess.com

Dear Mr. Smith:

**Re: City of Kitchener's Objection to Confidentiality Request re T1 Contract
between LANXESS Inc. and Union Gas
EB-2007-0717**

We understand that the City of Kitchener is objecting to Union Gas' request for confidentiality in connection with its application for approval of the T1 agreement between Union Gas and LANXESS.

The T1 contract between Union Gas and LANXESS was clearly intended by the parties to be confidential. It contains a specific section, s. 12.06, which provides "Except for credit purposes, unless the Parties to this Contract otherwise expressly agree in writing, the terms of this Contract shall remain strictly confidential except as otherwise required by applicable law or any competent regulatory body or court of competent jurisdiction."

LANXESS' purpose in requiring an obligation of confidentiality in its contract with Union Gas was and remains the protection of commercially sensitive business information. This is consistent with LANXESS' approach to all contracts of similar nature. As one example of the sensitivity of the matters covered in the T1 contract, competitors and customers of LANXESS could potentially use the information contained in the T1 contract to develop a profile of LANXESS' consumption of natural gas and thereby derive information concerning production efficiencies and costs. This information could then be used by competitors or customers to obtain an unfair advantage in negotiations of supply contracts.

It is LANXESS' further submission that Kitchener could present its case in response to this application without access to the confidential commercial information sought to be protected.

Yours truly,

LANXESS Inc.

A handwritten signature in black ink, appearing to read "Terry Furlotte". The signature is written in a cursive, flowing style.

Terry Furlotte
Manager-Energy, Technical Goods & Spare Parts