

July 22, 2010

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

Re: Union Gas Limited – Understatement of the 2009 Year-end Tax Provision

Dear Ms. Walli:

The purpose of this letter is to inform the Board and stakeholders that, in the normal process of calculating 2009 actual taxes, Union Gas Limited (“Union”) has determined that the 2009 year-end tax provision may have been understated by approximately \$3.4 million. This determination by Union is preliminary and may be subject to change as Union finalizes its tax calculations later this year. The understatement of the 2009 year-end tax provision is the result of changes in the calculation of taxable capital as a result of the Ontario and Federal tax integration.

As in previous years, Union will record the true-up of the tax provision in its 2010 third quarter financial statements. Union is not proposing any changes to the 2009 deferral account balances or the 2009 earnings sharing calculation. The true-up for the understatement of 2009 capital taxes will be brought forward as part of the disposition of Union’s 2010 deferral account balances and 2010 earnings sharing. This approach is consistent with the true-up of legislative tax changes in prior years.

If you have any questions please call me at (519) 436-5275.

Yours truly,

[Original signed by]

Mark Kitchen
Director, Regulatory Affairs

cc Crawford Smith (Torys)
EB-2010-0039 Intervenors