



uniongas

A Spectra Energy Company

September 15, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4B 1E4

Dear Ms. Walli:

**Re: Union's 2011 Rates Application
(EB-2010-0148 – Effective January 1, 2011)**

Please find attached an application from Union Gas Limited ("Union") seeking changes to Union's regulated gas distribution, transmission and storage services effective January 1, 2011.

Union's supporting evidence and draft Rate Order will be filed at a later date. The application has been filed in advance of the evidence to expedite the application process.

If the proposed rate changes are approved by the Board the total bill impact for a typical Southern Operations residential customer consuming 2,600 m³ per year would amount to \$1.00-\$2.00 per year. For a typical Northern or Eastern Operations customer consuming 2,600 m³ per year, the total bill impact would amount to less than \$1.00 per year.

Union seeks the Board's issuance of the final Rate Order by November 26, 2010 to ensure the implementation of 2011 rates by January 1, 2011.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2009-0275 Intervenor
Crawford Smith (Torys)

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board
Act, 1998, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by
Union Gas Limited, pursuant to section 36(1) of the
Ontario Energy Board Act, 1998, for an order or
orders approving or fixing just and reasonable rates
and other charges for the sale, distribution,
transmission and storage of gas as of January 1,
2011.

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation incorporated under the laws of the province of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts both an integrated natural gas utility business that combines the operations of distributing, transmitting and storing natural gas, and a non-utility storage business.
3. Union was an applicant in a proceeding before the Board for an order of the Board approving or fixing a multi-year incentive rate (“IR”) mechanism to determine rates for the regulated distribution, transmission and storage of natural gas. The Board assigned EB-2007-0606 to Union’s application.
4. Union filed a Settlement Agreement with the Board on January 3, 2008, and an Addendum to the Settlement Agreement on January 14, 2008 (collectively “Settlement”). The Board accepted the Settlement on January 17, 2008 and issued additional decisions on this application on March 11 and July 31, 2008 dealing with the treatment of customer additions, tax changes and risk management under IR.

5. The approved Settlement set a multi-year incentive ratemaking framework for calendar years 2008 to 2012 inclusive. The framework includes a price cap index (PCI) that is structured as $PCI = I - X + Z + Y + AU$, where I is the inflation factor, X is the productivity factor, Z represents certain non-routine adjustments, Y represents certain predetermined pass-throughs and AU is an adjustment for changes in average use of gas.
6. The IR mechanism approved for Union contemplates the filing by Union of an application for Z factor adjustments, structural rate design changes or the pricing of new regulated services in a time frame that will enable these issues to be resolved in sufficient time to be reflected prospectively in the next year's rates. This requires the filing of a draft Rate Order with supporting documentation which reflects the impact of the PCI pricing formula (Y factors, Z factors, fixed monthly charge changes, and AU factor) so that a final Rate Order will be issued for implementation by January 1, 2011.
7. Union hereby applies to the Board, pursuant to section 36 of the Act and pursuant to the annual rate-setting process underlying the IR mechanism in the Settlement, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas effective January 1, 2011.
8. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
9. This application is supported by written evidence that will be filed with the Board and may be amended from time to time as circumstances may require.
10. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

11. The address of service for Union is:

Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention: Chris Ripley
Manager, Regulatory Applications
Telephone: (519) 436-5476
Fax: (519) 436-4641

- and -

Torys
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380

DATED September 15, 2010.

UNION GAS LIMITED

[Original signed by]

Chris Ripley
Manager, Regulatory Applications