

September 17, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

**Re: Proposed Amendments to the Affiliate Relationships Code for Gas Utilities and the Natural Gas Reporting & Record Keeping Requirements (EB-2010-0248)**

Dear Ms. Walli:

On July 29, 2010, the Ontario Energy Board (“OEB” or “the Board”) issued a Notice identifying proposed amendments to the Affiliate Relationships Code for Gas Utilities (the “ARC”) and the Natural Gas Reporting & Record Keeping Requirements: Rule for Gas Utilities (the “RRR”). As requested, Union Gas Ltd. (“Union”) is providing its comments on the proposed amendments.

The amendments identified in the Notice support the Board’s view that the ARC should not apply to dealings between a natural gas utility and an affiliate in relation to activities associated with “qualifying facilities” as defined in the proposed amendments to the ARC.

Although Union currently has no plans to invest in qualifying facilities, it does support the Board’s overall objectives identified in the Notice as well as the additional flexibility created by the proposed amendments. Union concurs that the ARC should not act as an undue or unnecessary barrier to the development of qualifying facilities by natural gas utilities or their affiliates.

Despite supporting the direction taken by the Board in its proposed amendments, Union has a specific concern relating to the changes proposed to section 1.6 of the ARC.

Union is seeking clarification from the Board that its proposal to remove reference to sections 45 and 46 of the Ontario Energy Board Act, 1998 (the “Act”) from section 1.6 of the ARC in no way jeopardizes the current procedure the Board follows when proposing an amendment to the ARC. Union is seeking this clarification in light of the fact sections 45 and 46 contain important provisions regarding notice and the opportunity for interested parties to comment when the Board proposes an amendment to a Rule,

including the ARC. Union submits this provision for notice and comment is not only critical but needs to be clearly understood on a go-forward basis.

With respect to the Board's proposed amendments to the RRR, Union's comments are limited to the advance notice requirement proposed in sections 2.1.16 and 2.1.17. As stated in 2.1.16, a utility that proposes to acquire the ownership of or construct a qualifying facility shall provide, in the form and manner required by the Board, notice of its proposal to do so no less than 60 days before the scheduled closing of an acquisition or the scheduled commencement of construction. Section 2.1.17 notes that a utility that proposes to invest in, or provide guarantees or any other form of financial support to an affiliate in an amount that, on an aggregated basis over all other transactions with all affiliates, would equal an amount that exceeds 35% of the utility's total equity, shall provide no less than 60 days notice of its intention to do so.

Union submits that a requirement to provide 60 days advance notice would in no way assist the Board in its regulatory oversight of natural gas utilities. Further, Union does not support a provision for advance notice primarily because such business dealings are typically confidential in nature and the outcome of any business relationship is difficult to predict prior to reaching an agreement.

In Union's view this requirement could potentially harm commercial negotiations. Thus, Union respectfully requests the Board reconsider the need and value of this advance notice requirement. Rather, Union proposes the Board require such notice as soon as practical following the successful execution of an agreement as identified in sections 2.1.16 and 2.1.17.

Should you have any questions specific to this submission please do not hesitate to contact me at (519) 436-5275.

Yours truly,

*[original signed by]*

Mark Kitchen  
Director, Regulatory Affairs