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January 17, 2011

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

Re: Union Gas Limited's ("Union") Comments on the Ontario Energy Board's ("Board") Draft Business Plan for 2011-2014

Dear Ms. Walli:

The following are Union's comments on the Board's Draft Business Plan for 2011-2014.

Objective 3.1.1 indicates that the Board intends to "implement cost-of-service and incentive rate mechanism policies through distributor rate applications" in FY 2011. No activity is planned for FY 2012 or FY 2013.

Union will file its cost-of-service application in the fall of 2011. In this application, Union will seek approval of rates effective January 1, 2013 and its next generation incentive rate mechanism. Given the timing of Union's rate application, the proceeding will take place during 2012, such that a Board decision can be rendered in time to allow for implementation of new base rates for January 2013. Union's next generation incentive rate mechanism would be used to set rates effective January 1, 2014. It is Union's understanding that Enbridge Gas Distribution will be on a similar timeline. Accordingly, Union recommends that the Board's Draft Business Plan be modified to reflect the timing described above.

Objective 3.1.2 refers to the Board's plans related to distributor demand side management ("DSM") programs. Specifically, the Board intends to "issue DSM guidelines for next generation DSM plans" and "implement the guidelines through review and approval of distributor DSM plans". Union is concerned that if the Board does not issue the DSM guidelines very early in 2011, there will not be sufficient time to develop, review and approve, and implement the next generation DSM plans for gas distributors.

Once the guidelines are issued, gas distributors will require time to develop the next generation DSM plan and evidence for filing with the Board. Depending on what is in the guidelines, this could take several weeks. Union also anticipates that the review and approval process itself could be lengthy, perhaps requiring an oral hearing. Further, to the extent that the gas distributors do not receive a decision until late in 2011, there will not be sufficient time for DSM program development or the inclusion of the cost consequences in rates prior to implementation January 1, 2012. Any delay in the release of the DSM guidelines puts in jeopardy the ability to implement the next generation DSM plan in January, 2012 and may necessitate a further extension of the existing framework.

Union appreciates the opportunity to comment on the Board's Draft Business Plan. If you have any questions please do not hesitate to call me at (519) 436-5275.

Yours truly,

[original signed by]

Mark Kitchen
Director, Regulatory Affairs