



**uniongas**

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January 26, 2011

BY RESS & COURIER

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Limited ("Union")  
EB-2010-0329  
Trenton Area Reinforcement Project**

This letter will provide Union's reply submission's to the Board Staff's submission of January 24, 2011.

Board Staff identified two area's in their submission's that Union wishes to comment on: Impacts to Rate Base, and the proposed Conditions of Approval.

**Impacts to Rate Base:**

As Union responded to supplemental IR #1, the proposed project will result in a reduction to rate base of approximately \$135,000. The reduction to rate base is calculated as follows:

The capital cost of the project (\$8.3M) would be recorded as an addition to Distribution Mains (Account 475) and the contribution received from the Department of National Defence (\$8.5M) would be recorded in Contributions and Grants (Account 499). Both these accounts are included in the determination of rate base. As these assets are depreciated, the depreciation of the aid, which will exceed the depreciation of the plant, will offset the operating costs that will be incurred during the 10 year discount cash flow period.

**Conditions of Approval:**

Union accepted the proposed Conditions of Approval in its response to IR #7. In Board Staff's submissions they are suggesting a change to Conditions 1.5. Union has no concerns with this proposed change and can accept the amended condition.

If you have any questions or require additional information please contact the undersigned at 519-436-4601 or by email at [mmurray@uniongas.com](mailto:mmurray@uniongas.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Murray', with a long horizontal flourish extending to the right.

Mark Murray  
Manager, Regulatory Projects & Lands Acquisition  
:mjp