**PETER C.P. THOMPSON, Q.C.**
T 613.787.3528
F 613.230.8842
pthompson@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St., Suite 1100
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com

By e-mail and by electronic filing

May 26, 2011

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

Dear Ms Walli,

**Union Gas Limited ("Union")**
**Board File No.: EB-2010-0039**
**Our File No.: 339583-000070**

We are writing to respond to the criticisms contained in Union's May 24, 2011 letter pertaining to the time we spent in preparing and completing the Written Argument in this matter on behalf of our client, Canadian Manufacturers & Exporters ("CME").

Time Spent After April 6, 2011

In its letter, Union notes that all of the time we spent in preparing Written Argument occurred after the April 6, 2011 hearing. This is because, at the conclusion of the April 6 proceeding, the Board directed that Written Argument be filed by intervenors, followed by Written Reply Argument from Union. All of the time spent by intervenors in Argument and by Union in Reply Argument occurred after the April 6 hearing.

Factors Influencing the Duration of Time Spent after April 6, 2011

Our approach to the preparation and finalization of CME's Written Argument was not influenced by the fact that the Board had initially contemplated hearing oral argument from intervenors and oral reply argument from Union; just as Union's 32 page Written Reply Argument was not influenced by such considerations.

The time we spent in preparing and completing CME's Written Argument in this matter was influenced by our belief that all of the facts pertaining to the Board's prior decisions and actions not taken by Union, in its dual capacity as seller of the St. Clair Line and shipper on the proposed Dawn Gateway Pipeline, needed to be thoroughly documented to enable issues pertaining to the responsibility for the owing and operating costs associated with the St. Clair Line after March 1, 2010, to be determined in this proceeding. We believed that the facts in this case raised the issue of the cost consequences, for rate-making purposes, of the representations

made by utilities to the regulator to obtain the expedited relief they were seeking and the subsequent failure of the non-arm's length parties to act as arm's length parties would act. Our client considers these issues to be a matter of considerable importance to ratepayers.

CME's Written Argument was prepared on the premise that, in combination, all of the facts in this particular case made a compelling case for the proposition that all of the post-March 1, 2010 owning and operating costs associated with the St. Clair Line should be found to rest with Union's shareholder, regardless of the fact that the sale of the St. Clair Line had not been completed. The Board's December 3, 2010 Decision on Union's adjournment motion, indicating that it found arguments to that effect to be "compelling", materially influenced our reliance on that premise.

We acknowledge that the Board, in its Decision released yesterday, rejected the remedy we proposed, namely, the clearance, now, to ratepayers of the deferral account balances without prejudice to Union's right to seek to repatriate the assets to Rate Base later if the sale transaction is not completed. We note that the Decision released yesterday provides ratepayers with an opportunity to assert some remedy or consideration arising from the underutilization of the St. Clair Line in a subsequent cost of service proceeding in the event that the sale transaction does not take place prior to December 31, 2011. We submit that the detailed written chronology of events contained in CME's Written Argument will assist interested parties in their consideration of whether some allocation between shareholder and ratepayers of the risk of the owning and operating costs of the materially underutilized St. Clair Line is appropriate, should the transaction not proceed on or prior to December 31, 2011.

The time we spent in preparing the Written Argument was necessary to provide the complete factual context, along with supporting references. We did this, in part, to assist the Board, having regard to the fact that the Board members hearing this case were not involved in the hearing of matters pertaining to the Board's prior decisions in the EB-2008-0411 and EB-2009-0422 proceedings. Our objective was to complete the task in a thorough and professional manner.

The objectives that guided the preparation and completion of CME's Written Argument are the same as the objectives that guided Union in preparing and completing its Written Reply Argument. Moreover, we apprised the Board of the burden of the task we were performing when requesting an argument filing deadline extension. Counsel for Union commented upon but did not oppose the extension and the Board granted it.

In all of these circumstances, we submit that it is unreasonable for Union to now criticize the time that we spent in preparing and finalizing CME's Written Argument.

Benchmarks

In its letter, Union refers to cost claims submitted by Consumers Council of Canada ("CCC") and the Federation of Rental-housing Providers of Ontario ("FRPO"). Neither of these intervenors provided the detailed factual context that we presented in the Written Argument we prepared on behalf of CME.

The cost claims submitted by these intervenors are not an appropriate "benchmark" to apply when evaluating CME's cost claim. A far more appropriate "benchmark" to apply would be the

total time spent by Union personnel and its external counsel in preparing and finalizing Union's 32 page Written Reply Argument. However, we have no access to information pertaining to that "benchmark".

Moreover, we believe that CCC and FRPO were relying on us to provide the detailed factual context in our written submissions. Union's May 24, 2011 letter will not prompt expressions of support from those parties for our efforts because their representatives were not provided with a copy of the letter. We will provide a copy of Union's letter and this response to those parties.

Conclusion

For all of these reasons, we submit that Union's criticisms of our cost claim are inappropriate. We submit that it would be unfair and unreasonable to penalize us by awarding CME less than 100% of our reasonably incurred costs of participating in this proceeding regarded by our client to be a matter of importance to ratepayers.

Yours very truly,

Peter C.P. Thompson, Q.C.

PCT\slc
c. Crawford Smith (Torys)
Mark Kitchen (Union)
Bob Warren (CCC)
Dwayne Quinn (FRPO)
Paul Clipsham (CME)
Vince DeRose

OTT01\4528489\v1