

February 19, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms Walli:

**Re: EB-2007-0606/EB-2007-0615/
Union Gas Limited's Commodity Risk Management Program**

By Application dated May 11, 2007, Union Gas Limited ("Union") applied to the Ontario Energy Board ("Board") for approval of a multi-year incentive rate mechanism to determine rates effective January 1, 2008. As set out in the Settlement Agreement dated January 3, 2008, and subsequently approved by the Board, the majority of the issues in the proceeding were resolved.

As a part of Issue 14.1, "Are there adjustments that should be made to base year revenue requirements and/or rates?", the Settlement Agreement indicates that there is no settlement of the commodity risk management component of this issue, but that parties have agreed that the Board deal with this issue by way of a written submission. These are the submissions of the Consumers Council of Canada ("Council") regarding the risk management issue.

In the RP-2003-0063 Decision the Board approved Union's program stating that "Union's risk management program does provide value to ratepayers and is, therefore, appropriate and that the specific changes Union is proposing to implement in the 2004 rate year are reasonable and provide an opportunity to enhance the value of the program." (Decision with Reasons, p. 17) In its EB-2005-0520 Decision the Board, once again, reviewed and approved Union's commodity risk management program.

In its pre-filed evidence Union has indicated that its program is unchanged from the program approved in EB-2005-0520. Union has also provided evidence to support its claim that its program does reduce volatility for its customers. (Ex. B/T3/p. 8) As set out in its argument the evidence strongly supports that risk management is beneficial for customers.

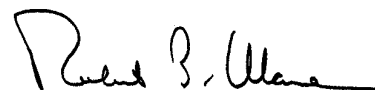
No party has filed evidence in this proceeding that either advocates elimination of Union's risk management program or the costs associated with it. It is puzzling why any party

would insist the issue be included as a part of this proceeding, yet fail to provide any evidence to support its position either directly or through cross-examination. The Board has no evidence to contradict Union's position that its program provides value to its customers in terms of reducing volatility. In the absence of evidence which demonstrates that Union's program negatively impacts its customers the Council does not agree that the Board should order Union to eliminate its commodity risk management program.

The Council notes that in the EB-2006-0034 proceeding the Board ordered Enbridge Gas Distribution to discontinue risk management. That Decision alone should not dictate the Board's determination of the issue in this proceeding. The Council agrees with Union that the evidentiary base was different in that proceeding. The Council also believes that the issue of risk management should be considered in the context of the anticipated Board proceeding which is expected to examine the quarterly rate adjustment mechanism and more broadly, how system supply is priced. As a part of that proceeding the Board could explore how the system supply pricing has evolved with and without the use of a risk management program. Prior to a consideration of the broader system supply issues it would be premature to eliminate Union's commodity risk management program.

Yours very truly,

WeirFoulds LLP



Robert B. Warren

RBW/dh

cc: All Parties

1031052.1