

September 15, 2011

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

**Re: EB-2011-0038 - Union Gas Limited - 2010 Earnings Sharing & Disposition of
Deferral Account and Other Balances**

Dear Ms. Walli:

We are writing further to the delivery of Union's interrogatories in respect of its Reply Evidence filed September 12, 2011 and, specifically, to expand upon the response at Exhibit B3.59.

At Exhibit B. 3.59 Union was asked:

"Please provide a clear description including associated rate orders that demonstrate that the cost of the 1.5 PJ's was moved out of in-franchise rates to the non-utility storage accounts."

In response Union advised that:

"In-franchise rates have not been reduced by the cost of the 1.5 PJ of space deemed unavailable through a Board rate order."

The above information is correct. However, in preparing the response, Union determined that two aspects of its Reply Evidence required correction. At pages 3 and 4 of its Reply Evidence, Union advised that the annual cost associated with the 1.5 PJ of space deemed unavailable is borne by Union's unregulated storage operations. This is incorrect. In the Board-approved 2007 cost study, Union included 1.5 PJ of storage space that was deemed unavailable in the storage space allocation factor. The cost associated with this space was allocated to Union's in-franchise customers and ultimately included in rates. This was the appropriate approach given Union's expectation that the space would not permanently be unavailable.

If you have any questions, please contact me at (519) 436-5476.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc Crawford Smith (Torys)
 EB-2011-0038 Intervenors