



January 30<sup>th</sup>, 2012

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> floor  
Toronto, ON M4P 1E4

**RE: EB-2010-0039 - Request Approval to Close Deferral Account no. 179-121 and 179 -122 related to the proposed sale of the St. Clair Line.**

Dear Ms. Walli;

We are writing further to our letter dated December 20, 2011 in which we advised the Board that the sale of the St. Clair Line to Dawn Gateway LP (“DGLP”) had been cancelled, to request approval to close the following two deferral accounts;

- Deferral Account No. 179-121 - Cumulative Under-recovery – St Clair Transmission Line
- Deferral Account No. 179-122 – Impact of Removing St Clair Transmission Line from Rates

Copies of the Deferral Account Accounting Entries are attached for reference.

In EB-2010-0039, the Board ordered that:

*“Union is required to dispose of the balances in Accounts 179-121- and 179-122 upon closure of the transaction for sale of the St. Clair Line on or before December 31, 2011. In the event that the transaction is cancelled Union shall inform the Board and apply for approval to close accounts 179-121 and 179-122 in order to return the St. Clair Line to rate base”.* [Emphasis added.]

As noted in the December letter, with the cancellation of the Dawn Gateway project, Union will not be disposing of the balances in Accounts 179-121 and 179-122. The entries in these deferral accounts have been reversed and the balances are now zero. Pursuant to the EB-2010-0039 Decision and Order, Union now requests the Board’s approval to close accounts 179-121 and 179-122 in order to return the St. Clair Line to rate base for 2012.

A Board decision by March 1, 2012 would allow this to be included in the Rate Order for Union's April 1, 2012 QRAM .

If you have any questions, please contact me at 519-436-5473.

Yours truly,

*[original signed by]*

Karen Hockin  
Manager, Regulatory Initiatives

CC: EB-2008-0411 Intervenors  
EB-2010-0039 Intervenors  
EB-2011-0025 Intervenors  
Mark Kitchen, Union Gas  
Crawford Smith, Torys

UNION GAS LIMITED

**Accounting Entries for  
Cumulative Under-recovery – St. Clair Transmission Line  
Deferral Account No. 179-121**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 105 Accumulated Depreciation – Utility Plant
Credit	-	Account No. 179-121 Cumulative Under-recovery – St. Clair Transmission Line

To record, as a credit in Deferral Account No. 179-121, the cost of removal for the St. Clair Transmission Line ordered by the Board in EB-2008-0411 to be equal to the amount of cumulative under-recovery of Union's St. Clair Pipeline, from 2003 until the time of the sale of the asset, to be refunded to ratepayers.

Debit	-	Account No. 171 Extraordinary Plant Losses
Credit	-	Account No. 105 Accumulated Depreciation – Utility Plant

To record, as a debit to Account No. 171, the loss on the sale of the St. Clair Transmission Line and related assets. The loss represents the cost of disposition ordered by the Board in EB-2008-0411 that could not have been provided for previously in the accumulated provision for depreciation.

Debit	-	Account No. 333 Other Income Deductions
Credit	-	Account No. 171 Extraordinary Plant Losses

To record, as a debit to Account No. 333, the write-off to operations for the loss on the sale of the St. Clair Transmission Line and related assets.

Debit	-	Account No. 323 Other Interest Expense
Credit	-	Account No. 179-121 Cumulative Under-recovery – St. Clair Transmission Line

To record, as a debit (credit) in Deferral Account No. 179-121, interest on the balance in Deferral Account No. 179-121. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

**UNION GAS LIMITED**

**Accounting Entries for  
Impact of Removing St. Clair Transmission Line from Rates  
Deferral Account No. 179-122**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 300 Operating Revenues
Credit	-	Account No. 179-122 Other Deferred Charges – St. Clair Transmission Line

To record, as a credit in Deferral Account No. 179-122, the impact of removing the St. Clair Transmission Line (and related St. Clair River Crossing) from rates (including all rate base and OM&A consequences) effective March 1, 2010 through December 31, 2010 as ordered by the Board in EB-2008-0411.

Debit	-	Account No. 323 Other Interest Expense
Credit	-	Account No. 179-122 Other Deferred Charges – St. Clair Transmission Line

To record, as a credit in Deferral Account No. 179-122, interest on the balance in Deferral Account No. 179-122. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.