



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

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Sharon Wong
Dir: 416-863-4178
sharon.wong@blakes.com

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VIA E-MAIL & COURIER

Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: Application for Variance of Tipperary Gas Corp. Conditions of Approval
EB-2008-0075**

Dear Ms. Walli:

We are writing as the lawyers for both Tipperary Gas Corp. and Union Gas Limited ("Union") jointly.

On February 6, 2007 the Board issued its Decision with Reasons in EB-2006-0018/EB-2006-0159/EB-2006-0279 which among other things extended the time in which Tipperary Gas Corp is authorized to inject and withdraw natural gas from the Tipperary North and South Storage Pools located in the Township of Goderich (the "Storage Pools"). The extension of the Board's authorization was conditional on Tipperary Gas Corp. injecting sufficient gas to achieve a reservoir pressure of 320 psig before June 30, 2008 and also conditional upon Tipperary Gas Corp. complying with certain other Conditions of Approval.

On March 27, 2008, Union wrote to the Board to request a variance to two of the Conditions of Approval set out in Appendix C to the Decision with Reasons in EB-2006-0018/EB-2006-0159/EB-2006-0279. Board Staff has asked for clarification of certain aspects of that application for variance. We are writing as counsel for both Tipperary Gas Corp. and Union to provide the requested clarification, and to confirm that all the earlier commitments and conditions set out in the Board's Decision with Reasons EB-2006-0018/EB-2006-0159/EB-2006-0279 remain the responsibility of Tipperary Gas Corp.

Tipperary Gas Corp. confirms and adopts the application for variance that Union filed with the Board on March 27, 2008, and requests that the Board treat Union's application as if it were made jointly by both Tipperary Gas Corp. and Union.

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Relationship Between Tipperary Gas Corp. and Union

On October 26, 2007, Union applied to the Board for an order granting Union leave to purchase 75% of the shares of Tipperary Gas Corp., and the Board granted that order on December 24, 2007 (EB-2007-0837) after considering written submissions from the Industrial Gas Users Association, the Consumers Council of Canada, the Tipperary Storage Landowners Association and two individual landowners.

Tipperary Gas Corp. is the sole general partner of Huron Tipperary Limited Partnership I ("Tipperary LP") which owns the storage rights in respect of the Storage Pools.

In its application in EB-2007-0837, Union informed the Board that Union proposed to operate the Storage Pools by contractual agreement with Tipperary LP once the Storage Pools are developed. However, Union also stated in its Reply submissions, dated December 10, 2007, that the Storage Pools will still be owned by Tipperary LP, and its general partner, Tipperary Gas Corp., will continue to be responsible for ensuring compliance with the Conditions of Approval.

The Board's Decision with Reasons in EB-2007-0837 subsequently required that all the conditions attached to the Board's Decision with Reasons in EB-2006-0018/EB-2006-0159/EB-2006-0279 are to be implemented by Tipperary Gas Corp. In accordance with that requirement, Tipperary Gas Corp. hereby confirms that it remains responsible for ensuring compliance with the Board's Conditions of Approval even though it has contracted out the day to day operation of the Storage Pools to Union.

The Requested Variance to the Conditions of Approval

Tipperary Gas Corp. and Union are jointly requesting the variances to the Conditions of Approval in Appendix C of the Board's Decision with Reasons EB-2006-0018/EB-2006-0159/EB-2006-0279 as set out in Union's letter of March 27, 2008. Specifically, our clients request an order exempting Tipperary Gas Corp. for so long as Union is the operator of the Storage Pools by contractual agreement with Tipperary LP from i) the requirement in Condition 1.1.2.1 to file an Operations and Procedures Manual and ii) from the requirement in Condition 1.1.2.2 to file an Emergency Response Plan. The grounds for this request is as set out in Union's letter of March 27, 2008.

Grounds for the Interim Order Requested

Tipperary Gas Corp. and Union also request an interim order permitting them to begin operating the Storage Pools in the manner Union operates its 19 other storage pools in Ontario without the need to comply with Conditions of Approval 1.1.2.1 and 1.1.2.2 until such time as the Board can make a final determination on the request to vary these Conditions. Our clients are requesting this interim order because expediting the commencement date for injection into the Storage Pool will:

- i) facilitate the rational development of gas storage;
- ii) facilitate the maintenance of a financially viable gas industry for the distribution and storage of gas; and
- iii) not have any negative effects on the safe operation of the Storage Pools.

i) Facilitate the rational development of gas storage

Condition 1.7 of the Conditions of Approval, in Appendix C of the Board's Decision with Reasons EB-2006-0018/EB-2006-0159/EB-2006-0279, requires that a sufficient amount of gas is to be injected into the Storage Pools to achieve a reservoir pressure of 320 psig before June 30, 2008, failing which Tipperary Gas Corp. shall be required to apply to the Board for an extension of the authority to inject and withdraw gas.

Construction and development of the Storage Pools has advanced to the point where the Applicants are physically capable of beginning injection into the Storage Pools. The only Conditions of Approval that have not been fulfilled are Conditions 1.1.2.1 and 1.1.2.2 for which exemption is being requested.

If the start of injection is delayed for a few weeks or months while the Board is considering the request for exemption there is a significant risk that the Applicants will not be able to achieve the required reservoir pressure by the June 30, 2008 deadline, and in that eventuality would be required to apply to the Board for another extension of time thereby further delaying the start-up date for the Storage Pools and increasing the use of the Board's regulatory resources.

The Storage Pools are new facilities that have not been previously used for storage injections and while the modeling shows that the Storage Pools should accept injections at a certain rate Union is aware from past experience the maximum injection rate in practice may be less than anticipated. In addition, this will be the first operating year of the associated pipeline and compressor station, and Union expects there will be commissioning and operational start-up issues which have the potential to further delay injections.

At page 5 of the Board's Decision with Reasons in EB-2007-0837, the Board found that it is in consumers' interest that storage projects be developed and that the proposal for Union to acquire an interest in the Tipperary Storage Pools facilitates the development of storage. The Applicants submit that granting the interim order requested would similarly facilitate the development of storage, and benefit consumers' interests, as it would allow the Storage Pools to go into operation without any further delay.

ii) Facilitate the maintenance of a financially viable gas industry for the distribution and storage of gas

Gas is typically injected into storage during an injection season that runs from about April to October of each year. During the injection season gas is injected to completely fill the storage capacity so that the gas will be available for withdrawal during the following winter season. The rate at which gas can be injected into storage is governed by the physical limitations of the storage facility and also the physical limitations of the distribution system that delivers the gas to the storage facility.

Union proposes to enter into a Storage Contract with Tipperary LP (which is the subject of a separate application to the Board for approval, EB-2008-0049) pursuant to which Union will acquire storage services from Tipperary LP for the capacity of the Storage Pools. Assuming that the Board approves the Storage Contract, Union will be using the storage capacity of the Storage Pools to supply gas to Union's distribution system.

Because the Storage Pools are new, they are essentially empty of gas at this time, and Union believes that it will need to inject gas throughout the entire gas injection season, i.e. from April to October, in order to ensure that the Storage Pools are filled prior to the start of the 2008/2009 winter season, not only with working gas but also with the cushion gas needed to support continuous operation of the Storage Pools, and thereby ensure that this gas is available to supply Union's distribution system during the 2008/2009 winter season. It is important for Union to be able to maximize the amount of gas available to its distribution system out of storage injected prior to the start of the winter season.

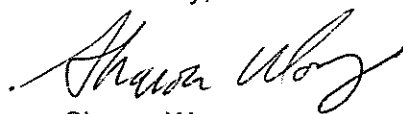
iii) *The Interim Order will not negatively affect the safe operation of the Storage Pools*

If the Interim Order is granted, Union will be operating the Storage Pools in the same manner as it is currently operating 19 other storage pools in the province. None of the 19 storage pools which Union currently owns and operates are subject to conditions similar to Conditions 1.1.2.1 and 1.1.2.2 imposed on Tipperary Gas Corp.

Union has a long history of safely operating gas storage in Ontario. Union has an existing emergency response plan and operating manuals for its storage pools, and the Applicants confirm that they will operate the Tipperary Storage Pools in accordance with Union's existing emergency response plan and operating manuals during the term of the requested Interim Order. As a result, the Applicants' submit that the Interim Order will not negatively affect the safe operation of the Storage Pools.

We trust that we have addressed all of the Board's areas of concern, however please let us know if you require any additional information.

Yours truly,



Sharon Wong

sw/maem

c: Mark Isherwood
Jane Lowery
Mark Murray

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