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September 25, 2013

**VIA COURIER, RESS, EMAIL**

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

Dear Ms. Walli:

**Re: Union Gas Limited ("Union") – 2014-2018 Incentive Regulation Application**  
**Board File No.: EB-2013-0202**

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The Ontario Power Authority ("OPA") is in receipt of the Ontario Energy Board's ("Board") Procedural Order No. 1 dated September 19, 2013 and is writing to inform the Board of the OPA's position on the comprehensive Settlement Agreement (the "Agreement") between Union Gas Limited ("Union") and stakeholders.

As outlined in the OPA's intervenor request letter dated August 21, 2013, the OPA is the contract counter-party to a number of gas-fired generation facilities in Ontario. Changes to gas rates in Union's service territory may impact the cost of electricity generated under these contracts. In particular, the OPA has an interest in working with Union and other stakeholders to develop a new or modified rate class or rate schedule for gas-fired generation facilities in Union's northern and eastern operation areas, better suited to the unique needs of these facilities.

It is the OPA's understanding that the development of a new or modified rate class or rate schedule can be brought forward for Board approval under Section 13 of the Agreement. It is also the OPA's understanding that Union would make an application to the Board, on notice with supporting material, for any new or modified rate class or rate schedule. The OPA expects that it will be in discussions with Union and other stakeholders over the course of the next year to develop this new or modified rate class or rate schedule. Given the OPA's understanding that the Agreement filed by Union allows a new or modified rate class or rate schedule for gas-fired generation facilities to be brought forward during the term of Union's proposed 2014-2018 Incentive Regulation plan, the OPA takes no position on the Agreement.

Should these discussions not result in an application by Union before the Board for a new or modified rate class or rate schedule as described above, the OPA proposes that any interested party be able to bring forward such an application to the Board during the term of Union's proposed Incentive Regulation plan, or that this new or modified rate class or rate schedule be determined through another process as deemed appropriate by the Board.

Yours truly,

A handwritten signature in blue ink, appearing to read 'C. de Boer', is positioned above the printed name.

Charlene de Boer  
Manager, Regulatory Proceedings  
Ontario Power Authority

cc: All parties to EB-2013-0202