

December 17, 2015

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

Dear Ms. Walli:

**Re: Union Gas Limited (“Union”) – Request for Greenhouse Gas Emissions Impact
Deferral Account**

The purpose of this letter is to request the Board’s approval of an accounting order to establish a deferral account to record the impacts of provincial and federal regulations related to greenhouse gas emission requirements.

In April 2015, the Ontario government announced future implementation of a Cap & Trade Program as part of its strategy to reduce Ontario’s greenhouse gas emissions. The government will table draft regulations early in 2016 that will address the scope of the program, including the sectors affected. Union has been working diligently to understand the implications of Cap & Trade legislation. The forecast costs are clearly outside of Union’s 2014-2018 base upon which rates were derived, and also clearly outside of management’s control. The magnitude of the costs are unknown at this point, however are expected to be material.

Examples of the types of costs for inclusion in the deferral account include:

- Emissions reporting compliance costs
- Billing system changes
- External consultant costs
- Costs associated with participating in OEB Cap & Trade consultations
- Implementation costs, including additional staff costs and the purchase of allowances

Accordingly, Union requests that the Board approve the attached draft accounting order establishing a deferral account to record the impacts of provincial and federal regulations related to greenhouse gas emission requirements. Union is not seeking any determination of the potential disposition of these costs at this time.

It is Union’s intention to seek any recovery of costs in a future deferral disposition proceeding.

If you have any questions concerning this request please contact me at (519) 436-5334.

Yours truly,

[Original Signed by]

Vanessa Innis
Manager, Regulatory Initiatives

cc: Crawford Smith, Torys
Pascale Duguay, Board staff

UNION GAS LIMITED

**Accounting Entries for
Greenhouse Gas Emissions Impact Deferral Account
Deferral Account No. 179-XXX**

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

Debit	-	Account No.179-XXX Other Deferred Charges – Greenhouse Gas Emissions Impact Deferral Account
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Credit	-	Account No. 728 General Expense
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To record, as a debit (credit) in Deferral Account No. 179-XXX, the impacts of provincial and federal regulations related to greenhouse gas emission requirements.

Debit	-	Account No.179-XXX Other Deferred Charges – Greenhouse Gas Emissions Impact Deferral Account
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Credit	-	Account No. 323 Other Interest Expense
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To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. 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.