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October 14, 2008

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

Dear Ms. Walli:

Re: EB - 2008 - 0304

I am counsel to Union Gas Limited and Westcoast Energy Inc. in connection with this matter. In response to the Ontario Energy Board's correspondence of October 1, 2008, several organizations have filed objections to Union's request that this Application be disposed of without a hearing. This letter is the Applicants' response to those objections.

The basis for the Applicants' request is section 21(4) of the *Ontario Energy Board Act, 1998*. Section 21(4) provides that the Board may dispose of a proceeding without a hearing if, among other things, no person other than the applicants will be adversely affected in any material way by the outcome of the proceeding and the applicants have consented to the disposition of the application without a hearing.

It is the Applicants' position that the preconditions for the application of section 21(4) of the Act are clearly met in this case and that no purpose would be served by conducting a hearing. Other than vague assertions about the need for more information, the objectors have offered no substantive basis for their objections and have not attempted to identify, or even allege, any material adverse effect that might result from the approval of this Application.

It is important to identify what this Application is for and to put the Application in proper context. For example, counsel for CME in his letter of October 8, 2008 makes the claim that the Application involves "serious changes to a utility's ownership structure." On the evidence, this is demonstrably untrue.

Union, for many years, was owned indirectly by WEI through a number of wholly owned intermediate holding companies. These holding companies included Centra Gas Utilities Inc., Centra Gas Holdings Inc., Westcoast Gas Inc. and Westcoast Gas Holdings Inc. WEI made the decision to reorganize the ownership structure of Union's voting securities in 2002 and applied to the Board for approval to change the owner of Union's shares from the intermediate holding companies to WEI directly. This application was approved without a hearing by the Board in February 2002. All WEI is intending to do in the current proposed restructuring is introduce, once again, an intermediate wholly-owned entity, in this case a limited partnership and general

partner, through which it will continue to hold, albeit indirectly, 100% of Union's voting securities. There is a technical change in ownership, which is why the Board's leave is required under section 43 (as it was in 2002). It is a change in form, however, not substance and could not, in any world, be described as a "serious change" in Union's ownership structure.

Counsel for CCC and SEC have made the claim that there is "insufficient information" to understand the implications of the proposed reorganization. Yet both organizations fail to identify a single question they want to ask or any piece of additional information that they allege they need. The Applicants have provided detailed evidence on what is involved in the proposed reorganization. Indeed, the Applicants have even provided a detailed explanation of certain aspects of the internal reorganization for which no Board approval is required at all. There is nothing on the face of the reorganization which suggests the potential for adverse effects. The detailed evidence before the Board is that there are none.

Union agrees with one submission of the objectors - that the Board should not simply accept the conclusions of the applicant in a section 21(4) case. The Applicants, however, have not just advanced "conclusions." The Applicants have provided detailed explanations of what is proposed to occur and why it will have no adverse effect on Union's regulated business. To hold a hearing to determine whether to hold a hearing, which is effectively what the objectors are arguing for, defeats the purpose of section 21(4), which is to avoid a hearing where there is no need for one. The objectors, Union submits, have some threshold onus or obligation to point to at least some potential adverse effects or some specific inquiry or information which is lacking and might inform the question of adverse effects. They have failed to do so.

SEC asserts that adding a wholly-owned limited partnership and general partner to the ownership structure of Union's voting securities is "designed to alter in fundamental ways the corporate status, capital structure and tax position of Union." Again, on the evidence, this proposition is demonstrably false. Union will remain a corporation, subject to all the rights and obligations it had prior to conversion to an unlimited liability company. The only entity arguably affected adversely by the conversion is WEI or the limited partnership through which WEI will hold Union's shares. WEI, however, on its own behalf and on behalf of its wholly-owned limited partnership, is consenting to the Application and to the reorganization.

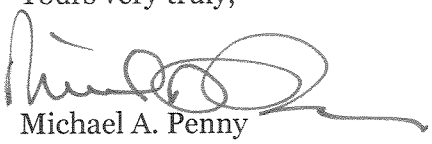
Union's capital structure for regulatory purposes will be unaffected by any step in the reorganization. Nothing could be clearer from the evidence.

Similarly, Union's tax position is unaffected (other than a minor impact resulting from the redemption of certain preferred shares which, on rebasing, will benefit customers). Again, nothing could be clearer from the evidence. The tax effects of the reorganization, indeed the whole point of the reorganization, are with respect to U.S. tax rules and have nothing to do with Union or its costs, revenues or operations. The U.S. tax impact concerns how dividends being paid out of Canada are treated in the hands of a U.S. shareholder for U.S. tax purposes - a matter of complete indifference to Union or its customers.

Although, like CCC, SEC places great emphasis on the need for a process that will permit questions to be asked and perhaps further information to be obtained, SEC has failed to identify any question or any information it might seek that would add value or illuminate the process. Theirs is an argument of 'process for process' sake.'

The objectors have failed to identified any alleged benefit that will result from a hearing in this matter, written or oral, other than a benefit to those seeking eligibility for costs in such a hearing.

Yours very truly,



Michael A. Penny