



By Electronic Filing and By E-mail

October 22, 2008

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

Dear Ms Walli,

**Westcoast Energy Inc. ("WEI") and Union Gas Limited ("UGL")**

**Board File No.: EB-2008-0304**

**Our File No.: 339583-000023**

Enclosed please find the Interrogatories of Canadian Manufacturers & Exporters ("CME") to Westcoast Energy Inc. and Union Gas Limited in this proceeding.

Please contact me if you require any further information.

Yours very truly,

A handwritten signature in black ink, appearing to read 'P. Thompson', is written over a horizontal line.

Peter C.P. Thompson, Q.C.

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c. Bruce Pydee (Westcoast Energy Inc.)  
Mark Kitchen (Union Gas Limited)  
Interested Parties EB-2008-0304  
Paul Clipsham (CME)

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**Application by  
Westcoast Energy Inc. and Union Gas Limited**

**Canadian Manufacturers & Exporters (“CME”)  
Interrogatories to Union Gas Limited and Westcoast Energy Inc.**

1. The chart in Attachment 2 of the pre-filed evidence shows Union Gas Limited (“UGL”) as the current owner of utility assets. The chart in Attachment 3 shows Union Gas Company (“UGC”), which we understand will be an unlimited liability company incorporated under the *Nova Scotia Companies Act*, as the owner of the utility assets in Ontario after the proposed internal reorganization has been completed. Please provide the following information:
  - (a) Is UGL, the current owner of utility assets in Ontario, an Ontario limited liability company which is subject to the provisions of the *Ontario Business Corporations Act*?
  - (b) Is UGC a new and different legal entity from UGL?
  - (c) Please list and describe each of the steps involved in UGL being “... continued to Nova Scotia as a Nova Scotia unlimited liability company ...”. (see para. 12 pre-filed evidence)
  - (d) Do all of UGL’s utility assets need to be transferred to UGC? If so, then please list and briefly describe all of the documents that will need to be executed by UGL and UGC to implement the internal reorganization.
  - (e) While UGL may not need any approval from the OEB “to convert” UGL into UGC (see para. 40 pre-filed evidence), does UGL not need OEB approval to transfer its utility assets to UGC, the newly incorporated Nova Scotia unlimited liability company?
  - (f) Will UGL continue to exist; and, if so, please describe the assets, if any, it is likely to own and the nature of any business activities in which it is expected to engage.
  - (g) Is UGC expected to own or acquire any assets other than assets pertaining to Ontario utility operations; and, if so, then please provide details.
  - (h) Is a Nova Scotia company which owns public utility assets in Ontario subject to any sort of regulatory supervision by Nova Scotia regulatory authorities; and, if so, please provide the details thereof.

- (i) Is UGC, as a Nova Scotia company, currently or prospectively exposed to provincial taxation by the Province of Nova Scotia; and, if so, please provide the details thereof.
  - (j) Why does UGL need to be continued as a Nova Scotia rather than an Ontario unlimited liability company?
  - (k) Is the continuance of UGL as an unlimited liability company in Ontario precluded by Ontario legislation; and, if so, then please explain why Ontario precludes such business entities.
  - (l) How is the Ontario public interest served by having utility assets in Ontario and currently owned by an Ontario company transferred to a newly incorporated Nova Scotia company?
  - (m) What costs has UGL incurred in 2008 and what costs will the utility the Board regulates likely incur in 2009 in connection with the proposed internal reorganization; and to what extent could these costs potentially reduce utility earnings to be shared with ratepayers under the Incentive Regulation ("IR") plan the Board recently approved for Union?
2. We assume that the complete business rationale for the proposed internal reorganization being proposed for the purpose of benefiting UGL's indirect U.S. parent, Spectra Energy Corp. ("Spectra"), will be provided in the responses UGL is to provide to the interrogatories posed by the School Energy Coalition ("SEC"). If not, then please provide the complete business rationale for the proposed internal reorganization and, in addition, provide the following information:
- (a) Show all of the taxes that apply, currently, to one dollar (\$1) of after-tax income in UGL, as that income flows from UGL to Westcoast Energy Inc. ("WEI") and then to Spectra in the "Current Structure" shown in Attachment 2 of the pre-filed evidence, in order to clearly illustrate the after-tax income Spectra currently receives from a UGL dividend.
  - (b) Show how one dollar (\$1) of after-tax income in UGL is expected to be taxed, as it flows through the proposed limited partnership to WEI and then to Spectra, in order to clearly illustrate the after-tax amount Spectra is expected to receive from one dollar (\$1) of UGC's after-tax earnings in the "Final Structure" shown in Attachment 3 of the pre-filed evidence.
  - (c) If the proposed reorganization is approved, are the provincial and federal tax rates UGC is expected to pay any different from the provincial and federal tax rates UGL would be expected to pay in a scenario where the reorganization is not approved? If so, then what are the differences?
3. One of the objectives of IR is to reduce regulatory burden. In this context, please provide the following information:

- (a) What recent material changes in circumstances, if any, prompted UGL's ultimate owner, Spectra, to decide to internally reorganize in order to rationalize Spectra's tax position (see para. 6 pre-filed evidence) during 2007, the first year of UGL's Board approved 5 year IR Plan?
  - (b) What is the earliest date, prior to 2007, on which Spectra might have initiated the internal reorganization which forms the subject matter of this Application?
  - (c) Please explain how a postponement of this Application to a date at the end of UGL's five year IR Plan affects the overall public interest.
- 4. Have any federal or provincial regulatory agencies in Canada considered the public interest aspects of the question of whether out-of-province or out-of-country limited partnerships should be permitted to either directly or indirectly own provincially or federally regulated in-province or in-country gas or electricity utilities?
- 5. If the answer to the previous question is yes, then please list the federal and/or provincial Canadian agencies which have considered the matter and provide excerpts from any decisions which they have rendered with respect to the issue.