

November 7, 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

At page 61, lines 7-16 of today's transcript in the above-noted matter, Mr. Packer was asked whether the new debt issue of \$300M was secured. This was, as Mr. Packer testified, the last debt Union issued and there are no current plans to issue more for 2009. Mr. Packer indicated that he did not know whether the debt was secured. I also advised that I did not know but went on to say it should be assumed that the debt would have been secured.

I wish to advise the Board that my assumption was incorrect and would like both to correct that error and apologize for it. In fact, as can be seen from the attached term sheet, the settlement date for the new debt was September 2, 2008 and it was unsecured debt.

The interest rate available in the market as of September 2, 2008 was, as Mr. Packer testified, 6.05%. The term sheet highlights Mr. Packer's point, made during his testimony, that the "cost consequences" of new debt issues is in large measure a function of the interest rate available in the market at the time the debt is issued, and cannot be accurately determined until the debt is issued. Had the debt been issued at a different time and rate, the cost consequences would have been different.

Again, I apologize for my error.

Yours very truly,

[original signed by]

Michael A. Penny

cc: Intervenor

This pricing supplement, together with the short form base shelf prospectus to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference into the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Pricing Supplement No. 1

Dated: August 26, 2008

To a Short Form Base Shelf Prospectus of Union Gas Limited dated August 22, 2008

UNION GAS LIMITED
6.05% MTN DEBENTURES, SERIES 7
(Unsecured)

Terms of the Medium Term Note Debentures (the "MTN Debentures") offered under this Pricing Supplement:

Amount and Currency of Issue:	CDN\$300,000,000
Settlement Date:	September 2, 2008
Maturity Date:	September 2, 2038
Issue Price:	CDN\$99.808
Commission:	0.50 % of principal amount (Total Commission CDN\$1,500,000)
Net Proceeds to the Issuer:	CDN\$297,924,000
Interest Rate:	6.05% per annum, payable semi-annually
Interest Payment Dates:	March 2 and September 2 commencing March 2, 2009 (with equal semi-annual payments of CDN\$9,075,000)
Form of Issuance:	To be issued in the form of a fully registered global debenture in the name of CDS & Co., as nominee of The Canadian Depository for Securities Limited. The MTN Debentures will be issued under the Trust Indenture dated as of August 1, 1968 between Union Gas Limited (the "Company") and The Royal Trust Company of Canada, as supplemented and amended.
Use of Proceeds:	To refinance prior maturities and for general corporate purposes.
Redemption:	The MTN Debentures, Series 7 will be redeemable, at the Company's option, in whole at any time or in part from time to time, on not less than 30 days' prior notice, at the higher of the Canada Yield Price (as defined below) and par, together with accrued and unpaid interest to the date fixed for redemption. "Canada Yield Price" shall mean a price equal to the price of the MTN Debentures, Series 7 calculated to provide a yield to maturity, compounded semiannually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus 0.50% on the business day preceding the date of the resolution authorizing the redemption. "Government of Canada Yield" on any date shall mean the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity

equal to the remaining term to maturity of the MTN Debentures, Series 7. The Government of Canada Yield will be the average of the yields provided by two major Canadian investment dealers selected by the Company. If less than all of the outstanding MTN Debentures, Series 7 are to be redeemed, the MTN Debentures, Series 7 to be so redeemed will be selected by the Trustee in such manner as it shall deem equitable.

Sinking Fund:	None
Purchase for Cancellation:	The Company may purchase the MTN Debentures in the market or by tender or by private contract at any time and at any price.
Selling Agents:	Scotia Capital Inc. BMO Nesbitt Burns Inc. CIBC World Markets Inc. TD Securities Inc.
CUSIP No.	90664Z AS9

The following documents, which have been filed with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into and form an integral part of the short form base shelf prospectus dated August 22, 2008 relating to the offering of MTN Debentures of the Company:

- (a) the Annual Information Form of the Company, dated March 20, 2008, for the financial year ended December 31, 2007;
- (b) the consolidated comparative financial statements of the Company as at and for the year ended December 31, 2007 and the auditors' report thereon;
- (c) the management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2007;
- (d) the unaudited consolidated comparative interim financial statements of the Company as at and for the three and six month periods ended June 30, 2008, including management's discussion and analysis filed in connection with such interim financial statements; and
- (e) the earnings coverage calculations for the year ended December 31, 2007

Auditors' Consent

We have read Pricing Supplement No. 1 dated August 26, 2008 of Union Gas Limited (the "Company") relating to the offering of \$300,000,000 of Medium Term Note Debentures (unsecured) of the Company, to the short form base shelf prospectus dated August 22, 2008 qualifying the distribution of an aggregate principal amount of up to \$700,000,000 Medium Term Notes (unsecured) of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form base shelf prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2007 and 2006, and the consolidated statements of income and comprehensive income, retained earnings and cash flows for the years then ended. Our report is dated March 20, 2008.

(signed) "Deloitte & Touche LLP"

Chartered Accountants
Licensed Public Accountants
Windsor, Ontario

August 26, 2008