



**uniongas**

A Spectra Energy Company

December 1, 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 – Section 43(2) Decision and Order

I am writing on behalf of Westcoast Energy Inc. and its ultimate owner, Spectra Energy, in connection with the Board's decision of November 19, 2008 with respect to the matter referenced above.

On September 15 2008, Westcoast and Union Gas Limited filed an application with the Board pursuant to section 43(2) of the Ontario Energy Board Act, 1998 seeking leave to transfer 100% of the voting shares of Union to a limited partnership to be organized under the laws of Ontario.

The evidence in support of the September 15, 2008 application described certain other transactions that would take place after the share transfer was approved by the Board, namely, the redemption of Union's outstanding preferred shares and the conversion of Union to a Nova Scotia unlimited liability company ("NSULC") organized under the Nova Scotia Companies Act. These transactions were not subject to Board approval.

The limited partnership ownership structure was proposed to provide flexibility to manage "earnings and profits" for U.S. tax purposes within the Westcoast group. The conversion to a NSULC was proposed to facilitate the utilization of negative "earnings and profits," again, for U.S. tax purposes. The proposal to convert Union to a NSULC required the redemption of some \$110M of Union preferred shares, which was only available if exercised before January 1, 2009 (the opportunity to redeem the preferred shares does not arise again for another five years).

On November 19, 2008, The Board issued its decision approving the transfer of 100% of Union's voting shares to the limited partnership subject to the following conditions:

1. The costs of the entire transaction, including the hearing costs, will be for the account of Union shareholders and not passed on to the ratepayers;
2. Union and Westcoast will file with the Board a letter confirming that the general partner and the limited partner will be considered affiliates for the purpose of undertakings contained in the Order of Council dated December 9, 1998;

3. Union's rates will be reduced effective January 1, 2009 to reflect the cost reduction of \$1.3 million per year resulting from this reorganization.

The purpose of this letter is to advise the Board that pursuant to its November 19, 2008 Decision and Order, Spectra is intending to proceed with the transfer of 100% of the voting shares of Union Gas to a limited partnership organized under the laws of Ontario.

However, as the Board is aware, world economic conditions have changed dramatically since the application was filed. In particular, significant changes have taken place in both the debt and equity markets in North America, even within the last two weeks, to the point where Spectra has determined not to redeem the outstanding preferred shares or to proceed with the conversion to a NSULC.

In accordance with the Board's Decision and Order, Union shareholders will bear the cost of the change of ownership and of this proceeding. Letters confirming that the general partner and the limited partner will be considered affiliates for the purpose of undertakings contained in the Order of Council dated December 9, 1998 have been filed with the Board.

With respect to the third condition, since Spectra is not proceeding with the redemption of the preferred shares, the revenue requirement reduction of \$1.3 million dollars will not materialize. Accordingly, Union will not be reflecting any reduction in its delivery rates effective January 1, 2009.

Union, Westcoast and Spectra greatly appreciate the effort made by the Board to deal with this application in an expedited manner. The decision not to proceed with the redemption of the preferred shares and the conversion of Union to a NSULC was the result of rapidly changing world wide economic conditions which were beyond managements' control.

Yours truly,

[original signed by]

Mark Kitchen  
Director, Regulatory Affairs

cc: Adrian Pye, Ontario Energy Board  
Wilfred Teper, Ontario Energy Board  
Michael Penny, Torys