



uniongas
A Spectra Energy Company

December 17, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, ON
M4P 1E4

**Re: Union Gas 2009 Rates (EB-2008-0220 – Effective January 1, 2009)
Union's Responses to Interrogatories**

Dear Ms. Walli:

Enclosed please find two copies of Union's responses to interrogatories.

If you have any questions concerning this application and evidence please contact me at (519) 436-5476.

Yours truly,

A handwritten signature in black ink, appearing to read "Chris Ripley".

Chris Ripley
Manager, Regulatory Applications

cc M. Penny (Torys)
EB-2008-0220 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A Tab 1 pages 8-9

With respect to the forecasted costs for the conversion to International Financial Reporting Standards (IFRS), Union proposes to make the Z factor adjustments (shown in table 2 on page 9) annually over the IR term, starting in 2009. Union also notes that it has no incentive under the IR framework to do anything other than make every effort to prudently incur costs since approval of the costs as a Z factor is not guaranteed in any given year.

Question:

- 1. Please clarify whether in this proceeding Union is asking for Z factor treatment for just the 2009 forecasted costs or is it for all (except 2008) of the costs presented in table 2.*
- 2. Assume: (i) that the Board approves Z factor treatment for the \$1.511million in 2009 forecasted (pre-tax) costs and (ii) the IFRS actual costs in 2009 totalled, say, \$1.425 million. Under these circumstances, please elaborate as to whether Union would continue to view the amount recovered in 2009 rates as appropriate i.e. still meeting Z factor criteria, or alternatively, would Union propose an offsetting adjustment since the event no longer met the criteria.*

Response:

1. Union is seeking approval in this proceeding to recover the amounts set out at Exhibit A, Tab 1, page 9, Table 2, line 6 for the years 2009 through 2012. Table 2 provides the revenue requirement impacts associated with the annual pre-tax costs provided in Table 1.
2. Union is not proposing to true up for actual spending over or under the amounts presented in Exhibit A, Table 1 once approved by the Board. Union is proposing to adjust rates by the amounts set out in Table 2, line 7.

Union will manage any cost variance, positive or negative, associated with converting to IFRS. Union's application for Z factor treatment is in place of a deferral account.

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UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Working Papers/Schedule 15 line 1

Question:

Please provide the calculation which generates a CCA difference of \$1.769 million.

Response:

Line No.	<u>Tax Related Amounts Forecast from CCA Rate Changes</u>	2007 (\$ millions)
1	Computer Equipment (Class 45) - Opening UCC Balance	0.000
2	New purchases (2007 Board Approved additions)	8.741
3	Capital cost Allowance (CCA) at 45% - former tax rule CCA rate	<u>1.967</u>
4	Closing Undepreciated Capital Cost (UCC)	6.774
5	Computer Equipment (Class 45) - Opening UCC Balance	0.000
6	New purchases (2007 Board Approved additions)	8.741
7	Capital cost Allowance (CCA) at 55% - 2007 Federal Budget tax rule CCA rate	<u>2.404</u>
8	Closing Undepreciated Capital Cost (UCC)	6.337
9	Distribution Assets (Class 1) - Opening UCC Balance	0.000
10	New purchases (2007 Board Approved additions)	133.227
11	Capital cost Allowance (CCA) at 4% - former tax rule CCA rate	<u>2.665</u>
12	Closing Undepreciated Capital Cost (UCC)	130.563
13	Distribution Assets (Class 1) - Opening UCC Balance	0.000
14	New purchases (2007 Board Approved additions)	133.227
15	Capital cost Allowance (CCA) at 6% - 2007 Federal Budget tax rule CCA rate	<u>3.997</u>
16	Closing Undepreciated Capital Cost (UCC)	129.230
17	CCA Difference (line 7 - line 3) + (line 15 - line 11)	1.769

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UNION GAS LIMITED

Answer to Interrogatory from
Association of Power Producers of Ontario ("APPRO")

Z Factor

Ref: Exhibit A, Tab 1, pages 6 and 9, Tables 1 and 2 illustrates the proposed cost recovery of certain costs related to recovery of conversion to IFRS.

Question:

- a) Please confirm that the costs in this table are intended to recover costs incurred from conversion related to Table 1 for the years 2009 and 2010.*
 - b) If the actual incurred costs for any year are less than the \$1.5m threshold cost for recovery, please confirm it is Union's intent not to recover any costs for such year.*
 - c) Table 2 illustrates an O&M cost recovery for 2011, yet in Table 1 the total costs related to 2011 do not meet the \$1.5m materiality threshold. Please explain.*
-

Response:

- a) Exhibit A, Table 1 provides the annual pre-tax costs associated with converting to IFRS. Exhibit A, Table 2 provides the annual revenue requirement associated with the annual pre-tax costs and the proposed rate adjustments for the 2009 to 2012 period.
- b) Please see response to Exhibit B1.1, Question 2.
- c) In the ordinary course, once the annual materiality threshold of \$1.5 million is met and the Z factor is approved for recovery, there would be no subsequent adjustment related to that event until the materiality threshold is once again exceeded.

Had Union taken this approach, Union would have proposed to adjust rates in 2009 by \$1.239 million (the revenue requirement associated with pre-tax costs of \$1.511 million) and made no further adjustment to rates over the IR term since Union would not be incurring incremental costs associated with IFRS in excess of \$1.5 million. This would have resulted in a total recovery of \$4.956 million.

However, given the composition (capital and O&M) and one time nature of these costs, Union is proposing to adjust rates annually over the IR term. The costs associated with the IFRS conversion are largely incurred in 2009 and 2010 and will not be incurred on an ongoing basis once the conversion is complete. Given that a

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large proportion of the costs incurred in 2009 and 2010 are capital costs associated with changes to Union's accounting systems, there will be revenue requirement impacts that extend beyond 2010 into 2011 and 2012. (i.e. depreciation, return and tax). The costs in 2011 and 2012 are directly related to capital expenditures made in 2009 and 2010. They are part and parcel of the same Z factor event. They cannot be viewed on a standalone basis as if the 2011 and 2012 costs were a separate event required to meet the annual materiality threshold of \$1.5 million.

UNION GAS LIMITED

Answer to Interrogatory from
Association of Power Producers of Ontario ("APPrO")

TransCanada DOS-MN

Question:

On or about November 7, 2008, TransCanada filed an application with the National Energy Board to implement a Dawn Overrun Service - Must Nominate ("DOS-MN") whereby for the balance of the current winter TransCanada will receive gas at Empress and redeliver such volumes at Dawn. The cost for such service is the FT commodity toll, thus shippers avoid the normal demand charge that otherwise would apply. Certain shippers had the right to their pro-rata of this service. Please indicate if Union has taken its pro-rata share of this service and, if so, whether the full benefits of this service will flow through the Y factor transportation costs.

Response:

Yes. Union contracted for its pro rata share of DOS-MN. Union offered a portion of its pro rata share to customers with TCPL assignments. Some of these customers accepted the DOS-MN capacity assignment.

Union is not treating any benefit associated with the use of the DOS-MN as a Y factor. Any benefit from the use of DOS-MN over the term of the incentive regulation framework will be used to contribute to the S&T transactional margins already included in infrachase delivery rates, and will form part of the Union's regulated earnings.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Treatment of Tax Savings

Ref: Exhibit A, Tab 1, pages 2 to 4, and Rate Order Working Papers, Schedule 15

Question:

Please redo Schedule 15 to show the impact in 2008 and 2009 of including, rather than excluding, tax savings associated with 2008 and 2009 capital additions.

Response:

Please see response at Exhibit B5.4 a).

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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

International Financial Reporting Standards ("IFRS")

Ref: Exhibit A, Tab 1, pages 4 to 10

Question:

When did Canadian accounting authorities initially raise for discussion the conversion from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS?

Response:

The CICA initially raised the potential conversion from Canadian GAAP to IFRS during 2006. The CICA did not confirm the requirement until February 2008.

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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

International Financial Reporting Standards ("IFRS")

Ref: Exhibit A, Tab 1, pages 4 to 10

Question:

How long have Union Gas Limited ("Union") and its ultimate parent company been aware of the need to convert from Canadian GAAP to IFRS?

Response:

Please see response at Exhibit B3.2.

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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

International Financial Reporting Standards ("IRFS")

Ref: Exhibit A, Tab 1, pages 4 to 10

Question:

Please confirm that there is no deferral account in the Settlement Agreement which enables Union to record and recover from its ratepayers costs associated with converting from Canadian GAAP to IFRS.

Response:

Confirmed. If there was an existing deferral account, Union would not be seeking to record this expense as a Z factor.

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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Storage Margin Sharing Changes

***Ref: Exhibit A, Tab 1, pages 11 and 12, and Rate Order Working Papers,
Schedule 14***

Question:

Compared to the 2007 forecast amount of \$21.405M, what are Union's actual 2007 storage revenues which are to be shared with ratepayers as a result of the Board's Decision on Motion dated October 23, 2008, in EB-2008-0154 rejecting Union's Motion to Review the Board's 2007 Deferral Account Decision in EB-2008-0034 dated June 3, 2008?

Response:

The actual 2007 long term peak storage revenues were \$32.222 million compared to a \$21.405 million forecast for a variance of \$10.817 million. Of the \$10.817 million variance, 75%, or \$8.113 million, is a credit to ratepayers.

Following the Board's decision in EB-2007-0034, Union credited ratepayers \$2.196 million in 2008. The remaining credit to ratepayers is \$5.917 million as a result of the Board's Decision in EB-2008-0154. Union will dispose of this credit as part of its 2008 deferral account disposition.

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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Storage Margin Sharing Changes

Ref: Exhibit A, Tab 1, pages 11 and 12, and Rate Order Working Papers, Schedule 14

Question:

Please revise Rate Order Working Papers Schedule 14 to show the storage premium that would be embedded in 2009 in-franchise rates if the individual line items leading to a total amount of \$25.393M at Col (f), line 10 were to be revised to reflect actual revenues for 2007 for lines 1 to 10 inclusive of Rate Order Working Papers Schedule 14 rather than forecast 2007 revenues for each of those line items.

Response:

The purpose of Rate Order Working Papers Schedule 14 is to summarize the S&T transactional margin included in 2009 rates. Specifically, this schedule highlights the 2009 rate adjustment required to reflect the phase out of long term storage margin included in delivery rates. Updating Schedule 14 for actual 2007 revenues is not relevant to the determination of 2009 rates.

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UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Customer Bill Impacts

Ref: Exhibit A, Tab 1, pages 13 and 14, and Rate Order Working Papers, Schedules 8 and 9

Question:

The evidence indicates that the price cap produces a reduction to rates of 0.28%. However, the customer bill impacts evidence shows that the delivery rate bill impacts on all in-franchise customer classes are rate increases ranging in percentage amounts from 0.8% for Rate T3 in the South, to 2.5% for Rate M7 in the South and Rate 20 in the North. In this context, please provide the following information:

- a) Please provide a list and summary description of each of the factors that are acting in combination to produce rate increases for each in-franchise rate class which more than off-set the price cap rate reduction for each of those rate classes.*

Response:

Information on each of the factors impacting 2009 rates is provided at Exhibit A, Tab 1 of Union's Prefiled Evidence:

1. Tax-related adjustments: pages 2 - 4
2. Storage Premium Adjustment: pages 11 - 12
3. Z factor adjustments (IFRS): pages 4 - 10
4. DSM budget: page 11
5. Average Use and LRAM: page 11, 12

A summary of all the factors, and the related rate class impacts of each factor, is provided at EB-2008-0220, Rate Order, Working Papers, Schedule 5. The application of the Price Cap Index of (0.28)% appears at Column (d). The other factors and the associated revenue changes by factor are presented at Columns (b), (c), (e), (f), and (h). Column (i) identifies the average bill impact to each rate class.

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UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Ref: Ex. A-1, page 3 and Rate Order Working Papers Schedules 15 and 13.

The evidence indicates that for the purposes of calculating the tax Z factor for 2009, Union has not included tax savings associated with 2008 or 2009 capital additions. A decision on Union's motion for clarification of this matter is pending. The evidence also indicates that Union is proposing to recover the balance of the \$8 million provision included in 2008 rates on account of tax changes for 2008 pending the outcome of the Board's decision on the treatment of taxes during the IR term.

Question:

- a) *Please restate Schedules 15 and 13 to include tax savings associated with 2008 and 2009 capital additions.*
- b) *Please restate Schedules 15 and 13 to indicate the rate impact of not recovering at this time the balance of the interim \$8 million provision included in 2008 rates, leaving all other assumptions underlying the schedule unchanged.*

Response:

- a) Please see response at Exhibit B5.4.
- b) Union and intervenors agreed in the Addendum to the EB-2007-0606 Settlement Agreement to an interim rate adjustment of \$8 million (i.e. a reduction in rates), which reflected the approximate value of federal and provincial tax changes for 2008. No further base rate changes were contemplated in 2008; however, parties agreed that if the intervenors' position prevailed, the interim adjustment would be trued up. A deferral account was established to capture the variance between the interim adjustment being made to 2008 rates and the adjustment that would have been made to rates had the Board's decision on this unsettled issue been incorporated into 2008 rates.

The Board subsequently directed Union to treat 50% of the tax change impacts during the IR term as a Z factor. The \$8 million must be taken into account both in the base and for 2008 via the deferral account in order to ensure that Union shares 50% of the tax change impacts as directed by the Board and that the correct base is used for escalation purposes.

Question: December 8, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
Industrial Gas Users Association ("IGUA")

Reference Ex. A-1, page 9.

Union is seeking approval in this proceeding of z-factors for IFRS conversion costs to be incurred in each of 2009, 2010, 2011 and 2012, as indicated at Table 2 of the referenced evidence.

Question:

- a) *On what basis is Union proposing to adjust 2009 rates in advance of proposed IFRS expenditures, rather than using a deferral account mechanism?*
- b) *Is Union proposing a variance account to track actual IFRS expenditures in each of these years?*
- c) *Will Union update its forecast of IFRS related expenditures for each annual rate adjustment?*
- d) *Please provide further detail to explain and justify the requested approval for recovery from ratepayers of a total of \$5.177 million, pre-tax, for IFRS accounting changes. Please include a particulars regarding what system investments are required and why, what operations and maintenance activities are required and why, and how the costs of this initiative are being shared among the Spectra group of companies.*

Response:

- a) Union is not proposing a deferral account because, in Union's view, the costs associated with the conversion to IFRS meet the criteria of a Z factor. Under incentive regulation framework, the expectation is that material cost increases will be dealt with by Z factors and not deferral accounts.
- b) Please see response at Exhibit B1.1, Question 2.
- c) Please see response at Exhibit B1.1, Question 1.
- d) Please see response at Exhibit B5.1.

Question: December 8, 2008
Answer: December 17, 2008
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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 1, pages 4 – 10

Question:

- a) Please provide a breakdown of the capital investment figures shown in Table 1 for each year 2008 through 2012 showing the amount and nature of the investment including, but not limited to, the asset category and the CCA class to which the investment will be booked.*
- b) Please provide a breakdown of the depreciation expense for each year shown in Table 1 for each of the asset categories requested in part (a) above. Please also provide the Board approved depreciation rate used to calculate each component of the overall depreciation expense, along with all calculations used.*
- c) Please provide all the calculations and assumptions used to calculate the interest cost shown in Table 1 for each year shown, including the derivation of the interest rate used. If applicable, please provide the Board approved rates used. Please also show the calculation and assumptions used to determine the rate base amount that needs to be financed for each of the years.*
- d) Please provide a detailed breakdown of the O&M costs for each year shown in Table 1.*
- e) Please explain why none of the O&M costs shown in Table 1 are capitalized.*
- f) What evidence does Union have that "corporations carrying on business internationally likely already comply with the new international standards and will not incur conversion costs." (page 8)?*
- g) Is there any impact on Union related to IFRS reporting related to the EB-2008-0034 application that transfers ownership of Union to a limited partnership?*
- h) How are the costs being shared between Union and the other groups within Spectra Energy related to shared resources and information? Are any of these costs included in Table 1? If so, please provide a breakout of these shared costs that are included in Table 1.*
- i) Please provide the assumptions and calculations used to calculate the taxes for each year in 2008 through 2012 shown in Table 2.*

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- j) *Please explain why Union is proposing to recover costs in 2011 and 2012 through an adjustment to the Z factor when, according to Table 1, the costs for 2011 and 2012 would not meet the materiality threshold for a Z factor event.*
 - k) *Please provide an update to the first column in Table 1 for 2008, showing the year-to-date costs incurred and the projected year-end costs. Please explain any variances from the 2008 figures provided in Table 1.*
 - l) *Please provide all the assumptions and calculations used to calculate the reduction in the revenue requirement related to taxes, including the calculation of CCA deductions for each year shown in Table 2.*
 - m) *The evidence at page 9 indicates that Union is proposing to make the Z factor adjustments provided in Table 2 annually over the IR term starting in 2009. However, the table only shows Z factor adjustments beginning in 2010. Please reconcile.*
 - n) *Are there any cost reductions or eliminations associated with the systems that are going to be replaced by the new software (O&M and/or capital investments)? Please explain.*
 - o) *Union indicates that it wants to recover the costs shown for 2009, 2010, 2011 and 2012 in Table 2, but not the amount of \$868 shown for 2008. Please explain. Please also explain why the 2011 and 2012 costs would be recoverable when the pre-tax figures shown in Table 1 are below the \$1.5 million materiality threshold.*
 - p) *Union indicates at page 7 that the change in accounting standards is beyond management control. However the criteria for determining whether an event qualifies for a Z factor is that the cost must be beyond the control of the utility's management. Please explain how the costs, and the timing of those costs, are beyond the control of management.*
 - q) *How does Union propose to treat any variance between the actual IFRS conversion revenue requirement in 2009 through 2012 as compared to the forecasted figures shown in Table 2?*
-

Response:

- a) The capital expenditures shown at Exhibit A, Table 1 are related to changes and enhancements to the Company's accounting system (SAP). These changes are required to enable the Company to report both OEB regulatory requirements and under IFRS. These are software costs and are subject to CCA class 11.

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- b) The following table provides the CCA and depreciation rates for each year of depreciation.

Year	CCA	Depreciation
1	50.0%	12.5%
2	50.0%	25.0%
3		25.0%
4		25.0%
5		12.5%
	100%	100.0%

The following table is a schedule of depreciation using the rates noted in the table above:

		(\$000's)			
Year of Investment		2008	2009	2010	Total
Capital Investment →		\$92	\$1,334	\$263	\$2,189
Year of depreciation	2008	74			74
	2009	148	167		315
	2010	148	333	33	514
	2011	148	334	65	547
	2012	74	333	66	473
	2013		167	66	233
	2014			33	33
	2015				
		\$592	\$1,334	\$263	\$2,189

- c) The interest rate used in Exhibit A, Table 1 is consistent with the 4.706% rate used in the Board Approved weighted average cost of capital calculation.

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(\$000's)

	2008	2009	2010	2011	2012
Capital Investment					
Opening balance	-	592	1,926	2,189	2,189
Additions	592	1,334	263	-	-
Closing balance	592	1,926	2,189	2,189	2,189
Accumulated depreciation	74	389	903	1,450	1,924
NBV	518	1,537	1,286	739	265
Rate base (average)	259	1,028	1,412	1,012	502
Interest rate	4.71%	4.71%	4.71%	4.71%	4.71%
Interest expense	\$12	\$ 48	\$ 66	\$48	\$24

- d) The following table provides a detailed breakdown of the O&M costs for each year, by major cost type.

(\$000's)

O&M Costs	2008	2009	2010	2011	2012	Total
Consulting	\$768	\$441	\$394	\$35	-	\$1,638
Additional staff	48	205	416	51	-	720
Project management	53	163	79	-	-	295
Administrative costs	13	40	40	10	-	103
Audit fees	-	299	-	-	-	299
	\$882	\$1,148	\$929	\$96	-	\$3,055

- e) The O&M costs shown at Exhibit A, Table 1 are not capitalized because they do not meet the CICA or OEB guidelines for capitalization. To be capitalized the costs would need to embody a future benefit that involves a capacity to contribute directly or indirectly to future net cash flows (CICA 1000.30).
- f) IFRS is an international accounting standard recognized in over 100 countries¹. Corporations in Canada that operate internationally are likely already **reporting** under IFRS and would have systems, policies and procedures that are IFRS compliant. If they

¹ IFRS Conversions: What CFOs Need to Know and Do (page 3). www.cica.ca

are already IFRS compliant, there is no need for those companies to convert.

- g) There is no impact on Union related to IFRS reporting related to the EB-2008-0304 application.
- h) The cost of resources and information shared between Union and the other groups within Spectra Energy are shared equally between Union Gas and Westcoast, the two Spectra publicly accountable enterprises in Canada. A summary of these costs that are included on line 5 of Exhibit A, Table 1 are as follows:

		(\$000's)				
		2008	2009	2010	2011	2012
1	Consultant	\$ 8.8	118.8	-	-	-
2	Project management	\$ 106.7	325.2	157.5	-	-
3	Total Shared Costs Union's Share (50%)	Lines 1 + 2 \$ 115.5	444.0	157.5	-	-
4	included in line 5 of table 1	Line 3 x 50% \$ 57.8	\$222.0	\$78.8	-	-

i)

		(\$000's)					
			2008	2009	2010	2011	2012
1	Revenue Requirement	Table 2, line 6	\$868	\$1,239	\$1,440	\$919	\$712
2	O&M	Table 2, line 1	882	1,148	929	96	0
3	Depreciation	Table 2, line 2	74	315	514	547	473
4	Interest	Table 2, line 3	12	48	66	48	24
5		line 2 + line 3 + line 4	968	1,511	1,509	691	497
6	Income before taxes	line 1 - line 5	(100)	(272)	(69)	228	215
7	add depreciation	line 3	74	315	514	547	473
8	deduct CCA	See Exhibit 5.1 a) and b)*	(296)	(963)	(799)	(132)	0
9	Taxable Income	line 6 + line 7 + line 8	(322)	(920)	(353)	644	688
10	tax rate		34%	33%	32%	31%	29%
11		line 9 x line 10	(108)	(304)	(113)	196	200

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* Amounts by year are calculated based on the following formula:
 (previous year's capital investment x 50%) + (current year's capital investment x 50%)

j) Please see response at Exhibit B2.1 c).

k) Update to Column 1 (2008) from Exhibit A, Table 1

Capital Investment	932
Depreciation	74
Interest	<u>12</u>
Total	86
O&M	907
Annual Cost	994

The variances in costs are related to the timing of actual expenditures relative to the project plan.

l) Please see response to i) above.

m) The Z factor adjustments at Exhibit A, Table 2 show the increase (or decrease) in the IFRS conversion revenue requirement from the previous year. Each year's adjustment is added to or deducted from the previous year's revenue requirement so that Union is able to recover the amounts labelled "Total" on line 6 of Exhibit A, Table 2.

n) There will not be a reduction to O&M or capital costs due to the new software. The new software is to add functionality to the accounting system required to comply with the new IFRS requirements; it is not intended to increase efficiency of work currently being performed.

o) Union is not proposing to recover the costs associated with 2008 by adjusting 2009 rates because the 2008 costs were not known at the time the 2008 rate order was processed. Please see response to Exhibit B2.1 c).

p) The requirement by the Canadian Accounting Standards Board ("AcSB") that all publicly accountable enterprises adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 is the precipitating event. The incurrence of the costs and timing of the costs related are a natural consequence of the requirement imposed by the AcSB and thus, are beyond the control of the company's management.

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- q) Variances between the estimated cost of conversion included in rates and the actual cost of conversion will be managed by the company.

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UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Exhibit A, Tab 1, page 12

Question:

- a) Please provide the 2005 through 2007 data used to calculate the AU adjustments of -0.3% for rates M1 and M2, -0.7% for rate 01 and +1.8% for rate 10.*
 - b) Are the reductions calculated by Union and noted above in (a) based on a starting point of the 2008 average use estimate from the EB-2007-0606 Settlement Agreement dated January 3, 2008 or from Union's most recent forecast of normalized average use for 2008? Please provide the 2008 base to which the changes are to be applied and specify their source.*
 - c) Please provide the 2004 through 2006 data used to calculate the AU declines applied in 2008 of 1.7% for Rates M1 and M2, 2.4% for Rate 01 and 1.8% for Rate 10, as specified in Section 4.1 of the EB-2007-0606 Settlement Agreement dated January 3, 2008.*
 - d) Please confirm that the AU factor is based on normalized actual figures that reflect the 55/45 blended weather method updated annually.*
-

Response:

- a) Tables 1-5 attached, provide the data used to calculate the AU adjustments for Rate M1, Rate M2, Rate 01, and Rate 10. Tables 1-4 provide the number of customers and show the build-up of DSM adjusted annual volumes. Table 5, Column P, shows the calculation of the AU factor under the heading "3 Yr. M.A." (3 year Moving Average). The 2009 annual delivery rate adjustment incorporates AU factors based on annual percent changes observed for the period 2005 to 2007.*
- b) The reductions calculated by Union are based on a starting point of the 2008 Average Use estimate from the EB-2007-0606 Settlement Agreement dated January 3, 2008. The 2008 base reflects the final volumes used to set 2008 final rates which appear at EB-2007-0606, Rate Order, Working Papers, Schedule 4, Column (x).*
- c) Please see response to a) above.*
- d) Confirmed.*

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TABLE 1: TOTAL NUMBER OF BILLED CUSTOMERS

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M
		Union South Only Rate M2 Billed Customers												
		<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
1	2003	892,780	894,959	896,817	897,509	900,036	900,115	901,329	901,636	902,814	905,964	909,446	911,356	10,814,761
2	2004	915,414	916,492	917,952	919,353	921,737	921,211	923,281	923,984	926,056	927,491	931,700	935,557	11,080,228
3	2005	936,960	938,271	939,841	941,096	942,052	941,386	942,736	943,515	946,531	947,839	952,192	956,004	11,328,423
4	2006	956,680	957,734	959,146	960,782	961,996	961,514	962,873	962,851	965,386	965,966	969,500	972,180	11,556,608
5	2007	973,383	975,413	976,592	977,620	979,782	978,712	980,023	980,828	982,235	982,606	986,180	989,531	11,762,905
		Union North Rate 01 Billed Customers												
		<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
6	2003	278,010	278,263	278,514	278,767	278,937	278,695	278,790	278,720	278,529	279,318	280,058	280,373	3,346,974
7	2004	281,444	281,544	281,648	281,948	282,117	282,219	282,599	282,478	282,552	283,137	284,280	285,201	3,391,167
8	2005	285,382	285,437	285,485	285,732	285,502	285,543	285,937	285,944	286,187	286,871	287,925	288,801	3,434,746
9	2006	288,644	288,715	288,953	289,362	289,367	289,417	289,912	289,761	290,156	290,765	291,584	292,070	3,478,706
10	2007	292,176	292,562	292,659	293,073	293,375	293,452	294,131	294,516	294,788	295,149	296,241	296,979	3,529,101
		Union North Rate 10 Billed Customers including CIA Rate 10												
		<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
11	2003	2,858	2,864	2,875	2,858	2,851	2,846	2,763	2,833	2,838	2,843	2,853	2,842	34,124
12	2004	2,891	2,878	2,869	2,895	2,883	2,886	2,871	2,871	2,873	2,878	2,903	2,914	34,612
13	2005	2,924	2,923	2,932	2,941	3,012	3,065	3,085	3,073	3,057	3,069	3,102	3,114	36,297
14	2006	3,138	3,142	3,139	3,155	3,161	3,141	3,138	3,116	3,127	3,126	3,125	3,137	37,645
15	2007	3,153	3,140	3,140	3,150	3,133	2,978	2,332	2,321	2,319	2,321	2,326	2,326	32,639

TABLE 2: TOTAL THROUGHPUT VOLUMES: 10³ m³
Before the adjustment for the cumulative DSM Programme volume impacts

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M
		Union South Only Rate M2 Billed Customers												
		<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
1	2003	713,342.6	612,636.0	527,738.3	336,629.0	167,699.0	92,326.5	101,826.1	101,005.0	129,055.6	243,876.2	410,369.6	613,580.6	<u>Total</u> 4,050,084.6
2	2004	692,973.0	624,629.2	505,991.1	337,576.6	174,979.9	79,867.7	95,617.7	102,620.4	138,821.4	228,105.6	393,752.5	601,002.3	3,975,937.4
3	2005	704,420.3	616,048.7	520,861.9	332,044.4	176,305.7	92,562.2	88,551.9	95,205.0	127,731.3	238,720.2	397,711.9	600,939.5	3,991,102.9
4	2006	690,844.3	612,199.0	534,055.6	331,286.9	172,360.1	91,662.0	100,437.7	92,790.1	118,797.8	247,484.0	425,868.1	622,841.4	4,040,627.1
5	2007	688,790.5	610,406.9	569,644.4	363,433.3	209,791.3	97,127.8	99,592.6	94,905.8	121,432.1	248,188.1	379,026.7	617,711.5	4,100,051.1
		Union North Rate 01 Billed Customers												
		<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
6	2003	180,637.2	144,500.3	119,622.2	72,789.8	43,028.7	18,110.1	19,755.1	17,598.7	29,385.2	57,009.1	97,638.9	141,785.2	<u>Total</u> 941,860.3
7	2004	169,350.1	144,830.9	115,848.4	70,855.0	39,919.5	16,571.9	21,667.6	18,303.4	32,402.3	49,574.2	91,769.3	138,694.6	909,787.1
8	2005	171,968.9	145,025.7	115,600.8	71,633.7	38,817.3	18,875.1	16,580.9	16,674.3	26,899.1	51,406.1	89,853.2	139,783.9	903,118.9
9	2006	170,045.9	136,851.6	114,426.4	70,974.7	37,669.1	17,230.4	18,168.0	15,715.6	24,233.0	53,199.5	99,568.4	136,814.3	894,897.1
10	2007	168,474.5	135,725.3	122,329.4	77,175.3	41,283.3	17,802.6	17,946.4	16,587.0	26,629.4	52,473.5	91,858.0	143,173.1	911,457.8
		Union North Rate 10 Billed Customers including CIA Rate 10												
		<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
11	2003	61,265.1	53,263.1	48,373.9	30,298.0	20,325.3	14,262.0	11,770.8	11,858.8	13,720.4	28,681.4	42,806.9	51,104.6	<u>Total</u> 387,730.2
12	2004	56,029.0	56,699.3	45,708.7	26,586.0	17,747.5	16,997.9	13,411.3	13,232.5	15,368.0	26,550.0	39,383.6	52,537.7	380,251.4
13	2005	63,184.0	55,769.0	47,999.4	30,921.6	20,242.6	12,868.8	11,058.7	11,872.0	12,519.5	27,659.8	40,209.4	55,588.2	389,893.2
14	2006	61,612.9	54,811.0	50,762.7	31,093.1	20,037.0	12,019.9	12,140.9	11,179.1	13,228.8	30,883.4	42,531.3	53,516.3	393,816.3
15	2007	62,817.6	52,075.5	53,095.0	31,885.7	20,905.3	12,183.0	10,894.0	10,884.3	11,965.1	24,826.8	34,206.6	46,224.1	371,963.1

TABLE 3: DSM PROGRAMME VOLUMES: 10³ m³

Row	Column	A	B	C	D	E	F	G	H	I	J	K
Audited DSM Programme Annual Volumes												
Year		M2 (Res)	R01 (Res)	M2 Comm	M2 Ind	01 Comm	10 Comm	10 Ind	Total	Rate M2	Rate 01	Rate 10
1	2003	7,220.0	5,239.0	9,104.0		549.0	1,080.0		23,192.0	16,324.0	5,788.0	1,080.0
2	2004	3,904.0	1,121.0	12,743.0		674.0	2,583.0		21,025.0	16,647.0	1,795.0	2,583.0
3	2005	3,703.0	1,359.0	11,661.0	1,262.0	1,340.0	2,170.0	621.0	22,116.0	16,626.0	2,699.0	2,791.0
4	2006	10,194.0	2,222.0	19,101.0	1,638.0	4,522.2	1,473.0	600.0	39,750.2	30,933.0	6,744.2	2,073.0
5	2007	4,662.0	943.0	10,659.0	732.0	1,440.0	1,355.0	3,997.0	23,788.0	16,053.0	2,383.0	5,352.0
Cumulative DSM Volumes since 1998												
Post application of the 50:50 rule												
6		46,919.0	18,036.5	39,106.0	-	3,674.5	6,813.0	-	114,549.0	86,025.0	21,711.0	6,813.0
7		52,481.0	21,216.5	50,029.5	-	4,286.0	8,644.5	-	136,657.5	102,510.5	25,502.5	8,644.5
8		56,284.5	22,456.5	62,231.5	631.0	5,293.0	11,021.0	310.5	158,228.0	119,147.0	27,749.5	11,331.5
9		63,233.0	24,247.0	77,612.5	2,081.0	8,224.1	12,842.5	921.0	189,161.1	142,926.5	32,471.1	13,763.5
10		70,661.0	25,829.5	92,492.5	3,266.0	11,205.2	14,256.5	3,219.5	220,930.2	166,419.5	37,034.7	17,476.0
Cumulative DSM Volumes as % of Actual Throughput Volumes (1)												
11	2003	4,164,390.9	957,204.3	310,631.0		86,025.0	21,711.0	6,813.0		2.1%	2.3%	2.2%
12	2004	3,942,356.2	919,355.0	298,001.5		102,510.5	25,502.5	8,644.5		2.6%	2.8%	2.9%
13	2005	4,027,678.7	885,594.6	302,609.5		119,147.0	27,749.5	11,331.5		3.0%	3.1%	3.7%
14	2006	3,672,938.7	803,723.3	284,111.3		142,926.5	32,471.1	13,763.5		3.9%	4.0%	4.8%
15	2007	3,672,938.7	803,723.3	284,111.3		166,419.5	37,034.7	17,476.0		4.5%	4.6%	6.2%

note (1) These percentages are applied to the reported weather normalized throughput volumes to adjust for the audited DSM programmes volume impacts

TABLE 4: TOTAL THROUGHPUT VOLUMES: 10³ m³
After the adjustment for the cumulative DSM Programme volume impacts since 1998

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M
		Union South Only Rate M2 Billed Customers												
	Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	2003	728,078.3	625,291.4	538,639.9	343,582.9	171,163.2	94,233.7	103,929.6	103,091.5	131,721.5	248,914.0	418,846.7	626,255.5	4,133,748.3
2	2004	710,992.0	640,871.0	519,148.0	346,354.3	179,529.8	81,944.4	98,104.0	105,288.8	142,431.1	234,036.9	403,991.0	616,629.8	4,079,321.1
3	2005	725,258.5	634,272.7	536,270.1	341,867.0	181,521.2	95,300.4	91,171.4	98,021.4	131,509.9	245,782.0	409,477.0	618,716.5	4,109,168.0
4	2006	717,727.4	636,021.8	554,837.5	344,178.4	179,067.2	95,228.9	104,346.1	96,400.9	123,420.7	257,114.5	442,440.1	647,078.3	4,197,861.6
5	2007	719,999.4	638,064.2	595,454.7	379,900.3	219,296.8	101,528.6	104,105.1	99,206.0	126,934.2	259,433.4	396,200.3	645,699.8	4,285,822.9
Union North Rate 01 Billed Customers														
	Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
6	2003	184,734.4	147,777.8	122,335.4	74,440.8	44,004.7	18,520.8	20,203.1	17,997.9	30,051.7	58,302.1	99,853.5	145,001.1	963,223.3
7	2004	174,047.8	148,848.4	119,062.0	72,820.4	41,026.8	17,031.6	22,268.6	18,811.2	33,301.1	50,949.4	94,315.0	142,541.9	935,024.2
8	2005	177,357.4	149,570.0	119,223.0	73,878.3	40,033.6	19,466.6	17,100.5	17,196.7	27,741.9	53,016.8	92,668.7	144,163.9	931,417.5
9	2006	176,915.9	142,380.5	119,049.4	73,842.2	39,191.0	17,926.5	18,902.0	16,350.5	25,212.0	55,348.8	103,591.1	142,341.8	931,051.7
10	2007	176,237.6	141,979.4	127,966.2	80,731.5	43,185.6	18,622.9	18,773.3	17,351.3	27,856.5	54,891.4	96,090.7	149,770.4	953,456.8
Union North Rate 10 Billed Customers including CIA Rate 10														
	Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
11	2003	62,608.8	54,431.3	49,434.8	30,962.5	20,771.1	14,574.8	12,028.9	12,118.9	14,021.3	29,310.5	43,745.7	52,225.5	396,234.2
12	2004	57,654.3	58,344.0	47,034.6	27,357.2	18,262.3	17,491.0	13,800.3	13,616.4	15,813.8	27,320.1	40,526.1	54,061.7	391,281.8
13	2005	65,550.0	57,857.4	49,796.8	32,079.5	21,000.6	13,350.7	11,472.8	12,316.6	12,988.3	28,695.5	41,715.1	57,669.7	404,493.1
14	2006	64,597.7	57,466.3	53,221.8	32,599.4	21,007.7	12,602.2	12,729.0	11,720.6	13,869.6	32,379.5	44,591.7	56,108.8	412,894.4
15	2007	66,681.6	55,278.7	56,360.9	33,847.1	22,191.2	12,932.4	11,564.1	11,553.8	12,701.1	26,353.9	36,310.7	49,067.4	394,842.9

TABLE 5: Weather Normalized Average Consumption : m³ per customer
After the adjustment for the cumulative DSM Programme volume impacts since 1998

Row	Column	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Union South Only Rate M2 Billed Customers																	
	Year	January	February	March	April	May	June	July	August	September	October	November	December	Total	Change	% Change	3 Yr. M.A.
1	2003	816	699	601	383	190	105	115	114	146	275	461	687	4,591			
2	2004	777	699	566	377	195	89	106	114	154	252	434	659	4,421	-169	-3.7%	
3	2005	774	676	571	363	193	101	97	104	139	259	430	647	4,354	-67	-1.5%	
4	2006	750	664	578	358	186	99	108	100	128	266	456	666	4,361	7	0.2%	-1.7%
5	2007	740	654	610	389	224	104	106	101	129	264	402	653	4,375	14	0.3%	-0.3%
Union North Rate 01 Billed Customers																	
	Year	January	February	March	April	May	June	July	August	September	October	November	December	Total	Change	% Change	3 Yr. M.A.
6	2003	664	531	439	267	158	66	72	65	108	209	357	517	3,453			
7	2004	618	529	423	258	145	60	79	67	118	180	332	500	3,309	-145	-4.2%	
8	2005	621	524	418	259	140	68	60	60	97	185	322	499	3,253	-56	-1.7%	
9	2006	613	493	412	255	135	62	65	56	87	190	355	487	3,212	-41	-1.2%	-2.4%
10	2007	603	485	437	275	147	63	64	59	94	186	324	504	3,244	32	1.0%	-0.7%
Union North Rate 10 Billed Customers including CIA Rate 10																	
	Year	January	February	March	April	May	June	July	August	September	October	November	December	Total	Change	% Change	3 Yr. M.A.
11	2003	21,907	19,005	17,195	10,834	7,286	5,121	4,354	4,278	4,941	10,310	15,333	18,376	138,938			
12	2004	19,943	20,272	16,394	9,450	6,334	6,061	4,807	4,743	5,504	9,493	13,960	18,552	135,513	-3,425	-2.5%	
13	2005	22,418	19,794	16,984	10,908	6,972	4,356	3,719	4,008	4,249	9,350	13,448	18,520	134,725	-789	-0.6%	
14	2006	20,586	18,290	16,955	10,333	6,646	4,012	4,056	3,761	4,435	10,358	14,269	17,886	131,588	-3,137	-2.3%	-1.8%
15	2007	21,149	17,605	17,949	10,745	7,083	4,343	4,959	4,978	5,477	11,355	15,611	21,095	142,348	10,760	8.2%	1.8%

UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: EB-2007-0606 Settlement Agreement dated January 3, 2008

Question:

In Section 11.1 of the Settlement Agreement, titled "What Information Should the Board Consider and Stakeholders be Provided with During the IR Plan" Union agreed to "prepare the following utility information annually for the most recent historical year". This was followed by a list of exhibit numbers from Union's 2007 rate case (EB-2005-0520). Why has Union not filed this information for 2007, the most recent historical year available as Enbridge Gas Distribution has done?

Response:

The Settlement Agreement dealt with information during the IR Plan. In Union's view, the 2007 financial information is not information that arose "during the IR Plan" because it predates 2008, and was therefore not contemplated as part of the Settlement Agreement.

Question: December 1, 2008
Answer: December 17, 2008
Docket: EB-2008-0220

UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: Working Papers, Schedule 15

Question:

- a) Please update this schedule to reflect the 2008 and 2009 CCA difference calculated in the Attachment to Exhibit E3.1.1 in EB-2007-0606 dated February 22, 2008 that shows a CCA difference of \$4.74 million in 2008 and \$6.90 million in 2009.*
 - b) Please provide a revised Schedule 13 reflecting the changes from (a) above.*
-

Response:

On December 10, 2008, the Board released its Decision on Union's Motion to Vary the Board's July 31, 2008 Decision in EB-2007-0606/0615. In its Decision on Motion, the Board stated that 2007 Board approved capital expenditures in Class 1 and Class 45 should be included in the calculation of tax change impacts to be shared with ratepayers. The tax-related figures shown in Attachment 1 and Attachment 2 reflect the Board's Decision on Motion.

- a) Please see Attachment #1 for the requested calculation.
- b) Please see Attachment #2 for the requested calculation.

Question: December 1, 2008
Answer: December 17, 2008
Docket: EB-2008-0220

UNION GAS LIMITED
Revised Working Paper Schedule 15 As Requested By LPMA
Calculation of Tax Rate Change Impacts
Effective January 1, 2009
(\$000's)

Line No.	Particulars	2008 (a)	2009 (b)
	<u>Tax Amounts Related to CCA Rate Changes</u>		
1	CCA Difference (1)	(4,738)	(6,905)
2	Forecast Income Tax Rate	33.50%	33.00%
3	Tax Savings (Line 1 * Line 2)	(1,587)	(2,278)
4	Grossed-up Tax Savings (Line 3/(1-Line 2))	(2,387)	(3,401)
	<u>Tax Amounts Related to Income Tax Rate Changes</u>		
5	2007 Board Approved Taxable Income for Income Tax Expense Calculation (2)	103,902	103,902
6	2007 Board Approved Tax Rate	36.12%	36.12%
7	Forecast Income Tax Rate	33.50%	33.00%
8	Tax Rate Variance (Line 7-Line 6)	(2.62%)	(3.12%)
9	Cumulative Annual Income Tax Savings vs. 2007 Board Approved (Line 5 * Line 8)	(2,722)	(3,242)
10	Grossed-up Tax Savings (Line 9/(1-Line 7))	(4,094)	(4,838)
	<u>Tax Amounts Related to Capital Tax Rate Changes</u>		
11	2007 Board Approved Taxable Capital	3,020,911	3,020,911
12	2007 Board Approved Capital Tax Rate (3)	0.285%	0.285%
13	Forecast Capital Tax Rate	0.225%	0.225%
14	Capital Tax Variance (Line 13-Line 12)	(0.060%)	(0.060%)
15	Cumulative Annual Capital Tax Savings vs. 2007 Board Approved (Line 11 * Line 14)	(1,813)	(1,813)
16	Cumulative Total Forecast Tax Related Amount (Lines 4+10+15)	(8,293)	(10,052)
17	Cumulative Total Tax Related Amount Reflected in Rates (50% of Line 16) (4)	(4,146)	(5,026)
18	2008 Interim Adjustment	(8,000)	
19	Total Annual Rate Adjustment	<u>3,854</u> (5)	<u>2,974</u> (6)

Notes:

- (1) CCA savings as shown in EB-2007-0606, Exhibit E3.1.1
- (2) EB-2005-0520, Rate Order Working Papers, Schedule 4, Column (e), Line 10 plus EB-2005-0520, Rate Order Working Papers, Schedule 1, Column (e), Line 7
- (3) EB-2005-0520, ADR Agreement, page 20
- (4) EB-2007-0606, Decision dated July 31, 2008, page 9
- (5) To be addressed in 2008 Deferral Account Disposition
- (6) 2009 Rate Adjustment includes true up for 2008 one time tax adjustment (Column (b), Line 17 minus Column (a), Line 18)

UNION GAS LIMITED
Revised Working Paper Schedule 13 As Requested by LPMA
Allocation of Adjustments to Rate Classes
(\$000's)

Line No.	Particulars	Adjustments to 2008 Base Rates		2009 Z Factor Adjustments		Total Adjustment (f) = (c) + (e)	
		2008 Tax Related Adjustments		Tax Changes			
		2007 Approved Allocation (1) (a)	Adjustment (2) (b)	2007 Approved Allocation (3) (d)	Adjustment (4) (e)		
North							
1	R01	561,550	641	(146)	20,780	220	73
2	R10	103,786	118	(27)	2,254	24	(3)
3	R20	53,736	61	(14)	1,390	15	(2)
4	R25	24,119	28	(6)	438	5	(2)
5	R77	96	0	(0)	2	0	(0)
6	R100	71,109	81	(19)	2,066	22	3
7	Total North (lines 1-6)	814,395	929	(212)	26,931	285	72
In-franchise South							
8	M1	1,312,577	1,498	(342)	61,728	652	310
9	M2	199,518	228	(52)	5,834	62	10
10	M4	53,190	61	(14)	2,590	27	14
11	M5	32,615	37	(8)	1,170	12	4
12	M7	32,982	38	(9)	1,169	12	4
13	M9	2,763	3	(1)	61	1	(0)
14	M10	131	0	(0)	6	0	0
15	T1	161,793	185	(42)	6,288	66	24
16	T3	19,490	22	(5)	593	6	1
17	Total In-franchise South (lines 8-16)	1,815,060	2,071	(473)	79,438	839	365
18	Total In-franchise (line 7 + line 17)	2,629,455	3,001	(685)	106,369	1,124	439
Ex-franchise							
19	M12	645,745	737	(168)	8,518	90	(78)
20	M13	493	1	(0)	0	0	(0)
21	M16	692	1	(0)	8	0	(0)
22	C1	100,811	115	(26)	2,362	25	(1)
23	Total Ex-franchise (lines 19-22)	747,742	853	(195)	10,889	115	(80)
24	Total Union Gas (line 18 + line 23)	3,377,197	3,854 (5)	(880) (6)	117,258	1,239	359

Notes

- (1) EB-2005-0520, Exhibit G3, Tab 2, Schedule 2, Rate Base, Updated for EB-2005-0520 Board Decision
- (2) Allocated using column (a)
- (3) EB-2005-0520, Exhibit G3, Tab 2, Schedule 2, Administrative & General O&M Expense, Updated for EB-2005-0520 Board Decision
- (4) Allocated using column (d)
- (5) EB-2008-0220, Exhibit 5.4, Attachment 1, line 19
- (6) EB-2008-0220, Exhibit 5.4, Attachment 1, line 17, column (b) - column (a)

UNION GAS LIMITED

Answer to Interrogatory from
The London Property Management Association ("LPMA")

Ref: EB-2008-0304 Decision and Order dated November 19, 2008

Question:

The Board directed Union to reduce rates effective January 1, 2009 to reflect the cost reduction of \$1.3 million related to tax savings that the reorganization that was the subject of EB-2008-0304.

- a) Please provide revised evidence to reflect this change.*
 - b) Please confirm that the \$1.3 million reduction will be allocated to rate classes on the basis of rate base. If this cannot be confirmed, please indicate how the allocation will be done.*
-

Response:

5a) and b)

On December 1, 2008 Union filed a letter with the Board informing parties that Union would not be redeeming the outstanding preferred shares and would not be proceeding with the conversion.

Since Spectra and Union are not proceeding with the redemption of the preferred shares, the revenue requirement reduction of \$1.3 million will not be realized. Accordingly, Union will not be reflecting any reduction in its 2009 delivery rates.

Question: December 1, 2008
Answer: December 17, 2008
Docket: EB-2008-0220

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition "SEC"

Ref. A-1, pg. 4-10: IFRS Z-Factor Adjustment

Question:

- a) Why does Union take the view (as stated at pg. 5) that the purpose of the OEB-initiated consultation with respect to IFRS conversion is "not to determine specific utility conversion costs"?*
 - b) Please provide a summary of the specific accounting policies that need to be changed as a result of the conversion to IFRS.*
 - c) Please explain how the cost estimates set out at Table 1 on pg. 6 were developed? Did Union Gas retain a third party (consultant, etc.) to help with the conversion? If so, when was the consultant retained? Please provide a copy of the consultant's report, if any exists.*
-

Response:

- a) The view that the purpose of the OEB-initiated consultation with respect to IFRS conversion is "not to determine specific utility conversion costs" was made clear during the consultation process. The purpose of the consultation, expressed in the Board's letter of May 8, 2008, was to identify issues associated with the transition as well as suggestions for how those issues might be addressed.
- b) Most accounting policies will be impacted in some way by IFRS. Currently, the Company has determined that the areas of accounting difference with the highest potential impact are 1) rate regulated accounting, 2) accounting for property, plant and equipment and 3) employee future benefits.

Rate Regulated Accounting:

Unlike Canadian GAAP, IFRS does not include differential accounting for rate regulation. As such, as part of its conversion to IFRS, the Company is reviewing its regulatory assets and liabilities to determine if the item meets the definition and recognition criteria found in the International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements and specific IFRS standards. Although the Company believes there are strong arguments to support the recognition of each of these items under IFRS, there are also arguments

against doing so. There is a possibility that any or all of these items could be denied recognition as an asset or liability under IFRS.

Employee Future Benefits:

Upon adoption of IFRS, Companies are permitted to write-off all accumulated unamortized actuarial gains and losses to retained earnings. If this election is not taken, the pension liability would have to be restated as if IFRS were in effect from the inception of the pension plans. The Company's actuaries have indicated that restatement would be a near impossible effort. Therefore, the Company expects that there will be a charge to retained earnings upon adoption of IFRS as it relates to the new IFRS accounting requirements for pension costs. This charge will reflect a write-off of all accumulated unamortized actuarial losses.

Property Plant and equipment:

Property, plant and equipment (PPE) accounting changes could see the following impacts:

- Capitalization of certain indirect overheads allowed by the OEB could be denied under IFRS.
 - Adjustments to the opening net book value for items that would not have been capitalized if the Company had been applying IFRS since its inception.
 - Under IFRS, the Company will record its PPE based on components of the asset and will depreciate based on the life of the specific component. The Company currently depreciates its assets based on the life of the asset class.
- c) The cost estimates set out at Exhibit A, Table 1, page 6 were developed with the assistance of EY. The Company and its consultant, Ernst and Young ("EY"), looked at each standard in IFRS to determine the impact that it will have on the Company and to estimate an effort to make the Company compliant with IFRS. Union does not have a specific report from EY outlining the cost estimates.

Question: December 9, 2008

Answer: December 17, 2009

Docket: EB-2008-0220

UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition "SEC"

Ref. A-1: IFRS Z-Factor Adjustment

The document entitled The CICA's Guide to IFRS in Canada states in the Foreword that the AcSB announced its decision to replace Canadian GAAP with IFRS for all Canadian Publicly Accountable Enterprises (PAE's) in January 2006.¹

¹The document can be found on the CICA website:

http://www.cica.ca/download.cfm?ci_id_39765&ln_id_1&ie_id_0

Questions:

- a) *Please confirm that Union Gas is a Publicly Accountable Enterprise.*
- b) *When did Union Gas become aware that the Canadian Accounting Standards Board ("AcSB") decided that all publicly accountable enterprises would have to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes? Please provide a copy of any exposure drafts or other announcements from the AcSB regarding the conversion.*
- c) *Please provide any comments that Union Gas or its affiliates submitted to either the AcSB or the IFRS Advisory Committee in relation to the conversion.*
- d) *When did Union Gas first begin taking action regarding the conversion?*
- e) *It appears that Union Gas should have known about the change in accounting policy at least as early as January 2006. If that is the case, wouldn't the cost of responding to that change in policy already have been built in to Union's 2007 cost of service application and/or the price cap index?*

Response:

- a) Confirmed.
- b) Please see response at Exhibit B3.2.
- c) Neither Union Gas nor its affiliates submitted comments to the AcSB or IFRS Advisory Committee in relation to the conversion.

Question: December 9, 2008

Answer: December 17, 2009

Docket: EB-2008-0220

- d) Ernst and Young was engaged in October 2007 to perform an initial diagnostic.
- e) Union Gas was not aware of the impact of IFRS in its accounting systems and processes until the initial diagnostic was completed in late 2007. The cost estimates provided in Exhibit A, Table 1 were not available until further analysis was completed in mid 2008. As such, these costs were not included in the 2007 cost of service application and/or the price cap index.

Question: December 9, 2008

Answer: December 17, 2009

Docket: EB-2008-0220

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Ref: *Working Papers Schedule 10 and Schedule 4, pages 2, 4, and 13*

Question:

- a) Please confirm that Note (1) on Schedule 10 should reference Column (w) on Schedule 4 and not Column (x);*
 - b) Please explain how the Average Use Volume Adjustment figures which appear in Column (w) of Schedule 4 were calculated and please provide the data used to make the calculations.*
-

Response:

- a) Note (1) on Schedule 10 is correct. Note (1) on Schedule 10 references the Final 2008 Approved Delivery Billing Units including AU & LRAM and is presented at EB-2007-0606, Rate Order, Working Papers, Schedule 4, Column (x).
- b) The Average Use Volume Adjustment figures, which appear in Column (w) of Schedule 4, are calculated by multiplying the 2008 Final Approved Billing Units by the 2009 Adjustment factor. The 2009 Adjustment factors are determined by the average rate of decline for the years 2004 - 2007. Schedule 10 of the EB-2008-0220 Working Papers identifies the 2009 adjustment factors of (0.3)% for Rate M1 and Rate M2, (0.7)% for Rate 01, and 1.8% for Rate 10.

Question: December 9, 2008
Answer: December 17, 2008
Docket: EB-2008-0220

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Ref: *Draft Rate Order, Appendix F, Accounting Orders, Accounting Entries for Average Use per Customer, Deferral Account No. 179-118*

Question:

- a) *Please provide the forecast balance in this account as at December 31, 2008.*
- b) *Please explain how the forecast balance was calculated and provide the data used to make the calculation.*

Response:

- a) The forecast balance in this account at December 31, 2008 is a credit of \$2.6 million.
- b) The forecast balance was calculated using actual results from January 1, 2008 to November 30, 2008 and an estimate for the month of December. Actual 2008 results will be available in early January 2009. The approved Average Use (AU) target factor is set according to the past 3 year average (2005 to 2007) annual % change in Normalized Annual Consumption (NAC). The NAC is adjusted for the cumulative effect of our Demand Side Management (DSM) programmes which includes the annual audited results. The AU factor is calculated for each rate class. The AU factors for the new rate M1 and rate M2 which were introduced in 2008 are set according to the former rate M2 AU factor. The AU deferral account measures the variance between the approved AU factor in rates and the observed year over year % change in NAC adjusted for DSM.

Shown below is the estimated annual DSM Adjusted NAC variance by rate class, the estimated annual volume impact, the approved unit delivery commodity or variable rate, and the corresponding estimated payable and receivable. The payable is a positive amount and the receivable is a negative amount.

Rate	NAC Variance	Volume Impact (10 ³ m ³)	Delivery Rate (\$/10 ³ m ³)	AU Payable/(Receivable) (\$000's)
M2	(39)	(38,059)	42.303	(1,610)
R01	39	11,329	81.091	919
R10	21,522	63,803	51.526	3,288
		37,073		\$2,596

Question: December 9, 2008

Answer: December 17, 2008

Docket: EB-2008-0220

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Ref: *Exhibit A, Tab 1, pages 4-6*

Preamble: *The evidence states that "Union has completed the diagnostic, planning and design phases for its IFRS conversion project. Union expects that the requirement to implement IFRS will significantly affect accounting policies and internal control processes and will require changes to Union's financial systems. Union estimates the conversion to IFRS will cost \$5.177 million pre-tax during the IR term to complete."*

Question:

- a) *Did Union engage the services of a third party in the diagnostic, planning, design, or cost estimation phases of the IFRS project? If so, please provide the letter retainer and copies of all communications and reports from the third party pertaining to this project. If not, please explain why not.*
- b) *Does Union maintain that the only appropriate plan for this project involves triggering the materiality threshold for a Z-factor? Please explain and provide alternatives considered and why they were rejected.*
- c) *Please provide a breakdown of the Capital Investment line item 1 in Table 1 for years 2008, 2009, and 2010.*

Response:

- a) Union engaged the services of Ernst and Young LLP (EY) during October 2007 to assist in the diagnostic phase (Phase 1) of the project. Their report was delivered in December 2007.

Union also engaged EY for a second phase of the project to assist in further scoping of the project, including planning, design and cost estimation. This report was delivered to the Company in June 2008. The communications and reports from EY are confidential per the Service Agreement.

- b) Yes, Union believes the IFRS costs should be treated as a Z factor. As stated in Union's prefiled evidence, the IFRS conversion meets all of the qualifying criteria as set out in Union's EB-2007-0606 Settlement Agreement.

Union also considered applying for a deferral account to capture the IFRS costs.

Question: December 9, 2008
Answer: December 17, 2008
Docket: EB-2008-0220

Under incentive regulation, any costs arising during the IR term are to be treated as Z factors if they met the Z factor criteria. It is Union's view that the costs associated with IFRS do qualify for Z factor treatment as proposed by Union. If the costs do not meet the Z factor criteria the costs are to be borne by the Company.

Notwithstanding the above, if the Board determines that a deferral account is the most appropriate mechanism to capture IFRS costs with that approach, Union has no principled concern.

- b) Please see response at Exhibit 5.1 a) and b).



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November 27, 2007

Ms. Sabra Harrington
Vice President and Controller
Spectra Energy Corp
5400 Westheimer Court
Houston, Texas 77251-1642

**Re: Statement of Work - Assistance to Convert the Financial Statements of Spectra
Canada to International Financial Reporting Standards**

Dear Sabra:

This constitutes a Statement of Work ("SOW") issued pursuant to and subject to the terms of that certain Professional Services Agreement dated as of December 21, 2006 (the "Agreement") between Ernst & Young LLP, a registered Delaware limited liability partnership ("E&Y") and Spectra Energy Corp. (formerly Duke Energy Gas Transmission LLC) ("Spectra" or the "Company"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth for such terms in the Agreement.

Background

The Canadian Institute of Chartered Accountants ("CICA") has proposed to replace Canadian generally accepted accounting principles ("Canadian GAAP") with IFRS for publicly accountable enterprises such as Spectra for years beginning on or after January 1, 2011. Under this proposal, Spectra will be required to report its financial statements under IFRS for its December 2011 fiscal year along with comparative amounts for 2010. It is also anticipated that public companies will be required to disclose their conversion plans beginning in the 2008 reporting period as well as the impacts of conversion to IFRS in their 2009 reporting.

Ms. Sabra Harrington

Page 2
November 27, 2007**Scope of Services**

E&Y will perform an IFRS diagnostic impact assessment (the "Diagnostic Assessment") to assist the Company with the first phase of its process to implement IFRS. The Diagnostic Assessment will involve assisting management of the Company in identifying at a high level the impact of IFRS on the Company's financial reporting and business practices and include:

- Assisting management's project team in establishing an IFRS project plan and understanding the various components typically involved in an IFRS conversion process;
- Identifying significant differences between Canadian GAAP and IFRS that are relevant to Spectra;
- Identifying the impact of the IFRS conversion on accounting manuals and other internal training and financial documentation;
- Review of high level system changes required to report under IFRS, including potential impacts on financial systems and chart of accounts;
- Identifying business function impacts, including the impact of IFRS requirements on stakeholder information needs; and,
- Assisting management's project team in establishing an IFRS implementation plan, including resource requirement estimates, skill sets and timelines.

This scope of work will include the review of activities and transactions that currently reside in Westcoast Energy Inc. and its subsidiaries; and Union Gas Limited. This scope excludes any risk, market or cash flow management activities involving the use of financial instruments, including derivatives. E&Y will work with the Spectra IFRS Conversion Project Team and, as appropriate, other members of Spectra with the intention that the engagement is conducted collaboratively and efficiently. E&Y will co-develop the scope of services to be provided in the last four phases of the engagement with the Spectra project team based on the outputs from the Diagnostic Assessment. The work in the subsequent phases will be documented and agreed to via addenda to this engagement letter.

Timing

Spectra plans to complete the Diagnostic Assessment before December 14, 2007.

Role of E&Y

E&Y will subcontract to the Canadian firm of Ernst & Young LLP, an Ontario limited liability partnership ("E&Y Canada") and a member of Ernst & Young Global, for the provision of any Services relating to Canadian practices, policies and procedures. However, E&Y will, as provided in the Agreement, be solely responsible for the performance of the Services, whether or not performed, in whole or part, by E&Y or E&Y Canada, and the Company, its parent, subsidiaries

Ms. Sabra Harrington

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November 27, 2007

and affiliates shall have no recourse, and shall bring no claim, against E&Y Canada or any other E&Y Entity other than E&Y with respect to the Services.

Project Team

Al Fortunato, E&Y Global Client Service Principal will be the contact point for the E&Y Canada team, to allow for coordination with other E&Y project teams at Spectra.

The Services to be performed by E&Y Canada will be conducted by an E&Y Canada team led by Kent Kaufield, a partner in the E&Y Canada Risk Advisory Services group. Kent will be assisted by Tammy Thompson, Alex Mora and Terry McKay of E&Y Canada who will be the senior managers responsible for the overall E&Y Canada project management, coordination and daily execution of the Services.

Other senior resources, including other E&Y Global resources, will be drawn upon by E&Y to provide subject matter expertise to the engagement as necessary.

Fees

E&Y's fees will be billed as work progresses and on a time and materials basis. These fees are based on a number of factors including time charges, location of resources, complexity of our services, the specific scope of assistance requested by management and the value of the Services. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

While the scope of assistance to be provided by E&Y will be determined more specifically through detailed planning discussions with Spectra's management, we have fixed our fees for the Diagnostic Assessment at approximately \$76,000 USD (\$75,000 CAD). In the event that we believe this amount not to be accurate we will communicate any changes to you.

Limitations on the Scope of our Work

E&Y will not audit, review or otherwise provide assurance with respect to the completeness or appropriateness of the documentation prepared by the Company in connection with this engagement. Unless specifically requested by the Company, the scope of E&Y's work will not include the preparation of accounting opinions on matters raised during the course of this assignment. Management of the Company is responsible for the maintenance of proper accounting records and the preparation of the opening IFRS balance sheet and closing financial results.

The Company shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including determining account

Ms. Sabra Harrington

November 27, 2007

codings and approving all proposed journal entries in connection with any Services hereunder; (ii) assign a competent employee to oversee the Services and evaluate their adequacy and results; (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services; and (iv) establish and maintain internal controls over related Company processes.

The Company represents and warrants to E&Y that (a) its Board of Directors has authorized the Company to enter into this Agreement and (b) the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Company.

When providing the Services, E&Y will not:

- Determine which, if any, recommendations for converting to IFRS should be implemented.
- Act on behalf of management or the Chief Financial Officer in reporting to the Board of Trustees, or Audit Committee.
- Authorize, execute or consummate transactions or otherwise exercise authority on behalf of Spectra.
- Prepare source documents on transactions or work papers that are the sole source of support for accounting policies and accounting entries.
- Have custody of assets.
- Approve, or be responsible for, the overall IFRS work plan, including the assessment of conversion risk, determination of scope, project priorities and frequency of performance of procedures.
- Act in any capacity equivalent to a member of management or an employee.

After the completion of the Services the CICA or the International Accounting Standards Board (IASB) may modify the financial reporting standards, that will apply at the actual date of conversion from Canadian GAAP to IFRS in 2011 or take a position that could be different than the one that the Company has developed, which could put into question certain accounting treatments recommended by management of the Company. ~~E&Y will not be responsible for such modifications and the resulting impacts after the completion of our services.~~

Reports

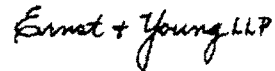
The Services and the information, records, data, advice or recommendations contained in any reports, materials, presentations or other communications, written or otherwise, in draft or final form, provided by E&Y (collectively, "Reports") are intended solely for the information and use of the Company's management. The Company may not rely on any verbal Reports (that are not confirmed by E&Y in writing) or draft written Reports.

Ms. Sabra Harrington

Page 5
November 27, 2007

We appreciate the opportunity to work with Spectra on this engagement. To confirm that this Agreement accurately reflects the terms on which you have agreed to engage E&Y, please sign the enclosed copy on behalf of Spectra and return it to us at the address provided above. Should you have any questions, please contact Al Fortunato at 713-750-1260.

Yours very truly,

**Acceptance by Spectra Energy Corp**

I hereby agree to the terms of the engagement for described above and engage Ernst & Young LLP accordingly.

Accepted by: Sabra L. Harrington Date: 11/28/07
Name (please print)

Sabra L. Harrington
Signature

VP + Controller
Title

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement (including all Schedule A, this "Agreement") is dated as of February 25, 2008 (the "Effective Date") and is made between Westcoast Energy Inc. and Union Gas Limited (collectively referred to as "Spectra" or the "Client" and each individually sometimes referred to as a "Spectra Entity") and Ernst & Young LLP, an Ontario limited liability partnership with an office located at 1000, 440 2nd Avenue S.W., Calgary, Alberta, Canada ("EY").

WHEREAS, the Spectra Entities wish to engage EY to perform certain professional services related to international financial reporting standards implementation in accordance with the terms and conditions of this Agreement; and

WHEREAS, EY agrees to provide such professional services to Spectra in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and covenants hereinafter expressed, the parties hereby mutually agree as follows:

1. SCOPE & TERM

This Agreement shall be effective as of the Effective Date. It will govern all IFRS related assistance provided from the Effective Date (i.e. starting with "Phase 2" of Spectra's project) until either Spectra's project is completed or until this Agreement is otherwise terminated by one of the parties. The services to be provided are set out in Schedule A (the "Services"). EY shall exercise due professional care and competence in the performance of the Services.

2. INTERPRETATION

As used herein "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

3. UNEXPECTED EVENTS

If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.

4. CLIENT DATA & INFORMATION

Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may rely upon the Client Data and will not evaluate or have any responsibility to independently verify the accuracy, completeness or sufficiency of any Client Data for any purposes. EY may disclose Client Data, including confidential or personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities'

professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network, subject to EY causing the other EY Entities to which the confidential or personal information is disclosed to comply with sections 5 (Confidentiality) and 7 (Privacy) of this Agreement. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.

5. CONFIDENTIALITY

Subject to the other terms of this Agreement, both Client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.

6. EY WAIVER RE: TAX ADVICE (If applicable)

Notwithstanding any confidentiality obligations or other restrictions on disclosure contained in this Agreement, with regard to:

- (a) any oral or written statement or advice related to taxes provided by EY with regard to a person or entity that:
 - (i) has any filing obligation with the US Internal Revenue Service, or
 - (ii) qualifies as a US Controlled Foreign Corporation (i.e., a non-US corporation that has US shareholders (US persons that directly or indirectly own 10% or more of the total combined voting power of all of the classes of stock of such non-US corporation) that own in the aggregate more than 50% of the total vote or value of such non-US corporation);
- (b) any oral or written statement or advice regarding US taxes or tax advice related to a transaction that could affect a US tax; or
- (c) where SEC audit independence restrictions apply to the relationship between Client and any EY Entity, any oral or written statement or advice to Client as to any potential tax consequences that may result from a transaction or the tax treatment of an item, (together, (a), (b) and (c) referred to as "Tax Advice"),

EY expressly authorizes Client to disclose to any and all persons, without limitation of any kind, any such Tax Advice, including any fact that may be relevant to understanding such Tax Advice, and all materials of any kind (including opinions and other tax analyses) provided to Client in relation to such Tax Advice. However, because the Tax Advice is solely for the benefit of Client and is not to be relied upon by any other person or entity, Client shall inform those to whom it discloses any such information that they may not rely upon any of it for any purpose without EY's prior written consent.

7. PRIVACY

Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.

8. INTERNET COMMUNICATIONS

Unless otherwise agreed with Client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to Client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.

9. RIGHT TO TERMINATE SERVICES

Client may terminate this Agreement, with or without cause, by providing written notice to EY. EY may terminate this Agreement upon written notice if a Spectra Entity breaches any of its material obligations hereunder and such breach is not cured within 10 days following receipt of written notice thereof. EY may terminate this Agreement upon written notice to the Client if (A) delays due to Changes aggregate more than 30 days or (B) EY reasonably determines that it can no longer provide the Services in accordance with applicable professional obligations. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.

10. EXPENSES

Client shall reimburse EY for all reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.

11. BILLING & TAXES

Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.

12. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.

13. EY REPORTS

EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. EY also retains all copyright and other

intellectual property rights in all reports, advice or other communications of any kind provided to Client in any form (written or otherwise) during the course of an engagement ("Reports"), although Client shall have the full right to use any Reports within its own organization. Any Reports are provided solely for the purpose of this engagement. Subject to "EY Waiver Re: Tax Advice" above, no Report (and no portion, summary or abstract thereof) may be disclosed to any third party without EY's prior written consent. Without limitation, Client agrees that it will not, and will not permit others to, refer to EY or reproduce, quote or refer to any Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by particular third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties. Client may not rely on any draft Report.

14. INDEMNIFICATION

(a) To the fullest extent permitted by law, Client shall indemnify and hold harmless EY and its personnel (the "EY Indemnitees") from and against all (A) claims and causes of action, pending or threatened, of any kind (whether based on contract, tort or otherwise) by third parties, including any affiliate of Client, related to or arising out of the disclosure of any Report (other than Tax Advice contained therein) or any portion, abstract or summary thereof by, through or at the request of Client or the use or reliance on, any Report or Tax Advice or any portion, abstract or summary thereof, by any person or entity that obtains access to it, directly or indirectly, from, through or at the request of Client, and (B) liabilities, losses, damages, costs and expenses (including, without limitation, legal fees and disbursements) suffered or incurred by any of the EY Indemnitees in connection with any claims or causes of action described in clause (A) above, except as finally determined to have resulted solely from EY's fraud or willful misconduct.

(b) To the fullest extent permitted by law, EY shall indemnify and hold harmless Client and its personnel (the "Client Indemnitees") from and against all (A) claims and causes of action, pending or threatened, of any kind (whether based on contract, tort or otherwise) by third parties related to or arising out of personal injury or death or property damage caused by the wrongful or negligent actions of EY and (B) liabilities, losses, damages, costs and expenses (including, without limitation, legal fees and disbursements) suffered or incurred by any of the Client Indemnitees in connection with any claims or causes of action described in clause (A) above; and

(c) To the fullest extent permitted by law, EY shall indemnify and hold harmless the Client Indemnitees from and against all (A) claims and causes of action, pending or threatened, of any kind (whether based on contract, tort or otherwise) by third parties related to or arising out any EY infringement of intellectual property rights and (B) liabilities, losses, damages, costs and expenses (including, without limitation, legal fees and disbursements) suffered or incurred by any of the Client Indemnitees in connection with any claims or causes of action described in clause (A) above. Notwithstanding the foregoing, EY shall have no indemnification obligation to the extent that any alleged infringement of intellectual property rights arises out of or results from (1) data, materials or other content provided by, from, through or at the request of, the Client, (2) the Client's use of any Reports other than as contemplated in this Agreement (3) any modification or alteration to, or of, any Reports by anyone other than EY or not at EY's direction, or (4) EY's compliance with Client's designs, specifications, requests or instructions in the creation of any Reports.

15. LIMITATION OF LIABILITY

Except for the indemnification duties of EY arising under Section 14, to the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,

(a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;

(b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and

(c) in any case the total aggregate liability of EY to Client (and to any affiliate thereof or any other person or entity for or in respect of which any of the Services are provided) arising out of or relating to this Agreement or the Services shall be limited to two times the fees paid to EY under this Agreement. This paragraph shall not limit EY's liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

16. GLOBAL RESOURCES

EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim, against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.

17. NO APPLICATION

The preceding three sections (Indemnity, Limitation of Liability and Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).

18. SEVERABILITY

In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.

19. LEGAL PROCEEDINGS

In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.

20. LLP STATUS

EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.

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21. MISCELLANEOUS

EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or any other type of relationship between EY and Client. Neither Spectra Entity shall be jointly or severally liable or responsible in any way for the acts or omissions of the other Spectra Entity. None of the parties shall have the right, power or authority to obligate or bind any other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, EY Waiver Re: Tax Advice, Indemnity, Limitation of Liability, Global Resources and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. Client represents and warrants to EY that the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, Client, its affiliates and any other persons or entities for whose benefit any of the Services are provided. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

Acknowledged and agreed:

ERNST & YOUNG LLP

by 
Name: Kent Kaufeld*

Title: Authorized Signatory

**Services provided through Kent Kaufeld Professional Corporation, Partner*

Acknowledged and agreed:

WESTCOAST ENERGY INC.

by _____

Name: Tim Curry

Vice President, Finance and Accounting

Authorized Signatory

UNION GAS LIMITED

by _____

Name: Rick Birmingham

Vice President Finance/Regulatory Affairs

Authorized Signatory

Schedule A
IFRS Implementation - Project Management Assistance & Advisory Assistance

I. SERVICES DESCRIPTION:

Full IFRS convergence is currently expected to take effect in 2011. It is anticipated that public companies will be required to disclose (i) their conversion plans and anticipated impact on financial reporting starting in their 2008 reporting and (ii) their quantification of anticipated impacts in their 2009 reporting. Between now and 2011 it is expected that there will also be changes to Canadian GAAP as certain standards are converged with newly adopted IFRS. Spectra's overall objective is to design and execute an effective process to implement IFRS, based on the conversion timetable set out above. Spectra requires assistance from EY with respect to implementation of IFRS.

The US firm of Ernst & Young LLP and EY have worked with Spectra to identify, at a high level, the major impacts of IFRS on Spectra's financial reporting and business practices (the "Diagnostic Assessment"). The Diagnostic Assessment excluded any risk, market or cash flow management activities involving the use of financial instruments (including derivatives).

EY will co-develop the scope of services to be provided under this Agreement with Spectra's project team, initially based on the outputs from the Diagnostic Assessment. Professional services to be provided to assist Spectra in implementation of IFRS could include the following, on an "as requested" basis:

- Accounting advisory assistance
- Project management assistance
- Training assistance
- IT and SAP advisory assistance as related to IFRS implementation impacts
- Business process change assistance
- Tax advisory assistance related to IFRS implementation

EY's role is to provide Spectra with advisory and project management assistance. EY will not:

- determine which, if any, recommendations for converting to IFRS should be implemented.
- act on behalf of management in reporting to the Board of Directors or Audit Committee.
- authorize, execute or consummate transactions or otherwise exercise authority on behalf of Spectra.
- prepare source documents on transactions or work papers that are the sole source of support for accounting policies and accounting entries.
- have custody of assets.
- approve, or be responsible for, the overall IFRS work plan, including the assessment of conversion risk, determination of scope, project priorities and frequency of performance of procedures.
- act in any capacity equivalent to a member of management or an employee.

EY will not audit, review or otherwise provide assurance with respect to the completeness or appropriateness of any documentation prepared in connection with this engagement. Unless specifically requested by you, the scope of our work will not include the preparation of

accounting opinions on matters raised during the course of this assignment. The Services will not involve (1) an audit, review or examination of financial statements in accordance with generally accepted auditing standards, (2) an examination of prospective financial statements in accordance with applicable professional standards or (3) a review to detect fraud or illegal acts. None of the Services will constitute any legal opinion or legal advice. Spectra management is responsible for the maintenance of proper accounting records and the preparation of the opening IFRS balance sheet and closing financial results.

Spectra management is solely responsible for the sufficiency of the Services for its purposes. EY makes no representations or warranties regarding the sufficiency of the Services for Spectra's purposes. Spectra management is responsible for, and shall make, all management decisions and perform all management functions in connection with Spectra's IFRS conversion efforts. Without limitation, Spectra's management and its Audit Committee are responsible for the following:

- designating a competent employee or employees, preferably within senior management, to oversee and be responsible for Spectra's IFRS conversion project;
- evaluating and approving the findings and results arising out of Spectra's IFRS conversion project, including evaluating the adequacy and approving the results of the Services;
- determining the actions necessary to respond to the findings and results of Spectra's IFRS conversion project;
- determining accounting policies, approving account codings and approving journal entries;
- establishing and maintaining Spectra's system of controls over Spectra's processes, including its financial, strategic, operational, and compliance processes; and
- accepting responsibility for the completeness and accuracy of Spectra's financial information and related disclosures.

II. DELIVERABLES (major, interim, and final)

A. Type of Deliverables (may include written documents or events)

EY will work with Spectra to produce the following by June 30, 2008:

- Detailed Implementation Plan (including financial reporting analysis, business & IT impacts)
- Project Management Plan (PMO), and related project status reports
- Training Program
- Communication Plan

EY will also work with Spectra to assist it in creating its Board of Directors IFRS Summary Report.

Workshops will be held in March through April 2008 timeframe as a key activity related to the completion of the deliverables noted above.

Our team will work with Spectra IFRS Conversion Project Team and, as appropriate, other members of Spectra with the intention that the engagement is conducted collaboratively and efficiently. EY will use all reasonable efforts to meet the above time-frames and any other

stipulated time-frames. However, EY shall not be liable for failures or delays in the performance of Services that arise from causes beyond its control, including the untimely performance by Spectra, its representatives, advisors or agents.

Other Deliverables to be produced subsequent to June 30, 2008 will be produced on an "as requested" basis.

B. Scope of Deliverables

This scope of work is expected to include the financial reporting for Westcoast Energy Inc. and its subsidiaries, including Union Gas Limited.

C. Key milestones and related interim Deliverables for Phase 2.

Key milestones and related outputs subsequent to June 30, 2008 will be mutually agreed to throughout the project.

III. MAJOR ACTIVITIES AND TIMELINE FOR PHASE 2:

- Commencement Date: February 25, 2008
- Completion Date: June 30, 2008

Major Activities for Phase 2 are documented above. Major activities subsequent to Phase 2 may include the following:

- IFRS Implementaton Support
- IFRS Post-Implementation Support
- IFRS Project Management Support

The detailed activities of each of these major activities will be co-developed with Spectra as the project progresses.

IV. ACCEPTANCE PROCEDURE (if applicable):

Phase 2 will be accepted upon approval of the detailed implementation plan by Spectra IFRS Steering Committee. Acceptance procedures for subsequent phases will be agreed upon throughout the remainder of the project.

V. INFORMATION/FACILITIES/RESPONSIBILITIES TO BE FURNISHED by Spectra:

- Spectra commits to providing two full time resources as part of the Core IFRS team as per the RFP.
- Spectra will provide to EY in a timely manner complete and accurate information and access to such management personnel, staff, premises, computer systems and applications as are reasonably required by EY to complete the performance of the Services.
- This includes access to appropriate technical infrastructure systems and a Spectra network connection, during development.
- Work stations at Spectra's site(s) including a desk, phone and printer access.

VI. PRICING

The following rate card will be used throughout the duration of the IFRS implementation.

	Rates per hour
Partner	\$450.00
Senior Manager	\$310.00
Manager	\$250.00
Senior Staff	\$175.00
Staff	\$115.00

A 10% discount will apply to annual (calendar year) fees in excess of \$1M.

Other Notes

- Fees do not include GST, or out-of-pocket expenses related to travel, etc. These will be billed to you at our cost. All expenses will follow the guidelines for reasonable expenses set out in the US firms' agreement.
- IFRS Rate Cards noted above applies for calendar 2008 and will increase by 3% per annum following December 31, 2008.
- All rates above denoted in Canadian dollars.
- EY may draw upon personnel from other EY Entities in order to provide Spectra with the Services.

VII. PRINCIPAL REPRESENTATIVES

Spectra

Name: Tim Curry
 Address: Suite 2600 - 425 1st Street SW
Calgary, AB T2P 3L8
 Phone: (403) 699-1565
 Fax: (403) 699-1688
 Email: tcurry@spectraenergy.com

EY

Name: Kent Kaufield
 Address: 1000, 440 2nd Ave. SW
Calgary, AB T2P 5E9
 Phone: (403) 206-5378
 Fax: (403) 290-4265
 Email: kent.d.kaufield@ca.ey.com



Ernst & Young LLP
Chartered Accountants
Suite 300, 1000 - 10th Avenue SW
Calgary, Alberta T2P 1G4
Tel: (403) 261-4100
Fax: (403) 261-4105
ey.com/ca

Westcoast Energy Inc.
Mr. Tim Curry
Vice President - Finance & Accounting Western Canada
Suite 2600 - 425 1st Street SW
Calgary, AB T2P 3L8

06 October 2008

Union Gas Limited
Mr. Rick Birmingham
Vice President Finance/Regulatory Affairs
P.O. Box 2001, 50 Keil Drive North
Chatham, ON N7M 5M1

Dear Gentlemen:

Addendum Documenting Amended Scope of EY's IFRS Implementation Assistance

Westcoast Energy Inc. and Union Gas Limited (collectively, "Spectra") signed a Professional Services Agreement with Ernst & Young LLP ("EY"), dated as of February 25, 2008 related to IFRS implementation assistance (the "Services Agreement"). Since the Services Agreement was signed, we have worked with Spectra to develop the scope of services to be provided under the Services Agreement and wish to update such agreed scope.

This Addendum is to confirm our agreement that Schedule A to the Services Agreement shall be replaced with the revised Schedule A contained in this Addendum.

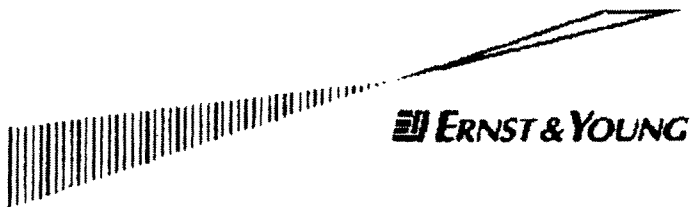
With the exception of this change, the Services Agreement remains in full force and effect, unamended. To confirm your agreement please sign a copy of this letter where indicated below and return it to me. If you would like to discuss these matters further, please do not hesitate to contact me.

Yours truly,

Ernst & Young LLP

per Kent Kauffield*
(403) 206-5378

**Services provided through Kent Kauffield Professional Corporation, a partner of Ernst & Young LLP*



06 October 2008

2

Acknowledged and agreed:

Westcoast Energy Inc.

by

Name:

Title:

[Signature]
Jim Cunniff
VP, Finance/Accounting

Acknowledged and agreed:

Union Gas Limited

by

Name:

Title:

[Signature]
M. RICHARD BURNINGHAM, CA
VICE PRESIDENT, FINANCE AND REGULATORY AFFAIRS



Schedule A
IFRS Implementation - Project Management Assistance & Advisory Assistance

I. SERVICES DESCRIPTION:

Full IFRS convergence is currently expected to take effect in 2011. It is anticipated that public companies will be required to disclose (i) their conversion plans and anticipated impact on financial reporting starting in their 2008 reporting and (ii) their quantification of anticipated impacts in their 2009 reporting. Between now and 2011 it is expected that there will also be changes to Canadian GAAP as certain standards are converged with newly adopted IFRS. Spectra's overall objective is to design and execute an effective process to implement IFRS, based on the conversion timetable set out above. Spectra requires continued assistance from EY with respect to implementation of IFRS.

EY worked with Spectra to identify, at a high level, the major impacts of IFRS on Spectra's financial reporting and business practices (the "Diagnostic Assessment"). The Diagnostic Assessment excluded any risk, market or cash flow management activities involving the use of financial instruments (including derivatives). EY provided additional assistance in documenting policy differences, IFRS options and recommendations for implementation and developing the detailed implementation plan (including financial reporting analysis, business and IT impacts).

EY will continue to co-develop the scope of services to be provided under this Agreement with Spectra's project team, initially based on the outputs from work completed on the IFRS project to date described above. Professional services to be provided to assist Spectra in implementation of IFRS could include the following:

- Accounting advisory assistance
- Project management assistance
- Training assistance
- IT and SAP advisory assistance as related to IFRS implementation impacts
- Business process change assistance
- Tax advisory assistance related to IFRS implementation

EY's project team will include the following dedicated resources:

- Senior project support and advisory assistance (16-24 hours per month)
- Project manager (approximately 100 hours per month)
- Full time resources (Chatham and Calgary – approximately 160 hours per month)
- Part time resources (Houston – as needed)



Spectra and EY will mutually agree on the individuals to fill the project manager and location resources noted above. It is the intention of both parties to identify resources that will be dedicated to the project and to manage those resources accordingly including the timing of when they will perform the services. Any changes to the resources will be done through a mutually agreed upon process.

EY's project team will also include technical resources (accounting, SAP, Tax) that will be available throughout the project on an as-needed basis. The individual allocated to those roles will be consistent with the initial phases on the project to the greatest extent possible.

EY's role is to provide Spectra with advisory and project management assistance. EY will not:

- determine which, if any, recommendations for converting to IFRS should be implemented.
- act on behalf of management in reporting to the Board of Directors or Audit Committee.
- authorize, execute or consummate transactions or otherwise exercise authority on behalf of Spectra.
- prepare source documents on transactions or work papers that are the sole source of support for accounting policies and accounting entries.
- have custody of assets.
- approve, or be responsible for, the overall IFRS work plan, including the assessment of conversion risk, determination of scope, project priorities and frequency of performance of procedures.
- act in any capacity equivalent to a member of management or an employee.

EY will not audit, review or otherwise provide assurance with respect to the completeness or appropriateness of any documentation prepared in connection with this engagement. Unless specifically requested by you, the scope of our work will not include the preparation of accounting opinions on matters raised during the course of this assignment. The Services will not involve (1) an audit, review or examination of financial statements in accordance with generally accepted auditing standards, (2) an examination of prospective financial statements in accordance with applicable professional standards or (3) a review to detect fraud or illegal acts. None of the Services will constitute any legal opinion or legal advice. Spectra management is responsible for the maintenance of proper accounting records and the preparation of the opening IFRS balance sheet and closing financial results.

Spectra management is solely responsible for the sufficiency of the Services for its purposes. EY makes no representations or warranties regarding the sufficiency of the Services for Spectra's purposes. Spectra management is responsible for, and shall make, all management decisions and perform all management functions in connection with Spectra's IFRS conversion efforts. Without limitation, Spectra's management and its Audit Committee are responsible for the following:



- designating a competent employee or employees, preferably within senior management, to oversee and be responsible for Spectra's IFRS conversion project;
- evaluating and approving the findings and results arising out of Spectra's IFRS conversion project, including evaluating the adequacy and approving the results of the Services;
- determining the actions necessary to respond to the findings and results of Spectra's IFRS conversion project;
- determining accounting policies, approving account codings and approving journal entries;
- quality review procedures for work performed by both Spectra and EY resources at each location;
- establishing and maintaining Spectra's system of controls over Spectra's processes, including its financial, strategic, operational, and compliance processes; and
- accepting responsibility for the completeness and accuracy of Spectra's financial information and related disclosures.

II. DELIVERABLES

A. Type of Deliverables (may include written documents or events)

EY will work with Spectra to produce the outputs required to complete the IFRS implementation. These outputs might include, but are not limited to the following:

- Project Management Plan (PMO), and related project status reports
- Accounting workstream work programs (design and execution)
- Update accounting procedures, business processes and controls documentation
- Training program
- Communication plan

Our team will work with the Spectra IFRS Conversion Project Team and, as appropriate, other members of Spectra with the intention that the engagement is conducted collaboratively and efficiently. EY will use all reasonable efforts to meet the above time-frames and any other stipulated time-frames. However, EY shall not be liable for failures or delays in the performance of Services that arise from causes beyond its control, including the untimely performance by Spectra, its representatives, advisors or agents.

B. Scope of Deliverables

This scope of work is expected to include the financial reporting for Westcoast Energy Inc. and its subsidiaries, including Union Gas Limited. This scope includes the financial reporting processes located in Houston, TX that support the consolidation of the Westcoast Energy Inc. and Union Gas Limited for Spectra Energy Corp reporting purposes.



C. Key milestones and related interim Deliverables.

Key milestones and related outputs will be mutually agreed to throughout the project and incorporated into a project plan.

III. MAJOR ACTIVITIES AND TIMELINE:

- Commencement Date: October 1, 2008
- Completion Date: June 30, 2010

Major activities for the IFRS Implementation project may include the following:

- Project management support
- Accounting workstream process updates and documentation support
- System integration (SAP Upgrade & New G/L Implementation) support

The detailed activities of each of these major activities will be co-developed with Spectra as the project progresses.

IV. ACCEPTANCE PROCEDURE (if applicable):

Implementation outputs and milestones will be accepted upon approval by the Spectra IFRS Steering Committee throughout the remainder of the project. A project plan will be completed and managed throughout the remainder of the project to support the activities and progress on project milestones.

V. SPECTRA COMMITMENTS:

- Spectra commit to providing senior management support and the IFRS resources required to meet the project objectives. These resources include a dedicated project manager and technical accounting support in all locations (Calgary, Chatham and Houston).
- Spectra will provide to EY in a timely manner complete and accurate information and access to such management personnel, staff, premises, computer systems and applications as are reasonably required by EY to complete the performance of the Services. This includes agreed upon turn around time on responses to EY queries from Spectra senior management.
- Spectra will provide timely access to appropriate technical infrastructure systems and a Spectra network connection, during development.
- Work stations at Spectra's site(s) including a desk, phone and printer access.

**VI. PRICING**

The following rate card will be used throughout the duration of the IFRS implementation project.

	Rates per hour
Partner	\$450.00
Senior Manager	\$310.00
Manager	\$250.00
Senior Staff	\$175.00
Staff	\$115.00

A 10% discount will apply to annual (calendar year) fees in excess of \$1 million.

Other Notes

- Fees do not include GST, or out-of-pocket expenses related to travel, etc. These will be billed to you at our cost. All expenses will follow the guidelines for reasonable expenses set out in the US firms' agreement.
- IFRS Rate Cards noted above applies for calendar year 2008 and will increase by 3% per annum following December 31, 2008.
- All rates and fees above are denoted in Canadian dollars.
- EY may draw upon personnel from other EY Entities in order to provide Spectra with the Services.

VII. PRINCIPAL REPRESENTATIVES**Spectra**

Name: Tim Curry
Address: Suite 2600 - 425 1st Street SW

Calgary, AB T2P 3L8
Phone: (403) 699-1565
Fax: (403) 699-1688
Email: tcurry@spectraenergy.com

EY

Name: Kent Kaufield
Address: 1000, 440 2nd Ave. SW

Calgary, AB T2P 5E9
Phone: (403) 206-5378
Fax: (403) 290-4265
Email: kent.d.kaufield@ca.ey.com