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December 31, 2008

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2008-0220
Union Gas Limited – 2009 Rates Adjustment
Argument of Energy Probe

Pursuant to Procedural Order No. 1, issued by the Board on November 28, 2008, please find attached two hard copies of the Argument of Energy Probe Research Foundation (Energy Probe) in the EB-2008-0220 proceeding for the Board's consideration. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Chris Ripley, Union Gas Limited (By email)
Michael A. Penny, Torys LLP (By email)

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2009.

**ARGUMENT OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

December 31, 2008

**ARGUMENT OF ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

EB-2008-0220

Introduction

These are the submissions of Energy Probe Research Foundation ("Energy Probe") in respect of the Application of Union Gas Limited ("Union") for rates in the second year of a 5 year incentive rate making mechanism and in response to Union's Argument in Chief, filed December 19, 2008.

Energy Probe has reviewed the Applicant's pre-filed evidence, interrogatory responses and Argument in Chief. In addition, Energy Probe has reviewed the submissions of The City of Kitchener ("Kitchener"), filed December 23, 2008, and the submissions of the London Property Management Association ("LPMA"), filed December 29, 2008.

2009 Inflation Factor and Productivity Factor

Energy Probe accepts both the calculation of the Inflation Factor and the Productivity Factor as applied for by the Applicant in this proceeding.

Z Factor Adjustments

Energy Probe supports the submissions of LPMA in respect of the treatment of tax changes by the Applicant in particular and in respect of Union's proposed 2009 rates in general.

Further, Energy Probe supports the conclusions by both Kitchener and LPMA that the evidence of Union is not sufficient to entitle it to a Z Factor Adjustment in any year of the incentive rate mechanism in respect of the cost consequences of adopting International Financial Reporting Standards ("IFRS").

Process

Counsel for the Canadian Manufacturers & Exporters (“CME”), Mr. Peter Thompson, submitted a letter on December 16, 2008 in EB-2008-0219, the Enbridge Gas Distribution (“Enbridge”) 2009 Rates proceeding, also in the second year of a 5 year incentive rate making mechanism. Energy Probe supports the CME’s position in that proceeding and submits that the same face-to-face process outlined by Mr. Thompson would be an improvement in future Union incentive rate making mechanism proceedings.

Costs

Energy Probe submits that it participated responsibly in this proceeding. Energy Probe requests the Board award 100% of its reasonably incurred costs.

All of which is respectfully submitted this 31st day of December 2008.

Energy Probe Research Foundation