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VIA E-MAIL

Peter Thompson
Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen Street, Suite 1100
Ottawa, Ontario
K1P 1J9

Re: Natural Gas Storage Allocation

Dear Mr. Thompson:

I am writing in response to the letter that you sent on Friday and your subsequent emails requesting additional information and Union's consent to a further extension of time for filing IGUA's argument.

1. You have requested Storage Balance and Injection/Withdrawal Charts for the 4 existing T1 long term contracts. Union will not be providing these charts as they are not needed to respond to the undertaking. Because the Board determined at Issues Day that the long term contracts would not be affected by the outcome of this proceeding, the impact of the proposals on these customers is not relevant.

In one of your emails you also queried why there were no charts for customers N, AD and AB. No charts were prepared for these customers because they are no longer T1 customers. Their T1 contracts came to an end at various times in 2007.

2. In your letter of February 1, 2008, you stated that Attachment 2 to Ms. Redford's letter of January 25 showed "65 storage space transactions" and you asked for the duration of those transactions. In fact, Attachment 2 to Ms. Redford's letter referred to only 36 transactions ($9 + 18 + 7 + 2 = 36$). The unit price / GJ of each of those 36 transactions was appended to Ms. Redford January 25 letter. Attachment 1 to this letter updates that information to provide the duration of the 36 transactions along with the unit price.

3. You asked whether a DCQ Obligated customer served under Union's bundled rates can engage in transactions to bring its consumption /deliveries variances into line with its Banked Gas Account (BGA) at times other than the 2 particular points specified in the balancing regime. The answer is as follows.

If a T1 customer elects to return to a bundled rate class it would enter into 2 separate contracts.

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The Distribution Contract addresses delivery of gas to the customer's plant. The customer enters into the Distribution Contract for its firm CD (Contract Demand), i.e. the maximum amount of gas that Union must deliver to the customer's plant on any day. The customer would also enter into a Bundled T Contract which requires the customer to be responsible for supplying its own gas (i.e. Union does not purchase gas for consumption on behalf of the customer). The customer enters into the Bundled T Contract for its Obligated DCQ and its September and February Checkpoints.

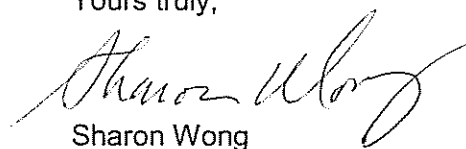
Under the Bundled T Contract, the Obligated DCQ is plotted against the Forecast Consumption to create a forecast BGA curve. On February 28th, the BGA cannot be LESS than the contract parameter "Floor", but it can be greater. On September 30th, the BGA cannot be MORE than the contract parameter "Ceiling", but it can be less.

Customers submit balancing transaction requests to manage to the February 28th and September 30th checkpoints. In addition, customers can request authorization of interruptible balancing transactions at any time during the contract year. Union Gas will authorize balancing transactions if the following three criteria are met:

- 1) There is a demonstrated need for the requested transaction, i.e.
 - the customer's BGA curve is tracking below its forecast BGA curve (consumption greater than forecast) and is requesting to bring in incremental supply or transfer in gas through an in-franchise transfer (IFT); or
 - the customer's BGA curve is tracking above its forecast BGA curve (consumption less than forecast) and is requesting to suspend/divert/assign DCQ or transfer away gas through an IFT or an ex-franchise transfer.
- 2) The requested transaction will not negatively impact Union Gas' system, and
- 3) the transaction will not take the customer outside its current credit limit.

Union will not object to a further extension of the deadline for IGUA filing its argument so long as the Board grants Union an equivalent extension to the deadline for filing Union's Reply.

Yours truly,



Sharon Wong

encl.



SW/maem

c: Kirsten Walli
Donna Campbell
Fred Cass
Alick Ryder
Patrick Moran
Jim Harbell
Dan Murdoch

Attachment 1

Listed below are the unit prices for each of the 36 additional storage space transactions from 2004 to 2007 and the duration in days of each of the transactions. The transactions are listed from lowest price to highest price, and they are not in chronological order.

Days	Price/GJ
45	\$0.05
46	\$0.11
41	\$0.12
71	\$0.13
211	\$0.25
30	\$0.25
91	\$0.38
98	\$0.45
91	\$0.45
24	\$0.45
20	\$0.50
273	\$0.50
181	\$0.50
29	\$0.50
364	\$0.75
364	\$0.80
395	\$0.80
364	\$0.80
364	\$0.80
364	\$0.80
411	\$0.80
364	\$0.90
242	\$1.17
197	\$1.20
197	\$1.25
181	\$1.25
364	\$1.32
242	\$1.40
165	\$1.45
249	\$1.46
364	\$1.50
364	\$1.50
411	\$1.75
364	\$2.00

365	\$2.00
364	\$3.50