

May 15, 2006

Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Mr. John Zych, Board Secretary

Re: EB-2005-0520 / EB-2005-0551 - Settlement of NGEIR Issue III

Dear Sir:

On May 15, 2006 Union submitted for the Board's review and approval a comprehensive Settlement Agreement between Union Gas and various intervenors, as part of the EB-2005-0520 proceeding. This settlement agreement included complete settlement of Issue 6.10 "Are the terms and conditions of M12 and C1 services, including the proposed rate schedule changes, appropriate (excluding the consideration of potential new services for power producers)?"

As part of this Agreement, Union agreed to some future actions which we anticipate will result in settlement of NGEIR Issue III. Specifically, Union proposed, and the stakeholders accepted the following;

"In the event the Board approves this Settlement Agreement, Union will send a letter to the Board panel presiding over the NGEIR proceeding (supported by TCPL) providing for the following:

1. Union agrees to amend the contracts of the Parties that bid a premium in the 2006 and 2007 open seasons to remove the premium. These customers would then pay the posted M12 toll only. This would reduce Union's revenue forecast for 2007 by \$150,000.
2. Union agrees to develop, prior to its next open season, an allocation procedure which defines the criteria by which Union will allocate long term firm transportation capacity for expansions, promptly post it on its web site, and notify shippers of any changes six months in advance.

3. Union will include in its allocation procedure or otherwise, a requirement that Union identify in its open season documents any anticipated capacity constraints, if a constraint is expected, and
4. Union agrees to not use bid premium as a criterion for allocating long term firm transportation capacity in the future.

The parties accept all other proposed changes to the M12 and C1 rate schedules as proposed in Union's application.

The following parties agree with the settlement of this issue: CME, FONOM & the Cities, CCK, CCC, EGD, Energy Probe, IGUA, LPMA, SEC, Sithe, TransAlta, TCPL, WGSPG

The following parties take no position on this issue: Coral, LIEN, OAPPA, OESLP, SEM, VECC"

Given the complete agreement on this issue by Union and all stakeholders in the EB-2005-0520 proceeding, the time set aside on Wednesday May 17, 2006 at the NGEIR Technical Conference may no longer be required. Although it would be difficult to reschedule other parts of the Technical Conference scheduled for this week (i.e. the Wednesday to Friday portion), the Wednesday time period may be used if any of the issues schedule for Tuesday require more time than currently allotted.

Please give me a call if you require any further information or if you have any questions.

Sincerely,

[original signed by]

Mr. Mike Packer, CMA, CIM
Director, Regulatory Affairs
Union Gas Limited

cc: EB-2005-0520 Intervenors
EB-2005-0551 Intervenors
Michael Penny
Crawford Smith
Gord Cameron
Glenn Leslie