



EB-2005-0551

IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to determine whether it should order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other qualified customers) and whether the Board should refrain from regulating the rates for storage of gas.

PROCEDURAL ORDER NO. 2

On December 29, 2005, the Ontario Energy Board issued a Notice of Proceeding on its own motion to determine (i) whether it should order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other qualified customers); and (ii) whether to refrain, in whole or part, from exercising its power to regulate the rates charged for the storage of gas in Ontario by considering whether, as a question of fact, the storage of gas in Ontario is subject to competition sufficient to protect the public interest. The Natural Gas and Electricity Interface Review (NGEIR) proceeding is commenced pursuant to sections 19, 36 and 29 respectively of the *Ontario Energy Board Act, 1998*. The Notice of Proceeding directed Enbridge Gas Distribution ("Enbridge") and Union Gas Limited ("Union") to file evidence on potential rates for gas-fired generators.

On January 23, 2006, the Board issued Procedural Order No. 1 which identified the issues to be addressed in this proceeding to include rates for gas-fired generators, storage regulation and transportation capacity bidding process and allocation. Procedural Order No. 1 also set a schedule for the remaining steps in this proceeding.

The Industrial Gas Users Association ("IGUA") and Market Hub Partners Canada L.P. ("MHP") commented to the Board on the schedule of the NGEIR proceeding. IGUA requested that no hearings be scheduled on May 10-12, 2006 due to IGUA's Annual Seminar. MHP urged the Board to maintain the original schedule.

On February 9, 2006, the Board issued a decision on Enbridge's 2006 rates application. The Board directed Enbridge to file, in the NGEIR proceeding, a revised Rate 300 series of rates for conventional large volume customers. The Board also received a request by Enbridge to postpone the filing of evidence from March 1, 2006 to April 21, 2006. Enbridge indicated that it needs extra time to prepare satisfactory evidence for the NGEIR process.

The Board has further consulted with Union, Enbridge and other participants on the scheduling options for NGEIR and other natural gas proceedings.

The Board has decided it will revise the NGEIR timetable. The Board will also outline mandatory evidence to be filed by Enbridge on the service provisions of the proposed Rate 300 series rates.

The Board may issue further Procedural Orders from time to time. A list of all Participants to this proceeding is attached as Appendix E.

THE BOARD ORDERS THAT:

1. Union and Enbridge shall file evidence with respect to potential rates for gas-fired generators (and other qualified customers) as outlined in Appendix A of this procedural order by March 20, 2006.
 - A Technical Conference will be held on April 5 and 6, 2006 to provide Union and Enbridge with the opportunity to present their evidence and for all Participants to obtain further clarification of the evidence. The Technical conference will be transcribed and the transcript will form part of the record of this proceeding. The process of the Technical Conference will be further addressed in subsequent procedural orders. This Technical Conference replaces the interrogatory process.
 - Union and Enbridge shall file complete responses to any undertakings in the Technical Conference with the Board and deliver them to all Participants by April 17, 2006.
2. Enbridge shall file evidence on a series of rates which reflects the perceived requirements of the conventional large volume customer seeking revised Rate 300 series rates as outlined in Appendix B by April 21, 2006.

3. Any Participant who wishes to present evidence on the issues as summarized in Appendix C shall file that evidence with the Board and deliver it to all Participants by May 1, 2006.
4. A Technical Conference will be held on May 18 and 19, 2006 to provide Participants with the opportunity to present their evidence relating to Issues II, III and IV as outlined in Appendix C and obtain further clarification of the evidence on these issues filed by other Participants. The Technical Conference will be transcribed and the transcript will form part of the record of this proceeding. The process of the Technical Conference will be further addressed in subsequent procedural orders. This Technical Conference replaces the interrogatory process.
 - Participants shall file complete responses to any undertakings in the Technical Conference with the Board and deliver them to all Participants by May 24, 2006.
5. Any Participant who wishes to submit reply evidence shall file it with the Board and deliver it to all Participants by May 26, 2006.
6. A settlement conference on Issues I (rates for gas-fired generators and other qualified customers), III (transportation capacity bidding process and allocation) and IV (Enbridge's Rate 300 series rates) will be convened on May 29, 2006, at 9:00 a.m. with the objective of reaching a settlement among the Participants on as many of these issues as possible. The settlement conference will be held at the Board offices 2300 Yonge Street and may continue until June 2, 2006. The Board does not intend to receive a settlement proposal on Issue II (storage regulation). Therefore, the Board will not convene a settlement conference in relation to this issue.
7. For each settled issue, there shall be a detailed settlement memorandum signed by all settling participants. These memoranda will indicate not only the matters settled, but a detailed evidentiary basis for the settlement and the reasons for the settlement.
8. Any settlement proposal arising from the settlement conference shall be filed with the Board by 4:30 p.m. on June 8, 2006.

9. A presentation of the settlement proposal to the Board will commence at 9:30 a.m. on June 12, 2006, in the Board's hearing room at 2300 Yonge Street. At that hearing, the participants who have filed evidence will be expected to have witnesses available to speak to each of the settled issues pertaining to their evidence. That examination will be conducted only by Board counsel on the Board Support Team and Panel members. Because these are settled issues, it is not anticipated that any cross-examination by other participants will be necessary.
10. An oral hearing will commence after the Board's consideration and determination of any settlement proposal and will, if necessary, continue until July 14, 2006.
11. A timetable is summarized in Appendix D to this Procedural Order.
12. **The evidence outlined above shall be filed by 4:30 p.m. on the specified dates** to the Board Secretary at the OEB's mailing address and/or by email (see below). Ten paper copies of the evidence with an electronic copy in Microsoft Word and searchable Adobe PDF should be provided.

Ontario Energy Board

P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4
Attn: Mr. John Zych, Board Secretary
Tel: 1-888-632-6273 (Toll free)
Fax: 416- 440-7656
Email: Boardsec@oeb.gov.on.ca

ISSUED at Toronto, February 28, 2006

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "A" TO PROCEDURAL ORDER NO. 2

BOARD FILE NO. EB-2005-0551

DATED February 28, 2006

Mandatory Evidence to be filed by

Enbridge and Union

Appendix A

Mandatory Evidence to be filed by Enbridge and Union with respect to Potential Rates for gas-fired generators (and other qualified customers)

A proposed tariff associated with the provision of the following services:

1. More frequent nomination windows for distribution, storage and transportation that correspond with the nominations of upstream pipelines that connect to the Ontario gas system.
2. Firm high deliverability service from storage with customer options for 1.2%, 5% and 10% deliverability.
3. Gas storage and distribution offered as discrete services.
4. Inter-franchise movement of gas (i.e., the ability to access services across Ontario, whether to a customer's own account or as a sale to a third party).
5. Redirection of gas to a different delivery point on short notice (i.e., the ability to redirect or acquire gas on short notice to a different delivery point).
6. The ability to transfer the title of gas in storage (i.e., the title transfer in gas storage is treated as an administrative matter instead of a physical withdrawal or injection of gas).

The proposed tariff should include the eligibility criteria, terms and conditions of service, and the rates associated with each new service.

The rates for the firm high deliverability service from storage will need to reflect the following three scenarios: (1) Current pricing (i.e., the customer has access to cost-based storage in accordance with current allocation methodology, and market-based storage above that); (2) All storage is priced at cost; and (3) All storage is priced at market prices.

For each of the new services, evidence addressing the following questions should be provided:

1. What are the operational implications / barriers (if any) of providing these new services? How could these barriers be eliminated?
2. What are the costs and revenues associated with providing these new services?
3. What are the rate implications (if any) on other customer groups?
4. What is the expected timing regarding the implementation of the new services?

APPENDIX "B" TO PROCEDURAL ORDER NO. 2

BOARD FILE NO. EB-2005-0551

DATED February 28, 2006

Mandatory Evidence to be filed

by Enbridge

Appendix B

Mandatory Evidence to be filed by Enbridge with respect to Rate 300 Series Rates

Proposed changes to all aspects of Enbridge's Rate 300, 305, 310 and 315 rates schedules which include consideration of the following matters:

1. combined multi-facility delivery, storage and load balancing options;
2. flexibility in delivery point, minimum annual volumes, daily delivery obligations, provision of fuel, and choice between bundled and unbundled services;
3. term differentiated rates.

The proposed tariff should include the eligibility criteria, terms and conditions of service, and the rates associated with each new service.

For each of the new services, evidence addressing the following questions should be provided:

1. What are the operational implications / barriers (if any) of providing these new services? How could these barriers be eliminated?
2. What are the costs and revenues associated with providing these new services?
3. What are the rate implications (if any) on other customer groups?
4. What is the expected timing regarding the implementation of the new services?

APPENDIX "C" TO PROCEDURAL ORDER NO. 2

BOARD FILE NO. EB-2005-0551

DATED February 28, 2006

Issues for EB-2005-0551 Proceeding

Appendix C

Issues for EB-2005-0551 Proceeding

I. Rates for gas-fired generators (and other qualified customers):

Should the Board order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other qualified customers)? If the Board does order new rates, should that order contain the following requirements:

1. More frequent nomination windows for distribution, storage and transportation that correspond with the nominations of upstream pipelines that connect to the Ontario gas system.
2. Firm high deliverability service from storage with customer options for 1.2%, 5% and 10% deliverability.
3. Gas storage and distribution offered as discrete services.
4. Inter-franchise movement of gas (i.e., the ability to access services across Ontario, whether to a customer's own account or as a sale to a third party).
5. Redirection of gas to a different delivery point on short notice (i.e., the ability to redirect or acquire gas on short notice to a different delivery point).
6. The ability to transfer the title of gas in storage (i.e., the title transfer in gas storage is treated as an administrative matter instead of a physical withdrawal or injection of gas).

II. Storage regulation:

Should the Board refrain, in whole or part, from exercising its power to regulate the rates charged for the storage of gas in Ontario? In making this determination, the Board will have regard to a number of considerations, including:

1. Do gas utilities (and/or their affiliates) either collectively or individually have market power in the provision of storage services for all or some categories of customers in Ontario?

2. If gas utilities (and/or their affiliates) do have market power in storage, is it appropriate for them to charge “market rates” for transactional and long-term storage services?
3. If gas utilities (and/or their affiliates) do not have market power, is it in the public interest that all or some customers continue to pay storage rates at cost as opposed to market rates? How should the extra revenue from storage services at market rates be allocated?
4. If the Board determines, based on considerations of market power and the public interest more generally, that some customers should pay for storage services at cost and others should pay for storage services at market prices, how should the line be drawn between the two types of customers and, specifically, should there be a constraining allocation of physical storage facilities to some types of customers based on measures such as aggregate excess or whether customers are considered “in-franchise” or “ex-franchise”? How should the extra revenue from storage services at market rates be allocated?

III. Transportation capacity bidding process and allocation:

Should the Board allow a gas transmitter to charge a premium above costs for gas transmission services and, if so, how should that premium be allocated ?

IV. Enbridge rates for large volume customers (Rate 300 Series):

Should the Board consider any other terms and conditions in addition to those outlined in Appendix B?

What should be the maximum waiting period for customers to make the transition to the new Rate 300 series rates?

APPENDIX "D" TO PROCEDURAL ORDER NO. 2

BOARD FILE NO. EB-2005-0551

DATED February 28, 2006

Schedule for EB-2005-0551 Proceeding

Appendix D

Schedule for EB-2005-0551 Proceeding

EVENT	DATE
<ul style="list-style-type: none"> • Union and Enbridge generator rates evidence • Technical Conference • Union and Enbridge undertakings 	March 20, 2006 April 5-6, 2006 April 17, 2006
<ul style="list-style-type: none"> • Enbridge Rate 300 series evidence • All remaining evidence • Technical Conference • All Participants undertakings 	April 21, 2006 May 1, 2006 May 18-19, 2006 May 24, 2006
<ul style="list-style-type: none"> • Reply evidence 	May 26, 2006
<ul style="list-style-type: none"> • Settlement Conference 	May 29 -June 2, 2006
<ul style="list-style-type: none"> • Settlement Proposal filed with the Board 	June 8, 2006
<ul style="list-style-type: none"> • Presentation of Settlement Proposal to the Board 	June 12, 2006
<ul style="list-style-type: none"> • Oral hearing 	June 12-July 14, 2006

APPENDIX "E" TO PROCEDURAL ORDER NO. 2

BOARD FILE NO. EB-2005-0551

DATED February 28, 2006

LIST OF PARTICIPANTS