



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. 1

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. These proceedings are 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 the matters listed in Appendix A. This Order identifies the issues to be addressed in this proceeding and sets a schedule for the remaining steps in this proceeding.

The issues in this proceeding are as follows:

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?

The Board will be assisted in dealing with this matter by a Board Support Team. The Board Support Team will be directed by the panel and is responsible for case administration and providing technical assistance to the Board.

The Board has assigned a separate staff team to work as the Hearing Team. The Hearing Team is responsible for ensuring that all aspects of the public interest are addressed in the hearing and that the record is complete. The Hearing Team will be treated as a party in this proceeding.

The Board may issue further Procedural Orders from time to time.

THE BOARD ORDERS THAT:

1. Any Party who wishes to present evidence on the issues in this proceeding shall file that evidence with the Board and deliver it to all Parties on or before March 15, 2006.
2. Any Party who requires additional information from Union and Enbridge on the evidence filed in response to the Notice of Proceeding (and as identified in Appendix “A”) shall file written interrogatories with the Board and all parties on or before March 22, 2006. Union and Enbridge shall file complete responses with

the Board and deliver them to all Parties as soon as possible, but no later than April 5, 2006.

3. Any Party, who requires additional and relevant information related to all remaining evidence (i.e., other than the evidence filed by Enbridge and Union in response to the Notice of Proceeding) shall request it by written interrogatories filed with the Board and delivered to the Parties on or before March 29, 2006. Responses to the interrogatories shall be filed with the Board and delivered to all Parties in the proceeding on or before April 12, 2006.
4. Any Party, who wishes to submit reply evidence, shall file it with the Board and deliver it to all Parties as soon as possible, but no later than April 19, 2006.
5. A Settlement Conference on Issues I (rates for gas-fired generators and other qualified customers) and III (transportation capacity bidding process and allocation) will be convened on April 19, 2006, at 9:00 a.m. with the objective of reaching a settlement among the Parties 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 April 25, 2006. The Board does not intend to receive a settlement proposal on Issue II (storage regulation) and therefore will not convene a settlement conference in relation to that issue.
6. For each and every issue that is settled by the Parties, there shall be a detailed settlement memorandum signed by all settling parties to that issue. Those memoranda would indicate not only the matters settled, but a detailed evidentiary basis for the settlement and the reasons for the settlement.
7. Any settlement proposal arising from the Settlement Conference shall be filed with the Board no later than 4:30 p.m. on May 3, 2006.
8. A presentation of the settlement proposal to the Board will commence at 9:30 a.m. on May 8, 2006, in the Board's hearing room at 2300 Yonge Street. At that hearing, the parties who have filed evidence will be expected to have witnesses available to speak to each and every one 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 parties will be necessary.

9. An oral hearing will commence after the Board's consideration and determination of a settlement proposal and will, if necessary, continue until June 2, 2006.
10. A timetable for the treatment of all evidence is summarized in Appendix "B" to this Procedural Order.
11. **The evidence outlined above shall be filed on or before 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 (10) paper copies of the evidence with an electronic copy in Microsoft Word and searchable Adobe PDF should be provided.

Ontario Energy Board

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Attn: Mr. John Zych, Board Secretary

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ISSUED at Toronto, January 24, 2006

ONTARIO ENERGY BOARD*Original signed by*

Peter H. O'Dell

Assistant Board Secretary

APPENDIX "A"

TO PROCEDURAL ORDER NO. 1

BOARD FILE NO. EB-2005-0551

DATED JANUARY 24, 2006

Appendix A

I. **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, as well as 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. 1

BOARD FILE NO. EB-2005-0551

DATED January 24, 2006

Appendix B**Schedule for EB-2005-0551 Proceeding**

EVENT	DATE	COMMENTS
Union and Enbridge mandatory evidence received	March 1, 2006	
All remaining evidence received	March 15, 2006	
IRs to Union and Enbridge on mandatory evidence due	March 22, 2006	3 weeks after Union and Enbridge file evidence
IRs on all remaining evidence due	March 29, 2006	2 weeks after evidence filed
IR Responses from Union and Enbridge on mandatory evidence due	April 5, 2006	2 weeks after IRs filed
IR Responses on all remaining evidence due	April 12, 2006	2 weeks after IRs filed
Reply evidence due	April 19, 2006	1 week after Responses to IRs
Settlement Conference	April 19-25, 2006	5 days scheduled
Settlement Proposal filed with the Board	May 3, 2006	6 days after end of Settlement Conference
Presentation of Settlement Proposal to the Board	May 8, 2006	
Oral hearing dates	May 8- June 2, 2006	4 weeks scheduled

January 24, 2006