



EB-2008-0106

IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to determine methodologies for commodity pricing, load balancing and cost allocation for natural gas distributors.

**NOTICE OF PROCEEDING
ON COMMODITY PRICING, LOAD BALANCING AND COST ALLOCATION
METHODOLOGIES FOR NATURAL GAS DISTRIBUTORS IN RELATION TO
REGULATED GAS SUPPLY**

The Ontario Energy Board has commenced a proceeding on its own motion to determine the methodology to be used by natural gas distributors for (i) gas commodity pricing, (ii) load balancing, and (iii) cost allocation between supply and delivery functions, in relation to regulated gas supply. This proceeding is commenced pursuant to sections 19 and 36 of the *Ontario Energy Board Act, 1998*. The file number assigned to this proceeding is EB-2008-0106.

“Regulated gas supply” (or “system gas” or “system supply”) refers to the sale of gas by utilities primarily to their core, typically small-volume customers. System gas commodity rates are set through a quarterly rate adjustment mechanism (“QRAM”) process, where every three months the price of gas is set based on a 12-month forecast of commodity prices. Natural gas utilities record the difference between the quarterly price and their actual gas supply costs in a purchased gas variance account (“PGVA”) that is cleared over time. Currently, gas utilities have different approaches to the QRAM and the PGVA disposition.

On March 30, 2005, the Board issued a report entitled “Natural Gas Regulation in Ontario: A Renewed Policy Framework Report on the Ontario Energy Board Natural Gas Forum” (the “NGF Report”). In the NGF Report, the Board indicated that there is merit in moving towards establishing policies that are consistent between natural gas utilities in relation to regulated gas supply. In particular, the Board stated that the QRAM should be a transparent benchmark that reflects market prices, and that the methodology for determining the reference prices should therefore be formulaic and

consistent. Similarly, the Board indicated that methods for determining the PGVA and for disposing of PGVA balances should also be formulaic and consistent.

Gas utilities must ensure that deliveries and consumption of gas are balanced in order to maintain the safe, secure, efficient and reliable operation of the network. This process is referred to as “load balancing”. Currently, different gas utilities have different load balancing policies. In the NGF Report, the Board indicated that the harmonization of those policies between utilities should also be examined.

The Board also stated that the regulated gas supply option should be structured in a way that facilitates competition, and that further examination was required to determine whether the manner in which gas utilities currently allocate costs as between the delivery and gas supply functions raises concerns regarding cross-subsidization.

The Board will therefore hold a generic hearing to examine the following matters:

1. Review and standardization of the QRAM methodology.
2. Review and standardization of the methodology for load balancing.
3. Cost allocation between delivery and gas supply across natural gas distributors.

In the NGF Report, the Board also noted that it would entertain applications for the pre-approval of long-term transportation and/or supply contracts and would develop guidelines relating to the evaluation of applications for contract pre-approval. Such guidelines will be developed through a consultation process that will be initiated later this year, and are not intended to be considered as part of this generic hearing. The Board is also deferring the consideration of any broader policy issues relating to gas supply as identified in the NGF Report and does not intend to deal with such issues in this generic proceeding.

The Board's decision in this proceeding may have an effect on all customers that currently receive regulated gas supply, balancing and delivery services from Enbridge Gas Distribution Inc., Union Gas Limited or Natural Resource Gas Limited.

How to Participate

You may participate in this proceeding in one of three ways:

1. Send a Letter with your Comments to the Board

Your letter with comments will be provided to the Board members deciding the issues in this proceeding, and will be part of the public record. Your letter must be received by the Board no later than **30 days** from the publication of this notice. The Board accepts letters of comment by either post or e-mail at the addresses below.

2. Become an Observer

Observers do not actively participate in the proceeding but monitor the progress of the proceeding by receiving documents issued by the Board. You may request observer status in order to receive documents issued by the Board in this proceeding. If you become an observer and you wish to receive documents filed by a party to the hearing, you need to contact the party to request copies of the documents, and they may charge you for this. Most documents filed in this proceeding will also be available on the Board's website. Your request for observer status must be made in writing and be received by the Board no later than **10 days** from the publication of this notice. The Board accepts observer request letters by either post or e-mail at the addresses below; however, two paper copies are also required.

3. Become an Intervenor

You may ask to become an intervenor if you wish to actively participate in the proceeding. Intervenor status is eligible to receive evidence and other material submitted by parties to the hearing. Likewise, intervenors will be expected to send copies of any material they file to all parties to the hearing.

Your request for intervenor status must be made by letter of intervention and be received by the Board no later than **10 days** from the publication date of this notice.

Your letter of intervention must include a description of how you are, or may be, affected by the outcome of this proceeding; and if you represent a group, a description of the group and its membership. The Board may order costs in this proceeding and, if so, such costs will be recovered from Enbridge Gas Distribution Inc., Union Gas Limited and Natural Resource Gas Limited. You must indicate in your letter of intervention whether you expect to seek costs and the grounds for your eligibility for costs. You must provide a copy of your letter of intervention to each of the natural gas utilities at the following addresses:

Patrick Hoey Director, Regulatory Affairs Enbridge Gas Distribution Inc P.O. Box 650 Scarborough, ON M1K 5E3 Tel:416-495-5555 Fax:416-495-6072 Email: patrick.hoey@enbridge.com	Mark Kitchen Director, Regulatory Affairs Union Gas Limited 50 Keil Street North Chatham, ON N7M 5M1 Tel:519-436-4600 Fax:519-436-4641 Email: mkitchen@uniongas.com
Mr. Chuck Hindley General Manager Natural Resource Gas Limited 39 Beech Street East Aylmer, ON N5H 2S1 Tel:519-773-5321 Fax:519-773-5335 Email: chuck.hindley@nrgas.on.ca	

You must file two paper copies and an electronic copy of your intervention request with the Board. If you already have a user ID, please submit the electronic copy of your intervention request through the Board's web portal at www.errr.oeb.gov.on.ca. If you do not have a user ID, please visit the "e-Filing Services" page on the Board's website at www.oeb.gov.on.ca and fill out a user ID password request. For instructions on how to submit and naming conventions, please refer to the RESS Document Guidelines also found on the "e-Filing Services" webpage. If the Board's web portal is not available, the electronic copy of your intervention request may be submitted by e-mail at the address below. Those who do not have internet access are required to submit the electronic copy of their intervention request on a CD or diskette in PDF format.

How to Contact Us

In responding to this Notice, please include Board file number EB-2008-0106 in the subject line of your e-mail or at the top of your letter. It is also important that you provide your name, postal address and telephone number and, if available, an e-mail address and fax number. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Need More Information?

Further information on how to participate may be obtained by visiting the Board's website at www.oeb.gov.on.ca or by calling our Consumer Relations Centre at 1-877-632-2727.

IMPORTANT

IF YOU DO NOT REQUEST TO PARTICIPATE IN THIS PROCEEDING IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED IN YOUR ABSENCE AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE IN THIS PROCEEDING.

Ontario Energy Board
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Attn: Ms. Kirsten Walli, Board Secretary
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Fax: 416- 440-7656
Email: Boardsec@oeb.gov.on.ca

ISSUED at Toronto, May 29, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary