



EB-2008-0106

IN THE MATTER of sections 19 and 36 of the *Ontario Energy Board Act, 1998*;

AND 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.

BEFORE: Paul Sommerville
Presiding Member

Pamela Nowina
Vice-chair and Member

Cathy Spoel
Member

DECISION AND ORDER

On May 29, 2008, the Ontario Energy Board (the “Board”) issued a Notice of Proceeding (the “Notice”) commencing a proceeding to determine the methodology to be used by natural gas distributors for (i) gas commodity pricing, (ii) load balancing and (iii) cost allocation between the supply and delivery functions, in relation to regulated gas supply. The proceeding was commenced pursuant to sections 19 and 36 of the *Ontario Energy Board Act, 1998* and has been assigned file number EB-2008-0106.

This Decision and Order pertains to the determination by the Board of the issues to be considered in this proceeding.

A. The Parties

In response to the Notice, the following parties requested and were granted intervenor status in this proceeding: Enbridge Gas Distribution Inc. (“Enbridge”); Union Gas Limited (“Union”); Natural Resource Gas Limited (“NRG”); Building Owners and Managers Association of the Greater Toronto Area (“BOMA”); Canadian Manufacturers & Exporters (“CME”); City of Kitchener (“Kitchener”); Consumers Council of Canada (“CCC”); Direct Energy Marketing Limited (“DEML”); ECNG Energy L.P.; Federation of Rental-housing Providers of Ontario (“FRPO”); Industrial Gas Users Association (“IGUA”); London Property Management Association (“LPMA”); Low-Income Energy Network (“LIEN”); Ontario Energy Savings L.P. (“OESLP”); a group comprised of SemCanada Energy Company, Wholesale Energy Group and A.E. Sharp Ltd.; School Energy Coalition (“SEC”); Shell Energy North America (Canada) Inc.; Summitt Energy Management Inc. (“Summitt”); Superior Energy Management Gas L.P. (“Superior”); a group comprised of TransAlta Cogeneration L.P. and TransAlta Energy Corp.; TransCanada Energy Ltd; TransCanada PipeLines Limited (“TCPL”); and Vulnerable Energy Consumers Coalition (“VECC”).

B. Procedural Order No. 1 and Draft Issues Lists

On July 9, 2008, the Board issued its Procedural Order No. 1 establishing the process by which the Board would determine the issues to be considered in this proceeding. Specifically, parties were invited to make written submissions on the draft issues list appended to Procedural Order No. 1 (the “Original Draft List”) by July 24, 2008 and a hearing was scheduled for July 31, 2008 to hear submissions on the Original Draft List.

In response to Procedural Order No. 1, written submissions on the Original Draft List were filed by the following parties: Enbridge; Union; NRG; LPMA and BOMA jointly (“LPMA/BOMA”); DEML, OESLP, Summitt and Superior jointly (the “Gas Marketer Group”); FRPO; IGUA; LIEN; SEC; and VECC.

On July 30, 2008, Board staff circulated to the parties a revised draft issues list (the “Revised Draft List”) incorporating some, but not all, of the comments and proposals contained in the written submissions of the parties. Relative to the Original Draft List, new issues were added and a number of modifications were made to correct or elaborate on some of the existing issues. The Revised Draft List, as circulated to the parties and tendered as an exhibit at the hearing, is attached as Appendix A to this Decision and Order.

C. The Hearing

The parties that had filed written submissions on the Original Draft List appeared at the hearing on July 31, 2008,¹ as did CCC, TCPL and Kitchener. CME, which had not filed written submissions and did not appear at the hearing, had previously notified Board staff of its support for the submissions filed by LPMA/BOMA, and Board staff advised the Board accordingly at the hearing.

Commencement of the hearing was delayed to permit the parties and Board staff, at their request, to discuss the Revised Draft List. The results of that discussion were summarized by Board staff at the commencement of the hearing. That summary revealed that, subject to resolution of the issues of a more general nature discussed in section D below, no objections were raised in relation to the following issues on the Revised Draft List: 1.1, 1.2, 2.1 to 2.4, 3.1, 3.3, 4.1 to 4.4, 4.6, 5.1, 5.2, 6.1, 7.1, 8.1 to 8.5, 9.2, 9.3 and 11.1 to 11.3.

¹ Of the members of the Gas Marketer Group, OESLP and Summitt appeared at the hearing.

D. Submissions and Board Findings on General Matters

The written and oral submissions of the parties can be classified as falling within one of two categories: submissions of a general nature not limited to any particular individual issue on the Revised Draft List and submissions of a more specific nature relating to individual issues. The former are addressed in this section, and the latter are addressed in section E below.

1. Preambles

The Original Draft List included, in addition to the issues themselves, “preambles” providing context in relation to each of the three matters under consideration in this proceeding (commodity pricing, load balancing and cost allocation). Some of the preambles were modified in the Revised Draft List in response to the written submissions of the parties. New preambles were also included to support newly-added issues.

a. Positions of the Parties

Most parties that made written and/or oral submissions in relation to the preambles noted that the preambles provided useful context and facilitated a better understanding of the issues when in draft form. However, a number of parties expressed concern regarding the inclusion of the preambles in the final issues list to be issued by the Board. Enbridge submitted that the preambles may create uncertainty about the facts underlying the issues, appear to prejudge the evidence, would need to be the subject of evidence in the proceeding and should not be required in the final issues list if the issues themselves are clear. Enbridge’s submissions were supported by Union and Kitchener. VECC also submitted that the preambles are not necessary if the issues are clearly stated, and could be eliminated without adversely affecting the proceeding. LIEN was also supportive of eliminating the preambles.

SEC submitted that the preambles should be retained given the unique nature of this proceeding, but expressed the view that this should not become a practice in more typical rates proceedings. SEC's submissions were supported by LPMA/BOMA. The Gas Marketer Group and IGUA were also supportive of retaining the preambles. CCC submitted that it had no objection to the preambles either remaining or being eliminated. Board staff indicated that they had no concerns regarding the omission of the preambles from the final issues list.

b. Board Findings

The inclusion of preambles in issues lists, whether draft or final, is not commonplace in terms of the Board's practice. The Board agrees that the preambles served a very useful purpose in the context of this proceeding, providing context for and promoting a better understanding of the issues themselves. While the Board does not share all of the concerns expressed by parties in relation to the inclusion of the preambles in the final issues list, the Board has not included the preambles on the final issues list. In the Board's view, the preambles have served their purpose and the critical task is to ensure that the issues are clearly stated. The evidence to be filed by the parties will provide the necessary factual basis on which to consider the issues.

2. Standardization

The issues on the Original Draft List were drafted in a manner that presumed that the outcome would be standardization or harmonization across all natural gas distributors of the methodology to be used in relation to commodity pricing and load balancing. The issues were modified in the Revised Draft List to eliminate this presumption in relation to load balancing, but not in relation to the commodity pricing issues. The submissions of the parties at the hearing were therefore

focussed on the issue of standardization as it relates to the quarterly rate adjustment mechanism (“QRAM”).

a. Positions of the Parties

In their written and/or oral submissions, Enbridge, Union, NRG, LPMA/BOMA, FRPO, SEC, VECC and Kitchener took the position that the underlying question of whether or not it is appropriate for the QRAM methodology to be standardized for all natural gas distributors should be an issue in this proceeding. While none of these parties expressed opposition to standardization as a matter of principle, concerns were raised about accepting standardization as the objective or goal at the outset. Enbridge and Union submitted that costs would be incurred by any natural gas distributor whose processes might have to be modified to suit any standardized methodology, and further noted that the costs could be substantial. It was thus important, in their view, that the Board perform an analysis of the costs and benefits of standardization before adopting standardization as the approach. SEC also submitted that while standardization is a desirable objective, it is unlikely that complete or perfect standardization can be achieved. The Gas Marketer Group, LIEN and CCC were supportive of standardization as the goal to be pursued, but also expressed the view that parties should be permitted to bring forward arguments challenging the merits or benefits of standardization relative to the costs involved.

Board staff noted that the March 30, 2005 report issued by the Board on the Natural Gas Forum (the “NFG Report”)² set out as a matter of Board policy that the methodology for calculating the QRAM price should be similar for all natural gas distributors. On that basis, Board staff indicated staff’s understanding that the purpose of reviewing the QRAM methodology in this proceeding was, in fact, to standardize it. IGUA agreed that the Board’s stated policy as set out in the

² “Natural Gas Regulation in Ontario: A Renewed Policy Framework”, Report of the Ontario Energy Board Natural Gas Forum, March 30, 2005, at pages 60 and 70.

NGF Report is standardization of the QRAM methodology, but noted that the Board might consider adding to the issues list the question of whether the Board should revisit its policy in whole or in part. Kitchener cautioned the Board not to place undue reliance on the NGF Report in determining the issues in this proceeding.

b. Board Findings

Most parties that made submissions on the matter were opposed to the presumption that standardization would be the outcome in relation to the QRAM methodology.

This panel recognizes that standardization of the QRAM methodology was identified in the NGF Report as a policy to be pursued by the Board, and that it remains the Board's stated policy. However, as with all other policies of the Board, it is open to a party to demonstrate that implementation of a policy is inappropriate or undesirable under particular circumstances. It therefore appears to this panel appropriate to allow parties an opportunity to challenge the application of the standardization policy if they wish, based on cogent evidence as to the cost and other consequences for any given natural gas distributor. The Board has therefore re-framed the issues relating to the QRAM methodology such that they no longer presume standardization as the outcome.

3. “Advantages and Disadvantages”

In both the Original Draft List and the Revised Draft List, a number of issues were cast using the phrase “what are the advantages and disadvantages of...”.

a. *Positions of the Parties*

In its written and oral submissions, Enbridge expressed concern regarding the phrase “what are the advantages and disadvantages of...”, noting that what is an advantage or a disadvantage is a matter of perception on which stakeholders will differ. Enbridge suggested that, in each case, the issue should explicitly indicate that the advantages and disadvantages will be considered from three different perspectives; namely, that of the ratepayer, that of gas marketers and that of natural gas distributors.

No other party made written submissions in relation to this aspect of the formulation of the issues. At the hearing, Union and Kitchener expressed their support for Enbridge’s submissions. SEC indicated that, in its view, the matter of the different perspectives is implicit in the issues as set out in the Revised Draft List.

VECC suggested that, in at least one case, the matter could be addressed by framing the issues in a different manner; namely, “should there be a...” and “what should the alternative be”? CCC, LPMA/BOMA, FRPO, Union and Enbridge all indicated that they would be supportive of VECC’s proposal. Board staff confirmed that, from staff’s perspective, nothing would appear to be lost by recasting the issues along the lines proposed by VECC.

b. *Board Findings*

The formulation of the issues as set out in the Revised Draft List using the phrase “what are the advantages and disadvantages of...” is not typical of the manner in which issues are expressed by the Board. The formulation speaks more to the manner in which an issue will be examined than to the identification of the issue itself, and does so at the expense of precision. The Board finds VECC’s approach to be sensible and believes that it will contribute to greater

clarity. It also has the benefit of being supported by the parties that expressed a view on the matter. The Board has therefore re-framed the relevant issues accordingly.

E. Submissions and Board Findings on Individual Issues

1. Low Income Consumers

In its written submissions, LIEN proposed that the following be added as an issue in this proceeding:

What provision should be made, in the methodologies to be determined pursuant to this proceeding for commodity pricing, load balancing and cost allocation for natural gas distribution in relation to regulated gas supply, to accommodate and integrate a rate affordability assistance program for low-income consumers, prospectively and retrospectively, when such programs are developed.

The Original Draft List did not include any issues that dealt specifically with the particular concerns of low income consumers, nor was LIEN's proposed issue included on the Revised Draft List.

a. Positions of the Parties

During the hearing, LIEN clarified that the purpose of its intervention in this proceeding was not to seek that a rate affordability program be developed or implemented.

LIEN submitted that it proposed the inclusion of the low income consumer issue for two reasons. The first is regulatory efficiency. LIEN noted that the outcome of the consultation initiated by the Board on July 2, 2008 to examine issues

associated with low income energy consumers (the “Low Income Consumer Consultation”) may have an impact on any methodology that the Board might adopt in this proceeding. LIEN submitted that the Board should avoid duplication between this proceeding and the Low Income Consumer Consultation, and should avoid putting itself in the position of potentially having to reconsider its decision in this proceeding once the outcome of the Low Income Consumer Consultation is known.

The second reason expressed by LIEN in support of its proposed issue is that it is important to ensure that this proceeding does not impede the development or implementation of measures in the Low Income Consumer Consultation. LIEN noted that the Board is currently juggling two different proceedings that have some degree of overlap, in much the same way as is the case with the Board’s review of the Ontario Power Authority’s Integrated Power System Plan (the “IPSP”) and the consultation regarding transmission connection cost responsibility (the “TCCR Review”). LIEN submitted that the Board should ensure that any methodology that it adopts as part of this proceeding is sufficiently flexible to accommodate whatever measures or policies might arise from the Low Income Consumer Consultation.

All of the parties that made submissions on the matter expressed concern about the inclusion of LIEN’s proposed issue on the issues list in this proceeding. A number of parties also voiced concerns about uncertainty in relation to the scope of LIEN’s intervention and about the clarity and scope of LIEN’s proposed issue as drafted.

Enbridge submitted that if the thrust of LIEN’s proposed issue is simply to ensure that this proceeding does not prejudice what might be the outcome of the Low Income Consumer Consultation, Enbridge would be in agreement with that approach. However, Enbridge raised concerns about how far the Board should go to ensure that this proceeding will not result in an outcome that may be

inconsistent with some future initiative. Union submitted that the possibility of future outcomes being foreclosed is almost invariably a possibility, and that this is an issue with which the Board has to contend on an on-going basis. Union also submitted that it is impossible to understand the potential impact that this proceeding might have without the benefit of seeing the evidence that LIEN might present in the Low Income Consumer Consultation. In Union's view, if the desired outcome is not to foreclose the matter being addressed as part of the Low Income Consumer Consultation, the better approach is to exclude the issue entirely from this proceeding.

SEC submitted that it was opposed to the inclusion of LIEN's proposed issue on the issues list for two reasons. First, it is not appropriate in this proceeding for the Board to proactively explore low income consumer issues or impacts, which is the purpose of the Low Income Consumer Consultation. To the extent that the purpose of LIEN's proposed issue is to ensure that the Board remains mindful of the impact of its decision on a particular customer group, then a specific issue is not required for that purpose since the Board considers the impact of its decisions on identifiable customer groups all the time. Second, SEC noted that the Board forecloses or limits future outcomes in every proceeding. According to SEC, consistency in the Board's approach is best maintained retrospectively, by looking back at past decisions to determine if they need to be revisited, rather than by trying to align the outcome of one proceeding with what might happen in a future one.

CCC was supportive of the submissions made by each of Union and SEC. IGUA also opposed the inclusion of LIEN's proposed issue on the issues list, noting that it is premature to presuppose, as LIEN's proposed issue does, that rate affordability is a discrete issue. IGUA also submitted that adding a discrete issue as proposed by LIEN indicates that accommodation of low income consumer concerns is necessarily relevant to the matters under review in this proceeding, which may not be the case. IGUA noted, however, that in its view it is entirely

appropriate for LIEN to participate in this proceeding and provide the Board with the low income consumer perspective on the issues. FRPO also expressed its opposition to LIEN's proposed issue, noting that once the costs associated with implementation of the methodologies to be determined in this proceeding are known, the allocation of those costs to different customer classes would then become an issue. At that time, LIEN could make submissions on the matter.

Board staff submitted that issues related to low income consumers are best addressed in a holistic way in the broader context of the Low Income Consumer Consultation. Board staff also noted that the issues in this proceeding will call upon the Board to consider the implications of different approaches on ratepayers, including low income consumers, and that it is not necessary that a specific issue be included on the issues list for that purpose.

b. Board Findings

The Board does not believe that it is either necessary or desirable to include LIEN's proposed issue on the issues list for this proceeding.

In considering different options for addressing the QRAM methodology, load balancing and cost allocation, the Board will wish to understand the implications of each option on ratepayers, gas distributors and marketers. It is certainly appropriate for each party to this proceeding that represents an identifiable consumer group to provide the Board with the perspective of its constituency. However, in the Board's view a distinct issue identifying each different consumer group is not necessary for that purpose.

The Board is also of the view that the Low Income Consumer Consultation is the appropriate forum in which to examine potential policies and measures that might be implemented to address the particular concerns of low income energy consumers. The Board will, during this gas supply proceeding, remain mindful of

the desirability of avoiding, as far as possible or necessary, any regulatory dysfunction between this proceeding and the Low Income Consumer Consultation.

The Board would also clarify that the circumstances at hand are quite different from those involved in relation to the IPSP. In its January 4, 2008 letter announcing the TCCR Review, the Board noted the link between that policy initiative and the proceeding to review the IPSP, and stated its intent that the policy process would inform the IPSP review proceeding. Additionally, the panel presiding over the IPSP proceeding has expressly deferred consideration of connection cost responsibility for “enabler” lines, and left that issue to be determined through the TCCR Review.

2. *Unbundling*

In its written submissions, the Gas Marketer Group proposed that the following be added as issues in this proceeding:

What is an appropriate approach to the unbundling of storage and transportation services from the delivery of natural gas supply for all customer classes?

What conditions should be associated with such unbundling?

The Original Draft List did not include any issues that dealt with unbundling, nor were the Gas Marketer Group’s proposed issues included on the Revised Draft List.

a. *Positions of the Parties*

The Gas Marketer Group noted the benefits that have resulted from the fact that the delivery of natural gas has been unbundled from storage and transportation in Union's territory since 2004. Specifically, the Gas Marketer Group submitted that this allows gas marketers to manage their customers' gas consumption requirements, matching the consumption profile tightly with the customers' load and therefore ensuring sufficient gas deliveries to avoid adverse volume variances on the system. The Gas Marketer Group submitted that addressing the unbundling issue will ensure that Union's current process is reviewed and that Enbridge's process is appropriately aligned to facilitate the competitive natural gas market and to lower transaction and system costs for all market participants. The Gas Marketer Group also submitted that the unbundling issue is properly within the scope of this proceeding. In support of that submission, the Gas Marketer Group noted that the NGF Report contemplates, at pages 66 and 67, that the Board will examine the issues related to further unbundling.

Enbridge submitted that the scope of this proceeding falls to be determined by the Notice, and not the NGF Report, and that on that basis the unbundling issue is out of scope. Enbridge further submitted that inclusion of the unbundling issue would divert the focus of this proceeding. Enbridge also voiced a number of concerns regarding the addition of the unbundling issue to this proceeding. Specifically, Enbridge submitted that unbundling would require a fundamental transformation of its business, that unbundling has a number of implications for distribution rate structure and design, and that the issue properly belongs in a rates case where all of the costs and implications can be considered. Kitchener supported Enbridge's submissions.

Union also opposed inclusion of the unbundling issue on the issues list for this proceeding. Union submitted that, in its view, the unbundling that is the subject of the Gas Marketer Group's proposed issues is different from the unbundling

referred to in the NGF Report. In addition, Union noted that because it has already undertaken the unbundling referred to by the Gas Marketer Group, from Union's perspective the issue is not necessary.

Board staff submitted that, based on the Notice, the unbundling issue is outside the scope of this proceeding. Staff also noted that the unbundling issue appears to be qualitatively of a different nature from the matters identified in the Notice, and that inclusion of the issue could complicate the proceeding and may require that notice of the proceeding be re-issued.

b. Board Findings

Although this proceeding has been initiated to fulfill commitments arising from the Natural Gas Forum, in the Board's view the scope of this proceeding falls to be determined on the basis of the Notice and not on the basis of the NGF Report. The Board finds that, based on the Notice, the unbundling issue is outside the scope of this proceeding and it has therefore not been included on the issues list.

While it would remain open to the Board to expand the scope of this proceeding and to reissue notice accordingly, the Board does not believe that to be desirable in relation to the unbundling issue. The Board agrees that the unbundling issue is qualitatively different from the matters under consideration in this proceeding, and the Board is concerned that addition of the unbundling issue has the potential to unduly complicate or protract this proceeding. The Board also notes that unbundling is not an issue in relation to Union, and that parties interested in the kind of unbundling that has been raised by the Gas Marketer Group may bring the matter forward in the context of a utility-specific rates proceeding.

3. *Provision by the Board of Reference Price or of Inputs Used to Calculate Reference Price*

Issues 3.2 and 3.4 on the Revised Draft List raised the question of whether the reference price, or certain inputs to be used by natural gas distributors in calculating the reference price, should be provided by the Board. This question was included on the Revised Draft List in response to the written submissions filed by LPMA/BOMA.

The intended meaning or scope of these issues was the subject of submissions during the hearing. In particular, some parties read the issues as proposing that the Board might act as an intermediary or “messenger” of the relevant information, while others read the issues more broadly as proposing that the Board might perform the relevant calculations or direct the gas distributors as to how the calculations are to be performed.

a. Positions of the Parties

Union submitted that references to the Board providing the reference price or inputs to the reference price are unnecessary. If the concern relates to the ability of gas distributors to accurately determine the reference price themselves, Union submitted that the concern is misplaced and that, in any event, were a distributor to make a mistake the matter could be addressed at the relevant time. Union also noted that, in relation to the inputs to the reference price referred to in issue 3.4, the Board would not be in a position to perform the necessary calculations given that utility-specific information would be required for that purpose.

Both IGUA and SEC submitted that the question of the provision by the Board of the reference price, or of inputs to be used by natural gas distributors in calculating the reference price, should remain for examination and be determined

based on the evidence filed in the proceeding. FRPO agreed with these submissions.

b. Board Findings

The Board does not believe that it is desirable to preclude, at the outset, the possibility that the Board may be instrumental in determining the reference price or in determining inputs for purposes of the calculation of the reference price. The Board wishes to further consider this as a potential outcome, and will make its determination on this matter based on the evidence to be provided by the parties in this proceeding. The Board has therefore retained on the issues list an issue that goes to the question of the Board's involvement in determining or calculating the reference price.

4. *Consideration of Implications of Incentive Regulation in Relation to Deferral and Variance Accounts*

Issue 4.5 on the Revised Draft List raised the question of the implications of incentive regulation for the choice of methodologies in relation to variance and deferral accounts, and more specifically in relation to the absence of gas consumption forecasts and test years. This issue was included on the Revised Draft List in response to the written submissions filed by LPMA/BOMA.

a. Positions of the Parties

Union noted that the premise underlying the issue appeared to be that gas consumption forecasts would not be available under an incentive regulation regime. Union submitted that this premise is inaccurate, and advised that when apprised of the continued availability of these forecasts LPMA/BOMA was agreeable to removing the issue from the issues list. This was confirmed by LPMA/BOMA.

Both IGUA and SEC noted that incentive regulation may be relevant to or have an impact on the choice of methodology in relation to the matters before the Board in this proceeding. They therefore submitted that the issue of the implications of incentive regulation should remain on the issues list.

Board staff noted that, at the present time, the forecasts referred to in issue 4.5 are approved by the Board as part of a gas distributor's rate case. According to Board staff, under incentive regulation the forecasts used in relation to the deferral and variance accounts would no longer be approved by the Board on a regular basis through rates proceedings. On this point, Union noted that its rates have not been subject to annual rates proceedings. Board staff also submitted that there would be merit in including on the issues list the more general issue of the implications of incentive regulation for the matters to be determined by the Board in this proceeding.

b. Board Findings

In the Revised Draft List, the question of the implications of incentive regulation was targeted specifically to a particular concern regarding the availability of forecasts, or the availability of Board-approved forecasts. It is clear to the Board, however, that incentive regulation could well have implications beyond the narrow issue of the forecasts used in relation to deferral and variance accounts. The Board's rate regulation framework forms one of the backdrops to this proceeding, in the same way as does the legislative framework. The Board will therefore have regard to the implications of incentive regulation throughout this proceeding and in relation to all of the issues before it. The Board does not believe it is necessary to include a discrete specific or general issue on the issues list for this purpose, and has not included issue 4.5 on the final issues list.

5. *Bill Presentment*

Issue 10.1 on the Revised Draft List raised the question of the advantages and disadvantages of using a common bill format for bill presentment and of using standard billing terminology on customer bills. This issue was included on the Revised Draft List in response to the written submissions filed by the Gas Marketer Group.

a. Positions of the Parties

The Gas Marketer Group noted that there is currently no standard for bill presentment, with each gas distributor using different nomenclature and presentations for the line items on customer bills. According to the Gas Marketer Group, this makes it difficult for natural gas marketers to consistently and accurately explain the bill to customers, and difficult for customers to interpret and compare services and rates among competing offers.

Union opposed the inclusion of the bill presentment issue on the issues list as being outside the scope of this proceeding. Union noted that both it and Enbridge had devoted considerable time and financial resources towards the development of “customer-friendly” bills, and that the costs associated with changing the bill may well be significant. Union also noted that most customers receive a bill only from one gas distributor, and that they therefore are not exposed to differences in bill presentment. Customers that might receive a bill from two or more gas distributors, such as industrial customers, tend to be more sophisticated and have the capability of understanding their bills. Therefore, the customer confusion issue is not, in Union’s view, a significant one for any customer. Union also submitted that any cost savings to gas marketers from standardized bill presentment, such as a decrease in call centre costs, would be far outweighed by the costs to customers of having the gas distributors incur the expense of standardizing their bills for no apparent benefit. Union further noted

that gas marketers must face the issue of explaining differences in bill presentment on a regular basis due to the fact that they operate across more than just Ontario.

Enbridge supported Union's submissions, and added that the issue as framed goes well beyond the question of the presentment of QRAM or commodity charges.

CCC was supportive of retaining the bill presentment issue.

At the hearing, the Gas Marketer Group confirmed that, in proposing the bill presentment issue, the desired outcome was to achieve standardized terminology rather than a standardized bill format.

b. Board Findings

The Board believes that there is merit to considering whether natural gas distributors should be required to use common billing terminology. The Board notes that the Gas Marketer Group, which raised the issue in the first instance, was content to exclude from the scope of the issue any question relating to standardization of the bill format or of bill presentation. The Board agrees with this approach, and has retained on the issues an issue that raises more specifically the question of the standardization of billing terminology.

F. Final Issues List and Next Steps

Attached as Appendix B to this Decision and Order is the final issues list for this proceeding. The final issues list reflects the findings of the Board in this Decision and Order. It also reflects certain additional wording changes relative to the Revised Draft List, including the change to issue 9.1 that was discussed at the hearing and was supported by most of the parties.

As indicated by the Board at the hearing, the next step in this proceeding will be the issuance of a procedural order that makes provision for subsequent phases in the proceeding, including the filing of evidence and a discovery process.

THE BOARD THEREFORE ORDERS THAT:

The issues to be considered in this proceeding shall be the issues set out in Appendix B to this Decision and Order.

ISSUED at Toronto, August 8, 2008.

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

**Appendix A
to
Decision and Order dated August 8, 2008**

EB-2008-0106

**METHODOLOGIES FOR COMMODITY PRICING, LOAD BALANCING AND
COST ALLOCATION FOR NATURAL GAS DISTRIBUTORS**

Revised Draft Issues List as Circulated to Parties on July 30, 2008

(document attached)

**Appendix B
to
Decision and Order dated August 8, 2008**

EB-2008-0106

**METHODOLOGIES FOR COMMODITY PRICING, LOAD BALANCING AND
COST ALLOCATION FOR NATURAL GAS DISTRIBUTORS**

Issues List

**A. REVIEW OF QUARTERLY RATE ADJUSTMENT MECHANISM
("GRAM") FOR NATURAL GAS DISTRIBUTORS**

**1. Trigger mechanism for changing the reference price or clearing the
purchased gas variance account ("PGVA")**

Issues:

- 1.1 Should there be a trigger mechanism to prompt a change in the reference price or to clear the PGVA?
- 1.2 If a trigger mechanism is desirable, what methodology or methodologies should be used by natural gas distributors for setting the trigger to prompt a change in the reference price or to clear the PGVA?

2. Price adjustment frequency and forecast periods

Issues:

- 2.1 Is a price adjustment based on a 12-month price forecast appropriate for the regulated gas supply option?
- 2.2 If not, what alternative forecast period or periods should be used by natural gas distributors?
- 2.3 Is a quarterly price adjustment appropriate for the regulated gas supply option?
- 2.4 If not, what alternative frequency or frequencies should be used by natural gas distributors?

3. Methodology for the calculation of the reference price

Issues:

- 3.1 Should a single Ontario-wide reference price be used as the basis for the gas supply commodity charge?
- 3.2 If a single Ontario-wide reference price is implemented, how and by whom should it be determined?
- 3.3 If not, what supply inputs, pricing point data and method or methods should be used to determine the reference price?
- 3.4 What role, if any, should the Board take in relation to the determination of the inputs and/or data to be used in calculating the reference price?

4. Deferral and variance accounts and disposition methodology

Issues:

- 4.1 What should be the deferral/variance accounts to capture variances in commodity, transportation and load balancing and inventory revaluations?
- 4.2 What methodology or methodologies should be used by natural gas distributors to determine the deferral/variance account balances to be disposed of?
- 4.3 What methodology or methodologies should be used by natural gas distributors to dispose of the deferral/variance account balances? How frequently should the accounts be cleared?
- 4.4 Should there be a final adjustment to re-allocate the PGVA? What methodology or methodologies should be used for that purpose by natural gas distributors?
- 4.5 What are the implications of the different methodologies considered in light of seasonal consumption patterns?

5. Effect of a change in the reference price on the revenue requirement

Issues:

- 5.1. What methodology or methodologies should be used by natural gas distributors for recovering the carrying cost of gas in inventory and related costs?

- 5.2. Should the revenue requirement (other than gas costs) change as a result of a change in the reference price?

If so:

- i. what component(s) of the revenue requirement should be adjusted?
- ii. what methodology or methodologies should be used by natural gas distributors for the purpose of allocating the change in the revenue requirement to the various customer rate classes?

6. Implications/costs of standardizing pricing mechanisms across all natural gas distributors

Issue:

- 6.1. Should there be standardized pricing mechanisms for all natural gas distributors? What are the costs, benefits and implications for ratepayers, gas marketers and natural gas distributors of standardizing the pricing mechanisms across all natural gas distributors?

7. Filing requirements

Issue:

- 7.1 Should there be standard filing requirements for QRAM applications? If so, what should the filing requirements be?

B. REVIEW OF LOAD BALANCING OBLIGATIONS FOR NATURAL GAS DISTRIBUTORS

Issues:

- 8.1 Should there be standardized load balancing mechanisms for Union and Enbridge? What are the costs and benefits to ratepayers, gas marketers and natural gas distributors of the current load balancing mechanisms used by each of Union and Enbridge? What are the costs, benefits and implications to ratepayers, gas marketers and natural gas distributors of standardizing the load balancing mechanisms for Union and Enbridge?
- 8.2 What mechanism(s) for load balancing should be used by natural gas distributors?

- 8.3 What are the implications of different balancing mechanism(s) in relation to the issue of drafting?
- 8.4 Should the MDV/DCQ reestablishment process be standardized, including in relation to the weather normalization of MDV/DCO volumes?

C. COST ALLOCATION

Issues:

- 9.1 What activities and underlying costs should be incorporated into the regulated gas supply and direct purchase options?
- 9.2 What asset-related costs should be allocated to load balancing and delivery and how should the costs of these services be allocated between system/regulated supply and direct purchase customers?
- 9.3 Under what circumstances should natural gas distributors be permitted to change cost allocation principles, percentages, or amounts as between distribution, load balancing, and commodity?

D. BILLING TERMINOLOGY

Issue:

- 10.1 Should natural gas distributors be required to use standard billing terminology? If so, what should the standard billing terminology be?

E. IMPLEMENTATION ISSUES

Issues:

- 11.1 What are the costs of implementing changes to methodologies currently used by natural gas distributors?
- 11.2 Who should bear those costs?
- 11.3 How and when should any such changes be implemented?