

Was preliminary page 1 1
RP-2000-0126

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Sched. B);

IN THE MATTER OF an Application by Natural
Resource Gas Limited for an order or orders approving
or fixing just and reasonable rates for the sale, distribution and
transmission of gas commencing October 1, 2000 (the
"2001 Test Year") and commencing October 1, 2001 (the
"2002 Test Year").

Before: Malcolm Jackson
Presiding Member
Ken McCann
Member
Bob Betts
Member

DECISION AND RATE ORDER

December 4, 2001

1. The Application and the Hearing Process

1.1 Natural Resource Gas Limited ("NRG") filed with the Ontario Energy Board (the "Board") an application dated December 4, 2000 (the "Application"), for an order or orders approving or fixing just and reasonable rates for the sale, distribution and transmission of gas commencing October 1, 2000 (the "2001 Test Year") and commencing October 1, 2001 (the "2002 Test Year").

1.2 For the purposes of subsection 36(3) of the Act, NRG requested that the Board use "the cost of service (Revenue Requirement) method, including rate base/rate of return, to approve or fix just and reasonable rates" for both the 2001 and 2002 Test Years.

1.3 The Board assigned file number RP-2000-0126 to the Application and issued a Notice of Application dated June 15, 2001, along with directions for service of the Notice. In response, The Consumers' Gas Company Limited ("Enbridge Consumers Gas" or "ECG") and Union Gas Company Limited ("Union") requested status as intervenors and the Heating Ventilation and Air Conditioning Contractors Coalition Inc. ("HVAC") requested status as an observer. None of the three made further submissions to the Board.

1.4 A Settlement Conference was held at the Board's offices from September 6 to 7, 2001. The Company, its witnesses and Board Staff participated in the Settlement Conference. A copy of the negotiated settlement proposal entitled Agreement Among Interested Parties (the "Settlement Proposal") was filed with the Board on October 17, 2001, and is made Appendix "A" to this Decision and Rate Order.

1.5 By an order of the Board under EB-2000-0307 dated October 6, 2000, existing rates approved by the Board on April 7, 2000, had been continued on an "interim" basis commencing October 1, 2000, for a period not exceeding one year. These rates were continued on an interim basis in the Board's order in EB-2001-0538 dated September 27, 2001.

1.6 There being no request for an oral hearing, the Board has proceeded on the basis of the written evidence and other submissions. The Board has given due weight to all submissions. However, the Board in its Decision and Rate Order specifically addresses the written evidence and submissions only to the extent necessary to set out and support its findings.

2. Board Findings

The Settlement Proposal

2.1 In determining the revenue requirements for NRG for 2001 and 2002 test years, the Board finds it in the public interest to accept the cost consequences of the Settlement Proposal put forward by NRG and Board staff. In such circumstances, the Board recognizes that in accepting one component of a revenue requirement which considered alone might appear high, there is one or more other component of the revenue requirement which arguably to the Applicant may be somewhat low. Trade-offs have been accepted in order to arrive expeditiously at an overall fair result. The Board has not individually approved each component of the revenue requirement, either as to the methodology of its determination or as to the quantum of the result.

2.2 Nonetheless, in matters not specifically affecting the quanta of the rates, particularly, for example, in the matter of compliance with the Board's Affiliate Relationships Code [12JF4-0:1] and in providing for the production of evidence which should be addressed in the setting of rates which will replace rates found just and reasonable herein for subsequent test periods, the Board has made provisions which go beyond those addressed in the Settlement Proposal.

Revenue Requirements for Test Years ending in 2001 and 2002

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2.3 Based on the negotiated Settlement Proposal, the Board finds that:

- NRG's rate base for its 2001 Test Year is \$8,746,915 and for its 2002 Test Year is \$8,854,787;
- the appropriate overall rate of return on rate base for the 2001 Test Year is 10.22%, which includes a return of 9.54% on the equity deemed to support rate base; for the 2002 Test Year the appropriate rate of return on rate base is 10.30%, including a return on equity of 9.66%;
- test year operating costs and revenues as set out in the settlement proposal are approved;
- on the basis of test year costs and existing rates, NRG would have an overall revenue deficiency of \$9,122, including a gas cost deficiency of \$137,757 and a delivery related excess of \$128,635 for its 2001 Test Year;
- on the basis of test year costs and existing rates, NRG would have an overall revenue excess of \$1,060,018, including a gas cost excess of \$984,099 and a delivery related excess of \$75,919 for its 2002 Test Year.

Test Year Billing Determinants and the Computation of new Rates

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2.4 Test year billing determinants including the gas sales and the distribution volumes by rate class were not at issue in this case. Consistent with the Settlement Proposal, the Board accepts such data as it has been used by NRG to compute the test year revenues and to compute the new rates effective October 1, 2001. In accepting the cost consequences of the Settlement Proposal and the billing determinants underlying the calculation of rates, the Board therefore approves the new rates which are set out in Appendix "B".

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2.5 Customer notices to be provided on giving effect to the new rates are set out in Appendix "C".

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2.6 In adopting the Settlement Proposal for the implementation of rates October 1, 2001, the Board accepts the proposal to offset the excess on the distribution business and the deficiency on the gas sales function for the test year ending September 30, 2001, with the adjustments from deferral accounts as set out in Appendix "D". Hence, the Board finds that interim rates charged prior to October 1, 2001, should now be approved and made "final".

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Deferral Accounts

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2.7 The Board accepts the disposition of deferral account balances and the provision for deferral accounts as set out in the Settlement Proposal and documented in Appendix "E".

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2.8 Specifically, the Board accepts the establishment of a deferral account to track costs of new land and building. As provided in the Settlement Proposal, the Board finds that NRG should make a business case for the new land and building and to justify the costs when it seeks to recover such costs in future rates.

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Review of Cost Allocation and of Rate Design

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2.9 For expediency, NRG requested that changes relating to revenue requirement and the overall level of rates be considered in this proceeding and that a detailed review of cost allocation and rate design be deferred. In the Board's view such a review should consider both allocations of cost between operations which are "utility" and "non-utility" and allocations which reflect cost behaviour among service classes of the utility operations and which fairly allocate costs which are common to one or more classes. The Board finds it appropriate to set out in its order certain evidentiary material which should be prepared so that a full review of cost allocation and rate design may proceed expeditiously at the time of, or before, the next application to change the overall level of NRG's distribution rates.

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Affiliate Relationships

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2.10 Significant costs which form the basis for ratemaking arise from transactions with affiliates of NRG. The issues of affiliate relationships are not new and have been explored to some extent

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in previous proceedings. Safeguards have been considered by the Board and are expressed in the Board's Affiliate Relationships Code [12JF4-0:1].

2.11 Affiliate relationships put an onus on the Board to examine compliance with the code and, even when there is compliance with the code, to review and explore costs which arise from affiliate relationships. In such circumstances, one has no arm's length transaction to rely on as a measure of fair market value. 36

2.12 For expediency in this proceeding, the Board has accepted a limited scope of examination focusing primarily on determining revenue requirements for the two test years. The Board notes that a panel of the Board previously (in RP-1999-0031) found it appropriate to approve an exemption to a provision in the code. However, the Board should regularly review compliance with the code and the rationale for the granting of any existing and new exemptions. Hence, the Board in its order makes provision for review. 37

Debt Costs

2.13 In this case, as in previous NRG cases before it, there is difficulty in evaluating debt cost because a major portion arises from a transaction with a company directly controlled by NRG's owner. In this case, the Board has accepted that, in arriving at the Settlement Proposal, the matter has been discussed and compromises and trade-offs have been made so as to ensure an overall fair level of revenue requirements for each of the two test years. 38 39

2.14 The Board emphasizes that, in approving the cost consequences of loans from affiliated persons for the test years 2001 and 2002 within the context of accepting the Settlement Proposal, the Board is not finding that such loans were negotiated to produce fair market value beyond the test periods considered. Whether the cost consequences of such loans in future years should form the basis of a future Settlement Proposal and whether, on detailed review, the Board would be able to satisfy itself as to the fairness of the resulting costs is a matter for another proceeding. 40

Monitoring of Performance under Board-Approved Rates

2.15 In the Board's view, good regulation requires that the Board review the operations which flow from its decisions and orders. Over a number of years the Energy Returns Officer of the Board (the "ERO") has been receiving quarterly reporting of the operating results of the large gas utilities regulated by the Board. 41 42

2.16 The Board and Board staff in reviewing these reports are assisted if there is separate reporting of results for the gas sales function and separate reporting of results for the gas distribution business. 43

2.17 In reporting the three, six and nine months operations, the Board is also assisted by the provision of comparison data or an update of the test year data that incorporates the actual data as it stands to the end of the quarter. The Board recognizes that in preparing such reports, estimates are 44

made which may be "high level" and approximate in nature, but which are adequate for the purposes to which they are put.

2.18 In setting out views concerning reporting for the purpose of the Board's monitoring of operations, the Board notes that, with its "future test year" approach to ratemaking, any excess or shortfall in revenues over costs is absorbed by the shareholders at least until, on application by the utility or on the Board's motion, rates are made interim or until a new final order is issued following next rates case. If a significant excess of revenues over costs is evident and appears likely to continue, the ERO has on occasion entered into discussions with a utility in order to address concerns. The ERO can if appropriate recommend to the Board to proceed on its own motion to change rates. Going forward, improvements in reporting for monitoring should make the Board's regulation more efficient and more knowledgeable on a timely basis. However, revenue excesses and shortfalls are naturally occurring. Improvement in the receipt of information should not in itself lead to more frequent changes in rates. 45

2.19 The Board finds it appropriate to require quarterly reporting of operations, showing results separated for the gas sales function and for the gas distribution business. Was page 7 46

2.20 The Board also expects NRG to fulfill any specific reporting commitments which it agreed to in the Settlement Proposal, such as in particular the agreement to provide timely notification and disclosure to the Board whenever unusual payments of salary or bonuses are made in excess of \$100,000. 47

THE BOARD THEREFORE ORDERS THAT:

1. The rates and other charges set out in the rate schedules in Appendix "B" are hereby approved. Such rates shall be effective on October 1, 2001 and implemented for bills rendered on and after December 1, 2001. Rates and existing charges prior to this effective date are no longer "interim" and are hereby approved, subject to the disposition of the delivery-related excess and the gas-sales-related deficiency as described below. 49
2. With the first bill implementing the rates and charges resulting from this Rate Order, NRG shall send to each customer the appropriate notice set out in Appendix "C". 50
3. NRG shall dispose of the fiscal year 2001 delivery-related excess, including the credit transferred from the fiscal 2001 year-end Purchased Gas Transportation Variance Account, and the fiscal year 2001 gas-cost-related deficiency, including the debit proposed to be transferred from the fiscal 2001 year-end Purchased Gas Commodity Variance Account, through one-time adjustments to the customers' bill in the first billing month after the implementation of the fiscal 2002 rates. For gas sales customers the net adjustment is zero. For direct purchase customers, the adjustment is a credit, expressed in \$/, to be applied to actual consumption from October 1, 2000 to September 30, 2001. As proposed by NRG and approved by the Board, the adjustments are provided in Appendix "D". 51
4. For service billed at existing rates during the period from October 1, 2001, to the implementation date of new rates, NRG shall, as an adjustment on the first bill after the implementation of new rates, provide an adjustment to credit or charge for the difference arising from billing the said service at the new rates. 52
5. NRG shall maintain the Purchased Gas Commodity Variance Account ("PGCVA") with a reference price \$0.317087 per m3 as approved by the Board in EB-2001-0005 for the remainder of fiscal year 2001, as shown in Appendix "E". NRG shall record, effective October 1, 2000, simple interest on the monthly opening balances in the PGCVA, calculated at the Board-approved short-term debt rate of 8.40% for fiscal year 2001 53
6. A credit in the amount of \$36,954.84 shall be transferred from the PGCVA at the end of fiscal year 2001. The remaining balance in the PGCVA at the end of fiscal year 2001 shall be carried forward into the fiscal year 2002 PGCVA effective October 1, 2001, and the fiscal year 2001 PGCVA shall be closed. Was page 9 54
7. NRG shall maintain the Purchased Gas Transportation Variance Account ("PGTVA") with a reference price of \$0.019206 per m3 as approved by the Board in RP-1999-0031 for the remainder of fiscal year 2001, as shown in Appendix "E". NRG shall record, effective October 1, 2000, simple interest on the monthly opening balances, calculated at the Board-approved short-term debt rate of 8.40% for fiscal year 2001. 55

8. In accord with the Settlement Proposal, the debit in the amount of \$74,873.92 shall be applied to the PGTVA at the end of fiscal 2001. Any remaining balance in the PGTVA at the end of fiscal 2001 will be carried forward into the fiscal 2002 PGTVA effective October 1, 2001, and the fiscal year 2001 PGTVA shall be closed. 56
9. NRG shall maintain a Purchased Gas Commodity Variance Account ("PGCVA") with a reference price of \$0.266299 per m³ for fiscal year 2002, as set out in Appendix "E", or until such reference price is subsequently amended by the Board. NRG shall record, effective October 1, 2001, simple interest on the monthly opening balances, calculated at the Board-approved short-term debt rate of 7.50%. 57
10. NRG shall maintain a Purchased Gas Transportation Variance Account ("PGTVA") with a reference price of \$0.018159 per m³ for fiscal year 2002, as set out in Appendix "E", or until such reference price is subsequently amended by the Board. NRG shall record, effective October 1, 2001, simple interest on the monthly opening balances, calculated at the Board-approved short-term debt rate of 7.50%. 58
11. NRG shall maintain the Regulatory Expenses Deferral Account ("REDA") as set out in Appendix "E". NRG shall record simple interest on the monthly opening balances, calculated at the Board-approved short-term debt rate of 8.40% effective October 1, 2000, and 7.50% effective October 1, 2001. Was page 10 59
12. NRG shall maintain the Direct Purchase Administration Deferral Account ("DPADA") as set out in Appendix "E". NRG shall record simple interest on the monthly opening balances, calculated at the Board-approved short-term debt rate of 8.40% effective October 1, 2000, and 7.50% effective October 1, 2001. 60
13. NRG is granted approval to close the Ontario Energy Board Variance Account (Account No. 179-31) and the associated Interest on the Ontario Energy Board Variance Account (Account No. 179-32). 61
14. NRG shall establish the Land and Building Purchase Deferral Account ("LBPDA") as set out in Appendix "E". NRG shall record simple interest on the monthly opening balances, calculated at the Board-approved short-term debt rate of 7.50% effective October 1, 2001. 62
15. In respect of the purchase of the land and building for which, in its current application, NRG had requested cost recovery, NRG shall, as contemplated in the Settlement Proposal, file a full "business case" analysis with the Board. The analysis should address the assessment of the various purchase options, rate impact analysis and the disposition of the existing land and building. The Board expects that NRG shall file the business case before entering into any significant costs associated with the land and building purchase. 63
16. NRG shall provide timely notification and disclosure to the Board whenever unusual payments of salary or bonuses are made in excess of \$100,000. 64

17. NRG shall file, prior to the commencement of its next rate case, a cost analysis showing costs fully allocated by line of business and by class of service. In doing this, NRG should address the appropriateness of its classifications of service for the purposes of the analysis. In submissions in preparation for a review of its cost allocations and design of rates, NRG should explain the level of interruptible service and the role it plays in relation to firm service on the NRG system. Was page 11 65
18. NRG shall investigate whether there are more market-related and responsive pricing approaches for pricing its purchases from its affiliate, specifically its gas purchases, and shall bring this information forward to the Board for its consideration in the next main rate case. 66
19. NRG shall file its late payment policy statement with the Board by December 31, 2001, and shall at the same time set out its position with respect to the need for a deferral account to track differences in revenue resulting from the new late payment policy. 67
20. NRG shall review the billing practices of other utilities and, for fiscal 2003, specifically addressing whether the billing due dates for NRG's customers are consistent with industry practices in Ontario. NRG shall consider especially whether the 12 calendar day payment period should be increased. 68
21. On a timely basis, NRG shall file with the Board quarterly reports of its utility revenues and costs, showing separately the results for its gas sales function and for its gas distribution business, and showing comparison data for the current or most recently available approved test year. 69
22. Prior to the commencement of its next main rate case, NRG shall review whether it is in compliance with all of the requirements of the Affiliate Relationships Code [12JF4-0:1] and where it is not in compliance, shall promptly come into compliance or apply to the Board for all necessary exemptions, explaining the history of its compliance or non-compliance and why it may require an exemption. 70
23. NRG shall pay the Board's costs of, and incidental to, this proceeding immediately upon receipt of the Board's invoice. Was page 12 71

DATED at Toronto, December 4, 2001.

Malcolm Jackson
Presiding Member

Ken McCann
Member

Bob Betts
Member

APPENDIX A

**BOARD ORDER RP-2000-0126
NATURAL RESOURCE GAS LIMITED
2001 & 2002 SETTLEMENT PROPOSAL**

RP-2000-0126
AGREEMENT AMONG INTERESTED PARTIES

This Alternative Dispute Resolution Agreement (ADR) is for the consideration of the Board in its determination of rates for Natural Resource Gas Limited (NRG) under Board file RP-2000-0126. This Agreement deals with all issues identified in the Board's Issues List and notes where agreement has been reached between Board staff and NRG for the purpose of establishing rates for the fiscal years ended September 30, 2001 and 2002. The Agreement is supported by the existing pre-filed evidence or by further evidence that may be led by the Applicant.

This Agreement is presented into sections corresponding to the fiscal 2001 and fiscal 2002 test years.

Fiscal 2001

Section A - ADMINISTRATION

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1. Budget Process

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Board Staff accepts the evidence on the Budget Process presented by NRG. The specifics of the Revenue Forecast, Operating and Maintenance Expense and Capital Expenditures Forecasts are addressed below.

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References:

AT10S1

AT10S2

Board Staff Interrogatory #4

2. Affiliate Relationships

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Board Staff accepts the evidence presented by NRG except that NRG agrees with Board Staff to provide timely notification and disclosure to the Board whenever unusual salary payments are made in excess of \$100,000. This will ensure that salary bonuses such as that paid in 1999 will be disclosed to the Board.

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References:

AT9

AT6S2

AT6S3U

Board Staff Interrogatory #3

3. Status of Board Directives

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Board Staff accepts the evidence presented by NRG that NRG has complied with the Board's Directives on RP-1999-0031. It is noted that the Fully Allocated Costing (FAC) study will be filed as part of the next rate case.

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References:

AT7S1

4. **Audited Financial Statements**

Board Staff accepts the fiscal 1999 and 2000 audited financial statements presented by NRG. The bonus in the amount of \$1,831,000 that has been included in the 1999 audited financial statements, has been dealt with under point 2 above.

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References:

AT9S1

AT9S2

Section B - RATE BASE

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1. Capital Expenditure Forecast

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NRG and Board Staff agree to the following changes in the level of capital expenditures for fiscal 2001:

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John Street	(17,444)	}	- deferred to Fiscal 2002
Mains	(12,656)		- customer-related capital expenditures due to lower forecast of customer additions
Meters	3,000		
Regulators	(13,000)		
Franchises	(1,000)	}	- general expenditures reduced in line with customer-related capital
Furniture	(2,500)		
Computer Software	(2,000)		
Machinery & Equip.	(6,000)		
Rental Water Heaters	<u>(37,800)</u>		- reduction due to low installations of rental water heaters
Total	(89,400)		

As a result of the lower capital expenditure on rental water heaters, the rental revenue forecast for ancillary services has been reduced by \$1,639 in Fiscal 2001. The overall rate of return on ancillary services for 2001 is 14.5%. This reflects the decreased revenues, reduction in depreciation expense and rate base.

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Was page A-3 96

References:

- Board Staff Interrogatories # 6,7,9
- B1T2S1U
- B4T2S1U
- B4T2S2U
- B4T2S3U
- B4T3S1U
- B4T3S2U
- B4T3S3U
- B4T3S4U
- C4T3S1
- Impact Statement, Appendix A, p.1, Note 1

2. **Rate Base**

97

NRG and Board Staff agree with the revised level of average rate base for fiscal 2001 of \$8,746,915. This revised figure takes into account the changes in the capital forecast noted in point 1 above.

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References:

B1T1S1U

B2T1S1U

B4T1S1U

B4T1S2U

Impact Statement, Appendix A, p.3, Notes 1 to 3

Section C - OPERATING REVENUE

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1. Customer Additions

101

Board Staff accepts NRG's forecast of net customer additions of 190 for fiscal 2001 compared to 255 net customer additions in 2000.

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References:

C1T1S2U

C1T2S1U

C4T2S1U

C4T2S2U

Board Staff Interrogatory # 12

Was page A-4 104

2. Volume Forecast

Board Staff accepts NRG's normalized volume forecast of 23,968,030 for fiscal 2001. The forecast was prepared using the same methodology as in RP-1999-0031 for fiscal 2000.

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References:

C1T1S2U

C1T2S1U

C1T2S3U

C2T1S1

C4T2S1U

C4T2S3U

C4T2S4U

C5T2S1U

Board Staff Interrogatory #10

107

3. Gas Sales Revenue

Board Staff accepts NRG's forecast of gas revenue of \$9,421,899 for fiscal 2001. NRG confirmed that the forecast was based on existing rates applied to the volumes forecast at C4T1S2 Updated.

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References:

C1T1S1U
C4T1S1U
C4T1S2U

4. **Other Operating Revenue**

110

NRG and Board staff agreed that the other operating revenue forecast for 2001 shall be reduced by \$1,639 (net) to reflect the lower income from the rental of water heater units.

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References:

Impact Statement, Appendix A, p.1, Note 1

Section D - COST OF SERVICE

1. Gas Costs

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Board Staff accepts NRG's forecast for gas costs for fiscal 2001. NRG agrees that it will investigate whether there are more market sensitive pricing methodologies for pricing its purchases from its affiliate. NRG will bring this information forward to the OEB for its comments in the next rate case.

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References:

D1T2S1U

D4T2S1U

Board Staff Interrogatories # 16,18,19

2. Unaccounted For Gas

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Board Staff accepts NRG's evidence on unaccounted for gas. The 2001 forecast indicates that NRG is maintaining a level of about 1%.

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References:

D1T2S2U

D3T2S2U

Board Staff Interrogatory # 17

3. Operating and Maintenance Expenses

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NRG and Board Staff agree with the amount of non-capital operating and maintenance expenses of \$1,594,756 for fiscal 2001. After deferring a capital expenditure of \$17,444 from 2001 to 2002, the amount of \$1,273 which would have been capitalized, will now be expensed in 2001 as part of the operating and maintenance costs. The Operating and Maintenance costs per customer have been significantly reduced from \$313.67 (2000) to \$300.88 (2001).

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References:

D1T3S1U

D4T3S1U
D4T3S2U
Board Staff Interrogatory #20
Impact Statement, Appendix A, p.1, Note
2

Was page A-6 123

4. Depreciation Expense

Board Staff accepts NRG's evidence on depreciation expense for fiscal 2001, including the impact of the ADR agreement on capital expenditures resulting in the depreciation expense of \$513,976. There are no changes in the depreciation rates.

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References:

D1T4S1U
D4T4S1U
D4T4S2U
Board Staff Interrogatory #21, 22
Impact Statement, Appendix A, p.1, Note
3

5. Property and Capital Taxes

Board Staff accepts NRG's evidence on property and capital taxes of \$264,606 for fiscal 2001 including the adjustments to property and capital taxes related to the deferral of a railway crossing project and lower capital expenditures in 2001. These adjustments result in property taxes decreasing by \$20.00 and capital taxes increasing by \$7.00. NRG confirmed that the capital taxes are calculated on a stand-alone basis and are in line with the Board's Order in EBRO 496.

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References:

D1T5S1U
D4T5S1U
D4T5S2U
Impact Statement, Appendix A, p. 1, note
4

6. Income Taxes

Board Staff accepts NRG's evidence on income taxes of \$243,932 for fiscal 2001, including the impact of the ADR agreement. NRG confirmed that its income taxes are

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calculated on a stand-alone basis and are in accordance with the Board's Order in EBRO 496.

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References:

D1T6S1U
D4T6S1U
D4T6S2U
Impact Statement, Appendix A, p. 2, Notes 1 & 2

Was page A-7 132

7. Deferral Accounts

Board Staff accepts NRG's evidence on disposition of the non-gas related deferral account balances. Board Staff also accepts NRG's proposal for the disposition of the gas related deferral account balances in conjunction with the projected fiscal 2001 year-end balances in the PGCVA and PGTVA. This proposal would net any sufficiency/deficiency incurred in the fiscal 2001 test year with the balance forecasted to be in the PGCVA and PGTVA accounts at the end of fiscal 2001 such that there would be no retroactive charge or refund to system customers for fiscal 2001. A small remaining balance in the PGCVA would be carried forward to fiscal 2002.

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NRG's updated evidence provided an overall revenue deficiency of \$13,718. This deficiency was composed of a gas cost deficiency of \$137,757 and a delivery related sufficiency of \$124,039. The impact of the ADR agreement is to increase the delivery related sufficiency by \$4,596 to \$128,635, with the gas cost deficiency remaining at \$137,757, for an overall decrease in the revenue deficiency from \$13,718 to \$9,122.

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The proposal agreed to by NRG and Board Staff would exactly offset the rebate per associated with the fiscal 2001 delivery related sufficiency and the credit balance in the PGTVA with the retroactive charge per associated with the fiscal 2001 gas supply deficiency and a portion of the debit balance in the PGCVA. The remaining debit balance in the PGCVA would be carried forward into the fiscal 2002 cost of gas, as originally proposed by NRG.

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Based upon the updated evidence and the ADR agreement, the following are the relative figures to be used in this approach:

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Delivery volumes	23,968,030 m ³	G4/T2/S1/Upd/Sch.	3.2
Delivery related sufficiency	\$128,635.00	ADR Agreement	pg. 5, see Footnote
PGTVA 2001 year-end balance	\$ 74,873.92	D4/T2/S3	

137

Gas purchase	volumes	19,905,082 m ³	G4/T2/S1/Upd/Sch.	3.2
Gas cost	deficiency	(\$137,757.00)	& D3/T2/S2/Upd	
PGCVA	2001 year-end bal-	(\$ 36,954.84)	G4/T2/S1/Upd/Sch.	3.3
ance			D4/T2/S2	

(Note - all volumes are fore-
cast)

Based on the above, the delivery rebate is calculated as:

$$(\$128,635 + \$74,873.92) / 23,968,030 = \$0.008491 \text{ per m}^3.$$

For the net charge to system gas customers to be \$0.00 per m³, the gas cost charge must be \$0.008491 per m³. This requires the use of the gas cost deficiency and a portion of the PGCVA debit, as shown below:

$$(\$0.008491 \times 19,905,082) - \$137,757 = \$31,257.05$$

The net impact is no retroactive rebate or charge for system gas customers and a delivery rebate of \$0.008491 per for direct purchase customers.

The remainder of the forecast PGCVA, debit balance of \$5,697.79 (\$36,954.84 less \$31,257.05), will be incorporated into the fiscal 2002 cost of gas forecast. Any difference between the actual fiscal 2001 year-end balance in the PGCVA and PGTVA from the forecast figures used above will be carried forward into the fiscal 2002 PGCVA and PGTVA, respectively.

Board Staff accepts the continuation of the Purchased Gas Commodity Variance Account (PGCVA), Purchased Gas Transportation Variance Account (PGTVA), Regulatory Expenses Deferral Account (REDA), and Direct Purchase Administration Deferral Account (DPADA) as proposed by NRG, including the calculation of simple interest on the monthly opening balances calculated at the Board approved short-term debt rate for fiscal 2001. The PGCVA reference price for the remainder of fiscal 2001 is \$.317087 per m³ as approved by the Board in EB-2001-0005. The PGTVA reference price for fiscal 2001 is \$.019206 per m³ as approved by the Board in RP-1999-0031. Board Staff also accepts the proposal to close the Ontario Energy Board Variance Account (OEBVA).

References:

D3R2S1U from RP-1999-0031

D1T7S1U

D4T2S2

D4T2S3

D4T7S1U

F4T1S1U

Board

Staff Interrogatory #38

Impact

Statement, Appendix A, p.5, see Footnote

Section E - COST OF CAPITAL

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1. Capital Structure

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Board Staff accepts NRG's evidence on the capital structure for fiscal 2001, including the impact of the ADR agreement except as noted under Cost of Debt.

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References:

- E1T1S1U
- E4T1S1U
- E4T1S2U

Was page A-9 150

2. Cost of Debt

Board Staff agrees with the evidence provided by NRG. Board Staff takes no position on the need for or the terms of the Junsen loan agreement. The loan agreement, and in particular paragraph 4.1, should be reviewed by the Board in the next main rate case. For purposes of reaching a settlement, the Board Staff will accept and recommend to the Board, the cost consequence of NRG paying an annual interest of 9.54% on the loan for the fiscal year 2001, which cost will be included in the Revenue Requirement for 2001.

151

152

References:

- E1T1S2U
- E4T1S3U
- E4T1S4U
- E4T1S5U
- Board Staff Interrogatories # 24, 28,29

3. Return on Equity and Cost of Common Equity

153

Board Staff accepts NRG's evidence on rate of return and cost of common equity of 9.54% for fiscal 2001. The rate of return on Common Equity for 2001 is based on the rate of return on Common Equity for Enbridge Consumers Gas in RP2000-0040 Board Decision.

154

References:

A/T9/S1-2000 Audited Financial Statements, p.11
E1T1S3U
E4T1S1U
Board Staff Interrogatory #25

Section F - RATE OF RETURN

156

1. Calculation of Delivery Revenue Sufficiency/Deficiency

157

Board Staff accepts NRG's calculation of the delivery sufficiency for fiscal 2001, including the changes resulting from the ADR agreement. The overall delivery sufficiency as shown in the Impact Statement, has increased from \$124,039 to \$128,635 (net) in 2001.

158

159

References:

- F1T1S1U
- F4T1S1U
- F4T1S2U
- F4T2S1U
- G4T2S1U

Board Staff Interrogatory # 38
Impact Statement, Appendix A, p.5, see Footnote

Was page A-10 160

2. Calculation of Gas Cost Revenue Sufficiency/Deficiency

Board Staff accepts NRG's calculation of the gas cost deficiency for fiscal 2001. The overall gas cost deficiency remains at \$137,757 (net) in 2001.

161

162

References:

- F1T1S1U
- F4T1S1U
- F4T1S2U
- F4T2S1U
- G4T2S1U

Board Staff Interrogatory # 38
Impact Statement, Appendix A, p.5, see Footnote

3. Treatment of Revenue Sufficiency/Deficiency

163

Board Staff agrees with NRG's calculation of the overall revenue deficiency for fiscal 2001, including the changes resulting from the ADR agreement. The overall deficiency has been calculated to be \$9,122.

164

The clearing of the delivery revenue sufficiency and gas cost deficiency is dealt with under Section D - Cost of Service, part 7 - Deferral Accounts.

165

166

References:

FIT1S1U
Impact Statement, Appendix A, p.5

Section G - COST ALLOCATION

167

1. Cost Allocation Study

168

Board Staff accepts NRG's cost allocation study that was prepared on a similar basis to what was approved in RP-1999-0031 for fiscal 2001. Board Staff notes that the FAC study for ancillary services is to be reviewed in the company's next rates application.

169

170

References:

G1T1S1
G2T1S1
Board Staff Interrogatories # 33, 34, 35

Was page A-11 171

2. Proposed Cost Allocation

Board Staff accepts that there is no change in NRG's cost allocation methodology for fiscal 2001 from that which was previously approved in RP-1999-0031. Board Staff notes that the company's FAC study for ancillary services will be reviewed in the next rates case.

172

173

References:

G2T1S1
G4T1S1
G4T2S1U
Board Staff Interrogatories # 34, 37, 38

Section H - RATE DESIGN

174

1. Revenue to Cost Ratios

175

Board Staff accepts NRG's revenue to cost (R/C) ratios for fiscal 2001 because there are no significant changes in the R/C ratios from fiscal 2000.

176

177

References:

H1T1S1U, pages 3-4
H2T1S1U
Board Staff Interrogatory # 39

2. Customer Charges

178

Board Staff accepts NRG's customer charges for fiscal 2001 as previously approved in RP-2000-0031. NRG withdrew its proposal to increase monthly fixed charges in order to expedite the current rates proceeding.

179

180

References:

H2T1S2U
Board Staff Interrogatory # 41

3. Changes to Rates

181

NRG and Board Staff agreed that based on ADR Agreement, there is no change in the rates for 2001 for system gas customers. Direct purchase customers will receive a delivery-related rebate of \$.008491 per for fiscal 2001 consumption.

182

183

References:

H1T1S1U
H2T1S1U
H4T4S1U

APPENDIX B**BOARD ORDER RP-2000-0126
NATURAL RESOURCE GAS LIMITED
RATES AND OTHER CHARGES
EFFECTIVE OCTOBER 1, 2001**

185

NATURAL RESOURCE GAS LIMITED
RATE 1 - General Service Rate

186

Availability

The entire service area of the Company.

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188

Eligibility

All customers.

189

190

Rate

191

a)	Monthly	Fixed Charge	\$7.95
b)	Delivery	Charge	
	First 1,000 m ³	per month	17.1005 cents per m ³
	All over 1,000 m ³	per month	10.6005 cents per m ³
c)	Gas Supply	Charge (if applicable)	26.6653 cents per m ³

192

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

193

194

Delayed Payment Penalty

When payment in full is not made on or before the due date shown on the bill, which date shall not be less than 12 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the rate or rates upon which the current charge is calculated shall be increased by five percent (5%) which increased amount shall be due and payable thereafter. Effective January 1, 2002, a customer shall be charged a late payment fee of 1.5% per month on all amounts past due more than 12 calendar days. The minimum delayed payment penalty shall be one dollar (\$1.00).

195

196

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said "Bundled T" transportation service.

197

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

198

Effective: October 01, 2001

199

Implementation: All bills rendered on or after December 01, 2001

200

RP-2000-0126

201

NATURAL RESOURCE GAS LIMITED
RATE 2 - Seasonal Service Rate

202

Availability

203

The entire service area of the company.

204

Eligibility

205

All customers.

206

Rate

207

208

For	all gas consumed from:	April 1 October	through 31:	November March 31:	1 through
a)	Monthly Fixed Charge	\$9.20		\$9.20	
b)	Delivery Charge				
	First 1,000 m ³ per month	15.3914 cents per m ³		18.5648 cents per m ³	
	Next 24,000 m ³ per month	9.7219 cents per m ³		16.6254 cents per m ³	
	All over 25,000 m ³ per month	5.0205 cents per m ³		16.1952 cents per m ³	
c)	Gas Supply Charge (if applicable)	26.6653 cents per m ³		26.6653 cents per m ³	

209

Meter Readings

210

Gas consumption by each customers under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

211

Delayed Payment Penalty

212

When payment in full is not made on or before the due date shown on the bill, which date shall not be less than 12 calendar days after the date of mailing, hand delivery or electronic transmis-

sion of the bill, of the bill, the rate or rates upon which the current charge is calculated shall be increased by five percent (5%) which increased amount shall be due and payable thereafter. Effective January 1, 2002, a customer shall be charged a late payment fee of 1.5% per month on all amounts past due more than 12 calendar days. The minimum delayed payment penalty shall be one dollar (\$1.00).

213

Bundled Direct Purchase Delivery

214

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said "Bundled T" transportation service.

215

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario

216

Effective: October 01, 2001

217

Implementation: All bills rendered on or after December 01, 2001

218

RP-2000-0126

219

NATURAL RESOURCE GAS LIMITED
RATE 3 - Special Large Volume Contract Rate

220

Availability

Entire service area of the company. 221

222

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas: 223

a) for a minimum term of one year; 224

b) that specifies a combined daily contracted demand for firm and interruptible service of at least 700 m³; and 225

c) a qualifying annual volume of at least 113,000 m³. 226

227

Rate

1. Bills will be rendered monthly and shall be the total of: 228

a) A Monthly Customer Charge: 229

A Monthly Customer Charge of \$50.00 for firm or interruptible customers; or 230

A Monthly Customer Charge of \$54.00 for combined (firm and interruptible) customers. 231

b) A Monthly Demand Charge: 232

A Monthly Demand Charge of 22.6960 cents per m³ for each m³ of daily contracted firm demand. 233

c) A Monthly Delivery Commodity Charge: 234

- (i) A Monthly Firm Delivery Commodity Charge for all firm volumes of 5.2480 cents per m³, 235
- (ii) A Monthly Interruptible Delivery Commodity Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 8.4612 cents per m³ and not to be less than 5.4412 per m³. 236
- d) Gas Supply Charge (if applicable) 237
- A gas supply charge of 26.6653 cents per m³. 238
- e) Overrun Gas: 239
- Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization. 240
- If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then, 241
- (i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or 242
- (ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice, 243
- as the case may be, shall constitute unauthorized overrun volume. 244
- Any unauthorized firm overrun gas taken in any month shall be paid for at the Rate 3 Firm Commodity Charge in effect at the time the overrun occurs. In addition, the Contract Demand level shall be adjusted to the actual maximum daily volume taken and the Demand Charges stated above shall apply for the whole contract year, including retroactively, if necessary, thereby requiring recomputation of bills rendered previously in the contract year. 245
- Any unauthorized interruptible overrun gas taken in any month shall be paid for at the Rate 1 rate in effect at the time the overrun occurs. 246
- For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's sup- 247

pliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c)(ii) above, the matters to be considered include: 248
- a) The volume of gas for which the customer is willing to contract; 249
 - b) The load factor of the customer's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for; 250
 - c) Interruptible or curtailment provisions; 251
 - d) Competition. 252
3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be 5.0559 cents per for firm gas and 5.2491 cents per for interruptible gas. 253
4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the "transition period"). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of 7.0471 cents per and a gas supply commodity charge of 26.6653 cents per , if applicable. Gas purchased under this clause will not contribute to the minimum volume. 254

Bundled Direct Purchase Delivery 255

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said "Bundled T" transportation service. 256

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario. 257

Delayed Payment Penalty

258

When payment in full is not made on or before the due date shown on the bill, which date shall not be less than 12 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the rate or rates upon which the current charge is calculated shall be increased by five percent (5%) which increased amount shall be due and payable thereafter. Effective January 1, 2002, a customer shall be charged a late payment fee of 1.5% per month on all amounts past due more than 12 calendar days. The minimum delayed payment penalty shall be one dollar (\$1.00).

259

Effective: October 01, 2001

260

Implementation: All bills rendered on or after December 01, 2001

261

RP-2000-0126

262

263

NATURAL RESOURCE GAS LIMITED
RATE 4 - General Service Fall Peaking Rate

264

Availability

The entire service area of the company.

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266

Eligibility

All customers whose operations, in the judgement of Natural Resource Gas Limited, can readily accept interruption and restoration of gas service with 24 hours notice.

267

268

Rate

269

		April 1 through December 31:	January 1 through March 31:
For all gas consumed from:			
a) Monthly Fixed Charge		\$9.20	\$9.20
b) Delivery Charge			
First 1,000 m ³ per month		15.3914 cents per m ³	18.5648 cents per m ³
All over 1,000 m ³ per month		9.9719 cents per m ³	16.6254 cents per m ³
c) Gas Supply Charge (if applicable)		26.6653 cents per m ³	26.6653 cents per m ³

270

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

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272

Delayed Payment Penalty

When payment in full is not made on or before the due date shown on the bill, which date shall not be less than 12 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the rate or rates upon which the current charge is calculated shall be increased by five percent (5%) which increased amount shall be due and payable thereafter. Effective January 1, 2002, a customer shall be charged a late payment fee of 1.5% per month on all

273

amounts past due more than 12 calendar days. The minimum delayed payment penalty shall be one dollar (\$1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said "Bundled T" transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2001

Implementation: All bills rendered on or after December 01, 2001

RP-2000-0126

280

NATURAL RESOURCE GAS LIMITED
RATE 5 - Interruptible Fall Peaking Contract Rate

281

Availability

Entire service area of the company. 282

283

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas: 284

a) for a minimum term of one year; 285

b) that specifies a daily contracted demand for interruptible service of at least 700 m³; and 286

c) a qualifying annual volume of at least 50,000 m³. 287

288

Rate

1. Bills will be rendered monthly and shall be the total of: 289

a) A Monthly Customer Charge: 290

A Monthly Customer Charge of \$50.00. 291

b) A Monthly Delivery Commodity Charge: 292

A Monthly Delivery Commodity Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 8.4612 cents per m³ and not to be less than 5.4612 per m³. 293

c) Gas Supply Charge (if applicable) 294

A gas supply charge of 26.6653 cents per m³. 295

d) Overrun Gas: 296

297
Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

298
If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas then,

299
(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

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(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

301
as the case may be, shall constitute unauthorized overrun volume.

302
Any unauthorized overrun gas taken in any month shall be paid for at the Rate 1 rate in effect at the time the overrun occurs.

303
For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

304
2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c) above, the matters to be considered include:

305
a) The volume of gas for which the customer is willing to contract;

306
b) The load factor of the customer's anticipated gas consumption and the pattern of annual use;

307
c) Interruptible or curtailment provisions;

308
d) Competition.

309
3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas of 50,000 m³.

Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this annual minimum shall be 6.0000 cents per m³ for interruptible gas.

310

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said "Bundled T" transportation service.

311

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

312

Delayed Payment Penalty

313

When payment in full is not made on or before the due date shown on the bill, which date shall not be less than 12 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the rate or rates upon which the current charge is calculated shall be increased by five percent (5%) which increased amount shall be due and payable thereafter. Effective January 1, 2002, a customer shall be charged a late payment fee of 1.5% per month on all amounts past due more than 12 calendar days. The minimum delayed payment penalty shall be one dollar (\$1.00).

314

Effective: October 01, 2001

315

Implementation: All bills rendered on or after December 01, 2001

316

RP-2000-0126

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318

NATURAL RESOURCE GAS LIMITED
RATE BT1 - Bundled Direct Purchase Contract Rate

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Availability

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Rate BT1 is available to all customers or their agent, who enter into a Receipt Contract for delivery of gas to NRG. The availability of this option is subject to NRG obtaining a satisfactory agreement or arrangement with Union Gas and NRG's gas supplier for direct purchase volume and DCQ offsets.

321

Eligibility

322

All customers electing to purchase gas directly from a supplier other than NRG must enter into a Bundled T-Service Receipt Contract with NRG either directly or through their agent, for delivery of gas to NRG at a mutually acceptable delivery point.

323

Rate

324

For gas delivered to NRG at any point other than the Ontario Point of Delivery, NRG will charge a customer or their agent, all approved tolls and charges incurred by NRG to transport the gas to the Ontario Point of Delivery.

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Note:

326

Ontario Point of Delivery means Dawn or Parkway on the Union Gas System as agreed to by NRG and NRG's customer or their agent.

327

Effective: October 01, 2001

328

Implementation: All bills rendered on or after December 01, 2001

329

RP-2000-0126

APPENDIX C

**BOARD ORDER RP-2000-0126
NATURAL RESOURCE GAS LIMITED
CUSTOMER NOTICES**

NOTICE TO RATE 1 RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS

The Ontario Energy Board (OEB) has approved a number of changes that are effective October 1, 2001, which are to be charged to Rate 1 customers. The main change is a reduction in the commodity and transportation rate for system gas customers by approximately 16%. For an average residential customer consuming 2,150 cubic meters of gas per year, this change results in a decrease of \$109 per year.

Under the current system of billing, NRG bills you for a gas supply charge and a delivery charge in addition to a monthly charge. You may have other amounts appearing on your bill for hot water heater rental, work orders and other items. The changes approved by the OEB only affect the amount charged for the gas supply charge, the delivery charge and the monthly charge.

The gas supply charge is comprised of the purchased cost of the gas commodity, which is a combination of gas purchased in Western Canada and Ontario delivered gas, and transportation charges incurred to get gas from Western Canada to Ontario. The gas commodity portion has decreased from the last time rates were adjusted, while the transportation component has increased. NRG does not make any profit from the gas supply portion of its business and only charges its customers what it costs to buy this gas. Utilities are only allowed to earn a return on the delivery of the gas to your home or business. You have the option to obtain your gas supply from a Broker.

The delivery charge is approved by the OEB and includes costs of load balancing and delivery to you. Some of these costs are dependent upon the amount of gas that you consume, while other costs are fixed.

As these changes are effective for all gas consumed after October 1, 2001, you will see an adjustment on your gas bill reflecting the change in the rates from October 1st to the most recent billing period.

The new rates that are now in effect are as follows.

	Prior Rates	Effective October 1, 2001
Monthly charge	\$ 7.95	\$ 7.95
First 1,000 per month	\$0.171005 per m ³	\$0.171005 per m ³
Over 1,000 per month	\$0.111005 per m ³	\$0.106005 per m ³

	Prior Rates	Effective October	1, 2001
Gas supply and transportation	\$0.317519 per m ³	\$0.266653 per m ³	

The gas supply and transportation charge shown above will apply to those customers who want to have NRG remain as their gas supplier. For customers who choose an alternate gas supplier, the gas supply and transportation charge that will appear on your bill will depend on the contract you sign with the alternate supplier.

339

If you have any questions about the changes in rates or the adjustments that appear on your bill, please feel free to call our office at 519-773-5321. We would be more than happy to help explain them more fully to you. On behalf of everyone at NRG, we would like to thank you for your business and for choosing to make natural gas your energy of choice

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NATURAL RESOURCE GAS LIMITED

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NOTICE TO RATE 2 SEASONAL CUSTOMERS

The Ontario Energy Board (OEB) has approved a number of changes that are effective October 1, 2001, which are to be charged to Rate 2 customers. The main change is a reduction in the commodity and transportation rate for system gas customers by approximately 16%. For an average seasonal customer consuming 12,000 cubic meters of gas per month during the drying season, this results in a decrease of \$722 per month.

Under the current system of billing, NRG bills you for a gas supply charge and a delivery charge in addition to a monthly charge. You may have other amounts appearing on your bill for hot water heater rental, work orders and other items. The changes approved by the OEB only affect the amount charged for the gas supply charge, the delivery charge and the monthly charge.

The gas supply charge is comprised of the purchased cost of the gas commodity, which is a combination of gas purchased in Western Canada and Ontario delivered gas, and transportation charges incurred to get gas from Western Canada to Ontario. The gas commodity portion has decreased from the last time rates were adjusted, while the transportation component has increased. NRG does not make any profit from the gas supply portion of its business and only charges its customers what it costs to buy this gas. Utilities are only allowed to earn a return on the delivery of the gas to your home or business. You have the option to obtain your gas supply from a Broker.

The delivery charge is approved by the OEB and includes costs of load balancing and delivery to you. Some of these costs are dependent upon the amount of gas that you consume, while other costs are fixed.

As these changes are effective for all gas consumed after October 1, 2001, you will see an adjustment on your gas bill reflecting the change in the rates from October 1st to the most recent billing period.

The new rates that are now in effect are as follows.

	Prior Rates		Effective October 1, 2001	
	April 1 to October 31	November 1 to March 31	April 1 to October 31	November 1 to March 31
Monthly charge	\$ 9.20	\$ 9.20	\$ 9.20	\$ 9.20
First 1,000 per month	\$.163174 per m3	\$.185648 per m3	\$.153914 per m3	\$.185648 per m3
Next 24,000 m3 per month	\$.106479 per m3	\$.166254 per m3	\$.097219 per m3	\$.166254 per m3

	Prior Rates		Effective October 1, 2001	
Over 25,000 m3 per month	\$.059465 per m3	\$.161952 per m3	\$.050205 per m3	\$.161952 per m3
Gas supply and transportation	\$.317519 per m3	\$.317519 per m3	\$.266653 per m3	\$.266653 per m3

The gas supply and transportation charge shown above will apply to those customers who want to have NRG remain as their gas supplier. For customers who choose an alternate gas supplier, the gas supply and transportation charge that will appear on your bill will depend on the contract you sign with the alternate supplier.

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If you have any questions about the changes in rates, rate unbundling or the adjustments that appear on your bill, please feel free to call our office at 519-773-5321. We would be more than happy to help explain it more fully to you. On behalf of everyone at NRG, we would like to thank you for your business and for choosing to make natural gas your energy of choice.

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NATURAL RESOURCE GAS LIMITED

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NOTICE
TO RATE 3 CONTRACT CUSTOMERS

354

The Ontario Energy Board (OEB) has approved a number of changes that are effective October 1, 2001, which are to be charged to Rate 3 customers. The main change is a reduction in the commodity and transportation rate for system gas customers by approximately 16%.

355

Under the current system of billing, NRG bills you for a gas supply charge and a delivery charge in addition to a monthly charge. You may have other amounts appearing on your bill for hot water heater rental, work orders and other items. The changes approved by the OEB only affect the amount charged for the gas supply charge, the delivery charge, the monthly charge and, if any firm service is taken, a monthly demand charge.

356

Contract customers have the option of obtaining firm service, interruptible service or a combination of both. Regardless of which option is taken, the monthly customer charge will apply. For those customers who elect to obtain firm service for all, or a portion, of their gas supply needs, a monthly demand charge will also apply.

357

The gas supply charge is comprised of the purchased cost of the gas commodity, which is a combination of gas purchased in Western Canada and Ontario delivered gas, and transportation charges incurred to get gas from Western Canada to Ontario. The gas commodity portion has decreased from the last time rates were adjusted, while the transportation component has increased. NRG does not make any profit from the gas supply portion of its business and only charges its customers what it costs to buy this gas. Utilities are only allowed to earn a return on the delivery of the gas to your home or business. You have the option to obtain your gas supply from a Broker.

358

The delivery charge is approved by the OEB and includes the cost of load balancing and delivery to you. Some of these costs are dependent upon the amount of gas that you consume, while other costs are fixed.

359

As these changes are effective for all gas consumed after October 1, 2001, you will see an adjustment on your gas bill reflecting the change in the rates from October 1st to the most recent billing period.

360

The new rates that are now in effect are as follows.

Rate 3 Contract Rate

	Prior Rates	Effective October 1, 2001
Monthly charge	\$ 50.00 firm service \$ 54.00 firm and interruptible service \$.058315	\$ 50.00 firm service \$ 54.00 firm and interruptible service \$.052480
Firm delivery charge per m3	\$.226960	\$.226960
Monthly demand charge per m3	\$.054412 - \$.084612	\$.054412 - \$.084612
Interruptible delivery charge per m3		
Gas supply and transportation	\$.317519	\$.266653

362

The gas supply and transportation charge will apply to those customers who want to have NRG remain as their gas supplier. For customers who choose an alternate gas supplier, the gas supply and transportation charge which will appear on your bill will depend on the contract that you sign with the alternate supplier. m³ If you have any questions about the changes in rates or the adjustments that appear on your bill, please feel free to call our office at 519-773-5321. We would be more than happy to help explain it more fully to you. On behalf of everyone at NRG, we would like to thank you for your business and for choosing to make natural gas your energy of choice.

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NATURAL RESOURCE GAS LIMITED

364

NOTICE
TO RATE 4 INDUSTRIAL CUSTOMERS

365

The Ontario Energy Board (OEB) has approved a number of changes that are effective October 1, 2001, which are to be charged to Rate 4 customers. The main change is a reduction in the commodity and transportation rate for system gas customers by approximately 16%.

366

Under the current system of billing, NRG bills you for a gas supply charge and a delivery charge in addition to a monthly charge. You may have other amounts appearing on your bill for hot water heater rental, work orders and other items. The changes approved by the OEB only affect the amount charged for the gas supply charge, the delivery charge, the monthly charge and, if any firm service is taken, a monthly demand charge.

367

Contract customers have the option of obtaining firm service, interruptible service or a combination of both. Regardless of which option is taken, the monthly customer charge will apply. For those customers who elect to obtain firm service for all, or a portion, of their gas supply needs, a monthly demand charge will also apply.

368

The gas supply charge is comprised of the purchased cost of the gas commodity, which is a combination of gas purchased in Western Canada and Ontario delivered gas, and transportation charges incurred to get gas from Western Canada to Ontario. The gas commodity portion has decreased from the last time rates were adjusted, while the transportation component has increased. NRG does not make any profit from the gas supply portion of its business and only charges its customers what it costs to buy this gas. Utilities are only allowed to earn a return on the delivery of the gas to your home or business. You have the option to obtain your gas supply from a Broker.

369

The delivery charge is approved by the OEB and includes costs of load balancing and delivery to you. Some of these costs are dependent upon the amount of gas that you consume, while other costs are fixed.

370

As these changes are effective for all gas consumed after October 1, 2001, you will see an adjustment on your gas bill reflecting the change in the rates from October 1st to the most recent billing period.

371

The new rates that are now in effect are as follows.

Rate 4 Fall Peaking Industrial Rate

	Prior Rates		Effective October 1, 2001	
	April 1 to December 31	January 1 to March 31	April 1 to December 31	January 1 to March 31
Monthly charge	\$ 9.20	\$ 9.20	\$ 9.20	\$ 9.20
First 1,000 m ³ per month	\$.163174 per m ³	\$.185648 per m ³	\$.153914 per m ³	\$.185648 per m ³
Over 1,000 m ³ per month	\$.108979 per m ³	\$.166254 per m ³	\$.099719 per m ³	\$.166254 per m ³
Gas supply and transportation	\$.317519 per m ³	\$.317519 per m ³	\$.266653 per m ³	\$.266653 per m ³

The gas supply and transportation charge shown above will apply to those customers who want to have NRG remain as their gas supplier. For customers who choose an alternate gas supplier, the gas supply and transportation charge that will appear on your bill will depend on the contract you sign with the alternate supplier.

373

If you have any questions about the changes in rates or the adjustments that appear on your bill, please feel free to call our office at 519-773-5321. We would be more than happy to help explain them more fully to you. On behalf of everyone at NRG, we would like to thank you for your business and for choosing to make natural gas your energy of choice.

374

NATURAL RESOURCE GAS LIMITED

375

376

NOTICE TO RATE 5 CONTRACT CUSTOMERS

377

The Ontario Energy Board (OEB) has approved a number of changes that are effective October 1, 2001, which are to be charged to Rate 5 customers. The new rates reduce the commodity and transportation rate for system gas customers by approximately 16%.

378

Under the current system of billing, NRG bills you for a gas supply charge and a delivery charge in addition to a monthly charge. You may have other amounts appearing on your bill for hot water heater rental, work orders and other items. The changes approved by the OEB only affect the amount charged for the gas supply charge, the delivery charge, the monthly charge and, if any firm service is taken, a monthly demand charge.

379

Contract customers have the option of obtaining firm service, interruptible service or a combination of both. Regardless of which option is taken, the monthly customer charge will apply. For those customers who elect to obtain firm service for all, or a portion, of their gas supply needs, a monthly demand charge will also apply.

380

The gas supply charge is comprised of the purchased cost of the gas commodity, which is a combination of gas purchased in Western Canada and Ontario delivered gas, and transportation charges incurred to get gas from Western Canada to Ontario. The gas commodity portion has decreased from the last time rates were adjusted, while the transportation component has increased. NRG does not make any profit from the gas supply portion of its business and only charges its customers what it costs to buy this gas. Utilities are only allowed to earn a return on the delivery of the gas to your home or business. You have the option to obtain your gas supply from a Broker.

381

The delivery charge is approved by the OEB and includes the cost of load balancing and delivery to you. Some of these costs are dependent upon the amount of gas that you consume, while other costs are fixed.

382

As these changes are effective for all gas consumed after October 1, 2001, you will see an adjustment on your gas bill reflecting the change in the rates from October 1st to the most recent billing period.

383

The new rates that are now in effect are as follows.

384

	Prior Rates	Effective October	1, 2001
Monthly charge	\$ 50.00 \$0.054612 - \$0.084612	\$ 50.00	\$0.054612 - \$0.084612
Interruptible delivery charge per m ³			

	Prior Rates	Effective October	1, 2001
Gas supply and transportation	\$0.317519	\$0.266653	

The gas supply and transportation charge will apply to those customers who want to have NRG remain as their gas supplier. For customers who choose an alternate gas supplier, the gas supply and transportation charge that would appear on your bill will depend on the contract that you sign with the alternate supplier.

385

If you have any questions about the changes in rates or the adjustments that appear on your bill, please feel free to call our office at 519-773-5321. We would be more than happy to help explain it more fully to you. On behalf of everyone at NRG, we would like to thank you for your business and for choosing to make natural gas your energy of choice.

386

NATURAL RESOURCE GAS LIMITED

387

APPENDIX D

**BOARD ORDER RP-2000-0126
NATURAL RESOURCE GAS LIMITED
DETERMINING ONE-TIME ADJUSTMENTS
TO CUSTOMER BILLS
TO REFLECT THE DISTRIBUTION EXCESS
AND THE GAS COST DEFICIENCY
IN FISCAL YEAR ENDING SEPTEMBER 30,
2001
EFFECTIVE OCTOBER 1, 2001**

**RATES FOR DETERMINING ONE-TIME ADJUSTMENTS TO
CUSTOMER BILL**

389

390

	DELIVERY RELATED		GAS COST RELATED	TOTAL
FISCAL 2001 DEFICIENCY/(SUFFI- CIENCY) (\$)	(128,635.00)		137,757.00	9,122.00
CREDIT TRANSFERRED FROM FIS- CAL 2001 PGTVA (\$)	(74,873.92)		0.00	(74,873.92)
DEBIT TRANSFERRED FROM FISCAL 2001 PGCVA (\$)	0.00		31,257.05	31,257.05
TOTAL	(203,508.92)	1	179,014.05	(34,494.87)
FISCAL 2001 SALES VOLUMES (M3)			19,905,082	
FISCAL 2001 DELIVERY VOLUMES (M3)	23,968,030	2		
(REBATE)/CHARGE (\$/M3)	(\$0.008491)	1/2	\$0.008491	

391

ADJUSTMENT BY TYPE OF SALE

392

		DELIVERY	GAS COST	TOTAL
System Sales	Customers (\$/m3)	(\$0.008491)	\$0.008491	\$0.000000
Direct Purchase	Customers (\$/m3)	(\$0.008491)	\$0.000000	(\$0.008491)

APPENDIX E

**BOARD ORDER RP-2000-0126
NATURAL RESOURCE GAS LIMITED
ACCOUNTING ENTRIES FOR DEFERRAL
ACCOUNTS
EFFECTIVE OCTOBER 1, 2001**

NATURAL RESOURCE GAS LIMITED

394

Accounting Entries for the Purchased Gas Commodity Variance Account

395

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

396

397

Credit/Debit - Account No. 179-27
 Purchased Gas Commodity Variance Account ("PGCVA")

Debit/Credit - Account No. 623
 Gas Purchases

To record monthly as a credit (debit) in Deferral Account No. 179-27 (PGCVA) the difference between the unit cost of all gas commodity purchased by NRG each month including local production and NRG's weighted average cost of gas, the latter being \$0.317087 per m³ approved for rate making purposes effective February 1, 2001, and \$0.266299 per m³ approved for rate making purposes effective October 1, 2001.

398

399

Credit/Debit - Account No. 179-28
 Interest on PGCVA

Debit/Credit - Account No. 323
 Other Interest Expense

To record monthly as a credit (debit) in Deferral Account No. 179-28 (PGCVA), simple interest on the balance in Account No. 179-27. Such interest shall be computed monthly on the opening balance in the account at the Board approved short-term debt rate of 8.40% in fiscal 2001 and 7.50% in fiscal 2002, and shall not be m³ compounded.

400

401

NATURAL RESOURCE GAS LIMITED

402

Accounting Entries for the Purchased Gas Transportation Variance Account

403

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

404

Credit/Debit	-	Account	No. 179-29
		Purchased	Gas Transportation Variance Account ("PGTVA")
Debit/Credit	-	Account	No. 623
		Gas Purchases	

405

To record monthly as a credit (debit) in Deferral Account No. 179-29 (PGTVA) the difference between the unit cost of all gas transportation purchased by NRG each month and NRG's weighted average cost of all gas transportation, the latter being \$0.019206 per approved for rate making purposes effective October 1, 2000 and \$0.018159 per m3 approved for rate making purposes effective October 1, 2001.

406

Credit/Debit	-	Account	No. 179-30
		Interest	on PGTVA
Debit/Credit	-	Account	No. 323
		Other Interest	Expense

407

To record monthly as a credit (debit) in Deferral Account No. 179-30 (PGTVA), simple interest on the balance in Account No. 179-29. Such interest shall be computed monthly on the opening balance in the account at the Board approved short-term debt rate of 8.40% in fiscal 2001 and 7.50% in fiscal 2002 and shall not be compounded.

NATURAL RESOURCE GAS LIMITED

408

Accounting Entries for the Regulatory Expenses Deferral Account

409

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

410

411

Credit/Debit - Account No. 179-21
Regulatory Expenses Deferral Account ("REDA")

Debit/Credit - Account No. 130
Bank

To record monthly as a credit (debit) in Deferral Account No. 179-21 (REDA) the cost for participating in generic proceedings and Union Gas proceedings, including a main rates case.

412

413

Credit/Debit - Account No. 179-22
Interest on REDA

Debit/Credit - Account No. 323
Other Interest Expense

To record monthly as a credit (debit) in Deferral Account No. 179-22 (REDA), simple interest on the balance in Account No. 179-21. Such interest shall be computed monthly on the opening balance in the account at Board approved short-term debt rate of 8.40% in fiscal 2001 and 7.50% in fiscal 2002 and shall not be compounded.

414

415

NATURAL RESOURCE GAS LIMITED

416

Accounting Entries for the Direct Purchase Administration Deferral Account

417

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

418

Credit/Debit - Account No. 179-25
Direct Purchase Administration Deferral Account ("DPADA")

Debit/Credit - Account No. 251
Accounts Payable

419

To record monthly as a credit (debit) in Deferral Account No. 179-25 (DPADA) the cost incurred in setting up and administering a direct purchase administration system and the revenue earned from the direct purchase administration fee.

420

Credit/Debit - Account No. 179-26
Interest on DPADA

Debit/Credit - Account No. 323
Other Interest Expense

421

To record monthly as a credit (debit) in Deferral Account No. 179-26 (DPADA), simple interest on the balance in Account No. 179-25. Such interest shall be computed monthly on the opening balance in the account at the Board approved short-term debt rate of 8.40% in fiscal 2001 and 7.50% in fiscal 2002 and shall not be compounded.

422

NATURAL RESOURCE GAS LIMITED

423

Accounting Entries for the Land and Building Purchase Deferral Account

424

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

425

Credit/Debit - Account No. 179-33
 Land and Building Purchase Deferral Account ("LBPDA")

Debit/Credit - Account No. 480
 Land
 Account No. 482
 Structures and Improvements

426

To record monthly as a credit (debit) in Deferral Account No. 179-33 (LBPDA) the costs related to the purchase, construction and finishing of the land and the building for NRG's new office space.

427

Credit/Debit - Account No. 179-34
 Interest on LBPDA

Debit/Credit - Account No. 323
 Other Interest Expense

428

To record monthly as a credit (debit) in Deferral Account No. 179-34 (LBPDA), simple interest on the balance in Account No. 179-33. Such interest shall be computed monthly on the opening balance in the account at the Board approved short-term debt rate of 7.50% in fiscal 2002 and shall not be compounded.