



EB-2010-0018

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

AND IN THE MATTER OF an Application by Natural
Resource Gas Limited for an Order or Orders approving or
fixing just and reasonable rates and other charges for the
sale, distribution, transmission and storage of gas
commencing October 1, 2010.

PROCEDURAL ORDER NO. 2

Natural Resource Gas Limited ("NRG" or the "Company") filed an Application, dated February 10, 2010, with the Ontario Energy Board under section 36 of the *Ontario Energy Board Act*, S.O. 1998, c.15, Schedule B. The Board has assigned file number EB-2010-0018 to the Application.

The Board issued a Notice of Application dated March 1, 2010. The Town of Aylmer, Union Gas Limited ("Union"), Integrated Grain Processors Co-Operative Inc. ("IGPC") and Vulnerable Energy Consumers Coalition ("VECC") applied for intervenor status. An updated intervenor list is attached as "Appendix A" to this Order.

In Procedural Order No. 1 issued on April 1, 2010, the Board scheduled an Issues Conference on April 9th to formulate a proposed Issues List. The Draft Issues List attached to Procedural Order No. 1 was accepted by all parties with a minor revision that resulted from an update to the Application submitted on April 8, 2010.

The Board considers it necessary to make provision for the following procedural matters. Please be aware that further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. The Issues Conference scheduled for Friday, April 9, 2010 is cancelled. The Issues List for the proceeding is attached to this Order as "Appendix B".
2. The remaining procedural matters will stay as noted in Procedural Order No. 1.

All filings to the Board must quote the file number, EB-2010-0018, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: Boardsec@oeb.gov.on.ca
Tel: 1-888-632-6273 (toll free)
Fax: 416-440-7656

DATED at Toronto, April 8, 2010

ONTARIO ENERGY BOARD

Original signed by

John Pickernell
Assistant Board Secretary

APPENDIX "A"

**NATURAL RESOURCES GAS LTD.
2011 FISCAL YEAR RATES APPLICATION EB-2010-0018**

UPDATED APPLICANT & LIST OF INTERVENTIONS

**Natural Resource Gas Limited
EB-2010-0018
APPLICANT & LIST OF INTERVENORS**

April 8, 2010

APPLICANT

Rep. and Address for Service

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INTERVENORS

Rep. and Address for Service

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Aylmer**

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**Natural Resource Gas Limited
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APPLICANT & LIST OF INTERVENORS

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April 8, 2010

**Corporation of the Town of
Aylmer**

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**Integrated Grain Processors
Co-operative Inc.**

Paula Zarnett

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**Natural Resource Gas Limited
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APPLICANT & LIST OF INTERVENORS

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April 8, 2010

Union Gas Limited

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**Vulnerable Energy Consumers
Coalition**

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APPENDIX “B”

Natural Resource Gas Limited 2011 Rate Case EB-2010-0018

ISSUES LIST

Issue 1 Administration

1. Has NRG complied with the OEB Directives as noted in NRG's 2007 Decision with Reasons (EB-2005-0544)?
2. Has NRG amended its security deposit policy as directed in the Board's EB-2008-0413 Decision?
3. Are NRG's audited financial statements from 2006 to 2009 appropriate?

Issue 2 Rate Base

1. Are the amounts proposed for Rate Base in 2010 and 2011 appropriate?
2. Were amounts closed (or proposed to be closed) to Rate Base in 2008 and 2009 prudently incurred in view of the fact that not all amounts received OEB scrutiny?
3. Is the forecast level of capital spending in 2010 appropriate?
4. Is the forecast level of capital spending in 2011 appropriate?
5. Is the working capital allowance for 2010 and 2011 appropriate?
6. Are amounts related to the IGPC pipeline added to 2009 rate base appropriate?

Issue 3 Operating Revenue

1. Is the customer addition forecast for 2010 appropriate?
2. Is the customer addition forecast for 2011 appropriate?
3. Is the volume throughput and revenue forecast appropriate for 2010 and 2011?
4. Is the ancillary services revenue and return forecast appropriate for 2010 and 2011?
5. Is the general service and contract forecast appropriate for 2010 and 2011?

Issue 4 Cost of Service

1. Is the gas transportation cost forecast for 2010 and 2011 appropriate?
2. Is the O&M cost forecast for 2010 and 2011 appropriate?
3. Is the proposed advertising expense for 2011 appropriate?
4. Are the proposed regulatory costs for 2011 appropriate?
5. Are the management fees proposed for 2011 appropriate?
6. Are the IGPC period costs for 2010 and 2011 appropriate?
7. Is NRG's proposed depreciation life for the IGPC pipeline appropriate?
8. Is the depreciation cost for 2010 and 2011 appropriate?
9. Are the property and capital tax forecasts for 2010 and 2011 appropriate?
10. Is the income tax forecast for 2010 and 2011 appropriate?
11. Are the proposals for deferral and variance accounts appropriate?
12. Has NRG complied with the Board's Decision in EB-2005-0544 regarding its purchase of gas from the Affiliate company?
13. Is the cost of gas from 2007 to 2011 appropriate?

Issue 5 Cost of Capital

1. Is NRG's proposed capital structure of 58% debt and 42% equity with a return on equity ("ROE") of 50 basis points above the Board-approved ROE appropriate?
2. Is NRG's alternate proposed capital structure of 52% debt and 48% equity, with the Board approved ROE appropriate?
3. Is NRG's proposed cost of long-term debt for 2011 appropriate?
4. Is NRG's total long-term debt appropriate?
5. Is NRG's cost of capital for 2010 and 2011 appropriate?

Issue 6 Rate of Return

1. Does the evidence support a rate increase to recover NRG's delivery related revenue deficiency for the 2011 Test Year?

Issue 7 Cost Allocation

1. Are the proposed updates and changes to the cost allocation methodology appropriate?

2. Are the proposed updates and changes to the Fully Allocated Costing Study appropriate?
3. Is NRG's derivation of an incremental System Gas rate appropriate?
4. Is NRG's methodology to allocate costs to IGPC appropriate?

Issue 8 Rate Design

1. Are the rates proposed in Exhibit H3, Tab 1, Schedule 1 appropriate?
2. Is the proposal to increase the monthly fixed charges and the monthly customer charges across all rate classes appropriate?
3. Is the proposal to change the system gas fee component of the gas supply charge appropriate?
4. Is NRG's proposal for Rate 2 Class customers appropriate?
5. Is NRG's proposal to implement a new rate class for IGPC appropriate?

Issue 9 Incentive Regulation Mechanism

1. Is NRG's proposed five year Incentive Regulation ("IR") Plan appropriate?
2. Is NRG's proposal of including an all-in one fixed price cap escalator of 1.5% during the IR term appropriate?
3. Is the term of the IR Plan appropriate?
4. Is NRG's proposal for Earnings Sharing Mechanism, Off-Ramps, Z-Factors and Y-Factors under the IR Plan appropriate?
5. Is NRG's annual rate adjustment mechanism under the IR plan appropriate?