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EB-2010-0333

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for an order or orders pre-approving the costs associated with a long-term gas transportation contract.

MATERIALS FOR USE BY ENBRIDGE GAS DISTRIBUTION FOR ORAL SUBMISSIONS ON JANUARY 20, 2011

TAB NO.	DOCUMENT
1.	Excerpt from Ontario Energy Board (OEB) Natural Gas Forum Report (titled "Natural Gas Regulation in Ontario: A Renewed Policy Framework")
2.	Enbridge Gas Distribution presentation in stakeholder sessions in EB-2008-0280, dated October 17, 2008
3.	Letter from the OEB to participants in EB-2008-0280, dated February 11, 2009
4.	EB-2008-0280 : Report of the Board Draft Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts, issued on February 11, 2009
5.	EB-2008-0280 : final Filing Guidelines for the Pre-Approval of the Cost Consequences of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts, issued on April 23, 2009
6.	Chart setting out where each of the Guidelines are addressed in Enbridge Gas Distribution's evidence in this proceeding

Ontario

Natural Gas Regulation in Ontario: A Renewed Policy Framework

Report on the Ontario Energy Board Natural Gas Forum

March 30, 2005

EXECUTIVE SUMMARY

The natural gas market is changing. On the supply side, conventional supply sources are expected to experience flat to declining production. The anticipated increased reliance on non-conventional supply sources has raised questions about the need for infrastructure within Ontario to meet changing flow patterns and about the adequacy of the current regulatory treatment of utilities' acquisition of upstream gas supply and their transportation arrangements. On the demand side, the anticipated expansion of gas-fired power generation will affect the extent and type of investment required in gas infrastructure in Ontario and will drive the convergence (financial and operational) of the gas and electricity markets.

In light of these developments, the Board believed that it was time for a deliberate analysis and review of the policy underlying the key structural components of the natural gas regulatory system: rate regulation, storage and transportation, and regulated gas supply. The Board initiated the Natural Gas Forum as a means of investigating these issues, to get the input of stakeholders and to help the Board develop its policies in these areas. In the Board's view, important incremental changes can and must be made to the structure of natural gas regulation in Ontario. These changes are needed to address the emerging trends in the industry and to fulfil the Board's legislated objectives.

Summary of Conclusions

Rate Regulation

To fulfil its statutory objectives related to consumer protection, infrastructure development and the financial viability of the industry, the Board has determined that the gas rate regulation framework must meet the following criteria:

- establish incentives for sustainable efficiency improvements that benefit customers and shareholders
- ensure appropriate quality of service for customers

- create an environment that is conducive to investment, to the benefit of customers and shareholders

The Board believes that a multi-year incentive regulation (IR) plan can be developed that will meet these criteria. A properly designed plan will ensure downward pressure on rates by encouraging new levels of efficiency in Ontario's gas utilities. By implementing a multi-year IR framework, the Board also intends to provide the regulatory stability needed for investment in Ontario.

The following are the Board's conclusions on the key parameters:

In a multi-year IR plan, the **annual adjustment mechanism** embodies the combined assessment of cost changes and productivity improvements. The Board concludes that making an appropriate determination of this component will ensure that the benefits of efficiencies are shared with customers during the term of the plan. The Board will determine the methodology for the annual adjustment mechanism through a generic hearing.

The Board's view is that a thorough cost-of-service **rebasing** must occur at the end of each IR plan's term before a new plan is put in place. Rebasing is an important consumer protection feature. Through robust rebasing, efficiency improvements will be revealed and the benefits passed on to customers through base rates for the next period. The Board will determine the base rates through a hearing for each utility.

The Board does not intend for **earnings sharing mechanisms** to form part of IR plans. The Board views the retention of earnings by a utility within the term of an IR plan to be a strong incentive for the utility to achieve sustainable efficiencies. The Board will ensure that the benefits of efficiencies are shared with customers through the annual adjustment mechanism and thorough rebasing.

The Board expects that the **term** of IR plans will be between three and five years.

In the Board's view, an appropriate balance of risk and reward in an IR framework will result in reduced reliance on **deferral or variance accounts**, and reliance on **off-ramps** or **z-factors** in limited, well-defined and well-justified cases only.

The Board will develop the **service quality framework** and will undertake a consultation to finalize the measures, standards and reporting mechanism.

The Board will consult with stakeholders and modify the Gas Reporting and Record Keeping Requirements (RRRs) as necessary to meet the requirements for **financial reporting** in the new ratemaking framework. While the Board intends to conduct this consultation and modify the RRRs before the development of the first IR plan, it expects that these RRRs may be further refined in the context of specific IR plan development.

The Board will undertake a review of the gas utility **data filing guidelines** for the rate hearing process, and then develop a set of draft filing guidelines, which it will distribute for consultation.

The Board will not decide at this time the precise structure of the **alternative dispute resolution (ADR) process** for the IR framework. The Board has already undertaken a review of the ADR process, and it will consider the submissions made through the Natural Gas Forum before releasing its conclusions in the ADR review.

Storage and Transportation

The Board believes that it is necessary to ensure that Ontario has adequate gas infrastructure and the appropriate rate design to facilitate the anticipated increased reliance on gas-fired power generation. The Board will hold a review to determine the impact of increased gas-fired power generation on storage and transportation infrastructure and services in order to ensure a reliable supply of electricity and gas. This review may lead to a formal proceeding resulting in orders setting rates, granting leave to construct or other remedies.

The Board will hold a hearing to determine whether it should refrain, in whole or in part, from regulating the rates charged for natural gas storage in Ontario.

The Board will not restrict the rates charged for new storage developed by new independent storage operators. However, the Board will develop, through a consultative process, filing guidelines for proponents of new independent gas storage facilities.

Regulated Gas Supply

The Board concludes that the utilities should continue to provide a regulated gas supply option. However, the regulated gas supply option should be seen as a default supply option and structured to facilitate customer choice.

The Board will hold a generic cost allocation hearing to review the costing of regulated gas supply. As part of this hearing, the Board will also assess whether further unbundling is required and how any further unbundling will be implemented.

The Board will develop guidelines for the standardization of the quarterly rate adjustment mechanism process. As part of this activity, the Board will consult in more detail on the underlying pricing that should be incorporated.

The Board believes that a utility-provided fixed-term, fixed-price contract is inappropriate at this time. The fixed term could reduce the utilities' ability to ensure the full mobility of customers, and the fixed-price aspect would compete with the product offered by the retail marketers.

The Board believes that there is a role for utilities in long-term upstream transportation contracting, but the Board is not in favour of new long-term utility supply contracts at this time. However, the Board will offer utilities the opportunity to apply for pre-approval of long-term supply and/or transportation contracts. Further, the Board will consult on the development of guidelines that will inform all stakeholders of the principles and issues the Board will consider when evaluating an application for contract pre-approval.

REGULATED GAS SUPPLY

Background

"Regulated gas supply" (or "system gas" or "system supply") refers to the sale of gas by utilities primarily to their core, typically small-volume, customers. Beginning in 1985, the wholesale gas market was opened to competition from third-party gas marketers. Retail competition proceeded to take hold gradually through the early 1990s. A gas utility supplies natural gas to customers who have not switched to a marketer or who have defaulted back or switched back to the utility.

The overall market share of regulated gas supply has declined since 1985. Over the last three years, however, this market share has increased somewhat, and today regulated gas supply serves approximately one third of the gas volume and approximately 60 per cent of customers (of which the majority are residential customers). Conversely, the sale of gas by independent marketers to customers and the direct purchase of gas by many large-volume customers accounts for two thirds of Ontario's total gas volume and approximately 40 per cent of the customer base (of which the majority are commercial and industrial customers). Currently, two marketers – Direct Energy Marketing Ltd. (Direct Energy) and Ontario Energy Savings Corporation – dominate the Ontario competitive residential retail market.

There are two aspects to the price of regulated gas supply: the underlying commodity, the cost of which is passed through to the customer, and the related services. Utility supply rates are set through a quarterly rate adjustment mechanism (QRAM) process, where every three months (January 1, April 1, July 1 and October 1) the price of gas is set based on a 12-month forecast of commodity prices. This forecast is based on the average of the 12-month New York Mercantile Exchange "strip" over a 21-day period just prior to the time of the application. The difference between the quarterly price and the actual utility gas supply costs is collected in a purchased gas variance account (PGVA).

Every three months, in addition to reforecasting prices, Union, Enbridge and Natural Resource Gas (NRG) establish a rate adjustment that is intended to clear the PGVA over time. Union and NRG spread the amount in the PGVA over projected gas consumption for the following 12 months. Enbridge spreads it across projected gas use for the remaining months of the fiscal year.

The Natural Gas Forum focused on broad questions about the regulated gas supply option, and, in particular, whether a regulated gas supply option should be maintained and whether and how it should be redefined or changed. Stakeholders reiterated concerns about perceived inefficiencies in the current arrangements and about barriers arising from the current regulated gas supply pricing structure that prevent new competitors from entering the market.

As a result, the Board has decided to focus on the following issues:

- Should a regulated gas supply option be retained?
- If the regulated gas supply option is retained:
    - What is the appropriate cost allocation between supply and distribution, and what is the appropriate level of unbundling?
    - What is the appropriate pricing mechanism?
    - What are the appropriate long-term supply and transportation contracting policies?

Stakeholders' views on each of these issues are analyzed below, followed by the Board's conclusions.

Should a Regulated Gas Supply Option Be Retained?

Stakeholders' Views

Most stakeholders argued that a regulated gas supply option should be retained, although their reasons varied. Residential customer groups believed that the regulated gas supply option provides consumers with choice. Industrial and commercial customer groups

The Board will develop guidelines for the standardization of the quarterly rate adjustment mechanism, with the above objectives in mind. As part of this activity, the Board will consult in more detail on the underlying pricing that should be incorporated.

With respect to whether utilities should be able to offer fixed-term, fixed-price contracts, the Board concludes that it would not be appropriate at this time. The regulated gas supply option should be seen as a default supply – a no-written-contract, no-obligation, market-priced choice – where the mobility of the customer is essential. The Board believes that introducing a utility-provided fixed-term, fixed-price contract offer at this time would present two risks. First, the fixed-term aspect could reduce the utility's ability to ensure full customer mobility. Second, the fixed-price aspect would compete with the product offered by the retail marketers. It would move the regulated supply away from being a default supply, and result in more direct competition between the utility and competitive suppliers. A fixed-term, fixed-price contract offer would require substantial additional regulatory oversight related to the underlying contracting, the customer-utility interface and the allocation of risk. The Board does not believe that this is the appropriate direction to take, and most stakeholders shared this view.

The Board believes that a utility-provided fixed-term, fixed-price contract offer is inappropriate at this time.

Long-Term Supply and Transportation Contracts

Stakeholders' Views

Many of the stakeholders (including customers, upstream players and utilities) asserted that the regulated gas supply is implicitly used to underpin future infrastructure development in the natural gas market. Some emphasized the importance of the utilities' creditworthiness, noting that utilities are among the few parties able to enter into the long-term contracts needed for infrastructure development. Views on the appropriate length and mixture of contracts within the portfolio were consistent among these stakeholders – the utilities should be allowed to enter into a range of contract terms from short-term to long-term. This mixture of contract terms would facilitate the development of infrastructure for new supply and allow the utilities to manage their risk, and thereby minimize price volatility for the customer. The only stakeholder that did not support a mixture of contract terms was the Vulnerable Energy Consumers Association, which stated that the regulated gas supply procurement portfolio should be based on an average of one-year forward gas supply contracts.

Other stakeholders, including the marketers, were not convinced that the utilities' role in regulated gas supply was essential to support upstream infrastructure investment. Noting the prominence of the Dawn Hub with its many counterparties and the large size of the Ontario natural gas market, these stakeholders questioned the claim that major capacity infrastructure additions depend on the utilities. In addition, one submission stated that the availability of substantial surplus capacity in TransCanada PipeLines' Mainline system suggests that utilities do not need to make any major decisions in the immediate future about contracts for new capacity.

Stakeholders who expressed the views outlined in the previous paragraph also expressed concerns about the risks associated with long-term supply commitments by the utilities, including stranded costs, reduced customer mobility and commitments that favour the upstream investments of the utility's parent company or affiliates. In their view, the utilities should be allowed to enter into only short-term commitments of one year or less.

Some stakeholders suggested that the Board develop guidelines or a regulatory framework and, in some cases, provide pre-approval of contracts to allow the utilities to make the necessary commitments in a timely manner. Others felt that the current review process was sufficient. Many stakeholders, including the ones that favoured long-term contracts for the utility, stated that the Board needed to verify that any actions taken by the utility were truly market driven and/or were the least-cost option, and not related to the utility's other commercial interests.

The Board's Conclusions

The Board believes that it is useful to separate the consideration of upstream transportation contracting from long-term supply contracting. The utilities currently undertake these activities separately: supply is contracted primarily on a short-term basis, whereas there is a "portfolio" of terms for upstream transportation contracts. And whereas supply contracting is related primarily to the regulated supply function, transportation contracting extends beyond that function.

The Board is mindful of the importance of security of supply. However, it is not convinced that long-term utility supply contracts are essential for security of supply. The Board is of the view that access to a liquid hub provides the best assurance of secure access to competitively priced supply. In contrast, the Board is concerned that the potential risks to ratepayers from long-term supply contracts could be significant. Further, the Board views the regulated supply option as a default supply, which means that customer mobility is essential, prices need to reflect the market and retroactive adjustments (related to the PGVA) are kept to a minimum.

The Board is not in favour of new long-term utility supply contracts at this time.

The Board agrees that, to some extent, utility upstream transportation contracts provide benefits to all customers, may reduce barriers for competitive suppliers who want to enter the market and help reduce gas price volatility. The trade-off is the potential risk involved, and the Board believes that utilities need a diversified portfolio to reduce that risk. To the extent that upstream transportation contracts underpin security of supply to the whole market, the Board believes that all customers should bear the costs.

The Board believes that there is a role for utilities in long-term upstream transportation contracting, subject to a prudence review.

Given the importance of security of supply and to provide greater clarity in the marketplace, the Board will offer utilities the opportunity to apply for pre-approval of long-term supply and/or transportation contracts. Further, the Board will consult on the development of guidelines that will inform all stakeholders of the principles and issues the Board will consider when evaluating an application for contract pre-approval.

The guidelines could include the following considerations:

- risk allocation – the appropriate allocation of risk between ratepayers and shareholders
- the impact on competition – an assessment of customer mobility, market entry, supplier flexibility and affiliate relationships
- the public interest – an assessment of just and reasonable rates and enhanced reliability/service quality
- a diversified portfolio of contract terms – the appropriate balance of short-, medium- and long-term contracts , supply basins
- the least-cost option – a detailed description of the proposed project with an outline of the costs, benefits and timelines involved, and an assessment of the proposal against the alternatives

ENBRIDGE

GUIDELINES FOR PRE-APPROVAL OF LONG-TERM GAS SUPPLY AND/OR UPSTREAM TRANSPORTATION CONTRACTS (EB-2008-0280)

OCTOBER 17, 2008

THE OEB'S FOUR QUESTIONS

The OEB's four questions taken from the August 22, 2008 letter identified four questions for discussion in this proceeding:

1. What are the needs and benefits of entering into a LTC?
2. What are the implications of not entering into a LTC?
3. What are the risks of entering into a LTC and how are the risks shared between the shareholders and ratepayers?
4. What would be the impact on competition?

Subsequently, in its October 1, 2008 presentation, the OEB raised a number of additional issues to be discussed.

EGD will address the Board's questions (and related issues) separately in respect of supply and transportation contracts.

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EGD's Perspective

- EGD's ability to maintain, grow its distribution system and serve all customers on its system is dependent on its ability to secure reliable access to appropriately priced gas supply.
- EGD's gas supply portfolio provides supply to sales customers and provides daily load balancing for sales and direct purchase customers.
- EGD is the supplier of last resort, system operator and long term market planner for all customers on its system.
- EGD does not profit from its procurement activities, which are a straight pass through cost.

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EGD's Perspective

- EGD and its customers want competitive options for gas supply and transportation.
- Focus on lowest short term cost may inhibit growth of additional transportation and supply to the franchise.
- EGD's approach must strike a balance between:
  - Short term and long term cost, and price volatility.
  - Lowest cost, diversity and reliability of supply.
- Increased supply provides benefits to sales and direct purchase customers.
- EGD should be able to assign the underlying LTCs to customers who migrate from sales to direct purchase.

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EGD's Perspective

- The need for Long Term Contracts (LTCs) for transport and supply for LDCs has increased due to:
  - Changing North American gas flows.
  - Potential for basis shifts that make some basins less economic than others.
  - Delays in infrastructure connecting to growth basins which could cause greater price volatility.
- LDCs in closer proximity to supply basins likely to be less affected.
- LDCs located further away from supply basins likely to be more affected.

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EGD's Perspective

- The North American gas supply landscape is changing significantly:
  - NEB projects that net gas exports from WCSB will decline from 9 Bcf/d in 2007 to 5 Bcf/d in 2015.
  - Rockies production is forecast to increase by 4 Bcf/d by 2015.
  - Shale production in US and Canada is forecast to increase by 5 Bcf/d by 2015.
- Increase in LNG supply needed in North America by 2015 to meet growing demand.
- LDCs need to realign gas supply portfolio.

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LONG TERM TRANSPORTATION CONTRACTS

ENBRIDGE

1) What are the needs and benefits of entering into a LTC for transportation?

Needs

- Long term contracts provide financial assurances underpinning new transportation paths that connect new or capacity constrained supply basins.
  - New facilities build on TCPL and Union require minimum 10 year commitment.
  - New transportation paths also require minimum 10 year commitment.
- Provides a signal to industry (producers and marketers) on validity of project.
  - LDCs recognized as a key signatory to transportation projects.
  - Financial, environmental and regulatory concerns favour larger scale pipeline projects.
  - Scale may exceed immediate transportation requirements.
  - LDC participation can influence pipeline routing and incent other market participants to underpin project to justify scale.
- LTC a driver for further integration of North American pipeline transmission infrastructure.
- Provides continued access to critical transportation paths.

1) What are the needs and benefits of entering into a LTC for transportation?

Benefits for EGD customers

- LTCs provide benefits to sales and direct purchase customers through beneficial effects on Ontario market supply and price.
- Secure access to multiple supply basins in North America:
  - Add liquidity and favourable price impacts to Ontario marketplace;
  - Mitigate operational risk of single-path deliveries; and
  - Mitigate market risk (price and supply) associated with an individual basin.
- Bidding on primary capacity on FERC regulated pipelines can provide savings through negotiated tolls.
- Bidding on primary capacity on Canadian pipelines provides benefit of rolled in tolling and renewal rights.
- Provide a diversified portfolio mix of long and short-term contracts, anchored by security of long term contracts.
- EGD decision for LTC based on meeting franchise needs while producers decision for LTC based on highest netback.

2) What are implications of not entering into a LTC for transportation?

- New infrastructure and supply source may not be developed
  - Marketers may have low appetite for long term commitments (some unwilling to commit to even one year firm/long haul contracts).
- New infrastructure/supply source may be developed to a hub/market not connected to EGD's franchise area.
  - Producers likely to underpin projects with the highest netbacks
  - reduced liquidity and increased price volatility relative to other hubs.
- Firm long term gas supply to franchise at stable prices not assured

ENBRIDGE

3) What are the risks of entering into a LTC for transportation and how are the risks shared between the shareholder and ratepayer?

Risks

- Forecasting risk; decision based on 'snapshot' data and information when operating in a dynamic market.
  - Price risk - LTC economics based on expected basis once pipeline is built, basis may shift once connectivity is established.
  - Volume risk – Changes in franchise load and load profile may result in lower utilization of pipe.
- Migration risk – Migration of customers from system to direct purchase may result in stranded capacity; risk can be managed by vertical slice approach.

Risk Allocation

- LTC decisions are made in the best interest of all customers. Pre-approval process allows for examination of costs and benefits of individual proposal.
- Gas costs are a pass through and do not benefit the shareholder.
- Since there is no reward for the shareholder, there should be no risk associated with cost recovery.

4) What would be the impact on competition?

- Potential increase in retail marketer competition
  - assignment of upstream capacity provides ease of market entry.
- End-user mobility would be unaffected since all marketers would use vertical slice of same portfolio.

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LONG TERM SUPPLY CONTRACTS

ENBRIDGE

1) What are the needs and benefits of entering into a LTC for gas supply?

- Supply LTC may be required to provide secure access to LNG
  - Incremental LNG supplies may be required to meet growing demand (2015).
  - LNG projects are very capital intensive and have higher risks than many domestic supply projects.
- LTC for domestic supply may be needed depending on cost, scale of production, liquidity of marketplace and credit constraints.
- EGD expects that LTC may only be needed for a small component of supply portfolio.
- Benefits all customers by providing security and diversity of supply.
- Supply LTCs are likely to be indexed rather than fixed price
  - LTC for LNG based on North American prices rather than world prices.

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2) What are implications of not entering into a LTC for gas supply?

- Absence of LTC for LNG could cause North American prices to compete for "flexible cargoes" at much higher prices than North American prices.
- Firm long term gas supply to franchise at stable prices not assured
  - A transportation LTC may not assure gas supply under some circumstances.

ENBRIDGE

3) What are the risks of entering into a LTC for gas supply and how are the risks shared between the shareholder and ratepayer?

Risk

- Forecasting risk – decision based on 'snapshot' data and information when operating in a dynamic market. These risks are:
  - Price risk - LTC economics based on price advantage that may not materialize.
  - Volume risk – Changes in franchise load and load profile may result in excess supply.
- Migration risk – Migration to direct purchase can be managed by vertical slice approach.

Risk Allocation

- LTC decisions are made in the best interest of customers. Pre-approval process allows for examination of costs and benefits of individual proposal.
- Gas costs are a pass through and do not benefit the shareholder.
- Since there is no reward for the shareholder, there should be no risk associated with cost recovery.

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4) What would be the impact on competition?

- Increase in competition due to additional supply sources
- Option to allocate LTC gas supply under vertical slice procedure
    - Supply price indexing allow for portability.

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Pre-Approval of LTCs

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A pre-approval process is appropriate

- LDCs enter into LTCs to benefit customers by ensuring secure gas supply is available in the franchise area.
- LDCs do not benefit from their gas supply arrangements, so should not be at risk either.
- A pre-approval process will give LDCs the necessary confidence and comfort to enter into beneficial LTCs – without such assurance, the risks are asymmetrical.
- Upon approval, an LTC should not be subject to retrospective prudence review.

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How should LTC be defined?

- EGD contracts one year term on pipelines that are not capacity constrained.
- EGD may bid for terms longer than one year for commercial reasons.
  - Pipeline open seasons for existing capacity (awarded on total value) may require bidding on more than one year to acquire needed capacity. (EGD does not foresee needing pre-approvals in this latter instance.)
- New pipeline projects typically require a minimum volume commitment of ten years.

Eligibility requirements for pre-approval of LTCs

EGD should have the discretion to seek OEB pre-approval based on its assessment of risks associated with contract.

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Guidelines for pre-approval of LTCs

EGD supports Union Gas' Incremental Transportation Contracting Analysis as described in EB -2005-0520 Settlement Agreement, Appendix B, with appropriate changes for gas supply LTCs.

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Process for pre-approvals of LTCs

EGD envisages the following process for the pre-approval of LTCs.

1. EGD evaluates pipeline open season for relevance, value and security and diversity of supply.
2. EGD bids for capacity subject to conditions
3. On acceptance of bid by pipeline, EGD signs precedent agreement with condition of 'regulatory approval by the Board' by a certain timeline.
4. EGD seeks pre-approval of contract with Board.
   - Pre-approval process should allow for timely decision making
   - Pre-approval process should respect confidentiality of commercially sensitive information
5. Upon pre-approval, EGD waives regulatory condition and concludes contract negotiations.

EGD does not see the need for a review of the executed contract by the Board.

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL AND WEB POSTING

February 11, 2009

To: All Participants in EB-2008-0280

Re: Draft Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts
Board File No.: EB-2008-0280

The purpose of this letter is to notify participants of the release of draft filing guidelines for the pre-approval of long-term natural gas supply and/or upstream transportation contracts ("LTC filing guidelines"), which have been posted on the Board's website at www.oeb.gov.on.ca.

Background

In the Natural Gas Forum ("NGF") report, the Board concluded that it will:

- offer natural gas utilities the opportunity to apply for pre-approval of long-term natural gas supply and/or upstream transportation contracts; and
- consult on the development of guidelines that will inform all stakeholders of the principles and issues the Board will consider when evaluating an application for contract pre-approval.

Further to the NGF report, the Board in a letter dated August 22, 2008 outlined the issues to be addressed when developing a pre-approval process for long-term natural gas supply and/or upstream transportation contracts. The Board indicated that it would hold a consultation to discuss the needs, benefits and risks of entering into long-term contracts, the impact on competition and the filing guidelines.

Also, in its letter dated August 22, 2008, the Board stated that it planned to conduct the consultation in two phases. In the first phase, staff would hold stakeholder meetings which would lead to the development of a staff discussion paper. In the second phase, the Board would consider whether it is appropriate to develop filing guidelines for the pre-approval of long-term contracts.

On October 15-17, 2008, staff held a number of meetings with stakeholders. At these meetings, staff and its technical expert presented material to initiate discussion on whether: (i) it is appropriate for natural gas utilities to enter into long-term natural gas supply and/or upstream transportation contracts; and (ii) the Board should develop guidelines for the pre-approval of long-term contracts, and if so, what should be included in these guidelines.

At these meetings, no substantive issues were raised and stakeholders generally agreed to a pre-approval process for long-term contracts that support the development of new natural gas infrastructure (e.g., new pipeline facilities to access new natural gas supply sources such as Liquefied Natural Gas plants and frontier production). As a result, a staff discussion paper, as originally contemplated in Phase I of the consultation, was not necessary. The Board has decided to proceed directly to Phase II and release its draft LTC filing guidelines for stakeholder comment. The draft LTC filing guidelines are outlined in Attachment A.

The Report of the Board, Draft Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts, is provided as Attachment B.

Draft Filing Guidelines

The draft filing guidelines provide information about the filing requirements for natural gas utility applications to the Board for the pre-approval of long-term natural gas supply and/or upstream transportation contracts.

The Board believes that these applications should be limited to those that support the development of new natural gas infrastructure. The Board does not believe that a pre-approval process for long-term contracts should be used for the natural gas utility's normal day-to-day contracting, renewals of existing contracts and other long-term contracts. These contracts should continue to be addressed in the utility's rate application.

The Board is inviting written comments from parties on the draft LTC filing guidelines as outlined in Attachment A. All written comments will be posted on the Board's website.

Timelines

Written comments on the draft LTC filing guidelines must be filed with the Board by March 26, 2009.

Filings to the Board must quote file number **EB-2008-0280** and include your name, postal address, telephone number and, where available, an e-mail address and fax number. Three paper copies of your filing must be provided. The Board requests that parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filing through the Board's web portal at **www.errr.oeb.gov.on.ca**. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at **www.oeb.gov.on.ca**, and fill out a user ID password request. Additionally, parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of the comments may be submitted by e-mail at **BoardSec@oeb.gov.on.ca**.

Written comments must be received by **4:45 p.m.** on the required date.

Cost Awards

As indicated in the Board's letter dated August 22, 2008, costs awards will be available for written comments on draft LTC filing guidelines. Cost awards will be available under section 30 of the *Ontario Energy Board Act, 1988* to eligible participants **to a maximum of 10 hours per eligible party**. The costs to be awarded will be recovered from Enbridge Gas Distribution Inc., Natural Resource Gas Limited and Union Gas Limited and will be allocated based on distribution revenue.

For any questions regarding the draft LTC filing guidelines please contact Laurie Klein at laurie.klein@oeb.gov.on.ca or (416) 440-7661. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachments

Attachment A

Draft Filing Guidelines for Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts

This form applies to all applicants who are requesting pre-approval of long-term natural gas supply and/or upstream transportation contracts that support the development of new natural gas infrastructure.

All applicants must complete and file the information requested in Part I, II, III, IV and V.

Part I – Identification of Applicant

Name of Applicant:	File No: (OEB Use Only)
Address of Head Office:	Telephone Number:
	Facsimile Number:
	E-mail Address:
Name of Individual to Contact:	Telephone Number:
	Facsimile Number:
	E-mail Address:

Part II – Needs, Costs and Benefits

2.1	A description of the proposed project that includes need, costs, benefits (such as this project improves the security of supply and the diversity of supply sources) and timelines.
2.2	An assessment of the landed costs (supply costs + transportation costs including fuel costs) for the newly contracted capacity and/or natural gas supply to the landed costs of the possible alternatives.

Part III – Contract Diversity

3.1	A description of all the relevant contract parameters such as transportation/supply provider, contract length, conditions of service, price, volume, and receipt and delivery points.
3.2	An assessment on how the contract fits into the applicant's overall transportation and natural gas supply portfolio in terms of contract length, volume and services.

Part IV - Risk Assessment

4.1	Identification of all the risks (such as forecasting risks, construction and operational risks, and commercial risks) and plans on how these risks are to be minimized and allocated between ratepayers, parties to the contract and/or the applicant's shareholders. For example, forecasting risks include future demand, prices, actual landed costs and performance of basin; commercial risks include competitive and credit-worthiness of provider/operator; and construction and operational risks include costs escalations, delays or reliability issues pertaining to new construction; and gas interchangeability and quality issues.

Part V – Other Considerations

5.1	A description of the relationship between parties to the contract and the applicant's parent company and/or affiliates.
5.2	An assessment of retail competition impacts and potential impacts on existing transportation pipeline facilities in the market (in terms of Ontario customers).

Attachment B

Ontario Energy Board

Report of the Board

Draft Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts

EB-2008-0280

February 11, 2009

Table of Contents

1 Introduction

This report sets out the Board's draft filing requirements that should be used by a natural gas utility seeking pre-approval for long-term natural gas supply and/or upstream transportation contracts. The draft filing guidelines for long-term contracts ("LTC") are outlined in Appendix A.

1.1 Background

In the Natural Gas Forum ("NGF") report, the Board concluded that it will:

- offer natural gas utilities the opportunity to apply for pre-approval of long-term natural gas supply and/or upstream transportation contracts; and
- consult on the development of guidelines that will inform all stakeholders of the principles and issues the Board will consider when evaluating an application for contract pre-approval.

Further to the NGF report, the Board in a letter dated August 22, 2008 outlined the issues to be addressed when developing a pre-approval process for long-term natural gas supply and/or upstream transportation contracts. The Board indicated that it would hold a consultation to discuss the needs, benefits and risks of entering into long-term contracts, the impact on competition and the filing guidelines.

Also, in its letter dated August 22, 2008, the Board stated that it planned to conduct the consultation in two phases. In the first phase, staff would hold stakeholder meetings which would lead to the development of a staff discussion paper. In the second phase, the Board would consider whether it is appropriate to develop filing guidelines for the pre-approval of long-term contracts.

On October 15-17, 2008, staff held a number of meetings with stakeholders, as shown in Appendix B. At these meetings, staff and its technical expert presented material to initiate discussion on whether: (i) it is appropriate for natural gas utilities to enter into long-term natural gas supply and/or upstream transportation contracts; and (ii) the Board should develop guidelines for the pre-approval of long-term contracts, and if so, what should be included in these guidelines.

At these meetings, no substantive issues were raised and stakeholders generally agreed to a pre-approval process for long-term contracts that support the development of new natural gas infrastructure (e.g., new pipeline facilities to access new natural gas supply sources such as Liquefied Natural Gas ("LNG") plants and frontier production).

As a result, a staff discussion paper, as originally contemplated in Phase I of the consultation, is not necessary. The Board has decided to proceed directly to Phase II and release its draft LTC filing guidelines for stakeholder comment.

All materials related to this consultation are on the Board's website.

1.2 Structure of the Report

This report is organized into three sections and each section includes the issues and options raised by stakeholders at the consultation as summarized by staff and the Board's conclusions.

2 Are long-term contracts appropriate?

2.1 Consultation Highlights

Stakeholders stated that long-term upstream transportation contracts ("long-term transportation contracts") may be justified to support new pipeline facilities and some of these stakeholders suggested that this could also support access to new natural gas sources.

Many stakeholders did not support long-term natural gas supply contracts ("long-term supply contracts") except when these contracts are linked to long-term transportation contracts that access new resources such as LNG, United States Rockies and Canadian frontier production. Others supported long-term supply contracts to increase price stability.

2.2 The Board's Conclusions

The Board agrees with stakeholders that long-term supply contracts may be justified in limited circumstances such as supporting the development of new natural gas infrastructure.

With regards to long-term transportation contracts, the Board notes that the natural gas utilities ("utilities") currently have a portfolio of contract lengths. This reflects an upstream transmitter's market requirement to have long-term contracts to support new large infrastructure investments while contracts for existing capacity are generally shorter. Also, the Board is of the view that long-term transportation contracts may help to ensure an adequate natural gas supply in the Ontario market from a diverse portfolio of sources. This may increase supply reliability and reduce price volatility, which would benefit all market participants. Consequently, long-term transportation contracts may be justified.

3 What approach should be used to pre-approve long-term contracts?

3.1 Consultation Highlights

Stakeholders discussed two approaches to a pre-approval process for long-term contracts. The first approach would be a process in which the cost implications of the long-term contracts would be pre-approved by the Board provided that the long-term contracts met a pre-defined set of criteria. The second approach would be an application reviewed by the Board on a case-by-case basis. Stakeholders supported the second approach which is in essence the status quo.

Also, stakeholders generally agreed to a pre-approval process for long-term contracts (where the utility applies on a case-by-case basis) that support the development of new natural gas infrastructure (e.g., new pipeline facilities to access new natural gas supply sources such as LNG plants and frontier production).

A number of stakeholders wanted the Board to require pre-approval for all long-term contracts that meet certain defined criteria, while others supported having the pre-approval process as an option available to the utility.

3.2 The Board's Conclusions

It is recognized that a utility may file an application to the Board at any time. However, in the case of long-term contracts, the Board agrees with stakeholders and concludes that a pre-approval process is appropriate for specific types of long-term contracts. The Board is of the view that filing guidelines need to be developed to assist a utility when it makes an application to the Board for the pre-approval of long-term contracts. The Board believes that these applications should be limited to those that support the development of new natural gas infrastructure (e.g., new transportation facilities to access new natural gas supply sources). The Board does not believe that the pre-approval process for long-term contracts should be used for the utility's normal day-to-day contracting, renewals of existing contracts and other long-term contracts. These contracts should continue to be addressed in the utility's rate application.

The Board also agrees with stakeholders that the process should allow a utility to apply to the Board on a case-by-case basis to pre-approve the cost implications of the long-term contracts (as per section 36(2) of the *Ontario Energy Board Act, 1988*). The utility is to file its application with the Board either prior to contract execution, or after execution (with a condition precedent regarding Board approval), but before it incurs costs under the long-term contracts. The Board will approve the costs associated with these contracts, not the contracts themselves.

In addition, the Board believes that the pre-approval process for long-term contracts can be used at the discretion of the utility.

4 What should be included in the filing guidelines?

4.1 Consultation Highlights

Several stakeholders thought that it was necessary to examine how the proposed long-term contracts fit into the utility's overall natural gas supply and transportation portfolio. Stakeholders also emphasized the importance of considering affiliate relationships or other related transactions.

In the 2007 rates proceeding (EB-2005-0520) Union Gas Limited ("Union") agreed to prepare an Incremental Transportation Contracting Analysis for each new upstream transportation contract with a term of one year or longer. Enbridge Gas Distribution Ltd ("Enbridge") and Union suggested using this analysis as the basis for the filing guidelines, with the appropriate changes for long-term supply contracts.

In addition, stakeholders stated that the pre-approval process would reduce (but not eliminate) the need for after-the-fact prudence reviews and therefore would decrease the regulatory risk for the utilities. Some of these stakeholders also noted that there are risks, separate and apart from regulatory risk, associated with long-term contracts. For example, large infrastructure projects with long lead times may increase the risk of cost overruns and forecasting errors. Therefore, the risks should be identified in the application.

4.2 The Board's Conclusions

Based on stakeholders' comments, the Board believes that the utilities should file the following information:

- **Need, costs and benefits** – a description of the proposed project that includes need, costs, benefits (such as this project improves the security of supply and the diversity of supply sources) and timelines.

- **Cost effectiveness** in comparison to other alternatives – an assessment of the landed costs (supply costs + transportation costs including fuel costs) for the newly contracted capacity and/or gas supply to the landed costs of the possible alternatives.

- **Contract term, volume and services diversity** – an assessment on how this contract fits into the utility's overall transportation and natural gas supply portfolio.

- **Risk mitigation plan and risk allocation** – identification of all the risks (such as forecasting risks, construction and operational risks, and commercial risks[1]) and plans on how these risks are to be minimized and allocated between ratepayers, parties to the contract and/or shareholders.

- All relevant **contract parameters** such as transportation/supply provider, term, conditions of service, price, volume, and receipt and delivery points.

- **Affiliate relationships** – a description of the relationship between parties to the contract and the utility's parent company and/or affiliates.

- **Other Considerations** – retail competition impacts and potential impacts on existing transportation pipeline facilities in the market (in terms of Ontario customers).

[1] Forecasting risks include future demand, prices, actual landed costs and performance of basin. Commercial risks include competitive and credit-worthiness of provider/operator. Construction and operational risks include costs escalations, delays or reliability issues pertaining to new construction; and gas interchangeability and quality issues.

The Board recognizes that the pre-approval process needs to allow for timely decision making, especially in the situation where the utility includes the Board's approval as a condition precedent in its long-term contract. The Board notes that the process must also allow for evidence, discovery and argument.

5 Next Steps

The Board concludes that the draft LTC filing guidelines be issued for stakeholder comment. Stakeholders can file submissions within six weeks of the draft LTC filing guidelines being released. After stakeholder submissions are received, it is expected that the Board will issue the final LTC filing guidelines.

Appendix A

Draft Filing Guidelines for Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts

This form applies to all applicants who are requesting pre-approval of long-term natural gas supply and/or upstream transportation contracts that support the development of new natural gas infrastructure.

All applicants must complete and file the information requested in Part I, II, III, IV and V.

Part I – Identification of Applicant

Name of Applicant:	File No: (OEB Use Only)
Address of Head Office:	Telephone Number:
	Facsimile Number:
	E-mail Address:
Name of Individual to Contact:	Telephone Number:
	Facsimile Number:
	E-mail Address:

Part II – Needs, Costs and Benefits

2.1	A description of the proposed project that includes need, costs, benefits (such as this project improves the security of supply and the diversity of supply sources) and timelines.
2.2	An assessment of the landed costs (supply costs + transportation costs including fuel costs) for the newly contracted capacity and/or natural gas supply to the landed costs of the possible alternatives.

Part III – Contract Diversity

3.1	A description of all the relevant contract parameters such as transportation/supply provider, contract length, conditions of service, price, volume, and receipt and delivery points.
3.2	An assessment on how the contract fits into the applicant's overall transportation and natural gas supply portfolio in terms of contract length, volume and services.

Part IV - Risk Assessment

4.1	Identification of all the risks (such as forecasting risks, construction and operational risks, and commercial risks) and plans on how these risks are to be minimized and allocated between ratepayers, parties to the contract and/or the applicant's shareholders. For example, forecasting risks include future demand, prices, actual landed costs and performance of basin; commercial risks include competitive and credit-worthiness of provider/operator; and construction and operational risks include costs escalations, delays or reliability issues pertaining to new construction; and gas interchangeability and quality issues.

Part V – Other Considerations

5.1	A description of the relationship between parties to the contract and the applicant's parent company and/or affiliates.
5.2	An assessment of retail competition impacts and potential impacts on existing transportation pipeline facilities in the market (in terms of Ontario customers).

Appendix B

List of Participants in EB-2008-0280
Alliance Pipeline Ltd.
Association of Power Producers of Ontario
BP Canada Energy Company Ltd.
Building Owners and Managers Association of The Greater Toronto Area
Canadian Manufacturers & Exporters
City of Kitchener
Consumers Council of Canada
Direct Energy Marketing Ltd.
ECNG Energy L.P.
Enbridge Gas Distribution Inc.
Federation of Rental-Housing Providers of Ontario
Gazprom Marketing and Trading USA, Inc.
Industrial Gas Users Association
London Property Management Association
Natural Resource Gas Ltd.
Ontario Energy Savings L.P.
Ontario Power Authority
Ontario Power Generation
Shell Energy North America (Canada) Inc.
Superior Energy Management
TransAlta Cogeneration L.P. and TransAlta Energy Corp.
TransCanada PipeLines Limited
Union Gas Limited
Vulnerable Energy Consumers Coalition

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL AND WEB POSTING

April 23, 2009

To: All Participants in EB-2008-0280

Re: Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts
Board File No.: EB-2008-0280

The purpose of this letter is to notify participants of the release of the final filing guidelines for the pre-approval of the cost consequences of long-term natural gas supply and/or upstream transportation contracts ("LTC filing guidelines"), which have been posted on the Board's website at www.oeb.gov.on.ca.

Background

In the Natural Gas Forum ("NGF") report, the Board concluded that it will:

- offer natural gas utilities the opportunity to apply for pre-approval of long-term natural gas supply and/or upstream transportation contracts; and
- consult on the development of guidelines that will inform all stakeholders of the principles and issues the Board will consider when evaluating an application for contract pre-approval.

In a letter, dated August 22, 2008, the Board outlined the issues to be addressed when developing a pre-approval process for long-term natural gas supply and/or upstream transportation contracts. The Board indicated that it would hold a consultation to discuss the needs, benefits and risks of entering into long-term contracts, the impact on competition and the filing guidelines.

Also, in its letter dated August 22, 2008, the Board stated that it planned to conduct the consultation in two phases. In the first phase, staff would hold stakeholder meetings which would lead to the development of a staff discussion paper. In the second phase, the Board would consider whether it is appropriate to develop filing guidelines for the pre-approval of long-term contracts.

On October 15-17, 2008, staff held a number of meetings with stakeholders. At these meetings, staff and its technical expert presented material to initiate discussion on whether: (i) it is appropriate for natural gas utilities to enter into long-term natural gas supply and/or upstream transportation contracts; and (ii) the Board should develop guidelines for the pre-approval of long-term contracts, and if so, what should be included in these guidelines.

At these meetings, no substantive issues were raised and stakeholders generally agreed to a pre-approval process for long-term contracts that support the development of new natural gas infrastructure (e.g., new pipeline facilities to access new natural gas supply sources such as Liquefied Natural Gas plants and frontier production). As a result, a staff discussion paper, as originally contemplated in Phase I of the consultation, was not necessary. The Board decided to proceed directly to Phase II and release its draft LTC filing guidelines for stakeholder comment. On February 11, 2009, the Board issued the draft LTC filing guidelines for stakeholder comment and the Report of the Board entitled Draft Filing Guidelines for the Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts ("the Report").

Ten stakeholders submitted comments on the draft LTC filing guidelines. The majority of these stakeholders supported the draft LTC filing guidelines and commented on the following matters:

- the actual contract itself should be filed as part of this process;
- this process should also include renewals of long-term contracts;
- this process should include any long-term contracts that involve an affiliate of the natural gas utility; and
- the Board should define what is meant by long-term.

One stakeholder, however, submitted that there is no need to determine at this time whether long-term contracts are appropriate since there are no current issues with security of supply or upstream transportation constraints. Therefore, it would be best for the Board to make a determination in the future if and when these concerns arise.

All materials related to these consultations (including stakeholders' comments) are available on the Board's website.

Final Filing Guidelines

The Board has decided to proceed with the finalization of the filing guidelines for the pre-approval of the cost consequences of long-term natural gas supply and/or upstream transportation contracts.

The filing guidelines in Attachment A reflect the comments by stakeholders, as appropriate. In response to the comments raised, the Board reiterates its policy as set out in the Report.

The Board believes that applications for pre-approval of the cost consequences of long-term contracts should be limited to those that support the development of <u>new</u> natural gas infrastructure. The Board does not believe that the pre-approval process should be used for the natural gas utility's ("utility") normal day-to-day contracting, renewals of existing contracts and other long-term contracts that are not related to new natural gas infrastructure. These contracts should continue to be addressed in the utility's rate proceedings.

Peter T.
Q.
(11:45am)

Further, the Board is of the view that this pre-approval process should be an option available to the utility and not a requirement (even if the long-term contract involves an affiliate). As a consequence, the Board offers utilities the opportunity to apply on a case-by-case basis for pre-approval of these long-term contracts that support new natural gas infrastructure.

In its Report, the Board stated that it would pre-approve the costs associated with these contracts, not the contract itself. However, based on stakeholder comments, the Board believes that the contract should be filed as part of this process to allow for an appropriate review. The Board notes that the utility may request confidential treatment of its contract in accordance with the Ontario Energy Board's *Practice Direction on Confidential Filings*.

For additional clarity, the Board is of the view that defining long-term is not necessary since the pre-approval process is limited to projects that would support the development of new natural gas infrastructure. It is expected that the length of the contract will vary with, amongst other things, the nature and magnitude of the new natural gas infrastructure.

For any questions regarding the final LTC filing guidelines please contact Laurie Klein at laurie.klein@oeb.gov.on.ca or (416) 440-7661. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment A

Attachment A

Filing Guidelines for Pre-Approval of Long-Term Natural Gas Supply and/or Upstream Transportation Contracts

This form applies to all applicants who are requesting pre-approval of the cost consequences of long-term natural gas supply and/or upstream transportation contracts that support the development of new natural gas infrastructure.

"Long-term" has not been defined since this pre-approval process is limited to projects that would support the development of new natural gas infrastructure. It is expected that the length of the contract will vary with, amongst other things, the nature and magnitude of the new natural gas infrastructure.

All applicants must complete and file the information requested in Part I, II, III, IV, V and VI.

Part I – Identification of Applicant

Name of Applicant:	File No: (OEB Use Only)
Address of Head Office:	Telephone Number:
	Facsimile Number:
	E-mail Address:
Name of Individual to Contact:	Telephone Number:
	Facsimile Number:
	E-mail Address:

Part II – Needs, Costs and Benefits

2.1	A description of the proposed project that includes need, costs, benefits (such as this project improves the security of supply and the diversity of supply sources) and timelines.
2.2	An assessment of the landed costs (supply costs + transportation costs including fuel costs) for the newly contracted capacity and/or natural gas supply compared to the landed costs of the possible alternatives.

Part III – Contract Diversity

3.1	A description of all the relevant contract parameters such as transportation/supply provider, contract length, conditions of service, price, volume, and receipt and delivery points.
3.2	An assessment on how the contract fits into the applicant's overall transportation and natural gas supply portfolio in terms of contract length, volume and services.

Part IV - Risk Assessment

4.1	Identification of all the risks (such as forecasting risks, construction and operational risks, commercial risks and regulatory risks) and plans on how these risks are to be minimized and <u>allocated between ratepayers, parties to the contract and/or the applicant's shareholders.</u> For example, forecasting risks include future demand, prices, actual landed costs and performance of basin; commercial risks include competitive and credit-worthiness of provider/operator; construction and operational risks include costs escalations, delays or reliability issues pertaining to new construction, and gas interchangeability and quality issues; and regulatory risks include changes in laws or regulations.

· Not in our business model!

Part V – Other Considerations

5.1	A description of the relationship and any other conditions, rights or obligations between the parties to the contract and the applicant's parent company and/or affiliates.
5.2	An assessment of retail competition impacts and potential impacts on existing transportation pipeline facilities in the market (in terms of Ontario customers).

Part VI – Contract

6.1	The contract for which the utility is seeking pre-approval for is filed in this application. The utility may request confidential treatment of its contract in accordance with the Ontario Energy Board's *Practice Direction on Confidential Filings.*

Pre-Approval Guideline Section		Evidence Reference	Interrogatory Reference
Part I	Identification of Applicant	A-1-1	
Part II	Needs, Costs and Benefits		
2.1	A description of the proposed project that includes need, costs, benefits (such as this project improves the security of supply and the diversity of supply sources) and timelines.	B-1-1 Section B.1.	I-1-18, I-1-19, I-1-20, I-1-21, I-1-22, I-2-2, I-2-4, I-4-1
2.2	An assessment of the landed costs (supply costs + transportation costs including fuel costs) for the newly contracted capacity and/or natural gas supply compared to the landed costs of the possible alternatives.	B-1-1 Section B.2.	I-1-23, I-3-11, I-3-12, I-4-2, I-4-5
Part III	Contract Diversity		
3.1	A description of all the relevant contract parameters such as transportation/supply provider, contract length, conditions of service, price, volume, and receipt and delivery points.	B-1-1 Section C.	I-1-16, I-1-17, I-1-18, I-3-5
3.2	An assessment on how the contract fits into the applicant's overall transportation and natural gas supply portfolio in terms of contract length, volume and services.	B-1-1 Section C.	I-1-6, I-1-7, I-1-8, I-1-9, I-1-10, I-1-11, I-1-14, I-1-15, I-3-14, I-4-3
Part IV	Risk Assessment		
4.1	Identification of all the risks (such as forecasting risks, construction and operational risks, commercial risks and regulatory risks) and plans on how these risks are to be minimized and allocated between ratepayers, parties to the contract and/or the applicant's shareholders. For example, forecasting risks include future demand, prices, actual landed costs and performance of basin; commercial risks include competitive and credit-worthiness of provider/operator; construction and operational risks include costs escalations, delays or reliability issues pertaining to new construction, and gas interchangeability and quality issues; and regulatory risks include changes in laws or regulations.	B-1-1 Section D.	I-1-3, I-1-4, I-2-1, I-3-4, I-3-15, I-3-16, I-3-17, I-3-18
Part V	Other Considerations		
5.1	A description of the relationship and any other conditions, rights or obligations between the parties to the contract and the applicant's parent company and/or affiliates.	B-1-1 Section E	
5.2	An assessment of retail competition impacts and potential impacts on existing transportation pipeline facilities in the market (in terms of Ontario customers).	B-1-1 Section B.1., B-1-1 Section D Paragraphs 20-23.	I-1-1, I-1-2, I-1-21, I-1-24, I-1-25, I-2-4, I-4-4
Part VI	Contract		
6.1	The contract for which the utility is seeking pre-approval for is filed in this application. The utility may request confidential treatment of its contract in accordance with the Ontario Energy Board's Practice Direction on Confidential Filings.	B-1-1 Section F.	