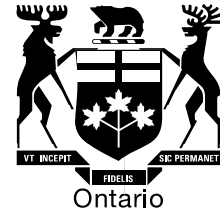


Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

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



BY EMAIL

March 2 2006

To: All Parties in Enbridge Gas Rates – EB-2005-0001
All Parties in Union Gas Rates – EB-2005-0449
NRG

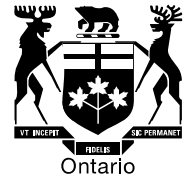
**Re: Natural Gas Demand Side Management Generic Issues Proceeding
Procedural Order No. 1
Board File No. EB-2006-0021**

The Board has issued its Procedural Order No. 1 in the above matter and a copy is attached.

Yours truly,

Original signed by

Peter H. O'Dell
Assistant Board Secretary



EB-2006-0021

IN THE MATTER OF a generic proceeding initiated by the Ontario Energy Board to address a number of current and common issues related to demand side management activities for natural gas utilities.

PROCEDURAL ORDER NO. 1

In the Ontario Energy Board's (the "Board") recent partial decision in Enbridge Gas Distribution's ("EGDI") 2006 rates application (EB-2005-0001 / EB-2005-0437), the Board announced its intention to convene a generic proceeding to address a number of current and common issues related to demand side management ("DSM") activities for natural gas utilities.

On February 15, 2006 the Board issued a Notice of Hearing. The hearing will result in orders under section 36 of the *Ontario Energy Board Act, 1998* (the "Act") relating to the operation, evaluation and auditing DSM plans starting January 1, 2007.

At this time, the Board considers it necessary to make provisions for the following procedural matters. Please be aware that further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. EGDI and Union Gas Limited (together the "Companies") shall file evidence on the issues identified in the Board Staff Draft Issues List attached to this Order as Appendix "A" with the Board and Intervenors, no later than Monday, April 10, 2006.
2. An Issues Conference, involving Board Staff, Intervenors and the Companies, will be convened to review the Board Staff Draft Issues List with the objective of developing a proposed Issues List for presentation to the Board. A proposed Issues List will be presented to the Board following the Issues Conference. The

Issues Conference will be held in the Board's hearing room at 2300 Yonge Street, Toronto, on Monday, April 24, 2006 at 9:00 a.m.

3. The Board will consider the proposed Issues List at the Issues Day proceeding which will take place on Friday, April 28, 2006 at 10:00 a.m. in the Board's hearing room, at which time the Board will also hear submissions with respect to any contested issues.
4. A Technical Conference will be held on Thursday, May 11 and Friday, May 12 2006 and replace interrogatories on the Companies evidence. Intervenors should submit questions to the Companies on or before Monday, May 8, 2006. The Technical Conference will be transcribed and the transcript will form part of the record of this proceeding. The process of the Technical Conference will be further addressed in subsequent procedural orders.
5. Intervenors who wish to present evidence shall file that evidence with the Board and deliver it to the Companies and the other Intervenors on or before Thursday, June 1, 2006.
6. A Technical Conference will be held on Thursday, June 8, 2006 and replace interrogatories on Intervenor evidence. The Technical Conference will be transcribed and the transcript will form part of the record of this proceeding. The process of the Technical Conference will be further addressed in subsequent procedural orders.
7. A half-day Intervenor Conference will be convened on Monday, June 19, 2006 at 9:00 a.m. and finish at 1:00 p.m. Any registered Intervenor in this proceeding may attend. The objective of this conference is to develop a common proposal, if possible, for consideration by the companies. The Intervenor Conference will be held at 2300 Yonge Street, Toronto in the Board's hearing room.
8. A Settlement Conference will be convened on Monday, June 19, 2006 beginning at 2:00 p.m. with the objective of reaching a settlement among the parties on as many of the issues on the Issues List as possible. The Settlement Conference will be held at 2300 Yonge Street, Toronto in the Board's hearing room.
9. Any Settlement Proposal arising from the Settlement Conference shall be filed with the Board no later than 5:00 p.m. on Wednesday, June 28, 2006. The

Board will sit on Thursday, July 6, 2006 at 9:00 a.m. to review the Settlement Proposal.

10. The evidentiary phase of the oral hearing will commence on Monday, July 10, 2006, beginning at 9:00 a.m. at 2300 Yonge Street, Toronto in the Board's Hearing Room. The hearing is scheduled for 3 weeks.
11. **All filings with the Board noted in the Order must be in the form of 10 hard copies and received by the Board by 5:00 p.m. on the stated date.** The Board requires all correspondence to be in electronic form as well as paper. Therefore, all parties must also e-mail an electronic copy of their filings in MS Word to the Board Secretary at Boardsec@oeb.gov.on.ca. Parties must also include the Case Manager, Michael Bell michael.bell@oeb.gov.on.ca and Board Counsel, Michael Millar michael.millar@oeb.gov.on.ca on all electronic correspondence related to this case.

DATED at Toronto, March 2, 2006

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "A"

Natural Gas DSM Generic Issues Proceeding EB-2006-0021

DRAFT ISSUES LIST

1. DSM PLAN REQUIREMENTS

- 1.1 What should be the timing of the schedule for submitting and reviewing DSM plans?
- 1.2 Is a three year plan an appropriate term of a DSM plan?
- 1.3 How should the financial budget be determined and should it be a percentage of revenue?
- 1.4 How should plan targets be determined and should the target be volumetric or based on TRC values?
- 1.5 What process and rules should be available to amend the DSM plan?
- 1.6 How does DSM adjust inside a multi-year rate making process?
- 1.7 What percentage of the funds or savings target or Total Resource Cost ("TRC") Benefits in the plan should be targeted to low income, residential, commercial and industrial programs?

2. SCREENING OF DSM MEASURES AND/OR PROGRAMS?

- 2.1 Should the TRC test be the only test used to screen measures and/or programs for DSM plans?
- 2.2 Should a 1.0 TRC threshold be established to determine if a measure and/or program is cost effective or should it be based on the cost effectiveness of the portfolio?

3. ASSUMPTIONS AND INPUTS

- 3.1 How should free rider and savings input assumptions be determined?
- 3.2 Should there be a common guide (i.e. TRC Guide for CDM) to specify what input assumptions should be used by the utilities?
- 3.3 What certainty is required that the assumptions are set for the duration of the DSM plan?
- 3.4 What is the mechanism to determine if an input assumption needs to be reviewed or researched?
- 3.5 How often should avoided gas costs be calculated and should the Local Distribution Companies ("LDCs") use identical avoided gas costs?

4. LOST REVENUE ADJUSTMENT MECHANISM (“LRAM”)

- 4.1 Should the LDCs to be entitled to revenue protection? If yes,
- 4.2 How should the mechanism be structured?
- 4.3 What evidence should be submitted to demonstrate that all conditions for clearance have been met?
- 4.2 Is a third party audit required to verify LRAM calculations prior to clearance?

5. SHARED SAVINGS MECHANISM (“SSM”)

- 5.1 Should an incentive mechanism be put in place? If yes,
- 5.2 What is an appropriate incentive mechanism and how should it be calculated?
- 5.3 Is a third party audit required to verify year-end SSM calculation? And if required, what should be the audit principles, scope and timeline?

6. DEMAND SIDE VARIANCE ACCOUNT (“DSMVA”)

- 6.1 Should the LDCs have access to a DSMVA for overspending of the DSM budget? If yes,
- 6.2 Should there be a limit to the DSMVA?
- 6.3 What costs are appropriate to be placed in the DSMVA?
- 6.4 What evidence is required to clear the DSMVA?

7. ROLE OF THE CONSULTATIVE

- 7.1 Should the DSM Consultative be continued? If yes,
- 7.2 What role should the Consultative have in the DSM planning, design, approval and audit process?
- 7.3 How often should the Consultative and LDCs meet?
- 7.4 What is the appropriate amount that should be budgeted for Consultative and Sub-committee expenses?
- 7.5 How should participation in the Consultative committee be determined?

8. RESEARCH COMMITMENTS

- 8.1 Should a percentage of the DSM budget be allocated to research? If yes,
- 8.2 How should it be determined that research is required and when?
- 8.3 To reduce duplication, should certain research commitments be combined for both LDCs?

- 8.4 How often should a DSM market potential study be conducted by the LDCs?

9. EVALUATION REPORTS AND AUDIT

- 9.1 What is the purpose of evaluation reports and what should they contain?
- 9.2 What is the appropriate level of funds that should be budgeted for an evaluation report and audit?
- 9.3 Is a third party audit of the evaluation report required? And if required, what should be the audit principles, scope and timeline?
- 9.4 Should there be an Audit Sub-committee? And if yes, what role should the Audit Sub-committee have?

10. MARKET TRANSFORMATION AND LOST OPPORTUNITY PROGRAMS

- 10.1 What characteristics are required to determine that a program is either a market transformation or lost opportunity program?
- 10.2 How should the targets be determined?
- 10.3 How should it be determined that utility has achieved its target?
- 10.4 What is an appropriate incentive if the utility achieves its target?
- 10.5 What should be the length of a market transformation and lost opportunity program?
- 10.6 What is the appropriate level of funding for a market transformation or lost opportunity program?
- 10.7 How should a program incorporate the following elements?
1. information and education activities;
 2. incentives;
 3. research; and,
 4. activities to reduce market barriers such as building codes and energy efficiency appliance standards.

11. ATTRIBUTION OF BENEFITS

- 11.1 What attribution rules or principles should be applied to jointly delivered DSM programs with rate regulated LDCs and what formula should be used?
- 11.2 Should LDCs be allowed to claim a percentage of the benefits associated with a DSM program which is jointly marketed and delivered with a non-rate regulated third party?
- 11.3 Are carbon dioxide offset credits an issue for future DSM plans and if so, how should the benefits be attributed?

12. CUSTOM PROJECTS

- 12.1 Should free riders for custom projects be determined on a portfolio average or on a project by project basis?
- 12.2 Should custom projects have a third party or an internal audit and if so, what would be the audit scope and process of the audit?
- 12.3 Should the volumetric savings recorded be actual or forecasted volumes and what documentation is required to verify this result?
- 12.4 How will an appropriate base case be determined?

13. TARGETED PROGRAMS

- 13.1 Should there be a minimum amount of funds directed towards low income, social housing, First Nations, residential, commercial and industrial programs?

14. FUEL SWITCHING

- 14.1 Is it appropriate to use DSM funds for fuel switching to natural gas?
- 14.2 Is it appropriate to use DSM funds for fuel switching away from natural gas?