



EB-2005-0544

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, 2006.

PROCEDURAL ORDER NO. 1

Natural Resource Gas Limited ("NRG" or the "Company") filed an Application, dated March 30, 2006, 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-2005-0544 to the Application and has issued a Notice of Application dated April 13, 2006.

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. An Issues Conference, involving Board Staff, Intervenors and the Company, will be convened to review a Draft Issues List with the objective of developing a proposed Issues List for presentation to the Board. A Draft Issues List is attached to this Order as Appendix "A". A proposed Issues List will be formulated and presented to the Board at the conclusion of the Issues Conference. The Issues Conference will be held at 2300 Yonge Street, 24th Floor, Toronto, on Monday, June 5, 2006 at 1:00 p.m. A "Draft List of Issues Outside of Rate Case" which lists the potential issues that will be dealt with in another forum and not in this rates case is attached as Appendix "B".

2. Parties who wish information and material from the Company that is in addition to the evidence filed with the Board, and that is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the Company on or before Tuesday, June 13, 2006.
3. The Company shall file with the Board complete responses to the interrogatories and deliver them to the Intervenor no later than Tuesday, July 4, 2006.
4. Intervenor who wish to present evidence shall file that evidence with the Board and deliver it to the Company and the other Intervenor on or before Monday, July 10, 2006.
5. Anyone (Intervenor, Board staff or the Company) who requires additional information related to any Intervenor's filed evidence, and that is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the parties on or before Friday, July 14, 2006. Responses to the interrogatories shall be filed with the Board and delivered to the Applicant and the other Intervenor on or before Wednesday, July 19, 2006.
6. The Board will hold a "Public Forum" in Aylmer, Ontario to provide NRG ratepayers an opportunity to voice their concerns, seek information, comment or ask questions related to services provided by NRG. The Forum will be held at the Old Town Hall Community Theatre located at 38 John Street South, Aylmer, Ontario N5H 2C2 on Tuesday, July 18, 2006 starting at 5:00 p.m. and ending no later than 7:30 p.m. NRG will be required to attend this event and respond to questions posed by ratepayers or provide an undertaking to do so.
7. The evidentiary phase of the oral hearing will commence on Monday, July 24, 2006 at 2300 Yonge Street, Toronto in the Board's hearing room starting 9:30 a.m. The hearing is currently scheduled for up to three days excluding Wednesday July 26.
8. 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, Khalil Viraney khalil.viraney@oeb.gov.on.ca on all electronic correspondence related to this case.

DATED at Toronto, May 26, 2006

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

**EB-2005-0544
NATURAL RESOURCE GAS LIMITED
TEST YEAR 2007**

LIST OF APPLICANT AND INTERVENORS

Revised May 26, 2006

APPLICANT

CONTACT INFORMATION

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INTERVENOR

UNION GAS LIMITED

CONTACT INFORMATION

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APPENDIX "A"

Natural Resource Gas Limited 2007 Rate Case EB-2005-0544

DRAFT ISSUES LIST

Issue 1 Administration

1. Is NRG's non-compliance with the Uniform System of Accounts acceptable?
2. Has NRG complied with the OEB Directives?
3. Are the corporate financial statements for 2006 and 2007 appropriate?

Issue 2 Rate Base

1. Is the amount proposed for Rate Base in 2007 appropriate?
2. Were amounts closed (or proposed to be closed) to Rate Base in 2006 prudently incurred in view of the fact that not all amounts received OEB scrutiny?
3. Is the forecast level of capital spending in 2006 appropriate?
4. Is the forecast level of capital spending in 2007 appropriate?

Issue 3 Operating Revenue

1. Is the customer addition forecast for 2007 appropriate?
2. Is the customer addition forecast for 2006 appropriate?
3. Is the volume throughput and revenue forecast appropriate for 2006 and 2007?
4. Is the ancillary services revenue and return forecast appropriate for 2006 and 2007?
5. Is the general service and contract forecast appropriate for 2006 and 2007?

Issue 4 Cost of Service

1. Is the gas transportation cost forecast for 2007 appropriate?
2. Is the O&M cost forecast for 2007 appropriate?
3. Were amounts incurred (or proposed to be incurred) in O&M for 2006 prudent in view of the fact that not all amounts received OEB scrutiny?
4. Is the proposed advertising expense for 2007 and the proposed amortization of a portion of those costs over a five year period appropriate?
5. Is the depreciation cost for 2007 appropriate?
6. Are the property and capital tax forecasts for 2007 appropriate?
7. Is the income tax forecast for 2007 appropriate?
8. Are the proposals for deferral and variance accounts appropriate?
9. Is the proposed modification to the methodology used to forecast unaccounted for gas appropriate?
10. Is the cost of gas for 2006 and 2007 appropriate?

Issue 5 Cost of Capital

1. Is the proposed change in the capital structure, decreasing NRG's deemed common equity component from 50% to 35% appropriate?
2. Is the proposed change in the calculation of the return on equity appropriate?
3. Is the proposed dividend payment of \$3,000,000 in 2006 appropriate?
4. Are the cost consequences of the replacement long-term debt appropriate?
5. Are the refinancing and financing costs appropriate and prudently incurred?
6. Is the proposal to amortize the refinancing and financing costs including accumulated interest over the remaining life of the new loan appropriate?
7. Is the short-term debt rate proposed for 2007 appropriate?

Issue 6 Rate of Return

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

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?

Issue 8 Rate Design

1. Are the rates proposed in Exhibit H3, Tab 4, 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?

APPENDIX “B”

Natural Resource Gas Limited 2007 Rate Case EB-2005-0544

LIST OF ISSUES OUTSIDE OF RATE CASE

Issue	Placement	Exhibit
Proposed Interest Rate Calculation Methodology on Deferral and Variance Accounts	OEB Audit Group	D1/T7/Sch1/p.5