



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. 3

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 two Procedural Orders.

At the Issues Conference, held on June 7, 2006, parties agreed to all issues on the Proposed Issues List with minor modifications to some of them. The issue that dealt with adjusting interest rates used for deferral and variance accounts on a quarterly basis has been moved back to the Issues List. This issue will still be addressed through a generic proceeding (EB-2006-0117) but has been added to the Issues List to be addressed only if it is determined that there are any timing issues with NRG's Main Rates Case (EB-2005-0544).

THE BOARD ORDERS THAT:

1. The Issues List for this proceeding is attached as Appendix "A" to this Order.

DATED at Toronto, June 8, 2006

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

**NATURAL RESOURCES GAS LTD.
2007 FISCAL YEAR RATES APPLICATION EB-2005-0544**

APPLICANT & LIST OF INTERVENTIONS

Applicant	Rep. and Address for Service
Natural Resource Gas Ltd.	Mr. Mark Bristoll Chairman Natural Gas Resource Ltd. 39 Beech Street East Aylmer, ON N5H 2S1 Tel: 519-773-5321 Fax: 519-773-5335 Email: mbristoll@nrgas.on.ca
Counsel Ogilvy Renault LLP	Rep. and Address for Service Mr. Richard King Ogilvy Renault LLP Suite 3800, Royal Bank Plaza, South Tower 200 Bay Street, P.O. Box 84 Toronto, ON M5J 2Z4 Tel: 416-216-2311 Fax: 416-216-3930 Email: rking@ogilvyrenault.com
Aiken & Associates	Mr. Randall E. Aiken Aiken & Associates 578 McNaughton Avenue West Chatham, ON N7L 4J6 Tel: 519-351-8624 Fax: 519-351-4331 Email: raiken@xcelco.on.ca
Intervenors Union Gas Limited (corrected June 8, 2006)	Rep. and Address for Service Mr. Patrick McMahon Manager, Regulatory Research and Records Union Gas Limited 50 Keil Drive North Chatham, ON N7M 5M1 Tel: 519-436-5325 Fax: 519-436-4641 Email: pmcmahon@duke-energy.com

APPENDIX "A"

Natural Resource Gas Ltd. (NRG) Test Year 2007 Rates - EB-2005-0544

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 Directive (RP-2004-0167) specifically with respect to reducing regulatory costs?
3. Are the corporate pro-forma 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 general service and contract throughput and revenue forecast appropriate for 2006 and 2007?
4. Is the ancillary services revenue and return 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?
11. Is the proposal to adjust the interest rate used for deferral and variance accounts on a quarterly basis appropriate? (Note: This issue is being addressed through a generic proceeding (EB-2006-0117) but remains on this list due to potential timing issues.)

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 all 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?