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To all Participants in the Natural Gas Forum:

The Board has prepared a detailed timetable to implement the recommendations in the Natural Gas Forum ("NGF"). A chart setting out the timetable is attached. The timetable groups the proceedings into three main categories of issues: (i) infrastructure; (ii) rate setting; (iii) gas supply and transportation; and (iv) miscellaneous. The components of each category are discussed below.

### **(i) Infrastructure Issues**

There are two key infrastructure reviews resulting from the NGF Report. The first is the Gas Electricity Interface Review ("NGEIR"), which addresses the gas infrastructure and services requirements resulting from increased reliance on gas fired generation. The second is the generic review of storage regulation.

The research component of the NGEIR is nearing completion and a proceeding to address the issues resulting from that review will commence later this year.

There are two key issues in the gas storage review:

- Whether, or to what extent, the Board should refrain from regulating the rates for gas storage. This will include determining whether storage should be provided at cost of service or market prices, or a mix of both. If the latter, the issue is to determine who should be allocated cost of service storages and how that allocation should be made; and
- The nature and appropriateness of storage services provided by utilities, particularly comparing load balancing provided to regulated gas supply and direct purchase customers.

Both of these issues will be addressed as phase two of the NGEIR proceeding so that these issues can be determined in the context of understanding the new types of demands on storage services associated with increased reliance on gas fired generation.

### **(ii) Rate Setting Issues**

The Board will use the 2007 test year to set base rates for the Incentive Regulation ("IR") plan term. The Board will therefore hold utility specific hearings in 2006 to set the 2007 base rates on a prospective basis. Prior to setting the base rates, the

Board will, following stakeholder input, determine both filing guidelines for the base year and service quality requirements.

There will also be a generic proceeding to set the annual adjustment mechanism and other features of the IR Plan described in the Report. This proceeding, which will also address financial reporting requirements during the term of the IR plan, will be completed by mid-2007.

**(iii) Gas Supply and Transportation Issues**

There are two issues in this category: the standardization of QRAM methodology and the pre-approval process for long term contracting for gas supply and transportation. Standardization of the QRAM methodology will be addressed after the completion of the hearing to set base rates.

With respect to long term transportation and supply contracts, the key part of the NGF Report's recommendations is that the Board will entertain applications seeking prior review of these contracts. The Board will entertain any such applications as and when they are filed and will develop guidelines as required after gaining experience with same. As a result, these applications may be commenced at any time.

**(iv) Miscellaneous**

The NGF Report indicated that the Board will set out its requirements for the content of applications commenced by independent storage developers. These requirements have been clarified in the Board's decision in Tribute Resources Inc. and Tipperary Gas Corp. (RP-2003-0253). The Board will determine whether these requirements should be changed after gaining experience with new applications.

The Board believes that determining the allocation of customer care costs is best carried out on a generic basis and does not have to be completed before setting 2007 base rates. Given that this issue largely addresses the allocation of costs between distribution services and gas supply services, it may be carried out separately from the determination of 2007 base rates and implemented through an order resulting from a QRAM proceeding. The schedule for addressing this issue is largely unchanged from the timeframe in the NGF Report.

The revisions to the ADR practice directions will proceed as originally scheduled.

Yours truly,

*Original Signed by*

John Zych  
Board Secretary

Attachment