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SENT BY E-FILING AND COURIER

February 6, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: Natural Resource Gas Limited (EB-2008-0413)
Information Request Responses

Please find enclosed Natural Resource Gas Limited's Responses to Interrogatories filed by Board Staff, the Town of Aylmer and Integrated Grain Processors Co-Operative Inc. in the above-referenced matter. The Responses are also being filed on the Board's RESS system, and served on all parties to the proceeding.

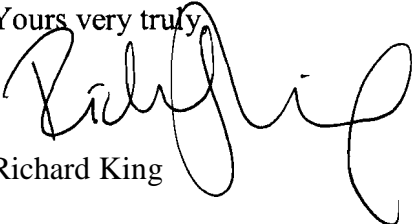
Please note that Mr. Larry Thacker, of Lenczner Slaght Royce Smith Griffin LLP, will be acting as my co-counsel and should be copied on all future correspondence:

Larry Thacker
Lenczner Slaght Royce Smith Griffin LLP
130 Adelaide Street West
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Toronto, ON M5H 3P5

(416) 865-3097
lthacker@litigate.com

Please do not hesitate to contact me should you have any questions or concerns.

Yours very truly,



Richard King

RJK/mnm

Encl.

c.c. Mr. Mark Bristoll, President, NRG
Mr. Philip Tunley, Stockwoods LLP
Ms. Heather Adams, Town of Aylmer
Mr. Patrick McMahon, Union Gas Limited
Mr. Scott Stoll, Aird & Berlis
Mr. Jim Grey, IGPC
Ms. Suzanna Mantel, Municipality of Bayham
Mr. Larry Thacker, Lenczner Slaght

NATURAL RESOURCE GAS LIMITED
APPLICATION FOR FRANCHISE AGREEMENT RENEWAL
WITH THE TOWN OF AYLMER

RESPONSES TO INTERROGATORIES FROM BOARD STAFF (“Board”)

BOARD INTERROGATORY #1

Ref: Exh **C/Tab 2/Existing** Franchise Agreement –(expiry date February 27,2009)

Questions:

- (i) Has the Town of Aylmer, or any other person or corporation, ever alleged to NRG that NRG has breached the terms of the existing Franchise Agreement? If so, please describe the nature of the dispute and provide all documentation regarding the allegations, from February 27,1984 to present time.

RESPONSE:

- (i) To the best of NRG’s knowledge, no person (including the Town) has alleged that NRG has breached the terms of the existing Franchise Agreement.

BOARD INTERROGATORY #2

Ref: Exh **D/Tab 4/pp.** 1-3 (Appropriate Terms of New Franchise Agreement)

Preamble:

In the noted Ref., NRG cited the impact of a shorter length of a franchise term and submitted that it would require NRG to refinance one of the two financing arrangements on or before early 2011. NRG went on to indicate that a shorter franchise term would not be viewed favourably by potential lenders. NRG also submitted that in addition, any major new facility requiring stand alone financing, as was the case with the IGPC ethanol plant, would also be compromised.

Questions:

- (i) What would be **NRG's** plans in regard to the first financing arrangement of the \$6.5 million Credit Facility, 5 year term, due March, 2011, assuming the franchise agreement to be a 20 year term?
- (ii) What would be **NRG's** plans in regard to the first financing arrangement of the \$6.5 million Credit Facility, 5 year term, due March, 2011, assuming the franchise agreement to be a 3 year term?
- (iii) Did NRG make any effort to quantify the implications a three year renewal term would have on their efforts to refinance the second financing arrangement **i.e.,** the \$5.2 million Ethanol Credit Facility, 5-year term, due October **2013?** If so, please provide all details.
- (iv) If the answer to (iii) above is no, will NRG make inquiries to quantify the implications of the required refinancing to take place early in 2011 of the \$5.2 million Ethanol Credit Facility, 5-year **term,** due October 2013.

RESPONSE:

- (i) NRG would attempt to refinance the credit facility on the best available terms.
- (ii) NRG would still attempt to refinance the credit facility on the best available terms. However, NRG is confident that its current lenders (and other potential lenders) would **refuse** to provide financing, and would call the loan. Without financing, NRG could no longer operate and its shareholder, employees and other stakeholders would incur a complete loss. The existing credit facility is a demand loan, and NRG does not need to be in default in order for the bank to call the loan.

That the bank will be concerned about the term of franchise renewal is demonstrated by the fact that, when the current financing was arranged, the bank sought a "comfort letter" from NRG's regulatory counsel regarding the regulatory process pertaining to franchise

agreements and certificates of public convenience and necessity. That letter is attached as **Appendix A**.

- (iii) See answer to (ii) immediately above. At the time of the financing, we did not believe that we would be faced with the Town taking the position that they were prepared to only grant a short-term franchise renewal. Despite repeated requests by NRG to meet with the Town during the process of negotiations with IGPC, the Town refused to meet. Effectively, the Town misled NRG until the credit facility was agreed to. It is our business judgment that in the current credit market, the current demand facility would be called, and it would have to be re-financed with a three year amortization schedule.
- (iv) No. We believe it would be premature and destructive to the utility, its employees and stakeholders to approach the bank and discuss the potential of a very short franchise renewal term.

BOARD INTERROGATORY #3

Ref: Exh **D/Tab 8/p 1/lines** 31-33

Preamble:

- (a) NRG in the noted Ref. quoted a portion of the Board's process for receiving and responding to complaints about utilities, and stated that:
"This public process is easily accessible by consumers, and offers an impartial arbiter for any disputes. NRG supports the Board's complaint process, and thinks a company-specific process would not provide any value to customers.";
- (b) The portion quoted by NRG of the Board's process did not cover the necessary steps that precede having a customer contact the Board. For convenience pertinent excerpts of the Board's process is shown as Attachment 1 to this Board staff **interrogatories**, and specifically the steps described under the heading:

"If you have a concern with a utility, retailer or marketer:

- The first step is to try to resolve your issue directly with the company involved"

Questions:

- (i) Please provide a description of the process that NRG follows when a customer follows the Board prescribed step of calling **NRG's** offices to deal with the problem first.
- (ii) Does NRG have on its web site, bill, or on the phone book contact information for customers to call when they have an issue or complaint to discuss with NRG?

RESPONSE:

- (i) NRG does not have a written procedure; however, this is the process followed by NRG staff: First, the customer would be put in contact with the NRG staff member best suited to answer the question or resolve the issue. In the event that NRG's General Manager is required, he would be involved in the resolution of the dispute. Information would be gathered from the complainant, from NRG's files and/or the Customer Information System computer, as required. Depending upon the nature of the problem, the time to gather this information will vary. If the problem cannot be solved immediately, NRG advises the client that it will be resolved in ten days or less. The customer is contacted by NRG with details of the resolution within ten days.
- (ii) Contact information is provided on the top and bottom of each bill (see sample at Appendix B), and in the yellow and white pages of the telephone book (see Appendix C).

BOARD INTERROGATORY #4

Ref: Gas Distribution Access Rule ("GDAR"), Amended December 11,2007 / Section 7.3.1 and Section **7.3.6**

Preamble:

Section 7.3.1 of GDAR as it applies to NRG deals with Telephone Answering Performance and Section **7.3.6** as it applies to NRG deals with Customer Complaint Written Response.

Questions:

Section 2.3.1 of the GDAR requires a utility to maintain records documenting compliance with all aspects of the GDAR. Please provide the most recent documentation regarding **NRG's** performance with relation to sections 7.3.1 and **7.3.2**.

RESPONSE:

With respect to compliance with 7.3.1 (Call Answering Performance), the telephone system required to comply with the letter of section 7.3.1 would be uneconomic for a small utility of NRG's size. In other circumstances where this is the case, NRG complies with the principles in GDAR. For instance, calls to NRG during business hours are answered by a person as opposed to a message system. With respect to section 7.3.2 (Billing Performance) of GDAR, NRG performs a complete audit for every billing.

NATURAL RESOURCE GAS LIMITED
APPLICATION FOR FRANCHISE AGREEMENT RENEWAL
WITH THE TOWN OF AYLMER
RESPONSES TO INTERROGATORIES FROM TOWN OF AYLMER ("Aylmer")

AYLMER INTERROGATORY #1

Ref: Exh B, Tab 1, Pg. 1, Para. 3 (lines 12-18)

Questions:

- (i) Please provide copy of the Report of the Board on the Review of Franchise Agreements and Certificates of Public Convenience and Necessity, E.B.O. 125 (May **21, 1986**), ss. 3.5 and 3.6.
- (ii) Please indicate which portions of the this Report substantiate the evidence referenced above and how they do so.

RESPONSE:

- (i) Sections 3.5 and 3.6 of the Report of the Board on the Review of Franchise Agreements and Certificates of Public Convenience and Necessity state the following:

"3.5 An application is made under section 9 of the *Municipal Franchises Act* for a first-time agreement, or on a renewal where the parties have reached agreement on the terms of the renewal. On a section 9 application the OEB has only the power to approve or reject the application. On a section 9 application the OEB may dispense with the assent of the electors.

3.6 Section 10 of the Act is used when the parties cannot agree on the terms of a renewal or extension. Again the OEB holds a hearing before it makes an order renewing or extending the right; the duration and terms and conditions are as prescribed by the Board. The OEB may **refuse** to renew or extend the right if the public convenience and necessity do not warrant the renewal or extension. This Ontario Energy Board order is deemed to be a valid by-law of the municipality consented to by its electors."

- (ii) NRG's evidence referenced above is an accurate paraphrasing of sections 3.5 and 3.6.

AYLMER INTERROGATORY #2

Ref: Exh C, Tab 1, Pg. 1, para. 2, lines 13 - 17

Preamble:

In respect of proof of the claims made at lines 13-17, the Town has only ever received one map of pipelines detailing their size, date of construction and valves. The Town has no further evidence of the steps NRG claims to have taken in respect of investment, modernization and expansion, nor in respect of the various measures and programs it claims to have implemented.

Questions:

- (i) Please provide details as to the replacement and modernization of "virtually all of the original assets".
- (ii) Please provide documentation confirming all those steps and measures detailed in lines 13-17.

RESPONSE:

The following responds to Questions (i) and (ii):

At each of its past rate cases, NRG has filed: (a) its capital plans; and (b) its current and forecast number of customers. As a result, the Board is well aware of the fact that NRG's asset base is quite new (particularly in comparison to Union's and Enbridge's). For example, in 1991, NRG's gross fixed assets were \$5.42 million and it served 2,348 customers, but by 2005 NRG's gross assets had nearly tripled to \$15.1 million and its customer base had grown to nearly 6,200 customers (see RP-2005-0544).

The Town of Aylmer would be aware of the extent to which NRG has replaced, expanded and modernized its assets if the Town had intervened in any NRG rate case. NRG has served the Town with Notice of every rate application it has made (in accordance with the Letters of Direction issued by the Board). However, despite receiving notices of each rate proceeding, the Town has never chosen to intervene. In addition to this, the Town will know of NRG's expansions in Aylmer because: (a) NRG gets municipal approval for its works in Aylmer; and (b) NRG's property taxes are based on size and length of pipeline.

A summary of NRG's rapid recent growth and massive asset expansion was explained at length in RP-2002-0147 (NRG rates for fiscal 2003 and 2004) by NRG's former general manager, Mr. Bill Blake (see Appendix D). More recently, the subject arose at the Public Forum in Aylmer on July 18, 2006 (part of NRG's last rate case), and was explained to the Board. In its decision, the Board acknowledged that "NRG also has newer plant ..." as one of the reasons why NRG's capital costs were relatively higher than other utilities.

AYLMER INTERROGATORY #3

Ref: Exh D, Tab 4, Pg. 1, para. 5

Preamble:

While the Town may be the "main urban centre in NRG's franchise area", the Town only holds one of eight of NRG's municipal franchises.

Questions:

- (i) Please explain how a short term renewal period would have an effect on NRG's current financing arrangements. Please provide evidence of any such effect.
- (ii) Does NRG have any written material from a chartered bank or credit union that indicates that the length of one of its franchise agreements is significant in determining their creditworthiness?
- (iii) Please provide evidence from prospective lenders that supports NRG's contention that a short renewal period would have a significant effect on its ability to **refinance/obtain** financing.

RESPONSE:

See response to Board Staff Interrogatory #2.

AYLMER INTERROGATORY #4

Ref: Exh D, Tab 1, Pg. 1

Preamble:

NRG's last rate hearing was in 2006. In the Town's view, a rate hearing is overdue for NRG. Further, the Board's ruling on Union Gas's application indicates that NRG's Class "C" retractable shares are not equity, but debt. This suggests that NRG's rates currently include an unwarranted "return on equity" on \$13 million from customers.

Questions:

- (i) Please provide details as to how long it would take NRG to prepare the necessary materials for a rate hearing.
- (ii) Please outline whether (and if so, how) NRG's cost of providing gas continues to be higher than Union's costs.
- (iii) Please explain whether it is NRG's view that its Class "C" retractable shares should still be considered equity and not debt, and if so, why.

RESPONSE:

- (i) For a small utility such as NRG, a cost-of-service rate filing is a major endeavour and requires a substantial portion of NRG staff time (separate and apart from external counsel and consultants). Consequently, the length of time will depend in part on NRG's other priorities and the availability of NRG's rates consultant (who is currently occupied with other Board proceedings). Since its last rates case, NRG has re-financed, overseen the connection of the ethanol facility (which tripled NRG's throughput), and dealt with an application by Union Gas Limited to discontinue service to NRG. At present, NRG is involved in two generic proceedings before the Board (related to long-term contracting and commodity pricing), and this contested franchise application. Further, the outcome of this proceeding could impact NRG's next rate application – a short-term renewal could impact the depreciation schedule for NRG's capital assets.
- (ii) It is unclear whether the question refers to commodity charges or distribution charges, so both are addressed below.

It is important to note that the Board sets NRG's commodity and distribution rates on a "just and reasonable" standard. It does so not in relation to Union's and Enbridge's rates, but in accordance with traditional rate-setting methodologies accepted by the Board over many years.

Gas Commodity: At present, based on the most recent QRAM decisions, the gas commodity cost for NRG is 35.9292 cents, and the equivalent for Union is 34.9565 cents, so NRG is slightly higher. The EGD equivalent is about 30.365 cents.

Distribution: The distribution charges for NRG and EGD are virtually identical (for a residential customer using 2,000 m³ of gas). EGD's distribution rates are in the 14 to 15 cent range, with NRG in the 15 cent range as well. NRG has a fixed monthly charge of 11.50 compared to EGD's 14. Based on EGD's recent draft rate order, the annual distribution charge for a residential customer using 2,000 m³ annually would be about \$466. This is compared to about \$444 for NRG and about \$324 for Union, based on its recent draft rate order.

In NRG's last rate case, this issue was dealt with fully. In the Board's Decision with Reasons dated September 20, 2006 (EB-2005-0544), the Board summarized NRG's reasons for the rate differences:

NRG responded to customer concerns about difference in rates between Union and NRG at the oral hearing in Toronto and provided a detailed explanation. NRG's analysis indicated that its cost of providing gas to a residential customer is approximately 20% higher than a customer in Union's southern operations area and 8% higher than a customer in Union's eastern operations area. With respect to NRG's seasonal customers such as tobacco curing customers, the cost is 17% higher than for a similar Union customer.

The Company provided a number of reasons for the difference as outlined below:

- The volumes consumed by an average NRG customer are considerably less than the volumes consumed by an average Union customer. This is true for all classes of customers and essentially makes the NRG system a more costly system to operate.*
- NRG has a higher return on equity as compared to Union.*
- Union has embedded debt costs of 7.68% in its rates as compared to NRG's total debt cost of 8.45%.*
- NRG has a relatively new rate base as compared to Union. This means that its meters, regulators and mains have not depreciated to the same extent as Union's. In other words, NRG is carrying a higher net book value in its rate base.*
- NRG's franchise area is essentially rural with no urban centres while Union has large urban centres in its Southern Operations Zone including Hamilton, London and Windsor. This means that NRG has to put more pipes in the ground to get to the same number of customers. This is one of the reasons why Union's other operating areas that are sparsely populated reveal smaller differences in rates when compared to NRG.*

The OEB was satisfied with NRG's explanations for the rate difference between NRG and Union:

With respect to differences in rates between Union and NRG which was raised at the town hall meeting, the Board instructed NRG to provide an analysis. That analysis explains the differences to the satisfaction of the Board.

Importantly, while rates (distribution and commodity) fluctuate over time (and the relative rates as between Union, Enbridge and NRG fluctuate relative to one another as well), what is consistent is that NRG's customers typically enjoy lower overall energy costs due to the fact that NRG's customers consume less. For example, NRG's average residential customers uses 2,000 cubic metres of gas annually, while Union and Enbridge's average residential customer use is much higher (2,600 cubic metres and 3,064 cubic metres). This is in part a function of the fact that NRG's system is much newer than Union's and Enbridge's, which means that NRG's customers are typically using higher efficiency gas appliances (which use less gas).

- (iii) NRG considers these Class C retractable shares as equity for rate-setting purposes. The terms and conditions of the shares and the Postponement Agreement give them all the attributes of equity. In previous rate cases, the Board has also considered these to be equity for rate-setting purposes. There is no "unwarranted return on equity". That having been said, this question is irrelevant to this proceeding. It is a question for NRG's next rate proceeding.

AYLMER INTERROGATORY #5

Ref: Exh D, Tab 6, Pg. 1 & Exh D, Tab 7 & Exh D, Tab 8

Preamble:

The proposed provision that NRG seeks clarification is in respect of the Board's October 8, 2008 notice of proposed amendments to GDAR (EB-2008-0313). The Town has numerous concerns regarding NRG's customer service practices, which includes NRG's practices and policies concerning security deposits. The Town's concerns stem from complaints it has received from its citizens about NRG. It is the Town's position that NRG is deficient in this regard and more generally in the area of customer service and this is a key reason for the number of complaints from consumers about NRG. The Town believes any steps to improve customer service (including implementing the proposed amendments regarding security deposits) is a step in the right direction.

Questions:

- (i) Please set out NRG's current security deposit policies.
- (ii) Please answer whether NRG is willing to accept the proposed condition, namely whether it is willing to implement the proposed amendments to the GDAR (**EB-2008-0313**), whether or not the OEB has made them mandatory by such time.
- (iii) Please provide a description of how customer concerns are handled by NRG if a customer contacts them directly.
- (iv) How many (if any) employees does NRG have employed as customer service representatives? What kind of training is provided to such employees? What level of **oversight/management** are they subject to?
- (v) Please explain NRG's policies in respect of responding to a complaint made through the Board's process.
- (vi) How many (if any) employees does NRG employ that are responsible for responding to complaints made through the Board's process? What position do these employees hold? What kind of training have they received?
- (vii) How many customer complaints has NRG received in the past 4 years? How many of those complaints were resolved? Were any of the complaints referred to the police for investigation?
- (viii) Please outline the "customer service quality requirements" that NRG maintains it has in effect and please explain how these are implemented.
- (ix) Please explain how NRG communicates and educates its consumers on various issues concerning its services. What NRG's main method of communicating with

their customers? Please advise on the number and nature of customer communication methods used in the past year, 2 years.

- (x) Does NRG have a web site? What is the address?
- (xi) Please provide a copy of all of the written material NRG provides to its customers.
- (xii) Can NRG provide the most recent documentation for the performance measurements under the GDAR sections 7.3.3 Meter Reading Performance, 7.3.4 Service Appointment Response Time, 7.3.5 Gas Emergency Response, 7.3.6 Customer Complaint Written Response, and 7.3.7 Reconnection Response Time?

RESPONSE:

- (i) See Appendix E.
- (ii) No. NRG will implement the Board's new security deposit policy in accordance with the timeline set by the Board. The Town provided its comments on the security deposit policy in the EB-2008-0313 proceeding.
- (iii) See response to Board Staff interrogatory #3.
- (iv) NRG does not have dedicated full-time customer service staff, for two reasons: (a) with just under 7,000 customers, there are very few complaints or customer service issues; and (b) as with any small company, staff have multiple roles. However, at all times, the General Manager is available to both NRG employees and customers to discuss and resolve customer service issues.
- (v) The first step in the Board complaint process is to contact the utility. For this, see response to Board Staff interrogatory #3. If the client remained dissatisfied and the Board complaint process was engaged, the General Manager would take its cue from the OEB.
- (vi) NRG has not received a complaint since November 3, 2008. These customer inquiries are handled directly by the General Manager or the President.
- (vii) NRG receives very few complaints (the last being on November 3, 2008). When NRG began to implement its security deposit policy in 2006 (in response to rising commodity prices and local economic and credit uncertainty), several customers requested return of their security deposits, contrary to the terms of NRG's security deposit policy. NRG reviewed and responded to all these requests. Some customers approached the OEB and the police. Attached as Appendix F are two emails from the Board's Chief Compliance Officer, the last of which is dated August 2008. The Board has not contacted NRG further on the matter. Also attached at Appendix F is correspondence from NRG's counsel to the Aylmer Police. (See Appendix F).
- (viii) See Appendix G.

- (ix) For "system-wide" issues, NRG communicates with its customers via bill inserts which are sent out quarterly at a minimum (for gas cost changes). For local or individual customer issues, contact is via telephone.
- (x) No.
- (xi) This question is without parameters – either in terms of time or type of information (e.g., confidential customer information). If the request is for a sample bill insert or the Application for Gas Service form, please see **Appendix H**.
- (xii) The most recent performance measurements for the measures set out in the noted sections of the GDAR are as follows:

7.3.3.1 Meter Reading Performance Measurement:

- 4 out of 6800 meters have had no reading for 4 consecutive months

7.3.4.1 Appointments Met Within the Designated Time Period:

- 360 appointments met within scheduled time 1400 appointments per month

7.3.4.2 Time to Reschedule a Missed Appointment:

- All customers are contacted within 2 hours of the missed appointment time
- In most cases, customers are contacted hours prior to their appointment time to reschedule their service call

7.3.5.1 Percentage of Emergency Calls Responded to Within One Hour:

- 147 emergency calls responded to within 60 minutes 1156 calls per year

7.3.6.1 Number of Days to Provide a Written Response:

- The current service coordinator has not received any written complaints to date, during her 7-month tenure with NRG Ltd.
- The service manager has addressed all written complaints in a timely manner (within 10 days)

7.3.7.1 Number of Days to Reconnect a Customer:

- NRG's policy is to immediately reconnect customers that bring their account into good standing

AYLMER INTERROGATORY #6

Ref: Exh D, Tab 9

Preamble:

This is the first time the Town as seen or learned of the “**NRG Rules**”, despite having had discussions regarding **NRG's** approach to new customers.

Questions:

- (i) Please explain why NRG has never before advised the Town of the existence of or provided a copy of the “**NRG Rules**”.
- (ii) Please explain why the “**NRG Rules**” are not publicly available to NRG customers.

RESPONSE:

The NRG Rules are filed, scrutinized and approved by the Board at every NRG rate proceeding. They are public documents. The Town thus far has chosen not to participate in NRG's rate cases.

AYLMER INTERROGATORY #7

Ref: Exh D, Tab 10

Questions:

- (i) Despite whether NRG thinks it is an unnecessary requirement, is NRG willing to give notice to the Town of any proceeding before the Board that NRG is a party to, particularly, but not limited to, any application to the Board made by NRG.
- (ii) Has one of its franchise holders or another person or corporation ever alleged to NRG that it has breached the terms of other agreements it has regarding the supply or provision of natural gas?
- (iii) Does NRG have any outstanding issues with the OEB?
- (iv) Does NRG have any outstanding law suits?

RESPONSE:

- (i) No. The OEB has well-established rules that ensure any parties potentially impacted by a proceeding are given adequate notice. For NRG rate applications, NRG already gives the Town notice because the OEB always directs NRG to provide the Town with Notice.
 - i) With respect to franchise holders, the answer is no. With respect to other persons or corporations, the question is irrelevant. IGPC has repeatedly breached its contractual obligations to NRG and has made unproven allegations against NRG as a defence. In EB-2008-0273, Union Gas Limited alleged that NRG failed to provide financial assurance contrary to the terms of a gas supply contracts between Union and NRG. The Board found in that case that no financial assurance was required from NRG. Both the IGPC and Union cases were dispensed of by the OEB.
- (iii) This question is overly broad. See answer to question (iv) below. The only outstanding proceedings are this current proceeding, and two Board-convened proceedings related to commodity pricing and long-term contracting.
- (iv) NRG appealed an OEB compliance order (issued in June 2007) to Divisional Court. NRG perfected its appeal in August 2007. Since that time, the OEB and IGPC have failed to file any responding material.

NATURAL RESOURCE GAS LIMITED
APPLICATION FOR FRANCHISE AGREEMENT RENEWAL
WITH THE TOWN OF AYLMER
RESPONSES TO INTERROGATORIES FROM
INTEGRATED GRAIN PROCESSORS CO-OPERATIVE INC. ("IGPC")

IGPC INTERROGATORY #1

Exhibit D, Tab 4, Page 1

Preamble:

NRG indicates that it has 2 credit facilities: the first a 5 year facility in the amount of \$6,500,000 that is due March 2011 and the second facility in the amount of \$5,200,000 is due in October 2013. NRG then goes on to state that an abnormally short franchise period would be detrimental to its financing and the financing of any "major new facility requiring stand-alone financing (**e.g.** the ethanol plant) also would be compromised by having a short franchise agreement"

Questions:

- (a) Please confirm the second credit facility was used solely for the purpose of constructing the pipeline to serve the IGPC ethanol facility.
- (b) Was the remaining time period of the Aylmer franchise (or any other franchise) an issue for the lender of the first credit facility in **2006**? If so, provide supporting documentation that quantifies the magnitude or significance of the issue for the lender (**i.e.** premium, additional covenants).
- (c) Was the remaining time period of the Aylmer franchise an issue for the lender of the second credit facility in **2008**? If so, provide supporting documentation that quantifies the magnitude or significance of the issue for the lender (**i.e.** premium, additional covenants).
- (d) The second credit facility expires in October 2013 two years after the three year extension requested by the Town of Aylmer. Please provide details of the impact on the second credit facility if the Board were to grant the **Town's** request.
- (e) Please provide the evidence upon which NRG is relying to support the statement: "major new facility requiring stand-alone financing (**e.g.**, the ethanol plant) also would be compromised by having a short franchise agreement"?

- (f) Is NRG aware of any customers that have not located in NRG's franchise area where the limited time remaining in the current franchise agreement has been a factor? If so, provide the number of customers.

RESPONSE:

- (a) Confirmed.
- (b) Yes it was. See response to Board Staff interrogatory #2.
- (c) The Bank of Nova Scotia had already dealt with the franchise term issue in the previous financing (see response to Board Staff interrogatory #2).
- (d) If only a three-year renewal is granted, NRG believes that the second credit facility will be demanded and will have to be repaid immediately. If replacement financing is available, we believe that the financing would be limited to the franchise term. NRG's next rate application would have to reflect the recovery of the balance of its assets over the remaining term of the franchise renewal.
- (e) See response to Board Staff interrogatory #2. To be clear, the evidence quoted refers to a major new facility (not the existing ethanol plant) that would require stand-alone financing. We provide the ethanol plant as an example of a facility that required stand-alone financing.
- (f) Everybody believed that the franchise (like all franchises) would be renewed in the customary manner for a typical renewal term. The Town of Aylmer refused to disclose to NRG and anyone else (including prospective customers) their intention to oppose the standard and customary renewal.

Appendix A – Budd Law Letter

Budd Law

Strategic + Legal Advice

Peter Budd Barrister & Solicitor

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February 14, 2006

Mr. J. Robert Cowan
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Dear Sir:

Re: Natural Resource Gas Limited ("NRG") - Bank of Nova Scotia Credit Facilities

Thank you for your letter of February 8, 2006 wherein you indicated that you would like me to confirm, *inter alia*, certain aspects of the Ontario Energy Board's ("OEB") regulatory process pertaining to franchise agreements and certificates of public convenience and necessity.

1. *The Regulatory Process for municipal franchise agreements and OEB certificates*

The regulatory process for utilities to acquire a franchise agreement with a municipality is a balanced, supervised process, which relies on three main participants: the utility, the elected municipal councilors and the OEB. The utility proposing to serve in the municipality must first propose a franchise agreement (OEB standardized) to the municipal councilors, who are to review it and, if it is favorable, they will pass a first and second reading of a by-law accepting the terms and conditions of the franchise agreement. Once passage and public comment has been made (if any), the utility formally applies to the OEB for approval of the draft franchise agreement. The OEB may or may not deem it necessary to hold a hearing, but ultimately, if the OEB agrees with the granting of the franchise to the utility, the OEB will approve the draft franchise agreement, ultimately will issue a certificate of public convenience and necessity (i.e. the OEB's legal order) once the utility has returned to the municipality for a third and final reading of the by-law, which completes the process.

2. *Transfer of Utility Ownership regulated by the OEB*

You also asked me to comment on the transferability or change in control and ownership of a utility and how the OEB looks at this situation. As a matter of administrative law, where there must always be the ability of an unfettered decision-

Budd Law

Strategic + Legal Advice

maker to **decide** on a **case-by-case** basis, one OEB panel or decision can never bind a future panel dealing with a transfer of ownership issue. That said, having recently completed a change in control application before the OEB for NRG, I am aware that the OEB allowed for that **transfer of shares** (change of ownership) on the basis of a **straightforward** paper hearing (not an **oral** proceeding), a one-time newspaper **advertising/publication** and minimal filing of evidence.

The main interests of the OEB in any change of control or ownership situation are primarily with the maintenance of appropriate utility financing, competent **operatorship** (i.e. safety and reliability) as a going concern as well as stability and continuity of service and **minimization** of rate **impacts** to customers. If these issues are adequately addressed, the OEB is likely to approve such change in **control** or ownership. The OEB's predominant interest is to ensure that customers continue to receive **uninterrupted** gas service at **just** and reasonable rates, which is the root of their public interest and statutory mandate.

3. Credit Facilities Agreement – page 5, second paragraph – Conditions Precedent

I have reviewed the second paragraph of the Conditions Precedent on page 5 to which you directed my attention. In my opinion, the February 8, 2006 draft letter that you propose to write to the OEB secretary asking the OEB to confirm that the **Certificates** of Public Convenience and Necessity and the related Franchise Agreements with the **related** municipalities are **all** in good standing is appropriate to send to the OEB (subject to revising **your** request relating to the documents in 'plural' as there are **several** Certificates and Franchise Agreements). I believe the OEB would have a tracking system as would NRG in respect to the documents' terms and expiry dates. The OEB would also be able to indicate the gas **distributor** license status of NRG as you requested. Subject to there being no **surprises**, the Bank should be satisfied with that reasonable due **diligence** effort and result in **ensuring** that NRG is in good standing with its regulator and with the municipalities in which it **delivers** gas service.

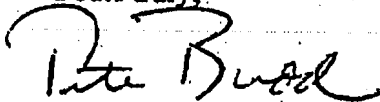
Contacting each individual municipality to ascertain the status of the **current** franchise agreement it has with NRG is likely to be an unnecessary, **cumbersome** and unproductive **administrative** task as with most **municipalities**, these agreements are long term and sometimes not even readily available in their files. As in past **financings**, the **preferred and** recommended procedure is to require from the utility production of the **franchise** files for legal **review** as to status, including perhaps writing the type of letter you drafted to the OEB secretary, but not to contact each clerk of each municipality. I am unaware of other Ontario utilities being required to get an individual response from each municipality in **similar** refinancing circumstances.

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I trust the above will assist you in your management of the file. If *you* have any questions, please contact me.

Yours truly,

A handwritten signature in cursive script, appearing to read "Pete Budd".

Budd Law
Counsel to NRG

Appendix B – Sample Bill Showing Contact Information

**Natural Resource Gas Limited**

P.O. BOX 307
39 BEECH STREET EAST
AYLMER, ONT. N5H 2S1
(519) 773-5321

Supporting your Natural Gas Lifestyle

ACCOUNT NUMBER

P02000-01

AMOUNT DUE NOW

\$ [REDACTED]
AFTER

18-Feb-09
AMOUNT DUE

\$ [REDACTED]
AMOUNT PAID

PAYABLE AT MOST CHARTERED BANKS
AND FINANCIAL INSTITUTIONS

RETURN TOP PORTION WHEN MAILING PAYMENT BRING ENTIRE BILL WHEN PAYING IN PERSON
BILLS ARE DUE WHEN RENDERED. AFTER 16 DAYS, A LATE CHARGE OF 1.5% PER MONTH WILL APPLY.

| BILLING PERIOD | | NUMBER OF DAYS | SERVICE ADDRESS | ACCOUNT NUMBER |
|----------------|-------------|-------------------|------------------|-----------------------------|
| FROM | TO | | | |
| JAN 01 2009 | JAN 31 2009 | 31 | [REDACTED] AYLME | [REDACTED] |
| PRESENT | PREVIOUS | METER DIFFERENCE | FACTOR | AMOUNT USED CUBIC METRES |
| | | 0 | | |

YOUR GAS SUPPLIED BY BLACKSTONE ENERGY SERVICES INC 416-628-2828

DELIVERY TO YOU

\$ [REDACTED]

DEMAND CHARGES

add GST on regular gas charges # [REDACTED]

\$ [REDACTED]
\$ [REDACTED]

MESSAGES:

| BUDGET BILLING PLAN) | | ACTUAL USE THIS MONTH | ACTUAL USE TO DATE | BUDGET BILLED TO DATE | BALANCE AFTER BILL PAID |
|---|--|-----------------------|-------------------------------------|-----------------------|----------------------------|
| Natural Resource Gas Limited P.O. BOX 307 39 BEECH STREET EAST AYLMER, ONT. N5H 2S1 (519) 773-5321 | | AMOUNT DUE NOW | AFTER | AMOUNT DUE | |
| | | \$ [REDACTED] | 18-Feb-09 | \$ [REDACTED] | |
| RETAIN THIS PORTION | | | Thank you for Choosing Natural Gas! | | |

Appendix C – Contact Information as Shown in Telephone Book

| | |
|---|----------|
| Meesters R&J 13488 Imperial Rd. | 773-8680 |
| Meesters Cornelius RR2 Aylmer | 773-9592 |
| Meginnis Dale 64 Farmington | 765-2172 |
| Meharg Bob 249 Talbot | 765-2395 |
| Meharg Brent 47 Farmington | 765-2374 |
| Meharg Dave 5146 Imperial Rd. | 765-2838 |
| Meharg James A 57700 Cattonline | 866-3116 |
| Meharg Ken | 866-3449 |
| Meharg Robert 46 Broadway Springfield | 765-2336 |
| Mellor M RR2 Aylmer | 773-7387 |
| Mellville Yvonne 21 Johns | 773-7387 |
| Melvin V&B 49337 DextarLine Aylmer | 765-3909 |
| Mennil David 51200 ViennaLine | 773-8833 |
| Modem | 773-3990 |
| Facsimile | 773-3990 |
| Mennil J L 412 TalbotE. | 773-8833 |
| Memo Lodge 5250 Melaniedr | 765-1083 |
| Facsimile | 765-1094 |
| Mennonite 49919 TalbotLine | 773-2092 |
| Mennonite Central Committee (Ontario) MCC Resource Centre 16 TalbotE. | 765-3020 |
| Mennonite Store 20 TalbotE | 765-1356 |

MENNONITE FURNITURE GALLERY

10 TalbotW. 765-4386

MENTAL HEALTH SERVICE

INFORMATION ONTARIO

Your First Contact For Help
No Charge-Dial 1 866 531-3600
Web: www.mhinfo.on.ca

| | |
|---|----------|
| Mercer Bill 138 Fath | 765-1919 |
| Mercer John F 71 Cedar | 773-3019 |
| Mercer Eugene 176 Caverly | 773-8543 |
| Merkley Richard 11654 PlankRd | 866-5434 |
| Merkley William RR1 Stratfordville | 866-5161 |
| Merkley William & Catherine 11518 PlankRd Eden | 866-3394 |
| Merrick S 5-42 ParkwayW | 773-7263 |
| Mervis Henry 5195 ImperialRd | 773-9543 |
| Mervis Ron 49240 NovaScotiaLine | 773-2204 |
| METAL SUPERMARKETS 2100 OxfordE. London | 428-4664 |
| Metalore Resources Ltd RR1 Vittoria | 428-4664 |
| Moulemeester Lionel 11931 PlankRd Eden | 866-3591 |
| Mours Cor 10489 ImperialRd | 773-2185 |
| Moyer Warren 48019 RomMcNeilLine | 773-8849 |
| Mozenberg John 13 SinclairCres | 773-8881 |
| Michael Brian & Betty 3511 Colon Aylmer | 773-3386 |
| Michael Brian & Betty 47 PlankRd Stratfordville | 866-3083 |
| Michael Kevin & Trish 9080 PlankRd | 866-5517 |
| Moderna Betty 121 Dufferin | 773-8521 |
| Mike Laur's Auto - See Laur's Mike Auto | |
| Mikula Bill 3511 Colon | 773-2001 |
| Miles Pat 50238 CenturyLine | 765-2217 |
| Milian Philip RR5 Aylmer | 773-8863 |
| Milard B&K 48588 RomMcNeilLine | 773-2727 |
| Milard Charles 54 Robinson PortBurwell | 874-4412 |
| Milard Joe RR4 Aylmer | 765-2837 |
| Milard Ken RR4 Aylmer | 765-2237 |
| Milard M E 91 SpruceW | 773-3367 |
| Milard Michael RR7 Aylmer | 765-4106 |
| Sum Res | 773-8723 |
| Milard Paul W RR4 Aylmer | 773-8798 |
| Milard P D 70 Oak | 773-8389 |
| Milard Randall RR7 Aylmer | 866-3053 |
| Milard Robert G RR4 Aylmer | 866-4397 |
| Milard Tom 33 Erius PortBurwell | 773-2349 |
| Milard W 38 Oak | 866-3314 |
| Milner Ben & Shana 8323 SandytownRd | 765-1391 |
| Milner C 18 Melaniedr | 866-5119 |
| Milner Dave 57705 Cattonline | 765-2079 |
| Milner Deborah Upper-428 TalbotW | 773-3343 |
| Milner D & H 47329 JohnWiseLine | 773-8832 |
| Milner Don 24 Rutherford | 773-2836 |
| Milner Ed 22 Parkway | 765-1490 |
| Milner George RR1 Vienna | 866-3317 |
| Milner Gerard RR2 Aylmer | 765-2201 |
| Milner M 27 Victoria PortBurwell | 874-4988 |
| Milner Marilyn RR2 Springfield | 765-4465 |
| Milner M&L 2-119 Myrtle | 765-1314 |
| Milner Nancy 32 Wellington | 874-1248 |
| Milner Peter RR1 Eden | 866-5342 |
| Milner Peter 11 Oak | 765-1277 |
| Milner Robert M 55 Sinclair | 773-9642 |
| Milner T 203 Elk | 773-7299 |
| Milner T T G M 46-50 Melaniedr | 765-3015 |
| Milner Wilhelm 10451 CullodenRd Aylmer | 866-5065 |
| Milner William RR1 Stratfordville | 866-5667 |
| Milner William & Suzanna *52220 ChateLine | 765-3019 |
| Milner Clare 45400 NovaScotiaLine | 765-2961 |
| Milner Bernice RR4 Aylmer | 765-3411 |
| Milner B&J 47 Clarence | 765-2678 |
| Mills 6 10894 PlankRd Eden | 866-3564 |
| Mills Dawn 104-50 TalbotE | 765-1157 |
| Mills D&S 25 StAndrew | 773-3100 |
| Mills G J 144 Fath | 773-3102 |
| Milner A C Canon Rev 113 Dufferin | 874-4693 |
| Milne Richard 32 Main Vienna | 874-4125 |
| Milne Ted 9 Elm Vienna | 765-2186 |
| Milne Kim 30 Harry | 866-5656 |
| Milne Clarence RR1 Aylmer | 765-1935 |
| Milne Duane 236 TalbotW | 773-3438 |
| Milne Gladys 475 TalbotW | 866-5530 |
| Milne Larry RR1 Aylmer | 773-8592 |
| Milne Painting & Roofing 88 SouthW | 773-9740 |
| Milne Painting & Roofing 88 SouthW | 773-9604 |
| Milne Roger 164 Fath | 773-8280 |
| Milner Leonard 178 SouthW | 765-1616 |
| Milner Art & Custom Framing 11078 SpringwaterRd | 765-2372 |
| Milne B D Dr 24 Pine | 765-2126 |
| Milne Jay RR1 Aylmer | 773-2114 |
| Milne M&C 164 Elk | 773-8204 |
| Milne Greg 48 Treasdr | 773-8288 |
| Minor Cyril W 209-258 TalbotE | 773-3358 |
| Minor Mark & Judy 15 SouthE | 773-2765 |
| Children's Phone | 765-4514 |
| Minor Rick 78 Fourth Ave | 773-9396 |
| Misols J&J 136 Dufferin | 765-1811 |
| Miskelly Arthur 85 Clarence | 773-5264 |
| Miskelly Larry 410 TalbotW | |

| | |
|--|----------------|
| Miskelly Tom 49801 GlenCottLine | 773-2182 |
| MISTER NATURAL HEALTH FOODS | |
| 58 TalbotE. 773-3223 | |
| Debit Line | 773-9283 |
| Mitchell A M 13 Fourth | 773-9073 |
| Mitchell G 5087 Cattonline | 765-4095 |
| Mitchell Gordon Mrs 35 Chatham PortBurwell | 874-4579 |
| Mitchell Max RR1 Eden | 866-5607 |
| Mitchell N 55501 Arthur Stratfordville | 866-3592 |
| Mitchell R&G RR1 | 866-3915 |
| Mitchell Russell RR1 Stratfordville | 866-5586 |
| Mitchell S 32 Elm Vienna | 874-4051 |
| Mitchell William 54711 HeritageLine | 866-3023 |
| Mitts D RR1 Stratfordville | 866-5812 |
| Mitts David RR4 Aylmer | 866-5340 |
| Mitts Russell RR4 Aylmer | 866-3185 |
| Mizon George 1-184 SydenhamW | 773-9675 |
| Modern Line Kevin Sidaway 44249 TalbotLine | 765-3158 |
| Modern Beauty Salon 20 JohnsSt | 773-2103 |
| Tracy | 773-2445 |
| Moerman Dave 49588 ViennaLine | 765-3681 |
| Moerman Ernie Anny 140 Fourth | 773-9240 |
| Moerman Roger G 49704 ViennaLine | 773-3504 |
| Mofat Appliance Service | |
| Service | |
| No Charge-Dial 1 800 361-3400 | |
| Parts | |
| No Charge-Dial 1 800 263-0686 | |
| Moffat SBI 9514 QuakerRd | 765-3239 |
| Moldovan Joseph 109 Dufferin | 773-9576 |
| Mole Donald Jr 4899 PlankRd Vienna | 874-4516 |
| Molina Raul 47 Warren | 765-2539 |
| Moll Richard RR2 Aylmer | 773-2198 |
| Molson Canada Ontario West Region | |
| Consumer Service | 1 800 665-7661 |
| Web: www.molson.com | |
| Mommerstege Mike 258 TalbotE | 765-1780 |
| Monarch Propane Limited - See Cigas Products Ltd | |
| Mon's On The Beach 3143 Colin | 773-7955 |
| MONCRIEF RUSS RD 101 SpruceW | 773-8186 |
| Moncrief Russell RR7 Aylmer | 765-4411 |
| Modem | 765-4419 |
| Monk Michael 11839 SpringfieldRd | 765-3314 |
| Monster Peter 112 Main Springfield | 765-4054 |
| Monteth Donald 25 Harvey | 773-3942 |
| Monteth Donald J RR2 Aylmer | 765-1575 |
| Monteth Hugh 46 TarryPky | 773-2280 |
| Montgomery A F 174 Fath | 773-8286 |
| Modem | 773-5774 |
| Moon Allan 7412 SpringwaterRd | 773-5493 |
| Mooney Eugene RR2 Aylmer | 773-7395 |
| Moore Bill 51085 Broadway Springfield | 765-1989 |
| Facsimile | 765-2002 |
| Moore Bob 44 Harvey | 765-2052 |
| Moore D 76 CaverlyRd | 773-8572 |
| Moore D 42 Oak Vienna | 874-4812 |
| Moore Darrell 61 York | 773-7346 |
| Moore David RR4 Aylmer | 773-8526 |
| Moore Donna RR2 Aylmer | 765-3741 |
| Moore George Jr 52 Pitt PortBurwell | 874-4131 |
| Moore Jean 228-49462 TalbotLine | 765-3127 |
| Moore Jeff & Joanne 11981 PlankRd Stratfordville | 773-3430 |
| Moore John C RR2 STHomas | 765-4088 |
| Moore Max 23 Nelson Springfield | 765-4181 |
| Facsimile | 874-5083 |
| Moore Ray E RR2 Vienna | 866-5891 |
| Moore Walter 56992 HeritageLine | 773-2579 |
| Moore William 13 Murray | 773-8526 |
| Moore's Flower & Garden Centre RR4 Aylmer | 874-4281 |
| Mooresberger Henry RR1 PortBurwell | 773-3668 |
| Modem | 765-4617 |
| Mooresberger Todd 48471 Cattonline | 773-2910 |
| Mooresberger Barb 221 TalbotE | 765-4132 |
| Morgan J RR2 Springfield | 765-1382 |
| Morgan Tom 10 ParkwayW | 866-3067 |
| Morgan Waller 49474 LyonsLine | 773-3412 |
| Morse Farm 54 Water | 773-9426 |
| Morin Roger RR4 Aylmer | 773-2112 |
| Moritz Heidi 125 Dufferin | 765-1616 |
| Moritz Walter 74 TarryPky | 765-4100 |
| Morley Norman Lot 32-3408 Bank | 765-2715 |
| Morrell Kevin 11078 SpringwaterRd | 765-4494 |
| Morrell K&S 11071 SpringwaterRd | 773-9428 |
| Morris Brian 26 Cedar | 866-3799 |
| Morris D&L | 773-3706 |
| Morris Robert J 5175 ImperialRd | 773-3906 |
| Morrison Elwood RR1 Vienna | 773-3579 |
| Morrison J RR4 Aylmer | 866-3728 |
| Facsimile | 866-5229 |
| Morrissey Tom RR1 Aylmer | 866-3507 |
| Morse B RR1 Stratfordville | 765-3414 |
| Morse David 53871 Church | 773-5481 |
| Morse Glen(Pete) RR1 Aylmer | 866-3505 |
| Morse John 134 Rutherford | |
| Morse Steven 93 Victoria | |
| Morse Tom RR1 Aylmer | |

MORTGAGE ACTION CENTRE (ONTARIO)

| | |
|--|------------------|
| Elgin Mall | 5THomas 637-1850 |
| 417 WellingtonSt | 5THomas 637-1850 |
| 1843 Talbot | 6THomas 631-2220 |
| Morton P 39 Water | 773-2605 |
| Mossey Bill 3 AnneW | 773-8761 |
| Mossey Bob 146 Elk | 773-2677 |
| Mossey M 75 MapleW | 773-2581 |
| Motor Vehicle Licence Office 63 TalbotE | 765-1362 |
| Mott D 138 Dufferin | 773-3324 |
| Mount Salem Christian School RR4 Aylmer | 765-3553 |
| Modem | 765-3879 |
| Mount Salem Evangelical Mennonite Church | |
| 6576 SpringfieldRd | 773-8549 |
| Moura M 3511 Colon | 773-8307 |
| Mousseau B&J 46696 JohnWiseLine | 765-1911 |
| Moyer Ernest 4899 PlankRd Vienna | 874-4220 |
| Moyer William 20-4899 PlankRd | 874-4156 |
| Mudford Darryl 55873 Second Stratfordville | 866-5860 |

| | |
|--|-----------------|
| Mudford Family Food Town | |
| 56302 HeritageLine Stratfordville | 866-5505 |
| Facsimile | 866-3004 |
| Mueller Frank Jr RR1 Stratfordville | 866-3265 |
| Mueller John 84 ParkwayW | 765-1134 |
| Mueller M 81 Moore | 773-2948 |
| Mueller Ron 44210 NovaScotiaLine | 765-1799 |
| MUFFLERMAN THE | |
| 904 Talbot | |
| STHomas 631-7050 | |
| Muir Andrew 55841 LightLine | 866-3655 |
| Mulder G 202-22 LinwoodRd | 773-2059 |
| Mulder William 68 Melaniedr | 765-2277 |
| Muller Frank 49055 DextarLine | 765-3665 |
| Muller Ken Lwr-9577 BelmontRd | 765-1744 |
| Mullins D RR1 Eden | 866-5754 |
| Mulvaney Patrick RR2 Aylmer | 773-7278 |
| Municipality of Bayham 29 Wellington PortBurwell | 874-4531 |
| Municipality of Bayham Office | |
| 9344 Plank Rd Stratfordville | 866-5521 |
| Municipality of Bayham Garage | 866-3524 |
| Munro Donald G RR5 Aylmer | 765-1678 |
| Murch David 32 StAndrew | 765-2254 |
| Murch William 32 StAndrew | 765-1263 |
| Murphy C 27 Pitt PortBurwell | 874-1059 |
| Murphy Don RR4 Aylmer | 773-5678 |
| Murphy Donna 20-49075 DextarLine | 773-2202 |
| Murphy E 17 ErieCrt | 773-7171 |
| Murphy J 318 TalbotE | 773-7185 |
| Murphy John 49497 NovaScotiaLine | 773-2898 |
| Murray And Company 54033 EdenLine | 866-3424 |
| Murray Dan 7744 Caverly | 866-5630 |
| Murray Dan RR1 Stratfordville | 866-5859 |
| Murray David 10085 CullodenRd Eden | 866-3885 |
| Murray Karen & Garth 15 Victoria | 765-2682 |
| Murray Peter 24 Waterloo PortBurwell | 874-4780 |
| Murray Richard 7 McGregor | 773-8034 |
| Modem | 773-8036 |
| Murray R&S RR7 Aylmer | 773-8243 |
| Murray Ryan 8732 TalbotRd Stratfordville | 866-3048 |
| MURRAY'S HEATING | |
| 6725 York St | 866-3908 |
| 57100 Brey St Eden | |
| Musclow P 33 StAndrew | 765-1263 |
| Murphy Robert & Susan 40 AlexanderRd | 765-3715 |
| Murphy Robert & Susan 40 AlexanderRd | 773-7427 |
| Myers Louise 45331 TalbotLine | 773-2090 |
| Myrry Darryl & Michelle 54964 EdenLine | 866-5433 |
| N | |
| NRG Ltd 39 Beech | 773-3321 |
| Nagy Joe Jr 56 Moore | 773-2386 |
| Nagy Joseph J Sr 107-91 SpruceW | 773-9714 |
| Nagy S RR2 Springfield | 773-7392 |
| Nakoneczny Steven 32 PineW | 773-2241 |
| Nancekrell Henry 50123 TalbotLine | 773-2391 |
| Nancekrell Terry 195 Fath | 765-3130 |
| NAPA AUTO PARTS | |
| 157 JohnW | 773-5384 |
| Nassawater George 51322 TalbotLine | 765-1164 |
| Nassawater John 4948 PlankRd | 866-3476 |
| Nassawater J 30 Treelawn | 773-6792 |
| Nassawater Michael RR4 Aylmer | 773-2774 |
| National Car And Truck Rental For Worldwide Reservations | |
| No Charge-Dial 1 800 227-7368 | |
| Natural Resource Gas Limited | |
| 39 BeechE Aylmer | |
| 24 Hour Natural Gas Emergencies | London 435-6511 |
| Credit Enquiries | 1 888 765-2256 |
| General Enquiries | 773-5321 |
| Nat'l Gas Line or Appliance Enquiries ext 209 | 773-5321 |
| Fax | 773-5335 |
| Nat'l Canada-Telecom East 6875 CarterRd | 773-5784 |
| Needham Bill & Dorothy 10 Lybby PortBurwell | 874-1071 |
| Needham Robert E RR2 Aylmer | 773-9512 |
| Neff Michael Eden | 866-3262 |
| Neff Ronald RR4 Aylmer | 773-9443 |
| Nell Friesen Excavating Ltd 51123 Cattonline | 773-9520 |
| Nelson Cornelius F Res | 765-3212 |
| Nell C J 26 Anne | 773-3378 |
| Nelles Gerald A Stratfordville | 866-3611 |
| Nelles Lee 36 CharlesCrt | 765-2397 |
| Nelson J P 205 Berwick | 765-6709 |
| Nelson Larry 174 SouthW | 773-5409 |
| Nelson Rufus & Ellen 9524 SpringwaterRd | 773-9783 |
| Nelson Wm H 64 Crystal | 773-7356 |
| Nemeth Les 5156 ImperialRd | 773-3865 |
| Nemeth S RR1 Stratfordville | 866-5618 |
| Nemeth Bill RR2 Springfield | 765-4078 |
| Nemeth Jack 9891 PembrokeRd | 773-2525 |
| Nemeth Jason 156 SouthW | 765-4541 |
| Nemeth Jeffrey 15 Catherine Springfield | 765-4459 |
| Nemeth Ken & Laura RR4 Aylmer | 866-3401 |
| Nemeth L 7 WillowDr | 773-2968 |
| Nemeth Larry 50142 LyonsLine | 765-2559 |
| Nemeth O 104-72 MapleW | 765-4435 |
| Nemeth Robert 106-72 MapleW | 765-4405 |
| Nemeth S J 81 Victoria | 765-1213 |
| Nemeth Tim & Julia RR1 Aylmer | 765-3882 |
| Nemeth Tom 160 FourthAve | 765-4741 |
| Nestle Foodservice | |
| No Charge-Dial 1 800 387-4367 | |
| Neudorf C 6501 SpringfieldRd Aylmer | 773-7189 |
| Neudorf Herman 4654 SoperRd Vienna | 874-4813 |
| Neudorf Margaret 216-29 ChestnutW | 773-2702 |
| Neufeld David 5757 CarterRd | 765-2361 |
| Neufeld Peter Jr 9159 PlankRd | 866-5582 |
| Neufeld A 48-50 Melaniedr | 765-2388 |
| Neufeld Ave 57034 Cattonline Vienna | 866-5391 |
| Neufeld Abe & Cathy RR1 PortBurwell | 773-2957 |
| Neufeld Abe & Cathy Lower-10790 SpringerHillRd | 765-1087 |
| Neufeld Abe N 23 Forest | 773-5728 |
| Neufeld Abram 48776 JohnWiseLine | 773-7407 |
| Neufeld Abram 6921 PlankRd Vienna | 866-5650 |

| | |
|---|----------|
| Neufeld Abram B 50883 Cattonline Aylmer | 773-775 |
| Neufeld Anna 12-36 Fulton Vienna | 874-676 |
| Neufeld Cornelius 51303 Cattonline Aylmer | 773-775 |
| Neufeld Dave 2-6217 PlankRd Vienna | 874-676 |
| Neufeld David & Katharina 53115 Cattonline | 765-1334 |
| Neufeld Elizabeth 111-98 Myrbe | 765-1334 |
| Neufeld G&S | 773-866 |
| Neufeld Henry RR1 Stratfordville | 866-3449 |
| Neufeld Henry 22-215 SouthW | 773-775 |
| Neufeld Herman 48 St Andrew | 773-775 |
| Facsimile | 773-775 |
| Neufeld Herman 51084 Cattonline | 765-1334 |
| Neufeld Herman 12054 WhitakerRd Springfield | 773-775 |
| Neufeld H&J 55 Chatham PortBurwell | 874-676 |
| Neufeld Isaac 3-32 Fulton | 874-676 |
| Neufeld Isaac 13570 ImperialRd Springfield | 773-775 |
| Neufeld Jacob 50075 DingleSt | 765-1744 |
| Neufeld Jacob RR2 Aylmer | 866-5754 |
| Neufeld Jake 1 Snow Vienna | 773-775 |
| Neufeld Jake & Anna 512 TalbotE | 874-676 |
| Neufeld Jakob P 55317 ErieLine Vienna | 874-676 |
| Neufeld Johann 114 Myrtle | 773-775 |
| Neufeld John 104 Fourth | 765-1678 |
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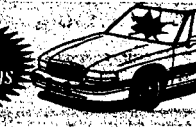
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charges for the sale, distribution and transmission of gas
commencing October 1, 2002 and commencing October 1, 2003.

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| EXHIBIT | |
| K.1.1: PREVIO | |
| USLY FILED | |
| EVIDENCE | |
| FROM | |
| RP-2000-0126 | |
| AND | |
| RP-1999-0031 [189] [189] | |
| [] | 12 |
| UNDERTAKINGS | 13 |
| UNDERTAKING J.1.1: TO PROVIDE THE REVENUE REQUIREMENT | |
| IMPACT ON THE ASSUMPTION THAT THE NORFOLK EAST PROJECT | |
| DOES NOT MATERIALIZE IN FISCAL YEAR 2004 [315] [315] | |
| UNDERTAKING J.1.2: TO PROVIDE THE IMPACT IF THE Board WERE TO | |
| DISALLOW X PERCENTAGE OF THE PROPOSED BUDGET WITHOUT | |
| SPECIFYING A SPECIFIC PROJECT, ON THE DISCRETIONARY SIDE; PER | |
| 10 PERCENT OR \$100,000 [318] [318] | |
| UNDERTAKING J.1.3 TO OBTAIN COSTING INFORMATION FROM | |
| COURT REPORTING COMPANY [844] [844] | |
| [] | 14 |
| ... upon commencing at 9:30 a.m. | 15 |
| MR. VLAHOS: Good morning, everyone. | 16 |
| The Board is sitting today to hear evidence on NRG's obligation for rates fiscal years | |
| 2003-2004. | 17 |
| With me today are my colleagues Sally Zerker, and Arthur Birchenough. | 18 |
| For the record, my name is Paul Vlahos. Could I have appearances, please. | 19 |
| APPEARANCES: | 20 |
| MR. KING: My name is Richard King, I'm counsel for the applicant, Natural Resource | |
| Gas Limited. | 21 |
| MR. VLAHOS: Good morning, Mr. King. | 22 |
| MR. LYLE: Good morning, Mr. Chair, my name is Mike Lyle, counsel for Board Staff. | |
| With me is my colleague Jai Prashad. I'll spell that for the court reporter. It's J-a-i P-r-a-s-h-a-d. | 23 |
| MR. VLAHOS: Thank you, Mr. Lyle. | 24 |
| Mr. Lyle, are we properly constituted? | 25 |
| MR. LYLE: Yes, Mr. Chair, affidavits of service and publication have been filed with | |
| the Board. | |

MR. BLAKE: I just wanted to try and assist the Board and familiarize the Board with some of NRG's history. We have not appeared before the Board for a few years, and the company continues to evolve into a more mature gas utility operation.

99

The company and the gas utility started its operations in the early 1900s, largely as a gathering system from some local wells that were drilled at that time, and evolved over the years through one family's ownership until the mid-1970s. When that family sold it to another two individuals who were attempting to modernize the system and actually went into financial trouble and the company went into receivership in 1979.

100

So at that time in 1979 when it was taken over by our group, the company was in very, very bad shape, a lot of leaks, old steel line, non-temperature-compensated iron gas meters, everything was in bad shape, the buildings, facilities and everything.

101

And over the last 23 years, 24 years of ownership, we have virtually replaced everything. We have established, you know, new operating procedures, training, replaced pipelines, expanded pipelines, and this past year, we have sort of completed the final step which was building a new office and service facility in Aylmer.

102

So we currently have about 400 kilometres of pipeline, almost entirely plastic pipelines. We are serving about 5600 customers. We have, on average, around between 16 and 18, sometimes a few more, employees during some parts of the season.

103

We are actually operating with fewer employees now than we were probably ten years ago, largely through efficiencies in our office and in our physical plant operation.

104

We continue to add customers, although the years of sort of larger expansions sort of come to an end, we now have gas service in all the communities and on all of the streets in all of the communities; whereas, when we purchased the company, there were a number of communities that did not have gas service and a number of areas in those communities did not have gas service.

105

So we now have gas accessible to virtually every household and business in each community, and we also have quite a large number of the rural roads that have concentrations of homes and things, that we have gas lines on them.

106

And we brought a map, I am not sure that you can see it from where you are, but if I can maybe just describe briefly where the service area is. This would be the City of London in the top corner, and we actually have a couple of small lines that go into the newly amalgamated City of London. This is the highway 401 along here. Ingersoll is here, and I am not sure if you have seen the CAMI auto plant along the highway, along the 401 of Ingersoll.

107

And the rest of it is all south and east of London, this being the north shore of Lake Erie, and Tillsonburg would be here and St. Thomas over here.

108

So when we took the system over, it had a bare skeleton of pipeline. We had a line on Highway 74, a line down a country road, a couple of lines down through here, and one small line into the Houghton/Norfolk County area. A number of lines we built in the last couple of years to expand the service.

109

We are proud of our safety record for the company. We have never had any major incidents. We feel we have created a safe and reliable gas utility, and we think that's largely through some risk management that we have done, training, operating procedures, replacement of facilities, upgrading facilities and so forth.

110

One of the issues that -- one of the items that was on the issues list was the retention of the ancillary services, and I would like to just sort of speak about that for a moment.

111

Our company is unique in that we have a fully integrated service department, and those employees do work not only on the utilities side of the meter, but they also do work on the customer side of the meter.

112

And we think it is important that our company retain that ancillary business, that service and installation business, because it allows us the scope that we need that we can have the employees and the facilities to answer emergency calls and to take the sort of high points out of our service department needs. In other words, when we get a lot of service calls in the beginning of the winter or during an emergency or outages and that sort of thing, we have enough scope of operation that we can handle all those situations.

113

And the program has continued to produce positive returns. It earns greater than the rate of return from

the Board, and so that it actually contributes to reducing gas rates.

114

The final thing that I would like to just go over was sort of the last major phase that we see in our development on the replacement of the old system, and that was the new building this year.

115

And the building, in the evidence we have given you some pictures of our old facility, which were World War II barracks from an air force base that was located north of Aylmer that were moved to the location that we were on Spruce Street, and they were moved there, I believe in the 1950s, by the former owner.

116

And the site was about a 14- or 15-acre site, largely flood plain designated land, and we had about three or four acres on the high ground where the buildings were located.

117

And the buildings were in terrible condition. They were -- we made very few improvements on them over the years because we always anticipated that they would be replaced, so we just did the bare essential improvements over the years, a little bit of panelling, a little bit of drywall and replaced a carpet here or there, but the buildings were -- they had dirt floors in a crawl space under large portions of them. The roof on the building three where we kept our equipment was badly deteriorated and leaking. The building three was in such poor shape that the only thing you could consider it is almost outside storage for pipe.

118

And so when the opportunity arose that we could sell the buildings, we really had no choice other than we had to sell them and we had to move on to the new facility.

119

So our new location is on a two-acre site in Aylmer and in an industrial serviced -- a small industrial serviced area. It is right across the road from the police station, the Aylmer police station, so we get lots of exposure. We are not on the main street, we are only about two building lots off the main street, visible from the main street.

120

The footprint of the building is about 8500 square feet and it is a pre-engineered steel building, **Steelway** building, which might be similar -- you might be familiar with the Butler building, they are very similar.

121

So it is a steel building, and we have an office in one end and then our service department, and we have our trucks and equipment and so forth in the other end of the building, very functional. And so obviously, it gives us, you know, a much better working condition for our employees, and as well, it gives us an enhanced image in the community rather than operating out of the old facility.

122

We've had numerous, numerous comments about, I don't know how you ever lasted in the old building. **You're** new building looks so nice, and the company looks so much more professional, and so forth and so on.

123

And so anyway, I just wanted to sort of touch base on those items and sort of stress that the company is moving forward. We consider our company as becoming more mature in our evolution, and think we've positioned ourselves to go forward in the future and operate again in a safe and reliable utility operating in our area.

124

MR. BLAKE: Thank you very much.

Appendix E – Security Deposit Policy



Natural Resource Gas Limited

TO OUR VALUED CUSTOMERS,

FOR YOUR INFORMATION ONLY, **BELOW** IS OUR CURRENT SECURITY DEPOSIT POLICY.

RESIDENTIAL SECURITY DEPOSIT POLICY

How does our Security Deposit program work? Why does it exist?

Thank you for choosing natural gas as your energy source! NRG takes great pride in being a financially responsible provider of natural gas in our community. Protection of rates and costs associated with servicing our community are our number one priority. As such, the introduction of security deposits is a necessary step to ~~try~~ to protect both NRG & our gas customers from increased rates resulting from non paying customers.

Security Deposits are not a prepayment of gas.

When do Security Deposits apply?

Security deposits are requested for **all** new customers – both commercial & residential. The amount of the deposit is determined based on usage history applicable to the **specific** address in which gas service is installed or will be installed. For all security deposits held, interest will be paid annually as a credit right on your October statement. Accounts with poor payment history with NRG will likely **require** a security deposit prior to the continuation of service.

How do I apply?

Requests for a **refund** of security deposits can be made after 1 year of service for residential accounts by writing to our credit department. Your letter must include; address, account number and state that you are applying to have your **Security Deposit** refunded. Please include a copy of your original receipt. Our Credit Department can be contacted at:

| | |
|-------|--|
| Fax | 519-773-5335 |
| Email | creditdept@nrgas.on.ca |
| Mail | 39 Beech Street E, PO Box 307, Aylmer, ON N5H 2S1 |

Once received, a **thorough** examination of the following criteria will be **performed** and a decision made.

- 1.) If the customer's payment history has no late payments within 12 months – 50% security deposit refund
- 2.) If the customer's payment history has no late payments within 24 months – 100% security deposit refund
- 3.) If the customer has a disconnection notice within either **timeframe**, or a late payment, then 0% of the security deposit will be returned. The customer must then have a full 12 **months** of clean payment history in order to qualify for the 50% refund.

You will be notified in writing of our decision and at the discretion of NRG, a portion of your **deposit**, in whole, or in part, will be returned to you. Interest accrued (1% per year) will be applied directly to your account every October.

NRG believes that the security deposit **program** is in the best **interest** of all natural **gas** customers. These deposits are not a prepayment of gas, and are intended as an industry accepted best practice to help manage natural **gas** rates for our customers.

Please be advised that any future communication should be in **writing**.

- The Ontario Energy Board is currently developing a standardized framework or policy for collection and administering security deposits by **gas** distributors. The board has proposed to do this by means of amendments to the **gas** distribution access rule ("GDAR") in **EB-2008-0313**. No final decision on these proposed changes has yet been established. NRG will comply when advised as to the date of commencement of these changes and you will be advised of any changes to our current policy..

If you have **any** questions, please feel **free** to send via mail to the address below, or via **email** at creditdept@nrgas.on.ca.



NATURAL RESOURCE GAS LIMITED

Supporting Your Natural Gas Lifestyle

Security Deposit Procedure

Annual Reviews

Security deposits are reviewed on an annual basis

A report is run every month to **determine** customers who have placed a security Deposit with **Natural** Resources Gas Limited.

At time of review customers file is pulled, and a history of the customers transaction history is printed for review.

The account is reviewed by the Credit Department for the following **criteria**:

- Lates (~~more~~ than 16 days as states on billing)
- Missed or non payment
- NSF cheques
- Disconnection notice

After the **review** is completed, the Security Deposit form is filled out with the appropriate information.

The security Deposit form is tracked by sequence and account # on a master Spreadsheet for reference.

The Security Deposit form is signed and dated by Credit Department personal, and forwarded along with a copy of transaction history to General Manager for Approval. A letter is sent to the customer advising them of a fund or denial. Copies of both the Security Deposit form and the letter sent to the customer are placed in customer file for reference.

The Security Deposit **form** is then forwarded to Billing where a credit to the account, or a request for a cheque will take place.

If customer requests a **refund** in form of cheque, the Security Deposit form is forwarded to Payables to have the cheque issued and sent to the customer.

Security Deposit Requests

Security Deposit Requests are received in the following manner:

Security Request form

E-mail

Regular letter mail

Fax

All requests regarding Security Deposits are returned, the **same** day or the next business day.

All requests are required to be forwarded to the Credit Department in Writing.

The Security Deposit Requests are processed daily, and are processed in the same fashion as the Security Deposit Reviews.

2 of 5



NATURAL RESOURCE GAS LIMITED

Supporting Your Natural Gas Lifestyle

Example of security deposit form

SECURITY DEPOSIT REFUND REQUEST # 760

☐ DEP TO GAS

☐ FINAL BILL PROCESSED

☐ A/R TO CLEAR

☐ ANNIVERSARY REFUND

☐ MOVE/CANCELLATION

☐ CREDIT TO ACCOUNT

☒ ISSUE CHEQUE

CUSTOMER NAME: Susie Anyone

HOME NUMBER: 519-123-4567

ACCOUNT NUMBER: F20690-01

AMOUNT OF SECURITY DEPOSIT: 500.00

DATE SECURITY DEPOSIT RECEIVED: 01/15/08

DATE REFUND REQUEST RECEIVED: JAN 2008 REVIEW

PERSON REQUESTING REFUND: CREDIT DEPARTMENT

REASON FOR REFUND 1ST ANNIVERSARY No lates

CHEQUE MADE PAYABLE TO: Susie Anyone

PO BOX 123

Anywhere, ON, A1B 2C3

250.00

REFUND DUE DATE: _____

REFUND CHEQUE #: _____

CHEQUE DATE: _____

DATE CHEQUE MAILED: _____

C. EVELAND

PREPARED BY
CC CUSTOMER FILE

CC Feb 2/09

APPROVED

PROCESSED



NATURAL RESOURCE GAS LIMITED

Supporting Your Natural Gas Lifestyle

EXAMPLE OF DENIAL OF REFUND LETTER

CUSTOMER NAME
ADDRESS

DATE

**Re: Deposit Refund Request/ Review
Account #:**

Dear Customer:

Recently, we have received a request for **consideration** to refund your security deposit held on your account by our company.

In reviewing security deposits, we require our customer's to meet the following requirements:

- 1.) ~~If~~ the customer's payment history has no late payments within 12 months= 50% security deposit refund.
- 2.) **If** the customer's payment history has no late payments within 24 months= 100% security deposit refund.
- 3.) If the customer has a disconnection notice within either timeframe, or a late payment, than 0% of the security deposit **will** be returned. The customer must then have a full 12 months of clean payment history In order to qualify for the 50% refund,

We regret that we are unable to provide a refund of your security deposit at this time due to failure to meet the **criteria** for one or all of the above factors.

Listed below ~~is~~ a summary of details:

IE(Billing date of 05/26/08 no payment received until 08/25/09 resulting in 3 months of missed payments .

We will be happy to **review** written requests In the future on the anniversary of your account.

Should you require further help on this matter, we would request that all future **communications** be in writing. We appreciate your feedback and support as we continually strive for **utility service** excellence

Sincerely,

The NRG Credit Department
c.c. Customer File



NATURAL RESOURCE GAS LIMITED

Supporting Your Natural Gas Lifestyle

EXAMPLE OF REVIEW LETTER

CUSTOMER NAME
ADDRESS

DATE

Dear Customer:

Re: SECURITY DEPOSIT REVIEW

Account #:

Recently, we have reviewed your security deposit held on your account by our company.

In reviewing security deposits, we require our customer's to meet the following requirements:

- 1.) If the customer's payment history has no late payments within 12 months= 50% security deposit refund,
- 2.) If the customer's payment history has no late payments within 24 months= 100% security deposit refund.
- 3.) If the customer has a disconnection notice within either timeframe, or a late payment, than 0% of the security deposit will be returned'. The customer must then have a full 12 months 'of clean payment history in order to qualify for the 50% refund,

A review of your account has been done resulting in a partial/ full refund in the amount of \$ _____.

The Refund cheque will be mailed to you in 3 to 6 weeks.

(Or will be credited to your account.)

We appreciate your support as we continually strive for utility service excellence!

Sincerely,

The NRG Credit Department
c.c. Customer File

5 of 5



Natural Resource Gas Limited

Security Deposit Refund Request Form

| | |
|--|-------------|
| Date: | Account No: |
| Service Address: | |
| Original Date of Hook Up: | |
| Reason for Request: | |
| Mailing Address For Refund: | |
| Phone Number: | |
| I would like my refund (circle one) 1) by cheque 2) credited to my account | |

I, (name on account) _____ (please print) request
to have my security deposit reviewed for a possible refund.

Customer Signature: _____

For Office Use Only

| | |
|--------------------|--|
| Amount of Deposit | |
| Date Applied | |
| Refund Amount | |
| Approved By | |
| Refund Cheque # | |
| Cheque Date | |
| Date Cheque Mailed | |

PREPARED BY: _____ DATE: _____

Appendix F – Letter re Security Deposit Policy Investigation

LENCZNER SLAGHT ROYCE
SMITH GRIFFIN LLP
BARRISTERS

Direct Line: (416) 865-3097
Email: lthacker@litigate.com

July 7, 2008

VIA FACSIMILE

Bil Segui
Chief of Police
Town of Aylmer
46 Talbot Street West
Aylmer, Ontario
N5H 1J7

Dear Mr. Segui:

**Re: Natural Resource Gas Limited ("NRG") and
Integrated Grain Processors Co-operative Inc. ("IGPC")
Franchise Renewal**

I act for Natural Resource Gas Limited ("NRG").

On June 20, two police officers from the Aylmer Police Force attended at the office of NRG and spoke to Kevin Thompson. The police officers were Constable Gus Lagrandeur, Badge No. 47 and Constable Colbert Seuparsaud, Badge No. 59.

Constables Lagrandeur and Seuparsaud told Mr. Thompson that criminal charges have been or will soon be filed by a number of Aylmer residents concerning monies held on deposit by NRG pursuant to its security deposit program.

The officers asked Mr. Thompson if he was aware of a meeting held the previous week by individuals seeking to "file a petition" against NRG. Constables Lagrandeur and Seuparsaud then demanded that Mr. Thompson explain NRG's security deposit program and justify how the money held by NRG pursuant to that program is managed.

Mr. Thompson explained the security deposit program fully to the officers and asked for a list of the specific people that Constables Lagrandeur and Seuparsaud were referring to when they said that criminal charges had been, or would be, laid against NRG.

SUITE 2600, 130 ADELAIDE STREET WEST, TORONTO, ONTARIO, CANADA M5H 3P5
TELEPHONE (416) 865-9500 FACSIMILE (416) 865-9010

Constables Lagrandeur and Seuparsaud also told Mr. Thompson that they wanted NRG to state its reasons for NRG's decision made with respect to each individual customer, which would require disclosing private and confidential information about those individuals, including their credit and payment history with NRG. Mr. Thompson said that he would certainly consider the request upon receiving from Constables Lagrandeur and Seuparsaud a list of the specific people for which they were requiring information, and a detailed written request for that specific information. Mr. Thompson stressed that NRG was willing to cooperate fully with any investigation and provide any information that it is able, and permitted by law, to provide.

Mr. Thompson noticed that neither of the two police officers made any notes during the meeting and did not leave their business cards. However, they were wearing uniforms for the Aylmer police force.

Neither Mr. Thompson nor anyone else at NRG has received any further response from Constables Lagrandeur and Seuparsaud. They did specifically agree to provide NRG with the names of the people that had laid, or would be laying, criminal charges against NRG, and the names of the people for whom they required credit and payment history information and the basis for NRG's decision with respect each of those people.

As I am sure you are aware, credit and payment history information, and the reasons why NRG makes a particular decision with respect to a security deposit for an individual person, is private and confidential information. It is protected by, among other things, applicable privacy legislation and NRG is not in a position to simply disclose it.

Accordingly, in order for NRG to determine whether it can provide the information that Constables Lagrandeur and Seuparsaud have demanded, we require a list of the people and a specific request from Constables Lagrandeur and Seuparsaud in their capacity as police officers of the Aylmer police force for all the information they are requesting. NRG will then be able to determine whether or not it is in a position to cooperate and provide any such information.

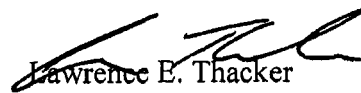
The NRG security deposit is consistent with NRG's "Gas Service Rules & Regulations" (the "Rules") dated August 1, 1995 and revised December 20, 1995 (copy attached). These Rules were filed by NRG as evidence in the NRG's most recent rate case before the Ontario Energy Board ("OEB"). The OEB issued a decision that did not alter the Rules in any way. Accordingly, the OEB has approved NRG's Rules, including the security deposit policy NRG has implemented.

Moreover, the NRG security deposit is consistent with the security deposit policies followed by Union Gas and Enbridge. The Union Gas gas service guidelines (copy attached), in section 4.2, requires Union Gas customers to provide a security deposit. Enbridge has also implemented a security deposit policy similar to that implemented by NRG.

- 3 -

Accordingly, the NRG security deposit policy has been approved by the OEB, and is consistent with standard industry practice, including the security deposit policies implemented by Union Gas and Enbridge.

Yours truly,


Lawrence E. Thacker

LET/jb

Encl(s)

cc: Adrian Pye
Brian Hewson

Appendix G - Customer Service Quality Requirements

NRG Service Coordinator

Duties and Responsibilities

- Act as customer service contact for service department
- Schedule service calls and locates for technicians and line crew
- Address any issues/complaints customers have in a timely and efficient manner
- Ensure records are kept to meet both TSSA and OEB requirements
- Dispatch calls to service technicians throughout the day as they come in
- Answer inquiries related to service, parts, etc.
- During winter months, we receive an average of 20 calls related to service a day

Response Times for Service Calls

Furnace Calls

- No heat – same day
- Cleaning/maintenance – scheduled at customer's convenience (usually completed within 3 or 4 days of initial call)
- Noisy – within 2 days of call usually

Water Heater Calls

- No hot water – same day in most cases
- Water Leak – same day
- Noisy – within 2 or days or at customer's convenience
- Flashing Valve – if water heater has to be reset often due to flashing valve, response time is usually within 2 or 3 days of initial call
- Replacement – if service technician deems water heater should be replaced, NRG will usually replace it the same or next day

Air Conditioners

- No cold air – usually same day depending on schedule and weather
- Water leak – within 1 or 2 days
- Noisy – within 2 days of call

All other appliances (i.e. ranges, space heaters, etc)

- Depending on the problem, most service requests are addressed within 1-3 days of initial call

Gas Leaks/ Fumes

- Meter Escape – if someone reports smelling gas around a meter, an NRG technician will respond the same day (usually within 2 hours)
- Gas Line Break – ASAP (if a gas line or main is reported broken, NRG will respond immediately)

- Gas Smell in house – ASAP (if a customer reports smelling gas within their home, NRG usually responds within 2 or 3 hours of initial call)
- Carbon Monoxide – ASAP

Locates

- Most locate requests are completed within 3 business days of initial request

Appendix H – Sample Written Material



Natural Resource Gas Limited

NOTICE:

The Ontario Energy Board is currently developing a standardized framework or policy for collection and administering security deposits by gas distributors. The board has proposed to do this by means of amendments to the gas distribution access rule ("GDAR") in EB-2008-0313. No final decision on these proposed changes has yet been established. NRG will comply when advised as to the date of commencement of these changes and you will be advised of any changes to our current policy.



Natural Resource Gas Limited
PO Box 307, 39 Beech St. E.
Aylmer, Ont. N5H 2S1

Natural Resource Gas Limited Application for Gas Service

Service Department
Aylmer: 519-773-5321
Fax: 519-773-5335

20

I/WE

(the 'Customer')

apply to Natural Resource Gas Limited ("the Company") for gas service at

(the 'premises')

according to the following terms and conditions:

1. The Customer agrees to pay accounts when due.
2. Customer agrees that a meter connection will be established Immediately after the Installation of the **service** line and will be subject to the monthly fixed charge from that date.
3. Customers intending to vacate premises supplied with gas or to discontinue the use of gas shall **give notice** to the Company at 39 Beech Street E., Aylmer, Ontario or other such address as customer may be advised, fifteen (15) days before the Customer **intends** to discontinue **service** and in default of providing such notice, the Customer **will remain liable** for all gas which passes through the meter until such notice is given. In the event accounts for natural gas, rentals or other services are not **paid** in accordance with **this** agreement and collection procedures are made by the Company **and/or** its agent, Customers will be liable for **collection** costs incurred by the Company **and/or** its agent. _____ X
4. If the **Customer** discontinues service within **ninety (90)** days of **application** for gas **service**, there will be a charge for removal plus GST, or such charge as is currently in effect by the Company **which** will be added to the **final** billing **and/or** deducted from the original deposit.
5. The Company may discontinue **service** and disconnect and remove the meter for repair, lack of supply **and/or non-payment** of bills (including late penalty charges) when due. The **original** deposit **will** be refunded upon full payment of any outstanding amount.
6. Gas will be supplied to a meter installed by the Company. If that meter should fail to register the quantity of gas consumed or if access to read the meter cannot be made, the account of the Customer will be estimated by the Company.
7. Customer agrees to **give** immediate **notice** at the office of the Company of any escape of gas. In case of a leak, the stop-cock at the meter must be immediately closed and no light taken near the escape until after free and full **ventilation**.
8. Except in the case of an emergency, the Company **and/or** its authorized agent shall at all reasonable hours, have access to the premises for the purposes of **examining, regulating** or repairing the gas apparatus installed, ascertaining the quantity of gas consumed or supplied **and/or** to discontinue or remove the meter. In the case of an emergency, the Company **and/or** its authorized agents shall have access to the premises at any hour.
9. The Company shall not be liable for any damages or losses **resulting from** any failure to supply. The Customer agrees **with** the Company that the Company will not be held liable by the Customer for any loss, damage, injury or delay to any person or to any property **resulting from** the transportation, storing or any use of the gas supplied to the premises including any damage or loss from explosion or fire. Further the Customer agrees to indemnify and save harmless the Company from and against all claims and demands arising out of the transportation, storing or use of the gas **supplied** to the Customer's premises including any loss or damage from explosion or **fire** made by any person and from and against all damages, losses, costs, charges and expenses which the Company may **sustain** or incur and be liable for as a consequence of any such claim or demand.
10. **The** Customer acknowledges that there will be a late charge on the past due amount (minimum \$1.00) if the bill is not paid within sixteen (16) days of rendering and there **will** be a monthly fixed charge of \$_____. _____ X
Both of the charges are subject to **revision** and approval by the Ontario Energy Board.
11. The Customer acknowledges that there **will** be a **transfer/connection** charge of **\$30 plus GST**, or as may be ordered by the _____ X
Ontario Energy Board, which will be charged on the **first** billing.

SIGNATURE OF APPLICANT _____

DEPOSIT RECEIVED: \$ _____ DEPOSIT RECEIVED BY: _____

PREMISES OWNED BY: _____

SEE REVERSE FOR CREDIT APPLICATION