

Direct Dial: (416) 216-2311
Direct Fax: (416) 216-3930
rking@ogilvyrenault.com

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March 27, 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)
Reply to Submissions on Costs

We are writing in regard to the cost submissions filed by the Town of Aylmer (the "Town") as well those filed by the Integrated Grain Processors Co-operative and IGPC Ethanol ("IGPC") in the above-referenced matter. For the reasons set out below, Natural Resource Gas Limited ("NRG") respectfully submits that it should not bear the costs of either the Town or IGPC.

Firstly, NRG wishes to reiterate the argument made in its original reply to the Town of Aylmer's request for cost award eligibility. Unlike a rate proceeding in which applicants pay for the reasonable costs incurred by qualifying intervenors, a contested franchise renewal application arises because a utility and its host municipality cannot agree on contractual terms to govern the relationship going forward. In such circumstances, section 10 of the *Municipal Franchises Act* (Ontario) permits either the franchise holder or the municipality to bring an application to the Board. It does not much matter who brings the application, but an application must nevertheless be brought. Simply put, this type of proceeding is not like a regular utility proceeding (such as a rate proceeding) before the OEB. It is more akin to a bilateral civil dispute. As such, it is NRG's submission that the fact that it is the applicant in this proceeding should not be determinative of cost responsibility. Rather, the Board should determine costs after the decision on the merits is rendered.

As the record shows, since June 2008, NRG had repeatedly requested that the Town provide NRG with its position on franchise renewal. The evidence in this proceeding established beyond any doubt that the Town deliberately refused, over a period of six months, to tell NRG whether or not it would approve a renewal of the franchise. Moreover, the Town concealed from

OGILVY RENAULT LLP / S.E.N.C.R.L., s.r.l.

**Barristers & Solicitors
Patent & Trade-mark Agents**

DOCSTOR: 1662504\2

Suite 3800
Royal Bank Plaza, South Tower
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4
CANADA

Toronto • Montréal • Ottawa • Québec • London

T : 416.216.4000
F : 416.216.3930
toronto@ogilvyrenault.com

ogilvyrenault.com

NRG its hidden agenda and the position it would eventually take concerning a demand for a three-year renewal term.

In addition, the Town deliberately allowed time to run and did not disclose its position until the latest possible moment, which required NRG to commence this application for a contested hearing. These events are described in detail at paras. 39-68 of NRG's Argument-in-Chief.

As a result of the Town's conduct, NRG has incurred significant legal expenses, and this Board has been put to the expense of a contested hearing, under the pressure of an imminent expiry of the NRG franchise agreement. This was all unnecessary, and was caused by the Town's conduct, including its refusal to negotiate with NRG in good faith.

Finally, with respect to the Town's request to have costs paid by NRG's shareholders, at no point did the Town of Aylmer make an argument as to the basis for its request that NRG's shareholder pay the costs of this proceeding. NRG re-iterates its submission that this hearing was necessary only because of the Town's failure to negotiate with the Town in good faith.

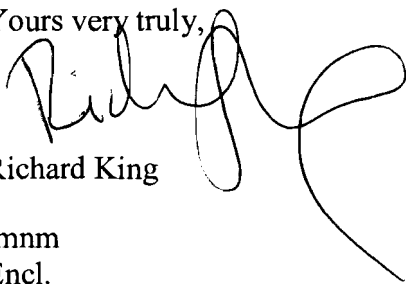
With respect to IGPC, NRG's position is that they should be entitled to no costs. This was a bilateral dispute regarding who will supply gas in Aylmer. IGPC has no interest other than ensuring a continued supply of gas, which was never at issue. Their participation was unnecessary.

As a result, NRG respectfully submits that the Town should bear its own costs for this hearing. NRG also submits that the Town should pay the costs of NRG and the Board, and whatever costs the Board determines IGPC should receive.

This reply is being filed on the Board's RESS system and served on all parties to the proceeding.

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

Yours very truly,



Richard King

/mm
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