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April 19, 2010

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition

EB-2010-0018
Natural Resource Gas Limited – 2011 Gas Rates Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Issue 1 Administration

Issue 1.3 Are NRG's audited financial statements from 2006 to 2009 appropriate?

Reference: Exhibit A3, Tab 1, Schedule 1, 2009 Audited Financial Statements

1. In the December 11, 2009 cover letter, the auditors state that the Class C shares that are retractable at the option of the shareholder would normally be classified as a liability on the balance sheet.

a) If these shares were retracted, what impact would it have on NRG's ability to raise investment capital?

b) If these shares were retracted, what impact would it have on NRG's balance sheet?

c) If these shares were retracted, what impact would it have on NRG's actual equity?

d) Please explain fully any risks to NRG or its ratepayers that arise due to the issuing of these shares.

e) Could these shares be retracted without selling NRG?

Reference: Exhibit A3 Tab 1 Schedule 1, 2009 Audited Financial Statements, page 14 Note 6 and Exhibit A3 Tab 1 Schedule 2, 2008 Audited Financial Statements, page 14 Note 6

2. The first reference indicates that in 2008, the company purchased gas in the amount of \$2,011,482, while the second reference indicates that in 2008, the company purchased gas in the amount of \$2,606,281. Please provide the correct amount for 2008 and explain why the two figures vary.

Reference: Exhibit A3 Tab 1 Schedule 1, 2009 Audited Financial Statements, page 12 Note 2

3. Please indicate the date that the 28.5 km pipeline was completed and the date it went into service.

4. The referenced page states that "[a]s of September 30, 2009, a final cost reconciliation has not been agreed upon between the two parties." Please indicate whether there has been any change in the status with respect to the cost reconciliation and explain whether there

will be any potential impact on customers who are not in Rate 6 as a result of the reconciliation.

Reference: Exhibit A3 Tab 1 Schedule 1, 2009 Audited Financial Statements, page 16 Note 8

5. Please provide a copy of the new $4.7M term note.

Reference: Exhibit A3 Tab 1 Schedule 1, 2009 Audited Financial Statements, page 24 and Exhibit A3 Tab 1 Schedule 2, 2008 Audited Financial Statements, page 24

6. Regarding the "Unaudited Schedule of Expenses" as reported on both the referenced pages for the year ended September 30, 2008, there are significant differences between the amounts reported for:

(i) Automotive and maintenance ($146,979 in the first reference versus $137,569 in the second reference),

(ii) Consulting fees ($117,549 in the first reference versus $329,025 in the second reference),

(iii) Dues and fees ($23,088 in the first reference versus $32,498 in the second reference),

(iv) Office ($183,042 in the first reference versus $110,780 in the second reference), and

(v) Salaries and wages ($624,883 in the first reference versus $485,669 in the second reference).

Please explain fully why these amounts – for expenses in the same year, 2008 – vary.

Issue 2 Rate Base

Issue 2.1 Are the amounts proposed for Rate Base in 2010 and 2011 appropriate?

Issue 2.2 Were amounts closed (or proposed to be closed) to Rate Base in 2008 and 2009 prudently incurred in view of the fact that not all amounts received OEB scrutiny?

Reference: Exhibit B 4, Tab 2, Schedule 1 and Exhibit B4, Tab 3, Schedule 2

Preamble: VECC is asking this question because it wishes to understand how the opening balance for "Automotive" in 2008 was determined.

Regarding the 2007 actual capital expenditures on "Automobile," Exhibit B4, Tab 2, Schedule 1 shows $45,196 to be the actual amount spent. However, the "Automotive" row on Exhibit B4, Tab 3, Schedule 2 shows a gross balance in October of $444,950 which then declines by about $1K in

November, then increases by about $22K in December to $465,872. Thereafter, this gross amount <u>increases</u> monthly by much smaller amounts ending up at $465,603 in September.

7. In what months was the expenditure on Automobile made?

8. If a vehicle was purchased, please provide details including make and model, type, age, and mileage, purchase price of the vehicle purchased, and the date that the vehicle was put in service. If a vehicle was not purchased, please provide full details on the capital goods that were purchased along with the month in which the expenditure was made.

9. Why did the gross amount decline by about $1K in November?

10. Was a vehicle from NRG's fleet retired in 2007? If so, please provide details including make and model, type, age, and mileage and purchase price of the vehicle retired. Please indicate the amount of any revenue realized from the disposition of the vehicle and how these funds were treated.

11. Why does the gross amount show small increases after December?

12. If the responses to the above questions do not readily indicate how the Automotive Exhibit B 4, Tab 2, Schedule 1 can be reconciled with Exhibit B4, Tab 3, Schedule 2, please explain.

Reference: Exhibit B 5, Tab 2, Schedule 1 and Exhibit B5, Tab 3, Schedule 2

Preamble: Regarding the 2008 actual capital expenditures on "Automobile," Exhibit B5, Tab 2, Schedule 1 shows $0 to be the actual amount spent. However, the "Automotive" row on Exhibit B5, Tab 3, Schedule 2 shows a gross balance in October of $465,655 which then stays constant through June (as would be expected with no additions or retirements). In July, however, there is a one month increase of about $18K to $483,824. Then in August, the gross amount drops to $466,481, falling slightly further to close out at $466,068 in September.

13. Why is the October balance larger than the preceding month's balance of $465,603 if $0 was spent in the fiscal year on Automotive?

14. Please explain fully what happened in July 2008 and thereafter in 2008.

Reference: Exhibit B 6, Tab 2, Schedule 1 and Exhibit B6, Tab 3, Schedule 2

Preamble: Regarding the 2009 actual capital expenditures on "Automobile," Exhibit B6, Tab 2, Schedule 1 shows $55,828 to be the actual amount spent. The "Automotive" row on Exhibit B6, Tab 3, Schedule 2 shows a gross balance in October of $465,655 which stays constant through April. The balance then increases by about $14.5K in May and then shows much smaller monthly increases in June, July and August, with August's balance being $486,734. In September, there is an increase of about $17.3K leading to a year-end balance of $504,109.

15. Please explain the behavior of the Automotive balance in 2009, as described in the preamble and indicate how the $55,828 spent in 2009 can be reconciled with the monthly row entries in Exhibit B6, Tab 3, Schedule 2, providing full details as to what Automobile cap ex in 2009 was spent on.

Reference: Exhibit B7, Tab 2, Schedule 1 and Exhibit B7, Tab 3, Schedule 2 Updated

Preamble: Regarding the 2010 capital expenditures on “Automobile,” Exhibit B7, Tab 2, Schedule 1 shows $65,000 to be the amount forecast to be spent. However, the “Automotive” row on Exhibit B7, Tab 3, Schedule 2 shows a gross balance in October of $521,483 which then stays constant through January. This is followed by a $15K increase in February, a further increase of $32.5K in March, and a $17.5K increase in April bringing the balance to $586,483. This balance is maintained through May and June and the difference between this balance and the October opening balance is $65K. In July there is a one month uptick of about $18.2K to $604,652 which is maintained in August. In September the balance decreases to close out at $586,483, the same balance as in April.

16. Please explain what is projected to be purchased in October to cause the October balance to be about $17.3K above the balance in the previous month.

17. Please explain the other changes in monthly balances, detailing the reasons for any increases or decreases in the balance and reconciling this with the proposed 2010 cap ex on Automobile.

18. Please include the details as to what the 2010 cap ex is to be spent on in each month.

Reference: Exhibit B8, Tab 2, Schedule 1 and Exhibit B8, Tab 3, Schedule 2 Updated

19. Please provide full details with respect to monthly spending on 2011 Automotive cap ex and explain the other changes in monthly balances, detailing the reasons for any increases or decreases in the balance and reconciling this with the proposed 2010 cap ex on Automobile. Please include the details as to what the 2010 cap ex is to be spent on in each month.

20. Please also provide a summary sheet from 2006 through 2011 that shows for each year (i) the size and composition of NRG’s vehicles in rate base, (ii) the make, model, and vintage of each vehicle, and (iii) details with respect to purchase price of each vehicle, any vehicle additions made or projected to be made, Please also indicate any retirements made or expected to be made, the revenues from retirements or expected revenues there from, and the treatment of revenues received arising from any such retirements.

21. Please also explain why there is a car in NRG’s rate base and the purpose it serves.

Issue 3 Operating Revenue

Issue 3.3 Is the volume throughput and revenue forecast appropriate for 2010 and 2011?

Reference: Exhibit C2, Tab 1, Schedule 1, page 5

22. Please explain why the data re moisture content of corn is no longer available.

Reference: Exhibit C2, Tab 1, Schedule 1, page 10

23. Please explain why the residential water heater penetration variable is no longer available.

Reference: Exhibit C6, Tab 1, Schedule 2

24. Please explain and provide all details with respect to the loss, in 2008, of $35,725 on the contract work program.

Reference: Exhibit C5, Tab 1, Schedule 3

25. Please explain why Rate 6 shows a unit gross margin of $0.0000.

26. Please provide the details of contributions made by the Rate 6 customer to the system in 2008 and 2009, i.e., the revenues collected from this customer in excess of the incremental costs of NRG incurred in providing service to this customer.

Reference: Exhibit C5, Tab 1, Schedule 3 and Exhibit C6, Tab 1, Schedule 3

27. Please explain fully the drop in unit gross margin from Rate 3 from 2008 to 2009.

Reference: Exhibit C6, Tab 1, Schedule 3 and Exhibit C6, Tab 2, Schedule 1

28. Please break out separately the IGPC revenues, volumes, and gross margin for 2009.

Reference: Exhibit C5, Tab 2, Schedule 4

29. Please explain why no Rate 6 volumes are shown in 2008.

Reference: Exhibit C6, Tab 2, Schedule 4.1

Please confirm that the Rate 3 Industrial volumes on this schedule are Rate 6 volumes.

Reference: Exhibit C7, Tab 1, Schedule 3 and Exhibit C8, Tab 1, Schedule 3

30. Please explain why the unit gross margin for Rate 6 is $0.0000 in 2010 and 2011.

Issue 3.4 Is the ancillary services revenue and return forecast appropriate for 2010 and 2011?

Reference: Exhibit C5, Tab 3, Schedule 1 and Exhibit C6, Tab 3, Schedule 1

31. Please explain why the O&M allocated to Ancillary Services increases by over 50% in 2009 over 2008.

32. Please explain why General Plant allocated to ancillary services increases significantly in 2009.

Reference: Exhibit C7, Tab 3, Schedule 1 Updated

33. Please explain why the O&M allocated to 2010 Ancillary Services drops significantly compared to 2009.

34. Please explain why the value of general plant allocated to Ancillary Services increases in 2010 versus 2009.

Issue 4 Cost of Service

Issue 4.2 Is the O&M cost forecast for 2010 and 2011 appropriate?

Reference: Exhibit D1, Tab 3, Schedule 1

35. Please provide the number of FTE's employed by NRG for each year 2007-2011 inclusive.

36. Please provide the wage/salary cost per FTE, the benefit cost per FTE, and the total compensation per FTE for each year 2007-2011 inclusive.

Reference: Exhibit D5, Tab 3, Schedule 1, Exhibit D6, Tab 3, Schedule 1, Exhibit D7, Tab 3, Schedule 1, and Exhibit D8, Tab 3, Schedule 1

37. Please explain why Total O&M costs were relatively flat over the period 2007-2009 but then increased significantly in 2010 and again in 2011.

Issue 4.3 Is the proposed advertising expense for 2011 appropriate?

Reference: Exhibit D1, Tab 3, Schedule 3

38. Please provide the cost benefit analysis, including all assumptions, that supports the new program to encourage conversion of vehicles to natural gas.

39. Please provide details regarding the conversion of NRG's fleet to natural gas including the costs incurred, benefits, NPV of the program, and payback period.

Issue 4.5 Are the management fees proposed for 2011 appropriate?

Reference: Exhibit D1, Tab 3, Schedule 4

40. Please provide details of the resources that Ayerswood makes available to NRG.

41. Does Ayerswood provide services to any arms length entity? If so, please provide details?

42. Please provide details of any other entity that receives management services from Ayerswood.

43. Please explain why the management fee increased by almost 50% in 2008.

Issue 4.6 Are the IGPC period costs for 2010 and 2011 appropriate?

Reference: Exhibit D1, Tab 3, Schedule 7

44. Please confirm that in 2011, IGPC is allocated only the incremental costs of maintenance, depreciation, and transportation.

45. Please provide a summary table showing the allocation method used and amount allocated to IGPC for each cost category allocated.

46. Please provide an estimate of the costs allocated to IGPC if all costs were allocated according to a FAC methodology.

Issue 4.11 Are the proposals for deferral and variance accounts appropriate?

Reference: Exhibit D1, Tab 7, Schedule 2

47. On page 1, please explain why the amount recoverable for REDA is greater from Rates 1-6 is greater than the amount recoverable from Rates 1-5, yet nothing is shown as recoverable from Rate 6.

48. Please explain why the PGTVA balance shows a Rate 1-5 credit of $35,055 while Exhibit D1, Tab 7, Schedule 1 shows a credit of $35,258.

49. On page 2, the REDA and PGVA Dispositions shows $0 of REDA recoverable from Rate 6 but the Allocated Balances Table shows $22,360 recoverable from Rate 6.

Issue 4.13 Is the cost of gas from 2007 to 2011 appropriate?

Reference: Exhibit D8, Tab 2, Schedule 4

50. The referenced table indicates that unaccounted for gas was at 87.9% in 2008, representing a loss of 3,537,502 m3. Please provide the cost of this lost gas, the reason for the lost gas, and who bears responsibility for paying for this lost gas.

Issue 5 Cost of Capital

Issue 5.1 Is NRG's proposed capital structure of 58% debt and 42% equity with a return on equity ("ROE") of 50 basis points above the Board-approved ROE appropriate?

Reference: Exhibit 1, Tab 1, Schedule 1, page 2

51. Please provide details of the "special dividend" paid in 2008.

Issue 5.2 Is NRG's alternate proposed capital structure of 52% debt and 48% equity, with the Board approved ROE appropriate?

Reference: Exhibit E2, Tab 1, Schedule 1, page 34

52. Please provide an estimate of the change in ROE required to exactly offset the revenue requirement increase associated with a 1% increase in equity thickness from the current thickness.

53. Please provide an estimate of the decrease in risk associated with the proposed increases in fixed monthly charges.

Issue 7 Cost Allocation

Issue 7.4 Is NRG's methodology to allocate costs to IGPC appropriate?

Reference: Exhibit G1, Tab 2, Schedule 1, page 2

54. Are the costs in this table incremental? Please show how each of these costs is allocated and provide a mapping to the cost allocation study for each item.

Reference: Exhibit G3, Tab 2, Schedule 1, Sheet 1.1

55. Please confirm that the only rate base cost allocated to IGPC is for the new steel mains. Please explain why this is appropriate.

Reference: Exhibit G3, Tab 2, Schedule 1, Sheet 1.2

56. Please confirm that the only depreciation expense allocated to IGPC is for the new steel mains used to serve IGPC. Please explain why this is appropriate.

Reference: Exhibit G3, Tab 2, Schedule 1, Sheet 1.3

57. Please confirm that the only O&M expenses allocated to IGPC are $198.0K for insurance and $157.2K for R&M.

58. Please indicate where the $256k of A&G costs allocated to IGPC (per G1,T2,S1, p.2) appear.

Reference: Reference: Exhibit G3, Tab 2, Schedule 1, Sheet 1.5

59. Please confirm that no employment costs are assigned to IGPC.

Reference: Reference: Exhibit G3, Tab 2, Schedule 1, Sheet 1.7

60. Why is it appropriate to allocate no R&M costs for buildings, computer, etc., to IGPC?

Issue 9 Incentive Regulation Mechanism

Issue 9.1 Is NRG's proposed five year Incentive Regulation ("IR") Plan appropriate?

Reference: Exhibit H1, Tab 1, Schedule 2, page 2, lines 1-3

61. Please explain why under Union's and Enbridge's plans there is a maximum expected 2% residential rate increase.

62. Please provide the residential rate increases under Union's and Enbridge's plans under the assumption that the Bank of Canada continues to be successful in targeting a CPI increase of 2% annually.