## ISSUE 2 – Rate Base

**Ref. Exhibit A3, Tab 1, Schs. 1 and 2**

1. Please explain and provide a breakdown of the increases in asset values associated with Franchises and Consents in NRG's 2008 and 2009 audited financial statements. Please specifically identify any such amounts attributable to regulatory costs.

**Ref. Exhibits A3, Tab 1, Sch. 1 and B6, Tab 3, Schedule 1**

2. Please provide a reconciliation of the asset values associated with Franchises and Consents in 2009, as shown in NRG's 2009 audited financial statements and in the last line of Exhibit B6, Tab 3, Schedule 1.

**Ref. Exhibits B6-B8, Tab 3, Schedule 1**

3. Please explain the differences between the depreciation rate or rates used to arrive at the depreciation amounts applied to the asset values associated with Franchises and Consents for 2009, 2010 and 2011, and the rate or rates used in NRG's 2006, 2007 and 2008 audited financial statements (Exhibit A3, Tab 1, Schs. 2, 3 and 4)

**Ref. Exhibits B7-B8, Tab 4, Schedule 1**

4. Please provide figures from 2006, 2007, 2008 and 2009, to permit a comparison to the calculations of the "Total" allowance for working capital in 2010 and 2011 shown in the last lines of the referenced Exhibits.

## ISSUE 5 – Cost of Capital

**Ref. Exhibit A3, Tab 1, Schedules 1-6**

5. Please confirm that the terms associated with the retractability of the Class A, Class B, Class C and Class Z shares of NRG referred to in Note 11 to NRG's 2009 audited financial statements have not changed since the testimony of D. Pallett on behalf of NRG was heard in EB-2008-0273 (October 20, 2008).

    a. Are any changes to those terms planned?

    b. Please describe any changes to those terms that have occurred in that period, or that are planned.

6. Please confirm that, as appears from NRG's audited financial statements, a change in its capital structure has occurred with the addition, in 2008 (Note 2), of the IGPC pipeline under construction with a net book value of $4,364,406, and related long term debt in the form of a term note payable to BNS assumed in 2009 (Note 8) in the amount of

$4,723,333. Please confirm that all of this term note debt is associated with the IGPC pipeline, and if not please explain what else other amounts are included.

7. NRG's Balance Sheet as at September 30, 2009 shows a "Temporary Investment" of $2,751,130 (2009, page 2).

    a. Please confirm that this is the Guaranteed Investment Certificate required to meet NRG's bank loan commitments related to the IGPC pipeline financing, referred to at lines 20-24 of Exhibit E1, Tab 1, Schedule 1 and at page 4 (lines111-113) of Katherine McShane's opinion, Exhibit E2, Tab 1, Schedule 1.

    b. What was the source of the $2.75 million used to establish this GIC?

    c. What are the forecast amounts of this temporary investment that are expected to be maintained or repaid after 2011, that are discussed by Ms. McShane at page 13 of her opinion? How is the amount of any repayment proposed to be calculated?

8. Note 6 to NRG's 2009 audited financial statements indicates that, during the 2009 fiscal year, NRG repaid a term note payable to a related company in the amount of $795,264. What was the source of the funds used to make that repayment?

9. According to NRG's audited financial statements (2007, page 2 and Note 5, 2008, page 2 and Note 6, and 2009, page 2 and Note 6), between 2006 and 2009, NRG made a substantial loan to a related company. What was the source of funds used by NRG to make that loan? What return did NRG receive on that loan? Was any adjustment made to NRG's return on capital earned from its gas ratepayers while that loan was outstanding?

10. Please confirm that NRG has not received, nor does it expect to receive, any new equity injection since 2006.

11. Please explain what the "Shareholders' Equity Deficit", offsetting NRG's share capital on its Balance Sheet in each year, represents. If it is simply an adjusting or reconciling entry, please explain why the amount of this Deficit has decreased from $9,090,159 in 2006 (audited), to $7,511,626 in 2011 (projected). In addition:

    a. Please explain what accounts for this decrease, and what role this plays in decision-making regarding NRG's budgeting process.

    b. Please confirm that it results in an apparent, offsetting increase in NRG's net Shareholders' Equity from $4,371,280 in 2006 to $5,949, 813 in 2011.

**Ref. Exhibit E1, Tab 1, Schedules 1 and 4**

12. What are the sources of funds used to make the principal repayments on NRG's total long term debt referred to at lines 5-10 of Exhibit E1, Tab 1, Schedule 1, since the IGPC pipeline transactions? Please provide detail on what amounts have been repaid, on which long term debts, when. What funds or sources of funds will be used to maintain these principal repayments over the IRP term, as proposed.

13. The Board's allowance of a 42% equity ratio in its Decision With Reasons dated September 20, 2006 in EB-2005-0544 (at pp. 25-26) was based on NRG's actual equity ratio. Please explain why the "Actual" 2006 and 2007 equity ratios shown on the referenced Exhibits are 22%, and provide a calculation reconciling the two ratios.

**Ref. Exhibits E2, Tab 1, Schedule 1**

14. Please provide the detailed calculations underlying Ms. McShane's statement that "The 2009 year-end actual capital structure ratios … were 61.3% debt and 38.7% equity", and identify the source, in the Exhibits, of the amounts used in these calculations. Please provide comparable calculations for the 2006, 2007, and 2008 year ends, and for the projected 2010 and 2011 year ends.

**Ref. Exhibits E1, Tab 1, Schedule 1; E3, Tab 1, Schedules 2 and 3; E4, Tab 1, Schedule 1; E3, Tab 1, Schedules 2 and 3; E3, Tab 1, Schedules 2 and 3; E4, Tab 1, Schedule 1; Exhibit E5, Tab 1, Schedule 1; Exhibit E6, Tab 1, Schedule 1; and E8, Tab 1, Schedule 1**

15. Please confirm that the "small unfunded portion of short term debt ("STD")" referred to in Exhibit E1, Tab 1, Schedule 1 (lines 18-20), in the case of NRG, was $1,722,274 in 2005 (Exhibit E3, Tab 1, Schedule 2), $2,095,778 in 2006 (Exhibit E3, Tab 1, Schedule 3), $629,655 in 2007 (Exhibit E4, Tab 1, Schedule 1), <u>minus-</u>$1,163,938 in 2008 (Exhibit E5, Tab 1, Schedule 1), <u>minus-</u>$50,125 in 2009 <u>after</u> removing the "Compensating Balance" of a further <u>minus-</u>$2,751,130 relating to the Guaranteed Investment Certificate required to meet NRG's bank loan commitments related to the IGPC pipeline financing (Exhibit E6, Tab 1, Schedule 1).

    a. Please explain the rationale behind these changes in the unfunded portion of NRG's short term debt. If it is simply an adjusting or reconciling entry, please explain the causes of this year-on-year variability.

    b. Please explain the effects these changes have had, if any, in both percentage and dollar terms, on the returns NRG has received from its gas ratepayers on its debt, and on its equity or deemed equity. If these effects are detailed in the Exhibits, please provide the references.

    c. Please explain why it is proposed that this amount increase to $741,798 in the 2011 test year (Exhibit E8, Tab 1, Schedule 1), and what effect this has, in both percentage and dollar terms, on the returns NRG expects to receive from its gas ratepayers on its debt, and on its equity or deemed equity.

16. Please explain why these same Exhibits show NRG's "Common Equity" as $4,700,203 in 2005, $2,026,410 in 2006, $1,984,676 in 2007, $3,725,852 in 2008, and $5,756,753 in 2009, and why it is proposed that this be $5,719,867 in the 2011 test year. How do these numbers relate, if at all, to the shareholders' equity shown on NRG's audited financial statements?

**ISSUE 8 – Rate Design**

17. Please provide, in a single chart for comparison purposes, with any adjustments, appendices and explanatory notes that NRG believe are appropriate, the rates for monthly fixed charges, delivery charges, and gas supply charges (if applicable) charged to residential general service and seasonal service customers by (1) NRG in its currently approved rate schedule; (2) Union Gas in its currently approved rate schedule(s) for franchise area(s) surrounding NRG; and (3) NRG's proposed rate schedule for the 2011 test year.