INTERROGATORIES OF INTEGRATED GRAIN PROCESSORS CO-OPERATIVE ("IGPC") FOR NATURAL RESOURCE GAS LIMITED

Administration

Reference: Exhibit A1, Tab 2, Schedule 1, Page 1

Preamble:

NRG has requested an approved capital structure with a minimum equity component of 42%.

Question:

1. Did any shareholder make any investment of equity in NRG during 2009, 2008, 2007 or 2006? If so, please provide the date, amount and nature of the investment.

Reference: Exhibit A1, Tab 3, Schedule 1, Page 1

Preamble:

NRG has stated the entities, NRG Corp., Natural Resource Gas Limited ("**NRG**") and Ayerswood Development Corp., are not affiliated entities within the meaning of the *Business Corporations Act* (Ontario).

In EB-2005-0544, NRG (Transcript of July 21, 2006 at pages 80 and 82) indicated that it expected transactions with such entities to be scrutinized in the same manner as affiliate transactions.

Question:

2. Given that all the beneficiaries are the "Graat Family", are transactions between:

   (a) NRG and NRG Corp subject to the requirements of the *Affiliate Relationships Code for Gas Utilities*?

   (b) NRG and Ayerswood Development Corp. subject to the requirements of the *Affiliate Relationships Code for Gas Utilities*?

   (c) If the answer to (a) or (b) is "No", please explain the rationale?

(d) If the answer to (a) or (b) is “Yes”, please confirm that all such transactions completed have complied with the requirements of the *Affiliate Relationships Code for Gas Utilities*.

Reference: Exhibit A1, Tab 3, Schedule 2, Page 1

Preamble:

The organization chart shows multiple “Co-Chairs” and other positions.

Questions:

3. How many “Co-Chairs” are there?

4. Are the “Co-Chairs”, General Manager, President/Secretary-Treasurer employees of NRG or any company related to NRG, or both?

Reference: Exhibit A1, Tab 3, Schedule 3, Page 1

Preamble:

The system map.

Question:

5. Please provide a system map in colour and in a larger format than 8.5 x 11 (an 11x17 or larger).

Reference: Exhibit A3, Tab 1, Schedule 2, Page 8

Preamble:

The notes include the paragraph:

> “For natural gas wells, the successful efforts method is used to account for oil and gas exploration and development costs. Under this method, acquisition costs of oil and gas properties and costs of drilling and equipping development wells are capitalized. Costs of drilling exploratory wells are initially capitalized and, if subsequently determined to be unsuccessful, are charged to exploration and development expense. All other exploration costs, including geographical and geophysical costs and annual lease rentals, are charged to exploration and development expense when incurred. Producing properties and significant unproven properties are assessed annually, or more frequently as economic events dictate, for potential impairment. Any impairment loss is recognized when the carrying value of the asset is not recoverable and exceeds it fair value.”

This note does not appear in prior audited financial statements.

Questions:

6. Does NRG carry out exploration and development activities related to oil or natural gas?

7. If the answer is "Yes", please provide:

   (a) A description of such activities.

   (b) All amounts and accounts in which such amounts were recorded.

8. If the answer is "No", why is this statement included in the Audited Financial Statement?

Reference: Exhibit A3, Tab 1, Schedule 1, Page 14

Preamble:

Note 6 included management fees of $457,000 being paid to a related company.

Questions:

9. Were any of these fees related to the IGPC pipeline? If so, how much?

10. Please describe the services provided. When were the services performed by the related company?

11. Please provide a copy(ies) of the Service Agreement(s) between NRG and the related parties.

RATE BASE

Reference: Exhibit B1, Tab 1, Schedule 1, Page 2

Preamble:

NRG included in rate base costs related to the IGPC pipeline in the amount of $5,073,000 in the 2009 Audited Financial Statements and includes a statement that proposed costs are included in rate base at Exhibit B6, Tab 2, Schedule 1.

Questions:

12. Please file a copy of:

    (a) the Pipeline Cost Recovery Agreement between IGPC and NRG;

    (b) the Gas Delivery Contract between IGPC and NRG;

    (c) the Bank of Nova Scotia Term Note payable related to the construction of the IGPC pipeline.

13. Has the final reconciliation with IGPC been agreed to with IGPC? If not when does NRG anticipate resolving this matter?

14. What was the total cost of the construction of the IGPC pipeline? What was the amount of the aid-to-construct? What is the amount of the Letter of Credit provided by IGPC to NRG? Has this Letter of Credit been reduced from its original amount? Are there terms in the Pipeline Cost Recovery Agreement or Letter of Credit regarding reductions in the amount of the Letter of Credit?

15. Please provide a copy of the economic analysis performed both prior to construction (as filed in the leave to construct) and after construction (based upon actual costs) as provided for other main extension projects.

16. Why was the pipeline included in the 2009 Audited Financial Statement and not 2008 given the pipeline was operational in July 2008 and that NRG was billing IGPC since July 15, 2008 for the full contracted deliveries?

17. Do the amounts included in the total cost of construction of the IGPC pipeline include costs associated with the emergency motion in June 2007 or the motion convened by the Board in Aylmer in the winter of 2008? If so, please provide such amounts.

18. Please complete the table below in respect of the IGPC Pipeline:

Item	**Amount** **Gross before Aid-to-Construct Calculation**	**Amount** **Net after Aid-to-Construct Calculation**
Construction Contract		
Customer Meter Station		
Materials (pipe, valves, fittings, anodes)		
Engineering & Design		
Land Purchase		
Legal		
Regulatory Costs (OEB)		
Project Management (NRG, Ayerswood)		
Union Gas Ltd (re: upstream pipeline)		
Interest During Construction		
Other (please specify)		
Total		

19. Do the costs of the IGPC pipeline identified above include:

(a) Any amounts related to security deposits paid to municipalities or conservation authorities? Have those deposits been returned? If not, why not?

(b) The $140,000 administrative penalty imposed by the Ontario Energy Board?

(c) Any maintenance contract for the customer station or pipeline?

(d) Any amounts related to spare parts?

(e) Any amounts related to the dispute with ratepayers regarding NRG's security deposit policy?

(f) The costs of the NRG's auditor?

(g) Any contingency costs or costs not yet actually realized?

(h) Any costs associated with the Statement of Claim issued by NRG against IGPC in the amount of approximately $20,000,000?

(i) Any costs associated with appeals of Ontario Energy Board Decisions?

20. If the answer to any of 19 (a) thru (i) is "Yes", please provide the amount and rationale for its inclusion?

21. What hourly rate was NRG charged by Ayerswood for project management? Was this price based upon the actual costs of Ayerswood? If not, on what is it based?

(a) Was the project manager an employee of NRG, Ayerswood or both or some other entity? If another entity, please specify

(b) What hourly rate did NRG charge to IGPC in respect of project management? How was this rate determined?

(c) Please specify whether the number of hours on which the hourly rate was charged was determined by daily timesheet, an estimate, an allocation or some other method. Please provide copies of the daily timesheet or other computations as applicable, which support the invoices of the project manager to NRG

22. Please provide a detailed breakdown of the calculation of the interest included in the cost of the pipeline construction. Please be specific with the description and timing of the cost and the period during which interest was payable.

Reference: Exhibit C2, Tab 1, Schedule 1, Page 8

Preamble:

The normalized volume related to IGPC is 31,459,135 m^3.

Question:

23. What is the basis of this amount? Is this the amount that is included in the Gas Delivery Contract? If not, why not?

Reference: Exhibit D1, Tab 3, Schedule 6, Page 2

Preamble:

NRG is claiming annual costs of $125,000 per year related to the costs of this rate proceeding. This amount includes the costs of: (i) $350,000 of consulting costs; (ii) provision of $50,000 related to OEB proceeding; (iii) $50,000 for expert evidence; (iv) legal costs of $100,000; (v) annual costs of $75,000 for administration of the IRP.

Questions:

24. What are the actual costs incurred to date related to the proceeding? Please breakdown the costs as NRG itemized in its request. Please identify the tasks to be completed as part of the annual administration of the IRP.

25. What is the cost allocated to each customer class?

26. What is the basis of allocation to customer classes?

Reference: Exhibit D1, Tab 3, Schedule 7, Page 4 of 5

Preamble:

"..In order to protect its other ratepayers against the risk of having to pay for an unused and unneeded pipeline if IGPC stopped taking gas, NRG had to select a revenue horizon that would match the expected economic life of the IGPC ethanol plant."

"The IGPC pipeline, as built, was a dedicated high-pressure pipeline to serve a single customer producing a single customer producing a single product line. The nature of the ethanol business and the fact that no other customers are expected to connect to the new line means that in the event IGPC going out of business, the cost to maintain the line and any residual costs would fall on the remaining customers in NRG's service area."

Questions:

27. What does NRG mean by "unused and unneeded"?

28. What does NRG mean by a "single product line"?

29. Has NRG had any inquiries regarding prospective connection to the system from customers that would be served by the IGPC pipeline?

Operating & Maintenance Expenses

Reference: Exhibit D1, Tab 2, Schedule 1

Preamble:

NRG continues to take service from Union Gas under the M9 rate under two contracts. Under one contract NRG's contract demand is 168,100 m3/day and supports gas delivery to NRG's customers in Rate classes 1 through 5.

Questions:

30. Has the contract demand been reduced since the closure of Imperial Tobacco? Please specify the amount of the reduction?

31. Has the contract demand changed over the past 3 years? Is the contract demand expected to change in the future? Please complete the following Table:

Year	**Contract Demand (m^3)**
2007	
2008	
2009	
2010	
2011	
2012	

Reference: Exhibit D1, Tab 2, Schedule 1

Preamble:

NRG has been a Bundled-T customer on the Union Gas system since October of 1996. NRG is forecasting that it will remain a Bundled-T customer throughout the forecast period.

Questions:

32. Currently the tariff paid by NRG to Union Gas is based on the large wholesale service rate M9. Has NRG investigated taking service under a different Union Gas rate, such as Union Gas's T-1 storage and transportation rate, for contract carriage customers?

33. If NRG has been advised by Union that it would not be eligible for any alternative rate, please provide copies of the correspondence to that effect. Otherwise, please provide a computation showing the cost to NRG of service under each rate available to or combination of rates for which it is eligible. If the M9 rate is not the most cost effective

rate for NRG, please explain why NRG is proposing to continue to take service from Union at the M9 rate.

Reference: Exhibit G3, 2, 1, Sheet 1.3 and 3.2

Preamble:

The cost of the Union Gas delivery is allocated to all customers.

Question:

34. Please provide the allocation basis and percentages used for the direct assignment to IGPC of both the Union Gas Delivery and Union Gas Demand charges. Please reference where these allocation factors are presented in the evidence.

Reference: Exhibit D1, Tab 3, Schedule 7, pg 1 - 5

Preamble: Maintenance Cost - Transfer Stations

NRG has entered into a contractual arrangement with a third party to perform the following maintenance activities with respect to the transfer station associated with the IGPC pipeline: emergency support, preventative and reliability maintenance (monthly, semi-annual and annual), control system spares and warranty support. These maintenance services will cost $43,050 in 2011.

Questions:

35. Please provide support for the $43,050 estimated 2011 maintenance costs based on 3rd party contractual arrangements as noted in evidence.

36. Were these services procured on a competitive basis? If so, how many quotations were provided? If not, why not?

37. Did NRG consider having one of its existing employees carry out the work?

38. Did NRG consider hiring an employee for this task?

Reference: Exhibit D1, Tab 3, Schedule 7, pg 1 - 5

Preamble: Insurance costs

Existing General Liability - Prior to the IGPC pipeline coming into service, NRG had $15 million of general liability and umbrella coverage policy. In fiscal 2009, the annual premium for this insurance was $189,690.

In fiscal 2010, NRG's $20 million of general liability insurance will cost $184,264. In addition to securing $5 million of additional insurance, NRG also undertook an assessment of its insurance coverage and determined that an additional $5 million of coverage should be purchased in the near future. Purchasing an additional $5 million of insurance in the 2011TY is expected to cost an additional $21,131.

Transfer Stations - NRG also incurred insurance coverage for the transfer stations of $33,702 in fiscal 2010.

Business Interruption – NRG's assessment of its insurance coverage also determined the need for business interruption insurance in the event of a failure to the IGPC pipeline, NRG needs to insure it will be covered for its' fixed expenses relating to the pipeline. This insurance is expected to cost $25,579 for 2011 Test Year.

Questions:

39. Please provide a detailed breakdown of the insurance costs comprised in the $284,925 total presented in Exhibit D1, Tab 3, Schedule 7, page 3 of 5. Also provide the same level of detail for the insurance cost total of $197,962 allocated to IGPC.

40. Please provide a comparison of the insurance coverages received for these premiums with the insurance coverages received prior to the construction of the line serving IGPC. Specifically, please explain any significant differences in the types and levels of risk insured against, deductibles etc. and the changes in premium attributable to these differences. Please identify and explain which of these changes are caused by the line serving IGPC and/or any risk that is specific to the provision of service to IGPC. Please provide any relevant documentation supporting the attribution of a specific risk to NRG's service of IGPC.

Reference: Exhibit D1, Tab 3, Schedule 7, pg 1 – 5 & Exhibit G1, Tab 2, Schedule 1

Preamble: OM&A Costs

The IGPC OM&A costs as presented in Exhibit D1, Tab 3, Schedule 7 includes maintenance costs for transfer stations and the pipeline, and insurance at $43,050, $114,107 and $197,962 respectively for a total of $355,119. Exhibit G1, Tab 2, Schedule 1 presents a total OM&A cost for IGPC of $355,852 for a difference of $733.

Question:

41. Please explain the difference in the OM&A costs as presented in the two schedules.

Reference: **Exhibit D1, Tab 3, Schedule 7, pg 1 of 5**

Preamble: **Maintenance Cost - Pipeline**

NRG has solicited a quote for maintenance of the IGPC pipeline from a third party provider. The proposed annual cost is $112,107 and covers the provision of the following services: pipeline valve maintenance, above-grade piping and fitting maintenance, pipeline marker audits and replacement, pre-testing emergency pipe, pipeline repair/relocation, leakage detection, odour level testing, cathodic protection survey, interval surveys, anode replacement, pipeline locate service, weekly inspections, third party observation, depth of cover surveys, snow and weed control, development encroachment survey, training, and emergency response.

Questions:

42. Please provide support for the $114,107 ($112,107 + $2,000) estimated 2011 maintenance costs based on solicited quotes from a third party provider as noted in evidence.

43. Please compute the maintenance cost on a per km basis for the IGPC line and the other lines comprising the system. If different please explain why. Specifically, provide an explanation of any differences in maintenance policy as it applies to the IGPC pipeline and the other pipelines that comprise the system, given that the IGPC pipeline is so new.

44. Were these services procured on a competitive basis? If so, how many quotations were provided?

45. What amounts are included for "emergency response"?

46. Why is pipeline repair included in a maintenance agreement? What is the amount of the inclusion?

47. What amount is included for "pre-testing" emergency pipe?

48. Is this maintenance service provided different than the maintenance performed by NRG on the pipeline that served Imperial Tobacco? Is so, please explain.

49. For each service to be provided, please specify the frequency of service and the basis for such frequency.

50. Do NRG staff or employees provide any maintenance service related to the pipeline? If so, please differentiate these services from the services to be provided by the third party provider, and specify the cost that has been assigned to IGPC for the cost of employee-provided maintenance services.

Reference: Exhibit D1, Tab 6, Schedule 1

Preamble:

The calculation of taxes payable should reflect the applicable tax rates.

Questions:

51. The Federal Income Tax Rate is scheduled to decrease from 16.5% to 15.0% effective Jan 1, 2012. Does NRG plan to include an adjustment to the IRP to reflect the reduced income tax rates effective for 2012 through 2015?

52. Does, or should, the IRP formula, reflect the expected changes to the tax rate after the test year?

53. Exhibit D1, Tab 6, Schedule 1 indicates a federal corporate income tax rate of 16.875% for the Test Year 2011 whereas the federal budget delivered March 4 indicates a tax rate of 16.5%. Please explain the difference.

54. Exhibit D1, Tab 6, Schedule 1 indicates a provincial corporate income tax rate of 11.875% for income above $500,000 in the Test Year 2011. The provincial budget indicates a corporate tax rate of 12.0% effective January 1, 2011, decreasing to 11.5% July 1, 2011, for an average rate over the year of 11.75%. Please explain the difference.

Reference: Exhibit D8, Tab 2, Schedule 4

Preamble:

NRG has provided a historical table of the unaccounted for gas. The values for 2008 (87.9%) and 2009 (4.71%) appear to be significantly higher than prior years.

Questions:

55. Please explain the reasons for the amount of unaccounted for the years 2008 and 2009.

56. Also, please explain why value of unaccounted for gas for 2008 is a negative but the percentage is a positive?

57. What is the amount and percentage level of unaccounted for gas included in 2011 and how is this allocated across customer classes?

Capital Structure

Reference: Exhibit E1, Tab 1, Schedule 1

Preamble:

Page 2 of 3, lines 7-10: "By the end of the 5-year IRP term, the LTD will be reduced to approximately $7.0 million and the actual equity ratios over the period are expected to average 47% well above the deemed equity ratio proposed for the 2011 Test Year."

Questions:

58. Please provide a detailed explanation of the forecasted cash flows that will enable NRG to reduce its long-term debt over the 5-year IRP term as stated in the quoted paragraph.

59. Please provide schedule showing a computation of the forecast capital structure, including each component of debt and equity, for the test year and each year of the 5-year IRP term, and show the computation of an average equity ratio of 47%. Specify whether any change is contemplated in the classes of shares that comprise the shareholder's investment.

60. Please explain which specific components of long-term debt will be reduced. How will the reduction in balances owed to the Bank of Nova Scotia affect the requirement for a compensating balance in the form of a GIC? When will the requirement for the GIC terminate? What change is forecast to the aggregate interest expense as a result of these changes?

61. If not clearly shown in response to part 1 or part 2 above, please specify NRG's assumptions as to changes in the balance of retained earnings, equity injections, and the payment of dividends over the 5-year IRP term.

62. Please state whether the security provided by IGPC's Letter of Credit is expected to affect NRG's debt arrangements or cost of debt during the 5-year IRP period. Explain your answer.

Reference: Exhibit E1, Tab 1, Schedule 1 and Exhibit A1, Tab 2, Schedule 1, Page 1, lines 9 to 14

Preamble:

As part of the EB-2005-0544 Decision, the Board determined that NRG's actual equity ratio was 41.5% in the 2007 Test Year and that the actual equity ratio should be used unless the actual ratio was unreasonable.

NRG has proposed different capital structures as part of this proceeding.

Questions:

63. Please explain why $13.4 million of retractable shares should be considered as equity for purposes of rate of return, given that NRG's auditors have pointed out that accounting standards would call for the shares to be treated as a liability? Please compute NRG's actual capital structure on the basis that the retractable Class C shares are considered as a liability.

64. Please provide documentation quantifying the increment in fee or interest rate that the Bank of Nova Scotia is charging on its long term debt to NRG, to reflect the risk of the retraction provision in the Class C shares. If there is no such fee or increment to interest rates, please provide documentation to show how the Bank of Nova Scotia is being protected against that risk.

65. Is NRG aware of any other utilities that have the same or similar shareholder provisions as NRG's Class C Shares as part of the capital structure? If so, please identify.

Cost Allocation

Reference: Exhibit G3, Tab 2, Schedule 1, Sheet 2.3

Preamble:

Allocation of 31.5% of the administrative and general expenses to IGPC is in addition to directly allocated costs (insurance and costs related to the ongoing maintenance of the pipeline and station).

Questions:

66. What is the basis for the 31.5% allocation of A&G expenses to IGPC?

67. Does this amount include any costs related to property taxes other than the NRG office building?

68. Does this amount include any costs related to existing vehicles?

69. Does this amount include any costs related to bad debt or collections?

70. Does this amount include any costs associated with the Statement of Claim issued by NRG against IGPC in the amount of approximately $20,000,000.

Reference: Exhibit G3, Tab 2, Schedule 1

Preamble:

NRG has provided the results of its cost allocation study.

Questions:

71. Please provide a "live" electronic copy of the cost allocation study (i.e. with functioning formulas).

72. Please provide a table showing breakdown of OM&A, and Administration & General expenses allocated by account, to Rate 6 – IGPC.

IRP ("Incentive Rate Plan") and Rate Design

Reference: Exhibit H1, Tab 1, Schedule 2 and Exhibit A1, Tab 1, Schedule 2, paragraph 3(b)

Preamble:

NRG has requested an increase of 1.5% over the term of the IRP as part of the Application.

Question:

73. What costs are subject to escalation during the term of the IRP? Please identify these costs and the anticipated escalation by completing the table below.

Rate Class	Cost Category	Anticipated Escalation %
Rate 1		
Rate 2		
Rate 3		
Rate 4		
Rate 5		
Rate 6		

Reference: Exhibit H1, Tab 1, Schedule 2

Preamble:

It appears that NRG's revenue will be based upon the rate base at the start of the IRP and that the ultimate rate will be escalated by the 1.5% factor. However, it appears in the table Exhibit H1, Tab 1, Schedule 2, Attachment, that the rate increase applies only to residential customers.

Questions:

74. Please confirm which rate classes will be subject to the annual increase.

75. What is NRG's expectation of how capital expenditures will compare with depreciation over the period it proposes that the incentive rate plan ("**IRP**") will be in effect? Please distinguish by customer classification, including specifically IGPC, to the extent possible.

76. What is the amount of rate base associated with IGPC for each of the years during the IRP? Please complete the following table.

Year	Rate Base Amount (Rate 6)	Depreciated Cost of Pipeline
2010		
2011		
2012		
2013		
2014		

77. Does NRG expect to make any capital expenditures during the IRP related to the IGPC pipeline? If so, please describe the expenditure, amount and timing?

Reference: Exhibit H1, Tab 1, Schedule 1

Preamble:

NRG has a number of agreements with IGPC to ensure a minimum revenue for NRG which protects other ratepayers from a potential decrease in the volume consumed by IGPC.

Questions:

78. Does NRG consider the arrangements with IGPC to be a "take or pay" arrangement?

79. Given that IGPC is the only Rate 6 customer, please comment on the effect on NRG's annual volumetric revenue risk of having Rate 6 designed as fixed charge only, with no volumetric component.

80. Would NRG be willing to consider such a rate design for Rate 6? Why or why not?

81. Would NRG consider a fixed rate for all costs other than the embedded M9 Union Gas costs? Why or why not?