

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B)

**AND IN THE MATTER OF** an Application by Natural Resource Gas Limited to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other charges for the sale, transmission and distribution of gas as of October 1, 2010.

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**RESPONSE TO INTERROGATORIES FROM  
VULNERABLE ENERGY CONSUMERS COALITION**

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**May 17, 2010**

**NATURAL RESOURCE GAS LIMITED**  
**RESPONSES TO INTERROGATORIES FROM**  
**VULNERABLE ENERGY CONSUMERS COALITION**

**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?**

**RESPONSE**

The shares cannot be retracted. The shareholder has postponed the ability to retract shares to the Bank of Nova Scotia and Union Gas Limited.

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.**

**RESPONSE**

This is an error on the Financial Statements – the correct amount is \$2,606,281. The prior year was not updated, and showed the 2007 balance instead of the 2008 balance.

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.**

**RESPONSE**

Please see response to IGPC IR 16.

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.

**RESPONSE**

There has been no change in status. In so far as the rate base maybe affected, this will impact the cost allocation of certain overhead costs to the rate classes.

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.**

**RESPONSE**

Please refer to document at NRG's response to IGPC IR 12(c).

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.**

**RESPONSE**

Please note that the Total Expenses have not changed. In 2009, we changed some account groupings in order to more appropriately describe the expenses incurred. In order to show proper comparisons, we realigned 2008 account groupings on a similar basis.

**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 increases monthly by much smaller amounts ending up at \$465,603 in September.**

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

**RESPONSE**

The expenditures were made in December 2006 (one vehicle purchased and one vehicle sold).



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.

**RESPONSE**

The following vehicle was purchased:

Description: 2007 Jeep Grand Cherokee Laredo

Mileage: 238 km

Price: \$46,196 excluding GST less a \$1,000 Alternative Fuel Sales Tax Rebate received in May, 2007.

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

**RESPONSE**

*Preamble: In preparing the responses to VECC information requests 7 through 20, an error was detected in the formula used to compute average gross Property, Plant and Equipment values. Specifically, asset retirement values were not incorporated correctly in the computation of changes in account value. NRG has appropriately revised its computation of the average of each month's opening and closing gross value of each Property, Plant and Equipment account. As well, NRG has: (a) eliminated an assumed reversal of a vehicle acquisition; (b) updated its 2010 Automotive capital budget to reflect current cost data and NRG's revised purchasing schedule; and (c) updated its 2010 and 2011 Automotive retirements. Corrected versions of Exhibits B4 to B8, Tab 3, Schedules 1 through 4 are attached.*

The average gross value of October 2007 is approximately \$1,000 less than that computed for September because retirements were not included appropriately; specifically, the closing gross value was adjusted to include retirements while the period changes were computed based on capital spending only.

Please refer to revised schedules (attached).

**NATURAL RESOURCE GAS LIMITED**

**Property, Plant & Equipment**  
**Summary of Averages - 2008 Actual**  
 (\$'s)

<u>Item</u>	<u>Gross Property Accumulated Plant &amp; Equip. Depreciation</u>		<u>Net Plant</u>
Land	71,700	0	71,700
Buildings	682,331	115,142	567,189
Furniture & Fixtures	55,117	33,823	21,294
Computer Equipment	152,452	124,721	27,731
Computer Software	139,759	114,406	25,353
Machinery & Equipment	396,686	362,048	34,638
Communication Equipment	69,483	27,732	41,751
Automotive	465,655	218,207	247,448
Rental Equipment - Res	1,913,666	708,865	1,204,801
Rental Equipment - Com	54,699	23,665	31,034
Rental Equipment - Softeners	11,627	5,581	6,046
Meters	1,963,791	853,743	1,110,048
Regulators	1,206,660	677,219	529,441
Plastic Mains	7,102,280	2,473,717	4,628,563
Steel Mains	33,014	32,672	342
New Steel Mains	0	0	0
Plastic Services	2,549,011	1,567,634	981,377
Franchises & Consents	<u>155,527</u>	<u>90,455</u>	<u>65,072</u>
Total	<u>17,023,458</u>	<u>7,429,630</u>	<u>9,593,828</u>

**NATURAL RESOURCE GAS LIMITED**

**Gross Property, Plant and Equipment**  
**2008 Actual**  
**(\$'s)**

<u>Asset Values at Cost</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331
Furniture & Fixtures	55,005	55,127	55,127	55,127	55,127	55,127	55,127	55,127	55,127	55,127	55,127	55,127	55,117
Computer Equipment	146,186	146,186	146,675	147,164	149,743	152,990	153,657	155,536	157,416	157,740	158,065	158,065	152,452
Computer Software	136,472	136,472	136,472	136,986	137,500	137,750	140,004	142,007	142,007	142,436	143,956	145,047	139,759
Machinery & Equipment	393,709	393,709	393,709	393,709	395,609	398,002	398,495	398,495	398,495	398,495	398,495	399,310	396,686
Communication Equipment	63,155	63,155	63,155	63,155	63,155	63,155	63,155	69,139	75,124	75,124	75,124	97,206	69,483
Automotive	465,655	465,655	465,655	465,655	465,655	465,655	465,655	465,655	465,655	465,655	465,655	465,655	465,655
Rental Equipment - Res	1,907,319	1,907,319	1,907,319	1,907,319	1,907,319	1,907,319	1,907,319	1,907,319	1,907,319	1,905,983	1,905,472	1,986,665	1,913,666
Rental Equipment - Com	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699
Rental Equipment - Softeners	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627
Meters	1,917,091	1,917,091	1,927,137	1,937,183	1,937,183	1,937,183	1,946,907	1,984,489	2,012,348	2,012,348	2,020,788	2,015,747	1,963,791
Regulators	1,201,774	1,201,774	1,201,774	1,201,916	1,202,974	1,205,801	1,207,712	1,209,560	1,211,408	1,211,408	1,211,720	1,212,095	1,206,660
Plastic Mains	6,934,262	6,980,039	6,981,350	7,048,244	7,114,538	7,114,538	7,136,679	7,154,448	7,150,128	7,178,303	7,210,061	7,224,776	7,102,280
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
Plastic Services	2,508,926	2,509,460	2,509,995	2,522,997	2,535,998	2,535,998	2,535,998	2,540,724	2,568,659	2,594,203	2,601,005	2,624,163	2,549,011
Franchises & Consents	151,094	151,094	151,094	151,094	151,094	151,094	151,094	157,744	164,394	164,394	164,394	157,744	155,527
<b>Total Assets</b>	<b><u>16,734,018</u></b>	<b><u>16,780,450</u></b>	<b><u>16,792,831</u></b>	<b><u>16,883,917</u></b>	<b><u>16,969,264</u></b>	<b><u>16,977,981</u></b>	<b><u>17,015,170</u></b>	<b><u>17,093,612</u></b>	<b><u>17,161,448</u></b>	<b><u>17,214,586</u></b>	<b><u>17,263,232</u></b>	<b><u>17,394,970</u></b>	<b><u>17,023,458</u></b>

NATURAL RESOURCE GAS LIMITED

**Accumulated Depreciation Property, Plant and Equipment**  
**2008 Actual**  
**(\$'s)**

<u>Accumulated Depreciation</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	108,252	109,514	110,776	112,039	113,301	114,563	115,826	117,088	118,350	119,613	120,875	121,506	115,142
Furniture & Fixtures	32,130	32,441	32,751	33,061	33,371	33,681	33,991	34,301	34,611	34,921	35,231	35,386	33,823
Computer Equipment	118,561	119,689	120,818	121,946	123,075	124,204	125,332	126,461	127,589	128,718	129,847	130,411	124,721
Computer Software	111,282	111,854	112,427	112,999	113,571	114,144	114,716	115,288	115,860	116,433	117,005	117,291	114,406
Machinery & Equipment	345,268	348,342	351,416	354,491	357,565	360,639	363,714	366,788	369,862	372,936	376,011	377,548	362,048
Communication Equipment	23,538	24,306	25,074	25,843	26,611	27,380	28,148	28,916	29,685	30,453	31,222	31,606	27,732
Automotive	186,078	191,964	197,850	203,737	209,623	215,509	221,395	227,281	233,168	239,054	244,940	247,883	218,207
Rental Equipment - Res	685,269	689,592	693,915	698,238	702,561	706,884	711,207	715,530	719,853	724,176	728,499	730,661	708,865
Rental Equipment - Com	21,823	22,161	22,498	22,835	23,173	23,510	23,847	24,185	24,522	24,859	25,197	25,365	23,665
Rental Equipment - Softeners	5,251	5,311	5,372	5,432	5,493	5,553	5,614	5,675	5,735	5,796	5,856	5,887	5,581
Meters	820,774	826,814	832,854	838,894	844,935	850,975	857,015	863,055	869,095	875,135	881,176	884,196	853,743
Regulators	656,983	660,691	664,398	668,105	671,812	675,519	679,227	682,934	686,641	690,348	694,055	695,909	677,219
Plastic Mains	2,366,715	2,386,318	2,405,922	2,425,525	2,445,128	2,464,732	2,484,335	2,503,938	2,523,542	2,543,145	2,562,748	2,572,550	2,473,717
Steel Mains	32,335	32,397	32,459	32,520	32,582	32,644	32,706	32,767	32,829	32,891	32,952	32,983	32,672
New Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
Plastic Services	1,527,977	1,535,243	1,542,508	1,549,773	1,557,039	1,564,304	1,571,569	1,578,835	1,586,100	1,593,365	1,600,631	1,604,263	1,567,634
Franchises & Consents	87,152	87,757	88,362	88,967	89,572	90,177	90,782	91,387	91,992	92,597	93,202	93,505	90,455
<b>Total Accum. Depreciation</b>	<b><u>7,129,389</u></b>	<b><u>7,184,394</u></b>	<b><u>7,239,400</u></b>	<b><u>7,294,406</u></b>	<b><u>7,349,412</u></b>	<b><u>7,404,418</u></b>	<b><u>7,459,424</u></b>	<b><u>7,514,429</u></b>	<b><u>7,569,435</u></b>	<b><u>7,624,441</u></b>	<b><u>7,679,447</u></b>	<b><u>7,706,950</u></b>	<b><u>7,429,630</u></b>

**NATURAL RESOURCE GAS LIMITED**

**Net Property, Plant and Equipment**  
**2008 Actual**  
**(\$'s)**

<u>Net Fixed Asset Values</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	574,079	572,817	571,554	570,292	569,030	567,767	566,505	565,243	563,981	562,718	561,456	560,825	567,189
Furniture & Fixtures	22,875	22,686	22,376	22,066	21,756	21,446	21,136	20,826	20,515	20,205	19,895	19,740	21,294
Computer Equipment	27,626	26,497	25,857	25,217	26,668	28,786	28,325	29,076	29,826	29,022	28,219	27,654	27,731
Computer Software	25,190	24,618	24,046	23,987	23,929	23,607	25,288	26,718	26,146	26,003	26,951	27,756	25,353
Machinery & Equipment	48,441	45,367	42,292	39,218	38,044	37,362	34,781	31,707	28,632	25,558	22,484	21,762	34,638
Communication Equipment	39,617	38,849	38,080	37,312	36,543	35,775	35,007	40,223	45,439	44,671	43,903	65,600	41,751
Automotive	279,577	273,691	267,804	261,918	256,032	250,146	244,259	238,373	232,487	226,601	220,715	217,771	247,448
Rental Equipment - Res	1,222,050	1,217,727	1,213,404	1,209,081	1,204,758	1,200,435	1,196,112	1,191,789	1,187,466	1,181,807	1,176,972	1,256,005	1,204,801
Rental Equipment - Com	32,875	32,538	32,201	31,863	31,526	31,189	30,851	30,514	30,177	29,839	29,502	29,333	31,034
Rental Equipment - Softeners	6,376	6,316	6,255	6,194	6,134	6,073	6,013	5,952	5,892	5,831	5,771	5,740	6,046
Meters	1,096,317	1,090,276	1,094,283	1,098,289	1,092,248	1,086,208	1,089,892	1,121,434	1,143,253	1,137,213	1,139,613	1,131,551	1,110,048
Regulators	544,791	541,084	537,376	533,811	531,162	530,282	528,485	526,626	524,767	521,060	517,665	516,186	529,441
Plastic Mains	4,567,547	4,593,720	4,575,428	4,622,719	4,669,409	4,649,806	4,652,344	4,650,509	4,626,586	4,635,158	4,647,313	4,652,226	4,628,563
Steel Mains	679	617	555	494	432	370	309	247	185	124	62	31	342
New Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
Plastic Services	980,949	974,218	967,487	973,223	978,960	971,694	964,429	961,890	982,559	1,000,838	1,000,375	1,019,900	981,377
Franchises & Consents	<u>63,941</u>	<u>63,336</u>	<u>62,731</u>	<u>62,126</u>	<u>61,521</u>	<u>60,916</u>	<u>60,311</u>	<u>66,356</u>	<u>72,401</u>	<u>71,796</u>	<u>71,191</u>	<u>64,239</u>	<u>65,072</u>
Net Fixed Assets	<u>9,604,629</u>	<u>9,596,056</u>	<u>9,553,431</u>	<u>9,589,511</u>	<u>9,619,852</u>	<u>9,573,563</u>	<u>9,555,747</u>	<u>9,579,183</u>	<u>9,592,013</u>	<u>9,590,145</u>	<u>9,583,785</u>	<u>9,688,020</u>	<u>9,593,828</u>

**NATURAL RESOURCE GAS LIMITED**

**Property, Plant & Equipment**  
**Summary of Averages - 2009 Actual**  
**(\$'s)**

<u>Item</u>	<u>Gross Property</u> <u>Plant &amp; Equip.</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Plant</u>
Land	71,700	0	71,700
Buildings	682,331	130,290	552,041
Furniture & Fixtures	60,241	38,054	22,187
Computer Equipment	165,067	136,435	28,632
Computer Software	147,508	123,829	23,679
Machinery & Equipment	410,359	401,564	8,795
Communication Equipment	130,097	37,832	92,265
Automotive	474,721	297,416	177,305
Rental Equipment - Res	2,106,551	746,019	1,360,532
Rental Equipment - Com	54,699	27,712	26,987
Rental Equipment - Softeners	11,627	6,308	5,319
Meters	2,020,439	927,172	1,093,267
Regulators	1,217,757	721,937	495,820
Plastic Mains	7,251,011	2,709,852	4,541,159
Steel Mains	33,014	33,014	0
New Steel Mains	4,861,625	136,513	4,725,112
Plastic Services	2,672,497	1,656,640	1,015,857
Franchises & Consents	<u>222,947</u>	<u>129,045</u>	<u>93,902</u>
Total	<u>22,594,191</u>	<u>8,259,632</u>	<u>14,334,559</u>

NATURAL RESOURCE GAS LIMITED

**Gross Property, Plant and Equipment**  
**2009 Actual**  
**(\$'s)**

<u>Asset Values at Cost</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331
Furniture & Fixtures	55,127	55,127	55,127	55,520	59,198	60,713	61,126	62,296	62,897	63,598	65,049	67,112	60,241
Computer Equipment	159,045	159,089	159,136	165,261	165,693	166,156	166,657	167,267	167,895	168,628	170,180	165,796	165,067
Computer Software	145,670	145,698	145,728	145,759	145,793	145,828	145,867	146,706	146,854	147,026	147,558	161,606	147,508
Machinery & Equipment	400,126	400,126	403,097	402,931	403,086	403,251	403,431	407,385	410,052	412,883	433,013	444,923	410,359
Communication Equipment	119,288	119,288	120,157	130,249	131,079	131,817	132,617	132,997	133,924	135,006	136,358	138,387	130,097
Automotive	465,655	465,655	465,655	465,655	465,655	465,655	465,655	480,161	481,974	484,090	486,734	504,109	474,721
Rental Equipment - Res	2,072,688	2,074,678	2,080,355	2,085,314	2,090,668	2,102,040	2,109,757	2,112,830	2,119,764	2,131,677	2,141,435	2,157,405	2,106,551
Rental Equipment - Com	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699
Rental Equipment - Softeners	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627
Meters	2,007,825	2,009,363	2,009,693	2,013,901	2,014,511	2,018,023	2,018,970	2,020,772	2,022,939	2,028,758	2,036,724	2,043,790	2,020,439
Regulators	1,213,407	1,215,558	1,215,723	1,215,896	1,216,080	1,216,278	1,216,492	1,219,264	1,219,845	1,220,524	1,221,373	1,222,646	1,217,757
Plastic Mains	7,236,221	7,236,238	7,238,312	7,238,445	7,239,141	7,239,680	7,239,960	7,247,613	7,256,154	7,266,826	7,278,397	7,295,140	7,251,011
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	2,536,500	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	4,861,625
Plastic Services	2,648,410	2,651,853	2,663,535	2,666,845	2,662,391	2,666,053	2,670,180	2,676,048	2,679,903	2,685,574	2,692,843	2,706,327	2,672,497
Franchises & Consents	151,094	151,094	151,094	151,093	162,543	163,361	152,797	152,627	267,733	382,839	383,401	405,694	<u>222,947</u>
Total Assets	<u>20,064,426</u>	<u>22,610,136</u>	<u>22,633,982</u>	<u>22,663,240</u>	<u>22,682,209</u>	<u>22,705,226</u>	<u>22,709,881</u>	<u>22,752,336</u>	<u>22,896,306</u>	<u>23,053,800</u>	<u>23,119,436</u>	<u>23,239,305</u>	<u>22,594,191</u>



NATURAL RESOURCE GAS LIMITED

**Accumulated Depreciation Property, Plant and Equipment**  
**2009 Actual**  
**(\$'s)**

Accumulated Depreciation	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Average
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	123,400	124,662	125,924	127,186	128,449	129,711	130,973	132,236	133,498	134,760	136,023	136,654	130,290
Furniture & Fixtures	35,931	36,320	36,709	37,098	37,487	37,876	38,265	38,654	39,043	39,433	39,822	40,016	38,054
Computer Equipment	131,821	132,666	133,511	134,357	135,202	136,048	136,893	137,738	138,584	139,429	140,275	140,697	136,435
Computer Software	118,545	119,513	120,481	121,449	122,417	123,385	124,353	125,321	126,289	127,257	128,225	128,709	123,829
Machinery & Equipment	382,595	386,105	389,615	393,125	396,635	400,145	403,655	407,165	410,675	412,883	417,044	419,125	401,564
Communication Equipment	32,895	33,799	34,704	35,608	36,513	37,417	38,322	39,226	40,131	41,035	41,940	42,392	37,832
Automotive	258,040	265,254	272,468	279,682	286,896	294,109	301,323	308,537	315,751	322,965	330,179	333,786	297,416
Rental Equipment - Res	734,865	736,908	738,952	740,995	743,039	745,082	747,125	749,169	751,212	753,255	755,299	756,321	746,019
Rental Equipment - Com	25,871	26,209	26,546	26,883	27,220	27,558	27,895	28,232	28,570	28,907	29,244	29,413	27,712
Rental Equipment - Softeners	5,977	6,038	6,098	6,159	6,220	6,280	6,341	6,401	6,462	6,522	6,583	6,613	6,308
Meters	893,402	899,589	905,776	911,963	918,149	924,336	930,523	936,710	942,896	949,083	955,270	958,363	927,172
Regulators	701,506	705,249	708,992	712,735	716,478	720,222	723,965	727,708	731,451	735,194	738,937	740,809	721,937
Plastic Mains	2,602,094	2,621,836	2,641,578	2,661,320	2,681,062	2,700,804	2,720,546	2,740,288	2,760,030	2,779,772	2,799,514	2,809,385	2,709,852
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	21,138	42,275	63,413	84,550	105,688	126,825	147,963	169,100	190,238	211,375	232,513	243,081	136,513
Plastic Services	1,615,443	1,622,991	1,630,538	1,638,086	1,645,633	1,653,181	1,660,728	1,668,276	1,675,823	1,683,371	1,690,918	1,694,692	1,656,640
Franchises & Consents	99,264	104,720	110,176	115,632	121,088	126,544	132,001	137,457	142,913	148,369	153,825	156,553	129,045
Total Accum. Depreciation	<u>7,815,800</u>	<u>7,897,147</u>	<u>7,978,495</u>	<u>8,059,842</u>	<u>8,141,190</u>	<u>8,222,537</u>	<u>8,303,885</u>	<u>8,385,232</u>	<u>8,466,580</u>	<u>8,546,626</u>	<u>8,628,624</u>	<u>8,669,623</u>	<u>8,259,632</u>

NATURAL RESOURCE GAS LIMITED

**Net Property, Plant and Equipment**  
**2009 Actual**  
**(\$'s)**

<u>Net Fixed Asset Values</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	558,931	557,669	556,407	555,144	553,882	552,620	551,357	550,095	548,833	547,570	546,308	545,677	552,041
Furniture & Fixtures	19,196	18,807	18,418	18,422	21,711	22,837	22,861	23,641	23,853	24,165	25,227	27,096	22,187
Computer Equipment	27,224	26,423	25,625	30,904	30,490	30,108	29,764	29,529	29,311	29,199	29,905	25,099	28,632
Computer Software	27,125	26,185	25,247	24,310	23,375	22,443	21,514	21,385	20,565	19,769	19,334	32,898	23,679
Machinery & Equipment	17,531	14,021	13,482	9,806	6,451	3,106	-224	220	-622	0	15,969	25,798	8,795
Communication Equipment	86,393	85,489	85,454	94,641	94,566	94,400	94,295	93,771	93,794	93,971	94,419	95,995	92,265
Automotive	207,614	200,401	193,187	185,973	178,759	171,545	164,331	171,624	166,223	161,125	156,556	170,323	177,305
Rental Equipment - Res	1,337,823	1,337,769	1,341,403	1,344,319	1,347,629	1,356,958	1,362,632	1,363,661	1,368,552	1,378,422	1,386,136	1,401,084	1,360,532
Rental Equipment - Com	28,827	28,490	28,153	27,815	27,478	27,141	26,804	26,466	26,129	25,792	25,454	25,286	26,987
Rental Equipment - Softeners	5,649	5,589	5,528	5,468	5,407	5,347	5,286	5,226	5,165	5,104	5,044	5,014	5,319
Meters	1,114,423	1,109,774	1,103,917	1,101,938	1,096,362	1,093,687	1,088,447	1,084,063	1,080,042	1,079,675	1,081,454	1,085,426	1,093,267
Regulators	511,901	510,309	506,731	503,161	499,602	496,056	492,527	491,556	488,394	485,330	482,435	481,837	495,820
Plastic Mains	4,634,128	4,614,402	4,596,735	4,577,125	4,558,079	4,538,876	4,519,414	4,507,325	4,496,124	4,487,053	4,478,883	4,485,755	4,541,159
Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
New Steel Mains	2,515,363	5,030,725	5,009,588	4,988,450	4,967,313	4,946,175	4,925,038	4,903,900	4,882,763	4,861,625	4,840,488	4,829,919	4,725,112
Plastic Services	1,032,967	1,028,862	1,032,997	1,028,759	1,016,758	1,012,873	1,009,452	1,007,772	1,004,080	1,002,203	1,001,925	1,011,635	1,015,857
Franchises & Consents	<u>51,830</u>	<u>46,374</u>	<u>40,918</u>	<u>35,461</u>	<u>41,455</u>	<u>36,817</u>	<u>20,797</u>	<u>15,170</u>	<u>124,820</u>	<u>234,470</u>	<u>229,575</u>	<u>249,141</u>	<u>93,902</u>
Net Fixed Assets	<u>12,248,626</u>	<u>14,712,989</u>	<u>14,655,487</u>	<u>14,603,398</u>	<u>14,541,019</u>	<u>14,482,689</u>	<u>14,405,997</u>	<u>14,367,104</u>	<u>14,429,726</u>	<u>14,507,175</u>	<u>14,490,812</u>	<u>14,569,682</u>	<u>14,334,559</u>

**NATURAL RESOURCE GAS LIMITED**

**Property, Plant & Equipment**  
**Summary of Averages - 2010 Bridge Year**  
**(\$'s)**

<u>Item</u>	<u>Gross Property</u>	<u>Accumulated</u>	<u>Net Plant</u>
	<u>Plant &amp; Equip.</u>	<u>Depreciation</u>	
Land	71,700	0	71,700
Buildings	682,331	145,490	536,841
Furniture & Fixtures	69,989	42,795	27,194
Computer Equipment	164,663	144,784	19,879
Computer Software	178,581	134,226	44,355
Machinery & Equipment	460,290	443,861	16,429
Communication Equipment	149,915	49,561	100,354
Automotive	525,196	385,089	140,107
Rental Equipment - Res	2,217,878	848,026	1,369,852
Rental Equipment - Com	54,699	31,774	22,925
Rental Equipment - Softeners	11,627	7,037	4,590
Meters	2,120,856	1,004,416	1,116,440
Regulators	1,232,918	767,369	465,549
Plastic Mains	7,412,550	<u>2,951,113</u>	<u>4,461,437</u>
Steel Mains	33,014	33,014	0
New Steel Mains	5,073,000	391,044	4,681,956
Plastic Services	2,755,808	1,748,823	1,006,985
Franchises & Consents	<u>413,057</u>	<u>212,084</u>	<u>200,973</u>
Total	<u>23,628,072</u>	<u>9,340,506</u>	<u>14,287,566</u>

**NATURAL RESOURCE GAS LIMITED**

**Gross Property, Plant and Equipment**  
**2010 Bridge**  
**(\$'s)**

<u>Asset Values at Cost</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331	682,331
Furniture & Fixtures	69,176	69,426	69,676	69,676	69,676	69,926	70,176	70,176	70,176	70,426	70,676	70,676	69,989
Computer Equipment	161,913	162,413	162,913	163,413	163,913	164,413	164,913	165,413	165,913	166,413	166,913	167,413	164,663
Computer Software	175,654	175,654	175,654	176,955	178,255	178,255	178,255	179,556	180,856	180,856	180,856	182,157	178,581
Machinery & Equipment	456,832	456,832	456,832	456,832	457,432	460,532	463,032	463,032	463,032	463,032	463,032	463,032	460,290
Communication Equipment	140,415	142,415	144,415	144,415	146,415	148,415	150,415	152,415	154,415	156,415	158,415	160,415	149,915
Automotive	521,483	521,483	521,483	521,483	521,483	521,483	521,483	527,017	532,551	531,501	530,451	530,451	525,196
Rental Equipment - Res	2,177,083	2,184,500	2,191,917	2,199,335	2,206,752	2,214,170	2,221,587	2,229,004	2,236,422	2,243,839	2,251,256	2,258,674	2,217,878
Rental Equipment - Com	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699
Rental Equipment - Soften	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627
Meters	2,056,689	2,068,356	2,080,022	2,091,689	2,103,356	2,115,022	2,126,689	2,138,356	2,150,022	2,161,689	2,173,356	2,185,022	2,120,856
Regulators	1,224,668	1,226,168	1,227,668	1,229,168	1,230,668	1,232,168	1,233,668	1,235,168	1,236,668	1,238,168	1,239,668	1,241,168	1,232,918
Plastic Mains	7,320,272	7,337,050	7,353,828	7,370,605	7,387,383	7,404,161	7,420,939	7,437,717	7,454,495	7,471,272	7,488,050	7,504,828	7,412,550
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000
Plastic Services	2,722,811	2,728,810	2,734,810	2,740,809	2,746,809	2,752,809	2,758,808	2,764,808	2,770,807	2,776,807	2,782,806	2,788,806	2,755,808
Franchises & Consents	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057
<b>Total Assets</b>	<b><u>23,366,423</u></b>	<b><u>23,412,535</u></b>	<b><u>23,458,646</u></b>	<b><u>23,503,808</u></b>	<b><u>23,551,570</u></b>	<b><u>23,600,782</u></b>	<b><u>23,649,393</u></b>	<b><u>23,702,089</u></b>	<b><u>23,754,785</u></b>	<b><u>23,799,846</u></b>	<b><u>23,844,908</u></b>	<b><u>23,892,070</u></b>	<b><u>23,628,072</u></b>

NATURAL RESOURCE GAS LIMITED

**Accumulated Depreciation Property, Plant and Equipment**  
**2010 Bridge**  
**(\$'s)**

Accumulated Depreciation	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Average
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	138,547	139,810	141,072	142,334	143,597	144,859	146,121	147,383	148,646	149,908	151,170	152,433	145,490
Furniture & Fixtures	40,608	41,006	41,403	41,801	42,199	42,596	42,994	43,391	43,789	44,186	44,584	44,981	42,795
Computer Equipment	141,684	142,247	142,811	143,375	143,938	144,502	145,066	145,629	146,193	146,756	147,320	147,884	144,784
Computer Software	129,967	130,741	131,516	132,290	133,065	133,839	134,613	135,388	136,162	136,936	137,711	138,485	134,226
Machinery & Equipment	424,690	428,176	431,662	435,147	438,633	442,118	445,604	449,089	452,575	456,061	459,546	463,032	443,861
Communication Equipment	43,877	44,911	45,944	46,978	48,011	49,044	50,078	51,111	52,144	53,178	54,211	55,244	49,561
Automotive	344,730	352,068	359,406	366,744	374,082	381,420	388,758	396,096	403,434	410,772	418,109	425,447	385,089
Rental Equipment - Res	771,294	785,245	799,196	813,148	827,099	841,050	855,002	868,953	882,904	896,856	910,807	924,759	848,026
Rental Equipment - Com	29,919	30,256	30,594	30,931	31,268	31,605	31,943	32,280	32,617	32,955	33,292	33,629	31,774
Rental Equipment - Soften	6,704	6,765	6,825	6,886	6,946	7,007	7,067	7,128	7,189	7,249	7,310	7,370	7,037
Meters	968,066	974,675	981,284	987,893	994,502	1,001,111	1,007,720	1,014,329	1,020,938	1,027,548	1,034,157	1,040,766	1,004,416
Regulators	746,479	750,277	754,075	757,873	761,671	765,470	769,268	773,066	776,864	780,662	784,461	788,259	767,369
Plastic Mains	<u>2,839,542</u>	<u>2,859,828</u>	<u>2,880,114</u>	<u>2,900,399</u>	<u>2,920,685</u>	<u>2,940,971</u>	<u>2,961,256</u>	<u>2,981,542</u>	<u>3,001,828</u>	<u>3,022,113</u>	<u>3,042,399</u>	<u>3,062,685</u>	<u>2,951,113</u>
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	274,788	295,925	317,063	338,200	359,338	380,475	401,613	422,750	443,888	465,025	486,163	507,300	391,044
Plastic Services	1,706,213	1,713,960	1,721,707	1,729,455	1,737,202	1,744,949	1,752,696	1,760,444	1,768,191	1,775,938	1,783,686	1,791,433	1,748,823
Franchises & Consents	<u>167,405</u>	<u>175,529</u>	<u>183,652</u>	<u>191,776</u>	<u>199,899</u>	<u>208,023</u>	<u>216,146</u>	<u>224,270</u>	<u>232,393</u>	<u>240,517</u>	<u>248,640</u>	<u>256,764</u>	<u>212,084</u>
Total Accum. Depreciation	<u>8,807,528</u>	<u>8,904,433</u>	<u>9,001,338</u>	<u>9,098,243</u>	<u>9,195,148</u>	<u>9,292,053</u>	<u>9,388,959</u>	<u>9,485,864</u>	<u>9,582,769</u>	<u>9,679,674</u>	<u>9,776,579</u>	<u>9,873,484</u>	<u>9,340,506</u>

**NATURAL RESOURCE GAS LIMITED**

**Net Property, Plant and Equipment**  
**2010 Bridge**  
**(\$'s)**

<u>Net Fixed Asset Values</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	543,784	542,521	541,259	539,997	538,734	537,472	536,210	534,947	533,685	532,423	531,160	529,898	536,841
Furniture & Fixtures	28,568	28,420	28,273	27,875	27,478	27,330	27,182	26,785	26,387	26,240	26,092	25,695	27,194
Computer Equipment	20,229	20,166	20,102	20,038	19,975	19,911	19,847	19,784	19,720	19,657	19,593	19,529	19,879
Computer Software	45,687	44,913	44,139	44,665	45,191	44,416	43,642	44,168	44,694	43,920	43,146	43,672	44,355
Machinery & Equipment	32,141	28,656	25,170	21,685	18,799	18,413	17,428	13,942	10,457	6,971	3,486	0	16,429
Communication Equipment	96,538	97,505	98,471	97,438	98,405	99,371	100,338	101,305	102,271	103,238	104,205	105,171	100,354
Automotive	176,752	169,414	162,077	154,739	147,401	140,063	132,725	130,921	129,117	120,729	112,341	105,003	140,107
Rental Equipment - Res	1,405,789	1,399,255	1,392,721	1,386,187	1,379,653	1,373,119	1,366,585	1,360,051	1,353,517	1,346,983	1,340,449	1,333,915	1,369,852
Rental Equipment - Com	24,780	24,442	24,105	23,768	23,430	23,093	22,756	22,419	22,081	21,744	21,407	21,069	22,925
Rental Equipment - Soften	4,923	4,862	4,802	4,741	4,681	4,620	4,559	4,499	4,438	4,378	4,317	4,257	4,590
Meters	1,088,623	1,093,681	1,098,738	1,103,796	1,108,854	1,113,911	1,118,969	1,124,026	1,129,084	1,134,141	1,139,199	1,144,257	1,116,440
Regulators	478,190	475,891	473,593	471,295	468,997	466,699	464,400	462,102	459,804	457,506	455,208	452,909	465,549
Plastic Mains	<u>4,480,730</u>	<u>4,477,222</u>	<u>4,473,714</u>	<u>4,470,206</u>	<u>4,466,698</u>	<u>4,463,191</u>	<u>4,459,683</u>	<u>4,456,175</u>	<u>4,452,667</u>	<u>4,449,159</u>	<u>4,445,651</u>	<u>4,442,143</u>	<u>4,461,437</u>
Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
New Steel Mains	4,798,213	4,777,075	4,755,938	4,734,800	4,713,663	4,692,525	4,671,388	4,650,250	4,629,113	4,607,975	4,586,838	4,565,700	4,681,956
Plastic Services	1,016,598	1,014,850	1,013,102	1,011,355	1,009,607	1,007,859	1,006,112	1,004,364	1,002,616	1,000,869	999,121	997,373	1,006,985
Franchises & Consents	<u>245,652</u>	<u>237,528</u>	<u>229,405</u>	<u>221,281</u>	<u>213,157</u>	<u>205,034</u>	<u>196,910</u>	<u>188,787</u>	<u>180,663</u>	<u>172,540</u>	<u>164,416</u>	<u>156,293</u>	<u>200,973</u>
Net Fixed Assets	<u>14,558,896</u>	<u>14,508,102</u>	<u>14,457,308</u>	<u>14,405,565</u>	<u>14,356,422</u>	<u>14,308,728</u>	<u>14,260,434</u>	<u>14,216,225</u>	<u>14,172,016</u>	<u>14,120,172</u>	<u>14,068,329</u>	<u>14,018,585</u>	<u>14,287,566</u>

**NATURAL RESOURCE GAS LIMITED**

**Property, Plant & Equipment**  
**Summary of Averages - 2011 Test Year**  
**(\$'s)**

<u>Item</u>	<u>Gross Property</u>	<u>Accumulated</u>	<u>Net Plant</u>
	<u>Plant &amp; Equip.</u>	<u>Depreciation</u>	
Land	71,700	0	71,700
Buildings	707,331	161,119	546,212
Furniture & Fixtures	71,364	47,620	23,744
Computer Equipment	170,330	151,409	18,921
Computer Software	194,838	143,357	51,481
Machinery & Equipment	481,891	<u>477,841</u>	<u>4,050</u>
Communication Equipment	171,249	62,798	108,451
Automotive	532,135	417,391	114,744
Rental Equipment - Res	2,315,228	<u>968,203</u>	<u>1,347,025</u>
Rental Equipment - Com	54,699	35,822	18,877
Rental Equipment - Softeners	11,627	7,764	3,863
Meters	2,260,856	1,086,470	1,174,386
Regulators	1,251,918	813,345	438,573
Plastic Mains	<u>7,613,837</u>	<u>3,198,073</u>	<u>4,415,764</u>
Steel Mains	33,014	33,014	0
New Steel Mains	5,073,000	644,694	4,428,306
Plastic Services	2,829,452	1,843,148	986,304
Franchises & Consents	<u>413,057</u>	<u>309,567</u>	<u>103,490</u>
Total	<u>24,257,526</u>	<u>10,401,635</u>	<u>13,855,891</u>

NATURAL RESOURCE GAS LIMITED

**Gross Property, Plant and Equipment**  
**2011 Test**  
**(\$'s)**

<u>Asset Values at Cost</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	682,331	682,331	682,331	682,331	702,331	722,331	722,331	722,331	722,331	722,331	722,331	722,331	707,331
Furniture & Fixtures	70,676	70,676	70,926	71,176	71,176	71,176	71,426	71,676	71,676	71,676	71,926	72,176	71,364
Computer Equipment	167,413	167,413	167,413	168,413	169,413	169,413	170,413	171,413	172,413	173,413	173,413	173,413	170,330
Computer Software	184,957	186,457	187,957	190,904	192,351	193,851	195,351	196,798	199,746	201,246	202,746	205,693	194,838
Machinery & Equipment	463,032	463,032	463,032	463,032	463,032	475,532	488,032	488,032	497,032	506,032	506,032	506,847	481,891
Communication Equipment	160,415	162,415	164,415	166,415	168,415	170,415	172,415	174,415	176,415	178,415	180,415	180,415	171,249
Automotive	530,451	530,451	530,451	530,451	530,451	532,005	533,560	533,560	533,560	533,560	533,560	533,560	532,135
Rental Equipment - Res	2,266,786	2,275,594	2,284,401	2,293,209	2,302,016	2,310,824	2,319,632	2,328,439	2,337,247	2,346,054	2,354,862	2,363,669	2,315,228
Rental Equipment - Com	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699	54,699
Rental Equipment - Softeners	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627	11,627
Meters	2,196,689	2,208,356	2,220,022	2,231,689	2,243,356	2,255,022	2,266,689	2,278,356	2,290,022	2,301,689	2,313,356	2,325,022	2,260,856
Regulators	1,242,752	1,244,418	1,246,085	1,247,752	1,249,418	1,251,085	1,252,752	1,254,418	1,256,085	1,257,752	1,259,418	1,261,085	1,251,918
Plastic Mains	7,521,602	7,538,372	7,555,142	7,571,912	7,588,682	7,605,452	7,622,221	7,638,991	7,655,761	7,672,531	7,689,301	7,706,071	7,613,837
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000	5,073,000
Plastic Services	2,794,943	2,801,217	2,807,492	2,813,766	2,820,041	2,826,315	2,832,589	2,838,864	2,845,138	2,851,412	2,857,687	2,863,961	2,829,452
Franchises & Consents	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	413,057	<u>413,057</u>
Total Assets	<u>23,939,144</u>	<u>23,987,829</u>	<u>24,036,764</u>	<u>24,088,146</u>	<u>24,157,778</u>	<u>24,240,518</u>	<u>24,304,508</u>	<u>24,354,390</u>	<u>24,414,522</u>	<u>24,473,207</u>	<u>24,522,143</u>	<u>24,571,340</u>	<u>24,257,526</u>



NATURAL RESOURCE GAS LIMITED

**Accumulated Depreciation Property, Plant and Equipment**  
**2011 Test**  
**(\$'s)**

<u>Accumulated Depreciation</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	153,769	155,105	156,442	157,778	159,114	160,451	161,787	163,123	164,459	165,796	167,132	168,468	161,119
Furniture & Fixtures	45,387	45,793	46,199	46,605	47,011	47,417	47,823	48,229	48,635	49,041	49,447	49,853	47,620
Computer Equipment	148,426	148,969	149,511	150,053	150,596	151,138	151,681	152,223	152,766	153,308	153,850	154,393	151,409
Computer Software	139,235	139,984	140,734	141,483	142,233	142,982	143,732	144,481	145,231	145,980	146,730	147,480	143,357
Machinery & Equipment	463,032	463,032	463,032	463,032	463,032	469,408	475,783	482,159	488,535	494,911	501,287	506,847	477,841
Communication Equipment	56,406	57,569	58,731	59,893	61,055	62,217	63,379	64,542	65,704	66,866	68,028	69,190	62,798
Automotive	376,796	384,177	391,558	398,939	406,320	413,701	421,082	428,463	435,844	443,224	450,605	457,986	417,391
Rental Equipment - Res	843,442	866,126	888,810	911,494	934,177	956,861	979,545	1,002,229	1,024,913	1,047,596	1,070,280	1,092,964	968,203
Rental Equipment - Com	33,967	34,304	34,641	34,979	35,316	35,653	35,990	36,328	36,665	37,002	37,340	37,677	35,822
Rental Equipment - Softeners	7,431	7,491	7,552	7,612	7,673	7,734	7,794	7,855	7,915	7,976	8,036	8,097	7,764
Meters	1,047,797	1,054,829	1,061,860	1,068,891	1,075,923	1,082,954	1,089,986	1,097,017	1,104,048	1,111,080	1,118,111	1,125,143	1,086,470
Regulators	792,118	795,978	799,837	803,696	807,556	811,415	815,274	819,134	822,993	826,852	830,712	834,571	813,345
Plastic Mains	3,083,514	3,104,343	3,125,172	3,146,001	3,166,830	3,187,659	3,208,488	3,229,317	3,250,146	3,270,975	3,291,804	3,312,633	3,198,073
Steel Mains	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014	33,014
New Steel Mains	528,438	549,575	570,713	591,850	612,988	634,125	655,263	676,400	697,538	718,675	739,813	760,950	644,694
Plastic Services	1,799,389	1,807,345	1,815,301	1,823,258	1,831,214	1,839,170	1,847,126	1,855,082	1,863,039	1,870,995	1,878,951	1,886,907	1,843,148
Franchises & Consents	264,888	273,011	281,135	289,258	297,382	305,505	313,629	321,752	329,876	337,999	346,123	354,247	309,567
<b>Total Accum. Depreciation</b>	<b>9,817,048</b>	<b>9,920,645</b>	<b>10,024,241</b>	<b>10,127,837</b>	<b>10,231,433</b>	<b>10,341,405</b>	<b>10,451,377</b>	<b>10,561,348</b>	<b>10,671,320</b>	<b>10,781,292</b>	<b>10,891,264</b>	<b>11,000,421</b>	<b>10,401,635</b>

**NATURAL RESOURCE GAS LIMITED**

**Net Property, Plant and Equipment**  
**2011 Test**  
**(\$'s)**

<u>Net Fixed Asset Values</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Average</u>
Land	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700	71,700
Buildings	528,562	527,225	525,889	524,553	543,217	561,880	560,544	559,208	557,871	556,535	555,199	553,862	546,212
Furniture & Fixtures	25,289	24,883	24,727	24,571	24,165	23,759	23,603	23,447	23,041	22,635	22,479	22,323	23,744
Computer Equipment	18,987	18,444	17,902	18,360	18,817	18,275	18,732	19,190	19,647	20,105	19,563	19,020	18,921
Computer Software	45,723	46,473	47,224	49,421	50,119	50,869	51,620	52,317	54,515	55,265	56,016	58,213	51,481
Machinery & Equipment	0	0	0	0	0	6,124	12,248	5,872	8,497	11,121	4,745	0	4,050
Communication Equipment	104,009	104,847	105,685	106,522	107,360	108,198	109,036	109,874	110,712	111,549	112,387	111,225	108,451
Automotive	153,655	146,274	138,893	131,512	124,131	118,304	112,478	105,097	97,716	90,335	82,954	75,574	114,744
Rental Equipment - Res	1,423,344	1,409,468	1,395,591	1,381,715	1,367,839	1,353,963	1,340,087	1,326,210	1,312,334	1,298,458	1,284,582	1,270,705	1,347,025
Rental Equipment - Com	20,732	20,395	20,057	19,720	19,383	19,045	18,708	18,371	18,034	17,696	17,359	17,022	18,877
Rental Equipment - Softeners	4,196	4,136	4,075	4,014	3,954	3,893	3,833	3,772	3,712	3,651	3,591	3,530	3,863
Meters	1,148,892	1,153,527	1,158,162	1,162,798	1,167,433	1,172,068	1,176,703	1,181,339	1,185,974	1,190,609	1,195,244	1,199,880	1,174,386
Regulators	450,633	448,441	446,248	444,055	441,863	439,670	437,477	435,284	433,092	430,899	428,706	426,514	438,573
Plastic Mains	4,438,088	4,434,029	4,429,970	4,425,911	4,421,852	4,417,793	4,413,734	4,409,674	4,405,615	4,401,556	4,397,497	4,393,438	4,415,764
Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
New Steel Mains	4,544,563	4,523,425	4,502,288	4,481,150	4,460,013	4,438,875	4,417,738	4,396,600	4,375,463	4,354,325	4,333,188	4,312,050	4,428,306
Plastic Services	995,554	993,872	992,190	990,509	988,827	987,145	985,463	983,781	982,100	980,418	978,736	977,054	986,304
Franchises & Consents	148,169	140,045	131,922	123,798	115,675	107,551	99,428	91,304	83,181	75,057	66,934	58,810	103,490
<b>Net Fixed Assets</b>	<b>14,122,095</b>	<b>14,067,184</b>	<b>14,012,523</b>	<b>13,960,310</b>	<b>13,926,346</b>	<b>13,899,114</b>	<b>13,853,131</b>	<b>13,793,042</b>	<b>13,743,202</b>	<b>13,691,915</b>	<b>13,630,878</b>	<b>13,570,920</b>	<b>13,855,891</b>

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.

**RESPONSE**

The following vehicle from NRG's fleet was retired in 2007:

Description: Ford F150 pickup

Mileage: 166,850 km

Original Price: \$25,556 excluding GST

The trade in value on this vehicle was \$3,780 and the entry on the books credited accumulated depreciation instead of crediting a gain on sale of fixed asset. This has resulted in an understatement of assets. A correcting entry will be done in Fiscal 2010.

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

**RESPONSE**

Please see the italicized Preamble to the response to VECC IR 9.

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

**RESPONSE**

Please see the italicized Preamble to the response to VECC IR 9 (and corrected Schedules).

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?**

### **RESPONSE**

Please see the italicized Preamble to the response to VECC IR 9 (and corrected Schedules).

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

**RESPONSE**

Please see the italicized Preamble to the response to VECC IR 9 (and corrected Schedules).

Reference: Exhibit B6, 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.**

### **RESPONSE**

The purchases during the year were as follows:

*Purchase in May 2009:*

Description: 2008 GMC Savanna Cargo 250 Van

Mileage: 17,626 km

Price: \$29,013

*Purchase in September 2009:*

Description: 2008 Chevrolet Cargo Van Ext 2500

Mileage: 19,375 km

Price: \$26,815

The total purchase price was \$55,828, which agrees with Exhibit B6, Tab 2, Schedule 1 (updated).



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.**

### **RESPONSE**

The corrected Schedules provided in response to VECC IR 9 are reconcilable.

- 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.**

**RESPONSE**

Please see the italicized Preamble in the response to VECC IR 9.

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

**RESPONSE**

Purchases are projected to be:

July 2010:     ½ Ton Pick Up       \$28,000

May 2010:     ¾ Ton Pick Up       \$37,000

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.**

**RESPONSE**

NRG proposes to purchase a flat-bed truck in March 2011 for \$35,000. Please see the italicized Preamble to the response to VECC IR 9.

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.

**RESPONSE**

Refer to Attachment.

# Attachment to VECC IR 20

## Fleet Continuity

Truck #	Vehicle Description	Year	Original Cost	Fiscal Year End					
				2006	2007	2008	2009	2010	2011
3	International Flat Bed - 5 Ton	1993	\$ 36,000	X	X	X	X	X	X
15	GMC Flat Bed - 1 Ton Flat Bed - 1 Ton	1999	\$ 31,891	X	X	X	X	X	Sold-\$5,000 \$ 35,000
9	Chev Silverado 1/2 Ton Pick Up	2003	\$ 32,819	X	X	X	X	Sold-\$750	
12	Chev Silverado 1/2 Ton Pick Up	2004	\$ 26,575	X	X	X	X	X	X
6	Chev Silverado 1/2 Ton Pick Up	2005	\$ 30,100	X	X	X	X	Sold-\$4,000	
	Ford F150 Pick Up		\$ 25,556	X	Sold \$3,780				
	1/2 Ton Pick Up							\$ 28,000	X
10	Chev Silverado 4x4 3/4 Ton Pick Up 3/4 Ton Pick Up	2005	\$ 25,932	X	X	X	X	Sold-\$3,000 \$ 37,000	X
22	Chev Cargo Van	2008					\$ 26,815	X	X
7	Chev Cargo Van	2005	\$ 29,047	X	X	X	X	X	X
16	Chev Express Van	2004	\$ 31,050	X	X	X	X	X	X
19	Chev Express Van	2006	\$ 26,487	X	X	X	X	X	X
17	Dodge Van 2500 Van	2004	\$ 25,310	X	X	X	X	Sold-\$3,000	
4	GMC Savannah Cargo Van	2001	\$ 28,006	X	X	X	X	Sold-\$750	
21	GMC Savannah Cargo Van	2008					\$ 29,013	X	X
5	Jeep Cherokee	2007			\$ 45,196	X	X	X	X

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

**RESPONSE**

The car in question (Jeep Cherokee) is used by the General Manager.

**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.**

**RESPONSE**

It is our understanding that this information was previously available from a former employee of NRG. We are unaware of any agency or organization that publishes this information, either on a forecast or historical basis. Therefore, due to the unverifiable nature of the previous data and the inability to obtain historical updates or forecasts, the variable was eliminated.



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

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

**RESPONSE**

Historically, the majority of water heater installations in NRG's service area were rentals from the utility. However, this is no longer the case. Water heater rentals are available from a number of third parties and water heaters can be purchased from hardware stores. For this reason, the utility no longer knows the true water heater penetration rate.

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.**

**RESPONSE**

In 2008, the amount of labour and materials allocated to ancillary sales was questionable. With the implementation of a new database and training of staff it became apparent that labour and materials for “utility based” work orders had been allocated to ancillary cost of sales in error. Taking labour as a percentage of sales, labour alone could have been over allocated to ancillary cost of sales by over \$50,000.

Reference: Exhibit C5, Tab 1, Schedule 3

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

**RESPONSE**

NRG does not presently have a Rate 6 customer class, but is requesting one be established for IGPC as part of this application. In 2008, NRG included IGPC in its existing Rate 3 customer class.

- 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.**

**RESPONSE**

Please see Attachment.

**IGPC Incremental Analysis - 2009**

**DATA**

Delivery Volume (m <sup>3</sup> )	33,416,816
Demand Volume (m <sup>3</sup> )	108,188

**Revenue** 1,552,177

Customer Charge Revenue	1,800
Delivery Commodity Revenue	1,246,781
Delivery Demand Revenue	332,229
Adjustment	<u>-28,633</u>
Revenue	1,552,177

**Rate Base** 4,725,112

**Directly Allocated Costs**

Union Transportation	382,246
Lakeside	33,816
Insurance	111,917
Property Tax	56,248
Depreciation	253,650
Interest Expense and Return on Equit	403,052
Income Tax	<u>78,244</u>
Directly Allocated Costs	1,319,173

**Marginal Profitability Analysis**

Revenue	1,552,177
Directly Allocated Costs	<u>1,319,173</u>
Marginal Profit/(Loss)	233,005

**Notes**

All amounts are in \$, except where indicated.

Rate Base is net of Contributions in Aid of Construction.

For rate making purposes IGPC pipeline is entered into Rate Base as of October 1, 2009.

Rate Base reflects the 2009 average of the average of monthly opening and closing net book value c

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.**

**RESPONSE**

The observed reduction reflects the impact of including IGPC in Rate 3 for a full year in 2009, whereas it was included for a maximum of 1.5 months in 2008.

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.**

**RESPONSE**

Please see response to VECC IR 26, as well as Attachment.

IGPC

			Actual Billed
	24,924,320		130,310
	<u>6,534,816</u>		133,726
Total Volume Consumed	31,459,136		133,726
Rate	<u>3.7310</u>		130,310
Rate x volume	<u>1,173,740</u>		133,726
			130,310
Min volume 33,416,608			133,726
Difference at	3.3853	<u>66,266</u>	123,478
			133,726
Customer Charge	\$150 x 12 mths	<u>1,800</u>	133,726
			130,310
Demand Charge	\$27685.74 x 12 mths	<u>332,229</u>	133,726
Total Revenue		<u>1,574,036</u>	1,580,801
			(28,624) Adjmt YTD *
			<u>1,552,177</u>

\* - done annually July 15th YTD reconciliation



Reference: Exhibit C5, Tab 2, Schedule 4

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

**RESPONSE**

NRG did not have a Rate 6 customer class in 2008. In 2008, IGPC was included in NRG's Rate 3 customer class.

Reference: Exhibit C6, Tab 2, Schedule 4.1

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

**RESPONSE**

Confirmed.

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.**

**RESPONSE**

The computed unit gross margin for 2010 and for 2011 is \$0.0502. The unit gross margin formula used a logical test that was not appropriately specified. The results of the corrected formula are provided in the attached schedule.

**NATURAL RESOURCE GAS LIMITED**

**Gross Margin Analysis by Sales Class**  
**2010 Bridge Year**

		Total Gas <u>Margin</u> (\$)	Total <u>Volume</u> (M*3)	Gross <u>Unit Margin</u> (\$/M*3)
Rate 1	Residential	2,837,447	12,827,985	0.2212
	Commercial	576,370	4,109,387	0.1403
	Industrial	71,275	580,368	0.1228
Rate 2	Seasonal	68,376	502,859	0.1360
Rate 3	Contract	156,259	2,192,257	0.0713
Rate 4	Industrial	54,931	459,488	0.1195
Rate 5	Contract	69,568	944,570	0.0737
Rate 6	Contract	<u>1,580,588</u>	<u>31,459,135</u>	0.0502
Total		<u>5,414,814</u>	<u>53,076,048</u>	<u>0.1020</u>

**NATURAL RESOURCE GAS LIMITED**

**Gross Margin Analysis by Sales Class**  
**2011 Test Year**

		<u>Total Gas</u> <u>Margin</u> (\$)	<u>Total</u> <u>Volume</u> (M*3)	<u>Gross</u> <u>Unit Margin</u> (\$/M*3)
Rate 1	Residential	2,898,012	13,103,581	0.2212
	Commercial	579,473	4,131,750	0.1402
	Industrial	71,348	580,997	0.1228
Rate 2	Seasonal	68,376	502,859	0.1360
Rate 3	Contract	158,380	2,195,299	0.0721
Rate 4	Industrial	61,544	454,263	0.1355
Rate 5	Contract	62,891	947,162	0.0664
Rate 6	Contract	<u>1,580,588</u>	<u>31,459,135</u>	0.0502
Total		<u>5,480,613</u>	<u>53,375,045</u>	<u>0.1027</u>

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.**

**RESPONSE**

In preparing the response to this Information Request, NRG identified a supporting file that did not execute correctly and, as a result, the data used to compute an allocator in the cost allocation was computed incorrectly. The attached schedules provide the corrected information.

The corrected information shows the O&M allocated to Ancillary Services increasing by 10% in 2009 over 2008.

**NATURAL RESOURCE GAS LIMITED**

**Rate of Return on Ancillary Services**  
**2008 Actual**  
**(\$'s)**

	<u>Ancillary Services</u>
Total Gross Revenue	1,103,536
Less Direct Cost of Sales	<u>552,687</u>
Total Net Revenue	550,849
Delayed Payment Charges	<u>7,437</u>
Total Ancillary Services Revenue	558,286
Allocated Costs	
Operations & Maintenance	219,656
Capital Taxes	3,131
Property Taxes	6,358
Net Depreciation Expense	<u>163,590</u>
Total	392,735
Income Before Tax	165,552
Income Tax Provision	<u>26,758</u>
Income After Tax	<u>138,794</u>
Value of Assets Employed	
Inventory	188,198
Working Cash	-47,791
General Plant	<u>1,416,747</u>
Total Assets	1,557,154
Rate of Return	<u>8.9%</u>

**NATURAL RESOURCE GAS LIMITED**

**Rate of Return on Ancillary Services**  
**2009 Actual**  
**(\$'s)**

	<u>Ancillary Services</u>
Total Gross Revenue	955,609
Less Direct Cost of Sales	<u>320,563</u>
Total Net Revenue	635,047
Delayed Payment Charges	<u>4,508</u>
Total Ancillary Services Revenue	639,555
Allocated Costs	
Operations & Maintenance	241,532
Capital Taxes	3,916
Property Taxes	7,418
Net Depreciation Expense	<u>165,604</u>
Total	418,470
Income Before Tax	221,085
Income Tax Provision	<u>37,888</u>
Income After Tax	<u>183,196</u>
Value of Assets Employed	
Inventory	67,057
Working Cash	42,309
General Plant	<u>1,551,639</u>
Total Assets	1,661,005
Rate of Return	<u>11.0%</u>

**NATURAL RESOURCE GAS LIMITED**

**Rate of Return on Ancillary Services**  
**2010 Bridge**  
**(\$'s)**

	<u>Ancillary Services</u>
Total Gross Revenue	1,058,803
Less Direct Cost of Sales	<u>330,180</u>
Total Net Revenue	728,623
Delayed Payment Charges	<u>4,463</u>
Total Ancillary Services Revenue	733,086
Allocated Costs	
Operations & Maintenance	281,698
Capital Taxes	3,928
Property Taxes	7,393
Net Depreciation Expense	<u>172,191</u>
Total	465,209
Income Before Tax	267,877
Income Tax Provision	<u>11,463</u>
Income After Tax	<u>256,414</u>
Value of Assets Employed	
Inventory	22,771
Working Cash	52,368
General Plant	<u>1,551,184</u>
Total Assets	1,626,323
Rate of Return	<u>15.8%</u>



**NATURAL RESOURCE GAS LIMITED**

**Rate of Return on Ancillary Services**  
**2011 Test Year**  
**(\$'s)**

	<u>Ancillary Services</u>
Total Gross Revenue	<u>1,108,592</u>
Less Direct Cost of Sales	<u>340,085</u>
Total Net Revenue	<u>768,506</u>
Delayed Payment Charges	<u>4,548</u>
Total Ancillary Services Revenue	<u>773,054</u>
Allocated Costs	
Operations & Maintenance	<u>327,127</u>
Capital Taxes	<u>0</u>
Property Taxes	<u>7,615</u>
Net Depreciation Expense	<u>206,137</u>
Total	<u>540,879</u>
Income Before Tax	<u>232,175</u>
Income Tax Provision	<u>18,592</u>
Income After Tax	<u>213,583</u>
Value of Assets Employed	
Inventory	<u>100,517</u>
Working Cash	<u>25,198</u>
General Plant	<u>1,519,999</u>
Total Assets	<u>1,645,715</u>
Rate of Return	<u>13.0%</u>

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

**RESPONSE**

Based on the revised schedules filed with VECC IR 31, the amount allocated to General Plant does not increase as significantly.

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.**

**RESPONSE**

Please see response to VECC IR 31. The corrected schedule shows that the O&M allocated to 2010 Ancillary Services no longer drops.

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

**RESPONSE**

Please see response to VECC IR 31. The corrected schedules no longer show a material difference between 2009 and 2010.

**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.**

**RESPONSE**

Please see Attachment.

## Attachment to VECC 35

### Salary and Wages Detail

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Salary and Wages	1,019,249	1,014,410	963,348	1,065,863	1,101,919
Capitalized Labour	41,918	31,820	39,365	34,454	30,294
Allocated to Ancillary Cost of Sales	48,877	150,753	90,655	93,375	96,176
	<b>1,110,044</b>	<b>1,196,983</b>	<b>1,093,368</b>	<b>1,193,692</b>	<b>1,228,389</b>
Number full time employees	21	22	21	21	21
Average Salary/employee	52,859	54,408	52,065	56,842	58,495
Group Benefits	37,365	51,822	52,598	54,176	55,801
Number full time employees	21	22	21	21	21
Average Benefit/employee	1,779	2,356	2,505	2,580	2,657
UIC/ CPP/ WSIB	76,237	95,063	96,286	104,113	107,235
Number full time employees	21	22	21	21	21
Average Benefit/employee	3,630	4,321	4,585	4,958	5,106

#### Note:

Group Benefits - 2007 vs 2008

- 2007 had 11 months and 2008 had 13 months (timing of entry on books)

UIC/ CPP/ WSIB - 2007 vs 2008

- WSIB adjustment

- 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.**

**RESPONSE**

Please see Attachment to response to VECC IR 35.

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.**

**RESPONSE**

Refer to Attachment.



## Attachment to VECC 37

### Analysis of OM&A Expense Fluctuation

Expense Category	Test Year 2011	Bridge Year 2010	Actual 2009	
Wages	\$ 1,101,919	\$ 1,065,863	\$ 963,348	Note 1
Employee Benefits	158,934	154,305	148,883	
Insurance	284,925	226,871	197,396	Note 2
Utilities	18,061	17,604	12,658	
Advertising	98,000	39,000	38,263	Note 3
Telephone	65,159	62,056	59,776	
Office & Postage	127,928	125,863	115,429	
Repair & Maintenance	289,066	162,662	110,269	Note 4
Automotive	71,000	61,400	69,528	
Dues & Fees	41,705	41,705	19,424	Note 5
Mapping Expense	919	919	1,013	
Regulatory	146,000	21,000	32,211	Note 6
Bad Debts	75,000	50,000	51,982	Note 7
Interest - Security Deposits	6,432	6,432	5,843	
Bank Charges	17,749	17,749	16,618	
Collection Expense	20,000	20,000	14,308	Note 8
Travel & Ent.	4,150	4,150	3,371	
Legal	54,432	54,432	47,472	
Audit	20,000	20,000	15,577	
Consulting Fees	64,560	64,560	38,832	Note 9
Management Fees (Net)	235,157	225,637	216,250	
Total O & M Expenses	<u>\$ 3,136,251</u>	<u>\$ 2,667,845</u>	<u>\$ 2,394,702</u>	

Note 1 - refer to Attachment to VECC 35

Note 2 - increase in insurance coverage due to addition of Ethanol Pipeline; refer to IGPC questions 39 and 40 for a detailed breakdown

Note 3 - refer to IGPC question 17 for reasons for increase

Note 4 - 2010 maintenance contract for Transfer Stations included in Repairs & Maintenance in 2009 it was included in Consulting fees; 2011 maintenance contract with MIG Engineering for Ethanol Pipeline refer to IGPC question 42 for detail

Note 5 - refer to OEB question 16 for detail

Note 6 - amortization of the cost of current rates case

Note 7 - increase in bad debt anticipated due to change in security policy and current economic conditions

Note 8 - increase in collection efforts anticipated for the same reasons as noted in 7

Note 9 - increased for professional services of an engineer related to forecasted main additions

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.**

**RESPONSE**

Please see response to OEB IR 17.

- 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.**

**RESPONSE**

The costs to convert a single vehicle to natural gas is approximately \$5,000. NRG currently has nine vehicles converted to natural gas (i.e., all vehicles except flatbeds). The anticipated savings project for 2010 amount to approximately \$20,000 (or an average annual savings of \$2,200 per vehicle). This translates into a payback period of 27 months.

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.**

**RESPONSE**

Please see response to OEB IR 19(a).

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

**RESPONSE**

No.

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

**RESPONSE**

A number of non-arms length companies receive management and general contracting services from Ayerswood. The types of services provided by Ayerswood to these other companies are similar to those provided to NRG.

NRG believes that the ability to utilize Ayerswood is of tremendous benefit to NRG and its ratepayers. As a practical matter, it would not be beneficial to full-time employees with the expertise provided by Ayerswood.

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

**RESPONSE**

The increase in the management fee from 2007 to 2008 is primarily due to the increased time spent by Ayerswood to oversee, review and resolve issues that arose regarding the ethanol pipeline.

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.**

**RESPONSE**

IGPC has been directly assigned the Operations and Maintenance costs associated with the transfer stations, the dedicated pipeline and spare parts for the dedicated pipeline. IGPC has also been assigned responsibility for common Repairs and Maintenance costs functionalized and classified as Billing/Collecting and A&G. Similarly, IGPC has been directly assigned the depreciation expense of the dedicated pipeline and has been allocated a share of the depreciation expense on common use assets through the functionalization and classification of Billing/Collecting and A&G costs. IGPC has been directly assigned responsibility for the costs projected to be incurred pursuant to the transportation services contract with Union Gas Limited.



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

**RESPONSE**

NRG has directly assigned IGPC with cost responsibility for the incremental costs NRG will incur in the 2011 Test Year to provide service to IGPC exclusively. NRG has relied on its legacy cost allocation methodology to allocate responsibility for appropriate common costs to IGPC (e.g., billing/collecting costs are allocated using the Weighted Customer Billing allocation factor displayed at Exhibit G3, Tab 2, Schedule 1, Sheet 3.2 lines 36-39).

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

**RESPONSE**

Inspection of Exhibit G3, Tab 1, Schedule 1, Sheet 3.1 shows that under the existing customer class structure Rate 3 (including IGPC in this scenario) would be responsible for \$1,314.5k of the 2011 Test Year revenue requirement. Inspection of Exhibit G3, Tab 2, Schedule 1, Sheet 3.1 shows that under NRG's proposed customer class structure Rate 3 (not including IGPC) would be responsible for \$184.6k of the 2011 Test Year revenue requirement, and that Rate 6 (consisting of IGPC exclusively) would be responsible for \$1,714.0k. This data suggests that IGPC would be responsible for \$1,129.9k of the 2011 Test Year revenue requirement if all costs were allocated according to NRG's legacy cost allocation 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.**

**RESPONSE**

The proposed allocation of the REDA balance to be disposed of in the 2011 Test Year is provided at Exhibit D1, Tab 7, Schedule 1, page 2 in the “Allocated Balances” table on the line captioned “Allocated REDA balance”.

The \$155,767 balance recorded in the REDA account reflects costs incurred in the five identified proceedings. NRG proposes to dispose of \$113,474 of this balance in the 2011 Test Year, being the costs of two of these proceedings (Commodity Pricing, Cessation of Service). Rates 1 to 6 are proposed to be jointly responsible for the costs of the Cessation of Service proceeding while Rates 1 to 5 are proposed to be jointly responsible for the costs incurred in the Commodity Pricing proceeding. NRG does not propose that Rate 6 be responsible for any of the costs of the Commodity Pricing proceeding. The A&G allocation provided at Exhibit D1, Tab 7, Schedule 2, page 2 supports the proposed allocation to customer classes. The factors identified in the chart are directly applied to the Cessation of Service costs to quantify each customer class’ responsibility (Rate 1 is responsible for 56.14% of \$62,535 or \$35,107). The factors are re-weighted to compute each customer class’ responsibility for commodity pricing costs (Rate 1 is responsible for 87.4% of \$51,561 or \$45,060). The detailed derivation of Rate 1’s allocation is provided below.

Allocation of Cessation of Service costs

$$56.14\% \text{ of } \$62,535 = \$35,107$$

Allocation of Commodity Pricing costs

$$56.14\% / (56.14\% + 2.94\% + 2.54\% + 0.84\% + 1.78\%) = 87.39\%$$

$$87.39\% \text{ of } \$51,561 = \$45,060$$

Proposed Allocation of REDA balance plus Carrying Charges to Rate 1

$$\$35,107 + \$45,060 = \$80,167$$

*Please note that NRG will be filing an update to the REDA account shortly.*

- 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.**

**RESPONSE**

The difference is due to the application of correctly computed carrying charges. Please note that the \$35,055 balance includes carrying charges up to and including September 30, 2009. The incremental \$174 reflects the carrying charges on the principal amount up to and including October 1, 2010 when disposition is proposed to commence.

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.

**RESPONSE**

NRG proposes that Rate 6 be responsible for a portion of the Cessation of Service costs recorded in the REDA. The balance, including carrying costs, amounts to \$62,535. Rate 6 is proposed to be responsible for 35.76% of this amount, based on the A&G allocation, or \$22,360.

*Please note that NRG will be filing an update to the REDA account shortly.*

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.**

**RESPONSE**

Please see the response to IGPC IR 55.

**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.**

**RESPONSE**

We do not see a reference to a special dividend in the reference noted. There has been no dividend paid for several years.

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.**

**RESPONSE**

Assuming a 42% common equity ratio and an ROE of 10.35% (current benchmark ROE plus 0.50%) as the starting point, increasing the equity ratio to 43% would require the ROE to be set at 10.12% in order for the revenue requirement to remain unchanged.



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

**RESPONSE**

There is no decrease in risk. Although the proposed fixed charges are higher, so too are the fixed costs. The proposed customer charges and demand revenues are expected to recover a lower percentage of fixed costs than did 2007 rates.

**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.**

**RESPONSE**

NRG confirms that the Union Delivery, Property Tax, Depreciation, Return and Income Tax entries are incremental. The OM&A entry is incremental; it should reflect the incremental costs and fully allocated costs. The A&G entry reflects an allocation of overall A&G costs.

Incremental costs are directly allocated. The supporting detail is provided at G3/2/1 Sheet 1.3.

The fully allocated costs amount to \$4.1k and are provided at Exhibit G3, Tab 2, Schedule 1, Sheet 3.1, column "Rate 6 – Allocated".

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.**

**RESPONSE**

NRG confirms that IGPC has been directly assigned New Steel Mains and has been allocated responsibility for a portion of the General Plant and a portion of the Working Capital (e.g., billing systems, assets functionalized to A&G).

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.**

**RESPONSE**

IGPC has been allocated responsibility for the depreciation expense on the directly allocated New Steel Mains. IGPC has also been allocated a portion of the depreciation expense on General Plant through the cost allocation, specifically through assigned Administrative and General costs (that include \$114.5k of functionalized depreciation expense) and through the allocation of common costs (e.g., Billing/Collecting that includes \$0.6k of functionalized depreciation expense).

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.**

**RESPONSE**

NRG confirms that it proposes to directly allocate \$198.0k of insurance expense and \$157.2k of repairs and maintenance expense in the 2011 Test Year to IGPC. Using the fully allocated cost methodology IGPC has also been assigned responsibility for \$4.1k of the 2011 Test Year revenue requirement, which will include allocable OM&A expenses, related to Services, Meters, Billing and Customer related costs.

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

**RESPONSE**

IGPC's responsibility for \$256.0k of A&G costs is quantified at Exhibit G3, Tab 2, Schedule 1, Sheet 2.2. The derivation of the supporting entries is provided in the preceding worksheets.

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

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

**RESPONSE**

The cost allocation assigns 31.5% responsibility for the 2011 Test Year Administrative and General expenses to IGPC. The 2011 Test Year Administrative and General expenses include \$207.6k of employment costs. Applying IGPC's proportional responsibility for Administrative and General costs of 31.5% to the \$207.6k of employment costs shows that IGPC is responsible for \$65.4k of employment costs (i.e.,  $31.5\% * \$207.6k = \$65.4k$ ).

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?**

**RESPONSE**

The premise of this Information Request is incorrect; through the assignment of Administrative and General costs, IGPC is assigned responsibility for Repairs and Maintenance expenses. In the 2011 Test Year, IGPC is responsible for 31.5% of functionalized Administrative and General costs, which include \$20.3k of Repairs and Maintenance expense. Applying IGPC's proportional assignment of 31.5% shows that IGPC is responsible for \$6.4k of 2011 Test Year Repairs and Maintenance costs (i.e.,  $31.5\% \times \$20.3k = \$6.4k$ ).

In addition, IGPC is allocated \$1.4k of the 2011 Test Year Billing/Collecting costs that total \$1,019.7k; proportionally, IGPC is responsible for 0.1%. \$21.7k of the functionalized 2011 Test Year Billing/Collecting costs are Repairs and Maintenance expenses. Applying IGPC's 0.1% proportional responsibility to the Repairs and Maintenance expense functionalized to Billing/Collection shows that IGPC is responsible for a further \$22 of 2011 Test Year Repairs and Maintenance expense (i.e.,  $0.1\% \times \$21.7k = \$22$ ).



**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.**

**RESPONSE**

The Union Gas and Enbridge Gas Distribution IRM plans are both set out in Settlement Agreements. Those agreements are attached to Board Decisions EB-2007-0606 and EB-2007-0615, respectively.

The discussions of the parties during the settlement process are confidential, and NRG was not part of those negotiations. The Settlement Agreements do not explicitly state why there is a maximum 2% residential rate increase in each year of the Union and Enbridge plan.

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.

### **RESPONSE**

The formula agreed to by the parties to the Union IRM is:

$$PCI = I - X + Z + Y + AU$$

where:

I is the inflation factor,  
 X is the productivity factor,  
 Z represents certain non-routine adjustments,  
 Y represents certain predetermined pass-throughs, and  
 AU is the average use factor,

The adjustment formula agreed to by the parties to the Enbridge IRM is:

$$DRR_t = \{(DRR_{t-1} - (Y_{t-1} + Z_{t-1})) / C_{t-1}\} * (1 + P * INF) * C_t + Y_t + Z_t$$

where:

DRR = the distribution revenue requirement  
 t = the rate year  
 C = the average number of customers  
 P = the inflation coefficient  
 INF = the inflation index  
 Y = pass throughs at cost of service  
 Z = exogenous factors

NRG notes that the residential rate increases based on the assumption that the inflation factors ("I" in the Union formula and "INF" in the Enbridge formula) are 2% cannot be determined without also making assumptions about all of the other factors in each formula. NRG is not in a position to determine appropriate values for all of the other factors so cannot provide the requested calculations.