

**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  
THE ONTARIO ENERGY BOARD**

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**May 18, 2010**

**NATURAL RESOURCE GAS LIMITED**

**RESPONSES TO INTERROGATORIES FROM  
THE ONTARIO ENERGY BOARD**

**ISSUE 1 – ADMINISTRATION**

Ref: Exhibit A – NRG Audited Financial Statement

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

1. **In Note 8 to NRG's audited financial statement dated September 30, 2008, it has been noted that NRG has pledged all its present and future assets as security against the term note payable. Please answer the following questions with respect to the term note:**
  - (a) **Considering that all of NRG's assets are pledged as security to the bank, does the Company have the ability to finance future expansions? Please provide a detailed response.**
  - (b) **Can NRG obtain financing from another institution or is it restricted to obtaining finance only from the Bank of Nova Scotia?**

**RESPONSE**

- (a) A General Security Agreement (or GSA, whereby a borrower pledges all assets to the lender) is standard practice. NRG would finance future expansion via its unused line of credit of \$1 million, earnings and/or additional borrowing (depending upon size of the expansion project(s)).
- (b) NRG is not restricted from obtaining financing from another financial institution.

- 2. In Note 9 to NRG's audited financial statement dated September 30, 2008, it is noted that the Company is subject to externally imposed capital requirements. Please calculate and provide the following ratios for the years 2007 through to 2009.**
- (a) EBITDA to interest expense plus current portion of long-term debt**
  - (b) Current ratio (current assets to current liabilities)**
  - (c) Total debt to tangible net worth**
  - (d) Funds from Operations/Net Debt**
  - (e) Funds from Operations Interest Coverage**

**RESPONSE**

Please see Attachment.

**Attachment to OEB 2**

RATIO SUMMARY

	2007	2008	2009
EBITDA to Interest Expense plus Current Portion of Long Term Debt	2.54	1.74	1.71
Current Ratio	1.52	1.17	1.73
Total Debt to Tangible Net Worth	1.78	2.71	2.73
Funds from Operations/Net Debt	13.08%	5.93%	11.56%
Funds from Operations Interest Coverage	3.40	2.49	4.18

Ref. Exhibit A1/ Tab 5/Sch.1/Pages 1-2

1.2 Has NRG amended its security deposit policy as directed in the Board's EB-2008-0413 Decision?

3. **With respect to the determination of the security deposit please confirm that NRG's calculation is in accordance with the Board's direction set out in EB-2008-0413, Appendix B, item 5. More specifically, please confirm that NRG will be using the customer's average monthly consumption of gas (and not the average annual consumption as indicated by NRG in its evidence) X the billing cycle factor to determine the maximum amount of a security deposit that NRG may require of a consumer.**

**RESPONSE**

Confirmed. This was a typographical error. The security deposit should read "monthly" not "annual". NRG's Rules and Regulations have been amended accordingly (see Attachment).

## **Attachment to OEB 3**

### **1. INITIATION OF SERVICE**

#### **1.1 APPLICATIONS**

The Company may, at its discretion, accept applications for gas service on existing service laterals or new service laterals. Each applicant must complete an Application for Gas Service in the form attached as Schedule 1 A. Any business or company making application must also complete a Credit Application in the form attached as Schedule 1 B. The applicant must complete both sides of the blue copy and will receive the yellow copy for their records after approval.

The only exception to the above shall be in the case of contract rate customers. Contract rate customers are required to execute a contract for a specified term of not less than one year.

The Company will charge a \$30.00 transfer/connection charge, plus applicable taxes, on all approved applications, which will be charged on the first gas billing.

#### **1.2 SECURITY DEPOSITS (as per EB 2008-0413)**

##### **General:**

After an application for Gas Service is completed, the Credit Department will run a credit check and determine if a security deposit is required (outlined further below). The Security Deposit must be paid before connection can occur.

##### **Determination of Security Deposit (All Residential & Commercial Customers )**

The security deposit is determined based on the average monthly consumption of gas during the last 12 consecutive months, within the past two years, at the specific address in which the gas service is installed or will be installed. Note this is for new customers or for customers who no longer have a good payment history (defined below).

The maximum amount of a security deposit NRG may require a consumer to pay shall be calculated as follows:

Billing cycle factor 2.5 X average monthly consumption over past 12 consecutive months or consumers estimated consumption, or a reasonable estimate made by NRG.

##### **Security deposits will not be required:**

- If a consumer is residential or general service, and a satisfactory credit check has been conducted, at the time of application. A beacon score of 680 + and a credit utilization of less than 50% will be required.
- If a consumer can provide a letter from another gas/ electricity distributor in Canada confirming good payment history.

4. Please answer the following questions with respect to NRG's security deposit policy:
- (a) Please indicate why the onus is on the consumer to file a written request for a refund of the security deposit when NRG is conducting annual reviews to determine if a consumer is entitled to a refund or adjustment.
  - (b) Are consumers notified of results once a review has been completed (i.e. that they are indeed eligible for refund)? If not, then how would consumers know that they are eligible for a refund?
  - (c) Please advise whether NRG is able to return security deposits within six weeks of closure of a consumers account as per EB-2008-0413, Appendix B (18). If not, please explain why.

**RESPONSE**

- (a) As indicated in our policy, we review our customer's deposits on an annual basis and if they meet the criteria as set out in the policy, a refund cheque or credit to their account is processed. No written request is required for this annual review. We have allowed customers the additional option to file a written request for refund at any time.
- (b) Customers are notified by letter if the annual review determines that they are not eligible for a refund (with reasons provided). Customers who are eligible for a refund receive a cheque or credit.
- (c) Yes.

Ref. Exhibit A1/ Tab5/Sch.1/Appendix B#10

1.2 Has NRG amended its security deposit policy as directed in the Board's EB-2008-0413 Decision?

**5. Has any provision been made for consumers to pay security deposits in installments over 4 months?**

**RESPONSE**

Yes. However, NRG is monitoring the impact of such a policy, since it could allow for a security deposit to only be fully funded after four months of non-payment. The practical impact would be inadequate from a credit risk perspective.



**ISSUE 2 – RATE BASE**

Ref. Exhibit B6-B8/Tab3/Sch.1

- 2.3 Is the forecast level of capital spending in 2010 appropriate?
- 2.4 Is the forecast level of capital spending in 2011 appropriate?
- 6. Please answer the following questions with respect to the capital spending program in 2010 and 2011:**
- (a) The Automotive component of Property Plant and Equipment is expected to rise by over \$88,000 and \$46,000 in 2010 and 2011 respectively. In addition, the corresponding level of depreciation is also expected to rise by over \$92,000 and \$100,000 for the same years. Please provide a detailed breakdown and explanation of the automotive costs. Also what depreciation policy was used to determine the 2010 and 2011 estimate?**
  - (b) With respect to the Computer Equipment component of Property Plant and Equipment, please provide a detailed breakdown of these costs for 2010 and 2011 as well as an explanation of why costs have been increasing.**
  - (c) Please provide a breakdown of Meter component of Property Plant and Equipment for 2010 and 2011. Please also provide an explanation of why meter related costs are expected to increase.**
  - (d) Please provide a detailed breakdown and explanation for the rise in Computer Software component of Property Plant and Equipment for 2010 and 2011.**
  - (e) From 2009 there is a significant increase in Communication Equipment costs. Please provide a breakdown of these costs for the years 2009, 2010 and 2011. Please also provide an explanation for the increasing trend in Communication Equipment costs.**
  - (f) Please provide a breakdown of the Rental Equipment (residential) costs for the years 2009, 2010 and 2011. Please also provide an explanation for the recent rise in these costs.**
  - (g) With respect to Franchises and Consents, please provide a detailed breakdown of these costs for 2010 and 2011. What depreciation policy was used to arrive at the depreciation amounts for 2010 and 2011?**
  - (h) Within “Franchises and Consents”, please explain the meaning of Consents and identify the items included in it.**

**RESPONSE**

*Preamble: Please note that the questions refer to capital spending but the Schedules and numerical values cited are the Summary of Averages from the evidence.*

(a) Automotive expenditures for 2010 and 2011 are as follows:

2010:	½ Ton Pick Up	\$28,000
	¾ Ton Pick Up	\$37,000
2011:	1 Ton Flat Bed	\$35,000

These vehicles are anticipated to meet the criteria for replacement as per our Fleet Policy.

Depreciation Policy = Straight line over 6 years, consistent with prior years.

(b) Computer Equipment expenditures (prices inclusive of taxes, etc.) for 2010 and 2011 are as follows:

2010:	\$6,000
2011:	\$6,000

We have forecasted to upgrade our phone system and have accounted for this over a two-year period (current quote is \$15,000). These costs have not been increasing. Expenditures in recent years are as follows:

Actual 2006:	\$21,852
Actual 2007:	\$18,270
Actual 2008:	\$11,879
Actual 2009	\$ 3,348

(c) The breakdown of Meter component costs are as follows (prices inclusive of taxes, etc.):

2010:

Refurbished AL225	400 Qty	\$16,000
Refurbished RC230	250 Qty	\$10,000

Refurbished AL425	40 Qty	\$ 5,600
Refurbished AL800	10 Qty	\$ 5,400
Refurbished AL1000	10 Qty	\$ 5,400
Refurbished AL1600	2 Qty	\$ 2,400
New Large Rotary	6 Qty	\$15,750
New Putnam Station	1 Qty	\$10,000
New All meters *	510 Qty	\$69,450

\* includes 10 large

2011:

Refurbished AL225	400 Qty	\$17,600
Refurbished RC230	250 Qty	\$11,000
Refurbished AL425	40 Qty	\$ 6,160
Refurbished AL800	10 Qty	\$ 5,940
Refurbished AL1000	25 Qty	\$14,850
Refurbished AL1600	2 Qty	\$ 2,640
New Large Rotary	6 Qty	\$14,150
New Putnam Station	1 Qty	\$10,000
New All meters **	325 Qty	\$67,660

\*\* includes 15 large

For an explanation of meter-related costs, please see response to Board Staff IR 8(a).

(d) Our current software for billing does not generate a number of reports that are required in order to properly manage the business. We brought in a programmer to assist in improving the reporting and we have a number of reports that will be created in fiscal 2010 and fiscal 2011, such as:

- security deposit eligibility
- hot water heater tracking
- accounts receivable improved report with additional information
- accrual of gas on a m basis

In addition, we will be streamlining our existing MS access system (cost of \$7,350).

We will also be looking at alternative billing software packages in existence that might offer improved reporting to management and easier programming. The current software program is over 25 years old and is very timely/costly to create any upgrades.

(e) Communication equipment expenditures are anticipated to be:

2009:

Cellular/Radio Backhaul System	\$ 8,478
New Meter Readers and Desk Dock	\$12,348
Alpha Numeric Pagers	\$ 302

2010:

\$20,000: Consisting of a new radio hub for Norfolk to reach more well locations, as well as antenna and site upgrades to increase reliability from existing sites.

2011:

\$20,000: Consisting of expansion of the radio system to include more mercury unit. This expansion will help us monitor and report problems sooner and track incoming and outgoing gas more accurately. An average communications package for a site is \$2,000. In preparing this response, NRG realized that it had not included \$26,000 for the communications software in the budgeted amount. However, NRG will manage this cost over the IRP term, and is not seeking to amend its requested amount.

(f) Rental equipment capital additions are as follows:

Actual 2008	\$245,961
Actual 2009	\$222,983
Bridge Year 2010	\$193,009
Test Year 2011	\$202,659

This relates to Rental Hot Water Heaters, which is removed from the company-wide revenue requirement through cost allocation. The increase from year 2010 to 2011 is based on an anticipated 5% increase in costs.

(g) The expenditures for Franchises and Consents for 2010 and 2011 are:

The original cost (i.e., gross property, plant and equipment) as at October 1, 2009 was \$413,057. This cannot be broken down with the exception of the Aylmer franchise renewal costs (see response to Board Staff IR 7(c)). The accumulated depreciation is \$159,281, leaving a net book value of \$253,776 (annual depreciation = \$97,483). The depreciation policy is to amortize over the life of the franchise.

(h) The term “Consents” appears to be a legacy term used in our rate model. We are not sure whether certain costs related to consents to utilize land were previously incurred by NRG.

Ref. Exhibit B5-B6/Tab3/Sch.1, Exhibit B6/Tab2/Sch.1

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?

7. Please answer the following questions related capital expenditures in 2008 and 2009:
- (a) There was a significant increase in Computer Equipment costs for 2008 and 2009. Please provide a breakdown of the Computer Equipment costs of \$150,192 and \$164,663 for 2008 and 2009 respectively.
  - (b) Please provide a breakdown of 2008 Plastic Mains costs of \$7,027,030.
  - (c) Please provide a breakdown of the 2009 Franchise cost of \$261,963 as well as an explanation of these costs.

### **RESPONSE**

(a) Please note that the figures of \$150,192 and \$164,663 are the gross property, plant and equipment summary of averages, so a breakdown cannot be provided. The computer equipment expenditures for these two years are as follows:

2008 (Total Expenditures = \$11,878)

New computers (2)	\$2,850
Modems/solar panels	5,159
Part Switches	977
Notebook (1)	1,771
New printer	471
Router	650

2009 (Total Expenditures = \$3,348)

New computers (2)	\$3,231
New printer	117

- (b) A breakdown of pipeline main additions for 2008 can be found at Exhibit B5, Tab 2, Schedule 2.
- (c) This figure relates to the Aylmer Franchise renewal costs. A breakdown of the revised costs for the Aylmer franchise renewal is attached. The amount has been corrected (for a modest reduction).

**Attachment to OEB 7 (c)**

**Aylmer Franchise - Detail**

<b>Date</b>	<b>Vendor</b>	<b>No.</b>	<b>Total</b>
11-Nov-08	Lenzner, Slaght	78232	1,215.00
8-Apr-09	Lenzner, Slaght	81242	38,573.14
11-May-09	Lenzner, Slaght	81729	12,521.62
13-May-09	Lenzner, Slaght	81972	1,342.76
	Lenzner, Slaght	82586	4,473.22
	Lenzner, Slaght	83774	8,833.39
	Lenzner, Slaght	85504	22,481.19
12-Mar-08	Ogilvy Renault	790242	2,025.00
14-Apr-08	Ogilvy Renault	798365	13,300.00
18-Jul-08	Ogilvy Renault	823380	8,411.25
24-Nov-08	Ogilvy Renault	857842	7,355.73
16-Dec-08	Ogilvy Renault	865556	13,713.29
23-Jan-09	Ogilvy Renault	873013	21,674.25
23-Feb-09	Ogilvy Renault	882024	9,104.57
13-Mar-09	Ogilvy Renault	886722	41,283.69
8-Apr-09	Ogilvy Renault	893602	8,895.25
25-May-09	Ogilvy Renault	904965	609.51
16-Jun-09	Ogilvy Renault	910518	1,053.04
16-Jul-09	Ogilvy Renault	917060	6,045.49
12-Aug-09	Ogilvy Renault	924110	1,890.00
5-Jun-09	Ontario Energy Board	2010004	11,216.02
28-Feb-09	Aiken & Associates	905-2009	218.75
5-May-09	IGPC		4,655.89
5-May-09	Town of Aylmer		18,410.03

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**259,302.08**

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Ref. Exhibit B1/Tab2/Sch.1, Ref. Exhibit B8/Tab2-3/Sch.2-3

2.3 Is the forecast level of capital spending in 2010 appropriate?

2.4 Is the forecast level of capital spending in 2011 appropriate?

**8. Please answer the following questions with respect to proposed capital expenditures for 2010 and 2011:**

**(a) Please provide a detailed breakdown of meter costs of \$140,000 for 2010 and 2011. Please also explain the increase in meter costs as compared to 2009.**

**(b) Please provide further details regarding the year to date status of the mains additions projects for 2010.**

## **RESPONSE**

(a) Please refer to the response to Board Staff IR 6(c) for a breakdown of meter costs. The increase in meter costs in 2009 can be explained as follows:

In 2008, meters were shipped to Measurement Canada for testing on December 31, 2008. Approximately 378 meters were tested and failed. These meters were replaced in 2009 from inventory on hand from previous years. Therefore, there was no cost for meter purchases in fiscal year 2009.

In 2009, meters were shipped for testing in early October. A number of meters tested were granted extensions from two years minimum to six years maximum. The number of meters that failed testing were 624 (478 small and 146 large meters). These 624 are scheduled to be replaced throughout 2010. In addition, we are required to pull and submit for testing 140 meters from five groups. We are anticipating that this testing will require the replacement of approximately 700 meters. We are anticipating a high failure rate due to the fact that two of the five groups were given a two year extension in 2008, and these two groups represent include approximately 590 meters.

In 2011, six groups of meters (for a total of 1200 meters) are to be tested. We anticipate approximately 500 meters will require replacement.

(b) The Wilson Line Extension was completed as a loop in November 2009. The Springerhill Extension was completed in January 2009. Work on the Glencolin Line is scheduled to start in



June 2010 (estimated completion time is four weeks), and work on the Heritage Line Extension is scheduled to start in September 2010.

Ref. Exhibit B8/Tab2/Sch.3

9. **The Prouse Road to Avon Drive tie-in project has a benefit cost ratio of 0.83. Please provide the following information regarding this project:**
- (a) **Which customers will be contributing an aid to construction, of what amount and for how long?**
  - (b) **Please explain why the estimated cost of this project has been revised higher in the update.**
  - (c) **Has the project work sheet been updated to reflect the higher project costs?**

### **RESPONSE**

(a) It should be noted that the construction of this line represents a system expansion into an area presently unserved, and by so doing it will open up the opportunity to provide future service to a grid of approximately 20 kilometers to areas both North and South of the proposed Prouse to Avon Line.

Attached is an updated File for the Prouse Road to Avon Capital Project. This file was updated on May 4, 2010 with the additional projection of adding 10 residential customers in year 3. These customers have been added to our projections since the new line on Prouse passes Spring Lake Resort which include permanent modular home sites. This opportunity was missed on our submitted project summary. The addition of these 10 customers in year 3 brings the Cost Benefit Ratio to 1 and thus eliminates the previous aid to construct requirement.

(b) The Project costs were revised January 21, 2010 to correct a previous program error that resulted in a portion of the project material cost not being inputted into the total project costing. This program correction was made to reflect the corrected estimated project cost.

(c) The project work sheets in our rates submission reflected this change as does the updated file.

*Note: Although the NPV of costs on the updated schedule has now increased slightly from the one currently in our rates submission (\$99,890 vs \$95,940) we feel it is not sufficiently material to warrant an update to our submission.*

**Attachment to OEB 9**

**Project Summary**

**NATURAL RESOURCE GAS LIMITED**  
**Aid to Construct Calculator**

**Project Description:**

**Planned for Fiscal:**

**Date of Last Test:**

**Nature of Project (MA, MR)**

**Prouse road to Avon tie in**

**( WITH Spring lake trailer park)**

**Nov.02 2009**

**up date May 4 2010**

Size	Description	Quantity	Unit of Measure	Price	Total
	6" P.E. Pipe	-	m	\$ -	-
	4" P.E. Pipe	4,500	m	\$ 15.10	67,950
	3" P.E. Pipe	-	m	\$ 9.50	-
	2" P.E. Pipe	-	m	\$ 3.76	-
	1.25" P.E. Pipe	-	m	\$ 2.31	-
	1" P.E. Pipe	-	m	\$ 1.58	-
	1/2" P.E. Pipe	-	m	\$ 0.63	-
	1/2" service risers	-	m	\$ -	-
	Tracer Wire	4,950	m	\$ 0.22	1,089
			Total		<u>69,039</u>

Labour	Hours	Hourly Rate	Total
	180	25.40	4,572
	-	25.40	-
	-	25.40	-
	Total		<u>4,572</u>

Capitalized Equipment	Hours	Hourly Rate	Total
Trucks	60	\$ 4.90	294
Generator	10	\$ 1.50	15
Trencher	20	\$ 39.00	780
Compressor	10	\$ 3.60	36
Kubota	30	\$ 2.20	66
Plow	30	\$ 22.10	663
	Total		<u>1,854</u>

Capitalized Depreciation	Hours	Hourly Rate	Total
Trucks	60	\$ 1.20	72
Generator	10	\$ 0.50	5
Trencher	20	\$ -	-
Compressor	10	\$ 4.20	42
Kubota	30	\$ 4.80	144
Plow	30	\$ 26.50	795
	Total		<u>1,058</u>

Subcontractors & Rentals	Unit of Measure	Units	Hourly Rate	Total
Lumpsum	m	800	\$ 20.00	16,000
		-	\$ -	-
		Total		<u>16,000</u>

<b>Total Cost</b>		<b>\$ 92,523</b>
Contingency	10%	9,252
<b>Total Project Cost</b>		<b><u>\$ 101,775</u></b>

Cost per Meter \$ 20.60

Benefit Cost Ratio 1

Aid to Construction \$ -

Aid to Const (each) \$ -

Payback (Years) 30

Expected Customer Additions	Potential	Year					Total
		1	2	3	4	5	
Residential	40	10	10	10	-	-	30
Commercial	-	-	-	-	-	-	-
Industrial Rate 1	1	1	-	-	-	-	1
Industrial Rate 4	-	-	-	-	-	-	-
Seasonal	-	-	-	-	-	-	-
Industrial Rate 3 - Firm	-	-	-	-	-	-	-
Industrial Rate 3 - Interruptible	-	-	-	-	-	-	-

Ref. Exhibit B8/Tab4/Sch.1

2.5 Is the working capital allowance for 2010 and 2011 appropriate?

**10. Please provide a detailed explanation of how NRG arrived at the monthly level for security deposits provided in Exhibit B8/T4/S1 (updated), and B7/T4/S1.)**

**RESPONSE**

The security deposit levels were based on the balance on hand at time of submission of this rate application less the amount of security deposits greater than one year old which met the criteria for refund. This amount was approximately \$250,000.

It was assumed any current security deposits being returned were equal to the security deposits on new accounts or delinquent accounts being received.

As at March 31, 2010 the security deposit balance is \$245,190. There is still a balance of approximately \$95,000 that are greater than one year old that meet the criteria for refund. However, the balance of \$250,000 appears to be too high, and we have amended the schedules accordingly to a balance of \$150,000. Please see attached.

**Attachment to OEB 10**

**NATURAL RESOURCE GAS LIMITED**

**Allowance for Working Capital**

**Test Year 2011**

**(\$'s)**

<u>Allowance for Working Capital</u>	<u>Inventory</u>	<u>Cash Working Capital</u>	<u>Security Deposits</u>	<u>Total Allowance</u>
October	<u>145,095</u>	<u>-25,507</u>	<u>-200,000</u>	<u>-80,412</u>
November	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
December	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
January	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
February	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
March	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
April	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
May	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
June	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
July	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
August	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
September	<u>145,095</u>	<u>-25,507</u>	<u>-150,000</u>	<u>-30,412</u>
Total	<u>145,095</u>	<u>-25,507</u>	<u>-154,167</u>	<u>-34,579</u>

Ref: Exhibit B7/Tab2/Sch.1

2.6 Are amounts related to the IGPC pipeline added to 2009 rate base appropriate?

**11. Please provide a detailed breakdown of the \$5,073,000 new steel mains costs for 2009 (actual) related to the IGPC pipeline.**

**RESPONSE**

Please see Attachment.

# Attachment to OEB 11

## Cost of Pipeline - Summary

	Total Costs	NRG Paid Directly to 3rd Party	Payable by NRG (Contingencies)	IGPC Paid Directly to 3rd Party
<b>Materials</b>				
Pipe	863,420	-	-	863,420
Custody Transfer Station	884,003	-	-	884,003
Construction Material	92,822	92,822	-	
<b>Total Material</b>	<b>1,840,245</b>	<b>92,822</b>	<b>-</b>	<b>1,747,423</b>
<b>Prime Contractor</b>				
Prime	3,188,173	3,188,173	-	-
<b>Total Labour &amp; Material</b>	<b>5,028,418</b>	<b>3,280,995</b>	<b>-</b>	<b>1,747,423</b>
<b>Labour</b>				
Project Manager/Inspection	397,945	397,945	-	-
Design, Drafting, Procurement	794,530	794,530	-	-
Environmental	79,919	42,436	-	37,483
Regulatory & Other Legal	989,228	763,140	226,088	-
Survey	72,118	72,118	-	-
Non Destructive Testing	211,809	211,809	-	-
Local NRG Labour	3,528	3,528	-	-
<b>Total Labour</b>	<b>2,549,077</b>	<b>2,285,506</b>	<b>226,088</b>	<b>37,483</b>
Insurance	62,000	62,000	-	-
Finance Fees	48,142	48,142	-	-
<b>Total Other</b>	<b>110,142</b>	<b>110,142</b>	<b>-</b>	<b>-</b>
<b>Customer Transfer Station</b>				
Union Aid to Construct	736,000	-	-	736,000
Land - NRG side	12,105	12,105	-	-
<b>Total Other</b>	<b>748,105</b>	<b>12,105</b>	<b>-</b>	<b>736,000</b>
<b>Sub-total</b>	<b>8,435,742</b>	<b>5,688,748</b>	<b>226,088</b>	<b>2,520,906</b>
<b>Interest</b>	217,073	217,073	-	-
<b>Net Project Costs</b>	<b>8,652,814</b>	<b>5,905,820</b>	<b>226,088</b>	<b>2,520,906</b>
<b>Payments made from IGPC directly to NRG</b>		(1,058,908)	-	1,058,908
<b>Net Investment</b>	<b>8,652,814</b>	<b>4,846,912</b>	<b>226,088</b>	<b>3,579,814</b>
<b>SUMMARY</b>	<b>Actual</b>	<b>Original Budget</b>		
Paid by NRG	4,846,912	5,310,000		
Contingencies	226,088	-		
Total Cost on NRG's books	5,073,000	5,310,000		
Paid by IGPC	3,579,814	3,790,000		
Total Cost of Project	8,652,814	9,100,000		

**ISSUE 3 – OPERATING REVENUE**

Ref. Exhibit C7/Tab2/Sch.2

3.1 Is the customer addition forecast for 2010 appropriate?

**12. Please provide the year to date customer additions by rate class for fiscal 2010.**

**RESPONSE**

The net customer additions as at March 31, 2010 (most current data) is as follows:

Rate 1(General Service)*:	141
Rate 2 (Seasonal Service):	( - 8)
Rate 3 (Special Large Volume):	0
Rate 4 (General Service Peaking):	0
Rate 5 (Interruptible Peaking):	0

\*Within Rate 1, the Residential additions are 129, there is 1 fewer commercial customer, and the Industrial additions are 13.



Ref: Exhibit C2/Tab1/Sch.1/Pg.8

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

13. **In the Use Per Customer data presented in ExC2/T1/S1/Pg.8, average use for Residential and Industrial R1 customers is fairly stable from 2008. However, Commercial average use shows a declining trend from 2008 onwards. Please provide reasons for the declining average use in R1 commercial load when other R1 classes do not display a declining trend.**

**RESPONSE**

The R1 Commercial class has seen the net addition of customers in fiscal 2008 and 2009. The added customers have lower average use compared to the existing customers in the class. This has contributed to a slight decline in overall class average use.

**ISSUE 4 – COST OF SERVICE**

Ref: Exhibit D8/Tab3/Sch.1

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

- 14. Repair and Maintenance expenditures show a substantial increase in 2011, increasing from \$162,662 to \$289,066. Please provide reasons for the substantial increase in maintenance related expenditures. Also, please provide a breakdown of the repairs and maintenance costs for 2010 and 2011.**

**RESPONSE**

The repair and maintenance cost breakdown is as follows:

	<b>Bridge 2010</b>	<b>Test 2011</b>
General	\$ 49,446	\$ 51,915
Computer	40,807	42,848
Building	13,742	19,430
Other Equipment	5,775	6,064
Small Tools	6,725	7,062
Rental – Outside Equipment	4,371	4,590
Ethanol Pipeline (Lakeside Contract)	41,796	43,050
Ethanol Pipeline (Maintenance)	-	114,107
<b>Total</b>	<b>\$162,662</b>	<b>\$289,066</b>

The increase from 2010 to 2011 is attributable to:

- a general 5% increase in repairs and maintenance, with exception of the Lakeside Contract (a 3% increase);
- a \$5,000 increase in building maintenance (upgrade to premises); and
- the maintenance contract with MIG Engineering for the ethanol pipeline commences in fall of 2010. (Up until this time, the pipeline has been under a warranty and with the co-operation of the manufacturer and suppliers as well as use of our service department, we have been able to satisfy maintenance activity requirements to this point in time. This

short term solution needs to be modified because NRG staff size does not permit ongoing maintenance of this specialized pipeline without luring additional staff. The maintenance contract is the most practical and cost effective solution.)

Ref: Exhibit D7/Tab3/Sch.1 and Exhibit D8/Tab3/Sch.1

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

- 15. Expenses related to bad debts are forecasted to increase substantially, from the \$50,000 level in 2009 and 2010 to \$75,000 in 2011. At the same time, collection expenses have also increased from \$14,308 in 2009 to \$20,000 in 2011.**
- (a) Please provide detailed reasons for the substantial increase in forecasted bad debt expenses for 2011.**
- (b) Why is there no decrease in forecasted bad debt expenses despite increased efforts in collection related activities as noted from the increase in collection expenses?**
- (c) Have the Company's collection related efforts successful? If not, has NRG considered other alternatives to reduce bad debt?**

## **RESPONSE**

It is our belief that the current economic climate together with the most recent change in our security deposit policy will result in an increase in the number of accounts requiring collection expenses to be incurred. There will be a decrease in our collection success rate, since we do not currently have the ability to offset these accounts with a security deposit, as we had in the past.

NRG does not believe a change in collections strategy would alter NRG's bad debt expenses. Currently, NRG uses credit bureaus and small claims court for collections. However, the bulk of NRG's bad debt is attributable to customers that "skip town" and are difficult to then track down.

Ref: Exhibit D7/Tab3/Sch.1 and Exhibit D8/Tab3/Sch.1

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

**16. Expenses related to dues and fees show a substantial increase in 2010 and 2011 as compared to 2009 (\$41,705 versus \$19,424). Please provide reasons for the substantial increase. Also, provide a breakdown of the cost item.**

## **RESPONSE**

The dues and fees for 2010 and 2011 are expected to be as follows:

### **Technical Standards & Safety**

Pipeline Renewal License *	\$15,100
Audit	3,900
Certificate & License renewals	2,423

### **Training courses**

2D & 3D Modelling	350
CAD	1,200
Fall Arrest	1,150

Enbridge Compliance Testing	2,800
Chamber of Commerce Dues	400
Measurement Canada Inspection Fees	160
Canadian Standards Association	695
MTO – License renewals	2,882
Miscellaneous	4,570
GL Industrial Services	6,075
<b>Total</b>	<b>\$41,705</b>

\* There is an increase in renewal license in 2010 by \$10,200

Ref: Exhibit D1/Tab3/Sch.3

4.3 Is the proposed advertising expense for 2011 appropriate?

**17. NRG has proposed advertising expenditures of \$98,000 for 2011. This includes a new initiative that will offer \$1,000 rebate to customers to convert their vehicles to natural gas. Please answer the following questions with respect to this initiative:**

- (a) Why benefit will NRG derive from pursuing this initiative?**
- (b) What is the cost of this program in 2011?**
- (c) What is the expected uptake of this program? How many customers are forecasted to convert their vehicles to natural gas from 2011 to 2015? Please provide a breakdown for each of the years.**
- (d) Does NRG's franchise area have the infrastructure to support this initiative (natural gas filling stations, conversion kits, repair facilities etc.)? Please provide a detailed response.**
- (e) Will NRG be developing the infrastructure or will it be developed by other partners/companies?**
- (f) Has NRG included any infrastructure costs in this Application? Please provide details.**
- (g) Is there supporting infrastructure outside NRG's franchise area considering that vehicles that would be converted would travel outside NRG's franchise area?**
- (h) How does NRG intend to make this initiative successful when Union Gas Limited, a larger distribution utility tried this program and abandoned it in 2004?**

**Has NRG conducted any market research to understand the potential demand, consumer interest, risks and infrastructure requirements of this initiative**

## **RESPONSE**

The advertising expense is comprised of a number of initiatives to promote NRG and increase the use of natural gas. They include the following direct advertising expenses:

### **Direct Advertising:**

Updating the Company Brochure

Newspaper Advertising

- This is a recurring expense - advertising in the local newspaper
- Campaign to target new customer service highlighting reasonable installation costs
- Advertisement in publications, such as:
  - Home and Garden
  - Backyard Vacations
  - Progress (Business Focus)
  - Fire Safety
  - Christmas Magazine

Local sponsorship promotional advertising, such as:

- East Elgin Community Centre
- Attendance at local Trade Shows
- International Plowing Match
- Chamber of Commerce

Website

- A website for NRG to promote public awareness of our services

Flyers

- As in the past, we are planning on doing this in 2011 with the introduction of a new flyer to be delivered within our Franchise areas.

Conversion Advertising

- “Powered by Natural Gas” on all our trucks
- Promotional Flyers
- Ads in Newspapers

Promotional Rebates:

Continue current promotional rebate program

Vehicle – Natural Gas Sales (Budget = \$15,000)

- Our preliminary research of the conversion of our wholly owned fleet of vehicles to natural gas has shown significant savings. Based on data from the conversion of our own fleet there is a savings of approximately 40% per vehicle, which is a 27 month payback on the cost to convert. These savings and the benefits to NRG are maximized when using gas supplied from NRG and that is what we would be promoting. Local fleets, such as school bus operations, truck lines, delivery businesses, and individually owned vehicles.

- We will be offering a substantial rebate to the first customers to convert per designated areas throughout the Franchise Area. It is hoped that word of mouth will take over from there and if possible we would like to have a standard rebate for conversions for the short term.

Any combination of these initiatives will be introduced with the intent of spending on average \$98,000 per year over the IR Period.

With respect to natural gas vehicles, the current trend is to utilize compressed natural gas home refuelling units, which are easy to install and operate, and are reasonably priced. We feel this is a viable option to promote our product in our franchise area, which will generate sales and revenue.

With respect to Union Gas initiative we cannot address why they abandoned this initiative.



Ref: Exhibit D1/Tab3/Sch.6

4.4 Are the proposed regulatory costs for 2011 appropriate?

**18. The evidence indicates that the external regulatory costs for preparing the 2011 rates application includes \$350,000 of consulting costs. Please provide a breakdown of the costs. Also, please provide reasons for the sizeable amount of this cost.**

### **RESPONSE**

NRG had initially budgeted \$350,000 for both Elenchus Research Associates (“ERA”) and Aiken & Associates. Based on billings to date, this amount now appears to be too low – as at April 30, 2010, ERA had billed \$281,859.00 and Aiken & Associates had billed \$29,075.00. Consequently, NRG has updated the \$350,000 to \$500,000.

These amounts are more than in past years for several reasons:

- This application represents NRG’s first multi-year incentive regulation plan (“IRP”). Consequently, the amount budgeted for ERA includes fees related to the preparation of an NRG-specific IRP.
- In addition, this application is the first rate application made to the Board with IGPC as a distribution customer. The existence of IGPC as a customer necessitated the creation of an entirely new customer-specific rate class, which raised certain unique issues including: (a) determining the appropriate depreciable life to apply to the IGPC dedicated line; and (b) the allocation of common costs to the new rate class.
- Aiken & Associates had previously been NRG’s consultant for rate applications. Because this application involved the significant issues noted above (i.e., the IRM and new rate class) and the Board’s tight timeline for filing the application, Mr. Aiken did not believe that he could undertake the work involved in preparing this application and evidence. Consequently, NRG determined that the best long-term solution would be to purchase the rate model that Mr. Aiken had developed for NRG and retain a larger firm for this application. The amount paid to Aiken & Associates was primarily for the purchase of the rate model NRG has historically been using (which was developed by Mr. Aiken).
- Finally, it has been four years since NRG last filed a rate application, which means that there is a significant amount of historical data to be filed as part of this application.

Ref: Exhibit D1/Tab3/Sch.4

4.5 Are the management fees proposed for 2011 appropriate?

**19. NRG has proposed management fees of \$235,157 for 2011. Please answer the following questions with respect to this charge:**

**(a) Please provide a breakdown of the proposed management fees for 2011.**

**(b) The evidence indicates that the significant increase in 2009 resulted mainly from moving the Controller and Assistant Controller functions from NRG to Ayerswood Development Corporation. Please identify the corresponding decrease in other cost categories as a result of moving the Controller functions to Ayerswood.**

**RESPONSE**

(a) The breakdown of management fees for 2011 is as follows:

Executive Support	\$ 20,000
Financial Management	135,000
Support Staff	20,000
Office Support & Expense	60,157
<b>Total</b>	<b>\$235,157</b>

(b) The decrease is in Total Salaries, as follows:

Total Salaries 2008	\$1,196,983
Total Salaries 2009	\$1,093,368
<b>Decrease</b>	<b>\$103,615</b>

Please note that Total Salaries is prior to any allocation to ancillary services or capitalized labour.

Ref: Exhibit D1/Tab3/Sch.7/Pg.2

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

**20. NRG's 2011 insurance costs are estimated to be \$284,925 of which \$197,962 is attributable to IGPC. The evidence indicates that NRG proposes to allocate 59% of the premium related to the \$15 million general liability insurance coverage to IGPC (based on throughput). Please answer the following questions with respect to this allocation:**

- (a) What coverage does the general liability insurance provide?**
- (b) What is the relationship between throughput and the coverage provide under general liability insurance?**
- (c) Why is IGPC's throughput an appropriate allocator as compared to the net book value of the IGPC pipeline in determining the allocation of the general liability insurance premium?**
- (d) Please recalculate the allocation based on the net book value of the IGPC pipeline as a proportion to the total assets of NRG in rate base and provide IGPC's portion of the general liability insurance premium.**

### **RESPONSE**

(a) NRG's commercial general liability insurance covers \$2 million coverage per occurrence (bodily injury or property damage); \$2 million coverage (products/completed operations); and \$6 million (general aggregate).

(b) It is NRG's position that its general liability insurance would be called upon if, for example, there was a catastrophic failure of any of its mains or services or fixtures thereto such that a sudden and uncontrolled release of natural gas occurred. NRG has used gas volume throughput to allocate general liability insurance because it relates to the consequences that would be mitigated against through this policy.

(c) NBV is determined through accounting data and methodologies. NBV does not correlate to the risk of an uncontrolled natural gas release.

(d)

2011 IGPC pipeline NBV: \$4,428,306\*

\* Please note that this is not the true cost of the pipeline but only the NBV of the cost net of IGPC's aid-to-construct.

2011 rate base: \$13,618,731

ratio of IGPC pipeline NBV to 2011 rate base: 32.5%

scenario allocation of G.L. and umbrella insurance to IGPC:

comprehensive general liability insurance premium:	\$165,452
revised allocation to IGPC:	\$53,772
additional umbrella liability insurance premium:	\$42,262
full allocation to IGPC:	\$42,262
business interruption insurance premium:	\$25,580
full allocation to IGPC:	\$25,580

**Attachment to OEB 20 (a)**

**Natural Resource Gas Limited**

	<b>2010</b>		<b>2009</b>	
	<b>Coverage</b>	<b>Premium</b>	<b>Coverage</b>	<b>Premium</b>
General Liability Coverage	2,000,000	\$ 88,882	2,000,000	\$ 94,467
Umbrella Liability	8,000,000	55,132	13,000,000	95,223
	10,000,000	144,014	15,000,000	189,690
Additional Umbrella Liability	5,000,000	20,125		
	15,000,000	164,139	15,000,000	189,690
Additional Umbrella Liability	5,000,000	20,125		
	20,000,000	184,264	15,000,000	189,690
Additional Umbrella Liability				
	20,000,000	184,264	15,000,000	189,690

\* - 100% charged to IGPC

Total	Capital - Cost	Deliveries	Union Gas	Total
Ethanol	22,656,996	into System	Transportation	
	9,041,662	53,652,236	4,015,538	57,667,774
		31,537,291	1,218,150	32,755,441
	40%	59%	30%	57%

**Natural Resource Gas Limited**

	<b>2011</b>		<b>Less 4% NRG Corp Portion</b>		<b>At 59% 2011</b>	<b>At 40% 2011</b>
	<b>Coverage</b>	<b>Premium</b>			<b>Ethanol Premium</b>	<b>Ethanol Premium</b>
General Liability Coverage	2,000,000	\$ 88,882	3,555	\$ 85,327	50,156	34,131
Umbrella Liability	8,000,000	55,132	2,205	\$ 52,927	31,111	21,171
	10,000,000	144,014				
Additional Umbrella Liability	5,000,000	20,125	805	\$ 19,320	11,356	7,728
	15,000,000	164,139				
Additional Umbrella Liability	5,000,000	20,125			20,125	20,125
	20,000,000	184,264				
Additional Umbrella Liability	5,000,000	20,125			20,125	20,125
	25,000,000	204,389			132,873	103,279
Transfer Stations		33,702			33,702	33,702
					166,575	136,981

OEB Interrogatory # 20

	<b>% Allocator</b>	<b>IGPC</b>	<b>2011</b>		<b>2008</b>	
			<b>Coverage</b>	<b>Premium</b>	<b>Coverage</b>	<b>Premium</b>
Property Insurance (39 Beech St)			860,000	2,828	574,257	2,106
Equipment Floater			203,015	1,355	222,193	2,258
Fleet Insurance				<u>12,062</u>		<u>11,865</u>
	31.5%	5,117		<u>16,245</u>		<u>16,229</u>
General Liability Coverage			2,000,000	\$ 93,326	2,000,000	\$ 80,000
Umbrella Liability			<u>13,000,000</u>	<u>79,020</u>	<u>13,000,000</u>	<u>85,904</u>
			15,000,000	172,346	15,000,000	165,904
Less: 4% allocated to NRG Corp				<u>(6,894)</u>		
	59.0%	97,617		165,452		
Additional Umbrella Liability	100.0%	42,262	<u>10,000,000</u>	<u>42,262</u>		
Business Interruption Insurance	100.0%	25,580	<u></u>	<u>25,580</u>		
Transfer Stations	100.0%	<u>35,387</u>	<u>1,785,000</u>	<u>35,387</u>		
		<u>200,846</u>		<u>284,925</u>		<u>182,133</u>
		197,962				

Ref: Exhibit D1/Tab3/Sch.7/Pg.4

4.7 Is NRG's proposed depreciation life for the IGPC pipeline appropriate?

**21. The evidence indicates that no other customers are expected to connect to the new IGPC pipeline. Have any customers expressed an interest in connecting to the new line? If "Yes", please provide details.**

**RESPONSE**

No, and at this time no potential customers have located in the area.

Ref: Exhibit D8/Tab6/Sch.1

4.10 Is the income tax forecast for 2010 and 2011 appropriate?

**22. Please answer the following questions with respect to the calculation of income taxes payable for the 2011 Test Year.**

- (a) The federal income tax rate on page 1 use to calculate 2011 taxes payable shows a rate of 16.88% in place of 16.5%. Please provide the appropriate reference to this rate.**
- (b) NRG is eligible for the small business deduction. This has not been included in the income tax calculations. Please recalculate using the appropriate credits and deductions.**
- (c) NRG is claiming a total federal income tax of \$38,649. Board staff's calculation indicates an amount of \$30,195 or an effective rate of 13.2% that includes small business credits. Please reconcile or explain the difference.**

**RESPONSE**

(a) Refer to response to IGPC IR 53.

(b) and (c) The federal small business deduction is available for Canadian Controlled Private Corporations with less than \$10 million in taxable capital. It is then clawed back for capital between \$10 million and \$15 million. Companies with over \$15 million of taxable capital are not entitled to the small business deduction. NRG had for their September 30, 2009 year end taxable capital of over \$15 million, and is expected to have capital over \$15 million in the next few years as well. Therefore NRG is not entitled to the small business deduction.



Ref: Exhibit D1/Tab2/Sch.1

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

**23. NRG purchases gas from an affiliate which is classified as “Local Production – A” in the Cost of Gas schedules (D4-D8/T2/Sc1). Please answer the following questions with respect to gas purchased from the affiliate.**

- (a) In the 2005-0544 Decision, the Board on page 19 accepted NRG’s methodology to calculate natural gas prices associated with purchasing gas from the affiliate. Please confirm that NRG has complied with the directives of the 2005-0544 Decision. Please explain fully if NRG has not complied.**
- (b) The evidence (D4-D8/T1/Sc1) shows the cost of gas purchased from the affiliate. The cost is \$0.3012 m3 for 2007, 2008, 2009 and 2010. It is the same for all the four years. Please explain how prices which are calculated on the basis of a market price for the last 10 days of September can be identical for 4 years. Please provide a detailed response.**
- (c) Please provide a copy of the “Source Report” identified on page 17 of Decision with Reasons in EB-2005-0544 for the month of September showing daily prices for 2007, 2008 and 2009. Please also calculate the average price for the last 10 days of September from this report for 2007, 2008 and 2009.**
- (d) If NRG cannot provide the “Source Report”, would NRG agree if the Board recalculated the price using the same methodology from a different publicly available source for gas purchased from the affiliate in 2007, 2008 and 2009?**

## **RESPONSE**

NRG’s former management neglected to calculate the commodity price for natural gas purchased from NRG Corp. in accordance with the methodology set out in EB-2005-0544 decision for the years noted in part (b) of the question. In order to determine the impact of this omission on NRG’s customers, NRG has re-calculated the amounts using the Board-approved methodology and compared that amount to the actual amounts paid to NRG Corp. The end result is that for fiscal 2007, 2008 and 2009, NRG’s ratepayers have paid slightly less for the natural gas than if NRG had used the Board-approved methodology. See attached reconciliation, which shows NRG’s ratepayers having benefited by \$71,897.

In addition to the reconciliation prepared by NRG, we are also enclosing a copy of the supporting Energy Source reports (along with currency conversion figures). During this period, Energy Source discontinued their 1-year forward price forecast, so NRG has used a Shell Trading report. Should the Board determine that the existing methodology be continued, it is

NRG's view that the Shell Trading report replace the Energy Source report. Shell is a larger industry player, and their reports appear to be more consistent and reliable.

For fiscal 2010 (to date), the price paid to NRG Corp. (which was not adjusted – i.e., remains at the \$0.3012 per cubic metre price) is above the price that would have been generated by the Board-approved methodology in EB-2005-0544 (which would be \$0.229607 per cubic metre). Based on volumes supplied from October 1, 2009 to April 30, 2010 (1,813,113 m<sup>3</sup>), NRG customers have paid \$129,807 more for natural gas in that seven month period than if NRG had used the Board-approved methodology. Cumulatively then, failure to follow the methodology for the past three and a half years has resulted in a small “overpayment” to NRG Corp. of \$57,910.

NRG became aware of the oversight (to adjust prices annually) in the fall of 2009 when dropping prices caused the company to look internally at the matter. At the lower price (\$0.229607), NRG Corp. was unwilling to sell. However, NRG's system is somewhat unique in that NRG requires NRG Corp. to consistently supply a small amount of natural gas to maintain system stability, prevent line pressure drop and maintain a safe level of odorant in the system. Thus, even if the market price is not a price that NRG Corp. would be willing to sell at, from a system reliability perspective, NRG needs a small amount of NRG Corp.'s natural gas. The reason for this relates to the historical development of NRG's system. Initially, it was a gathering system from producing wells, but over time has become a significant distribution company. Given the need for the gas, the \$71,897 “deficit” and the pending rate, the parties agreed to hold the price steady and transact the smaller amount of gas required for system pressure. Correspondence to this effect is attached.

Based on its review of this issue, NRG believes that there are two issues to resolve here: (a) what to do with calculation differentials that have accumulated over the past 3½ years (i.e., the differential of \$57,910); and (b) what methodology should be used going forward.

With respect to (b), it should be noted that the existing methodology (i.e., 10-day strip) is somewhat volatile. For example, had NRG used the September monthly average in 2006 instead of the last ten days of September, the \$71,897 underpayment by NRG to NRG Corp. would have been a \$329,000 underpayment. In other words, the price drop in natural gas over the course of September 2006 alone was enough to more than quadruple the differential over the three year period. Second, NRG understands that the Board has moved Union and Enbridge to monthly market pricing for all system gas commodity.

# Attachment to OEB 23

## Note 1

## Prices per Source Report

		Nov 06-Oct 07	FX	Year	Year
		Dawn		CDN \$/m <sup>3</sup>	CDN \$/Mcf
		1 Year Fwd Strip			
18-Sep-06	7.860	7.829	1.1171	0.31042	8.7458
19-Sep-06	7.850	7.854	1.1232	0.31311	8.8216
20-Sep-06	7.730	7.733	1.1273	0.30941	8.7174
21-Sep-06	7.500	7.489	1.1195	0.29758	8.3839
22-Sep-06	7.450	7.451	1.1172	0.29546	8.3243
25-Sep-06	7.371	7.326	1.1162	0.29024	8.1773
26-Sep-06	7.400	7.407	1.1160	0.29340	8.2662
27-Sep-06	7.360	7.353	1.1151	0.29102	8.1993
28-Sep-06	7.280	7.269	1.1109	0.28662	8.0751
29-Sep-06	7.470	7.487	1.1153	0.29638	8.3503
10 Day Average				0.29836	8.40612
Transportation cost Union Gas				0.00523	
				0.30359	

Note 1 - Prices per Daily Energy Market Update (Shell)

Prices are from Daily Energy Market Update (Shell)  
Source Report - did not go beyond Nov 07

		Nov 07-Oct 08	FX	Year	Year
		1 Year Fwd Strip		CDN \$/m <sup>3</sup>	CDN \$/Mcf
		Dawn			
		12			
17-Sep-07		8.040	1.0308	0.29416	8.2876
18-Sep-07		7.980	1.0236	0.28992	8.1683
19-Sep-07		7.790	1.0147	0.28056	7.9045
20-Sep-07		7.950	1.0016	0.28263	7.9627
21-Sep-07		7.990	1.0009	0.28385	7.9972
24-Sep-07		8.080	1.0012	0.28713	8.0897
25-Sep-07		8.000	1.0010	0.28423	8.0080
26-Sep-07		7.950	1.0048	0.28353	7.9882
27-Sep-07		7.940	1.0031	0.28269	7.9646
28-Sep-07		7.950	0.9963	0.28113	7.9206
10 Day Average				0.28498	8.02914
Transportation cost Union Gas				0.00537	
				0.29035	

Prices are from Source Report - One Year Strip Not Available

		Oct 08 - Mar 09	Apr 09 - Sept 09		Year	Year
		Winter	Summer		CDN \$/m <sup>3</sup>	CDN \$/Mcf
		Dawn	Dawn	Dawn		
		6	6	12		
16-Sep-08	8.346	8.594	8.470	1.0734	0.32270	9.0917
17-Sep-08	8.183	8.479	8.331	1.0783	0.31885	8.9833
18-Sep-08	8.731	8.820	8.776	1.0701	0.33331	9.3907
19-Sep-08	8.583	8.766	8.675	1.0470	0.32236	9.0822
23-Sep-08	8.618	8.825	8.722	1.0355	0.32055	9.0311
24-Sep-08	8.764	8.887	8.826	1.0351	0.32424	9.1353
25-Sep-08	8.579	8.794	8.687	1.0338	0.31874	8.9801
26-Sep-08	8.610	8.808	8.709	1.0349	0.31990	9.0129
29-Sep-08	8.385	8.633	8.509	1.0394	0.31392	8.8443
30-Sep-08	8.101	8.427	8.254	1.0599	0.31089	8.7590
10 Day Average					0.32055	9.03106
Transportation cost Union Gas					0.00538	
					0.32592	

Tracking	01-Oct-06 to 30-Sep-07	01-Oct-07 to 30-Sep-08	01-Oct-08 to 30-Sep-09
m3 purchased from NRG Corp	8,654,796	6,679,010	5,007,939
Price per pricing model per m3	0.303595	0.290354	0.325924
Price charged by NRG Corp	0.301200	0.301200	0.301200
Under (Over) Charge	\$ 20,724	\$ (72,439)	\$ 123,816
Cumulative Total	\$ 20,724	\$ (51,714)	\$ 72,102

# The SOURCE report

September 18, 2006

Ample supply and other bearish fundamentals continue to pressure natural gas prices. October natural gas closed up slightly keeping it near the \$5 level while the winter months dropped another 22 cents. Hurricane activity in the Gulf of Mexico is not expected in the near term. Hurricane Gordon is now traveling east, away from the continental US and Hurricane Helene appears to be following Gordon's earlier path towards Bermuda. The National Weather Service's 8 to 14-day forecast calls for cooler air holding firm in the West with most of the rest of the country posting warmer than normal temperatures. Have a great week! (cn)

Settlement Date: September 16, 2006

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

12-Sep-06	5.570
13-Sep-06	5.410
15-Sep-06	4.400

### Nymex Futures:

Oct-06	4.982
Nov-06	6.364
Nov 06 - Mar 07	7.935
Nov 06 - Oct 07	7.697
Apr 07 - Oct 07	7.526

## AECO (C\$/GJ)

AECO / N.L.T. Next Day Index Price

Settle Date	W. Avg
12-Sep-06	4.930
13-Sep-06	4.760
15-Sep-06	3.900

### AECO Futures:

Oct-06	4.437
Nov-06	5.859
Nov 06 - Mar 07	7.127
Nov 06 - Oct 07	6.985
Apr 07 - Oct 07	6.885

## DAWN (US\$/MMBtu)

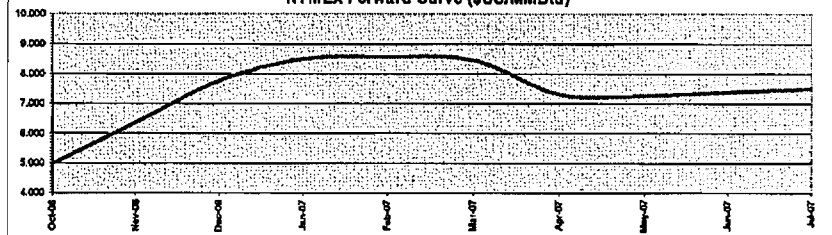
Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
12-Sep-06	5.710
13-Sep-06	5.410
15-Sep-06	4.590

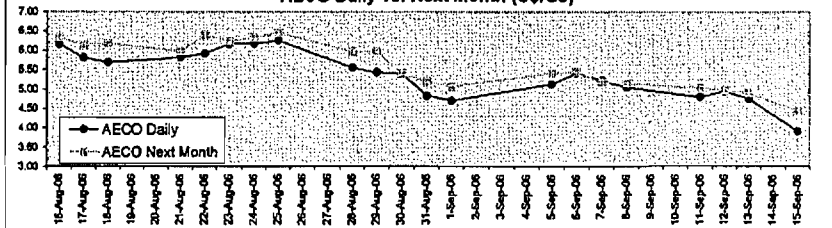
### Dawn Futures:

Oct-06	4.982
Nov-06	6.564
Nov 06 - Mar 07	7.937
Nov 06 - Oct 07	7.770
Apr 07 - Oct 07	7.651

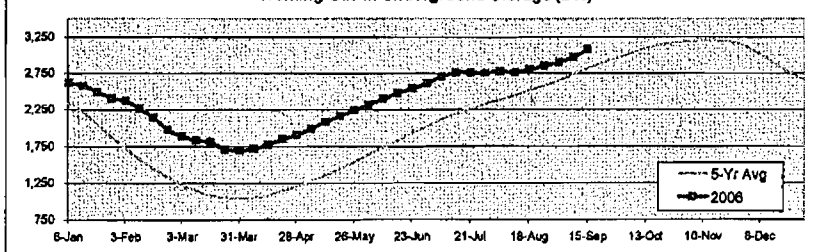
NYMEX Forward Curve (\$US/MMBtu)



AECO Daily vs. Next Month (C\$/GJ)



Working Gas In Underground Storage (Bcf)



## Foreign Exchange Rate

CS/US\$	1.119	US\$/C\$	0.894
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## 6-10 Day Temperature Forecast

September 22 - 27, 2006



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

Please visit us at [www.energysource.ca](http://www.energysource.ca)

## EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,781	65	1,593
West	417	10	368
Producing	886	33	781
Total	3,084	108	2,743

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Coffee!

The degree of one's emotion varies inversely with one's knowledge of the facts: the less you know the hotter you get.

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# The SOURCE report

September 19, 2006

Although the natural gas market is still under pressure, last minute short covering trades keep the prompt month from settling below the \$5 mark. In the physical gas market, next day gas prices were able to hold their own. A cold front sweeping east across the US is replacing summer weather with autumn conditions and in some cases an early taste of winter. These cooler temperatures helped boost trading volumes. (cn)

Settlement Date: September 18, 2006

NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
13-Sep-06	5.410
15-Sep-06	4.400
18-Sep-06	5.030

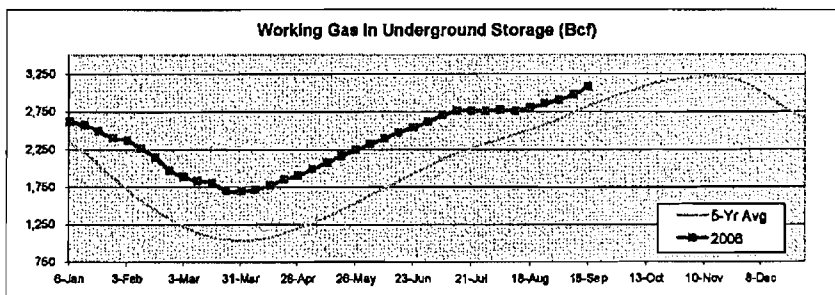
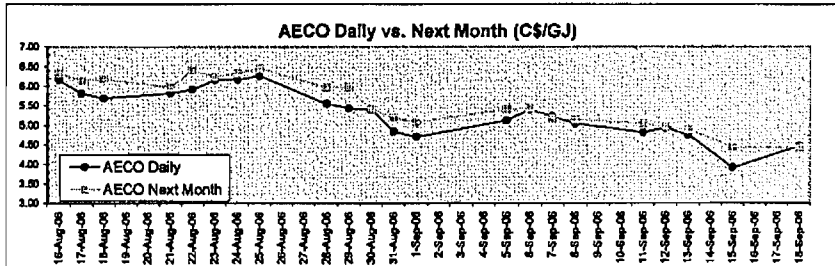
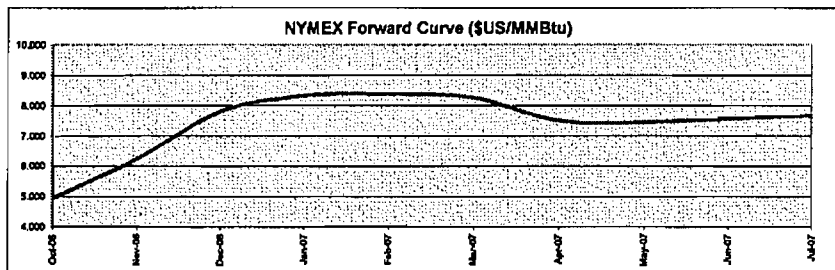
<b>Nymex Futures:</b>	
Oct-06	4.942
Nov-06	6.256
Nov 06 - Mar 07	7.810
Nov 06 - Oct 07	7.746
Apr 07 - Oct 07	7.701

AECO (C\$/GJ)	
AECO / N.L.T. Next Day Index Price	
<b>Settle Date</b>	<b>W. Avg</b>
13-Sep-06	4.750
15-Sep-06	3.900
18-Sep-06	4.460

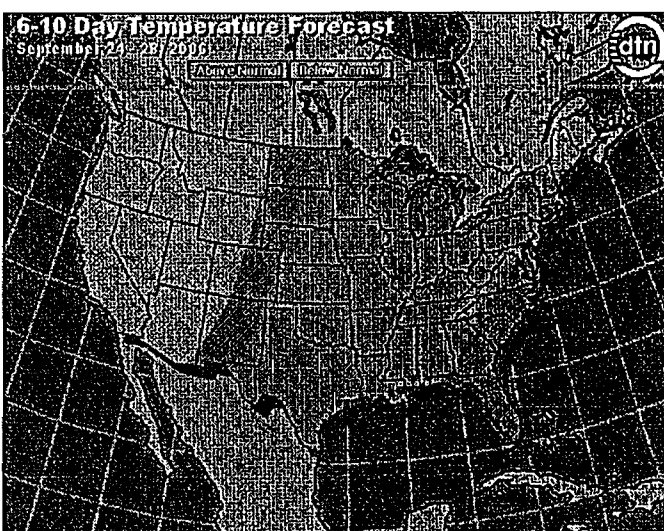
<b>AECO Futures:</b>	
Oct-06	4.422
Nov-06	5.834
Nov 06 - Mar 07	7.088
Nov 06 - Oct 07	7.082
Apr 07 - Oct 07	7.078

DAWN (US\$/MMBtu)	
Daily next day spot gas price (US\$/MMBtu)	
<b>Clearing Date</b>	<b>W. Avg</b>
13-Sep-06	5.410
15-Sep-06	4.590
18-Sep-06	5.140

<b>Dawn Futures:</b>	
Oct-06	4.992
Nov-06	8.478
Nov 06 - Mar 07	7.832
Nov 06 - Oct 07	7.829
Apr 07 - Oct 07	7.826



Foreign Exchange Rate		
C\$/US\$	1.118	US\$/C\$ 0.895



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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EIA Storage - Week Ending		8-Sep-06	
	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,781	65	1,593
West	417	10	368
Producing	886	33	781
Total	3,084	108	2,743

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee

Busy souls have no time to be busybodies.

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# The SOURCE report

September 20, 2006

NYMEX October Natural Gas is set to open roughly 10 cents lower. Bearish fundamentals are in abundance especially when you look at the natural gas storage figures. The current 400 Bcf surplus is even forcing natural gas producers to pull back on drilling operations. This natural gas surplus was handed to us by Mother Nature last winter when warm-than-normal temperatures slammed the brakes on heating consumption. What can we expect this winter? There are already preliminary winter forecasts stating that the El Nino pattern that has noticeable curbed this year's hurricane season may help induce colder-than-normal temperatures in the latter half of winter. In the mean time the bears remain in the driver seat. (cn)

Settlement Date: September 19, 2006

## NYMEX (US\$/MMBtu)

**Henry Hub Settle:**  
15-Sep-06 4.400  
18-Sep-06 5.030  
19-Sep-06 4.980

**Nymex Futures:**  
Oct-06 5.006  
Nov-06 6.203  
Nov 06 - Mar 07 7.861  
Nov 06 - Oct 07 7.735  
Apr 07 - Oct 07 7.645

## AECO (C\$/GJ)

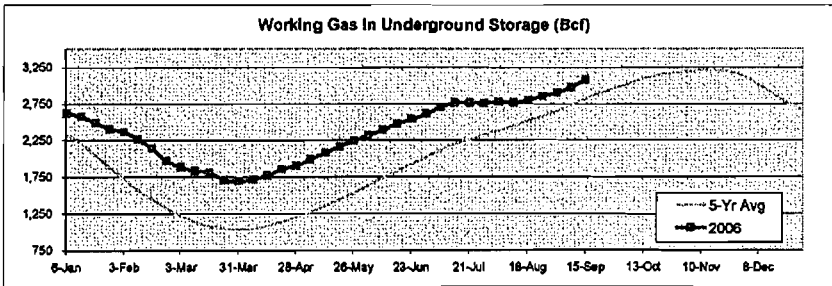
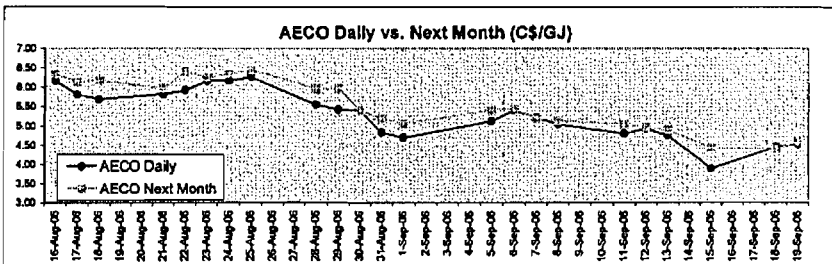
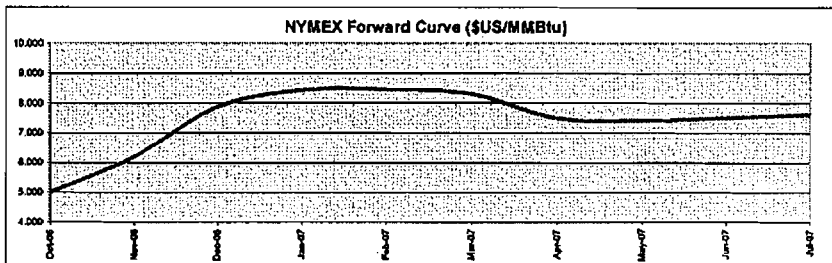
**AECO / NLT, Next Day Index Price**  
**Settle Date W. Avg**  
15-Sep-06 3.900  
18-Sep-06 4.460  
19-Sep-06 4.520

**AECO Futures:**  
Oct-06 4.588  
Nov-06 5.865  
Nov 06 - Mar 07 7.237  
Nov 06 - Oct 07 7.167  
Apr 07 - Oct 07 7.118

## DAWN (US\$/MMBtu)

**Daily next day spot gas price (US\$/MMBtu)**  
**Clearing Date W. Avg**  
15-Sep-06 4.590  
18-Sep-06 5.140  
19-Sep-06 5.050

**Dawn Futures:**  
Oct-06 5.086  
Nov-06 6.403  
Nov 06 - Mar 07 7.849  
Nov 06 - Oct 07 7.854  
Apr 07 - Oct 07 7.785



## Foreign Exchange Rate

C\$/US\$ 1.128 US\$/C\$ 0.887

## 6-10 Day Temperature Forecast



Map provided by DYN Market Access: [www.dynmarketaccess.com](http://www.dynmarketaccess.com)

Please visit us at [www.energysource.ca](http://www.energysource.ca)

## EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,781	65	1,593
West	417	10	368
Producing	886	33	781
Total	3,084	108	2,743

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Coffee

Draw a crazy picture, Write a nutty poem  
Sing a mumble-gumble song, Whistle through your comb  
Do a loony-goony dance 'Cross the kitchen floor  
Put something silly in the world  
That ain't been therebefore.  
- Shel Silverstein

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# The SOURCE report

September 21, 2006

Venturing below the \$5 level again, October natural gas closed out the day at \$4.931US/MMBtu, down 7 cents. At 10:30am today the EIA reported natural gas in storage at 3177 Bcf as of September 15, 2006. The net increase of 93 Bcf was right inline with industry expectations. Working gas in storage is roughly 12% above the five-year average. October natural gas is currently trading at \$4.80US/MMBtu, down 13.1 cents on the day. The unexpected mild hurricane season and ample storage situation continue to overshadow everything else in the natural gas pit. Crude oil isn't helping either; with a break from the geopolitical tension crude oil has dropped roughly \$20 since its peak in early July. (cn)

Settlement Date: September 20, 2006

## NYMEX (US\$/MMBtu)

<b>Henry Hub Settle:</b>	
18-Sep-06	5.030
19-Sep-06	4.980
20-Sep-06	4.870

<b>Nymex Futures:</b>	
Oct-06	4.931
Nov-06	6.022
Nov 06 - Mar 07	7.638
Nov 06 - Oct 07	7.555
Apr 07 - Oct 07	7.496

## AECO (C\$/GJ)

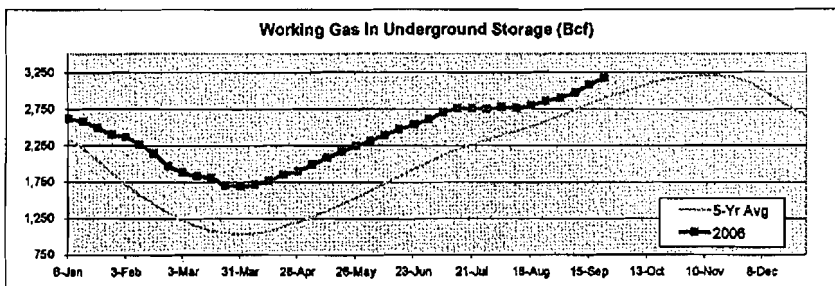
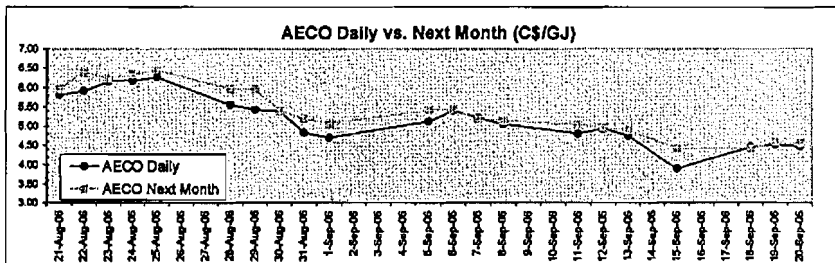
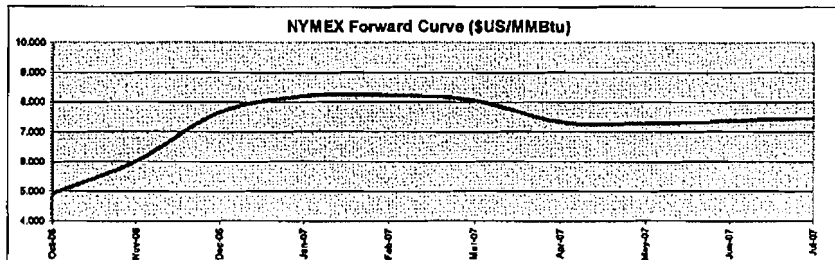
<b>AECO / N.L.T. Next Day Index Price</b>	
<b>Settle Date</b>	<b>W. Avg</b>
18-Sep-06	4.460
19-Sep-06	4.520
20-Sep-06	4.470

<b>AECO Futures:</b>	
Oct-06	4.557
Nov-06	5.728
Nov 06 - Mar 07	7.106
Nov 06 - Oct 07	7.020
Apr 07 - Oct 07	6.959

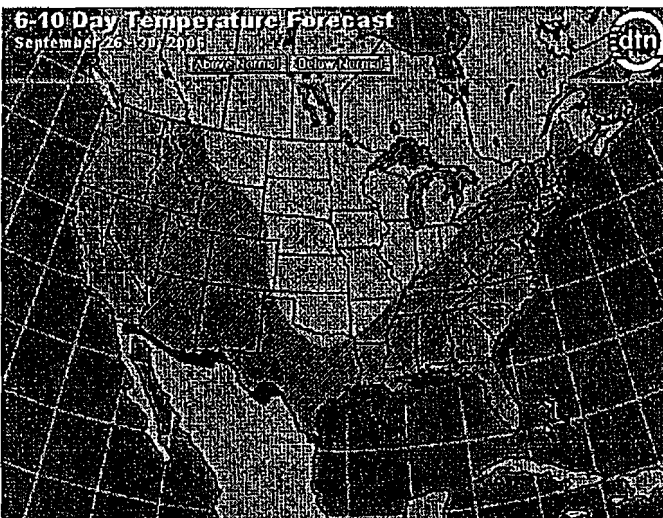
## DAWN (US\$/MMBtu)

<b>Daily next day spot gas price (US\$/MMBtu)</b>	
<b>Clearing Date</b>	<b>W. Avg</b>
18-Sep-06	5.140
19-Sep-06	5.050
20-Sep-06	4.890

<b>Dawn Futures:</b>	
Oct-06	5.021
Nov-06	6.322
Nov 06 - Mar 07	7.806
Nov 06 - Oct 07	7.733
Apr 07 - Oct 07	7.681



<b>Foreign Exchange Rate</b>		
CSUS\$	1.129	US\$/C\$ 0.886



Map provided by DTM Market Access: [www.dtmmarketaccess.com](http://www.dtmmarketaccess.com)

Please visit us at [www.energysource.ca](http://www.energysource.ca)

EIA Storage - Week Ending		15-Sep-06
	2006 Stocks (Bcf)	Weekly Change (Bcf)
East	1,835	54
West	427	10
Producing	915	29
Total	3,177	93

Source: [eia.doe.gov](http://eia.doe.gov)

**Your Morning Coffee**

To become truly great, one has to stand with people, not above them.

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# The SOURCE report

September 22, 2006

The cost of gas has dropped to the point where producers are keeping a close eye on their bottom line. Last year at this time natural gas supply looked weak. Two major hurricanes shut down production in the Gulf of Mexico putting a strain on the system. Natural gas prices headed higher and if you were a producer it was worth it to look at increasing production. Then Mother Nature stepped in and relieved the situation by giving North America a mild winter. Today we are facing a major surplus of natural gas. Prices are dropping and producers are paying close attention to the costs/benefits ratio of production. If prices keep heading south producers will start shutting down operations. Ultimately this will force gas prices back to a more neutral level. Have a great weekend! (cn)

Settlement Date: September 21, 2006

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

19-Sep-06	4.980
20-Sep-06	4.870
21-Sep-06	4.650

### Nymex Futures:

Oct-06	4.781
Nov-06	6.011
Nov 06 - Mar 07	7.390
Nov 06 - Oct 07	7.355
Apr 07 - Oct 07	7.330

## AECO (C\$/GJ)

AECO N.I.T. Next Day Index Price

### Settle Date W. Avg

19-Sep-06	4.520
20-Sep-06	4.470
21-Sep-06	4.220

### AECO Futures:

Oct-06	4.414
Nov-06	5.556
Nov 06 - Mar 07	6.718
Nov 06 - Oct 07	6.693
Apr 07 - Oct 07	6.674

## DAWN (US\$/MMBtu)

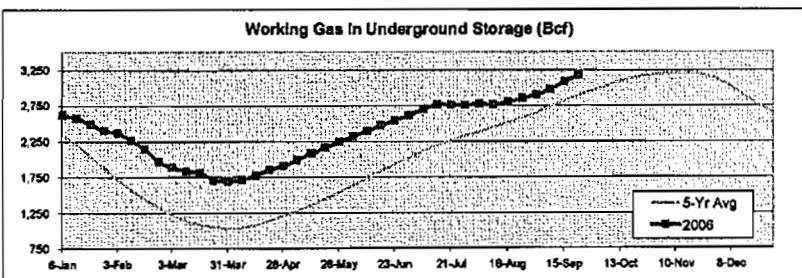
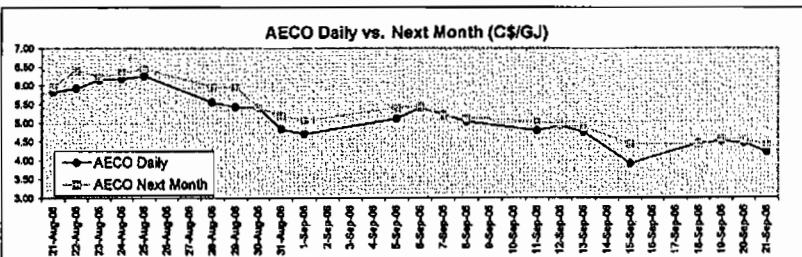
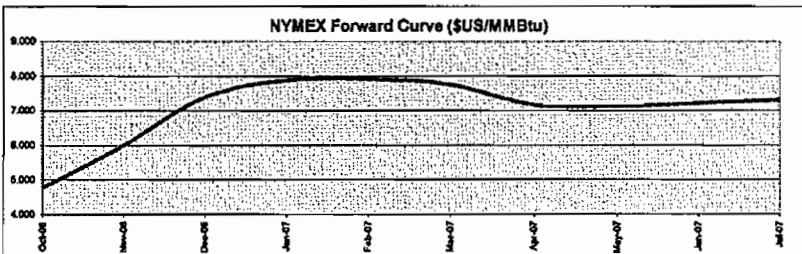
Daily next day spot gas price (US\$/MMBtu)

### Clearing Date W. Avg

19-Sep-06	5.050
20-Sep-06	4.890
21-Sep-06	4.790

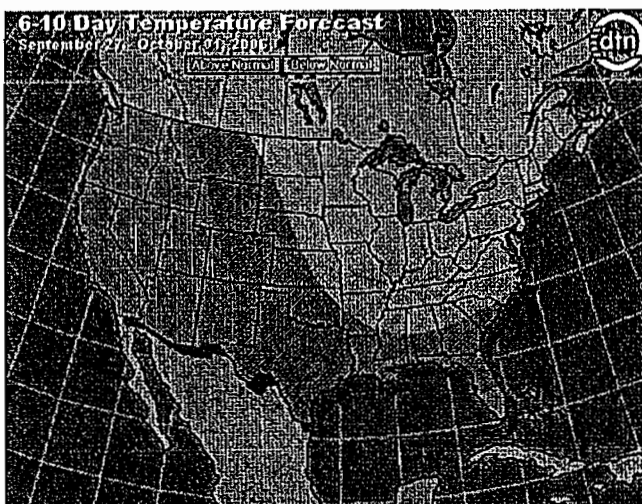
### Dawn Futures:

Oct-06	4.851
Nov-06	6.231
Nov 06 - Mar 07	7.516
Nov 06 - Oct 07	7.489
Apr 07 - Oct 07	7.470



## Foreign Exchange Rate

CS/US\$	1.119	US\$/CS	0.894
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Please visit us at [www.energysource.ca](http://www.energysource.ca)!

## EIA Storage - Week Ending

15-Sep-06

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,835	54	1,647
West	427	10	376
Producing	915	29	802
Total	3,177	93	2,825

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Caffeine

There is work that is work and there is play that is play;  
there is play that is work and work that is play.  
And in only one of these lies happiness.

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# The SOURCE report

September 25, 2006

Natural gas prices continue to weaken. October natural gas futures pushed lower again Friday to close at \$4.627US/MMBtu, down 15.4 cents on the day and 35.5 cents lower for the week. After all the hype last spring surrounding forecasts of another active hurricane season this market has experienced a real bust. We are days away from heading into October and not only has there been fewer hurricanes than forecasted none ventured remotely close to the Gulf of Mexico let alone the continental US. There is ample supply and nothing in the short term horizon that will threaten that supply. (cn)

Settlement Date: September 22, 2006

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

20-Sep-06	4.870
21-Sep-06	4.650
22-Sep-06	4.470

### Nymex Futures:

Oct-06	4.627
Nov-06	5.881
Nov 06 - Mar 07	7.373
Nov 06 - Oct 07	7.315
Apr 07 - Oct 07	7.274

## AECO (C\$/GJ)

AECO / N.I.T. Next Day Index Price

Settle Date	W. Avg
20-Sep-06	4.470
21-Sep-06	4.220
22-Sep-06	3.970

### AECO Futures:

Oct-06	4.281
Nov-06	5.362
Nov 06 - Mar 07	6.659
Nov 06 - Oct 07	6.627
Apr 07 - Oct 07	6.604

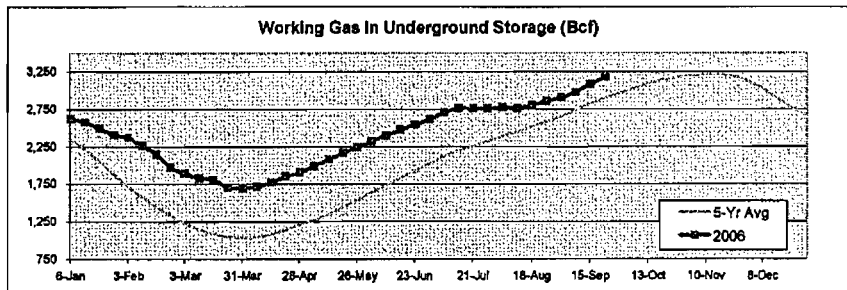
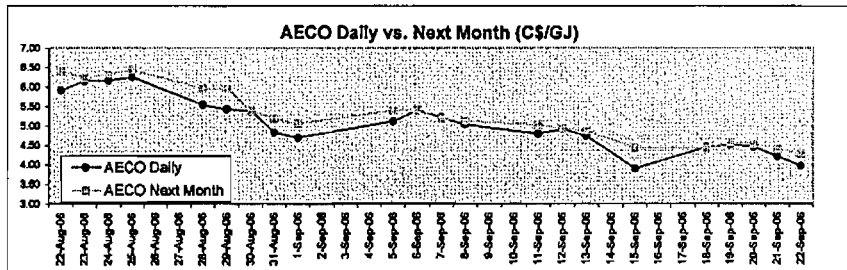
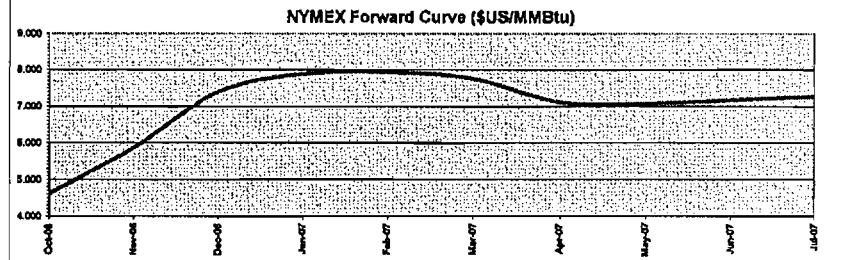
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
20-Sep-06	4.890
21-Sep-06	4.790
22-Sep-06	5.610

### Dawn Futures:

Oct-06	4.687
Nov-06	6.071
Nov 06 - Mar 07	7.489
Nov 06 - Oct 07	7.451
Apr 07 - Oct 07	7.424



## Foreign Exchange Rate

C\$/US\$	1.118	US\$/C\$	0.895
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## 6-10 Day Temperature Forecast

September 26 - October 04, 2006



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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## EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,835	54	1,647
West	427	10	376
Producing	915	29	802
Total	3,177	93	2,825

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Coffee

The secret of a leader lies in the tests he has faced over the whole course of his life and the habit of action he develops in meeting those tests.

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# The SOURCE report

September 26, 2006

The natural gas futures market began this week with traders testing both two-year-old support and encroaching on three-year lows. October natural gas, which expires Wednesday, pushed to a low of \$4.42 before settling at \$4.475/US/MBtu, down 15.2 cents on the day. The last time the prompt-month futures prices closed lower took place in late October 2003 when the December 2003 contract reached a \$4.40/US/MBtu low. Weather bulls can take some comfort in weather forecasts showing cooler-than-normal temperatures beginning to creep into the populous eastern markets. (cn)

Settlement Date: September 25, 2006

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

21-Sep-06	4.650
22-Sep-06	4.470
25-Sep-06	4.310

### Nymex Futures:

Oct-06	4.475
Nov-06	5.733
Nov 06 - Mar 07	7.210
Nov 06 - Oct 07	7.206
Apr 07 - Oct 07	7.202

## AECO (C\$/GJ)

AECO / N.I.T. Next Day Index Price

Settle Date	W. Avg
21-Sep-06	4.220
22-Sep-06	3.970
25-Sep-06	3.800

### AECO Futures:

Oct-06	4.212
Nov-06	5.202
Nov 06 - Mar 07	6.503
Nov 06 - Oct 07	6.515
Apr 07 - Oct 07	6.524

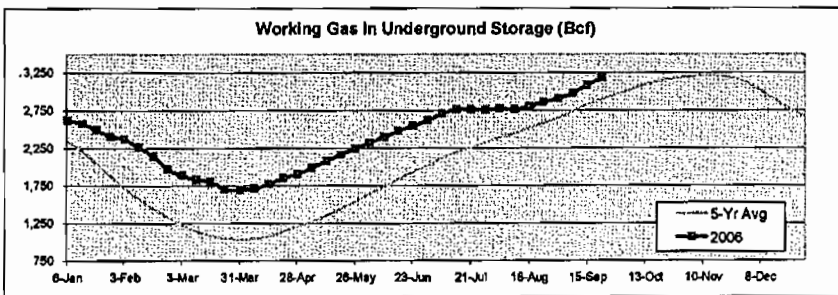
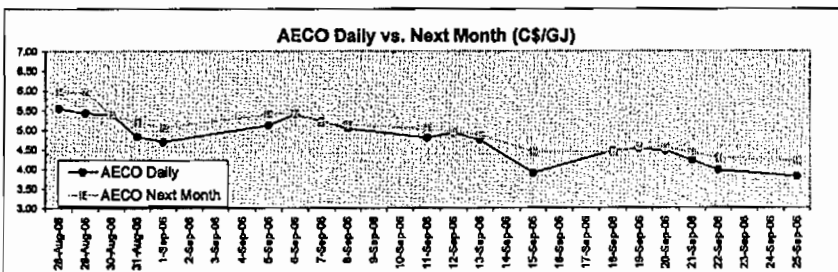
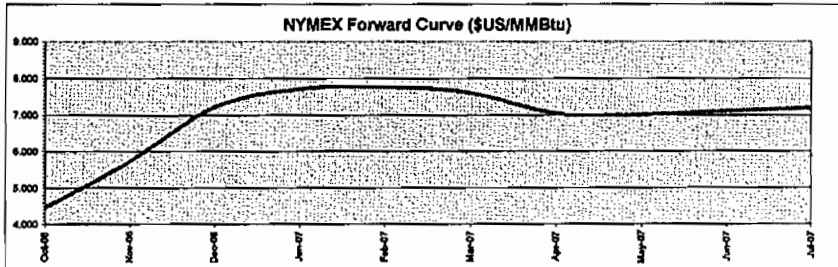
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
21-Sep-06	4.790
22-Sep-06	5.610
25-Sep-06	4.380

### Dawn Futures:

Oct-06	4.498
Nov-06	5.883
Nov 06 - Mar 07	7.302
Nov 06 - Oct 07	7.326
Apr 07 - Oct 07	7.342



## Foreign Exchange Rate

CS/US\$	1.116	US\$/C\$	0.896
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## 6-10 Day Temperature Forecast



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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## EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,835	54	1,647
West	427	10	376
Producing	915	29	802
Total	3,177	93	2,825

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee!

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but loves us anyway.

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# The SOURCE report

September 27, 2006

October natural gas futures continue to test support around \$4.50. The contract notched a low of \$4.38 before closing at \$4.526US/MMBtu. Today is the last day of trading for NYMEX October Natural Gas and as always the potential for price swings is on the menu. As the hurricane season winds down traders are beginning to look to winter and they aren't too excited. Some believed this market will need to experience more than a colder-than-normal winter in order to thwart the downward momentum. In other news, U.S. natural gas reserves increased 6.2% in 2005; the largest annual increase since 1970. Onshore field extensions increased reserves enough to overcome a 10% decline in offshore Gulf of Mexico numbers, which fell partly because of last year's hurricanes. (cn)

Settlement Date: September 26, 2006

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

22-Sep-06	4.470
25-Sep-06	4.310
26-Sep-06	4.260

### Nymex Futures:

Oct-06	4.360
Nov-06	5.805
Nov 06 - Mar 07	7.302
Nov 06 - Oct 07	7.295
Apr 07 - Oct 07	7.290

## AECO (C\$/GJ)

AECO / N.L.T. Next Day Index Price

Settle Date	W. Avg
22-Sep-06	3.970
25-Sep-06	3.800
26-Sep-06	3.870

### AECO Futures:

Oct-06	4.097
Nov-06	5.263
Nov 06 - Mar 07	6.581
Nov 06 - Oct 07	6.572
Apr 07 - Oct 07	6.565

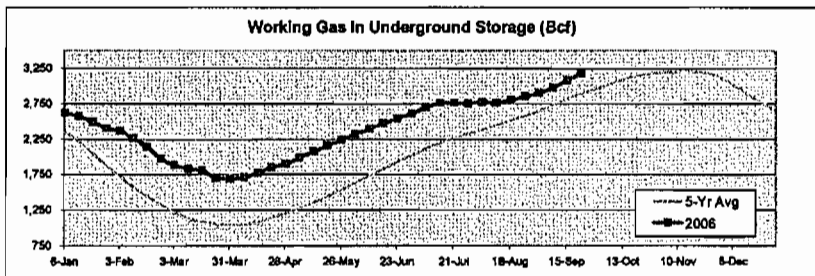
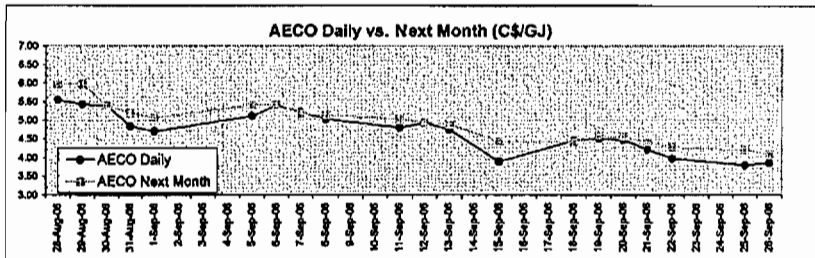
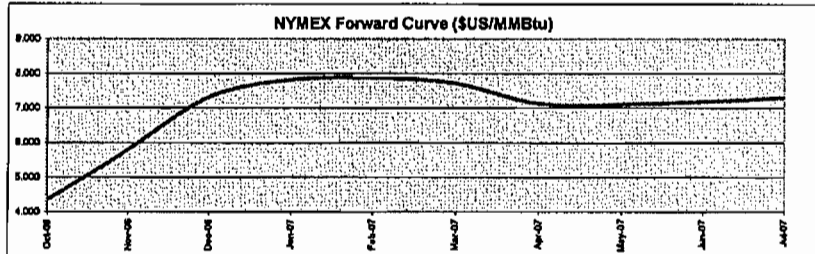
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
22-Sep-06	5.610
25-Sep-06	4.380
26-Sep-06	4.460

### Dawn Futures:

Oct-06	4.410
Nov-06	5.945
Nov 06 - Mar 07	7.390
Nov 06 - Oct 07	7.407
Apr 07 - Oct 07	7.420



## Foreign Exchange Rate

C\$/US\$	1.114	US\$/C\$	0.898
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## 6-10 Day Temperature Forecast



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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## EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,835	54	1,647
West	427	10	376
Producing	915	29	802
Total	3,177	93	2,825

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Caffeine

If you don't quit, and don't cheat,  
and don't run home when trouble  
arrives, you can only win.

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# The SOURCE report

September 23, 2006

On its last day of trading October natural gas continued its steady decline ending the month at \$4.20US/MMBtu, a \$0.15US/MMBtu drop from the previous days trading. With October behind us, the industry focused its attention on the natural gas storage report for the week ending September 22. Those in the know expected to see an injection number in the mid 80'sBcf. The actual number reported was 77Bcf. Early trading rallied \$0.10US/MMBtu but could not be sustained. The 77Bcf injection is marginally higher than the 5 year average of 75Bcf, but significantly higher than last year's injection of 56Bcf. Temperatures remain seasonal across the US North East. All things considered, we expect the market to continue to be bearish on November natural gas.

Settlement Date: September 27, 2006

**NYMEX**  
(US\$/MMBtu)

Henry Hub Settle:

25-Sep-06	4.310
26-Sep-06	4.360
27-Sep-06	4.350

Nymex Futures:

Oct-06	4.201
Nov-06	5.669
Nov 06 - Mar 07	7.163
Nov 06 - Oct 07	7.220
Apr 07 - Oct 07	7.260

**AECO**  
(C\$/GJ)

AECO N.I.T. Next Day Index Price

Settle Date	W. Avg
25-Sep-06	3.800
26-Sep-06	3.870
27-Sep-06	3.920

AECO Futures:

Oct-06	4.186
Nov-06	5.126
Nov 06 - Mar 07	6.447
Nov 06 - Oct 07	6.496
Apr 07 - Oct 07	6.530

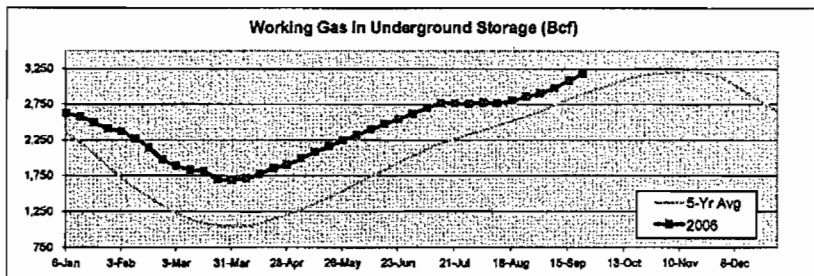
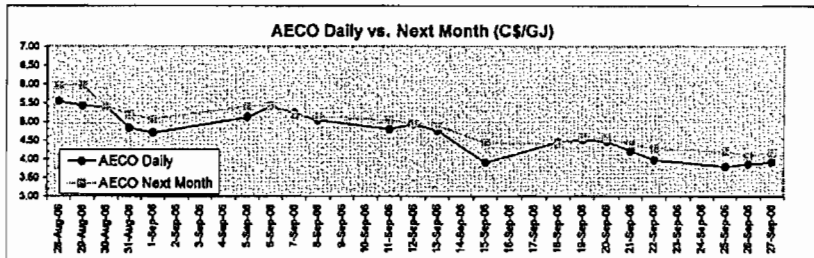
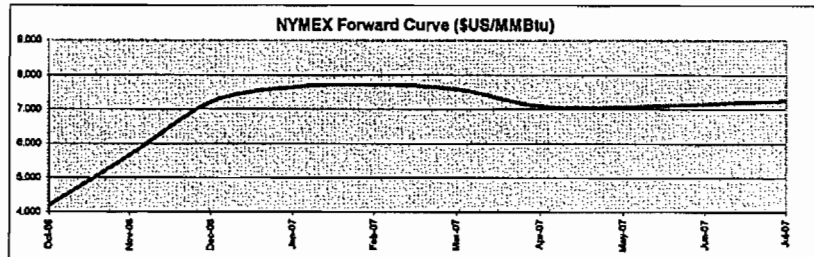
**DAWN**  
(US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
25-Sep-06	4.380
26-Sep-06	4.460
27-Sep-06	4.410

Dawn Futures:

Oct-06	4.331
Nov-06	5.859
Nov 06 - Mar 07	7.273
Nov 06 - Oct 07	7.353
Apr 07 - Oct 07	7.410



Foreign Exchange Rate

CS/US\$	1.111	US\$/C\$	0.900
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6-10 Day Temperature Forecast



Map provided by DTM Market Access: www.dtmmarketaccess.com

Please visit us at [www.energysource.ca](http://www.energysource.ca)

EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,835	54	1,647
West	427	10	376
Producing	815	29	802
Total	3,177	93	2,825

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee!

Did you know....ships captains used to keep pigs on board, believing, should they be shipwrecked that the pig would always swim towards the nearest shore. The pig is rated the 4th most intelligent animal and can be found of every continent except Antarctica.

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# The SOURCE report

September 29, 2006

In its debut as the prompt-month contract, November futures dropped 27.7 cents to \$5.392US/MMBtu. The drop in November pricing isn't all that surprising as the October contract expired almost \$1.20US/MMBtu below it. In early trading this morning the November contract is trading up slightly at \$5.45US/MMBtu. Looking ahead to next week, the weather is expected to be mild throughout the US North East. As for storage, some market analysts are predicting storage levels to reach full capacity by the end of October. These outlooks continue to feed the bears. Have a great weekend! (mb)

Settlement Date: September 28, 2006

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

26-Sep-06	4.360
27-Sep-06	4.360
28-Sep-06	4.160

### Nymex Futures:

Nov-06	5.392
Dec-06	7.037
Nov 06 - Mar 07	6.894
Nov 06 - Oct 07	7.113
Apr 07 - Oct 07	7.198

## AECO (C\$/GJ)

AECO / N.I.T. Next Day Index Price

Settle Date	W. Avg
26-Sep-06	3.870
27-Sep-06	3.920
28-Sep-06	3.820

### AECO Futures:

Nov-06	4.907
Dec-06	6.487
Nov 06 - Mar 07	6.322
Nov 06 - Oct 07	6.407
Apr 07 - Oct 07	6.468

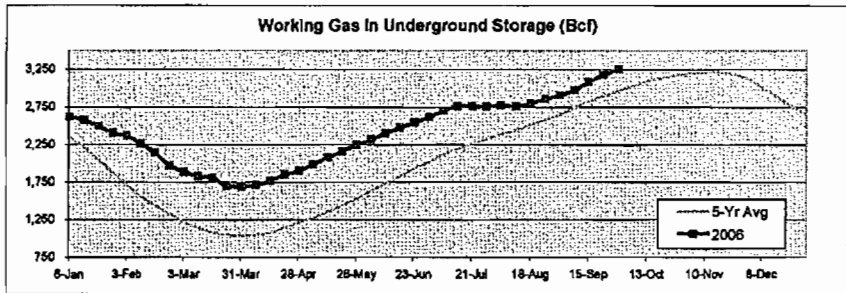
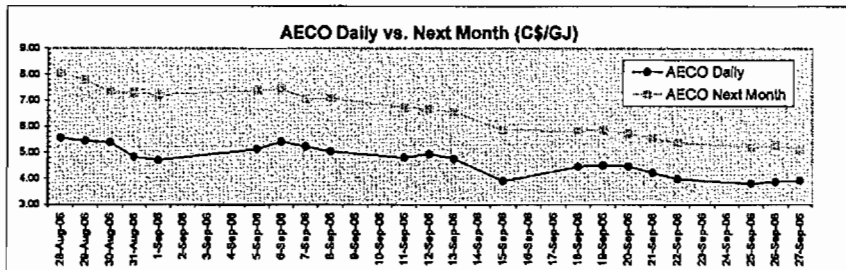
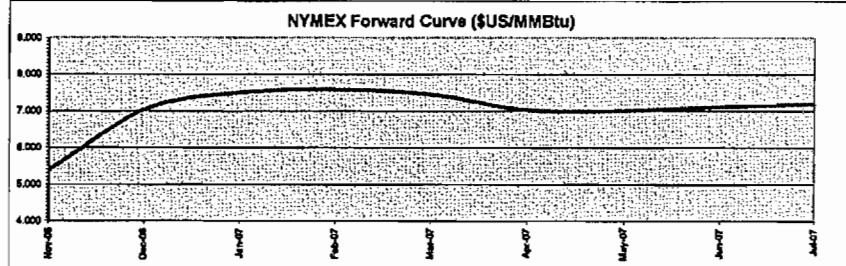
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
26-Sep-06	4.460
27-Sep-06	4.410
28-Sep-06	4.190

### Dawn Futures:

Nov-06	5.632
Dec-06	7.287
Nov 06 - Mar 07	7.158
Nov 06 - Oct 07	7.289
Apr 07 - Oct 07	7.348



## Foreign Exchange Rate

CS/US\$	1.111	US\$/C\$	0.900
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## 6-10 Day Temperature Forecast

October 03 - 08, 2006



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## EIA Storage - Week Ending

	2006 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,874	39	1,698
West	438	11	384
Producing	942	27	819
Total	3,254	77	2,900

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Coffee

Son, always tell the truth. Then you'll never have to remember what you said the last time.

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# The SOURCE report

October 2, 2006

After reaching a high of \$5.735US/MMBtu the market closed with a gain of 22.8 cents closing at \$5.62US/MMBtu. Despite the rally from Friday, trading for the week was down by 26.1 cents. Fridays jump in prices was mostly attributed to traders covering short positions over the weekend. With storage above 3.25Tcf and weather in the Gulf of Mexico remaining quiet, it would appear the only hope for an increase in prices right now is if we get some colder than normal weather in the coming weeks. According to US forecasters, we can expect "normal" temperatures which means, don't count on it! Have a great start to the week! (mb)

Settlement Date: September 29, 2006

NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
28-Sep-06	4.360
27-Sep-06	4.350
28-Sep-06	4.160

<b>Nymex Futures:</b>	
Nov-06	5.620
Dec-06	7.345
Nov 06 - Mar 07	7.275
Nov 06 - Oct 07	7.340
Apr 07 - Oct 07	7.386

AECO (C\$/GJ)	
<b>AECO / N.I.T. Next Day Index Price</b>	
<b>Settle Date</b>	<b>W. Avg</b>
26-Sep-06	3.870
27-Sep-06	3.920
28-Sep-06	3.820

<b>AECO Futures:</b>	
Nov-06	5.047
Dec-06	6.596
Nov 06 - Mar 07	6.589
Nov 06 - Oct 07	6.670
Apr 07 - Oct 07	6.728

DAWN (US\$/MMBtu)	
<b>Daily next day spot gas price (US\$/MMBtu)</b>	
<b>Clearing Date</b>	<b>W. Avg</b>
26-Sep-06	4.460
27-Sep-06	4.410
28-Sep-06	4.190

<b>Dawn Futures:</b>	
Nov-06	5.820
Dec-06	7.565
Nov 06 - Mar 07	7.419
Nov 06 - Oct 07	7.487
Apr 07 - Oct 07	7.536

Foreign Exchange Rate

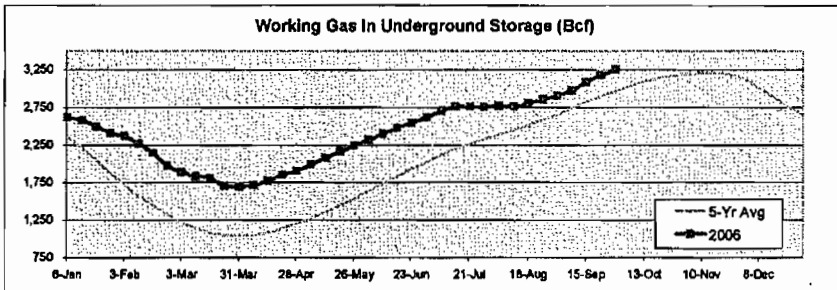
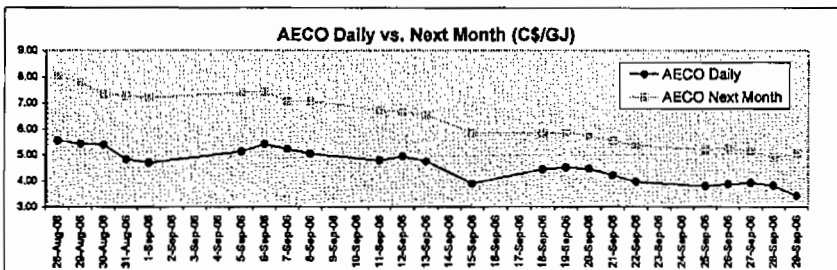
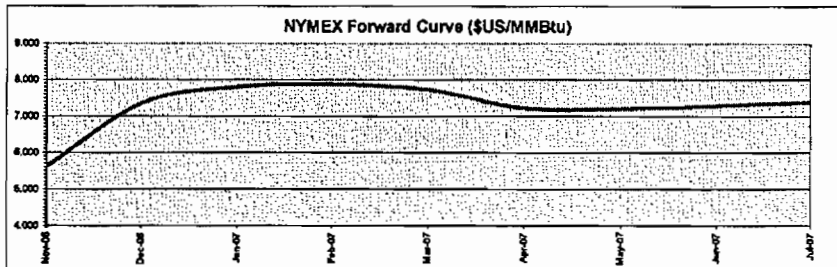
CS/US\$	1.118	US\$/CS	0.895
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## 6-10 Day Temperature Forecast



Map provided by DTM Market Access: [www.dtmmarketaccess.com](http://www.dtmmarketaccess.com)

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West	438	11	384
Producing	942	27	819
Total	3,254	77	2,900

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee!

Little Jacob had a hard time getting use to a new baby in the house. Coming out of his bedroom talking rather loud and being told to be quiet, the baby is asleep, he very seriously said, "Well ya'll better be quiet, cause my foot's asleep."

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## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

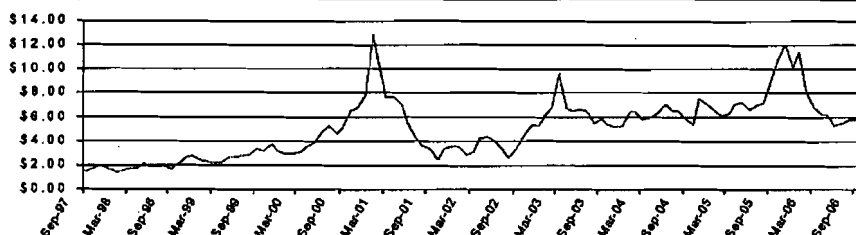
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06-Mar07	Apr07-Oct07	Nov06-Oct07
AECO/NIT, AB	\$4.25	\$5.93	\$7.28	\$7.31	\$6.67	\$6.94
Prem/(Disc) to Index	(\$0.15)					
Empress, AB	\$4.36	\$6.05	\$7.41	\$7.44	\$6.78	\$7.05
US/MMBtu						
NYMEX/Henry Hub	\$4.89	\$6.47	\$8.05	\$8.16	\$7.36	\$7.69
AECO/NIT, AB Basis	(\$0.88)	(\$0.85)	(\$1.14)	(\$1.22)	(\$1.00)	(\$1.09)
Chicago	(\$0.07)	(\$0.06)	(\$0.16)	(\$0.21)	(\$0.14)	(\$0.17)
Transco Zone 6 NY	\$0.49	\$0.64	\$1.43	\$2.71	\$0.67	\$1.52
Sumas, BC	(\$0.56)	NA	NA	NA	NA	NA
Dawn, ON	\$0.04	\$0.20	\$0.04	\$0.00	\$0.17	\$0.10
Niagara, ON	\$0.15	\$0.35	\$0.23	\$0.29	\$0.26	\$0.27

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.34 to C\$4.47/GJ. Forward pricing for October, November and December decreased by \$0.54, \$0.63 and \$0.59/GJ. The Winter Strip fell \$0.62/GJ. The Henry Hub forward pricing dropped in October, November and December by \$0.56, \$0.61 and \$0.63 USD/MMBtu. The Winter Strip and Gas Year 2007 were down \$0.62 and \$0.49/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta fell \$2.75/MWh for Balance of Year. On-peak prices were down for the Balance of Year by \$4.75/MWh. Ontario's 7x24 forward prices fell \$3.60 for Quarter 1 2007. On peak prices shed \$3.80 for Calendar Year 2007.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$62.50	\$74.75	\$41.00	\$50.00
Oct-06	\$81.25	\$105.25	\$46.00	\$51.00
Oct-Dec 06	\$75.75	\$97.75	\$51.10	\$59.10
Q1-2007	\$71.00	\$89.25	\$70.10	\$84.00
Cal-2007	\$66.00	\$84.00	\$59.00	\$73.20

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$41.75	\$47.25	\$47.25	\$41.75	\$47.35
Oct-06	\$41.75	\$48.00	\$47.75	\$39.90	\$47.50
Nov-06	\$53.75	\$59.75	\$59.00	\$44.15	\$56.75
Q4-2006	\$53.50	\$59.67	\$58.83	\$45.78	\$57.38
Cal-2007	\$62.06	\$73.31	\$74.27	\$57.95	\$73.07

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$42.05	\$64.48
Nov-06	\$44.00	\$65.58
Dec-06	\$46.00	\$66.43
Q4-2006	\$44.02	\$65.50
Cal-2007	\$51.07	\$69.13

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 8, 2006 that crude oil stocks decreased 2.9 to 327.7 MMB. Distillate inventories increased to 144.6 MMB. Gasoline inventories, at 207.0 MMB, have increased by 0.1 MMB since last week. Residual fuel oil inventories increased by 0.8 MMB to 42.8 MMB. Overall, US inventories have increased by 4.4 MMB, and now stand at 1071.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 8th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,084	2,976	2,745
Producing	886	853	764
East	1,781	1,716	1,593
West	417	407	389

For more information, please call Shell Trading:

Calgary: 1-403-216-3515

Cambridge: 1-519-820-7726

Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Eastern US will see warm weather over the weekend, but by mid next week cool weather will return. The Western US will experience temperatures below average this period.

STGP, STUSCO and their affiliates make no representation as to the accuracy or completeness of the information contained herein or otherwise provided by STGP, their affiliates or third parties, and accept no responsibility or liability, in contract, in tort, in negligence, or otherwise, should the information be found to be inaccurate or incomplete in any respect. STGP, STUSCO and their affiliates are not acting as an advisor to the recipient of this information, and the ultimate decision to proceed with any transaction rests solely with the recipient of this information. Therefore, prior to entering into any proposed transaction, the recipient of this information should determine, without reliance upon STGP, STUSCO, or their affiliates, the economic risks and merits, as well as the legal, tax, and accounting characterizations and consequences, of the transaction and that it is able to assume these risks. This information is neither an offer to sell nor the solicitation of an offer to enter into a transaction. STGP, STUSCO and their affiliates may act as principal or agent in similar transactions or in transactions with respect to instruments underlying a proposed transaction. This document and its contents are proprietary information and products, and contain the view of STGP, their affiliates or third parties and may not be reproduced or otherwise disseminated in whole or in part without written consent.



Shell Trading

## Daily Energy Market Update

September 15, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

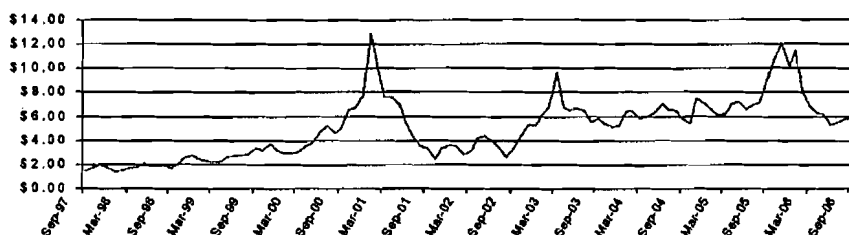
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06-Mar07	Apr07-Oct07	Nov06-Oct07
AECO/NIT, AB	\$4.32	\$5.89	\$7.06	\$7.14	\$6.90	\$7.00
Prem./Disc. to Index	(\$0.15)					
Empress, AB	\$4.43	\$6.02	\$7.18	\$7.26	\$7.01	\$7.12
US/MMBtu						
NYMEX/Henry Hub	\$4.98	\$6.36	\$7.77	\$7.94	\$7.53	\$7.70
AECO/NIT, AB Basis	(\$0.92)	(\$0.80)	(\$1.10)	(\$1.18)	(\$0.97)	(\$1.06)
Chicago	(\$0.07)	(\$0.05)	(\$0.15)	(\$0.21)	(\$0.15)	(\$0.17)
Transco Zone 6 NY	\$0.49	\$0.64	\$1.43	\$2.71	\$0.67	\$1.52
Sumas, BC	(\$0.63)	NA	NA	NA	NA	NA
Dawn, ON	(\$0.02)	\$0.21	\$0.04	\$0.01	\$0.14	\$0.08
Niagara, ON	\$0.08	\$0.35	\$0.24	\$0.29	\$0.23	\$0.26

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.54 to C\$3.87/GJ. Forward pricing for November and December decreased by \$0.04 and \$0.22/GJ. The Summer Strip rose \$0.23/GJ. The Henry Hub forward pricing dropped in November and December by \$0.11 and \$0.28USD/MMBtu. The Summer Strip and Gas Year 2007 were up \$0.17 and \$0.01/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta gained \$0.50/MWh for Balance of Year. On-peak prices were up for the Balance of Year by \$1.00/MWh. Ontario's 7x24 forward prices rose \$2.20 for Quarter 1 2007. On peak prices increased \$1.90 for Calendar Year 2007 and Quarter 1 2007.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$62.50	\$74.75	\$41.00	\$50.00
Oct-06	\$82.25	\$106.75	\$46.00	\$52.00
Oct-Dec 06	\$76.25	\$98.75	\$51.20	\$60.10
Q1-2007	\$70.75	\$88.75	\$72.30	\$85.90
Cal-2007	\$66.00	\$84.25	\$61.00	\$75.10

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	MID-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$40.50	\$45.50	\$45.50	\$40.50	\$46.10
Oct-06	\$41.50	\$48.25	\$48.00	\$40.25	\$47.85
Nov-06	\$52.00	\$58.25	\$57.50	\$44.50	\$56.60
Q4-2006	\$52.58	\$58.92	\$58.08	\$46.25	\$57.52
Cal-2007	\$62.50	\$73.52	\$74.48	\$58.96	\$74.04

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$41.55	\$64.30
Nov-06	\$43.70	\$65.35
Dec-06	\$45.85	\$66.21
Q4-2006	\$43.70	\$65.29
Cal-2007	\$51.07	\$69.17

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 8, 2006 that crude oil stocks decreased 2.9 to 327.7 MMB. Distillate inventories increased to 144.6 MMB. Gasoline inventories, at 207.0 MMB, have increased by 0.1 MMB since last week. Residual fuel oil inventories increased by 0.8MMB to 42.8 MMB. Overall, US inventories have increased by 4.4 MMB, and now stand at 1071.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 8th, 2006 (in Bcf)

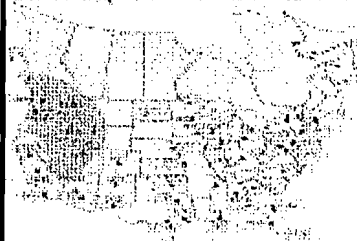
	This Week	Last Week	5-Year Average
Working Gas	3,084	2,976	2,745
Producing	886	853	764
East	1,781	1,716	1,593
West	417	407	389

## For more information, please call Shell Trading:

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 Cambridge: 1-519-620-7726  
 Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Western US will see temperatures below average most of this period. The Eastern US will see a mixture of above and below average temperatures.

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## Indicative Natural Gas Prices (For Physical Delivery)

## Natural Gas Information

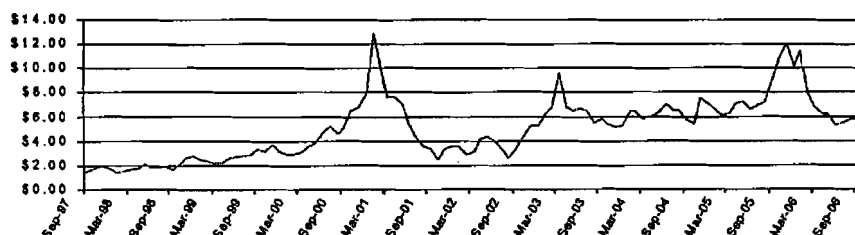
Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

## Day Gas Source - NGX

Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov-06- Mar-07	Apr-07- Oct-07	Nov-06- Oct-07
AECO/NIT, AB	\$4.34	\$5.81	\$7.18	\$7.09	\$7.09	\$7.09
Prem/(Disc) to Index	(\$0.11)					
Empress, AB	\$4.45	\$5.93	\$7.31	\$7.21	\$7.20	\$7.20
US/MMBtu						
NYMEX/Henry Hub	\$4.94	\$6.26	\$7.81	\$7.81	\$7.70	\$7.75
AECO/NIT, AB Basis	(\$0.85)	(\$0.76)	(\$1.00)	(\$1.09)	(\$0.95)	(\$1.01)
Chicago	(\$0.08)	(\$0.04)	(\$0.11)	(\$0.17)	(\$0.14)	(\$0.15)
Transco Zone 6 NY	\$0.46	\$0.63	\$1.47	\$2.65	\$0.67	\$1.50
Sumas, BC	(\$0.54)	NA	NA	NA	NA	NA
Dawn, ON	\$0.05	\$0.25	\$0.11	\$0.07	\$0.14	\$0.11
Niagara, ON	\$0.15	\$0.39	\$0.31	\$0.35	\$0.23	\$0.28

The price for next day deliveries at AECO rose \$0.57 to C\$4.44/GJ. Forward pricing for October and December increased by \$0.02 and \$0.12/GJ. The Summer Strip rose \$0.19GJ. The Henry Hub forward pricing dropped in October and November by \$0.04 and \$0.10USD/MMBtu. The Summer Strip and Gas Year 2007 were up \$0.17 and \$0.05/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta shed \$1.75/MWh for Quarter 1 2007. On-peak prices were down for the Balance of Year by \$1.25/MWh. Ontario's 7x24 forward prices fell \$0.60 for Balance of Year. On peak prices declined \$1.30 for Balance of Year and Quarter 1 2007.

## Indicative Canadian Power Prices (C\$/MWh)

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

For 50 MW or greater					For Standard Peak Products				
	AB7x24	AB6x16	ON7x24	ON5x16	Mid-C	NP15	SP15	ECARC	PJMMH
Sep-06	\$64.75	\$79.00	\$41.00	\$48.00	\$41.75	\$46.50	\$46.50	\$37.50	\$43.10
Oct-06	\$82.00	\$106.75	\$46.00	\$51.00	\$41.50	\$48.25	\$48.00	\$39.35	\$47.70
Oct-Dec 06	\$75.75	\$97.50	\$51.20	\$58.80	\$51.25	\$58.00	\$57.25	\$44.60	\$55.95
Q1-2007	\$69.00	\$85.75	\$72.30	\$84.40	\$52.33	\$58.58	\$57.92	\$45.97	\$57.07
Cal-2007	\$65.75	\$83.75	\$61.00	\$74.80	\$62.63	\$73.96	\$74.92	\$59.22	\$74.11

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$41.70	\$64.90
Nov-06	\$44.00	\$65.89
Dec-06	\$46.25	\$66.69
Q4-2006	\$43.98	\$65.83
Cal-2007	\$51.69	\$69.36

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 8, 2006 that crude oil stocks decreased 2.9 to 327.7 MMB. Distillate inventories increased to 144.6 MMB. Gasoline inventories, at 207.0 MMB, have increased by 0.1 MMB since last week. Residual fuel oil inventories increased by 0.8MMB to 42.8 MMB. Overall, US inventories have increased by 4.4 MMB, and now stand at 1071.4 MMB.

## Working Gas in Underground Storage - Source EIA

For the week ending September 8th, 2006 (in Bcf)			
	This Week	Last Week	5-Year Average
Working Gas	3,084	2,976	2,745
Producing	886	853	764
East	1,781	1,716	1,593
West	417	407	389

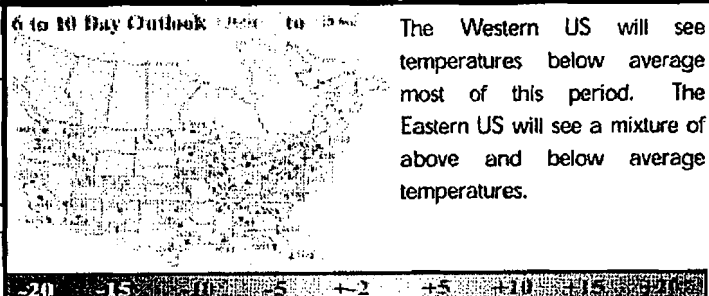
For more information, please call Shell Trading:

Calgary: 1-403-216-3615

Cambridge: 1-619-620-7726

Toll Free: 1-866-70-SHELL

## Weather Report



The Western US will see temperatures below average most of this period. The Eastern US will see a mixture of above and below average temperatures.

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Shell Trading

## Daily Energy Market Update

September 19, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

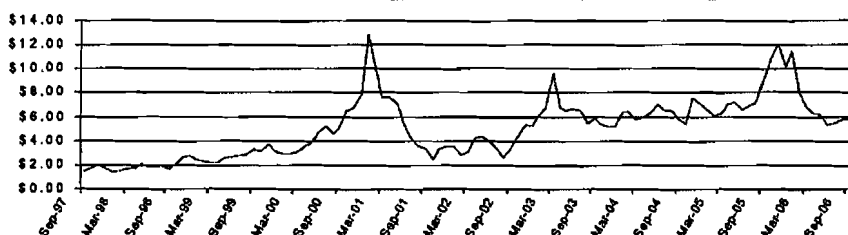
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov-06: Mar-07	Nov-06: Oct-07	Nov-06: Oct-07
AECO/NIT, AB	\$4.49	\$5.86	\$7.35	\$7.22	\$7.08	\$7.14
Prem/(Disc) to Index	(\$0.09)					
Empress, AB	\$4.61	\$5.98	\$7.47	\$7.35	\$7.19	\$7.26
<b>US/MMBtu</b>						
NYMEX/Henry Hub	\$5.01	\$6.20	\$7.88	\$7.86	\$7.65	\$7.74
AECO/NIT, AB Basis	(\$0.79)	(\$0.69)	(\$0.96)	(\$1.05)	(\$0.94)	(\$0.99)
Chicago	(\$0.08)	(\$0.07)	(\$0.11)	(\$0.17)	(\$0.12)	(\$0.14)
Transco Zone 6 NY	\$0.46	\$0.66	\$1.55	\$2.70	\$0.68	\$1.52
Sumas, BC	(\$0.52)	NA	NA	NA	NA	NA
Dawn, ON	\$0.05	\$0.25	\$0.11	\$0.07	\$0.14	\$0.11
Niagara, ON	\$0.15	\$0.39	\$0.31	\$0.35	\$0.23	\$0.28

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO rose \$0.08 to C\$4.52/GJ. Forward pricing for October, November and December increased by \$0.15, \$0.05 and \$0.17/GJ. The Winter Strip rose \$0.13/GJ. The Henry Hub forward pricing increased in October and December by \$0.07USD/MMBtu. The Summer Strip and Gas Year 2007 fell \$0.05 and \$0.01/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta gained \$1.50/MWh for Quarter 1 2007. On-peak prices were up for the Balance of Year by \$0.50/MWh. Ontario's 7x24 forward prices fell \$0.50 for Quarter 1 2007. On peak prices rose \$0.80 for Balance of Year.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$68.50	\$85.75	\$41.00	\$48.00
Oct-06	\$81.75	\$105.25	\$45.00	\$51.80
Oct-Dec 06	\$76.00	\$98.00	\$50.70	\$59.60
Q1-2007	\$70.50	\$88.25	\$71.80	\$83.90
Cal-2007	\$65.75	\$83.75	\$61.20	\$74.90

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$42.00	\$46.75	\$46.75	\$38.75	\$44.35
Oct-06	\$41.25	\$48.25	\$48.00	\$39.65	\$47.75
Nov-06	\$50.75	\$57.50	\$56.75	\$44.15	\$55.50
Q4-2006	\$52.25	\$58.67	\$57.92	\$45.98	\$57.17
Cal-2007	\$63.44	\$74.65	\$75.60	\$59.30	\$74.32

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$39.35	\$62.65
Nov-06	\$41.80	\$63.75
Dec-06	\$44.20	\$65.61
Q4-2006	\$41.78	\$63.67
Cal-2007	\$50.29	\$67.25

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 8, 2006 that crude oil stocks decreased 2.9 to 327.7 MMB. Distillate inventories increased to 144.6 MMB. Gasoline inventories, at 207.0 MMB, have increased by 0.1 MMB since last week. Residual fuel oil inventories increased by 0.8 MMB to 42.8 MMB. Overall, US inventories have increased by 4.4 MMB, and now stand at 1071.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 8th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,084	2,976	2,745
Producing	886	853	764
East	1,781	1,716	1,593
West	417	407	389

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Cambridge: 1-519-620-7726

Toll Free: 1-866-70-SHELL

## Weather Report

## 5 to 10 Day Outlook



The Western US will see warm temperatures next week. The Eastern US will see a warmer than average temperatures this weekend, but cool weather will return early next week.

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Shell Trading

## Daily Energy Market Update

September 20, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000GJ/day)

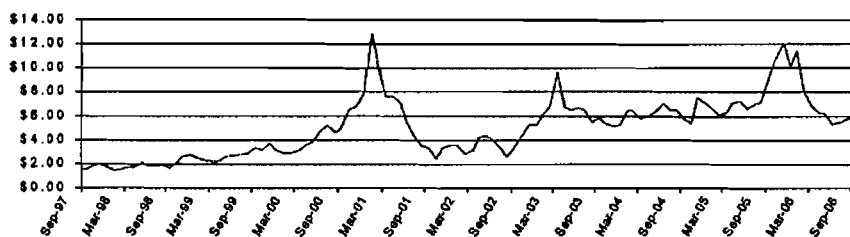
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06- Mar07	Apr07- Oct07	Nov06- Oct07
AECO/NIT, AB	\$4.48	\$5.74	\$7.24	\$7.12	\$6.96	\$7.02
Prem/(Disc) to Index	(\$0.10)					
Empress, AB	\$4.59	\$5.87	\$7.36	\$7.24	\$7.07	\$7.14
US/MMBtu						
NYMEX/Henry Hub	\$4.93	\$6.02	\$7.66	\$7.64	\$7.50	\$7.56
AECO/NIT, AB Basis	(\$0.74)	(\$0.64)	(\$0.87)	(\$0.95)	(\$0.93)	(\$0.94)
Chicago	(\$0.08)	\$0.01	(\$0.04)	(\$0.09)	(\$0.12)	(\$0.11)
Transco Zone 6 NY	\$0.45	\$0.65	\$1.55	\$2.60	\$0.68	\$1.48
Sumas, BC	(\$0.44)	NA	NA	NA	NA	NA
Dawn, ON	\$0.09	\$0.29	\$0.20	\$0.15	\$0.18	\$0.17
Niagara, ON	\$0.19	\$0.43	\$0.40	\$0.43	\$0.27	\$0.34

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.05 to C\$4.47/GJ. Forward pricing for October, November and December decreased by \$0.01, \$0.12 and \$0.11/GJ. The Winter Strip shed \$0.10/GJ. The Henry Hub forward pricing decreased in October, November and December by \$0.08, \$0.18 and \$0.22USD/MMBtu. The Summer Strip and Gas Year 2007 fell \$0.15 and \$0.18/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta fell \$0.50/MWh for Balance of Year. On-peak prices decreased for Quarter 1 and Calendar Year 2007 by \$0.25/MWh. Ontario's 7x24 forward prices shed \$1.40 for Quarter 1 2007. On peak prices dropped for Calendar Year 2007 by \$1.50/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$68.75	\$86.00	\$41.00	\$48.00
Oct-06	\$81.50	\$105.75	\$43.00	\$50.00
Oct-Dec 06	\$75.50	\$97.50	\$50.10	\$59.00
Q1-2007	\$70.25	\$88.00	\$70.40	\$82.60
Cal-2007	\$65.75	\$83.50	\$59.90	\$73.40

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$40.25	\$47.50	\$47.25	\$35.75	\$42.10
Oct-06	\$41.25	\$48.50	\$48.25	\$38.85	\$46.45
Nov-06	\$48.75	\$55.75	\$55.00	\$42.85	\$53.95
Q4-2006	\$51.00	\$57.58	\$56.83	\$44.93	\$55.78
Cal-2007	\$61.71	\$72.81	\$73.77	\$57.79	\$72.73

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$38.05	\$61.13
Nov-06	\$40.55	\$62.21
Dec-06	\$42.95	\$63.04
Q4-2006	\$40.52	\$62.13
Cal-2007	\$49.18	\$65.91

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 15, 2006 that crude oil stocks decreased 2.8 to 324.9 MMB. Distillate inventories increased to 148.7 MMB. Gasoline inventories, at 207.6 MMB, have increased by 0.6 MMB since last week. Residual fuel oil inventories decreased by 0.3MMB to 42.5 MMB. Overall, US inventories have increased by 4.3 MMB, and now stand at 1075.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 8th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,084	2,976	2,745
Producing	886	853	764
East	1,781	1,716	1,593
West	417	407	389

For more information, please call Shell Trading:

Calgary: 1-403-216-3615

Cambridge: 1-519-620-7726

Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Western US will see warm temperatures next week. The Eastern US will see a warmer than average temperatures this weekend, but cool weather will return early next week.

STGP, STUSCO and their affiliates make no representation as to the accuracy or completeness of the information contained herein or otherwise provided by STGP, their affiliates or third parties, and accept no responsibility or liability, in contract, in tort, in negligence, or otherwise, should the information be found to be inaccurate or incomplete in any respect. STGP, STUSCO and their affiliates are not acting as an adviser to the recipient of this information, and the ultimate decision to proceed with any transaction rests solely with the recipient of this information. Therefore, prior to entering into any proposed transaction, the recipient of this information should determine, without reliance upon STGP, STUSCO, or their affiliates, the economic risks and merits, as well as the legal, tax, and accounting characterizations and consequences, of the transaction and that it is able to assume these risks. This information is neither an offer to sell nor the solicitation of an offer to enter into a transaction. STGP, STUSCO and their affiliates may act as principal or agent in similar transactions or in transactions with respect to instruments underlying a proposed transaction. This document and its contents are proprietary information and products, and contains the view of STGP, their affiliates or third parties and may not be reproduced or otherwise disseminated in whole or in part without written consent.



Shell Trading

## Daily Energy Market Update

September 21, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

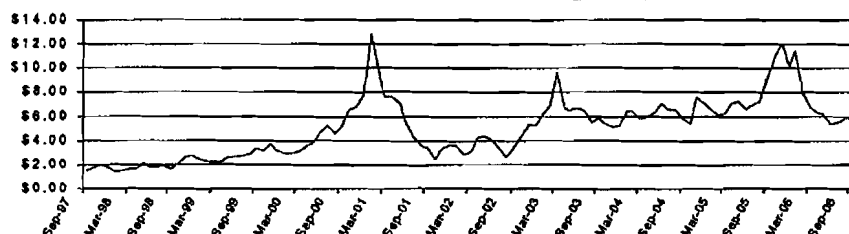
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06- Mar07	Apr07- Oct07	Nov06- Oct07
AECO/NIT, AB	\$4.23	\$5.59	\$6.88	\$6.78	\$6.72	\$6.74
Prem/(Disc) to Index	(\$0.18)					
Empress, AB	\$4.35	\$5.72	\$7.00	\$6.90	\$6.83	\$6.86
US/MMBtu						
NYMEX/Henry Hub	\$4.78	\$6.01	\$7.39	\$7.39	\$7.33	\$7.35
AECO/NIT, AB Basis	(\$0.80)	(\$0.73)	(\$0.89)	(\$0.98)	(\$0.95)	(\$0.96)
Chicago	(\$0.07)	\$0.03	(\$0.04)	(\$0.10)	(\$0.12)	(\$0.11)
Transco Zone 6 NY	\$0.44	\$0.62	\$1.50	\$2.54	\$0.67	\$1.45
Sumas, BC	(\$0.51)	NA	NA	NA	NA	NA
Dawn, ON	\$0.08	\$0.22	\$0.20	\$0.14	\$0.15	\$0.15
Niagara, ON	\$0.18	\$0.36	\$0.40	\$0.42	\$0.24	\$0.32

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.26 to C\$4.21/GJ. Forward pricing for October, November and December decreased by \$0.25, \$0.15 and \$0.36/GJ. The Winter Strip shed \$0.34GJ. The Henry Hub forward pricing decreased in October, November and December by \$0.15, \$0.01 and \$0.27USD/MMBtu. The Winter Strip and Gas Year 2007 fell \$0.25 and \$0.21/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta fell \$1.50/MWh for Balance of Year and Quarter 1 2007. On-peak prices decreased for Quarter 1 and Calendar Year 2007 by \$2.75 and \$3.00/MWh. Ontario's 7x24 forward prices shed \$1.50 for Quarter 1 2007. On peak prices dropped for Balance of Year by \$2.70/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$67.75	\$84.25	\$38.00	\$46.00
Oct-06	\$79.00	\$101.00	\$42.00	\$48.80
Oct-Dec 06	\$74.00	\$94.50	\$48.30	\$56.30
Q1-2007	\$68.75	\$85.25	\$68.90	\$80.60
Cal-2007	\$64.50	\$81.50	\$59.20	\$72.30

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$42.75	\$46.75	\$46.50	\$34.75	\$41.10
Oct-06	\$41.00	\$47.00	\$46.75	\$37.85	\$45.45
Nov-06	\$49.75	\$56.50	\$55.75	\$42.35	\$53.45
Q4-2006	\$50.75	\$56.75	\$56.00	\$43.60	\$54.45
Cal-2007	\$59.77	\$70.88	\$71.83	\$56.46	\$71.00

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$38.10	\$61.90
Nov-06	\$40.50	\$62.79
Dec-06	\$43.05	\$63.54
Q4-2006	\$40.55	\$62.74
Cal-2007	\$49.20	\$66.34

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 15, 2006 that crude oil stocks decreased 2.8 to 324.9 MMB. Distillate inventories increased to 148.7 MMB. Gasoline inventories, at 207.6 MMB, have increased by 0.6 MMB since last week. Residual fuel oil inventories decreased by 0.3MMB to 42.5 MMB. Overall, US inventories have increased by 4.3 MMB, and now stand at 1075.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 15th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,177	3,084	2,821
Producing	915	886	781
East	1,835	1,781	1,644
West	427	417	397

## For more information, please call Shell Trading:

Calgary: 1-403-216-3616  
Cambridge: 1-619-620-7726  
Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Western US will see warm temperatures next week. The Eastern US will see warmer than average temperatures this weekend, but cool weather will return early next week.

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Shell Trading

# Daily Energy Market Update

September 22, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

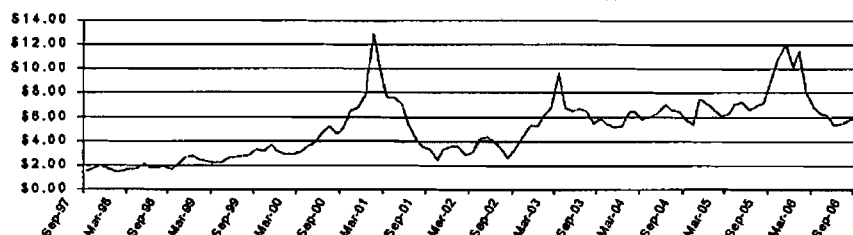
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06- Mar07	Apr07- Oct07	Nov06- Oct07
AECO/NIT, AB	\$4.03	\$5.39	\$6.85	\$6.69	\$6.63	\$6.66
Prem/(Disc) to Index	(\$0.26)					
Empress, AB	\$4.15	\$5.52	\$6.97	\$6.82	\$6.74	\$6.77
US/MMBtu						
NYMEX/Henry Hub	\$4.63	\$5.88	\$7.40	\$7.37	\$7.27	\$7.32
AECO/NIT, AB Basis	(\$0.83)	(\$0.76)	(\$0.92)	(\$1.03)	(\$0.96)	(\$0.99)
Chicago	(\$0.07)	(\$0.01)	(\$0.05)	(\$0.14)	(\$0.13)	(\$0.13)
Transco Zone 6 NY	\$0.44	\$0.63	\$1.56	\$2.58	\$0.67	\$1.47
Sumas, BC	(\$0.51)	NA	NA	NA	NA	NA
Dawn, ON	\$0.06	\$0.19	\$0.17	\$0.11	\$0.15	\$0.13
Niagara, ON	\$0.16	\$0.33	\$0.36	\$0.39	\$0.24	\$0.30

## Natural Gas Information

### Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.25 to C\$3.96/GJ. Forward pricing for October, November and December decreased by \$0.20, \$0.20 and \$0.03/GJ. The Winter Strip shed \$0.34GJ. The Henry Hub forward pricing decreased in October and November by \$0.15 and \$0.13USD/MMBtu. The Winter Strip and Gas Year 2007 fell \$0.02 and \$0.03/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta fell \$1.25/MWh for Balance of Year. On-peak prices decreased for Quarter 1 \$1.00/MWh. Ontario's 7x24 forward prices gained \$0.10 for Quarter 1 and Calendar Year 2007. On peak prices rose for Balance of Year by \$0.10/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

### For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$66.50	\$82.25	\$38.00	\$46.00
Oct-06	\$76.50	\$96.75	\$42.50	\$49.50
Oct-Dec 06	\$72.75	\$92.25	\$48.60	\$56.40
Q1-2007	\$68.25	\$84.25	\$69.00	\$80.80
Cal-2007	\$64.50	\$81.50	\$59.30	\$72.40

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

### For Standard Peak Products

	Mkt-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$42.00	\$45.75	\$45.50	\$34.50	\$40.85
Oct-06	\$41.00	\$47.00	\$46.75	\$37.30	\$44.90
Nov-06	\$50.25	\$55.75	\$55.00	\$41.80	\$52.90
Q4-2006	\$51.00	\$56.67	\$55.92	\$43.30	\$54.15
Cal-2007	\$60.00	\$71.10	\$71.96	\$56.62	\$71.15

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$37.25	\$60.95
Nov-06	\$39.65	\$61.98
Dec-06	\$42.20	\$62.79
Q4-2006	\$39.70	\$61.91
Cal-2007	\$48.88	\$65.61

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 15, 2006 that crude oil stocks decreased 2.8 to 324.9 MMB. Distillate inventories increased to 148.7 MMB. Gasoline inventories, at 207.6 MMB, have increased by 0.6 MMB since last week. Residual fuel oil inventories decreased by 0.3MMB to 42.5 MMB. Overall, US inventories have increased by 4.3 MMB, and now stand at 1075.4 MMB.

## Working Gas in Underground Storage - Source EIA

### For the week ending September 15th, 2006 (In Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,177	3,084	2,821
Producing	915	886	781
East	1,835	1,781	1,644
West	427	417	397

For more information, please call Shell Trading:

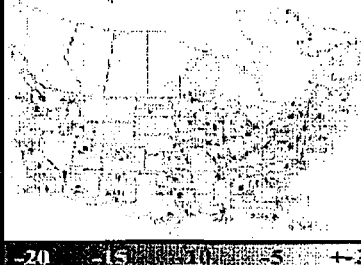
Calgary: 1-403-216-3515

Cambridge: 1-519-620-7726

Toll Free: 1-866-70-SHELL

## Weather Report

### 6 to 10 Day Outlook



The Western US will see warmer than average temperatures this week, but cool temperatures will return early next week. The Eastern US will see cool weather this week, with warmer than average temperatures returning early next week.

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Shell Trading

## Daily Energy Market Update

September 25, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000GJ/day)

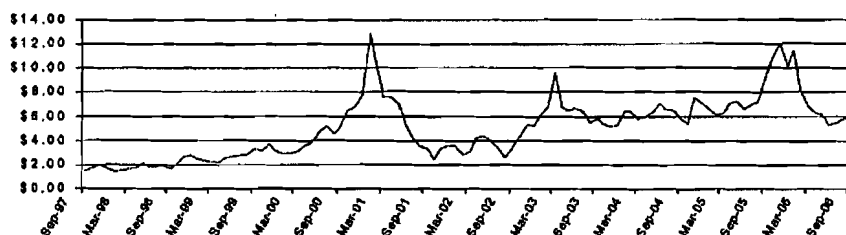
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06-Mar07	Apr07-Oct07	Nov06-Oct07
AECO/NIT, A8	\$3.87	\$5.20	\$6.66	\$6.53	\$6.54	\$6.54
Prem/(Disc) to index	(\$0.30)					
Empress, A8	\$3.97	\$5.33	\$6.79	\$6.65	\$6.65	\$6.65
<b>US/MMBtu</b>						
NYMEX/Henry Hub	\$4.48	\$5.73	\$7.22	\$7.21	\$7.20	\$7.21
AECO/NIT, A8 Basis	(\$0.83)	(\$0.81)	(\$0.91)	(\$1.02)	(\$0.97)	(\$0.99)
Chicago	(\$0.11)	(\$0.05)	(\$0.07)	(\$0.15)	(\$0.14)	(\$0.14)
Transco Zone 6 NY	\$0.36	\$0.61	\$1.48	\$2.54	\$0.67	\$1.45
Sumas, BC	(\$0.52)	NA	NA	NA	NA	NA
Dawn, ON	\$0.02	\$0.16	\$0.16	\$0.11	\$0.14	\$0.13
Niagara, ON	\$0.12	\$0.30	\$0.36	\$0.39	\$0.23	\$0.30

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.16 to C\$3.80/GJ. Forward pricing for October, November and December decreased by \$0.16, \$0.19 and \$0.19/GJ. The Winter Strip shed \$0.16/GJ. The Henry Hub forward pricing decreased in October, November and December by \$0.15, \$0.15 and \$0.18USD/MMBtu. The Winter Strip and Gas Year 2007 fell \$0.16 and \$0.11/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta fell \$2.00/MWh for Balance of Year. On-peak prices decreased for Quarter 1 \$1.25/MWh. Ontario's 7x24 forward prices gained \$1.00 for Quarter 1 2007. On peak prices rose for Calendar Year 2007 by \$0.60/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$60.50	\$70.25	\$38.00	\$45.00
Oct-06	\$73.75	\$92.00	\$40.00	\$47.00
Oct-Dec 06	\$70.75	\$88.75	\$47.00	\$54.00
Q1-2007	\$67.50	\$83.00	\$70.00	\$82.00
Cal-2007	\$64.25	\$80.75	\$60.00	\$73.00

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$42.25	\$45.75	\$45.50	\$33.00	\$39.35
Oct-06	\$39.50	\$45.50	\$45.25	\$38.15	\$43.50
Nov-06	\$48.50	\$54.75	\$54.00	\$42.40	\$51.25
Q4-2006	\$49.58	\$55.42	\$54.67	\$43.50	\$52.43
Cal-2007	\$59.15	\$70.02	\$70.88	\$56.23	\$69.75

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$38.10	\$61.58
Nov-06	\$40.15	\$62.50
Dec-06	\$42.50	\$63.25
Q4-2006	\$40.25	\$62.44
Cal-2007	\$49.12	\$65.83

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 15, 2006 that crude oil stocks decreased 2.8 to 324.9 MMB. Distillate inventories increased to 148.7 MMB. Gasoline inventories, at 207.6 MMB, have increased by 0.6 MMB since last week. Residual fuel oil inventories decreased by 0.3MMB to 42.5 MMB. Overall, US inventories have increased by 4.3 MMB, and now stand at 1075.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 15th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,177	3,084	2,821
Producing	915	886	781
East	1,835	1,781	1,844
West	427	417	397

## For more information, please call Shell Trading:

Calgary: 1-403-216-3516  
Cambridge: 1-519-820-7728  
Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Western US will see warmer than average temperatures this week, but cool temperatures will return early next week. The Eastern US will see cool weather this week, with warmer than average temperatures returning early next week.



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Shell Trading

## Daily Energy Market Update

September 26, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

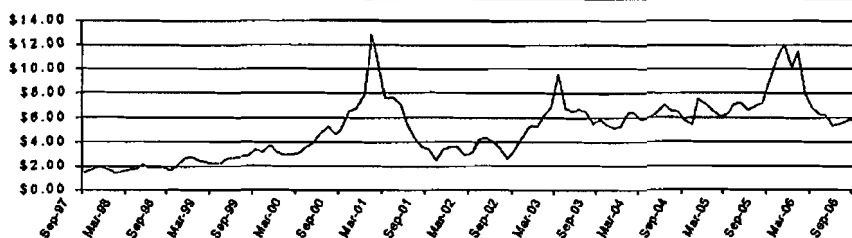
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06- Mar07	Apr07- Oct07	Nov06- Oct07
AECO/NIT, AB	\$3.98	\$5.28	\$6.75	\$6.62	\$6.60	\$6.61
Prem/(Disc) to Index	(\$0.30)					
Empress, AB	\$4.08	\$5.40	\$6.88	\$6.75	\$6.71	\$6.73
US/MMBtu						
NYMEX/Henry Hub	\$4.53	\$5.81	\$7.32	\$7.30	\$7.29	\$7.29
AECO/NIT, AB Basis	(\$0.78)	(\$0.81)	(\$0.92)	(\$1.02)	(\$1.00)	(\$1.01)
Chicago	(\$0.13)	(\$0.05)	(\$0.09)	(\$0.16)	(\$0.16)	(\$0.16)
Transco Zone 6 NY	\$0.35	\$0.59	\$1.50	\$2.51	\$0.67	\$1.44
Sumas, BC	(\$0.52)	NA	NA	NA	NA	NA
Dawn, ON	\$0.05	\$0.15	\$0.14	\$0.09	\$0.13	\$0.11
Niagara, ON	\$0.15	\$0.29	\$0.34	\$0.37	\$0.22	\$0.28

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO gained \$0.07 to C\$3.87/GJ. Forward pricing for October, November and December increased by \$0.11, \$0.08 and \$0.09/GJ. The Winter Strip rose \$0.09/GJ. The Henry Hub forward prices increasing in October, November and December by \$0.05, \$0.08 and \$0.10 USD/MMBtu. The Winter Strip and Gas Year 2007 rose \$0.09 and \$0.08/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta rose \$1.00/MWh for Balance of Year and Quarter 1 2007. On-peak prices increased for Quarter 1 \$1.75/MWh. Ontario's 7x24 forward prices gained \$1.00 for Quarter 1 and Calendar Year 2007. On peak prices rose for Quarter 1 and Calendar Year 2007 by \$1.00/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$61.50	\$71.75	\$38.00	\$43.00
Oct-06	\$75.00	\$94.00	\$40.00	\$47.00
Oct-Dec 06	\$71.75	\$90.25	\$47.00	\$54.00
Q1-2007	\$68.50	\$84.75	\$71.00	\$83.00
Cal-2007	\$64.50	\$81.50	\$61.00	\$74.00

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$42.25	\$46.25	\$46.00	\$33.00	\$39.35
Oct-06	\$39.00	\$45.85	\$45.50	\$37.90	\$43.00
Nov-06	\$48.50	\$55.50	\$54.75	\$43.00	\$51.85
Q4-2006	\$49.83	\$56.20	\$55.42	\$43.92	\$52.77
Cal-2007	\$59.42	\$70.56	\$71.42	\$56.95	\$70.59

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$37.90	\$61.34
Nov-06	\$39.90	\$62.25
Dec-06	\$42.30	\$62.97
Q4-2006	\$40.30	\$62.19
Cal-2007	\$49.01	\$65.44

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 15, 2006 that crude oil stocks decreased 2.8 to 324.9 MMB. Distillate inventories increased to 148.7 MMB. Gasoline inventories, at 207.6 MMB, have increased by 0.6 MMB since last week. Residual fuel oil inventories decreased by 0.3 MMB to 42.5 MMB. Overall, US inventories have increased by 4.3 MMB, and now stand at 1075.4 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 15th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,177	3,084	2,821
Producing	915	886	781
East	1,835	1,781	1,644
West	427	417	397

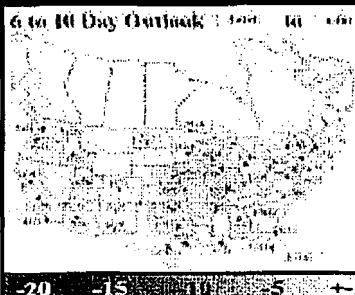
For more information, please call Shell Trading:

Calgary: 1-403-216-3616

Cambridge: 1-519-620-7726

Toll Free: 1-866-70-SHELL

## Weather Report



The Western US will see warmer than average temperatures this week, but cool temperatures will return early next week. The Eastern US will see cool weather this week, with warmer than average temperatures returning early next week.

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Shell Trading

## Daily Energy Market Update

September 27, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000GJ/day)

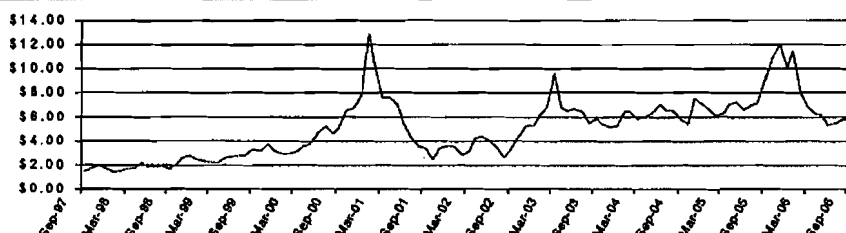
	Oct-06	Nov-06	Dec-06	Nov06- Mar07	Apr07- Oct07	Nov06- Oct07
<b>Cdn\$/GJ</b>						
AECO/NIT, AB	\$3.80	\$5.15	\$6.67	\$6.50	\$6.58	\$6.55
Prem/(Disc) to Index	(\$0.40)					
Empress, AB	\$3.90	\$5.28	\$6.80	\$6.63	\$6.69	\$6.66
<b>US/MMBtu</b>						
NYMEX/Henry Hub	\$4.20	\$5.67	\$7.21	\$7.16	\$7.26	\$7.22
AECO/NIT, AB Basis	(\$0.63)	(\$0.79)	(\$0.88)	(\$0.99)	(\$0.99)	(\$0.99)
Chicago	\$0.00	(\$0.02)	(\$0.06)	(\$0.13)	(\$0.14)	(\$0.13)
Transco Zone 6 NY	\$0.36	\$0.57	\$1.51	\$2.52	\$0.67	\$1.44
Sumas, BC	(\$0.29)	NA	NA	NA	NA	NA
Dawn, ON	\$0.13	\$0.21	\$0.23	\$0.13	\$0.15	\$0.14
Niagara, ON	\$0.23	\$0.35	\$0.43	\$0.41	\$0.24	\$0.31

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO gained \$0.04 to C\$3.91/GJ. Forward pricing for October, November and December decreased by \$0.18, \$0.13 and \$0.08/GJ. The Winter Strip fell \$0.12GJ. The Henry Hub forward prices decreased in October, November and December by \$0.33, \$0.14 and \$0.11USD/MMBtu. The Winter Strip and Gas Year 2007 fell \$0.14 and \$0.07/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta fell \$1.25/MWh for Quarter 1 2007. On-peak prices decreased for Quarter 1 \$2.25/MWh. Ontario's 7x24 forward prices gained \$1.00 for Balance of Year. On peak prices fell for Quarter 1 and Calendar Year 2007 by \$2.00 and \$1.00/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$60.00	\$69.50	\$39.00	\$43.00
Oct-06	\$72.75	\$90.00	\$41.00	\$46.00
Oct-Dec 06	\$70.75	\$88.50	\$48.00	\$55.00
Q1-2007	\$67.25	\$82.50	\$69.00	\$81.00
Cal-2007	\$64.25	\$81.25	\$60.00	\$73.00

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$38.00	\$43.00	\$42.75	\$34.25	\$40.60
Oct-06	\$38.25	\$45.35	\$45.00	\$36.90	\$42.00
Nov-06	\$47.75	\$54.75	\$54.00	\$42.15	\$51.00
Q4-2006	\$49.00	\$55.45	\$54.67	\$43.10	\$51.95
Cal-2007	\$59.54	\$70.71	\$71.56	\$57.26	\$70.63

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$39.10	\$63.21
Nov-06	\$41.05	\$64.11
Dec-06	\$43.20	\$64.83
Q4-2006	\$41.12	\$64.05
Cal-2007	\$49.78	\$67.06

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 22, 2006 that crude oil stocks decreased 0.1 to 324.8 MMB. Distillate inventories increased to 151.3 MMB. Gasoline inventories, at 213.9 MMB, have increased by 6.3 MMB since last week. Residual fuel oil inventories increased by 0.7MMB to 43.2 MMB. Overall, US inventories have increased by 9.2 MMB, and now stand at 1084.6 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 15th, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,177	3,084	2,821
Producing	915	886	781
East	1,835	1,781	1,644
West	427	417	397

## For more information, please call Shell Trading:

Calgary: 1-403-216-3515

Cambridge: 1-519-820-7728

Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Western US will see warmer than average temperatures this week, but cool temperatures will return early next week. The Eastern US will see cool weather this week, with warmer than average temperatures returning early next week.



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Shell Trading

# Daily Energy Market Update

September 28, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

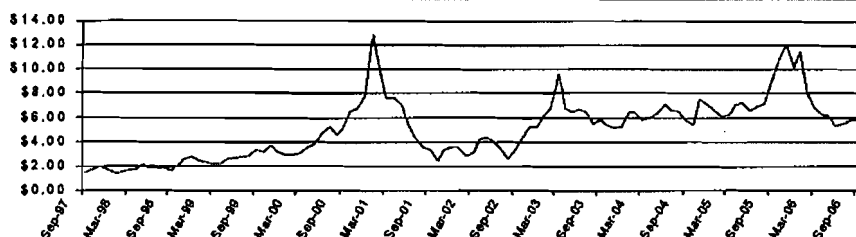
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov06- Mar07	Apr07- Oct07	Nov06- Oct07
AECO/NIT, AB	\$3.77	\$4.93	\$6.54	\$6.36	\$6.51	\$6.45
Prem/(Disc) to Index	(\$0.44)					
Empress, AB	\$3.87	\$5.06	\$6.67	\$6.49	\$6.62	\$6.56
US/MMBtu						
NYMEX/Henry Hub	\$4.20	\$5.39	\$7.04	\$6.99	\$7.20	\$7.11
AECO/NIT, AB Basis	(\$0.64)	(\$0.70)	(\$0.81)	(\$0.93)	(\$0.97)	(\$0.95)
Chicago	\$0.00	\$0.02	(\$0.01)	(\$0.09)	(\$0.12)	(\$0.11)
Transco Zone 6 NY	\$0.36	\$0.59	\$1.58	\$2.63	\$0.68	\$1.49
Sumas, BC	(\$0.36)	NA	NA	NA	NA	NA
Dawn, ON	\$0.13	\$0.24	\$0.27	\$0.18	\$0.17	\$0.17
Niagara, ON	\$0.23	\$0.38	\$0.47	\$0.46	\$0.26	\$0.34

## Natural Gas Information

### Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.09 to C\$3.82/GJ. Forward pricing for October, November and December decreased by \$0.03, \$0.22 and \$0.13/GJ. The Winter Strip fell \$0.14/GJ. The Henry Hub forward prices decreased in November and December by \$0.28 and \$0.17USD/MMBtu. The Winter Strip and Gas Year 2007 fell \$0.17 and \$0.11/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta gained \$0.25/MWh for Quarter 1 2007. On-peak prices decreased for Balance of Year by \$2.75/MWh. Ontario's 7x24 forward prices fell \$1.00 for Balance of Year. On peak prices fell for Quarter 1 and Balance of Year by \$2.00 and \$1.00/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

### For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$58.75	\$67.75	\$37.00	\$41.00
Oct-06	\$72.25	\$89.25	\$40.00	\$45.00
Oct-Dec 06	\$69.25	\$85.75	\$47.00	\$53.00
Q1-2007	\$67.50	\$83.00	\$69.00	\$80.00
Cal-2007	\$64.25	\$81.00	\$60.00	\$73.00

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

### For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$37.75	\$42.00	\$42.00	\$27.75	\$34.10
Oct-06	\$37.25	\$44.10	\$43.75	\$35.00	\$40.10
Nov-06	\$46.25	\$52.25	\$51.50	\$40.70	\$48.55
Q4-2006	\$47.50	\$53.70	\$52.83	\$41.73	\$50.00
Cal-2007	\$58.73	\$70.08	\$70.94	\$56.63	\$69.71

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$38.80	\$63.27
Nov-06	\$40.70	\$64.26
Dec-06	\$42.85	\$64.99
Q4-2006	\$40.78	\$64.17
Cal-2007	\$49.37	\$67.38

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 22, 2006 that crude oil stocks decreased 0.1 to 324.8 MMB. Distillate inventories increased to 151.3 MMB. Gasoline inventories, at 213.9 MMB, have increased by 6.3 MMB since last week. Residual fuel oil inventories increased by 0.7MMB to 43.2 MMB. Overall, US inventories have increased by 9.2 MMB, and now stand at 1084.6 MMB.

## Working Gas in Underground Storage - Source EIA

### For the week ending September 22nd, 2006 (in Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,254	3,177	2,877
Producing	942	915	783
East	1,876	1,835	1,691
West	438	427	403

For more information, please call Shell Trading:

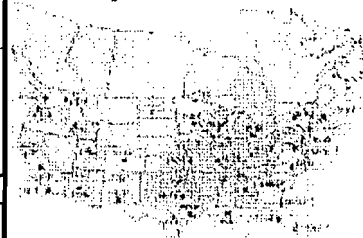
Calgary: 1-403-216-3516

Cambridge: 1-519-820-7726

Toll Free: 1-866-70-SHELL

## Weather Report

### 6 to 10 Day Outlook



The Western US will see cool temperatures next week. The Eastern US will see warmer than average temperatures next week.

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Shell Trading

## Daily Energy Market Update

September 29, 2006

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000GJ/day)

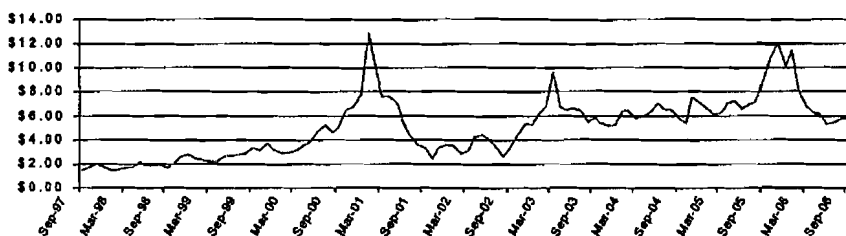
Cdn\$/GJ	Oct-06	Nov-06	Dec-06	Nov-06- Mar-07	Apr-07- Oct-07	Nov-06- Oct-07
AECO/NIT, AB	\$3.58	\$5.22	\$6.87	\$6.67	\$6.73	\$6.71
Prem/(Disc) to Index	(\$0.64)					
Empress, AB	\$3.68	\$5.34	\$7.00	\$6.80	\$6.84	\$6.82
US/MMBtu						
NYMEX/Henry Hub	\$4.20	\$5.62	\$7.35	\$7.28	\$7.39	\$7.34
AECO/NIT, AB Basis	(\$0.85)	(\$0.68)	(\$0.83)	(\$0.94)	(\$0.97)	(\$0.96)
Chicago	\$0.00	\$0.01	(\$0.01)	(\$0.08)	(\$0.12)	(\$0.11)
Transco Zone 6 NY	\$0.36	\$0.59	\$1.55	\$2.62	\$0.69	\$1.49
Sumas, BC	(\$0.36)	NA	NA	NA	NA	NA
Dawn, ON	(\$0.05)	\$0.20	\$0.23	\$0.14	\$0.13	\$0.13
Niagara, ON	\$0.05	\$0.34	\$0.43	\$0.42	\$0.22	\$0.31

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO fell \$0.40 to C\$3.42/GJ. Forward pricing for November and December increased by \$0.29 and \$0.33/GJ. The Winter Strip fell \$0.31GJ. The Henry Hub forward prices rose in November and December by \$0.23 and \$0.327USD/MMBtu. The Winter Strip and Gas Year 2007 gained \$0.29 and \$0.23/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

Baseload prices in Alberta gained \$1.00/MWh for Quarter 1 2007. On-peak prices increased for Balance of Year by \$2.75/MWh. Ontario's 7x24 forward prices rose \$1.00 for Balance of Year. On peak prices were up for Quarter 1 and Balance of Year by \$3.00 and \$2.00/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-06	\$55.25	\$42.50	\$37.00	\$41.00
Oct-06	\$75.50	\$94.75	\$40.00	\$45.00
Oct-Dec 06	\$70.75	\$88.50	\$48.00	\$55.00
Q1-2007	\$68.50	\$84.50	\$71.00	\$83.00
Cal-2007	\$64.75	\$81.75	\$62.00	\$75.00

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-06	\$37.75	\$42.00	\$42.00	\$27.75	\$34.10
Oct-06	\$37.50	\$43.50	\$43.25	\$33.75	\$38.85
Nov-06	\$47.50	\$53.75	\$53.00	\$41.45	\$49.30
Q4-2006	\$48.50	\$54.58	\$53.75	\$42.38	\$50.65
Cal-2007	\$59.81	\$71.21	\$72.06	\$58.30	\$71.42

## Crude and Products - Source Starsupply

	NYH 1% Residual	WTI
Oct-06	\$38.80	\$63.29
Nov-06	\$40.85	\$64.47
Dec-06	\$43.00	\$65.30
Q4-2006	\$40.88	\$64.35
Cal-2007	\$49.52	\$68.06

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 22, 2006 that crude oil stocks decreased 0.1 to 324.8 MMB. Distillate inventories increased to 151.3 MMB. Gasoline inventories, at 213.9 MMB, have increased by 6.3 MMB since last week. Residual fuel oil inventories increased by 0.7MMB to 43.2 MMB. Overall, US inventories have increased by 9.2 MMB, and now stand at 1084.6 MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 22nd, 2006 (In Bcf)

	This Week	Last Week	5-Year Average
Working Gas	3,254	3,177	2,877
Producing	942	915	783
East	1,876	1,835	1,691
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## For more information, please call Shell Trading:

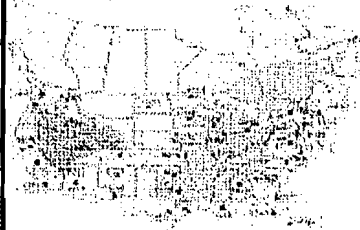
Calgary: 1-403-216-3615

Cambridge: 1-519-620-7726

Toll Free: 1-888-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The Western US will see cool temperatures this period. The Eastern US will see a mixture of warmer and cooler than average temperatures this week.

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BANK OF CANADA  
BANQUE DU CANADACELEBRATING 75 YEARS  
CÉLÉBRONS 75 ANS

	Currency	ISO 4217
	U.S. dollar (noon)	USD
Low [ high ]	28/09/2006	1.1109 CAD [ 0.9002 USD ]
Average	18/09/2006 — 29/09/2006	1.1178 CAD [ 0.8946 USD ]
High [ low ]	20/09/2006	1.1273 CAD [ 0.8871 USD ]
Date	1 USD -> CAD	1 CAD -> USD
18/09/2006	1.1171	0.8952
19/09/2006	1.1232	0.8903
20/09/2006	1.1273	0.8871
21/09/2006	1.1195	0.8933
22/09/2006	1.1172	0.8951
25/09/2006	1.1162	0.8959
26/09/2006	1.1160	0.8961
27/09/2006	1.1151	0.8968
28/09/2006	1.1109	0.9002
29/09/2006	1.1153	0.8966

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## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

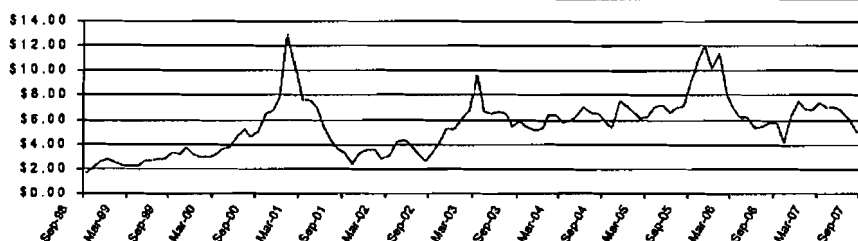
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07	Apr-08	Nov-07
AECO/NIT, AB	\$5.46	\$6.10	\$6.77	\$6.69	\$6.68	\$6.68
Prem/(Disc) to Index	\$0.20					
Empress, AB	\$5.57	\$6.22	\$6.89	\$6.81	\$6.79	\$6.80
Station 2, BC	\$5.44	\$6.11	\$6.85	\$6.72	\$6.57	\$6.63
US/MMBtu						
Henry Hub	\$6.65	\$7.32	\$7.93	\$7.98	\$7.82	\$7.88
Sumas, BC	\$6.10	\$6.87	\$7.86	\$7.63	\$7.15	\$7.33
AECO/NIT, Basis	(\$1.07)	(\$1.07)	(\$1.00)	(\$1.14)	(\$0.98)	(\$1.04)
Chicago, Basis	(\$0.15)	(\$0.15)	(\$0.13)	(\$0.16)	(\$0.15)	(\$0.15)
Transco Zone 6 NY, Basis	\$0.48	\$0.72	\$1.75	\$2.57	\$0.72	\$1.43
Dawn, ON, Basis	\$0.02	\$0.16	\$0.20	\$0.10	\$0.21	\$0.16
Niagara, ON, Basis	\$0.13	\$0.34	\$0.44	\$0.40	\$0.33	\$0.35

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO decreased \$0.13/GJ to C\$5.00/GJ. The prices for October, November and December deliveries fell by \$0.24, \$0.19 and C\$0.10/GJ. The Gas Year 2008 price decreased \$0.10/GJ. The Henry Hub forward prices for October, November and December deliveries shed \$0.37, \$0.27 and \$0.18USD/MMBtu respectively, and the Winter Strip decreased by \$0.17USD/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta rose for Calendar Year 2008 by \$0.25/MWh. On-peak prices increased for Balance of Year by \$0.75/MWh. In Ontario, the 7x24 price for Calendar Year 2008 gained \$0.47/MWh. On-peak prices increased for the Balance of Year by \$0.33/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sep-07	\$60.50	\$76.00	\$46.00	\$58.00
Oct-07	\$78.50	\$102.50	\$46.75	\$56.00
Nov-07	\$81.00	\$104.25	\$46.75	\$56.00
Q4 - 07	\$81.25	\$105.50	\$47.92	\$58.00
Cal - 08	\$88.50	\$117.00	\$54.95	\$69.14

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$53.50	\$60.25	\$60.00	\$58.00	\$61.85
Oct-07	\$54.50	\$62.60	\$62.25	\$49.40	\$57.50
Nov-07	\$59.50	\$65.25	\$64.50	\$50.30	\$58.40
Q4-2007	\$60.38	\$66.87	\$66.08	\$51.10	\$59.42
Cal-2008	\$63.81	\$75.64	\$76.13	\$64.78	\$77.40

## Crude and Products - Source Starsupply, a subsidiary of GPI Group, Inc.

	NYH 1% Residual	WTI
Oct-07	\$57.95	\$78.93
Nov-07	\$58.80	\$77.73
Dec-07	\$59.45	\$77.02
Q1-2008	\$59.78	\$76.02
Cal-2008	\$58.89	\$74.65

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 7th, 2007 that crude oil stocks decreased by 7.1 to 322.6MMB. Distillate inventories increased 1.8 to 134.0MMB. Gasoline inventories, at 190.4MMB, have decreased by 0.5MMB since last week. Residual fuel oil inventories increased by 0.4 to 36.8MMB. Overall, US inventories have decreased by 3.4MMB, and now stand at 1019.1MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 7, 2007 (in Bcf)

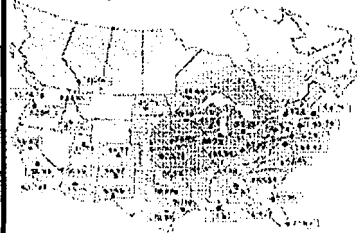
	This Week	Last Week	5-Year Average
Working Gas	3,069	3,005	2,809
Producing	915	903	802
East	1,746	1,696	1,627
West	408	406	380

## For more information, please call Shell Trading:

Calgary: 1-403-216-3515      Cambridge: 1-519-620-7726  
Vancouver: 1-604-582-6440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



For the next two weeks, ridging looks to be the main feature in the Eastern US/Canada, while troughing digs, weakens, and then digs again through the West. This will give us a warm East and a cool West, lasting until the beginning of October.

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Shell Trading

## Daily Energy Market Update

September 18, 2007

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

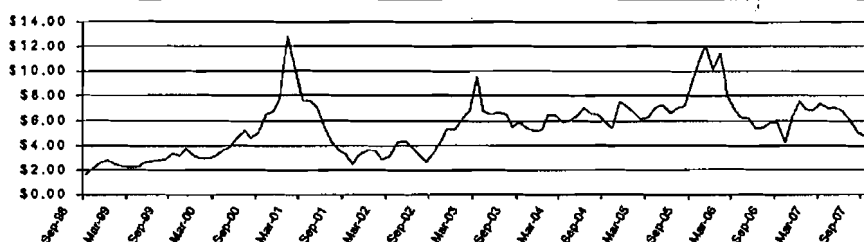
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07- Mar-08	Apr-08- Oct-08	Nov-07- Oct-08
AECO/NIT, AB	\$5.36	\$5.98	\$6.66	\$6.58	\$6.63	\$6.61
Prem/(Disc) to Index	\$0.15					
Empress, AB	\$5.46	\$6.10	\$6.78	\$6.70	\$6.74	\$6.72
Station 2, BC	\$5.34	\$5.99	\$6.74	\$6.61	\$6.52	\$6.56
<b>US/MMBtu</b>						
Henry Hub	\$6.57	\$7.23	\$7.86	\$7.90	\$7.76	\$7.81
Sumas, BC	\$6.02	\$6.78	\$7.79	\$7.55	\$7.11	\$7.28
AECO/NIT, Basis	(\$1.05)	(\$1.06)	(\$0.99)	(\$1.12)	(\$0.94)	(\$1.01)
Chicago, Basis	(\$0.13)	(\$0.15)	(\$0.13)	(\$0.15)	(\$0.15)	(\$0.15)
Transco Zone 6 NY, Basis	\$0.48	\$0.69	\$1.67	\$2.50	\$0.72	\$1.40
Dawn, ON, Basis	\$0.00	\$0.16	\$0.20	\$0.10	\$0.22	\$0.17
Niagara, ON, Basis	\$0.11	\$0.34	\$0.44	\$0.40	\$0.34	\$0.36

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO decreased \$0.04/GJ to C\$4.96/GJ. The prices for October, November and December deliveries fell by \$0.10, \$0.12 and C\$0.11/GJ. The Gas Year 2008 price decreased \$0.07/GJ. The Henry Hub forward prices for October, November and December deliveries shed \$0.08, \$0.09 and \$0.07USD/MMBtu respectively, and the Winter Strip decreased by \$0.08USD/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for Calendar Year 2008 by \$0.25/MWh. On-peak prices decreased for Balance of Year by \$0.50/MWh. In Ontario, the 7x24 price for Calendar Year 2008 lost \$1.09/MWh. On-peak prices decreased for the Balance of Year by \$0.33/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$58.75	\$73.00	\$46.00	\$58.00
Oct-07	\$77.25	\$100.25	\$46.00	\$56.00
Nov-07	\$81.25	\$104.50	\$46.25	\$56.00
Q4 - 07	\$81.00	\$105.00	\$47.33	\$57.67
Cal - 08	\$88.25	\$116.50	\$53.86	\$67.76

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$51.25	\$57.25	\$57.00	\$55.25	\$61.35
Oct-07	\$53.20	\$60.75	\$60.50	\$48.90	\$56.75
Nov-07	\$58.50	\$64.25	\$63.50	\$50.00	\$57.85
Q4-2007	\$59.23	\$65.48	\$64.75	\$50.60	\$58.70
Cal-2008	\$63.00	\$74.77	\$75.25	\$64.14	\$76.75

## Crude and Products - Source Starsupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Oct-07	\$58.35	\$79.86
Nov-07	\$59.30	\$78.54
Dec-07	\$59.95	\$77.76
Q1-2008	\$60.27	\$76.64
Cal-2008	\$59.35	\$75.02

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 7th, 2007 that crude oil stocks decreased by 7.1 to 322.6MMB. Distillate inventories increased 1.8 to 134.0MMB. Gasoline inventories, at 190.4MMB, have decreased by 0.5MMB since last week. Residual fuel oil inventories increased by 0.4 to 36.8MMB. Overall, US inventories have decreased by 3.4MMB, and now stand at 1019.1MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 7, 2007 (in Bcf)

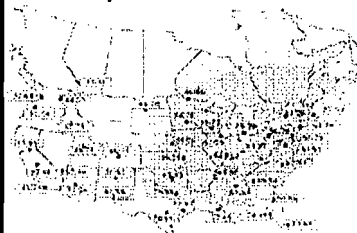
	This Week	Last Week	5-Year Average
Working Gas	3,069	3,005	2,809
Producing	915	903	802
East	1,746	1,696	1,627
West	408	406	380

## For more information, please call Shell Trading:

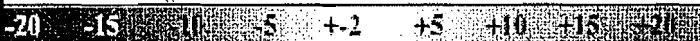
Calgary: 1-403-216-3515      Cambridge: 1-619-620-7726  
Vancouver: 1-604-682-6440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



Even though a few weak fronts will move across the Eastern US, a warmer to much warmer pattern is expected to dominate on average for the next two weeks. Like the East, the West will see periods of near normal as well, but the coolness will prevail for most areas.



The entities comprising the Shell Trading Network and their affiliates make no representation as to the accuracy or completeness of the information contained herein or otherwise provided by the Shell Trading Network, their affiliates or third parties, and accept no responsibility or liability, in contract, in tort, in negligence, or otherwise, should the information be found to be inaccurate or incomplete in any respect. The entities comprising the Shell Trading Network and their affiliates are not acting as an advisor to the recipient of this information, and the ultimate decision to proceed with any transaction rests solely with the recipient of this information. Therefore, prior to entering into any proposed transaction, the recipient of this information should determine, without reliance upon the Shell Trading Network or their affiliates, the economic risks and merits, as well as the legal, tax, and accounting characterizations and consequences, of the transaction and that it is able to assume these risks. This information is neither an offer to sell nor the solicitation of an offer to enter into a transaction. The entities comprising the Shell Trading Network and their affiliates, may act as principal or agent in similar transactions or in transactions with respect to instruments underlying a proposed transaction. This document and its content are proprietary information and products, and contain the view of the entities comprising the Shell Trading Network and their affiliates, or third parties and may not be reproduced or otherwise disseminated in whole or in part without written consent.



Shell Trading

## Daily Energy Market Update

September 19, 2007

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

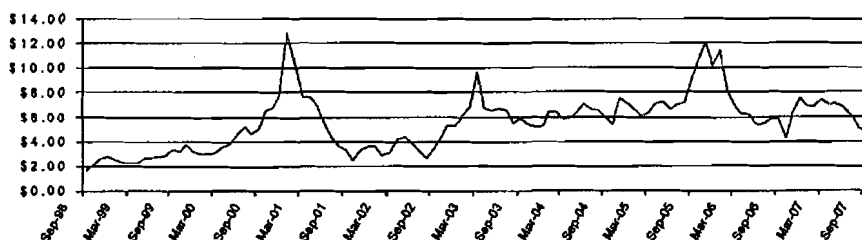
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07- Mar-08	Apr-08- Oct-08	Nov-07- Oct-08
AECO/NIT, AB	\$4.93	\$5.64	\$6.37	\$6.28	\$6.41	\$6.36
Prem/(Disc) to Index	(\$0.03)					
Empress, AB	\$5.04	\$5.76	\$6.49	\$6.40	\$6.52	\$6.47
Station 2, BC	\$4.91	\$5.65	\$6.45	\$6.32	\$6.30	\$6.31
US/MMBtu						
Henry Hub	\$6.18	\$6.91	\$7.62	\$7.66	\$7.59	\$7.62
Sumas, BC	\$5.65	\$6.48	\$7.54	\$7.30	\$6.93	\$7.08
AECO/NIT, Basis	(\$1.05)	(\$1.04)	(\$0.99)	(\$1.12)	(\$0.94)	(\$1.01)
Chicago, Basis	(\$0.19)	(\$0.15)	(\$0.12)	(\$0.14)	(\$0.15)	(\$0.14)
Transco Zone 6 NY, Basis	\$0.46	\$0.67	\$1.63	\$2.43	\$0.69	\$1.36
Dawn, ON, Basis	\$0.01	\$0.18	\$0.20	\$0.11	\$0.22	\$0.17
Niagara, ON, Basis	\$0.12	\$0.35	\$0.44	\$0.41	\$0.34	\$0.36

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO decreased \$0.08/GJ to C\$4.88/GJ. The prices for October, November and December deliveries fell by \$0.43, \$0.34 and C\$0.29/GJ in that order. The Gas Year 2008 price decreased C\$0.25/GJ. The Henry Hub forward prices for October, November and December deliveries shed \$0.39, \$0.32 and \$0.24USD/MMBtu respectively. The Gas Year 2008 price decreased by \$0.19USD/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for the Balance of 2007 by \$1.25/MWh. On-peak prices decreased for the same time frame by \$2.00/MWh. In Ontario, the 7x24 price for Calendar Year 2008 lost \$1.02/MWh. On-peak prices decreased for the Balance of Year by \$1.59/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB8x16	ON7x24	ON5x16
Sept-07	\$58.50	\$72.50	\$45.00	\$56.00
Oct-07	\$75.50	\$97.25	\$45.00	\$53.25
Nov-07	\$80.50	\$103.50	\$45.50	\$54.00
Q4 - 07	\$79.75	\$103.00	\$46.75	\$56.08
Cal - 08	\$88.25	\$116.50	\$52.84	\$66.39

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mkt-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$48.75	\$53.50	\$53.25	\$54.25	\$60.35
Oct-07	\$51.25	\$58.05	\$57.75	\$47.20	\$54.55
Nov-07	\$56.65	\$62.25	\$61.50	\$48.15	\$55.75
Q4-2007	\$57.53	\$63.35	\$62.67	\$48.98	\$56.83
Cal-2008	\$62.19	\$73.73	\$74.21	\$62.78	\$75.36

## Crude and Products - Source StarSupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Oct-07	\$58.60	\$80.44
Nov-07	\$59.60	\$79.32
Dec-07	\$60.20	\$78.64
Q1-2008	\$60.48	\$77.52
Cal-2008	\$59.55	\$75.88

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 14th, 2007 that crude oil stocks decreased by 3.8 to 318.8MMB. Distillate inventories increased 1.5 to 135.5MMB. Gasoline inventories, at 190.8MMB, have increased by 0.4MMB since last week. Residual fuel oil inventories increased by 0.3 to 37.1MMB. Overall, US inventories have decreased by 2.8MMB, and now stand at 1016.3MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 7, 2007 (in Bcf)

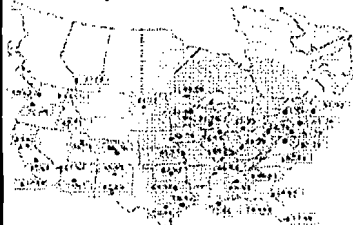
	This Week	Last Week	5-Year Average
Working Gas	3,069	3,005	2,809
Producing	915	903	802
East	1,746	1,696	1,627
West	408	406	380

## For more information, please call Shell Trading:

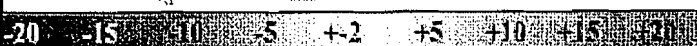
Calgary: 1-403-216-3615      Cambridge: 1-619-820-7726  
Vancouver: 1-604-682-6440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



A few weak cold fronts will move through the East bringing things back to normal for a day or two, but moderate to strong warmth will return. The West will have a cool-normal-cool pattern, with the Coastal areas seeing some of the strongest cooling.



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## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

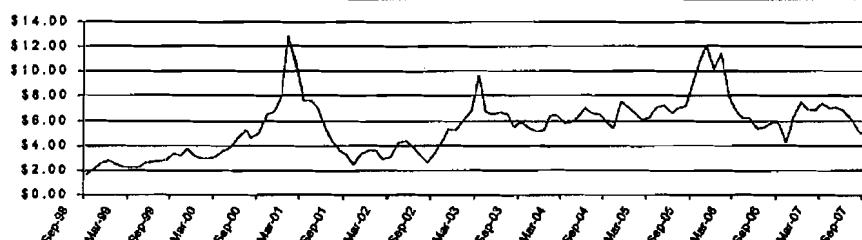
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07	Apr-08	Nov-07
				Mar-08	Oct-08	Oct-08
AECO/NIT, AB	\$4.75	\$5.64	\$6.46	\$6.36	\$6.46	\$6.42
Prem/(Disc) to Index	(\$0.09)					
Empress, AB	\$4.86	\$5.76	\$6.58	\$6.48	\$6.57	\$6.53
Station 2, BC	\$4.73	\$5.65	\$6.54	\$6.39	\$6.35	\$6.37
US/MMBtu						
Henry Hub	\$6.01	\$6.98	\$7.79	\$7.81	\$7.72	\$7.76
Sumas, BC	\$5.49	\$6.56	\$7.73	\$7.47	\$7.08	\$7.23
AECO/NIT, Basis	(\$1.00)	(\$1.03)	(\$0.98)	(\$1.11)	(\$0.93)	(\$1.00)
Chicago, Basis	(\$0.18)	(\$0.15)	(\$0.11)	(\$0.14)	(\$0.14)	(\$0.14)
Transco Zone 6 NY, Basis	\$0.46	\$0.68	\$1.62	\$2.39	\$0.69	\$1.34
Dawn, ON, Basis	\$0.04	\$0.19	\$0.21	\$0.12	\$0.24	\$0.19
Niagara, ON, Basis	\$0.15	\$0.36	\$0.44	\$0.42	\$0.36	\$0.38

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO decreased \$0.27/GJ to C\$4.61/GJ. The price for October deliveries fell by \$0.18, while December deliveries were up C\$0.09/GJ. The Gas Year 2008 price gained C\$0.06/GJ. The Henry Hub forward prices for October deliveries shed \$0.17, while November and December deliveries were up \$0.07 and \$0.17USD/MMBtu respectively.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for the Calendar Year 2008 by \$1.50/MWh. On-peak prices decreased for the same time frame by \$2.75/MWh. In Ontario, the 7x24 price for Calendar Year 2008 gained \$0.27/MWh. On-peak prices decreased for the Balance of Year by \$1.00/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$58.50	\$72.50	\$45.00	\$57.00
Oct-07	\$75.50	\$97.25	\$44.50	\$53.00
Nov-07	\$80.50	\$103.50	\$45.50	\$54.25
Q4 - 07	\$79.75	\$103.00	\$46.17	\$55.08
Cal - 08	\$86.75	\$113.75	\$53.11	\$66.86

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$50.50	\$54.25	\$54.00	\$48.25	\$60.35
Oct-07	\$50.50	\$56.30	\$56.00	\$46.15	\$53.35
Nov-07	\$57.25	\$63.00	\$62.25	\$48.75	\$55.85
Q4-2007	\$58.15	\$63.77	\$63.08	\$49.30	\$56.85
Cal-2008	\$63.35	\$74.94	\$75.40	\$63.99	\$76.46

## Crude and Products - Source Starsupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Oct-07		\$81.28
Nov-07		\$80.16
Dec-07	NOT AVAILABLE	\$79.55
Q1-2008		\$78.51
Cal-2008		\$76.82

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 14th, 2007 that crude oil stocks decreased by 3.8 to 318.8MMB. Distillate inventories increased 1.5 to 135.5MMB. Gasoline inventories, at 190.8MMB, have increased by 0.4MMB since last week. Residual fuel oil inventories increased by 0.3 to 37.1MMB. Overall, US inventories have decreased by 2.8MMB, and now stand at 1016.3MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 14, 2007 (in Bcf)

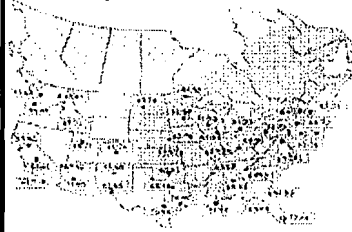
	This Week	Last Week	5-Year Average
Working Gas	3,132	3,069	2,894
Producing	931	915	824
East	1,787	1,746	1,681
West	414	408	389

## For more information, please call Shell Trading:

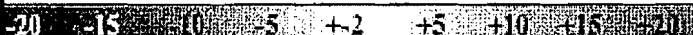
Calgary: 1-403-216-3615      Cambridge: 1-519-620-7726  
Vancouver: 1-604-682-6440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



The warmth in the Eastern US is unusually strong this week, but that will drop off next week as a weak trough moves across the Upper Great Lakes. The Western States will see wet and cool weather as on and off again troughing continues into early October.



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Shell Trading

## Daily Energy Market Update

September 21, 2007

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

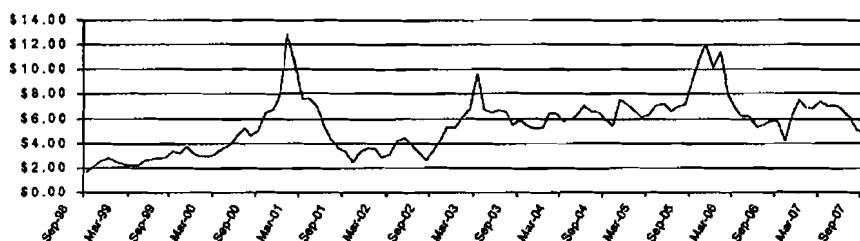
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov07-Mar08	Apr08-Oct08	Nov07-Oct08
AECO/NIT, AB	\$4.85	\$5.65	\$6.48	\$6.38	\$6.50	\$6.45
Prem/(Disc) to Index	(\$0.05)					
Empress, AB	\$4.96	\$5.77	\$6.60	\$6.50	\$6.61	\$6.57
Station 2, BC	\$4.83	\$5.66	\$6.56	\$6.42	\$6.39	\$6.40
US/MMBtu						
Henry Hub	\$6.08	\$6.99	\$7.82	\$7.84	\$7.77	\$7.80
Sumas, BC	\$5.57	\$6.58	\$7.76	\$7.51	\$7.13	\$7.28
AECO/NIT, Basis	(\$0.96)	(\$1.03)	(\$0.99)	(\$1.11)	(\$0.92)	(\$1.00)
Chicago, Basis	(\$0.14)	(\$0.15)	(\$0.11)	(\$0.14)	(\$0.14)	(\$0.14)
Transco Zone 6 NY, Basis	\$0.47	\$0.68	\$1.59	\$2.37	\$0.70	\$1.34
Dawn, ON, Basis	\$0.07	\$0.19	\$0.22	\$0.12	\$0.24	\$0.19
Niagara, ON, Basis	\$0.18	\$0.37	\$0.45	\$0.42	\$0.36	\$0.38

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO increased \$0.02/GJ to C\$4.63/GJ. The price for October, November, and December deliveries rose by C\$0.10, \$0.01, \$0.02/GJ respectively. The Gas Year 2008 price gained C\$0.03/GJ. The Henry Hub forward prices for October, November, and December deliveries increased \$0.07, \$0.01, and \$0.03 USD/MMBtu correspondingly.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta rose for the Balance of 2007 by \$0.25/MWh. On-peak prices increased for Calendar 2008 by \$0.25/MWh. In Ontario, the 7x24 price for Calendar Year 2008 gained \$0.80/MWh. On-peak prices increased for the same time frame by \$1.00/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$58.25	\$72.25	\$45.00	\$57.00
Oct-07	\$75.75	\$97.75	\$44.50	\$53.00
Nov-07	\$80.75	\$103.50	\$45.50	\$54.25
Q4 - 07	\$80.00	\$103.25	\$46.17	\$55.08
Cal - 08	\$86.75	\$114.00	\$53.91	\$67.86

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sept-07	\$51.00	\$54.25	\$54.00	\$50.50	\$58.60
Oct-07	\$50.75	\$56.80	\$56.50	\$48.25	\$53.60
Nov-07	\$57.50	\$63.25	\$62.50	\$48.50	\$55.75
Q4-2007	\$58.50	\$64.18	\$63.50	\$49.35	\$57.00
Cal-2008	\$63.56	\$75.25	\$75.71	\$64.17	\$76.72

## Crude and Products - Source Starsupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Oct-07	\$58.80	\$81.32
Nov-07	\$60.00	\$80.38
Dec-07	\$60.80	\$79.84
Q1-2008	\$61.32	\$78.98
Cal-2008	\$60.53	\$7.45

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 14th, 2007 that crude oil stocks decreased by 3.8 to 318.8MMB. Distillate inventories increased 1.5 to 135.5MMB. Gasoline inventories, at 190.8MMB, have increased by 0.4MMB since last week. Residual fuel oil inventories increased by 0.3 to 37.1MMB. Overall, US inventories have decreased by 2.8MMB, and now stand at 1016.3MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 14, 2007 (in Bcf)

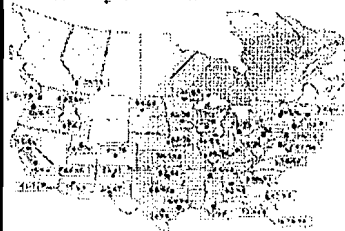
	This Week	Last Week	5-Year Average
Working Gas	3,132	3,069	2,894
Producing	931	915	824
East	1,787	1,746	1,681
West	414	408	389

## For more information, please call Shell Trading:

Calgary: 1-403-216-3615 Cambridge: 1-619-820-7726  
Vancouver: 1-604-882-6440 Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



Strong warmth in the near term will give way to weak cooling by the late week or early weekend across Eastern Canada and the Northeast. The Western US should be volatile but generally cooler and wetter, especially in the Northwest.

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## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

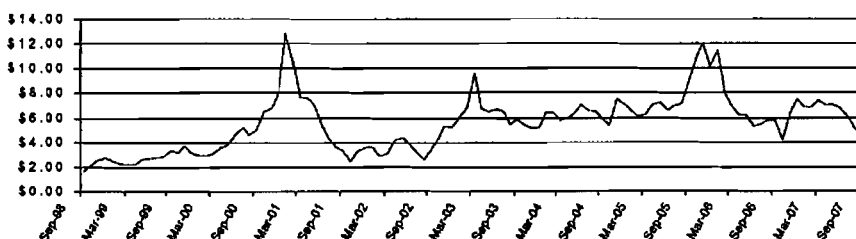
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07 Mar-08	Apr-08 Oct-08	Nov-07 Oct-08
AECO/NIT, AB	\$5.15	\$5.81	\$6.57	\$6.47	\$6.55	\$6.52
Prem/(Disc) to Index	\$0.15					
Empruss, AB	\$5.26	\$5.93	\$6.69	\$6.59	\$6.66	\$6.64
Station 2, BC	\$5.13	\$5.82	\$6.65	\$6.50	\$6.44	\$6.47
US/MMBtu						
Henry Hub	\$6.37	\$7.17	\$7.92	\$7.95	\$7.83	\$7.88
Sumas, BC	\$5.84	\$6.74	\$7.85	\$7.60	\$7.19	\$7.35
AECO/NIT, Basis	(\$0.95)	(\$1.04)	(\$0.98)	(\$1.12)	(\$0.93)	(\$1.00)
Chicago, Basis	(\$0.18)	(\$0.15)	(\$0.11)	(\$0.14)	(\$0.13)	(\$0.13)
Transco Zone 6 NY, Basis	\$0.45	\$0.68	\$1.60	\$2.39	\$0.70	\$1.35
Dawn, ON, Basis	\$0.06	\$0.19	\$0.22	\$0.12	\$0.25	\$0.20
Niagara, ON, Basis	\$0.17	\$0.37	\$0.45	\$0.42	\$0.37	\$0.39

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO increased \$0.16/GJ to C\$4.79/GJ. The prices for October, November, and December deliveries rose by C\$0.30, \$0.16, \$0.09/GJ respectively. The Gas Year 2008 price gained C\$0.07/GJ. The Henry Hub forward prices for October, November, and December deliveries increased \$0.29, \$0.18, and \$0.10USD/MMBtu correspondingly.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for the Balance of 2007 by \$0.50/MWh. On-peak prices decreased for Calendar 2008 by \$2.75/MWh. In Ontario, the 7x24 price for Calendar Year 2008 gained \$0.56/MWh. On-peak prices increased for the same time frame by \$0.71/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$56.00	\$72.00	\$45.00	\$54.00
Oct-07	\$74.25	\$95.00	\$44.50	\$53.90
Nov-07	\$81.25	\$104.50	\$45.50	\$54.50
Q4 - 07	\$79.50	\$102.50	\$46.25	\$55.55
Cal - 08	\$85.25	\$111.25	\$54.47	\$68.57

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sept-07	\$51.50	\$55.25	\$55.00	\$46.50	\$71.10
Oct-07	\$51.00	\$58.15	\$57.75	\$47.75	\$55.65
Nov-07	\$58.00	\$64.25	\$63.50	\$49.30	\$56.90
Q4-2007	\$58.88	\$65.13	\$64.42	\$50.30	\$58.33
Cal-2008	\$63.96	\$75.92	\$76.38	\$64.78	\$77.38

## Crude and Products - Source Starsupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Nov-07	\$60.05	\$79.84
Dec-07	\$60.85	\$79.41
Jan-08	\$61.70	\$79.06
Q1-2008	\$61.37	\$78.69
Cal-2008	\$60.58	\$77.48

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 14th, 2007 that crude oil stocks decreased by 3.8 to 318.8MMB. Distillate inventories increased 1.5 to 135.5MMB. Gasoline inventories, at 190.8MMB, have increased by 0.4MMB since last week. Residual fuel oil inventories increased by 0.3 to 37.1MMB. Overall, US inventories have decreased by 2.8MMB, and now stand at 1016.3MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 14, 2007 (in Bcf)

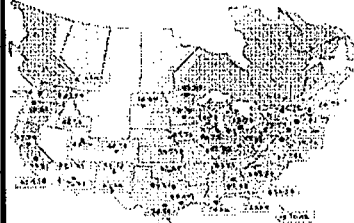
	This Week	Last Week	5-Year Average
Working Gas	3,132	3,069	2,894
Producing	931	915	824
East	1,787	1,746	1,681
West	414	408	389

## For more information, please call Shell Trading:

Calgary: 1-403-216-3515      Cambridge: 1-619-620-7726  
Vancouver: 1-604-682-8440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



Troughing is holding over the Pacific Northwest and BC, while a strong ridge remains in the Eastern US and Canada. This will keep the "much aboves" on the charts east of the Rockies and Plains, while a cooler and wetter pattern holds west of the Divide.

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Shell Trading

# Daily Energy Market Update

September 25, 2007

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

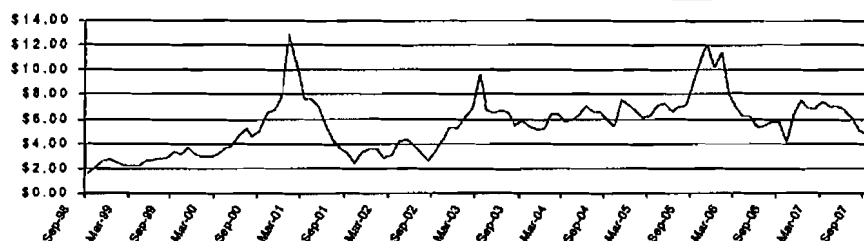
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07	Apr-08	Nov-07
AECO/NIT, AB	\$5.14	\$5.76	\$6.45	Mar-08	Oct-08	Oct-08
Prem/(Disc) to Index	\$0.13					
Empress, AB	\$5.25	\$5.88	\$6.57	\$6.49	\$6.59	\$6.55
Station 2, BC	\$5.12	\$5.77	\$6.53	\$6.40	\$6.37	\$6.39
US/MMBtu						
Henry Hub	\$6.36	\$7.09	\$7.79	\$7.83	\$7.76	\$7.79
Sumas, BC	\$5.87	\$6.67	\$7.73	\$7.50	\$7.12	\$7.27
AECO/NIT, Basis	(\$0.95)	(\$1.02)	(\$0.99)	(\$1.12)	(\$0.92)	(\$1.00)
Chicago, Basis	(\$0.15)	(\$0.15)	(\$0.11)	(\$0.14)	(\$0.13)	(\$0.13)
Transco Zone 6 NY, Basis	\$0.46	\$0.68	\$1.60	\$2.37	\$0.70	\$1.34
Dawn, ON, Basis	\$0.07	\$0.20	\$0.23	\$0.13	\$0.26	\$0.21
Niagara, ON, Basis	\$0.18	\$0.38	\$0.46	\$0.43	\$0.38	\$0.40

## Natural Gas Information

### Day Gas Source - NGX

The price for next day deliveries at AECO increased \$0.31/GJ to C\$5.10/GJ. The prices for October, November, and December deliveries fell by C\$0.01, \$0.05, \$0.12/GJ respectively. The Gas Year 2008 price shed C\$0.08/GJ. The Henry Hub forward prices for October, November, and December deliveries decreased \$0.01, \$0.08, and \$0.13USD/MMBtu correspondingly.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for the Balance of 2007 by \$0.50/MWh. On-peak prices decreased for Calendar 2008 by \$2.75/MWh. In Ontario, the 7x24 price for Calendar Year 2008 lost \$0.62/MWh. On-peak prices decreased for the same time frame by \$1.11/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

### For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$54.00	\$72.25	\$43.00	\$54.00
Oct-07	\$74.00	\$94.50	\$44.25	\$54.00
Nov-07	\$80.50	\$103.25	\$45.25	\$54.25
Cal - 07	\$79.00	\$101.50	\$46.08	\$55.50
Cal - 08	\$83.75	\$108.50	\$53.85	\$67.46

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

### For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$51.50	\$54.50	\$54.25	\$44.00	\$67.10
Oct-07	\$51.75	\$58.90	\$58.50	\$47.70	\$55.70
Nov-07	\$57.40	\$63.50	\$62.75	\$49.00	\$56.45
Cal-2007	\$58.55	\$64.80	\$64.08	\$49.90	\$57.92
Cal-2008	\$63.27	\$75.23	\$75.69	\$64.31	\$76.89

## Crude and Products - Source StarSupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Nov-07	\$59.15	\$78.45
Dec-07	\$59.95	\$77.91
Jan-08	\$60.75	\$77.50
Q1-2008	\$60.42	\$77.15
Cal-2008	\$59.73	\$76.05

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 14th, 2007 that crude oil stocks decreased by 3.8 to 318.8MMB. Distillate inventories increased 1.5 to 135.5MMB. Gasoline inventories, at 190.8MMB, have increased by 0.4MMB since last week. Residual fuel oil inventories increased by 0.3 to 37.1MMB. Overall, US inventories have decreased by 2.8MMB, and now stand at 1016.3MMB.

## Working Gas in Underground Storage - Source EIA

### For the week ending September 14, 2007 (in Bcf)

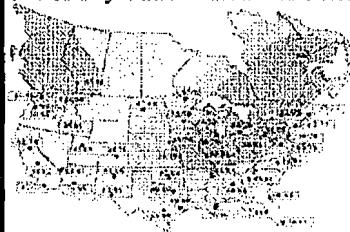
	This Week	Last Week	5-Year Average
Working Gas	3,132	3,069	2,894
Producing	931	915	824
East	1,787	1,746	1,681
West	414	408	389

## For more information, please call Shell Trading:

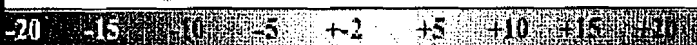
Calgary: 1-403-216-3616 Cambridge: 1-619-820-7726  
Vancouver: 1-604-682-8440 Toll Free: 1-866-70-SHELL

## Weather Report

### 6 to 10 Day Outlook



The strong ridge dominating the Central and Eastern US may persist into Mid-October, keeping temps well above normal. The West remains cool and wet, as a deep upper level low along the coast shoves moisture into the Cascades and Northern Rockies.



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Shell Trading

## Daily Energy Market Update

September 26, 2007

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

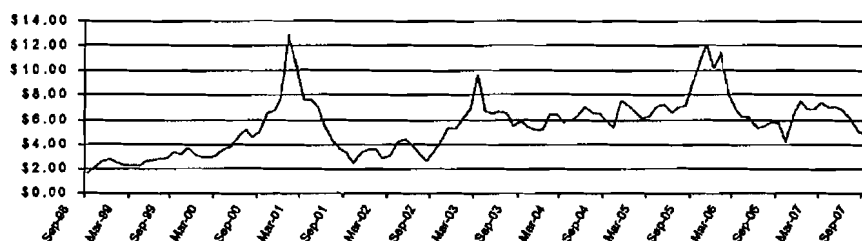
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07: Mar-08	Apr-08: Oct-08	Nov-07: Oct-08
AECO/NIT, AB	\$5.18	\$5.73	\$6.42	\$6.34	\$6.47	\$6.42
Prem/(Disc) to Index	\$0.15					
Empress, AB	\$5.28	\$5.85	\$6.54	\$6.46	\$6.58	\$6.53
Station 2, BC	\$5.16	\$5.74	\$6.50	\$6.37	\$6.36	\$6.37
US/MMBtu						
Henry Hub	\$6.42	\$7.05	\$7.75	\$7.79	\$7.73	\$7.75
Sumas, BC	\$5.96	\$6.65	\$7.70	\$7.47	\$7.08	\$7.23
AECO/NIT, Basis	(\$0.99)	(\$1.03)	(\$1.00)	(\$1.13)	(\$0.94)	(\$1.01)
Chicago, Basis	(\$0.15)	(\$0.15)	(\$0.11)	(\$0.14)	(\$0.13)	(\$0.13)
Transco Zone 6 NY, Basis	\$0.44	\$0.68	\$1.60	\$2.37	\$0.70	\$1.35
Dawn, ON, Basis	\$0.07	\$0.20	\$0.22	\$0.12	\$0.24	\$0.20
Niagara, ON, Basis	\$0.18	\$0.38	\$0.46	\$0.42	\$0.36	\$0.38

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO decreased \$0.04/GJ to C\$5.06/GJ. The prices for November and December deliveries fell by C\$0.03/GJ each. The Gas Year 2008 price shed C\$0.02/GJ, while the Winter Strip lost C\$0.03/GJ. The Henry Hub forward prices for November and December deliveries decreased \$0.04USD/MMBtu each. The Gas Year 2008 price also lost \$0.04USD/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta rose for the Balance of 2007 by \$0.25/MWh. On-peak prices decreased for Calendar 2008 by \$0.25/MWh. In Ontario, the 7x24 price for Calendar Year 2008 lost \$0.53/MWh. On-peak prices increased for the Balance of 2007 by \$0.25/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$50.50	\$67.75	\$43.00	\$54.00
Oct-07	\$74.00	\$98.00	\$45.00	\$55.50
Nov-07	\$80.50	\$106.75	\$45.25	\$54.50
Q4 - 07	\$79.25	\$104.00	\$46.33	\$56.08
Cal - 08	\$83.50	\$108.25	\$53.32	\$67.03

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$53.27	\$55.17	\$54.73	\$44.00	\$61.60
Oct-07	\$52.50	\$59.35	\$59.00	\$49.40	\$57.50
Nov-07	\$57.00	\$63.15	\$62.25	\$49.20	\$56.65
Q4-2007	\$58.50	\$64.58	\$63.83	\$50.50	\$58.55
Cal-2008	\$62.83	\$74.67	\$75.13	\$64.20	\$76.92

## Crude and Products - Source StarSupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Nov-07	\$58.05	\$78.30
Dec-07	\$59.85	\$77.65
Jan-08	\$60.65	\$77.22
Q1-2008	\$60.30	\$76.83
Cal-2008	\$59.49	\$75.56

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 21st, 2007 that crude oil stocks increased by 1.8 to 320.6MMB. Distillate inventories increased 1.6 to 137.1MMB. Gasoline inventories, at 191.4MMB, have increased by 0.6MMB since last week. Residual fuel oil inventories increased by 0.9 to 38.0MMB. Overall, US inventories have increased by 4.2MMB, and now stand at 1020.5MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 14, 2007 (in Bcf)

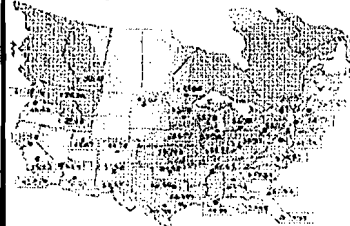
	This Week	Last Week	5-Year Average
Working Gas	3,132	3,069	2,894
Producing	931	915	824
East	1,787	1,746	1,681
West	414	408	389

## For more information, please call Shell Trading:

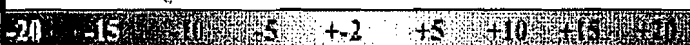
Calgary: 1-403-216-3516      Cambridge: 1-519-620-7726  
Vancouver: 1-604-682-8440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



While the East remains well above normal, the West continues to experience a cool and wet pattern, especially areas north of California. The Rockies will see a mix of things, but in general it will be cooler in the Northern Rockies and closer to normal in the Southern regions.



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## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

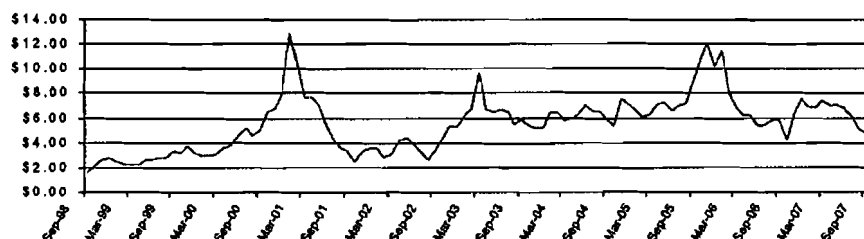
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov-07	Apr-08	Nov-07
AECO/NIT, AB	\$4.99	\$5.61	\$6.39	\$6.30	\$6.47	\$6.40
Prem/(Disc) to Index	\$0.00					
Empruss, AB	\$5.10	\$5.72	\$6.50	\$6.42	\$6.58	\$6.51
Station 2, BC	\$4.97	\$5.62	\$6.47	\$6.34	\$6.36	\$6.35
US/MMBtu						
Henry Hub	\$6.42	\$6.92	\$7.69	\$7.74	\$7.74	\$7.74
Sumas, BC	\$5.87	\$6.49	\$7.67	\$7.43	\$7.08	\$7.21
AECO/NIT, Basis	(\$1.17)	(\$1.01)	(\$0.97)	(\$1.11)	(\$0.94)	(\$1.00)
Chicago, Basis	(\$0.15)	(\$0.14)	(\$0.10)	(\$0.13)	(\$0.13)	(\$0.13)
Transco Zone 4 NY, Basis	\$0.27	\$0.69	\$1.56	\$2.34	\$0.69	\$1.33
Dawn, ON, Basis	\$0.07	\$0.21	\$0.23	\$0.13	\$0.25	\$0.20
Niagara, ON, Basis	\$0.18	\$0.38	\$0.46	\$0.43	\$0.37	\$0.39

## Natural Gas Information

## Day Gas Source - NGX

The price for next day deliveries at AECO decreased \$0.26/GJ to C\$4.80/GJ. The price for November deliveries fell by C\$0.12/GJ. The Gas Year 2008 price shed C\$0.02/GJ, while the Winter Strip lost C\$0.04/GJ. The Henry Hub forward prices for November and December deliveries decreased \$0.13 and \$0.06USD/MMBtu respectively, while Gas Year 2008 lost \$0.01USD/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for the Balance of 2007 by \$0.50/MWh. On-peak prices decreased for Calendar 2008 by \$0.50/MWh. In Ontario, the 7x24 price for Calendar Year 2008 lost \$0.19/MWh. On-peak prices decreased for the Balance of 2007 by \$0.33/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

## For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$47.50	\$62.00	\$43.00	\$54.00
Oct-07	\$73.50	\$97.00	\$45.00	\$54.50
Nov-07	\$80.25	\$105.75	\$45.00	\$54.50
Q4 - 07	\$78.75	\$103.25	\$46.25	\$55.75
Cal - 08	\$83.25	\$107.75	\$53.13	\$66.80

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

## For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
Sep-07	\$53.27	\$55.17	\$54.73	\$48.00	\$69.10
Oct-07	\$52.00	\$58.85	\$58.50	\$49.25	\$57.70
Nov-07	\$56.75	\$62.50	\$62.00	\$48.25	\$56.15
Q4-2007	\$58.08	\$64.08	\$63.50	\$49.92	\$58.32
Cal-2008	\$62.88	\$74.71	\$75.17	\$64.10	\$77.01

## Crude and Products - Source Starsupply, a subsidiary of GFI Group, Inc.

	NYH 1% Residual	WTI
Nov-07	\$60.25	\$81.02
Dec-07	\$61.00	\$80.05
Jan-08	\$61.75	\$79.36
Q1-2008	\$61.40	\$78.84
Cal-2008	\$60.55	\$77.10

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 21st, 2007 that crude oil stocks increased by 1.8 to 320.6MMB. Distillate inventories increased 1.6 to 137.1MMB. Gasoline inventories, at 191.4MMB, have increased by 0.6MMB since last week. Residual fuel oil inventories increased by 0.9 to 38.0MMB. Overall, US inventories have increased by 4.2MMB, and now stand at 1020.5MMB.

## Working Gas in Underground Storage - Source EIA

## For the week ending September 21, 2007 (In Bcf)

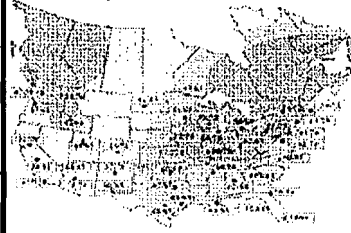
	This Week	Last Week	5-Year Average
Working Gas	3,206	3,132	2,968
Producing	951	931	841
East	1,831	1,787	1,730
West	424	414	397

## For more information, please call Shell Trading:

Calgary: 1-403-216-3515      Cambridge: 1-619-620-7726  
Vancouver: 1-604-682-6440      Toll Free: 1-866-70-SHELL

## Weather Report

## 6 to 10 Day Outlook



No real changes to the forecast for the next 10 days. Ridging remains dominant in the Eastern States, and this will not only warm the East but will cool the West and bring some early season snow/rains to the Pacific North West.

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# Daily Energy Market Update - September 28, 2007

Shell Energy North America

## Indicative Natural Gas Prices (For Physical Delivery)

Prices quoted are representative of wholesale quantities (1 contract/day or 10,000 GJ/day)

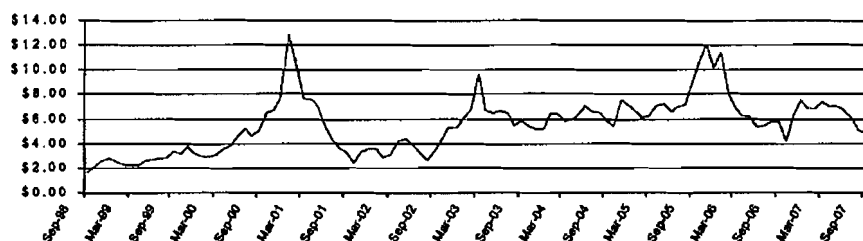
Cdn\$/GJ	Oct-07	Nov-07	Dec-07	Nov07-Mar08	Apr08-Oct08	Nov07-Oct08
AECO/NIT, AB	\$4.97	\$5.58	\$6.37	\$6.28	\$6.43	\$6.37
Prem/(Disc) to Index	(\$0.01)					
Empruss, AB	\$5.08	\$5.70	\$6.48	\$6.39	\$6.54	\$6.48
Station 2, BC	\$4.95	\$5.59	\$6.45	\$6.31	\$6.32	\$6.32
US/MMBtu						
Henry Hub	\$6.42	\$6.87	\$7.71	\$7.75	\$7.75	\$7.75
Sumas, BC	\$5.87	\$6.45	\$7.65	\$7.43	\$7.09	\$7.22
AECO/NIT, Basis	(\$1.16)	(\$0.95)	(\$0.96)	(\$1.10)	(\$0.94)	(\$1.00)
Chicago, Basis	(\$0.15)	(\$0.14)	(\$0.10)	(\$0.13)	(\$0.13)	(\$0.13)
Transco Zone & NY, Basis	\$0.17	\$0.69	\$1.56	\$2.34	\$0.69	\$1.33
Dawn, ON, Basis	(\$0.14)	\$0.21	\$0.23	\$0.13	\$0.25	\$0.20
Niagara, ON, Basis	(\$0.03)	\$0.38	\$0.46	\$0.43	\$0.37	\$0.39

## Natural Gas Information

### Day Gas Source - NGX

The AECO/NIT prices for November and December deliveries fell by C\$0.03 and \$0.02/GJ respectively. The Gas Year 2008 price shed C\$0.03/GJ, while the Winter Strip lost C\$0.02/GJ. The Henry Hub forward price for November deliveries decreased \$0.05USD/MMBtu, and the Gas Year 2008 and Winter Strip prices both gained \$0.01USD/MMBtu.

## Historic Monthly AECO Pricing in Cdn\$/GJ - Source NGX



## Power Information

7x24 prices in Alberta fell for the Balance of 2007 by \$0.25/MWh. On-peak prices increased for Calendar 2008 by \$0.75/MWh. In Ontario, the 7x24 price for Calendar Year 2008 gained \$0.12/MWh. On-peak prices increased for Calendar 2008 by \$0.13/MWh.

## Indicative Canadian Power Prices (C\$/MWh)

### For 50 MW or greater

	AB7x24	AB6x16	ON7x24	ON5x16
Sept-07	\$46.00	\$72.25	N/A	N/A
Oct-07	\$72.50	\$95.50	\$45.00	\$54.50
Nov-07	\$80.25	\$106.25	\$45.00	\$54.50
Q4 - 07	\$78.50	\$103.50	\$46.25	\$55.75
Cal - 08	\$83.25	\$108.50	\$53.25	\$66.93

## Indicative U.S. Power Prices for Standard Peak (US\$/MWh)

### For Standard Peak Products

	Mid-C	NP15	SP15	ECARC	PJMWH
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Nov-07	\$56.50	\$63.00	\$62.25	\$47.90	\$55.80
Q4-2007	\$58.17	\$64.58	\$63.92	\$49.65	\$58.08
Cal-2008	\$62.92	\$75.21	\$75.67	\$64.30	\$77.19

## Crude and Products - Source StarSupply, a subsidiary of GFI Group, Inc

	NYH 1% Residual	WTI
Nov-07	\$59.45	\$80.14
Dec-07	\$60.25	\$79.32
Jan-08	\$61.05	\$78.69
Q1-2008	\$60.70	\$78.20
Cal-2008	\$59.88	\$76.46

## Stock Report - Source EIA

The Department of Energy reported for the week ending September 21st, 2007 that crude oil stocks increased by 1.8 to 320.6MMB. Distillate inventories increased 1.6 to 137.1MMB. Gasoline inventories, at 191.4MMB, have increased by 0.6MMB since last week. Residual fuel oil inventories increased by 0.9 to 38.0MMB. Overall, US inventories have increased by 4.2MMB, and now stand at 1020.5MMB.

## Working Gas in Underground Storage - Source EIA

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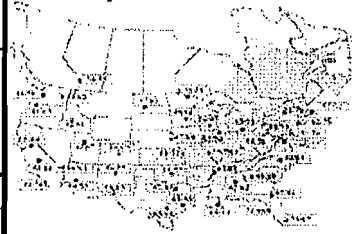
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## Weather Report

### 6 to 10 Day Outlook



Strong warmth in the near term continues to dominate the Central and Eastern US with some very strong anomalies through the mid 10 day period. This will slowly change in the late 10 day period as the strong ridging over the Northern Pacific shifts west of the date line.

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# The SOURCE report

September 17, 2007

After a very volatile week that saw the natural gas prompt month up 80 cents week over week; this market continues to move up. The October contract was up another 18 cents in early morning trading. Short covering and increased storm activity in the Atlantic continue to push this market higher. It would appear that speculators continue to have a strong impact in the natural gas markets. Fundamentals indicate that given the time of year, the high levels of storage and no weather related demand, prices should be closer to last year's sub \$6.00 US/MMBtu levels. Strap in because we are in for a very bumpy ride the next few weeks. (dc)

Settlement Date: September 14, 2007

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

12-Sep-07	6.130
13-Sep-07	6.260
14-Sep-07	6.235

### Nymex Futures:

Oct-07	6.279
Nov-07	7.054
Dec-07	7.764
Oct 07 - Jan 07	7.300
Oct 07 - Nov 07	6.667

## AECO (C\$/GJ)

AECO / N.L.T. Next Day Index Price

Settle Date	W. Avg
12-Sep-07	5.125
13-Sep-07	5.135
14-Sep-07	5.130

### AECO Futures:

Oct-07	5.114
Nov-07	5.888
Dec-07	6.570
Oct 07 - Jan 07	6.149
Oct 07 - Nov 07	5.490

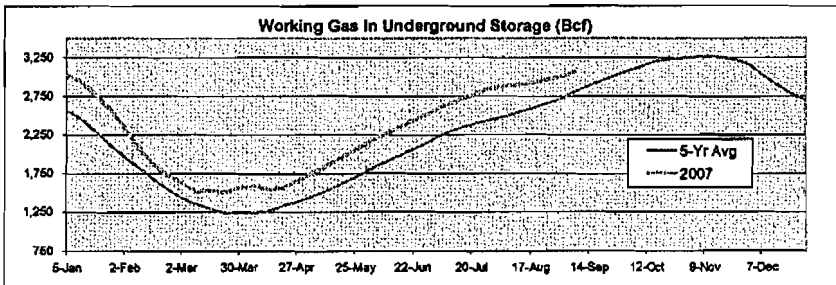
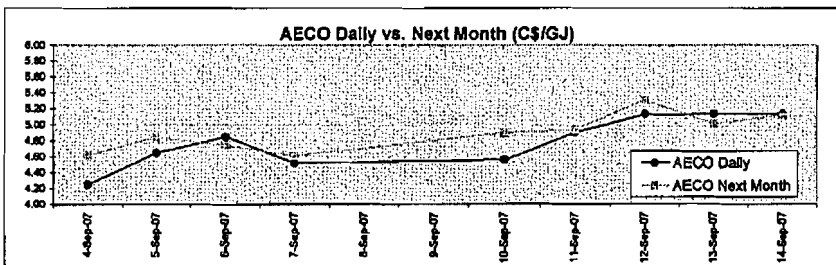
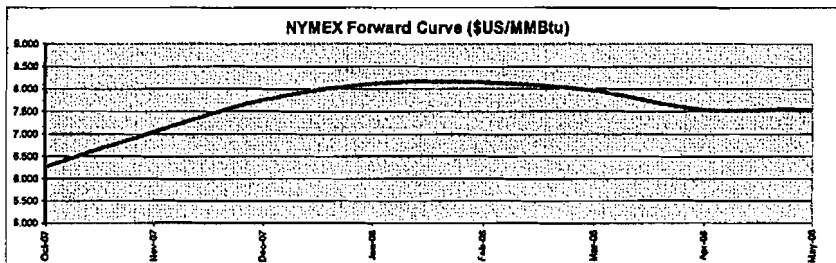
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
12-Sep-07	6.230
13-Sep-07	6.260
14-Sep-07	6.370

### Dawn Futures:

Oct-07	6.279
Nov-07	7.124
Dec-07	7.944
Oct 07 - Jan 07	7.484
Oct 07 - Nov 07	6.737



Nothing to Nov 08

> this was consistent for most of 2007

> reason?

- typo?
- yearlong price not available?

Please Advise.

EIA Storage - Week Ending 7-Sep-07		
	2007 Stocks (Bcf)	Weekly Change (Bcf)
East	1,746	50
West	408	2
Producing	915	12
Total	3,069	64

Source: eia.doe.gov

Your Morning Coffee!

"I was married by a judge. I should have asked for a jury." - Groucho Marx

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Map provided by DTN Market Access: www.dtnmarketaccess.com

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CÉLÉBRONS 75 ANS

	Currency	ISO 4217
	U.S. dollar (noon)	USD
Low [ high ]	28/09/2007	0.9963 CAD [ 1.0037 USD ]
Average	14/09/2007 — 28/09/2007	1.0098 CAD [ 0.9903 USD ]
High [ low ]	17/09/2007	1.0308 CAD [ 0.9701 USD ]
Date	1 USD -> CAD	1 CAD -> USD
14/09/2007	1.0293	0.9715
17/09/2007	1.0308	0.9701
18/09/2007	1.0236	0.9769
19/09/2007	1.0147	0.9855
20/09/2007	1.0016	0.9984
21/09/2007	1.0009	0.9991
24/09/2007	1.0012	0.9988
25/09/2007	1.0010	0.9990
26/09/2007	1.0048	0.9952
27/09/2007	1.0031	0.9969
28/09/2007	0.9963	1.0037

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# The SOURCE report

September 16, 2008

This week has started the market off with a few curve balls. With Hurricane Ike not being as destructive as expected to the production in the Gulf and the financial fallout that has occurred on Wall Street, the market has been caught between \$7.00 and \$8.00 as traders try to decipher how all this news will affect the price of nat gas. Crude has continued its downward spiral reaching as low as \$90.51 US/bbl today to close just slightly above that. Focusing on the fundamentals (weather and storage) natural gas will be experiencing yet another bearish week with the storage report expecting to come in between 50 and 60 Bcf. Minerals Management Service released statistics Monday afternoon that 91.9% of the Gulf's natural gas production is still currently shut-in. Early estimates of 40 Bcf of nat gas were lost in production from Hurricane Ike this past week. With no news of any new storm activity in the Gulf and temperatures forecasted to remain around average for the next 10 days, the market will be focusing on supply. There is no settlement for Henry Hub for Sept 15th as a result of force majeure that was called in preparation of Hurricane Ike (ah).

Settlement Date: September 15, 2008

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

11-Sep-08	7.785
12-Sep-08	8.035
15-Sep-08	0.000

### Nymex Futures:

Oct-08	7.374
Nov-08	7.658
Dec-08	8.000
Winter 2008/2009	8.056
Summer 2009	8.129

## AECO (C\$/GJ)

AECO / N.I.T. Next Day Index Price

Settle Date	W. Avg
11-Sep-08	6.135
12-Sep-08	5.895
15-Sep-08	5.745

### AECO Futures:

Oct-08	5.989
Nov-08	6.580
Dec-08	7.172
Winter 2008/2009	7.183
Summer 2009	7.328

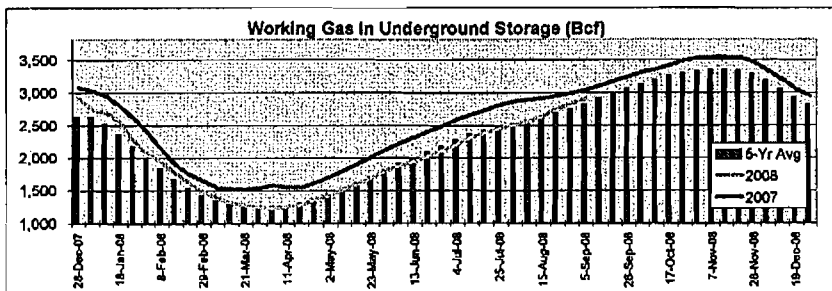
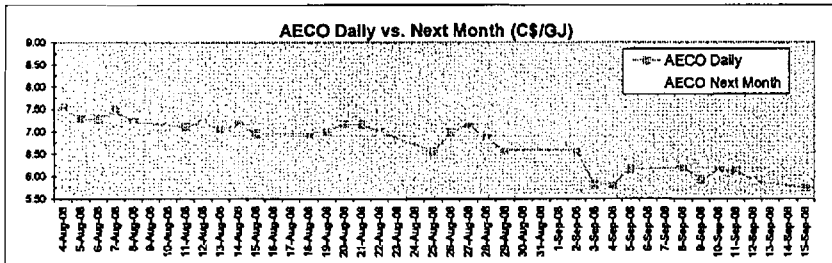
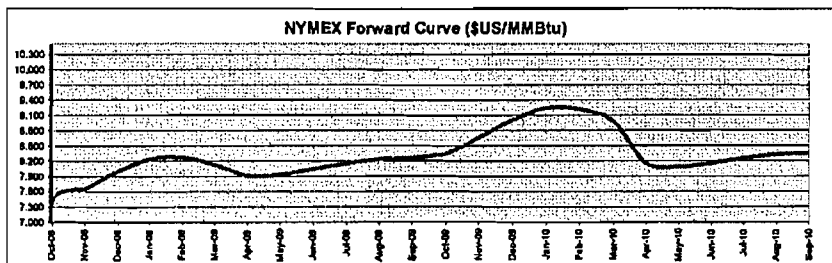
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
11-Sep-08	7.505
12-Sep-08	7.440
15-Sep-08	7.230

### Dawn Futures:

Oct-08	7.374
Nov-08	7.916
Dec-08	8.360
Winter 2008/2009	8.346
Summer 2009	8.594



## Foreign Exchange Rate

CS/US\$	1.068	US\$/C\$	0.936
---------	-------	----------	-------

## 6-10 Day Temperature Forecast



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

Please visit us at [www.energysource.ca](http://www.energysource.ca)

EIA Storage - Week Ending 05-Sep-08		
	2008 Stocks (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,723	1,629
West	387	381
Producing	795	813
Total	2,905	2,823

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Coffee

Interesting Fact: The human eye can distinguish about 500 different shades of gray.

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# The SOURCE report

September 17, 2008

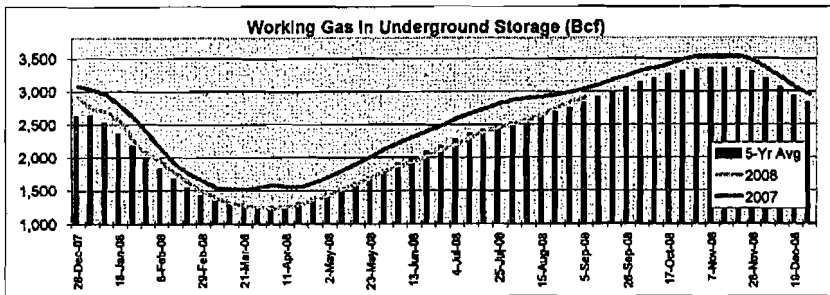
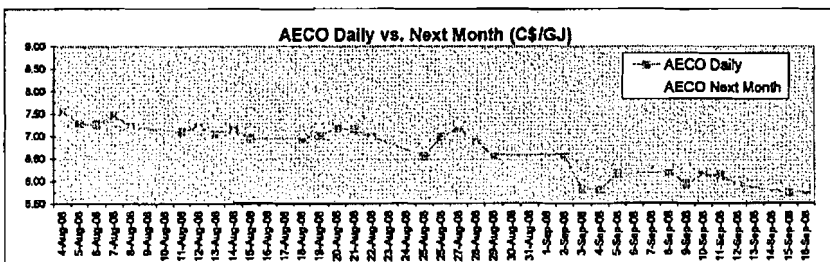
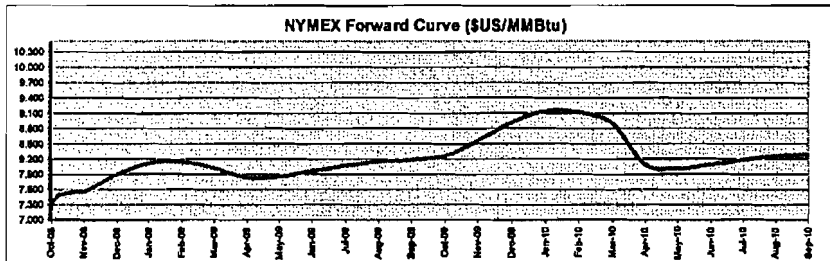
Crude oil rebounded from its biggest two-day decline in almost four years after the Federal Reserve jumped in to rescue American International Group, Inc. mollifying concerns of further economic turmoil in the U.S. Statistics from the Mineral Management Service released Tuesday shows some improvement in production in the Gulf region. MMS indicated that approximately 97.2 percent of oil production and 82.2 percent of the region's natural gas output is currently shut in showing some improvement from the day prior. The US Department of Energy reported Tuesday that some gas pipelines and processing facilities might take several weeks to return to full service due to flooding and electricity outages. Unseasonably cool evening weather is forecasted for Southern Ontario this week. A harbinger of early winter? (mb)

Settlement Date: September 16, 2008

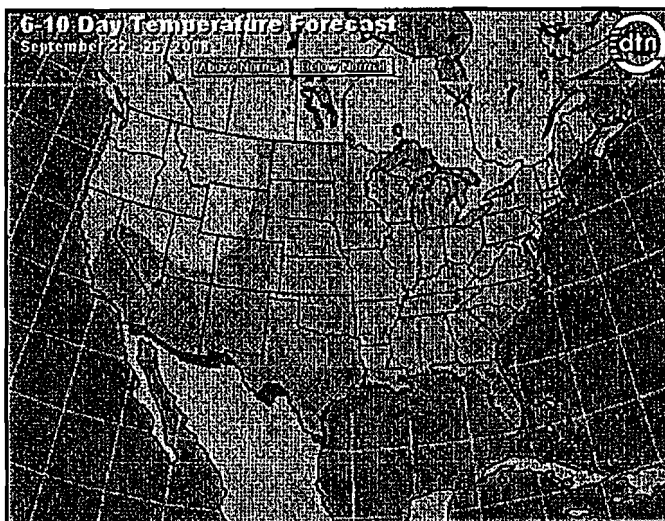
NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
12-Sep-08	8.035
15-Sep-08	8.000
16-Sep-08	7.755
<b>Nymex Futures:</b>	
Oct-08	7.279
Nov-08	7.559
Dec-08	7.904
Winter 2008/2009	7.953
Summer 2009	8.049

AECO (C\$/GJ)	
<b>AECO / N.L.T. Next Day Index Price</b>	
<b>Settle Date</b>	<b>W. Avg</b>
12-Sep-08	5.895
15-Sep-08	5.745
16-Sep-08	5.775
<b>AECO Futures:</b>	
Oct-08	5.866
Nov-08	6.424
Dec-08	7.027
Winter 2008/2009	7.040
Summer 2009	7.210

DAWN (US\$/MMBtu)	
<b>Daily next day spot gas price (US\$/MMBtu)</b>	
<b>Clearing Date</b>	<b>W. Avg</b>
12-Sep-08	7.440
15-Sep-08	7.230
16-Sep-08	7.260
<b>Dawn Futures:</b>	
Oct-08	7.239
Nov-08	7.759
Dec-08	8.164
Winter 2008/2009	8.183
Summer 2009	8.479



Foreign Exchange Rate			
C\$/US\$	1.070	US\$/C\$	0.935



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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EIA Storage - Week Ending		5-Sep-08	
	2008 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,723	47	1,629
West	387	9	381
Producing	795	2	813
Total	2,905	58	2,823

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee!

Do not repeat the tactics which have gained you one victory, but let your methods be regulated by the infinite variety of circumstances.

General Sun Tzu - The Art of War

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# The SOURCE report

September 18, 2008

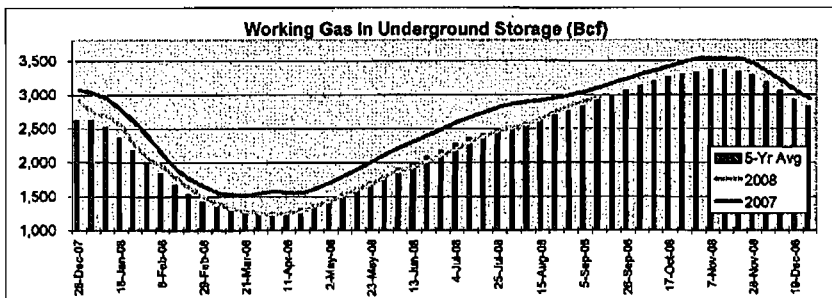
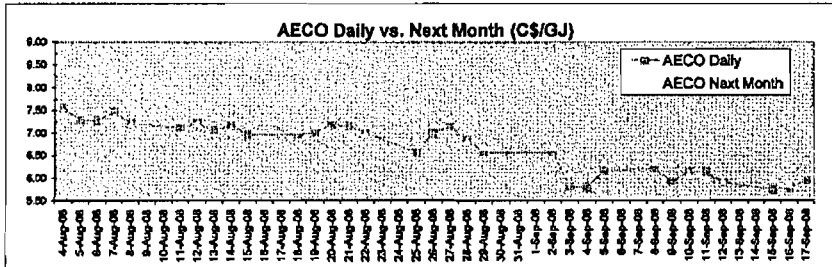
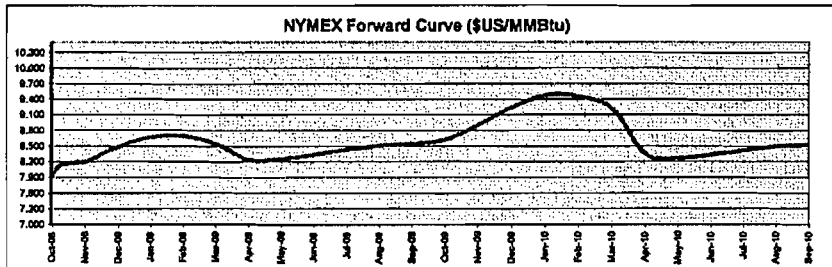
Yesterday's NYMEX pricing surged 63.1 cents flirting with the \$8 mark. The contract opened at \$7.45 and traded between a high of \$7.989 and a low of \$7.27. Overnight trading blew past \$8.00 into the \$8.30 range despite any clear change in fundamentals. Trading has returned to the \$7.60 mark after the U.S. Energy Information Administration reported a higher than expected injection increase (87 Bcf). The continuing problems on Wall St. weakened the U.S. dollar prompting investors to return to gold and commodities. On the flip side, the \$CAD has made some wild moves but has generally strengthened overall. Continued power outages in Texas are hampering efforts to bring gas and oil platforms online but steady improvement is being demonstrated daily (mb).

Settlement Date: September 17, 2008

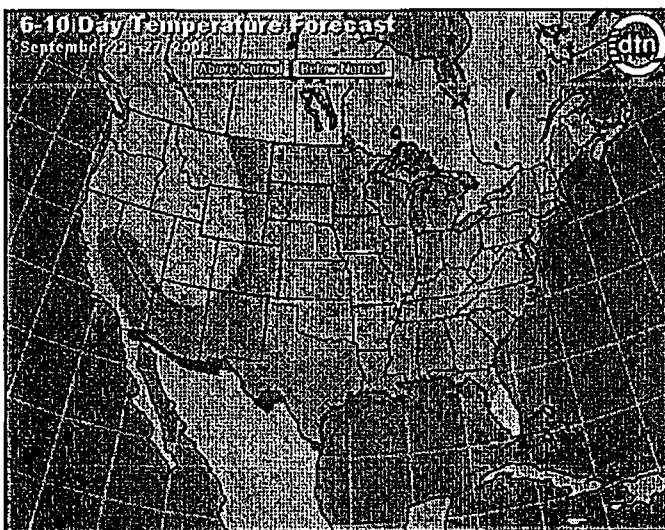
NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
15-Sep-08	0.000
18-Sep-08	7.755
17-Sep-08	7.805
<b>Nymex Futures:</b>	
Oct-08	7.910
Nov-08	8.195
Dec-08	8.487
Winter 2008/2009	8.517
Summer 2009	8.420

AECO (C\$/GJ)	
AECO / NLIT Next Day Index Price	
<b>Settle Date</b>	<b>W. Avg</b>
15-Sep-08	5.745
16-Sep-08	5.775
17-Sep-08	5.955
<b>AECO Futures:</b>	
Oct-08	6.381
Nov-08	6.961
Dec-08	7.519
Winter 2008/2009	7.528
Summer 2009	7.531

DAWN (US\$/MMBtu)	
Daily next day spot gas price (US\$/MMBtu)	
<b>Clearing Date</b>	<b>W. Avg</b>
15-Sep-08	7.230
16-Sep-08	7.260
17-Sep-08	7.450
<b>Dawn Futures:</b>	
Oct-08	7.823
Nov-08	8.350
Dec-08	8.722
Winter 2008/2009	8.731
Summer 2009	8.820



Foreign Exchange Rate		
C\$/US\$	1.688	US\$/C\$ 0.592



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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EIA Storage - Week Ending		12-Sep-08	
	2008 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,771	48	1,685
West	399	12	390
Producing	802	7	835
Total	2,972	67	2,911

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Collect

Fun Fact: A Jiffy is an actual unit of time for 1/100th of a second. Thus the saying, I will be there in a jiffy.

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# The SOURCE report

September 19, 2008

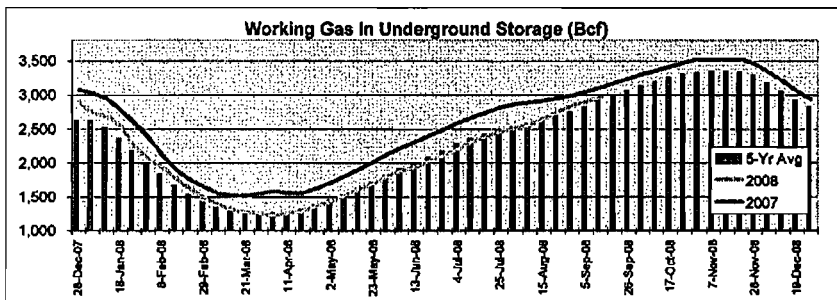
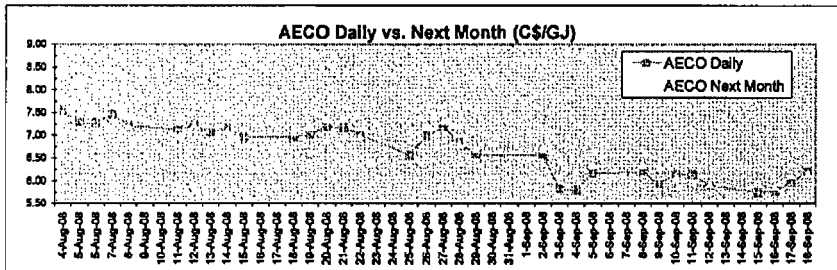
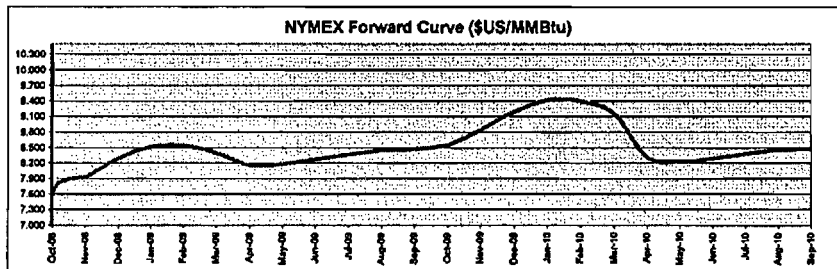
Going into the weekend, the US dollar is down and commodity prices are up. Crude has rebound over the past two days getting over \$100.00 US/bbl reaching as high as \$105.25, and closing at \$104.55 up \$7 on the day. Natural gas has nestled itself back in the \$7 to \$8 zone after yesterday's storage report was released, and it seems to be a range that the market is getting quite comfortable with for the time being. Looking at supply, even though the storage number yesterday was above pre-released expectations it was still well below the five year average (88 Bcf). Total inventory, assuming an average refill rate for the next eight weeks, season-ending inventories are seen near 3.4 Tcf which would be just above the industries "comfort zone" before going into winter (ah).

Settlement Date: September 18, 2008

NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
16-Sep-08	7.755
17-Sep-08	7.805
18-Sep-08	8.220
<b>Nymex Futures:</b>	
Oct-08	7.621
Nov-08	7.926
Dec-08	8.296
Winter 2008/2009	8.336
Summer 2009	8.351

AECO (C\$/GJ)	
AECO / NLT, Next Day Index Price	
<b>Settle Date</b>	<b>W. Avg</b>
16-Sep-08	5.775
17-Sep-08	5.955
18-Sep-08	6.210
<b>AECO Futures:</b>	
Oct-08	6.161
Nov-08	6.752
Dec-08	7.378
Winter 2008/2009	7.408
Summer 2009	7.492

DAWN (US\$/MMBtu)	
Daily next day spot gas price (US\$/MMBtu)	
<b>Clearing Date</b>	<b>W. Avg</b>
16-Sep-08	7.260
17-Sep-08	7.450
18-Sep-08	7.850
<b>Dawn Futures:</b>	
Oct-08	7.591
Nov-08	8.111
Dec-08	8.576
Winter 2008/2009	8.583
Summer 2009	8.766



Foreign Exchange Rate		
C\$/US\$	1.062	US\$/C\$ 0.942



Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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EIA Storage - Week Ending		12-Sep-08
	2008 Stocks (Bcf)	Weekly Change (Bcf)
East	1,771	48
West	399	12
Producing	802	7
Total	2,972	67

Source: [eia.doe.gov](http://eia.doe.gov)

**Your Morning Coffee**

How many politicians does it take to change a lightbulb ?  
Two. One to change it, and another one to change it back again.

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# The SOURCE report

September 23, 2008

Natural Gas futures shot past \$8 this morning for the first time since early September based on forecasts for cooler weather and following Monday's surge in crude oil prices. Oil futures made their largest single day jump on Monday climbing as high as \$130 per barrel in combined electronic and floor trading. Meanwhile, the U.S. National Weather Service is calling for cooler-than-normal temperatures across the northeast and mid-Atlantic for Sept 28th to Oct 2nd. Temperatures could spark demand for heating in these regions. The U.S. Mineral Management Services reported Monday that 65.5% of Natural Gas output from the Gulf remains shut in. The U.S. dollar got beaten down across the board yesterday and the CDN dollar gained almost 2%. The \$CDN still has room to go and will likely continue to strengthen. U.S. lawmakers are debating today on Capitol Hill and may seek to include commodity speculation limits in legislation. Yesterday's \$25 climb has prompted the Commodity Futures Trading Commission to say that it was "closely monitoring" prices for manipulation (mb).

Settlement Date: September 22, 2008

## NYMEX (US\$/MMBtu)

Henry Hub Settle:	
18-Sep-08	8.220
19-Sep-08	7.800
22-Sep-08	7.665

Nymex Futures:	
Oct-08	7.658
Nov-08	7.943
Dec-08	8.311
Winter 2008/2009	8.353
Summer 2009	8.425

## AECO (C\$/GJ)

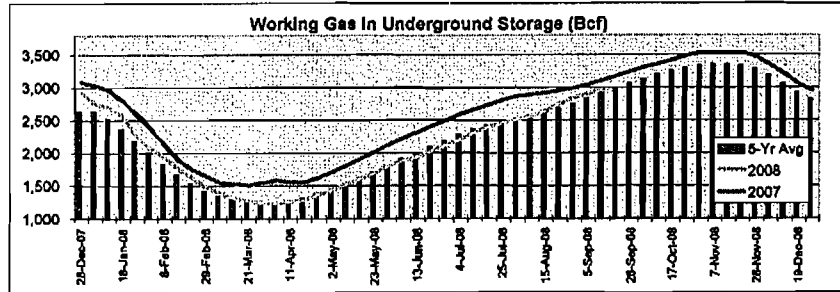
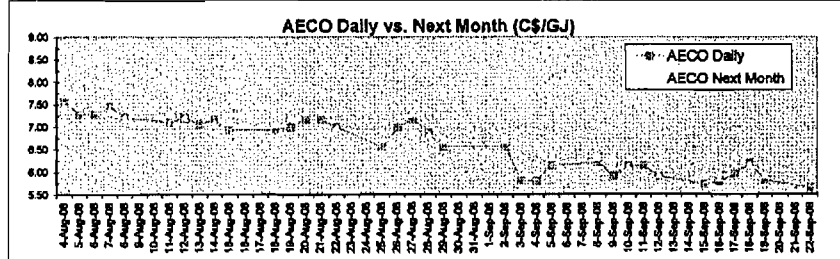
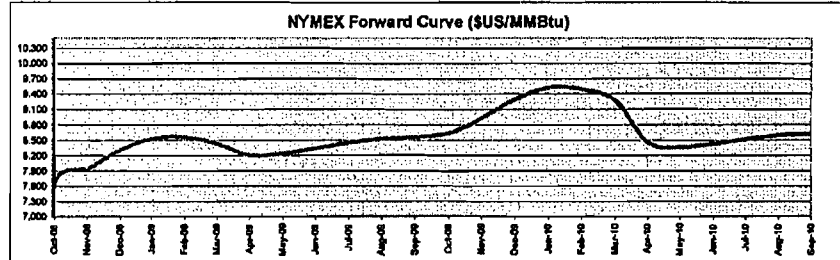
AECO / N.L.T. Next Day Index Price	
Settle Date	W. Avg
18-Sep-08	6.210
19-Sep-08	5.810
22-Sep-08	5.650

AECO Futures:	
Oct-08	5.930
Nov-08	6.523
Dec-08	7.123
Winter 2008/2009	7.173
Summer 2009	7.319

## DAWN (US\$/MMBtu)

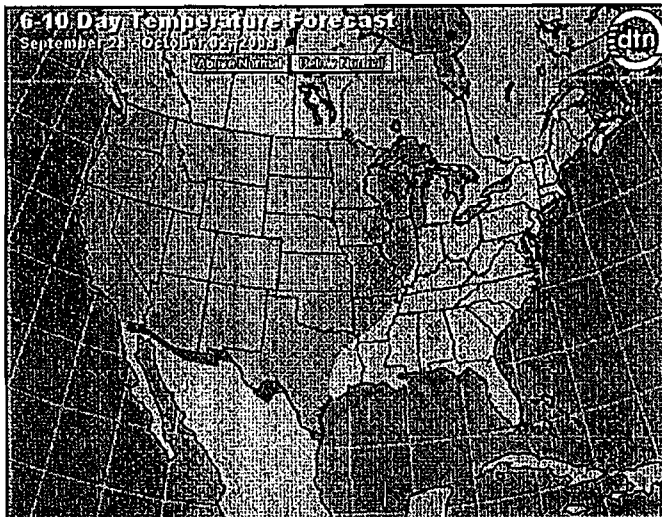
Daily next day spot gas price (US\$/MMBtu)	
Clearing Date	W. Avg
18-Sep-08	7.850
19-Sep-08	7.585
22-Sep-08	7.425

Dawn Futures:	
Oct-08	7.626
Nov-08	8.123
Dec-08	8.616
Winter 2008/2009	8.618
Summer 2009	8.825



## Foreign Exchange Rate

CS/US\$	1.033	US\$/C\$	0.968
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Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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	EIA Storage - Week Ending		12-Sep-08
	2008 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,771	48	1,685
West	399	12	390
Producing	802	7	835
Total	2,972	67	2,911

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee!

Did you know? 96% of people put the peanut butter on first when making a peanut butter and jelly sandwich.

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# The SOURCE report

September 24, 2008

The natural gas market climbed on Tuesday with the sharpest gains in the nearby October futures in what looks like early short covering ahead of the Thursday-Friday expiration on October options and futures contracts. The financial crisis continues to loom large as US politicians fall over each other pointing fingers and playing the general blame game. Finger pointing includes a new FBI probe on possible criminal dealings inside the failed firms. In yesterday's Bernanke/Paulson testimony before Senate, Bernanke gave a very grave outlook emphasizing what would happen if Congress failed to pass the bailout plan. Public anger from both Republicans and Democrats is mounting and could delay a quick passage of the emergency bill. Meanwhile, Canada's inflation rate rose to the highest in more than five years in August as prices for gasoline and food surged. The Bank of Canada signaled this month that borrowing costs would stay put for the foreseeable future, citing energy-driven inflation. High energy prices have made it difficult for the Liberal's Stephane Dion to sell his plan to fund programs and tax cuts through a levy on polluters (mb).

Settlement Date: September 23, 2008

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

19-Sep-08	7.800
22-Sep-08	7.665
23-Sep-08	7.845

### Nymex Futures:

Oct-08	7.931
Nov-08	8.144
Dec-08	8.476
Winter 2008/2009	8.505
Summer 2009	8.497

## AECO (C\$/GJ)

AECO / N.I.T. Next Day Index Price

Settle Date	W. Avg
19-Sep-08	5.810
22-Sep-08	5.650
23-Sep-08	5.870

### AECO Futures:

Oct-08	6.161
Nov-08	6.708
Dec-08	7.274
Winter 2008/2009	7.323
Summer 2009	7.406

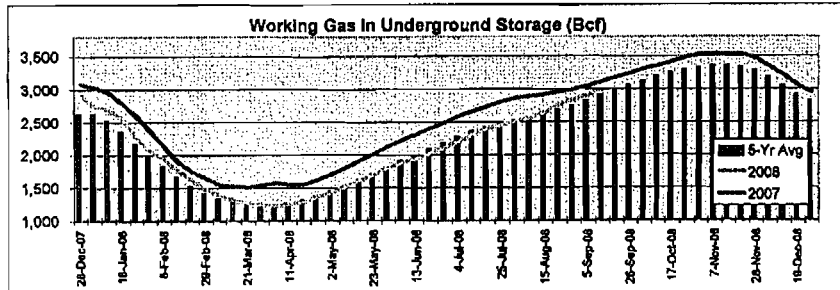
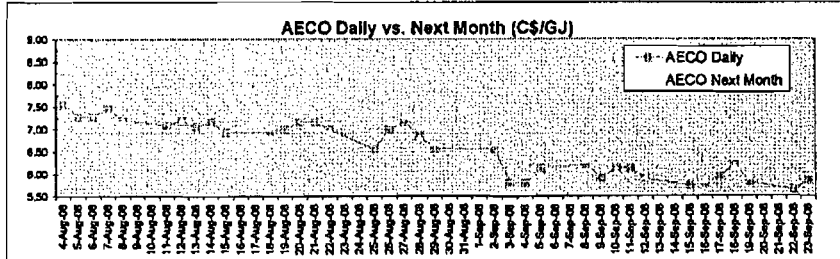
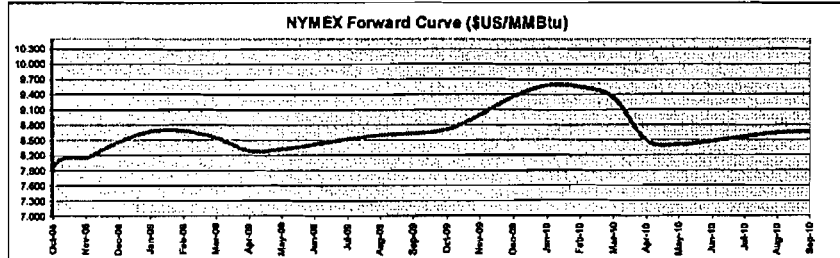
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
19-Sep-08	7.585
22-Sep-08	7.425
23-Sep-08	7.790

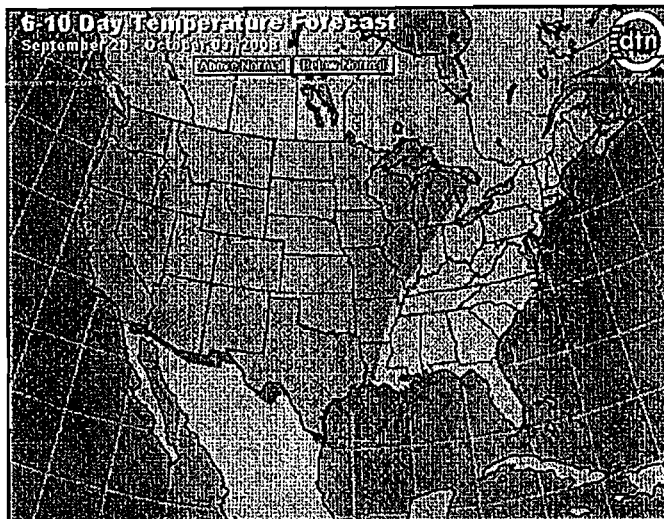
### Dawn Futures:

Oct-08	7.876
Nov-08	8.314
Dec-08	8.761
Winter 2008/2009	8.764
Summer 2009	8.887



## Foreign Exchange Rate

C\$/US\$	1.036	US\$/C\$	0.965
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EIA Storage - Week Ending 12-Sep-08		
	2008 Stocks (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,771	1,685
West	399	390
Producing	802	835
Total	2,972	2,911

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Coffee!

Did you know? Honey is the only food that does not spoil. Honey found in the tombs of Egyptian pharaohs has been tasted by archaeologists and found edible.

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# The SOURCE report

September 25, 2008

The October Natural Gas futures contract is slightly lower than yesterday but holding above the \$7.60 support. Coming off 40 cents of gains in the prior two sessions, profit taking erased most of this week's gains. Uncertainty rules all of the markets as the US Congress remains unable to move quickly to stabilize and solve the financial crisis. The US President has called a high level meeting with the Presidential candidates and top leaders in Congress this morning to try to get a deal done. In a separate move, Congress moved closer to abandoning a 26-year-old ban on oil and gas drilling in most US Federal waters outside the Gulf of Mexico. The ban would end on October 1st. The Energy Information Agency this morning reported a change of 51 BCF landing in the low part of the expected range between 46 and 85 BCF. The Mineral Management Service estimates that approximately 1,450 oil and gas production platforms in the Gulf of Mexico were exposed to hurricane conditions. As of Sept 23rd it has been reported that 52 production platforms, jack-up drilling rigs and 1 platform drilling rig were destroyed in the storms. Overall, however, significant improvement in the Gulf is being reports. In total, close to 150 BCF has been

Settlement Date: September 24, 2008

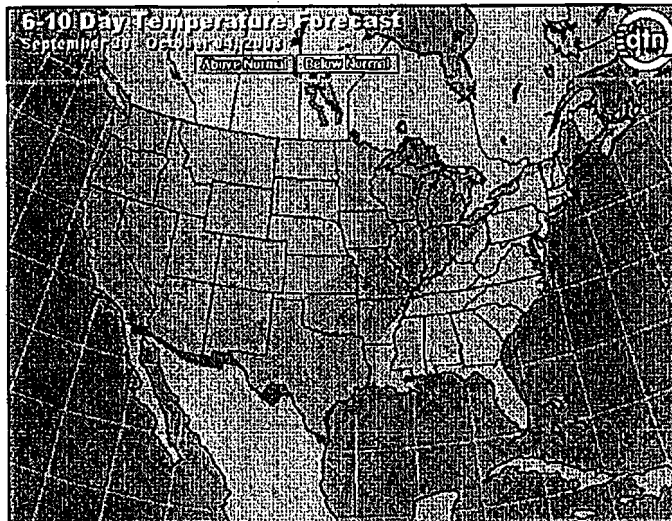
NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
22-Sep-08	7.665
23-Sep-08	7.845
24-Sep-08	8.135
<b>Nymex Futures:</b>	
Oct-08	7.679
Nov-08	7.908
Dec-08	8.256
Winter 2008/2009	8.299
Summer 2009	8.384

AECO (C\$/GJ)	
<b>AECO / N.L.T. Next Day Index Price</b>	
<b>Settle Date</b>	<b>W. Avg</b>
22-Sep-08	5.650
23-Sep-08	5.870
24-Sep-08	6.025
<b>AECO Futures:</b>	
Oct-08	5.954
Nov-08	6.482
Dec-08	7.083
Winter 2008/2009	7.144
Summer 2009	7.302

DAWN (US\$/MMBtu)	
<b>Daily next day spot gas price (US\$/MMBtu)</b>	
<b>Clearing Date</b>	<b>W. Avg</b>
22-Sep-08	7.425
23-Sep-08	7.790
24-Sep-08	7.890
<b>Dawn Futures:</b>	
Oct-08	7.669
Nov-08	8.088
Dec-08	8.551
Winter 2008/2009	8.579
Summer 2009	8.794

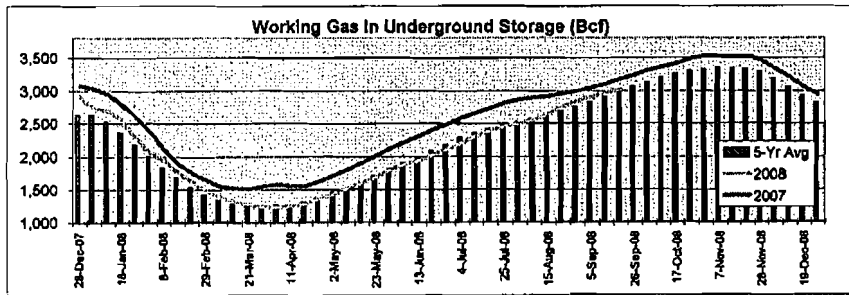
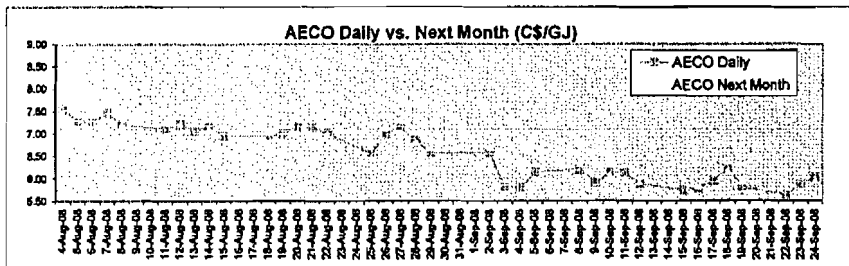
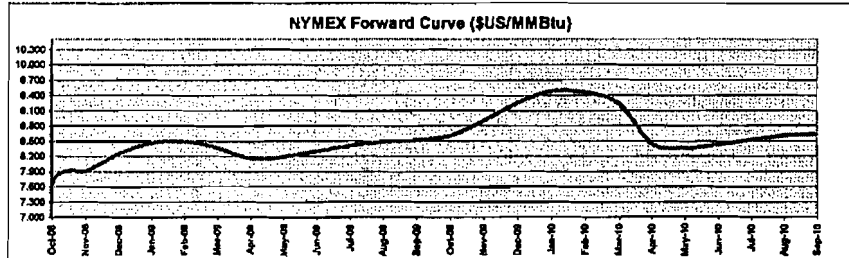
Foreign Exchange Rate

C\$/US\$ 1.037 US\$/C\$ 0.965



Map provided by DTM Market Access: [www.dtmmarketaccess.com](http://www.dtmmarketaccess.com)

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EIA Storage - Week Ending

	2008 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,804	33	1,735
West	411	12	399
Producing	808	6	854
<b>Total</b>	<b>3,023</b>	<b>51</b>	<b>2,988</b>

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee

Aerosmith's "Dude Looks Like a Lady" was written about Vince Neil of Mötley Crüe.

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# The SOURCE report

September 26, 2008

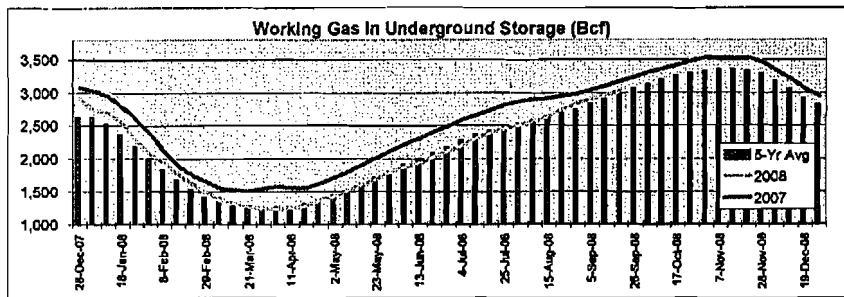
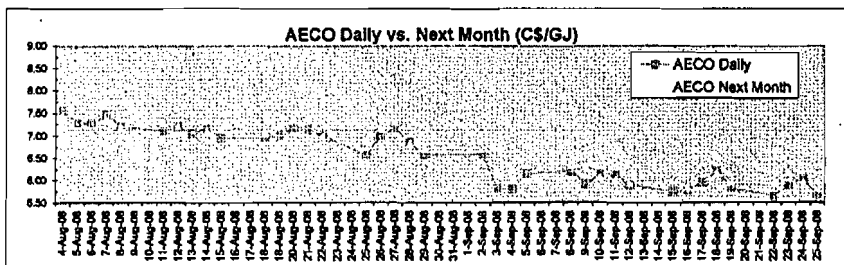
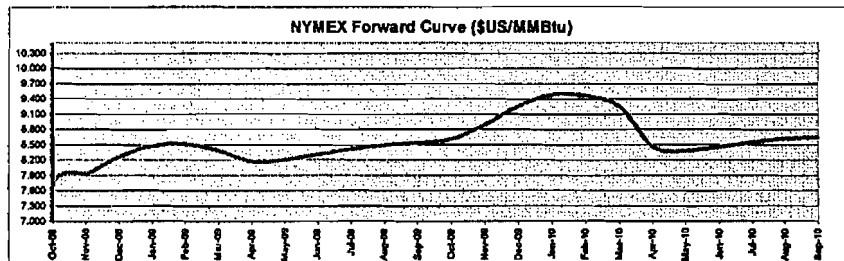
The expiring October natural gas futures contract plunged hard in the morning to test support near \$7.30. Worries of further demand destruction and economic concerns continue as U.S. lawmakers have yet to come to an agreement about Washington's \$700B bailout plan. Improved pipeline operations from the Gulf, generally milder weather and low demand across the U.S. continues to put downward pressure on price in the short term. Royal Dutch Shell announced today that it expects to have the majority of its Gulf of Mexico production up and running within two weeks mirroring projections from other major producers in the area. Gas storage inventories have surpassed the 3-Tcf mark with six weeks left in the traditional refill season. Ontario Energy Minister, George Smitherman asked the Ontario energy industry Thursday to push more aggressively for a "green shift". Initiatives include a shift from coal fired generators to biomass, more wind generation and a push for more smart meters (mb).

Settlement Date: September 25, 2008

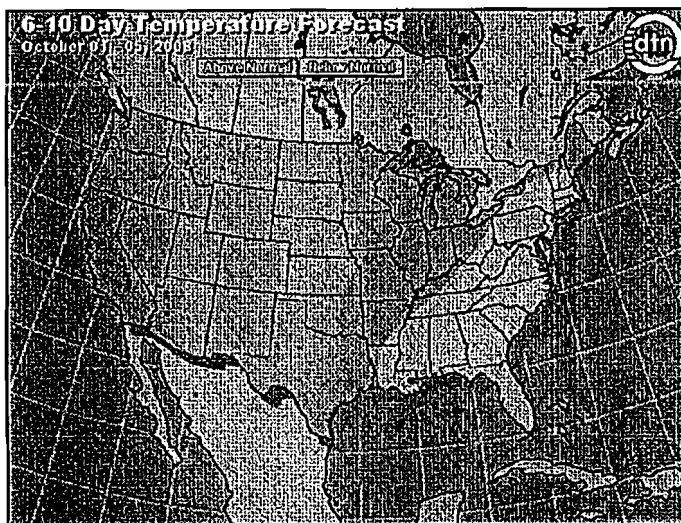
NYMEX (US\$/MMBtu)	
<b>Henry Hub Settle:</b>	
23-Sep-08	7.845
24-Sep-08	8.135
25-Sep-08	7.625
<b>Nymex Futures:</b>	
Oct-08	7.724
Nov-08	7.931
Dec-08	8.268
Winter 2008/2009	8.315
Summer 2009	8.393

AECO (C\$/GJ)	
AECO / N.I.T. Next Day Index Price	
<b>Settle Date</b>	<b>W. Avg</b>
23-Sep-08	5.870
24-Sep-08	6.025
25-Sep-08	5.630
<b>AECO Futures:</b>	
Oct-08	5.987
Nov-08	6.478
Dec-08	7.087
Winter 2008/2009	7.154
Summer 2009	7.306

DAWN (US\$/MMBtu)	
Daily next day spot gas price (US\$/MMBtu)	
<b>Clearing Date</b>	<b>W. Avg</b>
23-Sep-08	7.790
24-Sep-08	7.890
25-Sep-08	7.545
<b>Dawn Futures:</b>	
Oct-08	7.749
Nov-08	8.126
Dec-08	8.578
Winter 2008/2009	8.610
Summer 2009	8.808



Foreign Exchange Rate			
CS/US\$	1.034	US\$/CS	0.967



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EIA Storage - Week Ending		19-Sep-08	
	2008 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,804	33	1,735
West	411	12	399
Producing	808	6	854
Total	3,023	51	2,988

Source: [eia.doe.gov](http://eia.doe.gov)

Your Morning Coffee!

You can lead a man to Congress, but you can't make him think.

— Milton Berle

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canada inc

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# The SOURCE report

September 29, 2008

Natural gas futures were down on Friday as the October contract rolled off the board at \$7.472 US/MMBtu, down 25.2 cents. This morning natural gas futures are down again as November assumed the prompt month position today. Crude oil futures were also down this morning, dipping under \$100 US/barrel yet again, overall crude futures were down over \$7.00 US/barrel on the day. A combination of a negative outlook on the economy as well as an expected return to above average storage injections may have been part of the basis for today's drop. Looking ahead to this week's storage injection, average expectations are for a build of 80 Bcf, higher than last year's 62 Bcf as well as the 72 Bcf five year average. The expected build in storage is surprising considering nearly half of the production from the Gulf of Mexico remains shut-in. The "comfort zone" of 3,400 Bcf in storage seems likely, the question is will it be enough to prevent a price spike similar to the one seen this Summer. (mb)

Settlement Date: September 26, 2008

## NYMEX (US\$/MMBtu)

<b>Henry Hub Settle:</b>	
24-Sep-08	8.135
25-Sep-08	7.625
26-Sep-08	7.425

<b>Nymex Futures:</b>	
Oct-08	7.472
Nov-08	7.628
Dec-08	8.015
Winter 2008/2009	8.083
Summer 2009	8.213

## AECO (C\$/GJ)

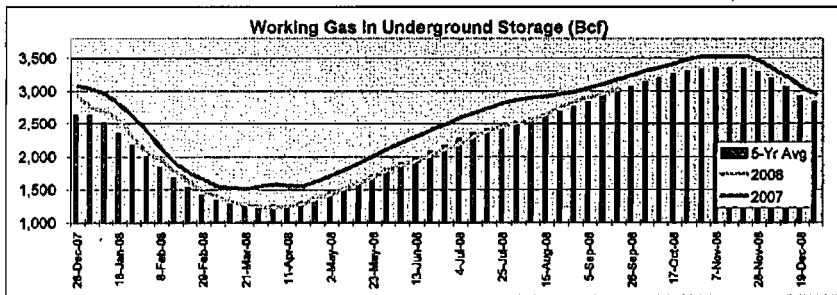
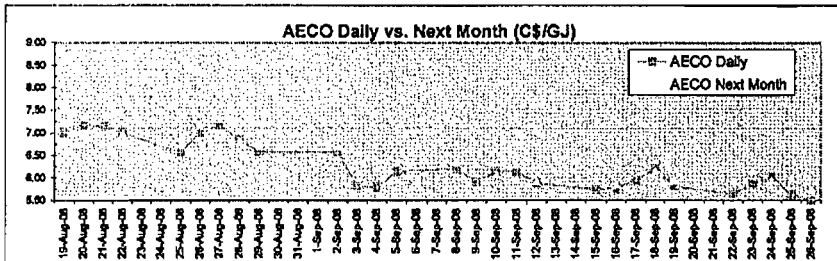
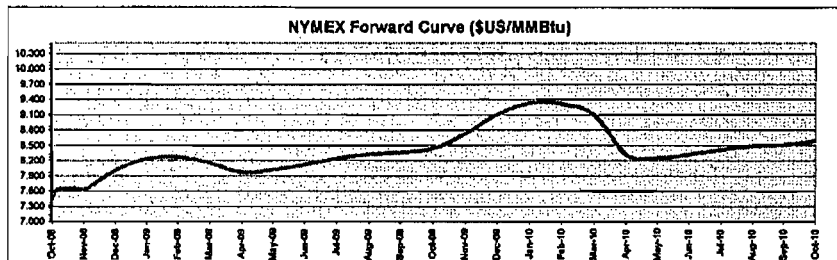
<b>AECO / N.I.T. Next Day Index Price</b>	
<b>Settle Date</b>	<b>W. Avg</b>
24-Sep-08	6.025
25-Sep-08	5.630
26-Sep-08	5.500

<b>AECO Futures:</b>	
Oct-08	5.733
Nov-08	6.189
Dec-08	6.841
Winter 2008/2009	6.904
Summer 2009	7.126

## DAWN (US\$/MMBtu)

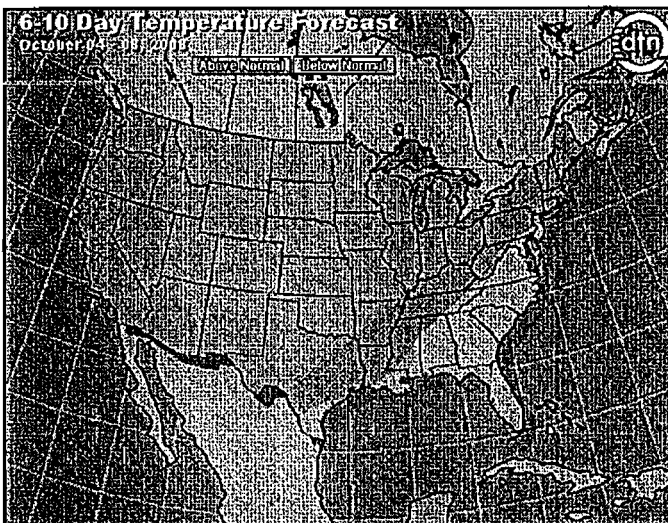
<b>Daily next day spot gas price (US\$/MMBtu)</b>	
<b>Clearing Date</b>	<b>W. Avg</b>
24-Sep-08	7.890
25-Sep-08	7.545
26-Sep-08	7.430

<b>Dawn Futures:</b>	
Oct-08	7.517
Nov-08	7.853
Dec-08	8.350
Winter 2008/2009	8.385
Summer 2009	8.633



## Foreign Exchange Rate

C\$/US\$	1.033	US\$/C\$	0.968
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Map provided by DTN Market Access: [www.dtnmarketaccess.com](http://www.dtnmarketaccess.com)

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## EIA Storage - Week Ending

	2008 Stocks (Bcf)	Weekly Change (Bcf)	5-Yr Avg Stocks (Bcf)
East	1,804	33	1,735
West	411	12	399
Producing	808	8	854
Total	3,023	51	2,988

Sources: [eia.dca.gov](http://eia.dca.gov)

## Your Morning Coffee

I have a feeling when my ship comes in I'll be at the airport.  
Charels Schulz

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# The SOURCE report

September 30, 2008

Fear of an economic meltdown drove the November NYMEX gas futures down 40.7 cents – more than 5% to settle Monday at \$7.221/MMBtu. Crude also tumbled a huge \$10.52 to settle below \$100. World stock markets nosedived sparking fears of a global recession after the US Congress rejected a plan to bail out the financial industry. This morning, however, stocks, commodities and other investments are all rallying with the underlying belief that a relief package will be ratified despite yesterday's calamity. The DOW gained 200 points in early trading, crude jumped and gas prices are trading up at \$7.35. A powerful cold front will be the focal point for strong storms moving through the east. Frost is expected this week with the morning lows.

Settlement Date: September 29, 2008

## NYMEX (US\$/MMBtu)

### Henry Hub Settle:

25-Sep-08	7.625
28-Sep-08	7.425
29-Sep-08	7.120

### Nymex Futures:

Oct-08	7.221
Nov-08	7.601
Dec-08	7.841
Winter 2008/2009	7.746
Summer 2009	8.007

## AECO (C\$/GJ)

AECO/NLT, Next Day Index Price

Settle Date	W. Avg
25-Sep-08	5.630
26-Sep-08	5.500
29-Sep-08	5.495

### AECO Futures:

Oct-08	5.303
Nov-08	6.319
Dec-08	6.801
Winter 2008/2009	6.712
Summer 2009	7.014

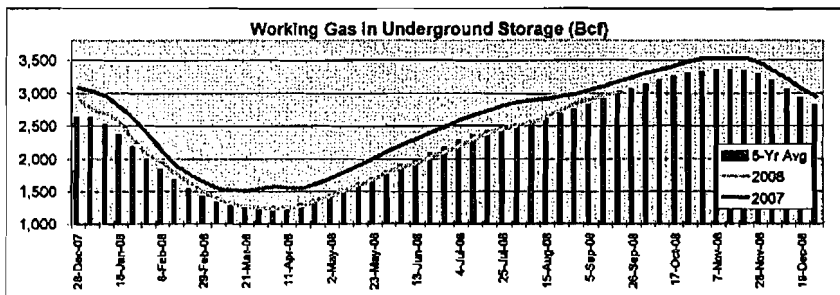
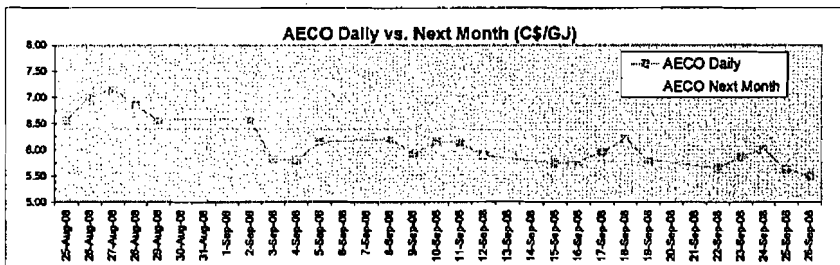
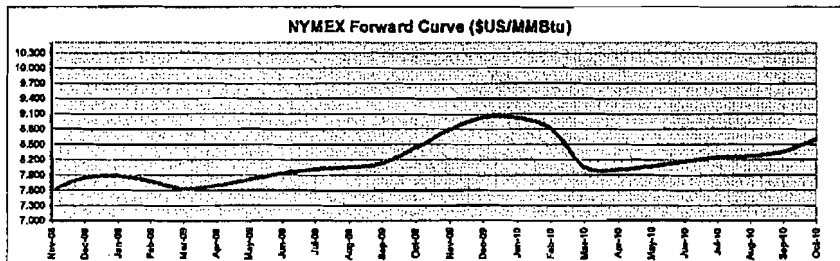
## DAWN (US\$/MMBtu)

Daily next day spot gas price (US\$/MMBtu)

Clearing Date	W. Avg
25-Sep-08	7.545
28-Sep-08	7.430
29-Sep-08	7.220

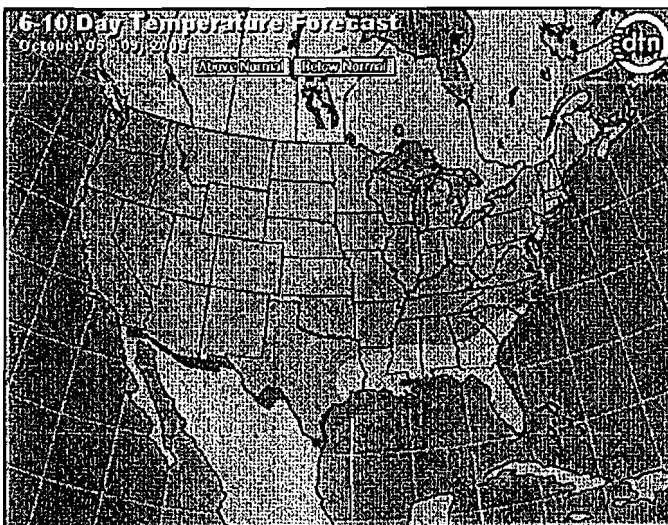
### Dawn Futures:

Oct-08	6.911
Nov-08	7.891
Dec-08	8.201
Winter 2008/2009	8.101
Summer 2009	8.427



## Foreign Exchange Rates

CS/US\$	1.044	US\$/CS	0.958
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	2008 Stocks (Bcf)	Weekly Change (Bcf)	6-Yr Avg Stocks (Bcf)
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Total	3,023	51	2,988

Source: [eia.doe.gov](http://eia.doe.gov)

## Your Morning Colloct

The road to success is always under construction.

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canada inc

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**BANK OF CANADA**  
**BANQUE DU CANADA**

	<b>Currency</b>	<b>ISO 4217</b>
	<b>U.S. dollar (noon)</b>	<b>USD</b>
<b>Low [ high ]</b>	<b>25/09/2008</b>	<b>1.0338 CAD [ 0.9673 USD ]</b>
<b>Average</b>	<b>02/09/2008 — 30/09/2008</b>	<b>1.0583 CAD [ 0.9449 USD ]</b>
<b>High [ low ]</b>	<b>11/09/2008</b>	<b>1.0796 CAD [ 0.9263 USD ]</b>
<b>Date</b>	<b>1 USD -&gt; CAD</b>	<b>1 CAD -&gt; USD</b>
01/09/2008	Bank holiday	Bank holiday
02/09/2008	1.0701	0.9345
03/09/2008	1.0607	0.9428
04/09/2008	1.0642	0.9397
05/09/2008	1.0641	0.9398
08/09/2008	1.0696	0.9349
09/09/2008	1.0679	0.9364
10/09/2008	1.0738	0.9313
11/09/2008	1.0796	0.9263
12/09/2008	1.0609	0.9426
15/09/2008	1.0677	0.9366
16/09/2008	1.0734	0.9316
17/09/2008	1.0783	0.9274
18/09/2008	1.0701	0.9345
19/09/2008	1.0470	0.9551
22/09/2008	1.0382	0.9632
23/09/2008	1.0355	0.9657
24/09/2008	1.0351	0.9661
25/09/2008	1.0338	0.9673
26/09/2008	1.0349	0.9663
29/09/2008	1.0394	0.9621
30/09/2008	1.0599	0.9435

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P.O. Box 3117; Terminal 'A'; London, Ontario N6A 4J4  
Ph. (519) 453-6200 Fax: (519) 433-6132

September 1, 2009

Natural Resource Gas Limited  
39 Beech St E  
P.O. Box 307  
Aylmer, Ontario N5H 2S1

Dear Mr. Howley,

This is to notify you that effective October 1, 2009 all of our wells will be shut in in the Natural Resource Gas Limited Franchise Area. Due to the current market price of gas it is not in our interests to supply any gas at this time.

If you have any concerns, please contact the undersigned.

Yours truly,

NRG Corp

A handwritten signature in black ink, appearing to read "John Camara", followed by a long, horizontal, slightly wavy line that extends to the right.

John Camara  
Manager



P.O. Box 3117, Terminal 'A', London, Ontario N6A 4J4  
Ph. (519) 453-6200 Fax: (519) 433-6132

September 30, 2009

Natural Resource Gas Limited  
39 Beech St E  
P.O. Box 307  
Aylmer, Ontario N5H 2S1

Dear Mr. Howley,

You have requested continued service of gas deliveries in the Bayham area. Due to the current price of gas NRG Corp has shut in all of its' wells. As a result of your request, NRG Corp is willing to continue operating a number of its' wells to accommodate your needs, at the current price of \$8.486 mcf, otherwise it is not prudent to do so.

We understand, Natural Resource Gas Limited requires the gas in the Bayham area to maintain a safe level of odorant in the system and help stabilize the system and prevent a severe line pressure drop.

NRG Corp will continue delivery of gas into Natural Resource Gas Limited system from the following wells:

07-09; 06-08; 07-01; 05-08; 05-04; 06-09; 06-10; 06-04; 07-06; 05-03 and 06-01

Please sign below your acceptance.

Yours truly,

NRG Corp

  
John Camara  
Manager

  
Jack Howley  
General Manager

Ref: Exhibit D4/Tab2/Sch.1

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

**24. For the cost of gas in 2007 please explain how the total gas commodity cost is \$13.9 million and the average cost is \$0.76 m3.**

**RESPONSE**

Data was inadvertently duplicated in a cell that was hidden for presentation purposes. The revised schedule is attached.

**Attachment to OEB 24**

**NATURAL RESOURCE GAS LIMITED**

**Cost of Gas**  
**2007 Actual**

<u>Gas Commodity</u>	<u>Period Covered</u>	<u>M*3</u>	<u>\$'s</u>	<u>\$/M*3</u>
Local Production - A (Affiliate)	Oct. 1/07 - Sept. 30/08	8,654,796	2,606,825	0.301200
Local Production - B	Oct. 1/07 - Sept. 30/08	130,729	36,818	0.000000
Western (FT + Dawn)	Oct. 1/07 - Sept. 30/08	3,125,250	1,046,155	0.334743
Parkway	Oct. 1/07 - Sept. 30/08	6,315,406	2,136,707	0.338333
Ontario Delivered	Oct. 1/07 - Sept. 30/08	0	0	0.000000
GCDRA Transfer		0	0	
Gas Inventory Revaluation			0	
PGCVA - Fiscal 2007			928,406	
Total Gas Commodity Cost		<u>18,226,181</u>	<u>6,754,911</u>	<u>0.370616</u>
 <u>Gas Transportation</u>				
Union Gas	Oct. 1/07 - Sept. 30/08		394,141	
PGTVA - Fiscal 2008			45,487	
Total Gas Transportation Cost		<u>23,637,581</u>	<u>439,629</u>	<u>0.018599</u>
Total Gas Commodity and Transportation Cost			<u>7,194,539</u>	

Ref: Exhibit D4/Tab2/Sch.1

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

**25. NRG purchases gas from different sources. Please answer the following questions with respect to gas supply?**

- (a) Does NRG have a gas supply plan?**
- (b) How does NRG determine the quantities of gas to be purchased from the different sources?**
- (c) How does NRG ensure that it is paying a reasonable or market determined price for the cost of gas purchased from the different suppliers? Please provide a detailed response.**

**RESPONSE**

(a), (b) and (c): NRG has three suppliers of gas: Shell, Energy Source and NRG Corp. NRG's gas purchasing strategy has been to mitigate the exposure of our ratepayers to gas price volatility. Consequently, when NRG is of the view that gas appears to be at a low price, NRG locks in pricing for up to one year (for 80% to 90% of fixed monthly purchase requirements). Periodically, we test the price from our principal suppliers against pricing from other suppliers. This is done with the assistance of Shell Trading.

**ISSUE 5 – COST OF CAPITAL**

Ref: Exhibit E1/Tab1/Sch.3

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?

**26. NRG has requested a 50 basis point premium over the Board-approved ROE. The document prepared by Kathleen McShane titled, "Opinion on Capital Structure and Equity Risk Premium" on page 31 (lines 841-842) states, "Based on my analysis, an incremental equity risk premium relative to the benchmark ROE of 0.50% is warranted for NRG". Please answer the following questions with respect to NRG's request for an equity risk premium.**

- (a) Please provide a list of Board regulated utilities other than NRG that receive an equity risk premium above the Board determined ROE.**
- (b) Canadian Niagara Power Inc. ("CNPI") – Port Colborne and CNPI – Eastern Ontario Power share a similar profile to NRG. In both of these rate cases (EB-2008-0224 and EB-2008-0222) the above noted utilities received the Board determined ROE. Please compare the profile of these two utilities (rate base, number of customers, franchise area etc.) with NRG and provide reasons as to why NRG should receive an equity risk premium when the above mentioned utilities did not receive any.**

**RESPONSE**

(a) Union Gas is allowed a risk premium of 0.15% above that applicable to Enbridge Gas Distribution. The Board made specific reference to this premium in EB-2005-0544, when it adopted the 0.50% risk premium for NRG.

(b) The Board's cost of capital policy as regards electricity distributors effectively assumes, as a default position, that the cost of capital is the same for all. Individual electricity distributors are not precluded from seeking a different cost of capital from the default position, but for small utilities, this is a relatively expensive undertaking. While the Board's standardized approach to cost of capital for the electricity distributors is understandable from a regulatory efficiency perspective, as there are approximately 80 electricity distributors, it does not recognize differences in cost of capital which result from differences in size and fundamental business risk factors. In contrast, the Board's approach to setting the cost of capital for gas distributors has historically recognized the differences in risk as among Enbridge, Union and NRG.

The standardized approach to cost of capital for the electricity distributors was originally adopted in 2006, when the Board adopted the same capital structure for all and confirmed the then-prevailing risk premium, which was identical to that applicable to Enbridge Gas Distribution.



Only three months previously, in EB-2005-044, the Board had recognized NRG's higher risk relative to Enbridge Gas and allowed NRG a common equity ratio of 42% and a risk premium 0.50% higher than that applicable to Enbridge Gas. The reset of the benchmark ROE in the December 2009 cost of capital policy report, in the absence of a change in NRG's risk relative to Enbridge Gas, should not alter the Board's conclusion that NRG is a higher risk utility than Enbridge, i.e., faces a higher cost of capital than Enbridge Gas and thus requires a higher overall return. If the Board takes the position that each utility under its jurisdiction should receive the same ROE, and all differences in business risk should be reflected in capital structure, the evidence of Ms. McShane demonstrates that, with the benchmark ROE, the deemed common equity ratio for NRG should be set at 48%. A deemed common equity ratio of 48% would be reasonably aligned with NRG's capital structure over the proposed term of the IRP, as set out in response to Board Staff IR 27.

Ms. McShane does not have sufficient information as regards the specific circumstances of Port Colborne or Eastern Ontario Power to offer an opinion on their relative risk, but as a general proposition would note that broadly, there are at least two factors that generally distinguish gas distributors from electricity distributors, including higher weather related revenue variability for gas distributors (in the absence of a weather normalization clause, which NRG does not have, or a rate design which recovers a high percentage of fixed costs in a fixed charge), and the fact that electricity for certain baseload services has no substitutes. In Ontario, where gas distributors are directly responsible for the retail function, they have the obligation to arrange for gas supply, storage capacity, and transmission, while electricity distributors are price takers. All other things equal, a gas distributor would face a somewhat higher cost of capital than a similarly positioned electricity distributor.

Ref: Exhibit E1/Tab1/Sch.3

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?

**27. NRG has requested a capital structure of 58% debt and 42% equity. Kathleen McShane's opinion on Capital Structure and Equity Risk Premium on page 12 (line 320) indicates that NRG's actual capital structure in 2009 was 61% and 39% equity. In the same report on pages 20 and 21, a table showing capital structures of smaller Canadian gas and electricity distributors indicates that a majority of the utilities are at 40% equity. Please explain why NRG is not proposing an equity structure of 60% debt and 40% equity that is more aligned to their actual capital structure and is in line with the structure proposed by the Board for Ontario electricity distributors.**

## **RESPONSE**

The premise of the question, which suggests that a capital structure containing 60% debt and 40% equity is more aligned with NRG's actual capital structure, does not comport with the evidence filed. As discussed in Ms. McShane's evidence, while the actual capital structure calculated at the end of fiscal year 2009 was comprised of approximately 61% net debt and 39% equity, the capital structure for the test year calculated on the same basis is forecast to contain in excess of 46% common equity (page 13, lines 329-300). Further, Ms. McShane's testimony indicates that, over the term of the IRP as proposed by NRG, assuming NRG earns its allowed return, no dividends are paid and the principal amounts of debt are repaid as required, the actual equity ratio would average above 47% based on gross debt and, assuming the GIC remains in place at the 2011 level, approximately 57% based on net debt (page 13, lines 331-335). Consequently, since there is no evidence that NRG's business risk has materially changed since the Board found a 42% common equity ratio to be reasonable in EB-2005-0544, a deemed common equity ratio equal to that adopted in EB-2005-0544 should continue to be reasonable.

While the question states that a majority of the utilities in Ms. McShane's Table 4 are at 40% equity, there are several companies included in the table whose regulated common equity ratios will potentially increase. Two of the gas utilities shown in the table with equity ratios currently at 40% (Terasen Gas (Vancouver Island) and Terasen Gas (Whistler)) were directed in December 2009 by the BCUC to file in their next revenue requirements application the capital structure that best reflects their long-term business risk. Since the direction of the BCUC accompanied its decision to raise the deemed common equity ratio of the benchmark utility, Terasen Gas, by five percentage points, from 35% to 40%, it would be reasonable to infer that the two smaller gas utilities would be allowed common equity ratios higher than 40%. Two other BC gas utilities (PNG-West and PNG (N.E.)) are currently requesting deemed common equity ratios higher than 40%. The common equity ratio of 40.5% most recently allowed for Maritime Electric reflects its actual forecast 2009 common equity ratio; the company's target

ratio as Table 4 indicates is 45%. Accordingly, NRG's proposed common equity ratio of 42% is well supported by Table 4 in Ms. McShane's evidence.

Ref: Exhibit E1/Tab1/Sch.2

5.3 Is NRG's proposed cost of long-term debt for 2011 appropriate?

**28. The evidence indicates that the short-term debt of NRG continues to reflect the sum of compensation cash balance held by NRG as a GIC totalling \$2,009,332 for the 2011 Test Year. Please answer the following questions:**

- (a) Why does NRG have to hold a GIC with the Bank of Nova Scotia?**
- (b) What would be the impact on NRG if it were to withdraw the amount of the GIC from the Bank of Nova Scotia?**
- (c) Has NRG explored other alternatives so that it does not have to provide security of such a large amount?**
- (d) Does the equity of NRG in the form of retractable shares have an impact on the Bank of Nova Scotia requiring NRG to hold a GIC?**
- (e) NRG's cost of debt included in the cost of capital is much higher than its actual cost of 6.69%. This is due to the requirement of posting a GIC with the Bank of Nova Scotia. Please explain why ratepayers should pay higher than the actual cost of debt.**

## **RESPONSE**

(a) and (b) It is important, when considering the efficacy of the terms of NRG's borrowing arrangements with the Bank of Nova Scotia that it is understood that the debt is a term loan that is payable on demand. The Bank is holding the GIC to further secure the loan. The letter of credit held by the Bank may only be called on in the event of a default by IGPC in its contract with NRG. The Bank has stated that they will not permit the GIC to be liquidated at this time and applied to the loan.

(c) NRG has had meetings with other financial institutions but felt it best to continue with Bank of Nova Scotia where the conditions were considered reasonable and could not be improved upon or duplicated with another lender.

(d) The fact that NRG has issued retractable preferred shares is not of any concern to the Bank because that the holders of the shares have postponed their retractable rights to the interest of the Bank.

(e) In the Test Year 2011, the actual interest cost is \$652,595. If one calculates these actual dollars of interest cost as a percentage of the loans net of the GIC (i.e., \$7,898,864) the

percentage rate (i.e., 8.26%) will be much higher than the rate determined by applying the same dollar cost of interest to the gross loan amounts \$9,908,196 (i.e., not net of the GIC).

**ISSUE 6 – RATE OF RETURN**

Ref: Exhibit F8/Tab1/Schedule1

6.1 Does the evidence support a rate increase to recover NRG's delivery related revenue deficiency for the 2011 Test Year?

**29. Please recalculate the revenue requirement for the 2011 Test Year using a capital structure of 60% debt and 40% equity with the Board approved Return on Equity and a total debt rate of 6.69%.**

**RESPONSE**

The 2011 Test Year revenue requirement recalculated based on the scenario above is provided in the Attachment.

**Attachment to OEB 29**

**NATURAL RESOURCE GAS LIMITED**

**Statement of Adjusted Utility Income**  
**2011 Test Year**

	Test Year <u>2011</u>	Bridge Year <u>2010</u>
<b><u>Revenue</u></b>		
Distribution Revenue	5,480,613	5,414,814
Other Operating Revenue (Net)	<u>664,160</u>	<u>629,669</u>
Total Revenue	6,144,773	6,044,483
<b><u>Costs and Expenses</u></b>		
Gas Transportation Costs	732,331	823,456
Operation & Maintenance	2,859,299	2,394,120
Depreciation & Amortization	1,206,523	1,172,442
Property & Capital Taxes	<u>400,776</u>	<u>425,283</u>
Total Costs and Expenses	5,198,928	4,815,300
Utility Income Before Income Taxes	945,845	1,229,182
Income Taxes	<u>49,961</u>	<u>89,083</u>
Utility Income	<u>895,884</u>	<u>1,140,099</u>

Variance from  
2010

**Revenue**

Distribution Revenue	65,799
Other Operating Revenue (Net)	<u>34,491</u>
Total Revenue	100,290

**Costs and Expenses**

Gas Transportation Costs	-91,125
Operation & Maintenance	465,179
Depreciation & Amortization	34,081
Property & Capital Taxes	<u>-24,507</u>
Total Costs and Expenses	383,628

Utility Income Before Income Taxes	-283,338
Income Taxes	<u>-39,122</u>
Utility Income	<u>-244,216</u>

**NATURAL RESOURCE GAS LIMITED**

**Calculation of Revenue (Deficiency)/Sufficiency**  
**2011 Test Year**

	Test Year <u>2011</u>	Bridge Year <u>2010</u>
Utility Income	\$895,884	\$1,140,099
Utility Rate Base	\$13,618,731	\$14,070,465
Indicated Rate of Return	6.58%	8.10%
Requested/Approved Rate of Return	<u>8.95%</u>	<u>8.34%</u>
(Deficiency)/Sufficiency in Return	-2.37%	-0.24%
Net Revenue (Deficiency)/Sufficiency	(\$322,492)	(\$33,769)
Provision for Income Taxes	<u>(\$101,721)</u>	<u>(\$18,958)</u>
Gross Revenue (Deficiency)/Sufficiency	<u>(\$424,213)</u>	<u>(\$52,727)</u>
Normalized Gas Sales and Transportation (M*3)	53,375,045	53,076,048
Gross Revenue (Deficiency)/Sufficiency per M*3	<u>(\$0.0079)</u>	<u>(\$0.0010)</u>
Return on Deemed Equity	<u>4.44%</u>	<u>8.60%</u>
		Variance from <u>2010</u>
Utility Income		(\$244,216)
Utility Rate Base		(\$451,734)
Indicated Rate of Return		-1.52%
Approved Rate of Return		<u>0.61%</u>
(Deficiency)/Sufficiency in Return		-2.13%
Net Revenue (Deficiency)/Sufficiency		(\$288,723)
Provision for Income Taxes		<u>(\$82,763)</u>
Gross Revenue (Deficiency)/Sufficiency		<u>(\$371,486)</u>
Normalized Gas Sales and Transportation (M*3)		298,997
Gross Revenue (Deficiency)/Sufficiency per M*3		<u>(\$0.0069)</u>



**ISSUE 7 – COST ALLOCATION**

Ref: Exhibit G1/Tab 2/Schedule 1/Sheet 3.1

7.1 Are the proposed updates and changes to the cost allocation methodology appropriate?

**30. Board staff notes that in the cost allocation schedule, common costs have not been allocated to Ancillary Services. Please explain how these costs have been allocated to or accounted for in ancillary services.**

**RESPONSE**

NRG notes that a total of \$662.4k of 2011 Revenue Requirement responsibility has been assigned to Ancillary Services. This includes the assignment of \$261.0k OM&A expenses and the return on and income tax expense arising from the assignment of \$150.3k of General Plant and \$204.2k of Working Capital – all of which are common costs.

Exhibit G3, Tab 2, Schedule 1 Sheet 1.1 shows the 2011 Rate Base functionalized to Ancillary Services and Sheet 1.3 shows the 2011 Revenue Requirement functionalized to Ancillary Services.

Exhibit G3, Tab 1, Schedule 1 Sheet 2.1 shows the 2011 Rate Base that is classified to Ancillary Services and Sheet 2.2 shows the 2011 Revenue Requirement that is classified to Ancillary Services. These sheets provide the data that supports the allocation of \$657.9k of 2011 Revenue Requirement to Ancillary Services as shown at Sheet 3.1.

Ref: Exhibit G1/Tab 4/Schedule 1

7.1 Are the proposed updates and changes to the cost allocation methodology appropriate?

**31. In accordance with the Board's decision in EB-2005-0544, NRG has developed a contingency plan to address possible reductions in Rate 2 volumes. NRG has suggested that it is appropriate to anticipate the elimination of its Rate 2 customer class.**

**NRG's proposal could result in the closing of the Rate 2 customer class during the term of the Incentive Regulation Plan (if approved by the Board). Board staff notes that this issue has not been addressed in NRG's cost allocation study.**

- (a) If Rate 2 is closed within the term of the IR Plan, how does NRG propose to reallocate Rate 2 related costs to other rate classes?**
- (b) What would be the rate impact on the other rate classes as a result of this reallocation?**
- (c) If Rate 2 class customers are migrated today to Rate 4, what would be the impact on the Rate 2 customers?**

### **RESPONSE**

- (a) NRG proposes to transfer Rate 2 customers to Rate 4 if Rate 2 is closed during the term of the IR Plan.
- (b) NRG estimates that its other rate classes would not be materially impacted by the transfer of Rate 2 customers to Rate 4. This is chiefly because the proposed Rate 2 and Rate 4 rates are not materially different.
- (c) Please see the response to part (b) above.

Ref: Exhibit G2/Tab 1/Schedule 1

7.3 Is NRG's derivation of an incremental System Gas rate appropriate?

**32. NRG stated that the System Gas Supply costs in the Fully Allocated Cost ("FAC") Study have been amended to reflect the application of an incremental costing methodology. Please provide a schedule which highlights the amendments made to the System Gas Supply costs in the FAC.**

**RESPONSE**

The amendments were made to the functionalization of costs on Sheet 1.1 and Sheet 1.3. Direct assignment of costs was preserved and any functionalization of costs achieved through proration (e.g., using a proportional allocation) was eliminated.

The following changes were made to the functionalization of rate base:

- All General Plant prorated allocations were eliminated.
- The direct assignment of Working Cash Allowance – Gas Commodity was preserved
- The proportional allocation of the Insurance, Rent and Wages components of the Working Cash Allowance was eliminated.

The following changes were made to the functionalization of revenue requirement:

- The direct assignment of a portion of the Regulatory expense was preserved.
- The direct assignment of a portion of the Consulting expense was preserved.
- The proportional allocation of the Wages and Benefits, Insurance, Utilities, Repair and Maintenance, Management Fees to Gas Supply was eliminated.

Ref: Exhibit G1/Tab 2/Schedule 1

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

**33. NRG stated that it has used its legacy allocation factors to allocate common costs to IGPC (Rate 6). Please provide a schedule which sets out the legacy factors used to allocate costs to IGPC (Rate 6).**

**RESPONSE**

Please refer to Exhibit G2, Tab 1, Schedule 1 Sheet 3.2.

Ref: Exhibit G1/Tab 2/Schedule 1

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

34. **NRG noted that it has applied the Rate 3 legacy factors to allocate costs to IGPC (Rate 6). NRG believes that this is reasonable because the Rate 3 legacy factors were used to allocate costs to Rate 3 when NRG served Imperial Tobacco (a large Rate 3 customer).**

**Please explain why NRG believes that the legacy allocation factors that were used to allocate costs to Rate 3 (at the time that NRG served Imperial Tobacco) are appropriate for allocating costs to IGPC (Rate 6)? The response should include the following:**

- (a) Total number of customers and total delivered volume (at the time referenced by NRG when it was serving Imperial Tobacco).**
- (b) Number of Rate 3 customers and Rate 3 delivered volumes (at the time referenced by NRG when it was serving Imperial Tobacco).**
- (c) A table, similar to the one included in Exhibit G1, Tab 2, Schedule 1, Page 2, which provides a breakdown of the costs allocated to Rate 3 (at the time referenced by NRG when it was serving Imperial Tobacco). This table should present the aggregate costs and the costs as a percentage of the total costs incurred by NRG.**

## **RESPONSE**

NRG notes that under its proposal common costs will be allocated to IGPC using the Rate 3 legacy factors and that most of the costs that IGPC is proposed to be responsible for are directly assignable. This approach does not result in the inadvertent creation of any incremental inequities for other rate classes.

NRG has relied on data from 2004 for the purposes of responding to this question.

- (a)**

Total # of customers:	5,943
Total throughput volume:	24,430,935 m3
- (b)**

# of R3 customers:	5
R3 throughput volume:	4,276,687 m3

- (c)** The data relied on to prepare the referenced table summarizes the directly allocated costs. Because Rate 3 was not directly allocated costs in the previous rate application, the requested information is not readily available. Inspection of EB-2005-0544, Exhibit G3, Tab 2, Schedule

1, Sheet 1.3 shows that, per the application, Rate 3 was to be allocated \$144.7k (or 3.6%) of the \$3,001.1k proposed 2007 test year revenue requirement.

ISSUE 8 – RATE DESIGN

Ref: Exhibit H1/Tab 1/Schedule 1

8.2 Is the proposal to increase the monthly fixed charges and the monthly customer charges across all rate classes appropriate?

**35. NRG has proposed to increase the monthly customer charge for Rate 1, Rate 2 and Rate 4 customers. Is the proposal revenue neutral? If not, please provide details of the impact of the increased monthly customer charges.**

**RESPONSE**

The proposed increase of the monthly customer charge for Rate 1, Rate 2 and Rate 4 customers is revenue neutral.

NRG is proposing to set rates so that the total forecast revenue in the test year will equal the revenue requirement. If NRG were not proposing to increase the monthly customer charge (fixed charge) for these classes, it would be necessary to proposed higher larger increases in the variable charges in order to recover the forecast revenue requirement in the test year. Hence, under an alternate fixed variable split with no increase in the fixed charges , the total revenue would be the same.

## ISSUE 9 – INCENTIVE REGULATION MECHANISM

Ref: A Proposed Incentive Regulation Mechanism for Natural Resource Gas Limited – A Report by Elenchus Research Associates Inc.

9.2 Is NRG's proposal of including an all-in-one fixed price cap escalator of 1.5% during the IR term appropriate?

**36. On page 4 of the Report, Elenchus Research Associates Inc. recommends a price cap escalator of 1.5% stating that the escalator accommodates inflation, productivity and the impact of declining volumes. Please answer the following questions with respect to the price cap escalator.**

- (a) How did Elenchus arrive at the 1.5%? Please provide evidence that the 1.5% accommodates inflation, productivity and impact of declining volumes.**
- (b) Did Elenchus conduct scenarios or research to conclude that the 1.5% takes into account inflation, productivity and impact of declining volumes? If "Yes", please provide details including the scenarios conducted.**
- (c) What was the inflation and productivity factor used in the calculation of 1.5%?**

**RESPONSE**

(a) The approach used to derive the recommended figure of 1.5% for the price cap escalator is described in section 2.1 of the Elenchus evidence, which states:

*The Board Decisions pertaining to both the Union and Enbridge IRM Settlement Agreements indicated that the annual increase for the residential class was not expected to exceed 2% (Union, EB-2007-0606 Decision, p. 2; Enbridge, EB-2007-0615 Decision, p. 2). A simple and balanced approach to establishing a fixed annual adjustment rate would be to adopt an escalator that is below this 2% level. Establishing an "all-in" price cap escalator of 1.5% would provide reasonable price protection for customers while accommodating inflation, productivity and the impact of declining volumes. In adopting an all-in fixed escalator, NRG's rate increases will not reflect actual inflation rates or declining volume; hence, it will be exposed to higher risk than it would if these factors were determined annually and the price cap adjusted accordingly.*

The 1.5% figure arrived at through judgment rather than analysis in that it appeared to provide substantial protection for customers in terms of future rate increases (relative to the benchmark of expectations for Union and Enbridge rates), while providing a realistic price escalator that



would allow NRG to manage its costs so as to earn an appropriate return, barring circumstances that would trigger a Z-Factor, Y-Factor or off ramp.

As this quote indicates, it is inherent in adopting the simplified approach (an “all-in” price escalator) that NRG bears the risk associated with the aggregate impact of inflation, productivity and declining volumes.

It may be noted that an explicit inflation factor such as the factor included in the Union and Enbridge IRMs (GDP Implicit Price Index Final Domestic Demand) is intended as a proxy for the price trend for all of the companies input costs. The correlation of any broad price index to the costs trends for a specific LDC can be expected to decline for very small companies such as NRG since their purchasing patterns are more likely to deviate from national averages. In adopting the all-in cap of 1.5%, NRG will have to manage its costs within this cap, without regard to actual inflation trends.

With respect to productivity, no attempt was made to derive an explicit factor for use in the formula since data are not available to conduct appropriate econometric analysis or other empirical studies as a basis for establishing a target productivity factor that would be reasonable for NRG at this time. Doing so would be analogous to undertaking these types of studies for Ontario’s electricity sector on an LDC-by-LDC basis. Any results derived would either lack credibility or would require an inordinately expensive data collection and analysis exercise that could not be justified for NRG given its small revenue base.

The inability to derive a credible productivity factor for NRG at reasonable cost was an important consideration in recommending that a “simplified version of the Union price cap index based IRM” (Elenchus Evidence, section 1.3 at page 3) be adopted.

Declining volume was also a difficult factor to include explicitly in the NRG IRM since a loss of customers, given the relatively small customer base, is at least as important a concern for the company as declining use per customer. The all-in price cap escalator of 1.5% appeared to be an approach that was more consistent with the simplified IRM methodology than an explicit average use mechanism along the lines of those adopted for the Union or Enbridge IRMs.

Given the simplified approach that has been used, it could be concluded that there is no evidence that “the 1.5% accommodates inflation, productivity and impact of declining volumes.” Alternatively, it can be concluded that “the 1.5% accommodates inflation, productivity and impact of declining volumes” by definition.

(b) Consistent with the approach to establishing the simplified price cap index mechanism for NRG discussed in the evidence and in the response to a) above, Elenchus did not “conduct scenarios or research to conclude that the 1.5% takes into inflation, productivity and impact of declining volume.”

(c) As noted above, there are no explicit inflation and productivity factors embedded in the proposed 1.5% price cap escalator. In fact, it is inconsistent with the simplified approach that has

been recommended to attempt to justify the overall price cap on the basis of disaggregated components. The intent of the proposal is simply to identify a price cap escalator (1.5%) that reasonably balances the interests of ratepayers and the company given the significant risks and uncertainties associated with future costs and volume throughput.

Ref: A Proposed Incentive Regulation Mechanism for Natural Resource Gas Limited – A Report by Elenchus Research Associates Inc.

9.4 Is NRG's proposal for Earnings Sharing Mechanism, Off-Ramps, Z-Factors and Y-Factors under the IR Plan appropriate?

- 37. NRG's IR Plan proposes to adopt the Earnings Sharing Mechanism as noted in Union's IRM Settlement Agreement (EB-2007-0606) dated January 3, 2008. Union's Settlement Agreement on page 22 states, "If in any calendar year Union's actual utility return on equity is more than 200 basis points over the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan, then such excess earnings will be shared 50/50 between Union and its customers."**
- (a) Union's Settlement Agreement refers to actual utility return in a calendar year. Please confirm that NRG is proposing the same timeframe.**
- (b) Does NRG propose to use the Board's ROE included in rates or the most recent Board approved ROE for a given year?**

**RESPONSE**

(a) In order to minimize administrative complexity, it would be appropriate to calculate the shared earnings on a fiscal year basis. NRG's fiscal year (October 1 to September 30) matches its rate year. Hence, once the financial results for a fiscal year have been finalized, the shared earnings would be calculated. The shared earnings would be included in a deferral account so that they net earnings is appropriately adjusted for the fiscal year. The amount in the deferral account would be subject to carrying costs, consistent with standard practice. The shared earnings would then be disposed of at the end of the following fiscal year and included in rates subsequently.

For clarity, the shared earnings for the 2011 fiscal year (ending September 30, 2011) would be determined in the months following the fiscal yearend. These shared earnings, including carrying charges, would then be included in the rates that are implemented for October 1, 2012.

(b) NRG proposes to use the most recent Board approved ROE for a given year.