

Scott A. Stoll  
Direct: 416.865.4703  
E-mail: sstoll@airdberlis.com

January 10, 2011

BY COURIER AND RESS

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Natural Resource Gas Limited - 2011 Rate Proceeding  
Submissions of IGPC Ethanol Inc. and Integrated Grain Processors  
Co-operative Inc. ("IGPC") on Draft Rate Order  
Board File: EB-2010-0018**

---

Pursuant to the Board's Decision and Order in the above-noted proceeding, this letter comprises the comments of IGPC on the Draft Rate Order ("DRO") prepared by Natural Resource Gas Limited ("NRG"). Copies will be emailed to NRG and the other intervenors.

An electronic version of these Submissions has been filed through the Board's Regulatory Electronic Submission System.

## **Rate Base – IPGC Pipeline**

The Board's Decision and Order at Page 5 included the following statement.

IGPC in its submission referenced a range of cost categories related to the IGPC pipeline. However, a number of the cost items in dispute do not impact the rate base or rates for 2011. The Board notes that the amount of the pipeline that is added to rate base is not a function of the cost of the pipeline but is derived from the calculation of the future revenue stream over a fixed number of years....

.....

Accordingly, the Board agrees with IGPC that the pipeline should be closed to rate base on August 1, 2008 and NRG is ordered to make the appropriate changes in its Draft Rate Order to reflect this date.

Based upon the 5% depreciation rate agreed to by IGPC and the DRO (page 2), IGPC understands that NRG has closed \$4,820,040 to rate base at August 1, 2008. There appears to be a digit missing from this number, see page 2, which IGPC would request NRG confirm. DRO, Attachment B - Note 12 references a reduction of \$226,941 in the gross value of the IGPC pipeline. DRO, Attachment B, Note 10 includes a reduction in

Depreciation of \$11,347 being 5% of 226,936. However, Note 10 includes a reference to \$229,936 for which there is no explanation.

The original Application (Exh. B1, Tab 1, Sched. 1, Page 2 of 3, Updated, Line 11) referenced a gross value of the pipeline of \$5,073,000. IGPC understood the \$5,073,000 amount was generated with a calculation that had three errors (Undertaking J.4). A reduction of \$226,941 would result in a Gross Value of \$4,846,059. In response to Undertaking J.2.4, NRG had indicated the revised amount to be closed to rate base was \$4,905,251. IGPC has provided the following tables from the information provided in the Application, Response to Undertakings and DRO.

Table 1

	<b>Application</b>	<b>Undertaking J2.4</b>
Capital Cost of Pipeline	\$8,652,814	\$8,626,353
Amount Closed to Rate Base	\$5,073,000	\$4,905,251
Annual Depreciation (5%)	\$253,650	\$245,262
Accum. Depreciation Prior to Oct. 1, 2010	\$528,438	\$510,964
Opening Balance 2011 TestYear (1)	\$4,544,563	\$4,394,287
Closing Balance 2011 Test Year (2)	\$4,312,050	\$4,169,463
Avg. During 2011 Test Year ((1)+(2))/2	\$4,428,307	\$4,281,875

Table 2

	<b>Application</b>	<b>Draft Rate Order</b>	<b>Variance (Application to Draft Rate Order)</b>
Capital Cost of Pipeline	\$8,652,814	\$?	\$?
Amount Closed to Rate Base	\$5,073,000	\$4,820,040	\$252,960
Annual Depreciation (5%)	\$253,650	\$241,002	\$12,648
Accum. Depreciation Prior to Oct. 1, 2010	\$528,438 <sup>1</sup>	\$522,171 <sup>2</sup>	\$6,467
Opening Balance 2011 TestYear (1)	\$4,544,563	\$4,297,869	\$246,874
Closing Balance 2011 Test Year (2)	\$4,312,050	\$4,056,867	\$255,183
Avg. During 2011 Test Year ((1)+(2))/2	\$4,428,307	\$4,177,368	\$250,939

<sup>1</sup> \$528,438=\$5,073,000\*0.05/12\*24.

<sup>2</sup> \$522,171= 4,820,040\*0.05/12\*26 (26 months from Aug 1, 2008 to October 1, 2010).



IGPC understands that NRG has removed certain capital costs, some but not all of which were agreed to during the Technical Conference and through the Undertakings, from the amount closed to rate base. First it is not apparent how the NRG changes match the Board's Decision and Order, see excerpt above. Further, if the costs were not costs of the Pipeline, these numbers should have been removed from the Actual Capital Cost of the Pipeline to generate a number pursuant to the methodology of EBO 188. In such case IGPC would have expected the reduction in the capital cost to be reflected in a repayment to IGPC of the previously paid contribution in aid of construction.

IGPC requests NRG provide an explanation as to how the reductions included match the Board's Decision and Order. IGPC requests that NRG provide an explanation why the reductions in costs are solely reflected in the amount closed to rate base and not the contribution in aid of construction. IGPC requests that NRG either confirm the values in Table 2 and/or complete the table with corrected values and detailed calculations of the values. To the extent that any of Rate Base, depreciation, return on equity, taxes or other numbers change based upon the foregoing comments, IGPC would request a continuity schedule be provided to detail such change.

Also, DRO, Attachment B, Rate Base, Line – "All Other Changes" includes \$202,581 for which no detail is provided. IGPC would request the detail of this entry be provided.

IGPC does not believe the calculation of rate base is consistent with the Decision and Order regarding the rate base associated with the IGPC Pipeline and Rate 6.

#### **Deferral and Variance Accounts – Rate Riders**

NRG has proposed two rate riders that will impact IGPC. The Foregone Revenue Rate Rider is appropriate. The REDA/PGTVA rate rider however appears to have been recalculated in accordance with the understanding that Rate 6 should not be responsible for the approved REDA costs attributable to the Union Gas hearing (see Attachment E). However, it would appear the recalculation has not been incorporated into the draft rate schedule for Rate 6 found in DRO, Attachment A.

DRO – Attachment A, Rate 6, page 2:

Rate Rider for PGTVA/REDA effective until September 30, 2011  
(\$18,213.13)/customer

Suggested Change:

Rate Rider for PGTVA/REDA effective until September 30, 2011  
(\$21,008.13)/customer

IGPC has discussed this with NRG and understands that NRG is in agreement with this change.

#### **Reduction in OM&A**

In its Decision and Order, the Board disallowed the inclusion of the Business Interruption Insurance [\$25,580] and the reduction in the OM&A related to the MIG costs for pipeline

maintenance [\$56,052]. The total reduction is \$81,632. It would appear that a subsequent reference to \$81,635 is incorrect. IGPC would request that NRG confirm which number is correct and make the references consistent throughout.

It is not clear that the PST related to the station maintenance has been removed, as agreed to by NRG and as referenced in the Decision and Order at page 11.

IGPC disputed the inclusion of Provincial Sales Tax ("PST") for expenditures related to the maintenance of stations. In Reply, NRG agreed with IGPC and noted that the Settlement Agreement included a PST reduction of \$3,189 related to station maintenance. NRG agreed to revise the cost allocation model to reflect this change.

IGPC requests that NRG confirm whether the reduction of \$3,189 has been included and either provide a continuity calculation for the OM&A to confirm its inclusion or if this reduction has not been included, then the OM&A should be reduced and a corresponding change to working capital should be derived. In such case, IGPC would request a detailed calculation be provided.

#### General

DRO, Attachment B - page 2 (pg 23 of PDF doc) there is a discrepancy in the figure presented for Rate Base.

Revised Total row – last column figure	\$13,685,036
--	--------------

Rate Base row – last column figure	\$13,674,994
------------------------------------	--------------

DRO, Attachment B – It is not apparent to which cell or line Note 15 refers.

IPGC requests that NRG confirm the correct number for rate base and clarify Note reference.

#### Conclusions

If there are any questions regarding the matter referenced please contact the undersigned at your earliest convenience.

Yours truly,

AIRD & BERLIS LLP



Scott A. Stoll

SAS:ct

cc Applicant and Intervenor (EB-2010-0018 and EB-2006-0243)

7687542.2