

**Ontario Energy
Board**
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

January 7, 2011

Kirsten Walli
Board Secretary, Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Natural Resource Gas Limited 2011 Cost of Service Application
Board File No. EB-2010-0018**

Dear Ms. Walli:

Please find attached Board Staff comments on NRG's Draft Rate Order of December 29, 2010. Please immediately forward the attached document to Natural Resource Gas Limited and all intervenors in this proceeding.

Yours truly,

Original signed by

Khalil Viraney
Case Manager

/ attach.

EB-2010-0018
2011 Distribution Rates
Natural Resource Gas Limited ("NRG")
January 7, 2011

Board Staff comments on NRG's Draft Rate Order dated December 29, 2010

Board staff has reviewed NRG's Draft Rate Order as submitted on December 29, 2010. Based on its review, Board staff has determined that there are certain inconsistencies, errors, and omissions in the Draft Rate Order in the following areas:

- Rate Base
- Revenue Deficiency
- System Gas Over-Recovery Rate Rider
- Error in volumes allocated to various tiers

In light of the foregoing, it is Board staff's view that the Draft Rate Order does not fully comply with the Board's Decision.

Rate Base

On page 2 of the Draft Rate Order, NRG has provided the revised gross value of the pipeline to be \$4.8 million (exact amount not known due to a typo). However, NRG has not provided any details with respect to the derivation of the revised value of the IGPC pipeline. The amount noted in the Draft Rate Order is different from that provided in response to Undertaking J2.4 (\$4,905,251). NRG is requested to provide adequate clarification or further details in its response.

Revenue Deficiency

The Draft Rate Order of NRG indicates on page 3 that the Board's Decision has resulted in NRG recording a Gross Revenue Sufficiency of \$13,771 as compared to a Gross Revenue Deficiency of \$229,038 as per the Settlement Agreement of August 18, 2010. However, the bill impact for residential customers has increased from 2.7% as per the Settlement Agreement to 5.9% as a result of the Decision. NRG has not provided any details or reasons for the substantial increase in residential rates as a result of the Decision.

System Gas Over-Recovery Rate Rider

NRG has calculated a rate rider on the basis of returning an amount of \$95,941 to System Gas customers. On page 21 of the Board Decision and Order, the Board directed NRG to refund an amount of \$97,000 to ratepayers on account of not following the Board directive in EB-2005-0544. Board staff submit that NRG should calculate the rate rider on the basis of the amount noted in the Board Decision. Any difference in the amounts (between \$95,941 and \$97,000) can be captured in the Purchased Gas Commodity Variance Account for clearance at a later date.

Error in volumes allocated to various tiers

NRG noted an error with respect to volumes allocated to the various tiers in rate classes 1, 2 and 4 and to the estimated Rate 3 Demand. NRG has adjusted the volumes within the rate class tiers in the Draft Rate Order to make it consistent with the underlying revenues recovered through current rates. However, NRG has not provided any details of the change in numbers or the associated impact on the revenue deficiency. NRG is requested to provide details as to the error, the corrections made and any associated impacts on rates or the revenue deficiency. A table providing the relevant details would assist the Board panel in making a decision on this matter.

Board staff submit that the Board through the Decision and the Settlement Agreement has accepted the volume throughput forecast and the associated allocations to the different rate classes. The rate order is not an appropriate vehicle to make changes to numbers that have already been accepted by the Board in its Decision. Nevertheless, Board staff notes that no changes have been made to the overall volume throughput forecast or to the allocations of the different rate classes. The changes have been made to the tiers within a rate class. However, it is not clear whether the changes made by NRG have resulted in a material impact.

- All of which is respectfully submitted -