



PUBLIC INTEREST ADVOCACY CENTRE
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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Natural Resource Gas Limited 2011 Rates Application
Board File Number: EB-2010-0018
NRG Responses to Comments on Draft Rate Order

For the reasons as set out below, VECC is not able to agree that the Draft Rate Order, as filed by NRG on December 29, 2010, properly reflects (i) the Settlement Proposal, filed with the Ontario Energy Board on August 18, 2010 and accepted by the Board on September 9, 2010 (Vol. 1 Transcript page 17, lines 4-8), and (ii) the Board's Decision and Order issued on December 6, 2010.

2011 Rate Base

It remains unclear to VECC as to how NRG has arrived at a Rate Base of 13,719,974. We have pulled the relevant numbers from the filed material insofar as we can locate them and cannot reconcile the base numbers with NRG's final calculation:

	March 8, 2011*	May 17, 2010**	Settlement***	DRO****
Net PP&E	13,843,071	13,855,891	Accepted except for IGPC pl	
AWC	-224,340	-224,340	accepted	
Rate Base	13,618,731	13,631,551	?	13,719,974

* Exhibit B8, Tab 1, Schedule 1, Updated
** Exhibit B8, Tab 3, Schedule 1, Updated, in response to VECC IR #9
*** EB-2010-0018 Settlement Agreement, Paragraphs 2.1 on page 6, 2.5 and 2.6 on page 8
**** DRO, Attachment B, page 2

In this regard, VECC notes that the IGPC pipeline amount included in rate base in the Updated DRO is less than the amount per the Settlement Agreement (Attachment K, Updated DRO filed January 17, 2011, Note 5).

VECC therefore is puzzled as to why the rate base has increased above the \$13,631,551 amount which VECC has calculated based on

- the response to VECC IR#9,
- the proposed adjustment to net PP&E for calculating rate base (AWC) was accepted as filed, and
- the fact that the IGPC rate base component has decreased since the Settlement Agreement.

We ask that NRG reconcile the \$13,631,551 amount with the \$13,719, 974 DRO amount and explain why rate base has not decreased below \$13,631,551.

Revenue to Cost Ratios

In the application NRG proposed an R/C ratio for the Rate 1 Residential Class of 92.65% for distribution costs (Revised Application, G3 T2 S1 Sheet 3.3, line 24). There was no settlement with respect to revenue to cost ratios, nor did NRG propose any movement in R/C ratios beyond what was proposed in the application.

However it appears that during the course of preparing the draft rate order, NRG is proposing to make further changes to the R/C ratio for the Rate 1 Residential Class, moving it up to 99.63% (dividing proposed revenues of \$3,054.9 per Attachment D to the Draft Rate Order by allocated costs of \$3,066.2 per Attachment C to the Draft Rate Order).

VECC respectfully submits that it is inappropriate for NRG, having made a proposal with respect to Revenue to Cost Ratios that the parties and the Board relied on in reaching settlement and making approvals, to unilaterally change its proposal at the Draft Rate Order stage. Accordingly VECC submits that NRG should be required to reissue the Draft Rate Order, implementing the Revenue to Cost ratios proposed in its application, including, for example, its proposal to move the Revenue to Cost ratio for the Rate 1 Residential Class to 92.65%.

Other Issues

We are unable to determine whether the Ancillary Services sufficiency of \$71.6K (Attachment C) is appropriately allocated to classes. Please provide an explanation and table illustrating the allocation of Ancillary Services across the classes.

Please provide a breakout of the revenues on Attachment D showing the same level of detail as shown on Attachment C, i.e., Gas Supply and Transportation & Distribution broken out.

Please provide the A&G allocations, based on rate base, to all of the rate classes.

With respect the response to question 6 which asked for details regarding “All Other Charges” in the amount of \$202.5K, NRG referenced VECC IR#9 which includes a series of updated tables. In order to be useful to VECC we require NRG to identify within theses tables the components that make up the total of \$202.5K, and indicate where they are in the referenced pages. In this regard, please note that VECC based its rate base calculation provided above (i.e., \$13,631,551) on the net PP&E included in response to VECC IR#9 (which was already supposed to include “All Other Changes”).

We are available to discuss any of these issues and requests as required.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC