

Direct Dial: (416) 216-2311
Direct Fax: (416) 216-3930
rking@ogilvyrenault.com

FILED ON RESS
SENT BY EMAIL AND COURIER

Toronto, April 21, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: Natural Resource Gas Limited ("NRG")
Fiscal 2011 Rates Application (EB-2010-0018)

The purpose of this letter is to update the Board and parties to the proceeding on two outstanding matters in the above-noted proceeding: (a) proposals received to prepare a system integrity study to service the southern region of NRG's distribution system; and (b) NRG's plans to file a revised incentive rate mechanism ("IRM") proposal for Phase 2 of the above-noted proceeding. Each of these matters is discussed below.

System Integrity Study

The Board directed NRG to have an independent engineering study prepared to identify alternatives to maintaining system pressure in NRG's southern service area. On February 4, 2011, the Board approved NRG's terms of reference for such study. According to the Board's Decision, the final study is to be prepared within three months (i.e., by May 4, 2011).

NRG received three proposals to prepare the system integrity study. NRG has made its selection and is just waiting for confirmation of acceptance. Based on the time estimates accompanying the proposals, a final study will not be ready for May 4, 2011. It is hoped that the study will be completed by the end of June.

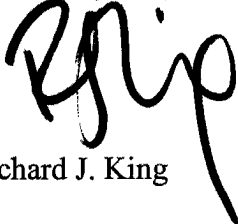
Revised IRM Proposal

As the Board and parties are aware, the issue of an IRM model for NRG was put over to Phase 2 of the above-noted proceeding. In its initial pre-filed evidence (January 2010), NRG filed a proposed IRM model based on a simplified version of the IRM model utilized by Union Gas Limited ("Union") (with a fixed annual escalator rather than the price cap index used by Union). The proposed model was, however, unique in that it had not been previously scrutinized by the Board.

In an effort to simplify Phase 2 of this proceeding, NRG is proposing to file by the end of April an IRM model that is based on the 3rd generation IRM model used for electricity distributors in the province. The rationale for proposing this model is two-fold: (a) to simplify Phase II of the proceeding (and reduce regulatory costs) by proposing a model that is familiar to the Board and intervenors; and (b) to reflect the fact that in many respects NRG is more comparable to a number of Ontario's electricity distributors than to either Union or Enbridge Gas Distribution Inc.

Please contact me if you have any questions.

Yours very truly,



Richard J. King

RK/mnm

cc. All Intervenors and Observers