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May 16, 2011

BY COURIER & RESS

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

Dear Ms. Walli:

Re: Natural Resource Gas Limited ("NRG")
2011 Rates – Phase II: Revised IR Plan
Board File No.: EB-2010-0018

We are counsel to the Integrated Grain Processors Co-operative Inc. and IGPC Ethanol Inc. ("IGPC"). We have reviewed NRG's revised IR Plan filed with the Board on May 6, 2011 and have comments on the process going forward.

In addition to the IR Plan, IGPC suggests a process to resolve the final outstanding issue between IGPC and NRG. As the Board is aware, materials were filed by NRG in respect of the operation and maintenance of the IGPC Pipeline and the Board indicated it would review such materials in the context of the IR Plan review. Further, the determination of the Actual Capital Const of the IGPC Pipeline remains outstanding.

IR Plan Comments

In our understanding, the value of an IR Plan is to allow the utility an adjustment in rates reflective of levels of general cost increases and special circumstances (Z factors) through a simple, low cost process, while providing incentives for efficiency improvement and cost control. The off-ramp provisions are intended to provide for circumstances in which net income is significantly higher or lower than the allowed levels, and thus in part substitute for an earnings-sharing mechanism in the IR Plan.

While IGPC is supportive of the principles of simplicity and reduced regulatory costs for all parties, we submit that it is important that this proposal provide for a full review. Implicit in the electricity IRM model is the assumption that the cost trend, if not addressed through specific efficiency measures, will be upward, with relatively equal increases in cost responsibility for all customer classes. In the case of NRG, there is strong reason to predict that costs will in fact be lower overall in the next several years than in the test year. The rate base will be reduced annually by the 20-year amortization of the IGPC Pipeline;

cost of debt is likely to be reduced as the debt instruments in place in 2010 are renewed; and certain forecast O&M expenses which were accepted as part of the Settlement Agreement lend themselves to reduction through changes in management policy. These latter include insurance coverages, which were discussed extensively in the hearing, and third party observations, which typically are recovered through direct charges to the party whose activities require them, rather than through rates to the distributor's customers. In the absence of an earnings-sharing element in the IR Plan, the result of implementing the electricity IR model for NRG has a high probability of resulting in over-earnings without the necessity for the efficiency measures intended by the Board in its incentive rate-making policy.

IGPC is further concerned by the proposal to include the closure of the IGPC plant as a Z-factor. The proposed plan, as we understand it, applies the same percentage rate increases to all customer classes. While we understand this is the usual practice, it is of concern in this case because it is highly predictable that the level of costs attributable to Rate 6 will be significantly reduced in the next four years, relative to the costs attributable to other customer classes. Implementation of the proposed mechanism would therefore result in a growing subsidy of other classes by Rate 6.

Further, IGPC notes that the applicant at the recent hearings denied that it was comparable in its nature to electricity LDCs, but is now proposing that an IR Plan developed for electricity LDCs be applied to it. This is a significant departure from the original Application and position of NRG.

<u>The IGPC Pipeline: Unresolved Issues</u>

The unresolved issues between IGPC and NRG include the determination of the Actual Capital Cost of the IGPC pipeline (and the repayment by NRG of the over-contribution by IGPC) and the proposed operation and maintenance ("O&M") costs proposed by NRG in respect of the IGPC Pipeline.

As part of EB-2010-0018, IGPC filed a motion with the Board to determine, *inter alia*, the Actual Capital Cost of the IGPC Pipeline. To date, there has been no progress on this issue. IGPC formally request the Board provide for the filing of an update to the Motion in order to reflect the Board's decisions regarding the rates in Part I of this Proceeding and the review motion in EB-2006-0243, the Adminstrative Penalty, and schedule a date for this motion in June 2011.

IGPC has significant concerns regarding the O&M costs proposed by NRG for the IGPC Pipeline. Not only does IGPC dispute the reasonableness of those costs but the characterization and allocation of such costs to IGPC. IGPC would note that the IGPC Pipeline has been in service for almost 3 years and feels NRG should provide its actual O&M expenditures since July 15, 2008 to April 30, 2011 to intervenors and Board Staff for review. IGPC suggests a complete review of the evidence to support such costs is required.

Summary

For all these reasons, IGPC submits that NRG's proposal needs to be the subject of a full review, with sufficient opportunity for interrogatories from the interested parties and potentially for the cross-examination of witnesses. While the O&M costs of the IGPC Pipeline impact the IR Plan and should be considered together, the resolution of the Actual Capital Cost of the IGPC Pipeline may proceed separately but needs to be resolved.

We thank you for your consideration.

Yours truly,

AIRD & BERLIS LLP

Scott Stoll.

Scott A. Stoll

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cc: All Intervenors

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