

June 20, 2011

**Sent By Courier**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700  
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On June 1, 2011, Ogilvy Renault joined Norton Rose Group.

Your reference  
EB-2010-0018

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01012724-0011

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Dear Ms. Walli:

**Natural Resource Gas Limited ("NRG")  
2011 Rates – Phase 2 Matters  
Board File No.: EB-2010-0018**

We are counsel to Natural Resource Gas Limited in the above-noted matter. The purpose of this letter is two-fold: (a) to update our contact information with the Board; and (b) to respond briefly to the letters of May 16<sup>th</sup> and June 7<sup>th</sup> from Scott Stoll, counsel for Integrated Grain Processors Co-operative Inc. and IGPC Ethanol Inc. ("IGPC").

Updated Contact Information

On June 1, 2011, Ogilvy Renault LLP joined the international law firm Norton Rose. As a result, our firm named changed to "Norton Rose OR LLP". Apart from the firm name change and email address (see above), all contact information for me remains the same. By way of this letter, we are requesting the Board and all parties to the proceeding to update their contact information.

Response to IGPC

IGPC's letters address NRG's proposed IR Plan (revised) and the motion brought by IGPC with respect to the capital cost of the pipeline. The latter issue (capital cost of the pipeline) has been dealt with by Mr. Larry Thacker of Lenczner Slaght (counsel to NRG), who will respond to this issue separately.

With respect to Phase 2 of NRG's rate case, it is our expectation that the Board will issue a Procedural Order for Phase 2 some time after receiving NRG's system integrity study (scheduled to be filed later this month). As the Board and all Parties are aware, Phase 2 will deal with three issues: (a) the IR Plan; (b) the system integrity issue (which is tied to the setting of the commodity price between NRG and its related company); and (c) the appropriate maintenance cost of the IGPC dedicated pipeline.

NRG has serious concerns with respect to Mr. Stoll's submissions in respect of the IR Plan. NRG filed a revised IR Plan (based on the Board's existing IR Plan for electricity distributors) in order to simplify Phase 2 and reduce regulatory costs for NRG. In his May 16<sup>th</sup> letter, Mr. Stoll requests a "full review" of the IR Plan, and asks that that review extend to include NRG's financing costs and operations and maintenance ("O&M") costs. These issues are clearly beyond the scope of what the Board should consider in Phase 2 of this proceeding. With the exception of the O&M costs related to the IGPC pipeline, base year rates have been set by the Board. The purpose of moving from cost-of-service to an IR methodology is, in part, to reduce regulatory costs by not having to engage in a regular review of a utility's cost structure (i.e., not re-examining NRG's costs or the Board's determination of those costs made in its decision six months ago). Yet Mr. Stoll's approach would put in play all elements of NRG's cost structure and whether those costs have been more or less than anticipated thus far (i.e.,

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only eight months into the proposed IR Plan term). In addition to being inappropriate, broadening the scope of the IR Plan's consideration in Phase 2 would be patently unfair to NRG. NRG agreed to delay consideration of its IR Plan to Phase 2 in response to requests from intervenors to have clarity on base year rates. NRG should not be adversely impacted (in terms of increased regulatory costs) as a result. As noted above, NRG submitted its revised IR Plan in order to reduce regulatory costs. Mr. Stoll's requests would do the opposite.

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The letters of May 16<sup>th</sup> and June 7<sup>th</sup> raise a broader issue – namely, the ability of a single customer to drive the regulatory costs of a small utility with approximately 7,000 total customers. Since NRG's filing of its application and pre-filed evidence over 14 months ago, IGPC has asked 81 interrogatories, filed 25 technical conference questions, brought a motion (consisting of 243 pages of materials), participated in the Settlement Conference, filed its own evidence, participated in the oral hearing, filed a 41 page written argument, commented on the draft rate order and now filed the two letters noted above. IGPC is now seeking more process by seeking to expand the scope of the Board's consideration of the IR Plan beyond what is appropriate or fair. At some point, surely IGPC's requests for more process has to give way to common sense and regulatory efficiency.

Yours very truly,



Richard King

RK/mnm

Cop(y/ies) to: J. Robert Cowan, Q.C. (NRG)  
Laurie O'Meara (NRG)  
Lawrence Thacker (Lenczner Slaght)  
All Parties to EB-2010-0018