LENCZNER SLAGHT

BARRISTERS

Direct Line: (416) 865–3097
Email: lthacker@litigate.com

September 21, 2011

VIA COURIER & RESS

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

Dear Ms. Walli:

Re: Natural Resource Gas Limited
Board Proceeding No.: EB-2010-0018

Attached are the submissions of Natural Resource Gas Limited, which are submitted to the Board in accordance with Procedural Order No. 8 in Board File No. EB-2010-0018.

Yours truly,

Lawrence E. Thacker

LET/rk
Encl.

File No.: EB-2010-0018

IN THE MATTER OF the *Ontario Energy Board Act 1998*, S.O. 1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for an Order or Orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas commencing October 1, 2010

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for an Order or Orders approving a multi-year incentive rate mechanism plan

SUBMISSIONS OF NATURAL RESOURCE GAS LIMITED

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP
Barristers
130 Adelaide Street West
Suite 2600
Toronto, Ontario
M5H 3P5

Lawrence E. Thacker (36939M) 865-3097

Tel: (416) 865-9500
Fax: (416) 865-9010

Solicitors for the Natural Resource Gas Limited

SUBMISSIONS OF NATURAL RESOURCE GAS LIMITED

1. NRG has now had an opportunity to review the supplementary submission from Integrated Grain Processors Co-operative Inc. and IGPC Ethanol Inc. (collectively, "IGPC"), submitted to the Ontario Energy Board (the "OEB") on August 19, 2011 (the "IGPC Submission").

2. The IGPC Submission essentially repeats old allegations to which NRG has already responded and refuted. IGPC makes no specific request to the OEB to take any new action. This is yet another example of IGPC's well-established pattern of repeating past allegations that NRG has responded to and that have either been abandoned by IGPC or adjudicated by the OEB.

3. Although the allegations in the IGPC Submission are misleading and do not reflect the facts, NRG will not respond specifically to each allegation. Rather, NRG will rely on the materials it has already filed in the proceeding, most notably its submission filed on August 10, 2011, which – as per the Board's direction in Procedural Order No. 7 – addressed whether or not the dispute over pipeline costs was properly before the OEB. The record of correspondence and the evidence in this and in prior OEB proceedings provide a clear picture of what has transpired.

4. It is also worth noting that, as set out in Procedural Order No. 8, the OEB did not make provision for IGPC to file its "supplemental" IGPC Submission. Whereas NRG dutifully complied with the specific process outlined in Procedural Order No. 7, IGPC has ignored the OEB's direction and now forces NRG (and, indeed, the OEB) to use additional time and resources in order to respond. While the Board has accepted the IGPC Submission in this proceeding, NRG requests that it refuse to accept such supplemental filings in the future. The

OEB provides each party with an opportunity to make its arguments, and allowing one party to ignore the process mandated by the OEB is unfair to the other parties involved.

IGPC's Adversarial and Litigious Conduct

5. The history of IGPC's dealings with NRG has been one of unnecessary acrimony and litigation commenced and perpetrated by IGPC. NRG has been forced to respond to a series of unnecessary OEB motions and submissions, causing NRG to incur unnecessary legal costs that should be paid solely by IGPC and not by any other NRG rate payer. The IGPC Submission is yet another example of IGPC's adversarial and litigious approach to its dealings with NRG.

6. Moreover, IGPC's unsupportable allegations have no relevance whatsoever to the current motion. There is no purpose in IGPC repeating these old allegations, except to cause NRG to continue to incur unnecessary costs in responding to them, thereby placing a disproportionate burden on NRG's limited financial resources.

7. As described in more detail below, IGPC is able to continue business operations only because it receives substantial funding in the form of government grants. Accordingly, while IGPC is apparently capable of prolonging unnecessary and unreasonable litigation, NRG is privately owned and does not receive any government funding. NRG cannot afford to continue to respond to IGPC's government funded litigation.

8. It appears that IGPC intends to continue its highly adversarial and litigious approach to its relationship with NRG, and once again proposes a full hearing before the OEB that will cause NRG to incur another round of expenses for legal fees, expert witness and other consultant fees, and other costs. If this occurs NRG will require a new EB number from the OEB to allow NRG to separate out all of these costs to the REDA account for future recovery from IGPC.

9. NRG has a business to operate and a large constituency of rate payers to service. IGPC cannot continue to monopolize NRG's management resources and staff time to deal with IGPC's repeated litigation.

IGPC's Litigious Conduct is Funded by Taxpayer Grants

10. IGPC's consolidated financial statements for the fiscal year ending September 30, 2010 demonstrate that for fiscal 2010, IGPC received operating grants in the aggregate amount of $27,116,164. Without those government grants, IGPC would have incurred an operating loss before taxes of $10,174,928.

11. Note 15 to its financial statements state as follows:

> "15 Government grants
>
> Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)
>
> The Co-operative has been awarded two grants from OMAFRA:
>
> a) In March 2009, the Co-operative received a capital grant of $14,000,000 after completion of the project and achieving nameplace capacity by establishing the capability of producing 145 million litres of ethanol in a calendar year. As a condition precedent to receiving the grant, the Co-operative is committed to contribute $2,800,000 over ten years to a future industry related Research and Development Fund, as administered by the Agricultural Research Institute of Ontario. The first payment is to be made on April 1, 2012, three years after the full grant was received. An amount of $1,653,921, representing the present value of these payments discounted at 6.6%, was recorded as a research and development fund liability, thus reducing the amount of capital grant recognized for purpose of recording the net cost of capital assets. At year end, the balance of this obligation was $1,821,261 (2009-$1,708,500).
>
> b) An operating grant was activated when the plant began operation in October 2008. Funding is based on the actual volume of denatured ethanol produced in a month times the rate of payment for that month (not to exceed $0.11 per litre) subject to an annual maximum of 145 million litres. During the year, the Co-operative reached this maximum and earned $10,822,542 (2009-$12,700,695) in operating grants (2010-$0.0746 per litre, 2009-$0.0876 per litre), of which $1,868,872 (2009-$1,895,591) has been accrued as an amount receivable. The agreement is set to expire December 31, 2016.
>
> If the profitability of the Co-operative reaches or exceeds the threshold of 17.5% as calculated by the internal rate of return on a cash flow basis, the grant is reduced by 40%. This reduction increases incrementally up to 100% if profitability remains above 17.5%. As at September 30, 2010, the Co-operative's internal rate of return was below the threshold of 17.5%.
>
> For each of the calendar years from 2009 to 2016 inclusive or until the grants have been repaid in full, the company must repay an amount calculated as of December 31 of each year as follows:

(Average Gross Income per Litre minus $0.20 per litre) X the total Fuel Ethanol Produced in the previous twelve (12) months X 0.20

If the average gross income per litre is $0.20 or less, the repayment will be zero.

ecoEnergy for Biofuels

The Co-operative qualified for an operating grant under the Federal Government's ecoEnergy for Biofuels program, managed by NRCan. The operating grant is payable quarterly, from 2008 to 2016. The maximum incentive rate payable declines from $0.10 per litre of ethanol sold in the first year to $0.04 per litre in the last. The maximum eligible sales volume is 162,000,000 litres per year. During the year, the Co-operative earned $16,293,622 (2009 - $14,135,170) in operating grants (2010 - $.0957 per litre, 2009 - $0.0957 per litre) of which $6,534,944 (2009 - $3,995,762) has been accrued as an amount receivable."

12. IGPC appears willing to utilize public funding essential to enable it to operate without significant operating losses for the purposes of engaging in perpetual litigation against NRG. By contrast, NRG is a privately owned utility which has none of the public funding resources available to IGPC, but nevertheless is being forced to incur extensive litigation costs in responding to IGPC's adversarial and litigious conduct.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 21st day of September 2011.

Lawrence E. Thacker

LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP

Barristers
Suite 2600
130 Adelaide Street West
Toronto, ON M5H 3P5

Lawrence E. Thacker

Tel: (416) 865-9500
Fax: (416) 865-9010

Solicitors for Natural Resource Gas Limited