

October 11, 2011

**Sent by E-mail and Courier**

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

Your reference

Our reference



Barristers & Solicitors / Patent & Trade-mark Agents

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Dear Ms. Walli:

**Natural Resource Gas Limited ("NRG")  
2010 Distribution Rates Application (Phase 2)(EB-2010-0018)  
Responses to Technical Conference Undertakings**

Enclosed please find NRG's responses to undertakings given at the Technical Conference on September 26, 2011. After consulting with intervenor counsel, NRG has only responded to those undertakings related to the remaining unsettled issue (system integrity). If the Phase 2 Settlement Agreement is not accepted by the Board, NRG will complete and file the other Technical Conference undertakings.

Yours very truly,

*"Signed"*

John Beauchamp

JB/mnm

cc: All intervenors and interested parties

DOCSTOR: 2272086\3

**UNDERTAKING NO. TCK1.2: TO PROVIDE INFORMATION REQUESTED IN TECHNICAL  
CONFERENCE 1.1, VECC QUESTION 6(E)**

**RESPONSE:**

Please see attached.

## NATURAL RESOURCE GAS LIMITED

DATE: 01/31/2011

G A S / C U S T O M E R   A N A L Y S I S  
AS OF JAN/11

<----- M O N T H L Y   F I G U R E S ----->								<----- Y E A R   T O   D A T E   F I G U R E S ----->							
<----- GAS VOLUME IN M3 ----->				<- NUMBER OF CUSTOMERS ->				<----- GAS VOLUME IN M3 ----->				<- NUMBER OF CUSTOMERS ->			
JAN/11	JAN/10	CHANGE	%	JAN/11	JAN/10	CHANGE	%	CURRENT	LAST	CHANGE	%	JAN/11	SEPT	CHANGE	%

## SALES

1182012	2221604	1039592-	47-	6510	6432	78	1	RESIDENTIA	5224303	6090625	866322-	14-	6510	6451	59	1
63532	128896	65364-	51-	40	34	6	18	IND-RATE 1	535306	609911	74605-	12-	40	39	1	3
1775	17834	16059-	90-	23	23	0	0	IND-RATE 4	216968	543645	326677-	60-	23	23	0	0
402634	726973	324339-	45-	389	404	15-	4-	COMMERCIAL	1630344	1928200	297856-	15-	389	397	8-	2-
1183	15637	14454-	92-	60	69	9-	13-	SEASONAL	390970	172932	218038	126	60	64	4-	6-
0	288614	288614-	100-	2	4	2-	50-	CON-RATE 3	735679	898469	162790-	18-	2	4	2-	50-
0	4649	4649-	100-	3	5	2-	40-	CON-RATE 5	668259	1012320	344061-	34-	3	5	2-	40-

1651136	3404207	1753071-	51-	7027	6971	56	1	TOTAL SALE	9401829	11256102	1854273-	16-	7027	6983	44	1
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%  
THIS    %  
LAST

## DELIVERIES INTO SYSTEM

%  
THIS    %  
LAST

0	3264210	3264210-	100-		93		WEST GAS	7698909	10924803	3225894-	30-	96	93		
0	58151	58151-	100-		2		HEMLOCK	46431	157690	111259-	71-	1	1		
0	173805	173805-	100-		5		NORFOLK	269625	696771	427146-	61-	3	6		

0	3496166	3496166-	100-	0	100		TOTAL PURCHAS	8014965	11779264	3764299-	32-	100	100		
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1651136-	91959	1743095-	106-				GAS LOSS (GAIN)	1386864-	523162	1910026-	138-				
100.0-%	2.7 %							14.7-%	4.6 %						

0	2815709	2815709-	100-	1	1	0	0	ETHANOL	8085935	10649317	2563382-	24-	1	1	0	0
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## D E G R E E    D A Y S

798.8	733.1	65.7	9% COLDER THIS YEAR	ACTUAL	2165.4	2028.2	137.2	7% COLDER THIS YEAR
751.8	751.8			NORMAL	2128.0	2128.0		

(A Degree Day is the average daily temperature below 18 degrees Celsius.)

Definition of rates:

Rate 1 - customer gas use year round broken out into Residential, Industrial, and Commercial which is determined by volume

**UNDERTAKING NO. TCK1.3: TO PROVIDE INFORMATION REQUESTED IN TECHNICAL  
CONFERENCE 1.1, VECC QUESTION 6(G)**

**RESPONSE:**

As discussed at the technical conference, purchase of gas from NRG Corp is driven by two factors - the first being customer demand and the second being weather. NRG attempts to purchase gas in anticipation of gas demand. NRG is also aware of well servicing issues that may arise and the need to have the wells turned on for a period of time prior to the actual requirement for gas. Due to the wet summer/fall and the fact that all of the wells had not been turned on this year, NRG Corp. made the decision to turn the wells on in July (anticipating high demand from grain and tobacco dryers in late fall).

**UNDERTAKING NO. TCK1.6: TO PROVIDE THE NUMBER OF WELLS IN THE SOUTHERN SERVICE AREA**

**RESPONSE:**

NRG Corp. has 41 wells from which it draws gas in the southern service area.

**UNDERTAKING NO. TCK1.7: TO PROVIDE DETAILED CALCULATIONS FOR REVENUE REQUIREMENT THAT WOULD BE ADDED AS A RESULT OF THE PIPELINE**

**RESPONSE:**

Detailed calculations for the revenue requirement for Alternative One:

Rate Base			
Steel Mains (depreciation rate 5%)			\$ 8,375,000
Regulators/Transformer Station (depreciation 3.67%)			1,125,000
Depreciation			(460,038)
Working Capital			16,500
Rate Base			<u>\$ 9,056,462</u>
	Proportion	Rate	
Deemed Interest - short	4.00%	2.43%	8,803
Deemed Interest - long	56.00%	5.48%	277,925
Deemed Equity	40.00%	9.66%	349,942
Total Return on Rate Base			<u>636,670</u>
Annual Maintenance (Pipeline and Station)			110,000
Depreciation			460,038
Grossed up Income Taxes			25,798
Revenue Requirement			<u>\$ 1,232,506</u> (A)
Per Board Staff IRR #5			<u>\$ 1,232,699</u> (B)

Difference (A) and (B) insignificant

**UNDERTAKING NO. TCK1.8: TO PROVIDE UNION PRICING AND PREMIUM FIGURES FOR SHALE GAS**

**RESPONSE:**

We have noted below the current prices for Empress and Parkway. In addition, we have included the current QRAM pricing effective October 1. For comparative purposes we have included transportation costs (NRG Corp.'s price is an all inclusive price).

These numbers were prepared based on various assumptions.

Gas Prices per GJ

	Oct-11	Nov-11	Dec-11	Nov 11 - Mar 12
Empress Pricing (Note 1)	\$ 3.27	\$ 3.33	\$ 3.50	\$ 3.49
Fuel Cost (Note 2)	\$ 0.13	\$ 0.13	\$ 0.14	\$ 0.14
TCPL cost (Note 3)	\$ 2.24	\$ 2.24	\$ 2.24	\$ 2.24
Union Transportation cost (Note 4)	\$ 0.63	\$ 0.63	\$ 0.63	\$ 0.63
	<u>\$ 6.27</u>	<u>\$ 6.33</u>	<u>\$ 6.51</u>	<u>\$ 6.50</u>
Parkway Pricing (Note 1)	\$ 4.06	\$ 4.22	\$ 4.46	\$ 4.49
Union Transportation cost (Note 4)	\$ 0.63	\$ 0.63	\$ 0.63	\$ 0.63
	<u>\$ 4.69</u>	<u>\$ 4.85</u>	<u>\$ 5.09</u>	<u>\$ 5.12</u>
QRAM Gas Supply Charge	\$ 5.37			
Union Transportation cost (Note 4)	\$ 0.63			
	<u>\$ 6.00</u>			

\$	0.023909	m3 ref price
	26.5322	conversion (1GJ=26.5322m3)
\$	0.63	per GJ
\$	30,246	SA 918 TCPL cost
\$	13,485	GJ purchased for Empress
\$	2.24	per GJ

Note 1 - based on Shell Daily Energy Market Update report dated September 26, calculated on the same basis as the QRAM

Note 2 - Fuel Cost is estimated at 4% which is consistent with the QRAM calculation

Note 3 - cost of the Trans Canada Pipeline transportation based on August 2011 PGCVA

Note 4 - reference price for Union Gas transportation (includes demand charge)