

AIRD & BERLIS LLP

Barristers and Solicitors

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April 23, 2012

BY COURIER

Richard King
Norton Rose Canada LLP
3800-200 Bay Street
Toronto, ON M5J 2Z4

Dear Mr. King:

Re: NRG's Refusal to Permit Reduction in Letter of Credit

I am writing in response to your client's continued failure to abide by the Pipeline Cost Recovery Agreement ("PCRA") and the expectations of a utility in this province. As you are aware, IGPC has provided a Delivery Letter of Credit in the amount of \$5,214,173.00. This amount exceeds the value of the IGPC Pipeline, \$4,872,180.00 that was approved by the Ontario Energy Board to be included in rate base. To date, NRG has not permitted IGPC to reduce the Delivery Letter of Credit.

Recently, IGPC tried to reduce the amount of the Delivery Letter of Credit that it had provided to support the construction of the pipeline. As you will recall, under the PCRA, IGPC is entitled to reduce the security to match the undepreciated amount of the IGPC pipeline. However, following the request of my client to confirm the correct amount of the Delivery Letter of Credit, your client stonewalled and would not confirm a number, even when IGPC pointed to the evidence filed by NRG during the rate hearing. This is outrageous.

Your client has not permitted my client to reduce the Delivery Letter of Credit in the nearly four years since the pipeline became operational. The cost to my client of providing such excessive protection is significant and is not required by the PCRA nor by the OEB. We demand NRG fulfill its obligations under the PCRA in respect of the reduction in the letter of credit.

During the last rate hearing, EB-2010-0018, a settlement was reached, in part, because the accelerated depreciation of the IGPC Pipeline, \$243,609.00 annually, provides a significant non-cash expense to NRG and would have resulted in reduced borrowing costs for IGPC. However, NRG's refusal to permit a reduction in the Delivery Letter of Credit, despite the clear language in the PCRA, has prohibited IGPC from receiving the benefit to which it is entitled. As such, IGPC will have no alternative but to reconsider such a position in the next rate hearing.

IGPC is being forced to provide approximately \$1,000,000 in financial assurance to which NRG has no right or entitlement

IGPC had sincerely hoped the NRG was serious about improving its relationship with its ratepayers. However, the obstructionist behaviour described above and NRG's very recent decision to continue with the appeal in divisional court of the Board's decision in EB-2008-0413 to grant a 3 year extension to the franchise would confirm that NRG has no interest in its ratepayers or in improving its behaviour.

Yours truly,

AIRD & BERLIS LLP



Scott A. Stoll

SAS

cc: J. Grey, IGPC
J. Howley, NRG
K. Walli, OEB
M. Miller, OEB

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