

**THE CORPORATION OF THE TOWN OF AYLMER
INTERROGATORIES
NATURAL RESOURCE GAS LTD.**

Issue 1 – Security Deposit Policy

Aylmer Interrogatory #1

Preamble:

NRG has to date refused to remove the “retractable” feature of NRG’s common shares, or alternatively to provide to the gas customers from which it holds security deposits a postponement in form and substance similar to the postponements given by NRG voluntarily to its bank, and ordered by the Board to be given to Union Gas in EB-2008-0273.

References:

Letter dated October 17, 2011, NRG Application para. 3 and attachment 2, at p. 2

Questions:

- a. Who made the decision to refuse this request, and specifically was it NRG, Mr. Graat, all of the common shareholders, or someone else?
- b. Is there any resolution or other document recording the decision?
- c. What is the rationale for treating NRG’s security deposit-holders differently, and less favourably, than NRG’s bank and Union Gas in respect of their interests as creditors of NRG?

Issue 2 – Conditions of Renewal

Aylmer Interrogatory #2

Preamble:

NRG has to date refused to remove the “retractable” feature of NRG’s common shares, or alternatively to provide to the gas customers from which it holds security deposits a postponement in form and substance similar to the postponements given by NRG voluntarily to its bank, and ordered by the Board to be given to Union Gas in EB-2008-0273.

References:

Letter dated October 17, 2011, NRG Application para. 3 and attachment 2, at p. 2

Questions:

- a. Does the request by the Town that this be made a condition of any renewal of its Franchise Agreement with NRG pose any operational difficulties for NRG in respect of its gas distribution undertaking?
- b. If so, what are those difficulties, and are they any different than the operational difficulties caused by the provision of similar postponements to NRG’s bank or to Union Gas?
- c. If so, please explain the differences between the difficulties posed, in each case.

Aylmer Interrogatory #3

Preamble:

NRG has to date refused to commit to conduct and adopt a new cost allocation study, to ensure that all costs and revenues are properly allocated between rate classes, prior to its next rate hearing.

References:

Letter dated August 18, 2011, NRG Application para. 2 and attachment 1, at p. 2

Letter dated October 17, 2011, NRG Application para. 3 and attachment 2, at p. 2-3

Questions:

- a. Is NRG's refusal related only to the timing of the Town's request, or does NRG wish to avoid conducting such a study at any time?
- b. What is NRG's best current estimate of the cost of conducting such a study? Please produce any documents in NRG's possession that relate to the estimation of those costs.
- c. Does the request by the Town that this be made a condition of any renewal of its Franchise Agreement with NRG pose any operational difficulties for NRG in respect of its gas distribution undertaking, other than in relation to the costs of the study and the timing of incurring that cost?
- d. If so, what are those difficulties, and are they any different than the operational difficulties caused by the consult of such studies by other gas distribution undertakings in Ontario?

Aylmer Interrogatory #4

Preamble:

NRG has to date refused to commit to separating its non-utility businesses.

References:

Letter dated August 18, 2011, NRG Application para. 2 and attachment 1, at p. 2

Letter dated October 17, 2011, NRG Application para. 3 and attachment 2, at p. 3-4

Questions:

- a. What is NRG's rationale for not separating these business, and specifically why is it that NRG claims that the Board's various rationales for requiring this separation in other Ontario gas distribution undertakings in Ontario do not apply to NRG, whether in whole or in part?
- b. Would the separation of these businesses for accounting and regulatory purposes involve a cost or costs to NRG,?
- c. If so what are those costs, and what are NRG's best current estimates of the amounts to be incurred in each case?
- d. Would the separation of these businesses for accounting and regulatory purposes pose any operational difficulties for NRG in respect of its gas distribution undertaking?
- e. If so, are those difficulties any different than the operational difficulties caused to other gas distribution undertakings who have been required to make this separation, or any of them?
- d. If so, please explain the differences between the difficulties posed, in each case.

Aylmer Interrogatory #5

Preamble:

Despite the Board's Decision and Order in the last franchise renewal proceeding EB-2008-0413, NRG has maintained its refusal of the Town's request to allow provision for the alignment of the renewal dates on the Town's Franchise Agreement with those of other municipalities in the NRG gas distribution service area.

References:

Letter dated August 18, 2011, NRG Application para. 2 and attachment 1, at p. 1

Letter dated October 17, 2011, NRG Application para. 3 and attachment 2, at p. 1

Letter dated January 5, 2012, NRG Application para. 6 and attachment 4

Questions:

- a. What is NRG's rationale for resisting the alignment of the renewal dates of these Franchise Agreement as a condition of renewal of NRG's Franchise Agreement with the Town?
- b. Are there any costs associated with effecting such alignment, other than the costs of this proceeding?
- c. If so, what are those costs and what are NRG's best current estimates of the amounts involved in each case?
- d. Would any efficiencies in administration or regulatory oversight be achieved by such alignment.
- e. If so what are those efficiencies, and what is NRG's best current estimate of the amounts involved for any given renewal term or round of unaligned renewals?
- f. Please provide a complete list of the municipal parties (past and present) and the renewal dates of each Franchise Agreement that NRG has with each of the municipalities in its gas distribution service area.
- g. Please produce copies of each such Franchise Agreement.
- h. What is the current status of each such Franchise Agreement, and specifically have any expired prior to or while this Application has been outstanding?

- i. Apart from any discussions conducted without prejudice through Stockwoods LLP, prior to this application and while it has been outstanding, has NRG had any direct discussions with any of the municipal parties to these Franchise Agreements regarding their renewal, including the alignment of their renewal dates?
- j. If so, please produce all documents relating to such discussions, or identify any documents for which any privilege is claimed, and provide a summary of any such discussions that are not documented.
- k. Does the alignment or non-alignment of the renewal terms of these Franchise Agreements pose any operational difficulties for NRG in respect of its gas distribution undertaking?
- l. If so, what are those operational difficulties in either case?

Issue 3 – Renewal Term

Aylmer Interrogatory #5

Preamble:

The Board's Decision and Order in the last franchise renewal proceeding EB-2008-0413 renewed NRG's Franchise Agreement with the Town for a term of three years.

References:

Board's Decision and Order in EB-2008-0413, May 5, 2009

Questions:

- a. Has NRG experienced any operational difficulties arising out of the Board's decision in EB-2008-0413 to renew NRG's Franchise Agreement with the Town for three years rather than a longer term?
- b. If so, what are those difficulties?
- c. Are those difficulties any different than any operational difficulties caused by the fact that all other Franchise Agreements that NRG has in its service area will also expire within a short period of years?
- d. Has NRG incurred any costs (other than the costs of regulatory proceedings) arising out of the Board's decision in EB-2008-0413 to renew NRG's Franchise Agreement with the Town for three years rather than a longer term?
- e. If so, what are those costs and what are NRG's best current estimates of the amounts involved in each case?