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Sept. 10th, 2012

Honourable Chris Bentley  
Minister of Energy  
Hearst Block, 9th Floor  
Queen's Park  
Toronto, ON

Dear Minister Bentley,

We are writing to you on behalf of Ag Energy Co-operative Ltd.'s membership and particularly those members who reside or have business pursuits in the natural gas distribution franchise area of NRG Inc. As a marketer or reseller of natural gas within the province of Ontario, we are very familiar with the expectations and regulations that govern not only our day to day operations, but also of those utilities that support us in ensuring cost effective and dependable flow of natural gas. As such, we are writing to you on behalf of the members that fall within the franchise area of NRG but also as a Co-operative who heavily depends upon its utility to honour its commitments to the customers it serves.

Ag Energy is an Ontario based co-operative representing members in Ontario and serves more than 1000 customers in Ontario, Quebec and British Columbia. We are a services based co-operative that provides natural gas and electricity solutions to its members / customers and were incorporated 24 years ago. Our beginnings served as cost-effective procurement of natural gas for greenhouses as a result of energy deregulation, as energy is typically one of the largest input costs for our membership. We have annual sales in excess of \$25 million and our primary focus is to provide cost effective energy commodities and investment opportunities to our membership. We are a lean organization of 10 employees serving agriculture, agri-tech and agri-food. If we were to expand the impact of our efforts to two levels, Ag Energy and its membership (i.e. other co-operatives and organizations and their membership) reflect the following metrics:

- Approximately 5000 employees
- Greater than \$1/2 Billion CAD in revenue / sales per year
- Majority of the locations are rural Ontario
- 90+% of the revenue is estimated to remain in Ontario
- Any growth efforts or streamlining of bureaucracy supports these Ontario businesses/ individuals and inherently improves the province economically and socially.

Ag Energy members, who are our owners, provide regular feedback to service levels – both ours and that of the utilities. Furthermore, we have daily, monthly and annual operational processes that are completely contingent upon the effectiveness or capabilities of the utility which provides the commodity and pipeline to each member location. Given the feedback we have received and also our internal observations, Ag Energy Co-operative Ltd. is seeking your support in remedying issues with the processes and practices of NRG Inc. in the delivery of reliable natural gas. Ignoring the issues or challenges presented adversely affect our members in the NRG franchise and also negatively affect the performance of Ag Energy for the remainder of the membership not affected. Furthermore, it is an overall cost burden to all participants in the value chain, thereby negatively affecting the Ontario tax base, directly and indirectly.

Over the years, our Co-operative has received numerous complaints from members and customers (i.e. non-members) alike regarding rates and practices of NRG Inc. As an entity, we have added additional time and effort to overcome some of the obstacles with little hope of remediation longer term. As it pertains to effective operations, NRG Inc. operates at a

far lesser level of capability than its peer natural gas utilities like Union Gas Ltd. or Enbridge Gas. We have responsibly supported our members and customers but we are seeing little hope of improvement, even with extreme follow-up and due diligence.

Members and customers often times pay extreme premiums to what neighbouring customers will pay in the Union Gas Ltd. franchise. Extraordinary fees per m3 or GJ relative to market costs are not abnormal, at times even exceeding 40%. Little feedback for planning or electronic processes such as OEB mandated GDAR are not applied, thereby creating a costly and unfriendly business environment for all. This long standing problem is rooted in part to the fact that NRGs franchise is an aberration within Ontario's natural gas market place. These circumstances and NRG's disregard for their obligations to act in the public interest is placing ratepayers, affected businesses and their communities at a severe disadvantage. Specifically, this unique situation has allowed NRG to conduct business in a manner beyond the apparent jurisdiction of the OEB and as such, the OEB lacks the tools to effectively influence and affect the conduct of this utility.

Such behaviour is costly to all who are a part of the overall chain of support. It is costly not only in the servicing but also in the financial outlay while dealing with such dysfunction. As Ontario has been challenged severely by many economic woes, do we truly need further challenges to exacerbate an area which could use economic stimulus? The OEB has been ineffective at mitigating the behaviour of this company over the years and as such, we would like to propose that you provide the OEB with additional tools such that they can better manage the conduct of the utility and improve the overall service and cost to its user base.

The OEB has the powers to deal with unacceptable situations and behaviours of small electric utilities who may not be acting in the best interest of the public. This power was given to the OEB in the 1990's when the electricity marketplace was reformed. Accordingly, the OEB is authorized under section 59(1) of the OEB Act to monitor and, if necessary, take remedial action, if an electric utility is failing to meet their obligations to the public. Unfortunately, parallel powers do not exist for natural gas utilities.

We request your support to take the appropriate actions to address this situation by vesting the OEB with the added powers or tools in parallel to section 59(1) to protect the public interest and the ratepayers of Ontario. Given these additional powers to assess the governance issues, monitor financial controls, review operational issues and to remedy shortcomings, the OEB can then conduct an effective review of NRG's capacity to carry on gas distribution services in its franchise areas.

Minister, last year at the Ontario Economic Summit's round table you heard of our plea for a level playing field as it pertained to energy. Once again, we are seeking the same and ask for your intervention to remedy these untenable circumstances for our members and customers and your constituents, ratepayers and tax payers.

We would appreciate an opportunity to discuss this matter with you at your earliest convenience.  
Sincerest thanks for your consideration and we look forward to hearing from you.

Respectfully,



Rose Marie Gage,  
Chief Executive Officer,  
Ag Energy Co-operative Ltd.