

October 22, 2012

VIA EMAIL

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

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

Dear Ms. Walli:

NRG has reviewed the letter from counsel for IGPC dated October 12, 2012 and your letter in response sent October 18.

In your letter, you confirm that no issues relating to the Letters of Credit ("LCs") that IGPC provided to NRG as security were raised before the Board or addressed in the decision of the Board in EB-2010-0018, and no such issues were referenced in the Board's Notice of Motion to Review and Procedural Order No. 1 dated October 4, 2012, which was not appealed. Procedural Order No. 1 limits submissions to the question of whether or not the Board has jurisdiction to determine the proper amount of the capital contribution owed from IGPC to NRG.

IGPC and NRG have exchanged correspondence on the issue of the LCs and IGPC's deteriorating financial circumstances. Attached is a letter from NRG's counsel to IGPC's counsel.

This letter sets out NRG's position concerning the LC's and attaches IGPC's financial statements for the fiscal year ended September 30, 2011. IGPC's financial statements clearly indicate that but for an operating grant in the amount of approximately \$28.7 million last year (which expires in 2016 and with current government funding cutbacks it could be earlier), IGPC could be rendered unable to meet their future financial commitments. IGPC's net income for its most recent financial fiscal year was \$11.7m. The operating grant was \$28.7m. Accordingly, without the operating grant, IGPC would have incurred a net loss of \$17m.

IGPC's financial statements for the nine months ended June 30, 2012, confirm that IGPC's net income for its most more recent nine months was \$11.5m. The operating grant was \$23.1m. Accordingly, without the operating grant IGPC, IGPC would have occurred a net loss of \$11.6m.

This confirms that for the last two years, IGPC has been operating at a significant rate of loss, and if the operating grant is terminated or reduced, IGPC would be insolvent. The financial statements also confirmed that the operating grant will terminate on December 31, 2016. Accordingly, it appears that NRG is at a significant risk that IGPC will not have the financial resources to pay NRG for the decommissioning costs, and any other costs not yet recovered through rates specific to IGPC.

Given that the Board is willing to consider the issue of the LCs in the context of its Motion to Review and despite Procedure Order No. 1, the Board will also have to consider and decide at the same time the issue of IGPC's perilous financial circumstances and, unless the operating grant is renewed or new grants are obtained, or new revenue is achieved without a corresponding increase in costs, IGPC will become insolvent upon the termination of the operating grant on December 31, 2016. As a result, NRG will be bringing a motion for increased security.

In those circumstances, the factual foundation for the motion to review will be significantly broader than the record before the Board when the decision being reviewed was made. NRG respectfully submits that time is required to allow all parties to obtain and introduce evidence relating to the new issue of the LC raised by IGPC and the issue of IGPC's potential insolvency which is inextricably interwoven with the LC issue, and for both parties to respond to that evidence and make submissions to the Board based on that evidence.

NRG respectfully requests that the time for filing of submissions with the Board set out in Procedural Order No. 1 be extended from October 22 to November 30, 2012.

Yours truly,



Lawrence E. Thacker

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