

June 28, 2013

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Ontario Energy Board  
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Your reference  
EB-2012-0451  
EB-2013-0074

Our reference  
01015413-0032  
01015413-0034

Dear Ms. Walli:

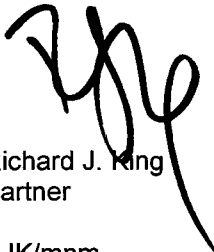
**Natural Resource Gas Limited (NRG) and  
Integrated Grain Processors Co-Operative Inc. (IGPC)  
Capital Cost Dispute and Service Denial (EB-2012-0406/EB-2013-0081)**

We are counsel to NRG. Enclosed are responses to Interrogatories from Board Staff, Integrated Grain Processors Co-Operative Inc. and the Town of Aylmer.

Please update the distribution list to include (as co-counsel to NRG):

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Yours very truly,



Richard J. King  
Partner

RJK/mnm  
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Cop(y/ies) to: All Interested Parties

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**NATURAL RESOURCE GAS LIMITED**

**RESPONSES TO INTERROGATORIES FROM**  
**TOWN OF AYLMER**

**INTERROGATORY #1**

Issue 1:

Is an Order of the Board requiring NRG to provide gas distribution services and gas sales to IGPC to meet its facility expansion and upgrading plans necessary and appropriate?

Preamble:

In prior proceedings before this Board relating to the IGPC facility, The Town of Aylmer has filed written evidence and submissions highlighting the importance of the facility to the economic recovery and development of the Town and surrounding communities.

References:

Written Submissions in EB-2006-0246, February 28, 2008 and attached Exhibits A-1 to A-7, attached hereto.

**Questions:**

- a. Does NRG take issue with any of the background facts set out in the Town's prior evidence and submissions, and if so in what respects and based upon what evidence?**
- b. Does NRG take the position that any of the background facts set out in the Town's prior evidence and submissions are not relevant to these proceedings, and if so in what respects and why?**

RESPONSE

NRG is obligated to serve (and has served) all customers requesting new or expanded service, regardless of the role of that customer in the local community. From the Board's perspective, the "importance" of the customer is irrelevant – only that the customer is served reliably, and that the new or expanded connection does not impose costs or risks on the utility's existing rate base.

As noted, IGPC is wholly dependent on government grants for its existence. These government grants expire in three years, which is of great concern to NRG. This concern has been heightened recently by declining government support for the renewable fuels industry. For instance, the federal government's \$159 million ecoAgriculture Biofuels Capital Initiative ended on March 31, 2013, and the \$1.5 billion ecoEnergy for Biofuels is also being shut down (see attached article). This lack of support for the ethanol industry appears to be driven by the federal government's need for fiscal restraint. Those same fiscal concerns exist at the provincial level (given Ontario's estimated deficit of 2012-13 is \$9.8 billion). IGPC has not provided any indication as to whether any level of government has committed to subsidizing the ethanol plant in Aylmer beyond 2016.

NRG notes that the Board has not permitted any party other than IGPC and NRG to file evidence. Consequently, the materials filed with the Town's Interrogatory should not be considered evidence, and if it is considered to be evidence by the Board, then NRG disagrees with the evidence filed. NRG's position on the facts are set out in the response NRG made at the time to the Town's allegations, and NRG should not be required to repeat them.

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**THE GLOBE AND MAIL** 

February 22, 2013

## Ottawa ending biofuels subsidy over unfulfilled industry promises

By Shawn McCarthy

*The biodiesel industry has been unable to produce as much renewable fuel as had been promised, Natural Resources Minister Joe Oliver said in a letter*

The Conservative government is formally shutting down its controversial biofuels subsidy program, saying companies producing biodiesel have failed to meet ambitious production targets.

In a letter sent Thursday, Natural Resources Minister Joe Oliver rejected calls from the industry to provide new money under Ottawa's ecoEnergy program to ethanol or biodiesel firms looking to build plants. Existing commitments, however, will be met until the program expires in 2017. A copy of the letter was obtained by The Globe and Mail.

"The government will not redesign or reopen the ecoEnergy for biofuels programs to new applicants," Mr. Oliver said. "During this time of fiscal restraint and challenging global fiscal realities, our government has committed to ensuring that we balance our budget."

Ottawa has already paid out \$672-million to companies that have built plants to make grain-based ethanol and biodiesel, which has created 800 jobs and a new market for farmers. It expects to spend \$1-billion on biofuels subsidies when the last payments are made in 2017, though the program was initially promoted as a \$1.5-billion effort.

The government stopped taking applications under the program in 2010, but several companies have announced plans to build new biodiesel plants and the industry has been urging the government since then to continue the subsidy program. In November, 2011, U.S. agrifood giant Archer Daniels Midland announced plans to build a 265-million-litre-a-year biodiesel plant in Lloydminster, Alta., next to its canola crushing plant.

"Our members are ready to build new plants today," said Scott Thurlow, president of the Canadian Renewable Fuels Association. "They have shovel-ready projects which if the programs was reopened, they could absolutely make good on the Prime Minister's commitment to have 600 million litres of domestic biodiesel production in place."

Mr. Thurlow said the decision was "incredibly disappointing," and he questioned the timing of the announcement, given the escalating pressure on Ottawa to make more progress on combatting climate change.

In his letter, Mr. Oliver praised the ethanol industry, which is now producing virtually all the renewable fuel needed for Canada to meet its target of 5 per cent ethanol in the gasoline supply. But there are no ethanol producers with proposals for plants that would depend on the subsidy program.

In his letter to the industry, the minister noted the biodiesel industry has been unable to produce as much renewable fuel as had been promised. Critics have complained that biofuels from grain represent more of a subsidy to farmers

than an environmental program, though Ottawa insists the growth of renewable fuel production has helped reduce greenhouse gases in the transportation sector.

But the minister added that the Canadian biodiesel industry "has not been able to produce and sell the large quantities of fuel that were forecasted." And Canadian refiners complained that the renewable diesel often did not meet their specifications and could not be easily blended with diesel.

As a result, much of the biodiesel produced in Canada has been exported, while refiners in some regions have been forced to import the renewable fuel to meet the 2-per-cent diesel target.

The ecoEnergy biofuels program came under fire last fall when The Globe and Mail revealed that one company, Great Lakes Biodiesel Inc., was in line for \$65-million in subsidies for a plant it is building in St. Catharines, despite being investigated for improper shipments of American fuel to Europe. Great Lakes received a commitment for payments from Ottawa, but must actually produce biodiesel in order to collect.

#### **What the industry wants**

- Re-opening of the ecoEnergy Biofuels program. Cost: \$190-million over five years.
- Direct unused ethanol money in the ecoEnergy fund to support next-generation biofuels made from agricultural and municipal waste. Provide incentive for those next-generation biofuel producers. Cost: \$50-million.
- Preserve the \$500-million NextGen Biofuels Fund which is used to subsidize construction of cellulosic ethanol and biodiesel-from-waste plants.

#### **What Ottawa is doing**

- Ending ecoEnergy Biofuels program to new applicants, but it will provide subsidies to ethanol and biodiesel producers under existing commitments until 2017 for total cost of \$1-billion.
- Maintaining fuel regulations that require a 5-per-cent ethanol mix in gasoline and a 2-per-cent biodiesel component in the diesel supply, with exemptions to Atlantic Canada heating oil suppliers.
- Preserving the NextGen Biofuels fund, but it has made no commitment to provide incentive to producers .

*With a report from Daniel Leblanc*

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**NATURAL RESOURCE GAS LIMITED**  
**RESPONSES TO INTERROGATORIES FROM**  
**BOARD STAFF**

**INTERROGATORY #1**

Ref.

Evidence of Natural Resource Gas Limited ("NRG"), June 3, 2013, Page 14 of 22

**Questions:**

**NRG has provided a table with the specific legal costs contested by IGPC. The list includes Project Management as a cost item. Please explain the activities included in Project Management and a breakdown of the \$15,000 in costs.**

**RESPONSE**

The categorization of \$15,000 of NRG's legal costs as "Project Management" was done by IGPC, not NRG (see Table 2 at para. 94 of IGPC's evidence in this proceeding). It appears as though IGPC combed through NRG's legal invoices in NRG's last rate proceeding (EB-2010-0018) and based on the description of work done, came to its own conclusion that the legal work was more appropriately considered to be "project management" work that should not be done by legal counsel (see Undertaking J2.2 filed by IGPC in EB-2010-0018, p. 4 of 7, wherein IGPC states that the \$15,000 was "Paying L. Thacker for Project Management services but at rate of \$675/hour. Estimate based upon fraction of claimed by communicating direction with IGPC (G. Alkalay)). In other words, the \$15,000 categorization is an artificial construct devised by NRG.

NRG disputes this categorization, for several reasons. First, it involves a deduction by IGPC of the specific nature of certain work carried out by NRG's legal counsel based on short descriptions. Second, it accuses NRG of using legal counsel inappropriately to increase costs of the IGPC Pipeline. This makes no sense, and is entirely inconsistent with the fact that the IGPC Pipeline was completed under-budget. It doesn't even make sense – NRG has no interest in incurring legal costs if they are not necessary. Third, as set out in paragraphs 41 through 49 of NRG's evidence, IGPC's conduct was the cause of much of the legal fees incurred by NRG. As noted at paragraph 46, IGPC's legal counsel was involved in demands for equipment purchase order extensions, quote review, pipeline delivery coordination, etc. If IGPC was conducting itself this way and involving its external counsel in these tasks, why would NRG be prevented from doing so?

## **INTERROGATORY #2**

Ref.:

Evidence of NRG, June 3, 2013, Page 13 of 22

### **Questions:**

- a) Please provide a corporate organization chart showing NRG, its parent company, and all regulated or unregulated entities that share NRG's corporate parent.
- b) Please describe how costs incurred by the parent company are allocated to NRG and to the regulated or unregulated companies in the corporate organization, including NRG's share of costs such as the president's salary and other corporate overheads.
- c) Is the allocation of the corporate president's salary and/or corporate overheads to NRG a predetermined share of the total cost, or is it a variable share that depends upon actual events that affect the respective affiliated entities? If it is variable, has NRG described this aspect of the allocation to the OEB in any previous proceeding, and if so please provide a summary and references to the record. If the allocation is variable (depending upon actual events such as the present instance), please describe the basis for the allocated share to NRG.
- d) Please provide the legal and regulatory costs that underpin NRG's distribution rates from 2008-2012. Please also provide the proportion of the president's salary included into distribution rates for the same period.
- e) Please provide the role and responsibilities of Mr. Bristoll while he was President of NRG.
- f) Please provide an explanation as to why Mr. Bristoll's time spent on activities related to the IGPC project would not be part of his day-to-day responsibility considering that he was an employee of NRG and IGPC was an important customer.
- g) Please provide the incremental hours (hours over normal working hours: 40 hours per week) that Mr. Bristoll spent on the IGPC pipeline project.
- h) Please confirm whether NRG paid any overtime compensation to Mr. Bristoll while working on the IGPC project. If "Yes", please provide the overtime hours and compensation paid.
- i) Did NRG need to hire additional employees to undertake other work that would have normally been accomplished by Mr. Bristoll had he not been occupied with the IGPC project? Please provide details including salaries of additional employees hired.

### **RESPONSE**

- a) and b) As noted in Exhibit A1, Tab 3, Schedule 1, The Wilsher Trust holds 100% of the voting shares. No regulated or unregulated entities share NRG's corporate parent.
- c) NRG's President is an employee of NRG. This was the case when Mr. Bristoll served as NRG's President during construction of the IGPC Pipeline.

d) NRG's distribution rates from 2008 through to October 1, 2010 were set in EB-2005-0544 and included \$30,000 for legal costs and \$193,000 for regulatory. Since then, NRG's distribution rates have been levied pursuant to EB-2010-0018, which included \$54,432 for legal costs and \$79,200 for regulatory costs.

e) NRG is a small company. There are no formal written roles and responsibilities for the President position while Mr. Bristoll was President. Even if there were, the formal roles and responsibilities would have been consistent with overseeing the operations and business of a small gas utility, and would not have included devoting 100 % of his time to construction of a single facility to serve a single customer.

f) NRG has connected thousands of new customers over the past few decades, including large customers. The IGPC Pipeline was extraordinary in terms of scale, and one would expect it to take up some of Mr. Bristoll's time. However, as noted in its evidence, IGPC's conduct drove not only much of the legal costs associated with the IGPC Pipeline, but also many other costs (which included virtually 100% of Mr. Bristoll's time, and the numerous hours spent by Mr. Graat and others from related companies (not employees of NRG) with construction expertise).

g) This would be difficult to re-create on a week-by-week basis. Very detailed daily entries for Mr. Bristoll have been provided in previous Board proceedings. From this, we have created a monthly hours summary (see attached "Billing Summary" table) that might be of assistance.

h) and (i) Mr. Bristoll was paid a straight salary, without overtime. As noted, Mr. Graat devoted numerous hours to the IGPC Pipeline project, at no cost to IGPC.



**Natural Resource Gas Limited  
Integrated Grain Processors Co-Operative Inc.  
Billing Summary**

Tab	Month	Hours	Rate	Cost	Hours	
1	Jun-06 Total			\$ 4,130.00	14.00	
2	Jul-06 Total			\$ 472.00	1.60	
3	Aug-06 Total			\$ 4,012.00	13.60	
4	Sep-06 Total			\$ 19,012.75	64.45	
5	Oct-06 Total			\$ 7,168.50	24.30	
6	Nov-06 Total			\$ 9,572.75	32.45	
7	Dec-06 Total			\$ 33,851.25	102.75	-12 dble counted adjmt made
8	Jan-07 Total			\$ 10,044.75	34.05	
9	Feb-07 Total			\$ 1,003.00	3.40	
10	Mar-07 Total			\$ 6,254.00	21.20	
11	Apr-07 Total			\$ 6,342.50	21.50	
12	May-07 Total			\$ 1,032.50	3.50	
13	Jun-07 Total			\$ 8,053.50	27.30	
14	Jul-07 Total			\$ 5,900.00	20.00	
15	Aug-07 Total			\$ 3,392.50	11.50	
16	Sep-07 Total			\$ 2,861.50	9.70	
17	Oct-07 Total			\$ 3,628.50	12.30	
18	Nov-07 Total			\$ 3,392.50	11.50	
19	Dec-07 Total			\$ 11,136.25	37.75	
20	Jan-08 Total			\$ 25,001.25	84.75	
21	Feb-08 Total			\$ 21,535.00	73.00	
22	Mar-08 Total			\$ 34,810.00	118.00	
23	Apr-08 Total			\$ 18,142.50	61.50	
24	May-08 Total			\$ 13,865.00	47.00	
25	Jun-08 Total			\$ 31,565.00	107.00	
26	Jul-08 Total			\$ 24,927.50	84.50	
27	Aug-08 Total			\$ 25,075.00	85.00	
28	Sep-08 Total			\$ 21,535.00	73.00	
29	Oct-08 Total			\$ 22,567.50	76.50	
30	Jack Howleys Time			\$ 8,300.00		
31	John Camara's Time			\$ 9,360.00		
	Grand Total			\$ 397,944.50		

### **INTERROGATORY #3**

Ref.:

IGPC Pre-filed Evidence, Exhibit A, Page 24, Table 2, Summary of Disputed Legal Costs.

**Questions:**

**Please answer the following questions with respect to the Summary of Disputed Legal Costs:**

- a) Does NRG agree with the items listed in the table and the amounts? Please provide a detailed explanation for each item and amounts that NRG disagrees to.**
- b) With respect to the Table, what legal costs has NRG received to-date from IGPC? Please provide a response with respect to each item in the Table.**
- c) Please provide an explanation for the contingency costs included in this table. Have the contingency costs been incurred by NRG?**
- d) Please provide a rationale for costs related to Franchise Negotiations and Police Investigation if they are included in the legal costs claimed by NRG.**

**RESPONSE**

- a) As noted in NRG's response to Interrogatory #1, these cost categorizations were created by IGPC, based on their review of legal invoices, but no detail exists as to how they came up with these numbers.
- b) NRG is not sure what is meant by this question.
- c) Yes. Please see invoices attached to response to Interrogatory #5.
- d) These items were discussed and dealt with at NRG's most recent rate case, via NRG agreeing to a \$5,600 adjustment, which was made in the rate case. There should be no amounts in dispute here.

## **INTERROGATORY #4**

Ref:

Evidence of NRG, June 3, 2013, Page 21 of 22.

### **Questions:**

**There is \$62,000 in insurance costs during construction in dispute between NRG and IGPC. NRG has stated that prior to construction had any incident occurred to the pipe, components and equipment, IGPC would have had the benefit of NRG's insurance coverage.**

**a) Please provide the amount of insurance coverage that was embedded into NRG's distribution rates at the time that the facilities for IGPC were being constructed.**

**b) Did NRG incur any incremental insurance coverage costs as a result of constructing facilities for IGPC? If so, please provide the invoice for the insurance costs during construction.**

### **RESPONSE**

a) The amount of insurance in the 2007 test year (EB-2005-0544) was \$273,911.

b) No. As noted at paragraph 104 of NRG's evidence, the \$62,000 insurance figure represents an allocation of NRG's insurance during the development and construction of the IGPC Pipeline.

## **INTERROGATORY #5**

Ref.:

IGPC Pre-Filed Evidence, Exhibit C, Tab 8, Pages 2 and 4 and NRG Evidence, Page 5

### **Questions:**

**a) Please confirm that NRG has sent two invoices (\$6,876.39) to IGPC for inquiries related to a recent request (June 18, 2012) by IGPC for a possible expansion of the IGPC facility and increased natural gas deliveries.**

**b) Does NRG usually bill other customers for inquiries that require some effort and research? Please provide details and amounts charged to other customers of NRG. If there have been such instances, please state whether the OEB was made aware of the cost recovery.**

**c) Please explain what authority NRG is relying upon for the proposed invoice to IGPC, if other than a Rate Order from the OEB.**

### **RESPONSE**

a) Confirmed.

b) and c) Not normally. However, NRG's rate order does allow for NRG to provide for contract work on a quoted basis. The IGPC Pipeline is unique in its scale, and obviously any \$15 to \$20 million capital expansion would be significant. So preliminary engineering on this facility would be done via outside engineers and cost recovery would be sought from IGPC.

## **INTERROGATORY #6**

Ref: Irrevocable Standby Letter of Credit No: CT08SOL0043-B, IGPC Pre-field Evidence, Exhibit C, Tab 12

### **Questions:**

**Please respond to the following question with respect to the Letter of Credit provided by IGPC in favour of NRG Limited:**

- a) Please confirm that the Letter of Credit for \$5,214,173 is still in effect.**
- b) Please confirm whether the Letter of Credit represents the undepreciated value of the IGPC pipeline in NRG's rate base. Please provide a detailed response if NRG disagrees.**
- c) Please confirm whether the value of the letter of credit has remained unchanged since its inception in April 2008.**

### **RESPONSE**

- a) To the best of NRG's knowledge it is still in effect.
- b) See response to IGPC Interrogatory #15.
- c) To the best of NRG's knowledge, yes.

**NATURAL RESOURCE GAS LIMITED**  
**RESPONSES TO INTERROGATORIES FROM**  
**INTEGRATED GRAIN PROCESSORS CO-OPERATIVE INC.**

**INTERROGATORY #1**

Issue 1

Is an Order of the Board requiring NRG to provide gas distribution services and gas sales to IGPC to meet its facility expansion and upgrading plans necessary and appropriate?

Preamble:

IGPC is desirous of understanding why a request for gas distribution services was referred away from the Utility to Ayerswood Development and the nature of the relationship between NRG and Ayerswood

Reference:

Letter from IGPC to NRG, June 18, 2012, IGPC Pre-filed Evidence Exhibit C, Tab 4, and NRG's response of the same date, Tab 5

**Questions:**

**1. Please advise as follows:**

**(a) Who is the current operations manager of NRG?**

**(b) Is Mr. Jack Howley still employed by NRG and if so, in what capacity?**

**(c) As of June 2012, what position did Mr. Howley have with NRG?**

**(d) If Mr. Howley was an employee of NRG in 2012, what was his salary and what is the value either in dollar terms or as a percentage of his salary of his benefits package? (IGPC is prepared to agree that this information and all other information requested about the personal earning of any employee or payments to a third party service provider to NRG may be filed in confidence and IGPC will execute the appropriate undertakings).**

**(e) If Mr. Howley was not an employee of NRG, in what capacity does he provide services to NRG (i.e., as an independent contractor or consultant)? Please produce a copy of any service agreement and/or consulting contract with Mr. Howley (or his firm) in effect as of June 2012.**

**(f) Please produce a copy of all emails, memoranda, notes and all other written documents and correspondence prepared or exchanged internally or to third parties in respect of the IGPC letter dated June 18, 2012 in respect of IGPC's planned expansion.**

RESPONSE:

(a), (b) and (c) Mr. Howley is NRG's General Manager, and was in June 2012. This is an employee position.

(d) This is irrelevant. The correspondence related to IGPC's alleged expansion clearly indicates that Mr. Graat is President of NRG (and not Ayerswood). Mr. Graat stated in the correspondence that written correspondence from IGPC be sent "c/o" Ayerswood where Mr. Graat has an office.

(e) Not applicable.

(f) There are no further documents to provide. All other documents are either internal circulation of materials already exchanges with IGPC or is subject to solicitor-client privilege.

**2. Mr. Graat's response of June 18, 2012 directs IGPC to forward future correspondence "other than operational emergencies" to Mr. Graat at Ayerswood Development, at an address in London, Ontario.**

**(a) Does Ayerswood Development provide services to NRG?**

**(b) What is the nature of the services provided historically (i.e., pre-June 2012)?**

**(c) What was the intent behind referring Mr. Grey to Ayerswood Development in respect of IGPC's expansion plans?**

**(d) In respect of Ayerswood Development, please respond to the following questions and requests:**

**(i) Please provide a list of all those employees at Ayerswood Development who have natural gas pipeline distribution education, training or experience. Please provide a CV of all such persons that includes a detailed breakdown of all such experience**

**(ii) Please produce a copy of the services agreement or consulting agreement between NRG and Ayerswood Development that was in effect as of June 2012 (or any other document which details the nature of the relationship between NRG and Ayerswood Development).**

**(iii) Are any of NRG's operations controlled from the Ayerswood Development' offices in London, Ontario? If so, please describe which services are controlled, managed or contributed to from Ayerswood Development in London, Ontario.**

**RESPONSE:**

(a), (b) and (c) See response to Question #1 above. The correspondence did not refer IGPC to deal with Ayerswood. It merely indicates where correspondence can be mailed. Mr. Graat is President of NRG (an employee position).

(d) Given IGPC's misunderstanding of Ayerswood's role, these questions are irrelevant.

3. It appears that Mr. Graat is one of the principals of Ayerswood Development. Please advise and respond to the following:

(a) Please produce a copy of Mr. Graat's CV. To the extent it does not make any reference to natural gas pipeline construction, maintenance or operations experience, please provide a detailed list of all of Mr. Graat's experience in such matters, including dates, specific duties and all education and training in respect of such matters.

(b) As of June 2012, was Mr. Graat an employee of NRG?

(c) If he was an employee, what was his salary in 2012 and his benefits package (in a dollar amount or percentage of his salary)?

(d) If Mr. Graat was not an employee of NRG, what was the nature of his relationship with NRG (consultant, officer and/or independent contractor)? Please produce a copy of any consulting agreement or services agreement or any other document which evidences the relationship and the duties and obligations as between Mr. Graat and NRG.

(e) If Mr. Graat was not an employee of NRG, please explain in detail how he was remunerated in 2012 and the basis for such remuneration (dockets, fixed monthly amount, hourly rates, etc.)

(f) What is the total amount paid by NRG to Mr. Graat in 2012? If no payments were made directly to Mr. Graat in 2012 in respect of his activities for or on behalf of NRG, please provide a detailed explanation as to how Mr. Graat was remunerated. For example, was his remuneration paid to another legal entity? (Trust, partnership or corporation?)

RESPONSE:

(a) See response to Question #2 above.

(b) Yes.

(c) and (f) This is irrelevant to the issue of service denial.

(d) and (e) Not applicable.



## **INTERROGATORY #2**

### Issue 1

#### Reference:

IGPC letter to Ayerswood Development, dated July 3, 2012, and NRG's response dated July 9, 2012 – IGPC Pre-filed Evidence, Exhibit C, Tabs 6 and 7

#### **Question:**

**Does NRG acknowledge that it received IGPC's letter of July 3, 2012 (NRG's letter of July 9, 2012 states that it is in response to a July 6th letter).**

#### RESPONSE:

Correct. NRG's letter should say July 3 as opposed to July 6.

## **INTERROGATORY #3**

### Issue 1

#### Preamble:

IGPC is desirous of understanding the nature of and services provided in respect of the items included in NRG's August 24, 2012 invoice.

Reference: NRG letter dated August 24, 2012 and attached invoice. IGPC Pre-filed Evidence, Exhibit C, Tab 8

#### **Question:**

1. In respect of the charge for "correspondence" in the invoice, please:
  - (a) Produce all correspondence to which this charge relates;
  - (b) Please advise who was involved in the preparation of the correspondence to which this charge relates.
  - (c) Please explain how the charge was calculated (hourly rate or some other method)?
  - (d) Please provide the particulars of all remunerations paid by NRG to all persons involved in the preparation of the correspondence for which this charge is related. The remuneration should include all salary, benefits (dollar value or percentage of salary) or if the person is not an employee, the amounts paid to another entity.
  - (e) Please provide a CV of those people involved in the preparation of the correspondence.

#### RESPONSE:

This is irrelevant. The invoices sent by NRG to IGPC for preliminary work performed in respect of IGPC's expansion request is irrelevant to this proceeding. The Board is not deciding whether the invoices are payable or not. The issue, as stated in the Board approved Issues List, is whether there has been a denial of service.

2. In respect of the charge for "discussions with MIG" in the invoice, please:
  - (a) Produce all correspondence or written communications to which this charge relates;
  - (b) Please advise who at NRG was involved in the discussions with MIG to which this charge relates;
  - (c) Please explain how the charge was calculated (hourly rate or some other method);

- (d) Please provide the particulars of all remunerations paid by NRG to all persons involved in the discussions with MIG for which this charge is related. The remuneration should include all salary, benefits (dollar value or percentage of salary) or if the person is not an employee, the amounts paid to another entity;
- (e) Please produce a CV of those people involved in the discussion with MIG.
- (f) Please identify the person(s) at MIG who was involved in the discussion(s) and produce any invoice from MIG in respect of the discussion;
- (g) Please provide a detailed description of the discussion(s) and explain the relationship between such discussion(s) and the request from IGPC in respect of additional gas distribution services.
- (h) Please advise how IGPC has benefited from these discussions in respect of the advancement of its request for additional gas distribution services. What steps were completed which will not be required in future?

RESPONSE:

See response to Question 1 above.

**3. Regarding the charge for “internal discussions with management” 3. in the invoice, please:**

- (a) Produce all correspondence or written communications to which this charge relates;
- (b) Please advise who was involved in the internal discussions with management to which this charge relates and the hourly rate applicable to each person;
- (c) Please explain how the charge was calculated (hourly rate or some other method)?
- (d) Please provide the particulars of all remunerations paid by NRG to all persons involved in the internal discussions with management for which this charge is related. The remuneration should include all salary, benefits (dollar value or percentage of salary) or if the person is not an employee, the amounts paid to another entity.
- (e) Please produce a CV of those people involved in the internal discussion with management which are the subject of this charge.
- (f) Please explain how the hourly rate of \$500 per hour was determined. If dockets were kept, please produce. Please justify a rate of \$500 per hour.
- (g) Please produce the T4s issued by the company in 2012 in respect of those persons involved in these discussions. If none of the managers were employees of NRG, please provide a complete breakdown of all remuneration paid to or on behalf of these individuals either directly to them or to another entity in respect of their work for or on behalf of NRG.

(h) Please produce a copy of any consulting agreement or services agreement in effect in 2012 that governs the relationship between any of the individuals involved in these “internal discussions”.

RESPONSE:

See response to Question #1.

4. In respect of the charge for “consultant’s time” in the invoice:

(a) Who is the consultant and with which company or firm is the consultant engaged?

(b) What is the nature of the relationship between the consultant and NRG? Please produce any consulting agreement or services agreement and any other documents which evidence the relationship and the duties and obligations as between NRG and this consultant.

(c) Please produce all correspondence and written communications to which this charge relates;

(d) Please advise who at NRG requested the involvement of the consultant and provide a description of the request for services;

(e) Please explain how the charge was calculated (hourly rate or some other method)?

(f) Please provide the particulars of all remunerations paid by NRG to all persons involved in the consultant’s time for which this charge is related. The remuneration should include all salary, benefits (dollar value or percentage of salary) or if the person is not an employee, the amounts paid to another entity.

(g) Please provide a detailed explanation for the \$750 charge. How does NRG justify this charge? Please provide a detailed breakdown of all of the remuneration paid to the consultant in 2012 whether paid directly or to a third party in respect of any services provided by the consultant on behalf of or to NRG.

(h) Has NRG charged any other ratepayer \$750 per hour in respect of services provided by an employee, officer or director of NRG or in respect of the services provided by any non-legal consultant?

(i) Please provide a description of the services provided by the consultant for which this charge relates. Please explain what benefit has been generated by the consultant’s services. What work has been completed which will no longer require completion in respect of IGPC’s request for additional gas distribution services.

RESPONSE:

See response to Question #1.

**5. In respect of the “MIG charge” 5. in the invoice, please:**

**(a) Produce all invoices rendered by MIG in respect of this charge.**

**(b) To the extent that the invoice does not contain a detailed description of MIG’s work which is the subject of this charge, please provide a detailed breakdown of the work;**

**(c) Please produce a copy of the services agreement, consulting agreement and/or any other documentation which sets out the relationship between NRG and MIG;**

**(d) Please produce all correspondence and written communications to which this charge relates.**

**RESPONSE:**

Please see response to Question #1.

**6. In respect of the “Admin Charge 15%”:**

**(a) Please identify how this charge is calculated. Is it simply a 15% charge added to the subtotal of all other charges?**

**(b) What is the basis and justification for this charge?**

**(c) In the hourly rates and charges identified above, has NRG not already included an overhead amount?**

**(d) Has NRG levied a 15% Admin Charge in an invoice to any other ratepayer other than IGPC?**

**(e) Please produce all correspondence and written communications to which this charge relates.**

**RESPONSE:**

Please see response to Question #1.

7. Please provide a detailed description of the advice, information and benefits which IGPC received in respect of the invoice dated August 24, 2012. In response, please identify when and how IGPC received any such information, advice or benefits.

RESPONSE

Please see response to Question #1.

8. In respect of the work allegedly undertaken which is the subject of the August 24, 2012 invoice, please identify those steps which have now been completed which will not be required in response to IGPC's request for additional gas distribution services.

RESPONSE

Please see response to Question #1.

9. If these charges are permitted, is it NRG's intentions to include the amounts in rate base? If the answer to this question is "No, NRG does not intend to include some or any of these amounts in rate base", please explain why such amounts should not be included in rate base. Please advise if NRG's answer is the same in respect of the September 27, 2012 invoice. If the answer is different, please provide a detailed explanation.

RESPONSE

Please see response to Question #1.

## **INTERROGATORY #4**

### Issue 1

#### Reference:

NRG letter dated September 27, 2012 and attached invoice dated September 27, 2012. IGPC Pre-filed Evidence, Exhibit C, Tab 8.

#### **Question:**

**In respect of the second invoice dated September 27, 2012, there are two line items: a “MIG charge” and an “Admin Charge 15%”. In respect of these charges (which are similar to line items in the August 24, 2012 invoice) please provide the same information in respect of these line items in the September 27, 2012 invoice as is requested at Interrogatory 6, Questions 6 and 7.**

### RESPONSE

Please see response to Question #1 (Interrogatory #3) above.

## INTERROGATORY #5

### Issue 2

With respect to the cost items listed below, what is the appropriate amount to be included in determining the capital cost of the IGPC pipeline facilities?

### Preamble:

IGPC wishes to understand the actual costs claimed by NRG for the construction of the IGPC Pipeline.

### Reference:

NRG Evidence, June 3, 2013, Issue 2, paras. 26 – 118, and IGPC Pre-filed Evidence, Exhibit D, Tab 2

### **Question:**

**5(a) Please complete the attached table.**

**5(b) Please confirm that all such costs included in the table were paid by NRG to the third party that provided the service, material or equipment. If the amount paid to the third party in respect of the IGPC pipeline differs from the amounts included in the table please provide the correct figure and a detailed explanation for the variance.**

<b>Name</b>	<b>NRG Claimed Amount</b>	<b>IGPC Amount</b>
<b>Prime Contract</b>		
Prime Contractor (Somerville)		3,180,642.00
Bell Canada		2,576.00
Black & McDonald		823.00
Wellmaster		11.00
Fastenal		141.00
Union Gas Ltd.		736,000.00
<b>Sub-total</b>		<b>\$3,920,193.00</b>
<b>Custody Transfer Station</b>		
Prime Contract (Lakeside Controls)		884,003.00
<b>Sub-total</b>		<b>\$884,003.00</b>
<b>Pipe and Materials</b>		
Lakeside Steel		863,420.00
CR Wall		34,539.00
Comco		35,696.00
KTT		22,587.00



Name	NRG Claimed Amount	IGPC Amount
<b>Sub-total</b>		<b>\$956,242.00</b>
<b>Regulatory Costs</b>		
Aiken & Associates		7,718.00
Ogilvy Renault		205,072.06
Lenzner Slaught		126,877.12
Harrison Pensa		19,099.21
Legal Contingency		0
L'observateur		1,935.00
Martin Malette		292.00
London Free Press		7,585.00
Viva Voce Reporting		2,195.00
ASAP Reporting		7,476.00
Manitoulin Transport		0
Helix Courier		198.00
Purolator		498.00
<b>Sub-total</b>		<b>\$378,945.39</b>
<b>Design, Drafting &amp; Procurement</b>		
AUE (AECON)		474,856.00
TSSA		750.00
NRG Corp.		1,046.00
Ayerswood Development		402.00
Corrosion Protection		3,714.00
<b>Sub-total</b>		<b>\$480,768.00</b>
<b>Environmental</b>		
Stantec		26,329.00
Senes		13,547.00
Senes (IGPC)		37,483.00
Canadian Pacific Railway		650.00
Middlesex County Engineers Office		0
Catfish Creek CA		100.00
Kettle Creek CA		500.00

Name	NRG Claimed Amount	IGPC Amount
Elgin County		800.00
Malahide Township		1,160.00
Upper Thames CA		800.00
Thames Centre		150.00
<b>Sub-total</b>		<b>\$81,519.00</b>
<b>Lands</b>		
Land Rights (Union Gas)		12,105.00
<b>Sub-total</b>		<b>\$12,105.00</b>
<b>Other</b>		
Surveying (FKS)		72,118.00
Harrison Pensa (Financing)		29,295.00
Belanger, Cassino & Coulston		1,929.00
Bank of Nova Scotia		10,400.00
Societe Generale		6,518.00
MIG Non-destructive testing (x-ray)		211,809.00
MIG Engineering (1)		199,673.00
MIG Engineering (2) Change Orders		115,135.00
NRG Commissioning		3,527.55
Ayerswood		0
Neal, Pallett & Townsend		0
Insurance		0
Project Management Cost		122,500.00
Interest During Construction		25,000.00
Administrative Penalty		0
Contingency		0
OEB Costs		6,281.00
Union Gas Commissioning		3,979.56
<b>Sub-total</b>		<b>\$808,165.11</b>
<b>Total</b>		<b>\$7,521,940.50</b>

RESPONSE

5(a) Please see the attached. We have used the format for capital cost comparison used in previous proceedings related to this issue. NRG notes that the IGPC's numbers in this version are different than in previous tables filed by IGPC setting out disputed capital costs. For instance, in paragraph 30 of IGPC's final argument in EB-2010-0018 and later at page 40 of its argument (both pages attached), IGPC states that the proper allowance for interest is \$50,000, but their table in this proceeding shows that they now only accept \$25,000.

5(b) Confirmed.

## Cost of Pipeline - Detailed Schedule

	IGPC Amount	NRG Amount	Disputed
<b>Pipe</b>			
Lakeside Steel Corporation	863,420	863,420	
<b>Sub-total</b>	<b>863,420</b>	<b>863,420</b>	
<b>Custody Transfer Station</b>			
Prime Contract	884,003	884,003	
<b>Sub-total</b>	<b>884,003</b>	<b>884,003</b>	
<b>Construction Material</b>			
C.R. Wall & Co. Inc.	34,539	34,539	
COMCO Pipe & Supply Company	35,696	35,696	
KTI Limited	22,587	22,587	
<b>Sub-total</b>	<b>92,822</b>	<b>92,822</b>	
<b>Prime Contract</b>			
Prime Contract - Sommerville (Note 1)	3,180,642	3,180,642	
Bell Canada	2,576	2,576	
Black & McDonald	823	823	
Wellmaster Pipe & Supply Inc	11	11	
Fastenal	141	141	
<b>Sub-total</b>	<b>3,184,193</b>	<b>3,184,193</b>	
<b>Project Management/Customer Liaison</b>			
Mark Bristol		385,045	
Ayerswood Development		9,360	
<b>Sub-total</b>	<b>122,500</b>	<b>394,405</b>	271,905
<b>Design, Drafting, Procurement, Testing</b>			
MIG Engineering - Project Services	199,673	199,673	
MIG Engineering - Approved Change Orders	115,135	115,135	
AUE Utility Engineering	474,856	474,855	
TSSA	750	750	
NRG Corp	1,046	-	(1,046)
Ayerswood Development Corporation	402	402	
Corrosion Protection	3,714	3,714	
<b>Sub-total</b>	<b>795,576</b>	<b>794,529</b>	
<b>Environmental</b>			
Stantec Consulting Ltd.	26,329	26,329	
Senes Consultants Ltd.	51,030	51,030	
Canadian Pacific Railway	650	650	
Catfish Creek Conservation Authority	100	100	
Kettle Creek Conservation Authority	500	500	
The Corporation of the County of Elgin	800	-	(800)
The Township of Malahide	1,160	1,160	
Upper Thames Conservation Authority	800	-	(800)
The Municipality of Thames Centre	150	150	
<b>Sub-total</b>	<b>81,519</b>	<b>79,919</b>	

**Regulatory**

Ogilvy Renault	205,072	305,304	100,232
Lenczner Slaght Royce	126,877	332,922	206,045
Aiken & Associates	7,718	7,718	
Harrison Pensa	19,099	25,609	6,510
L'Observateur	1,935	1,935	
Martin Malette	292	292	
The London Free Press	7,585	7,585	
Viva Voce Reporting Ltd.	2,195	2,195	
A.S.A.P. Reporting Services	7,476	7,476	
Helix Courier Limited	198	198	
Purolator	498	468	(30)
Neal, Pallett & Townsend	-	7,369	7,369
EB-2006-0243 Cost Award	6,281	12,562	6,281
<i>Subsequent Invoices (provided in response)</i>			
Lenczner Slaght Royce - copy attached		106,601	106,601
Ogilvy Renault - copy attached		25,399	25,399
<b>Sub-total</b>	<b>385,226</b>	<b>843,633</b>	

**Survey**

FKS Land Surveyors	72,118	72,118	
<b>Sub-total</b>	<b>72,118</b>	<b>72,118</b>	

**Non-Destructive Testing**

MIG Engineering Ltd.	211,809	211,809	
<b>Sub-total</b>	<b>211,809</b>	<b>211,809</b>	

**Finance Fees**

Harrison Pensa LLP	29,295	29,295	
Belanger, Cassino & Coulston	1,929	1,929	
Bank of Nova Scotia - Commitment Fee	10,400	10,400	
Societe Generale	6,518	6,518	
<b>Sub-total</b>	<b>48,142</b>	<b>48,142</b>	

NRG Commissioning	3,528	3,528	
Union Gas Commissioning	3,980	3,980	
Insurance	-	62,000	62,000
	<b>7,508</b>	<b>69,508</b>	

**Customer Transfer Station**

Union Aid to Construct	736,000	736,000	
Land - NRG Side	12,105	12,105	
	<b>748,105</b>	<b>748,105</b>	

<b>Interest</b>	25,000	113,272	88,272
	<b>7,521,941</b>	<b>8,399,878</b>	<b>877,938</b>

It should be noted our original submission was based on the amounts in dispute per IGPC's Argument filed Oct 5/2010 and taking into account subsequent adjustments made by NRG to account for some of the issues. IGPC has since changed their amounts -- e.g., IGPC originally agreed to accept interest of \$48,616 and this has been reduced to \$25,000.

(iv) Interest

30. IGPC has submitted that interest or allowance for funds used during construction should be approximately \$50,000. IGPC contends the applicable interest rate is prime plus 1% for the applicable period as set out in section 3.8 of the PCRA and that no interest should accrue ~~after IGPC commenced paying full distribution rates. Further, IGPC contended that interest~~ should only begin to accrue after the period stipulated in the PCRA, not from the date NRG received the invoice.<sup>19</sup> IGPC's position is in keeping with the PCRA and the Accounting Handbook.

31. According to Undertaking J1.5, NRG is still claiming \$105,109.40 in interest of which \$73,606.10 relates to interest accrued after July 15, 2008 – the date when NRG commenced charging full distribution rates. Therefore, by NRG's calculation, using an overstated interest rate, only \$31,503.30 in interest accrued prior to July 15, 2008. Using a correct interest rate would mean the proper inclusion for interest would be approximately \$25,000.

32. The Board's Accounting Handbook provides that interest, or allowance for funds used during construction, should cease once the pipeline is placed into service. The relevant section is provided below. It is IGPC's position that the pipeline was in service as of July 15, 2008, as the pipeline was in operation and NRG was charging and collecting full contracted distribution rates.

*"C. Date Placed In Service*

*On the date the plant is placed in service, the utility should cease to record an allowance for funds used during construction on such plant. From that date the utility shall compute and charge to expenses or other appropriate accounts an amount representing depreciation as determined under Section 5, "Depreciation", of these Instructions. Operating revenues received and operating expenses incurred after the date that the asset is placed in service shall be included in the appropriate operating revenue and expense accounts."*<sup>20</sup>

<sup>19</sup> NRG's calculation of interest, prepared by M. Bristoll, claimed \$190,605 but was calculated based upon the time NRG received the invoice. In some instances, NRG did not provide the invoice to IGPC for several months for payment yet NRG was accruing interest contrary to section 3.8 of the PCRA.

<sup>20</sup> Accounting Handbook, Appendix A, Plant Accounting Instructions, Section 1, Part C.

(iv) **Interest**

IGPC made a number of conservative assumptions to determine that it would agree to \$50,000 in interest related costs.

Description	Notes
Claimed Amount by NRG	\$190,605.07
<b>Less:</b>	
Interest Claimed After Commencement of 100% Distribution Charges	=\$190,605.07-\$101,398.89 The amount on July 15, 2008
Overstatement of Interest Rate by 1%	Estimate based upon percentage of claimed interest. The 1% would represent from 12% to 18% of the charged rate during the period. An estimate of a 10% reduction was taken.
Acknowledgement of Steel Purchase	\$911,388 for 6 months @ 5% (low estimate of Prime during 6 month period). If use 6% - then it would be \$27,341.64.
Incorrect Period for Claiming Interest	Start date too early – June 22, 2007 letter shows no interest claimed amount was \$6,886.02 plus estimate of interest on other invoices to final payment of final installment of aid-to-construct.
Elimination of Costs that relate to the Motion	Remove interest on legal costs related to the Motion
<b>Sub-total Expense</b>	\$141,989.63
<b>Agreed to Costs</b>	\$ 48,615.44 Rounded to \$50,000.00 for purposes of the table and discussions with NRG.

(v) **Miscellaneous (Disputing - \$81,041)**

## **INTERROGATORY #6**

### Issue 2

#### Preamble:

NRG has advanced the position that since the estimate it provided for the cost of the IGPC Pipeline in EB-2006-0244 was higher than the costs claimed, that the costs claimed should be a deemed reasonable. Further, NRG asserts that the Board should not undertake a review of the prudence of the costs of the IGPC Pipeline.

#### Reference:

NRG Evidence, June 3, 2013, paras. 26 through 41, pp. 6/7 of 22

#### **Question:**

- (a) Did NRG provide any other cost estimates for the IGPC Pipeline to IGPC?**
- (b) If so, please provide a complete copy of each estimate and the name of the person or company that prepared the estimate?**
- (c) Please confirm that NRG did not build a custody transfer station at the connection to Union Gas Ltd. but rather constructed a valve nest at a lower cost than originally estimated and included in the estimate for the transfer station?**
- (d) Please provide the costs included in the estimate related to:**
  - (i) Contingencies;**
  - (ii) Legal costs;**
  - (iii) NRG Employee costs;**
  - (iv) Interest During Construction;**
  - (v) Land Rights;**
  - (vi) Temporary Land Rights; and**
  - (vii) The Custody Transfer Station for the connection with Union Gas Ltd.**
- (e) What was the capital cost of the IGPC Pipeline approved by the Board in EB- 2010-0018? Please provide a detailed calculation as to how this amount was derived.**
- (f) What distinguishes a cost from being “reasonable” and being “prudent”?**

### RESPONSE

(a), (b), (d), (e) and (f) The original leave-to-construct application (EB-2006-0243) contained a global estimate of \$9.1 million, which was comprised of:



- 28,532 metres of 6-inch pipe \$7,610,619.47
- 13% contingency \$989,380.53
- Meters and regulators \$500,000.00

During the course of project development, NRG and IGPC were in constant dialogue about cost items. As noted in NRG's evidence, thousands of emails were exchanged in connection with the project.

The global \$9.1 million estimate formed part of NRG's evidence, which was scrutinized by the Board and intervenors. In this proceeding, the Board is resolving a contract dispute (not setting a rate) under the Pipeline Cost Recovery Agreement (PCRA). The PCRA requires IGPC to pay for the Pipeline Work, subject to the Customer's rights to dispute the "reasonableness" of costs incurred in completing the Pipeline Work. The issue is of the distinction between "prudence" and "reasonableness" goes to the legal test the Board must apply in this matter, which is not a factual issue for discovery, but is more appropriately dealt with in legal argument.

(c) This question has been previously asked by IGPC and answered by NRG. Please see attached Undertaking J1.3 from EB-2010-0018.

**UNDERTAKING NO. J1.3: TO CONFIRM NOTHING INSTALLED AT CHECK  
MEASUREMENT STATION AT UNION GAS TRANSFER POINT.**

**RESPONSE:** At the transfer point between the Union Gas system and the NRG system, there are two stations (adjacent to one another). One is owned by Union and one is owned by NRG. There is a measurement station at the Union Gas station (the "Union Measurement Station"), and that serves as the basis upon which Union bills NRG for gas that flows into the IGPC pipeline. There is no measurement station at the NRG station. One is not needed because the IGPC pipeline serves only a single customer, and NRG has a measurement station at the transfer point between NRG and IGPC (the "NRG Measurement Station"). NRG reconciles the measurements at the Union Measurement Station with the measurements at the NRG Measurement Station.

## **INTERROGATORY #7**

### Issue 2.1

#### Legal Costs

#### Preamble:

IGPC wishes to understand the legal costs claimed by NRG in the construction of the IGPC Pipeline.

#### Reference:

Evidence of NRG, June 3, 2013, p. 8 of 22 - Legal Costs \$711,633

#### **Question:**

- (a) Please confirm that all invoices for the 4 law firms retained by NRG which have been involved have been provided and filed in this proceeding.
- (b) Are the legal costs related to the Statement of Claim for defamation issued by NRG against IGPC (a copy is found at IGPC Pre-filed Evidence, Exhibit C, Tab 10) included in the costs claimed in respect of the IGPC Pipeline?
- (c) Do the legal costs include any charges related to:
- (i) The police investigation into the customer security deposits?
  - (ii) The Union Gas proceeding to discontinue service?
  - (iii) The franchise renewal proceeding?
  - (iv) Providing advice to the shareholder of NRG or any of its affiliates?
- (d) What percentage of the costs claimed by NRG of constructing the IGPC Pipeline is related to legal expenses?
- (e) Did IGPC request that discussions regarding project progress take place between staff of IGPC and NRG without the need for lawyers?

### RESPONSE

- (a) No. Please see attached legal invoices attached in response to Interrogatory #5, which form part of the support for the contingency costs.
- (b) No.
- (c) To the best of NRG's knowledge no.
- (d) Approximately 8.2% is comprised of legal fees (exclusive of contingency). Much of this, in NRG's view, was driven by IGPC's conduct. NRG stands by all of these costs, and notes (as it has stated

previously) that no utility could operate efficiently if it had to undergo the level of cost scrutiny and accounting (literally, at the level of every docket entry) for capital projects completed under-budget.

(e) This is something within IGPC's knowledge, and if IGPC felt it was a relevant fact to be placed on the record, IGPC could have put that fact in evidence. IGPC knows that NRG many times requested that discussions regarding the pipeline project take place between directly between IGPC and NRG. However, IGPC always insisted that its counsel be directly involved. IGPC's counsel frequently took unreasonable and aggressive positions. IGPC also repeatedly demonstrated that it did not have an adequate understanding of the project and the various issues that were required to be dealt with. Moreover, there were frequent delays on the part of IGPC in responding or providing answers, all of which caused IGPC to incur unnecessary legal fees and use significant management time that, but for IGPC's conduct, could have been avoided.

Natural Resources Gas Limited  
1299 Oxford Street East  
PO Box 3117, Terminal A  
London ON N6A 4J4

May 31 2013  
Our file#: 37489  
**INVOICE NO. 14559**

Attention: Laurie O'Meara

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**Re: Integrated Grain Processors**

**TO PROFESSIONAL SERVICES RENDERED** with respect to the above matter  
during the period from October 2, 2012 to May 31 2013:

Oct 2, 2012	Telephone call to T. Graat;	LET	.3
Oct 3, 2012	Telephone call to M. Millar; email to and from M. Millar; telephone call to R. King; email to and from L. O'Meara;	LET	3.5
Oct 4, 2012	Review Notice of Motion; telephone call to L. O'Meara;	LET	2.1
Oct 5, 2012	Telephone call to L. O'Meara; draft submission;	LET	3.8
Oct 9, 2012	Draft submissions; telephone call to L. O'Meara; telephone call to R. King;	LET	2.8
Oct 10, 2012	Telephone call to L. O'Meara and T. Graat re lists;	LET	2.6
Oct 11, 2012	Telephone call to L. O'Meara; draft and revise Submission; review Application Record; telephone call to L. O'Meara; telephone call to R. King;	LET	5.3
Oct 15, 2012	Email to and from L. O'Meara (many); conference call with L. O'Meara; draft Submissions; letter from AG Energy;	LET	3.6
Oct 16, 2012	Email to and from L. O'Meara; telephone call to R. King; review pricing materials; prepare for meeting;	LET	4.9

Oct 17, 2012	Meeting with T. Graat. B. Cowan and R. King in Milton; telephone call to M. Millar; email to and from M. Millar; review Application Record;	LET	4.8
	Telephone call to M. Millar; email to M. Millar;	LET	.4
Oct 18, 2012	Telephone call to L. O'Meara; email to and from L. O'Meara; letter from OEB; letter to P. Tunley; draft letter to OEB; telephone call to C. Kilby; email to and from R. King;	LET	4.3
Oct 19, 2012	Draft and revise Submission; telephone call with L. O'Meara; draft and revise letter;	LET	4.6
Oct 22, 2012	Draft and revise Submissions; telephone call to R. King;	LET	8.7
Oct 23, 2012	Email to and from L. O'Meara; review draft letter;	LET	.5
Oct 26, 2012	Draft Responding Submissions;	LET	4.2
Oct 28, 2012	Draft Reply Submissions;	LET	2.1
Oct 29, 2012	Email to and from R. King; telephone call to R. King; review Blog; telephone call to O'Meara;	LET	3.1
Oct 30, 2012	Draft letter; email to and from L. O'Meara; telephone call to T. Graat; telephone call to R. King; telephone call to M. Millar;	LET	2.1
Oct 31, 2012	Telephone call to L. O'Meara (2); telephone call to M. Millar (2); telephone call to R. King (2); email to and from M. Millar; telephone call to L. O'Meara; telephone call to M. Millar;	LET	1.2
Nov 1, 2012	Telephone call to T. Graat and L. O'Meara; telephone call to L. O'Meara; draft Reply Submissions;	LET	2.5
Nov 2, 2012	Telephone call to L. O'Meara; draft submissions;	LET	5.5
Nov 3, 2012	Draft and revise Submission;	LET	3.1
Nov 4, 2012	Draft and revise Submissions; email to and from R. King;	LET	6.5

Nov 5, 2012	Draft, revise and finalize Submissions; email to and from L. O'Meara; telephone call to B. Cowan; review Reply Submissions; telephone call to L. O'Meara;	LET	11.1
Nov 6, 2012	Email to and from OEB;	LET	.3
Nov 8, 2012	Review draft Reply; email to and from L. O'Meara; email to and from C. Kilby;	LET	2.8
Nov 9, 2012	Review revised Reply; telephone call to C. Kilby;	LET	1.8
Dec 5, 2012	Email to and from R. King; review draft letter;	LET	1.0
Dec 11, 2012	Telephone call to L. O'Meara; telephone call to R. King; email to and from L. O'Meara;	LET	.8
Dec 12, 2012	Email to and from S. Stoll; email to L. O'Meara; telephone call to L. O'Meara;	LET	1.1
Dec 13, 2012	Telephone call to R. King; review Reasons;	LET	1.1
Dec 21, 2012	Email to and from L. O'Meara; review materials;	LET	1.1
Jan 25, 2013	Telephone call with L. O'Meara;	LET	.4
Feb 7, 2013	Review Decision of OEB;	LET	1.1
Feb 11, 2013	Email to and from L. O'Meara; telephone call to L. O'Meara; review Notice of Application and letter;	LET	1.1
Mar 4, 2013	Telephone call to T. Graat;	LET	.4
Mar 5, 2013	Telephone call to T. Graat;	LET	.4
Mar 14, 2013	Telephone call to T. Graat; telephone call to A. Hamilton; telephone call to L. S;	LET	1.9
Mar 15, 2013	Telephone call to L. O'Meara; telephone call to T. Graat (2); review letter and materials from D. O'Leary;	LET	5.0
Apr 5, 2013	Email to and from R. King; email to and from R. King; telephone call to M. Millar;	LET	.9
Apr 8, 2013	Telephone call with L. O'Meara, A. Graat and R. King; draft letter;	LET	2.1
Apr 10, 2013	Draft submissions to OEB;	LET	2.3

Apr 12, 2013	Draft and revise letters to L. O'Meara; email to and from L. O'Meara; telephone call to J. Hedges;	LET	4.6
Apr 15, 2013	Telephone call to L. O'Meara; review revised letter;	LET	1.7
Apr 16, 2013	Revise and finalize submission to OEB; email to and from R. King; telephone call to R. King; email to and from L. O'Meara; letter to OEB;	LET	3.2
Apr 22, 2013	Review email from the Board; review Issues List; telephone call to R. King;	LET	.8
Apr 23, 2013	Telephone call to T. Graat; email to and from L. O'Meara; telephone call to R. King; telephone call to M. Millar; email to and from R. King;	LET	1.8
Apr 25, 2013	Telephone call to R. King;	LET	.2

Lawyer	Initials	Hours	Rate	Total
Lawrence E. Thacker	LET	103.6	800.00	82,880.00
Lawrence E. Thacker	LET	27.9	825.00	23,017.50

TO OUR FEE \$105,897.50

#### DISBURSEMENTS

Scanning	7.80	T
Courier Service	12.30	T
Copies	143.25	T
Meeting rooms	334.50	T
Printing/Binding	102.95	T
Telephone	102.71	T
Total Disbursements		\$703.51

#### TAXES

HST on	\$105,897.50	Fees	13,766.68
HST on	\$703.51	Disbursements	91.46
Total Taxes (Registration # R133780817)			\$13,858.14




Summary

Total Fees	\$105,897.50
Total Disbursements	703.51
Total HST	13,858.14
TOTAL DUE AND OWING	<u>\$120,459.15</u>

**BALANCE DUE AND OWING UPON RECEIPT** **\$120,459.15**

**LENCZNER SLAGHT ROYCE  
SMITH GRIFFIN LLP**

  
**Lawrence E. Thacker**  
E.&O.E.

**ACCOUNTS DUE WHEN RENDERED.** In accordance with Section 33 of the *Solicitor's Act*, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date that is one month after this statement is delivered.

**INVOICE**

Invoice Number: 931083  
Date: September 11, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4 CANADA

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toronto@nortonrosefulbright.com  
nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending August 31, 2009.

FEES	2,100.00
DISBURSEMENTS (Taxable)	10.85
DISBURSEMENTS (Non Taxable)	0.00
NET	2,110.85
GST	105.54
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$2,216.39

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0003

RE: Ethanol Plant

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**BILLING SUMMARY**

	Hours	Rate	Amount
R. King	3.50	600.00	2,100.00
<b>TOTAL</b>	<b>3.50</b>		<b>CAD \$2,100.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
17/8/09	Richard J. King	Discussions and emails with R. Aiken and L. O'Meara regarding end-of-year gas delivery reconciliation with IGPC.	2.00	600.00	1,200.00
18/8/09	Richard J. King	Resolve Gas Delivery Contract reconciliation issue; liaise with R. Aiken, L. O'Meara and L. Thacker; send documents to L. O'Meara.	1.50	600.00	900.00
<b>TOTAL FEES</b>					<b>CAD \$2,100.00</b>

**DISBURSEMENTS - TAXABLE**

Courier service	10.85
<b>TOTAL</b>	<b>CAD \$10.85</b>

**DISBURSEMENT DETAIL - TAXABLE**

Date	Timekeeper	Description	Amount
18/8/09	Richard J. King	QA Courier service- Inv# 88077	10.85
<b>TOTAL</b>			<b>CAD \$10.85</b>

INVOICE: 931083

**INVOICE**

Invoice Number: 916818  
Date: July 15, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

Barristers & Solicitors / Patent & Trade-mark Agents

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toronto@nortonrosefulbright.com  
nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending June 30, 2009.

DISBURSEMENTS (Taxable)	12.50
DISBURSEMENTS (Non Taxable)	0.00
NET	12.50
GST	0.63
HST	0.00
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$13.13

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0003

RE: Ethanol Plant

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**DISBURSEMENTS - TAXABLE**

Courier service		12.50
	<b>TOTAL</b>	<b>CAD \$12.50</b>

**DISBURSEMENT DETAIL - TAXABLE**

Date	Timekeeper	Description	Amount
25/5/09	Richard J. King	Turnaround Courier service- Inv# 10126	12.50
		<b>TOTAL</b>	<b>CAD \$12.50</b>

INVOICE: 916818

**INVOICE**

Invoice Number: 910517  
Date: June 16, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

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NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending May 31, 2009.	
FEES	11,610.00
DISBURSEMENTS (Taxable)	152.62
DISBURSEMENTS (Non Taxable)	0.00
NET	11,762.62
GST	588.13
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$12,350.75
AMOUNT FROM TRUST	(2,760.65)
TOTAL AMOUNT DUE IN CANADIAN DOLLARS	\$9,590.10

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0003

**RE: Ethanol Plant**

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**BILLING SUMMARY**

	Hours	Rate	Amount
R. King	19.00	600.00	11,400.00
J. Beauchamp	0.75	280.00	210.00
<b>TOTAL</b>	<b>19.75</b>		<b>CAD \$11,610.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
4/5/09	Richard J. King	Liaise with S. Stoll and L. Thacker regarding reconciliation.	0.50	600.00	300.00
15/5/09	Richard J. King	Review letter from S. Stoll; liaise with R. Aiken; liaise with L. O'Meara.	1.50	600.00	900.00
19/5/09	Richard J. King	Liaise with L. O'Meara; liaise with P. Moran; liaise with R. Aiken; pull old files; review spreadsheet calculation and Pipeline Cost Recovery Agreement.	4.00	600.00	2,400.00
20/5/09	Richard J. King	Travel to and from London to meet with T. Graat, J. Howley, L. O'Meara, B. Cowan and W. Suchard regarding capital cost accounting and aid-to-construct.	8.00	600.00	4,800.00
21/5/09	Richard J. King	Liaise with L. Thacker; liaise with L. O'Meara regarding S. Stoll reply.	0.50	600.00	300.00
22/5/09	Richard J. King	Meet at L. Thacker's office to review and revise letter to S. Stoll; review cost background information; redact privileged information; file interim monitoring report with Board.	4.00	600.00	2,400.00

INVOICE: 910517

NATURAL RESOURCE GAS LIMITED

01012724-0003

RE: Ethanol Plant

Date	Timekeeper	Description	Hours	Rate	Amount
26/5/09	John Beauchamp	Performing research in regards to OEB Report E.B.O. 188 on aid-to-construct methodology; corresponding with N. Mikhail at OEB on same.	0.75	280.00	210.00
27/5/09	Richard J. King	Send L. O'Meara the appendix to EBO 188; discussion with same; voicemail from T. Graat.	0.50	600.00	300.00
<b>TOTAL FEES</b>					<b>CAD \$11,610.00</b>

**DISBURSEMENTS - TAXABLE**

Long distance calls	11.11
Courier service	12.71
Car rental/gas	128.80
<b>TOTAL</b>	<b>CAD \$152.62</b>

**DISBURSEMENT DETAIL - TAXABLE**

Date	Timekeeper	Description	Amount
20/5/09	Richard J. King	Car rental/gas - RICHARD J. KING	100.42
20/5/09	Richard J. King	Car rental/gas - RICHARD J. KING gas	28.38
22/5/09	Richard J. King	QA Courier Service- Inv# 85143	12.71
27/5/09	Richard J. King	Long distance calls 15194338126	4.68
28/5/09	Richard J. King	Long distance calls 15194338126	6.43
<b>TOTAL</b>			<b>CAD \$152.62</b>

INVOICE: 910517



**INVOICE**

Invoice Number: 904974  
Date: May 25, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4 CANADA

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toronto@nortonrosefulbright.com  
nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending April 30, 2009.

FEES	1,200.00
DISBURSEMENTS (Taxable)	0.00
DISBURSEMENTS (Non Taxable)	0.00
NET	1,200.00
GST	60.00
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$1,260.00

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0003

**RE: Ethanol Plant**

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**BILLING SUMMARY**

	Hours	Rate	Amount
R. King	2.00	600.00	1,200.00
<b>TOTAL</b>	<b>2.00</b>		<b>CAD \$1,200.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
16/4/09	Richard J. King	Call from IGPC counsel regarding reconciliation; liaise with L. Thacker; provide information to L. Thacker.	1.50	600.00	900.00
23/4/09	Richard J. King	Email exchange with L. Thacker on reconciliation.	0.25	600.00	150.00
27/4/09	Richard J. King	Send R. Goertz correspondence to J. Howley.	0.25	600.00	150.00
		<b>TOTAL FEES</b>			<b>CAD \$1,200.00</b>

INVOICE: 904974

**INVOICE**

Invoice Number: 893606  
Date: April 8, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
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Toronto, Ontario M5J 2Z4 CANADA

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NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending March 31, 2009.

FEES	3,620.00
DISBURSEMENTS (Taxable)	0.25
DISBURSEMENTS (Non Taxable)	0.00
NET	3,620.25
GST	181.01
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$3,801.26

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0003

RE: **Ethanol Plant**

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**BILLING SUMMARY**

	Hours	Rate	Amount
P. Carenza	0.25	680.00	170.00
R. King	5.75	600.00	3,450.00
<b>TOTAL</b>	<b>6.00</b>		<b>CAD \$3,620.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
11/3/09	Paul Carenza	Conversation with R. King regarding administrative proceeding.	0.25	680.00	170.00
13/3/09	Richard J. King	Liaise with P. Carenza and OEB counsel on logistics of donation and compliance order issue; liaise with L. Thacker.	1.50	600.00	900.00
16/3/09	Richard J. King	Liaise with R. Goertz regarding interim report.	0.75	600.00	450.00
18/3/09	Richard J. King	Research related to interview report; prepare and send memo to R. Goertz regarding interim report.	2.00	600.00	1,200.00
19/3/09	Richard J. King	Liaise with J. Beauchamp regarding further instructions to R. Goertz.	0.50	600.00	300.00
24/3/09	Richard J. King	Liaise with R. Goertz regarding interim report; send copy of Golder report; liaise with client.	1.00	600.00	600.00
		<b>TOTAL FEES</b>			<b>CAD \$3,620.00</b>

INVOICE: 893606

NATURAL RESOURCE GAS LIMITED

01012724-0003

RE: **Ethanol Plant**

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**DISBURSEMENTS - TAXABLE**

Copies		0.25
	<b>TOTAL</b>	<b>CAD \$0.25</b>

**DISBURSEMENT DETAIL - TAXABLE**

Date	Timekeeper	Description	Amount
19/3/09	John Beauchamp	Copies	0.25
		<b>TOTAL</b>	<b>CAD \$0.25</b>

# INVOICE

Invoice Number: 886621  
Date: March 13, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4 CANADA

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toronto@nortonrosefulbright.com  
nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending February 28, 2009.

FEES	450.00
DISBURSEMENTS (Taxable)	0.00
DISBURSEMENTS (Non Taxable)	0.00
NET	450.00
GST	22.50
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$472.50

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0003

RE:       **Ethanol Plant**

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**BILLING SUMMARY**

		Hours	Rate	Amount
R. King		0.75	600.00	450.00
<b>TOTAL</b>		<b>0.75</b>		<b>CAD \$450.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
9/2/09	Richard J. King	Liaise with Board and client regarding interim report.	0.75	600.00	450.00
<b>TOTAL FEES</b>					<b>CAD \$450.00</b>

**INVOICE**

Invoice Number: 882031  
Date: February 23, 2009  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: Ethanol Plant  
Matter No: 01012724-0003  
EB-2006-0243

Barristers & Solicitors / Patent & Trade-mark Agents

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nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: William Blake

For professional services rendered and disbursements incurred for the period ending January 31, 2009.

FEES	350.00
DISBURSEMENTS (Taxable)	0.00
DISBURSEMENTS (Non Taxable)	0.00
NET	350.00
GST	17.50
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$367.50

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order



NATURAL RESOURCE GAS LIMITED

01012724-0003

RE: **Ethanol Plant**

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**BILLING SUMMARY**

	Hours	Rate	Amount
J. Beauchamp	1.25	280.00	350.00
<b>TOTAL</b>	<b>1.25</b>		<b>CAD \$350.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
22/1/09	John Beauchamp	Attending phone call with M. Bristol.	0.25	280.00	70.00
23/1/09	John Beauchamp	Gathering various documents and forwarding them to client.	1.00	280.00	280.00
		<b>TOTAL FEES</b>			<b>CAD \$350.00</b>

INVOICE: 882031

**INVOICE**

Invoice Number: 1117182  
Date: September 28, 2011  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: General  
Matter No: 01012724-0004

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4 CANADA

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toronto@nortonrosefulbright.com  
nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: Jack Howley

For professional services rendered and disbursements incurred for the period ending August 31, 2011.

FEES	12,632.50
DISBURSEMENTS (Taxable)	0.00
DISBURSEMENTS (Non Taxable)	0.00
NET	12,632.50
HST	1,642.23
<b>TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS</b>	<b>\$14,274.73</b>

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

**Banking information for wire transfer**  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0004

**RE: General**

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**BILLING SUMMARY**

	Hours	Rate	Amount
R. King	4.50	690.00	3,105.00
J. Beauchamp	25.75	370.00	9,527.50
<b>TOTAL</b>	<b>30.25</b>		<b>CAD \$12,632.50</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
4/8/11	John Beauchamp	Liaising with R. King to discuss IGPC motion regarding cost of pipeline; commencing research for submission on same.	2.00	370.00	740.00
4/8/11	Richard J. King	Liaise with J. Beauchamp regarding argument; liaise with client.	0.50	690.00	345.00
7/8/11	John Beauchamp	Reviewing file and researching various issues including Ontario Energy Board jurisdiction over contractual matters for submission regarding IGPC motion on cost of pipeline; corresponding with R. King on same.	4.00	370.00	1,480.00
8/8/11	John Beauchamp	Performing extensive research on jurisdiction of Ontario Energy Board with respect to contractual disputes and other private law matters; drafting and revising submission to Ontario energy Board on IGPC motion regarding actual capital cost of pipeline; corresponding with L. Thacker on same.	8.50	370.00	3,145.00

INVOICE: 1117182

NATURAL RESOURCE GAS LIMITED

01012724-0004

**RE: General**

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Date	Timekeeper	Description	Hours	Rate	Amount
9/8/11	John Beauchamp	Drafting and revising submission for IGPC motion regarding cost of pipeline; corresponding with L. Thacker and R. King regarding same; reviewing Board Staff submissions on same.	4.00	370.00	1,480.00
9/8/11	Richard J. King	Liaise with L. Thacker and client on IGPC revised motion (Board Staff submission); review submission.	1.00	690.00	690.00
10/8/11	Richard J. King	Liaise with L. Thacker regarding IGPC submission.	1.50	690.00	1,035.00
10/8/11	John Beauchamp	Drafting and revising submission to Ontario Energy Board on IGPC motion regarding actual capital cost of pipeline; corresponding extensively with L. Thacker and L. O'Meara; filing submission on RESS; reviewing IGPC submissions.	6.00	370.00	2,220.00
11/8/11	John Beauchamp	Reviewing correspondence from L. Thacker and L. O'Meara regarding IGPC motion on cost of pipelint.	0.50	370.00	185.00
19/8/11	Richard J. King	Review NRG submissions on jurisdiction and check procedural order.	0.50	690.00	345.00
22/8/11	John Beauchamp	Reviewing additional submissions from IGPC on motion before the Board regarding jurisdiction over Pipeline Cost Recovery Agreement; corresponding with R. King and L. Thacker on same.	0.75	370.00	277.50
22/8/11	Richard J. King	Liaise with Aird & Berlis, J. Beauchamp and L. Thacker on IGPC's supplementary submissions.	0.50	690.00	345.00

INVOICE: 1117182

NATURAL RESOURCE GAS LIMITED

01012724-0004

RE: **General**

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Date	Timekeeper	Description	Hours	Rate	Amount
26/8/11	Richard J. King	Liaise with client and L. Thacker on IGPC submission.	0.50	690.00	345.00
<b>TOTAL FEES</b>					<b>CAD \$12,632.50</b>

INVOICE: 1117182

**INVOICE**

Invoice Number: 1120079  
Date: October 27, 2011  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: General  
Matter No: 01012724-0004

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4 CANADA

T : +1 416.216.4000  
F : +1 416.216.3930  
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nortonrosefulbright.com

NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: Jack Howley

For professional services rendered and disbursements incurred for the period ending September 21, 2011.

FEES	1,387.50
DISBURSEMENTS (Taxable)	0.00
DISBURSEMENTS (Non Taxable)	0.00
NET	1,387.50
HST	180.38
<b>TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS</b>	<b>\$1,567.88</b>

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order

NATURAL RESOURCE GAS LIMITED

01012724-0004

RE: **General**

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**BILLING SUMMARY**

	Hours	Rate	Amount
J. Beauchamp	3.75	370.00	1,387.50
<b>TOTAL</b>	<b>3.75</b>		<b>CAD \$1,387.50</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
19/9/11	John Beauchamp	Liaising by phone with L. O'Meara and L. Thacker regarding submission to Board in response to IGPC's supplemental filing; reviewing IGPC's supplemental filing.	0.75	370.00	277.50
20/9/11	John Beauchamp	Corresponding with L. Thacker, R. King and L. O'Meara regarding IGPC motion.	0.50	370.00	185.00
21/9/11	John Beauchamp	Corresponding with L. O'Meara regarding submission to Ontario Energy Board in response to IGPC supplementary submission; reviewing and revising various drafts of same; liaising with L. O'meara, B. Cowan, R. King and L. Thacker on same.	2.50	370.00	925.00
<b>TOTAL FEES</b>					<b>CAD \$1,387.50</b>

INVOICE: 1120079

**INVOICE**

Invoice Number: 1181633  
Date: July 18, 2012  
Client: NATURAL RESOURCE GAS  
LIMITED  
RE: General  
Matter No: 01012724-0004

Barristers & Solicitors / Patent & Trade-mark Agents

Norton Rose Fulbright Canada LLP  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
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NATURAL RESOURCE GAS LIMITED  
39 Beech St.E.  
Aylmer, Ontario N5H 1A1

GST: R111340006

Attention: Jack Howley

For professional services rendered and disbursements incurred for the period ending June 30, 2012.

FEES	3,042.00
DISBURSEMENTS (Taxable)	0.00
DISBURSEMENTS (Non Taxable)	0.00
NET	3,042.00
HST	395.46
TOTAL FOR THIS INVOICE IN CANADIAN DOLLARS	\$3,437.46

Please note that interest at the rate of 1.3% per annum may be charged on any invoice that is not paid in full within 30 days from the date on which it was issued.

Payable upon receipt

Banking information for wire transfer  
RBC Financial Group, Main Branch, Royal Bank Plaza  
Toronto, Ontario, CANADA  
Bank 003, Transit 00002, Acc. No. 106-030-0  
Swift Code # ROYCCAT2  
Include invoice number on transfer order



NATURAL RESOURCE GAS LIMITED

01012724-0004

**RE: General**

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**BILLING SUMMARY**

	Hours	Rate	Amount
R. King	2.60	720.00	1,872.00
J. Beauchamp	3.00	390.00	1,170.00
<b>TOTAL</b>	<b>5.60</b>		<b>CAD \$3,042.00</b>

**FEE DETAIL**

Date	Timekeeper	Description	Hours	Rate	Amount
13/6/12	Richard J. King	Instructions to J. Beauchamp regarding LEAP; liaise with client on QRAM; liaise with Board counsel on QRAM; liaise with R. Aiken;	1.00	720.00	720.00
14/6/12	John Beauchamp	Corresponding with L. O'Meara regarding LEAP spending; liaising with R. King on same.	0.50	390.00	195.00
14/6/12	Richard J. King	Starting to amend QRAM response, liaising with client.	0.60	720.00	432.00
19/6/12	John Beauchamp	Researching issues pertaining to IGPC's appeal to Divisional Court; corresponding with M. Millar at Ontario Energy Board regarding same; liaising with L. O'Meara on same.	1.50	390.00	585.00
19/6/12	John Beauchamp	Researching issues pertaining to IGPC expansion request and liaising with R. King and L. O'Meara on same.	1.00	390.00	390.00
19/6/12	Richard J. King	Reviewing IGPC correspondence regarding expansion request and appeal of Ontario Energy Board decision.	1.00	720.00	720.00
<b>TOTAL FEES</b>					<b>CAD \$3,042.00</b>

INVOICE: 1181633

## **INTERROGATORY #8**

### Issue 2.1

Legal costs

#### Preamble:

IGPC wishes to understand the circumstances that lead to the June 2007 motion.

Reference: NRG Evidence, June 3, 2013, paras. 73 - 90

#### **Question:**

- (a) Did NRG legal counsel settle with IGPC legal counsel the form of the Bundled T Service Receipt Agreement on or about June 15, 2007?**
- (b) Did NRG legal counsel settle with IGPC legal counsel the form of the Consent and Acknowledgement Agreement on or about June 26 or 27, 2007?**
- (c) When did NRG first advise IGPC it would not sign the Bundled T Service Receipt Agreement?**
- (d) Why did NRG refuse to sign the Bundled T Service Receipt Agreement? Has NRG suffered any prejudice or harm by the eventual execution of this agreement?**
- (e) When did NRG first advise IGPC it would not sign the Consent and Acknowledgement Agreement?**
- (f) Why did NRG refuse to sign the Consent and Acknowledgement Agreement?**
- (g) Why for the June 2008 Emergency Motion did NRG switch legal counsel from Norton Rose (formerly Ogilvy Renault)? Were Mr. King and Mr. Moran unavailable?**
- (h) Has NRG requested any amendments to the Bundled T Service Receipt Agreement with IGPC since it was executed? If so, please provide details of the rationale for such request.**
- (i) Has NRG requested any amendments to the Consent and Acknowledgement Agreement with IGPC since it was executed? If so, please provide details of the rationale for such request.**

#### RESPONSE:

(a) to (f) Legal counsel for the parties may have agreed to the form of documentation, but the form of documentation was subject to review by NRG (i.e., the client) and in NRG's view, it would have been imprudent for NRG to sign something that it had not yet fully assessed. The difference of opinion between NRG and IGPC as to whether NRG should have taken the time to fully understand the documentation is well documented before this Board. What clearly can no longer be in dispute is the fact that the "emergency" motion brought by IGPC was in fact, no emergency at all. IGPC prompted the emergency hearing on the basis that if the documentation was not signed by June 29, 2007, IGPC's financing would collapse. That of course did not happen notwithstanding that the documentation was not signed.

The IGPC motion was brought on a false “emergency” basis. It was served on the Thursday night before the July holiday weekend and brought on for a hearing the next day. The alleged urgency was the false allegation based on incorrect evidence that the financing would be withdrawn, and the project would fail if the security documents were not signed that very day. It was clear that NRG never had any legal obligation to sign the security documents. They were documents that IGPC lenders wanted as a condition of financing that IGPC was apparently unable to otherwise obtain. The fact that IGPC was unable to obtain financing reflects the assessment by the credit markets of IGPC’s lack of credit worthiness and the significant risks inherent in the project. IGPC’s inability to obtain financing was never NRG’s responsibility.

At the hearing, IGPC introduced incorrect evidence alleging that the financing would be withdrawn and the project would fail. Subsequently, IGPC in its own correspondence to the Board confirmed that, despite the refusal of NRG to sign the security documents, the financing was never withdrawn and the project simply proceeded, which is exactly what NRG argued would occur. IGPC’s use of the emergency motion proceeding and introduction of incorrect evidence is an abuse of process of the Board, which caused significant adverse consequences for NRG, including unnecessary legal and other costs, and significant wasted management time.

All of this was essentially confirmed when the Board, facing an appeal to the Divisional Court, on its own motion set aside its decision thereby fully exonerating NRG.

IGPC misled the Board into making decisions that were outside the jurisdiction of the Board and without any supporting evidence. All of the costs incurred by NRG are the result of IGPC’s conduct and should be paid by IGPC. NRG’s other ratepayers should not have to bear the costs that IGPC alone caused NRG to incur.

(g) NRG’s reasons for obtaining legal counsel are protected by solicitor-client privilege. NRG does not waive any privilege. NRG retained Lawrence Thacker of Lenczner Slaght LLP on Thursday night before the July long weekend upon becoming aware that IGPC had purported to serve an “emergency” motion. NRG continued to obtain advice and counsel for Lawrence Thacker throughout its relationship with IGPC due to IGPC’s aggressive and overly litigious approach to every aspect in this project.

(h) and (i) No.

## **INTERROGATORY #9**

### Issue 2.1

#### Preamble:

IGPC wishes to understand the circumstances that lead to the February/March 2008 motion in the Town of Aylmer.

#### Reference:

NRG Evidence, June 3, 2013, paras. 80 - 86

#### **Question:**

- (a) Please confirm that the amount of financial assurance demanded by NRG from IGPC was \$31.915 million.**
- (b) Please specifically reference the provision in the PCRA that enabled NRG to make such a demand?**
- (c) Please confirm that the Board scheduled the motion in Aylmer of its own accord.**
- (d) What are the total legal and other costs claimed by NRG in respect of this motion? Please provide a breakdown of the costs claimed.**

#### RESPONSE:

- (a) Confirmed. As noted at paragraph 95, it was not NRG's request for \$32 million in financial assurance that precipitated the motion. Rather, it was the fact that IGPC either refused or was financially unable to provide NRG with any Customer Letter of Credit in accordance with the PCRA, holding to the position that the \$5.3 million letter of credit established in the PCRA could not be increased by the OEB. This caused NRG to be delayed in ordering the pipe, components and materials for the IGPC Pipeline. The Board convened this motion (on its own) and determined that: (i) the OEB could increase the amount of financial assurance that NRG needed; and (ii) IGPC was to provide such financial assurance (in this case, directly to Union Gas).
- (b) See (a) above.
- (c) Confirmed.
- (d) As noted in previous proceedings, the costs were \$82,553.84 (see Exhibit I, Tab 4, Page 19 of EB-2010-0018). NRG has provided IGPC every docket entry for every lawyer hour on this matter. No further breakdown is possible or required.

## **INTERROGATORY #10**

### Issue 2.2

Contingency costs

### Preamble:

IGPC is seeking to understand the basis upon which NRG feels it is entitled to recover \$142,000 in contingency.

### Reference:

NRG Evidence, June 3, 2013 – Contingency Costs \$132,000, p. 8 of 22

### **Question:**

- (a) Does NRG believe utilities should be able to recoup from ratepayers amounts included in estimates as “contingencies” in addition to all of the actual costs of a capital project?**
- (b) Does NRG believe it is entitled to receive monies from ratepayers for costs that it did not actually incur?**
- (c) Has NRG included contingencies in any amounts closed to rate base in respect of any prior capital project? If so, please provide particulars (project, amount, date)?**
- (d) What proportion of the \$132,000 in monies not spent was closed to NRG's rate base?**
- (e) Please provide the specific reference from the Uniform System of Accounts that permits NRG to claim costs for monies not spent?**

### RESPONSE:

- (a) Please see response to Interrogatory #7(a).
- (b) These are real costs that NRG incurred.
- (c), (d) and (e) Irrelevant given the fact that the contingency costs have transpired.

## INTERROGATORY #11

### Issue 2.3

NRG staff costs

### Preamble:

IGPC wishes to understand Mr. Graat's role as compared with the role of Mr. Bristoll. "Mr. Graat was ... instrumental in negotiations with contractors that led to the project being completed on time"

### Reference:

NRG Evidence, June 3, 2013, para. 31, pp. 6/7 of 22

### Question:

- (a) At all relevant times when negotiations with contractors involved when the IGPC Pipeline was constructed, was Mr. Graat ever an employee of NRG? In what capacity did Mr. Graat undertake the negotiations (example, a third party consultant, officer of NRG, or in some other capacity). If not produced earlier, please produce a copy of any consulting agreement or services agreement, or any other documentation evidencing the relationship between Mr. Graat and NRG.
- (b) If not provided earlier in response to an earlier interrogatory, please provide a detailed list of all leave to construct applications Mr. Graat has been involved with prior to the IGPC Pipeline.
- (c) How many high pressure steel pipelines of a similar size and cost has Mr. Graat completed?
- (d) Please provide details of Mr. Graat's salary or remuneration as a NRG employee or consultant to NRG at relevant times. Please provide details of Mr. Graat's remuneration in the years 2002 through 2007.
- (e) Was Mr. Graat involved in negotiations regarding the agreements between IGPC and NRG? If so, please provide details.
- (f) Please provide copies of any reports, documents or records of Mr. Graat pertaining to the IGPC Pipeline.
- (g) Please specifically identify the evidence upon which NRG relies that was filed in any proceeding prior to this proceeding that confirmed or suggested that Mr. Graat spent any material time on the IGPC Pipeline. Please identify the evidentiary citation by Exhibit and page number. Please also indicate what evidentiary support exists from any prior proceeding which supports the current assertion that Mr. Graat spent a similar number of hours on the IGPC Pipeline as did Mr. Bristoll. Again, please provide the specific Exhibit and page number of such evidence.

### RESPONSE:

- (a) No. Mr. Graat bought NRG out of bankruptcy many years ago. As the Board knows, Mr. Graat's family members are the beneficiaries of the trust that holds the voting securities in NRG. He has held a variety of positions at NRG over the years, and has assisted NRG regardless of whether he has held a

formal role or not. There is no consulting or services agreement between NRG and Mr. Graat that governed during the period of development/construction of the IGPC Pipeline.

(b) The IGPC Pipeline was NRG's first leave-to-construct proceeding. Mr. Graat, however, has been involved with NRG over its entire system expansion from a small gathering system (connected to wells) to a robust, efficient distribution system. This has involved replacing virtually all the old pipe and significant expansion – amounting to hundreds of kilometres of piping. In addition, Mr. Graat is also one of southwestern Ontario's leading property developers, and has been the majority shareholder in a number of large construction companies that has been involved in financing, construction contract negotiation, excavation and laying pipelines, sewers, watermain, etc. This construction experience outside NRG is directly applicable to natural gas pipeline construction. In aggregate, Mr. Graat would have been involved in construction projects in the billions of dollars. Mr. Graat has found the IGPC Pipeline the most difficult and litigious of any construction project he has been involved in.

(c) None.

(d) Not applicable.

(e) Mr. Graat assisted Mr. Bristoll with the negotiations between IGPC and NRG.

(f) Mr. Graat did not prepare reports, documents or records of Mr. Graat pertaining to the IGPC Pipeline. He was involved in negotiations with IGPC, and with the construction and service providers associated with the IGPC Pipeline.

(g) This question is unclear in that IGPC appears to suggest that they are not aware of Mr. Graat's involvement – despite meetings and discussions with Mr. Graat. Please note that NRG did not charge for Mr. Graat's time. NRG exercised its discretion and felt that the most reasonable way to capture this would be through docketing of Mr. Bristoll's time. Mr. Graat needed to be involved because it became clear at the outset of project development that IGPC had no experience in construction.

## INTERROGATORY #12

### Issue 2.3

NRG staff costs (Mr. Bristoll)

### Preamble:

IGPC wishes to understand the role of Mr. Bristoll in the construction of the IGPC Pipeline.

### Reference:

NRG Evidence, June 3, 2013, para. 31, p. 6 of 22

### Question:

- (a) Was Mr. Bristoll an employee only of NRG at relevant times (2006-2009)? What was his position? If not provided in a response to an earlier IR, please provide a copy of his CV and a job description in respect of his position.
- (b) What was Mr. Bristoll's salary at NRG for each of the years 2006 - 2009? Please provide documentation to support this salary (such as a T4 or copies of pay stubs). This documentation may be provided confidentially if necessary.
- (c) How many steel natural gas pipeline projects had Mr. Bristoll been involved in prior to the IGPC Pipeline?
- (d) If Mr. Bristoll was wholly or partially an employee of any other entity related to NRG during the years 2006 through 2009, please provide the particulars as requested in (a) and (b) above. If Mr. Bristoll was an independent contractor or consultant, please confirm the nature of the relationship and whether it was exclusive (only providing services to NRG) or did Mr. Bristoll have duties and responsibilities to other entities and/or unrelated projects?
- (e) What was Mr. Bristoll's salary at the other entity which provided services to NRG? Please provide documentation to support such salary (such as a T4). Documentation may be provided confidentially if necessary.
- (f) Please provide a copy of any service agreement or consulting agreement between NRG and any entity that employed or retained Mr. Bristoll for the purposes of providing services in respect of the IGPC Pipeline.
- (g) When did NRG inform IGPC that Mr. Bristoll's hourly rate was \$295/hour? Please produce any supporting documents. Did IGPC ever accept this hourly rate?
- (h) How are these charges for Mr. Bristoll consistent with the Board's Uniform System of Accounts?
- (i) Please calculate the total amount of remuneration paid to Mr. Bristoll by NRG directly and/or any other entity where he was employed or engaged over the same time period that NRG has invoiced IGPC in respect of his services. To be clear, IGPC takes the position that the actual costs of Mr. Bristoll's services are to be calculated using as a base, his actual remuneration earned over the same time frame as NRG has invoiced IGPC less adjustments for time spent by Mr. Bristoll on



other matters. Please provide copies of supporting T4s confirming Mr. Bristoll's total compensation during the relevant years being 2006 through 2009.

RESPONSE:

(a) He was also a vice-president of a related company but only held that position as a placeholder for a required officer position. Mr. Bristoll devoted 100% of his time to NRG and was paid wholly by NRG. See attached transcript from EB-2010-0018. NRG is a small company, and does not have formal job descriptions. As previously explained to the Board and IGPC, Mr. Bristoll was a C.A., with experience in the construction industry.

(b), (e) and (i) NRG is not going to provide Mr. Bristoll's T4 statements. The methodology for determining the \$295 rate was explained in Undertaking JT1.16 of EB-2010-0018, which is attached.

(c) Not sure, but likely none. Mr. Bristoll is no longer with NRG.

(d) See response to (a).

(f) There are none.

(g) NRG is unsure. Mr. Bristoll is no longer with the company, and he started work on the IGPC Pipeline years ago.

(h) and (i) See NRG response to Board Staff Interrogatory #2.

**UNDERTAKING NO. JT1.16: TO PROVIDE TOTAL WAGES ON A FULLY-ALLOCATED BASIS FOR MARL BRISTOLL.**

**RESPONSE:** Converting Mark Bristoll's salary, inclusive of fully-allocated utility overheads yields an hourly rate of \$562 (for 2007), \$592 (for 2008) and \$600 (for 2009). We compared the initial figure to a charge-out rate for a senior Chartered Accountant within the London area which was \$250 to \$350 per hour. We felt the \$295 rate ultimately charged to IGPC was reasonable, given the fact that Mr. Bristoll was not only an experienced Chartered Accountant, but also had extensive experience in the construction industry.

## **INTERROGATORY #13**

### Issue 2.4

Interest during construction

#### Preamble:

IGPC wishes to understand the interest during construction ("IDC") costs claimed to be incurred by NRG in respect of the construction of the IGPC Pipeline.

#### Reference:

Evidence of NRG, June 3, 2013, p. 8 of 22 - Interest During Construction \$113,272, and Exhibit "I" IGPC Project Interest Summary

#### **Question:**

**(a) Over what period did NRG calculate IDC? Please provide a detailed spreadsheet showing the outstanding principal, the interest rates, and the period for which interest was charged. Please also:**

- (i) Confirm the rate charged and when any rate change was effective;**
- (ii) Whether interest was compounded and if so, the method of compounding; and**
- (iii) If there was more than one category of costs and if so, a response to (i) and (ii) above.**

**(b) Was this the rate of interest provided for in the Pipeline Cost Recovery Agreement ("PCRA")? Please provide the applicable reference in the PCRA which supports the rate charged by NRG for IDC.**

**(c) When did NRG place the IGPC Pipeline into rate base?**

**(d) When did NRG commence charging IGPC for distribution services? Was it July 15, 2008?**

**(e) Please confirm there was no interest charged in respect of the purchase of the steel pipe for IGPC Pipeline.**

**(f) Please explain the discrepancies or differences between the amount currently claimed for IDC of \$114,272 and the amount earlier claimed at Exhibit I (Undertaking J1.5 filed in EB-2010-0018) which was for \$105,109.40.**

**(g) Please confirm that NRG began to accrue interest when NRG received invoices from third parties, not when NRG paid the invoices.**

**(h) What was the actual total amount of interest paid by NRG to third parties, such as a lender or supplier, in respect of the costs actually incurred on the IGPC Pipeline? Please provide a detailed explanation and breakdown of the amounts of interest actually charged and paid to the third party.**

**(i) What is the amount of IDC which NRG closed to rate base in respect of the IGPC Pipeline?**

RESPONSE:

(a), (b), (e) and (g) This information was readily available to IGPC and could have been included in IGPC's evidence if it thought it was relevant. Instead, IGPC has chosen to ask NRG to incur the cost of searching and providing this information. With respect, the case that NRG's costs are unreasonable is IGPC's case to make. See Undertaking No. J1.5 in EB-2010-0018 (attached).

The Pipeline Cost Recovery Agreement (the "PCRA") specifically provides that IGPC will pay interest on amounts paid on its behalf by NRG relating to the design and construction of the pipeline. NRG has charged interest in accordance with the PCRA, and IGPC has an express contractual obligation to pay interest in those amounts calculated.

As a separate matter, IGPC was apparently financially incapable of providing NRG with the Letter of Credit required to secure the capital costs, and was unable to pay the capital costs for the construction of the pipeline. As a result, NRG had no obligation to commence with the construction of the pipeline due to IGPC's failure to provide the required security for those capital costs.

Although NRG never had any obligation to do so, NRG essentially financed the commencement of production of the pipeline so that it would remain on schedule, despite IGPC's failure to provide security for the capital cost when required. In doing so, NRG used its own capital and undertook significant risk despite having no obligation to do so, all for the sole benefit of IGPC.

IGPC would have been required, if it was sufficiently credit-worthy to obtain the required financing, to pay interest and commitment fees on those amounts. Nevertheless, NRG did not charge IGPC any lending fees or interest to compensate NRG for the use of its capital or the risks to that capital. In essence, IGPC obtained free complete financing without any interest or commitment fees, when it was apparently unable to obtain the required letters of credit on its own.

(c) August 1, 2008.

(d) Yes.

(f) and (i) Undertaking J1.5 contains two schedules (Aid to Construct Interest of \$8,162.74 and IDC of \$105,109.40). The total is \$113,271 which is what NRG claims (see evidence in this proceeding at paragraph 102).

**UNDERTAKING NO. J1.5: TO MAKE AND PROVIDE CALCULATIONS UPON RECEIPT OF INFORMATION FROM IGPC RELATED TO APPROPRIATE INTEREST CHARGE.**

**RESPONSE:** We have recalculated the interest based on the date that IGPC received the invoices from NRG (as opposed to original invoice date on supplier invoices). On that basis, the interest calculation is as follows:

**“Aid to Construct” Interest (see attached table)**

- Interest is calculated from the due date of the Aid-to-Construct invoice to the date the amount was received from IGPC.
- The rate applied here is Prime plus 1% in accordance with the PCRA (section 3.8).

**“Project Interest During Construction” (see second table attached)**

- Interest is calculated from the date the last Aid-to-Construct payment was due to the date the final invoice from the primary contract was received. During this period, NRG was financing the construction costs.
- The rate applied here is Prime plus 2% in accordance with the PCRA (section 3.14(d) – a “reasonable cost of interest during construction”). NRG’s position is that this represents a reasonable interest cost.

**Aid to Construct Payments**

Invoice Date	Due Date	Amount	Date Received	Days Outstanding	(Prime + 1%) Interest Percent	Interest
		130,000.00	13-Oct-06	-	-	-
		100,000.00	16-Feb-07	-	-	-
19-Feb-07	6-Mar-07	181,454.00	26-Feb-07	-	-	-
28-Mar-07	11-Apr-07	130,159.06	20-Apr-07	9	7.00%	224.66
30-Apr-07	15-May-07	73,898.33	31-May-07	16	7.00%	226.76
22-Jun-07	7-Jul-07	23,643.43	5-Oct-07	90	7.00%	408.09
17-Oct-07	1-Nov-07	23,130.12	2-Nov-07	1	7.25%	4.59
2-Jan-08	17-Jan-08	413,665.00	8-May-08	112	5.75%	7,298.64
						<u>8,162.74</u>

**NATURAL RESOURCE GAS LIMITED**  
**IGPC Project Interest Summary**

**As of October 28, 2008**

Consultant	Invoice Number	Date	NRG Direct	GST	Total Amount	Days	Aid-to-Construct Payment	Net Cumulative Total	Prime	Premium	Interest Rate	Interest
Aiken & Associates	618-2006	30-Jun-06	480.00	33.60	513.60	0	-	513.60	6.00%	2.00%		
Ogilvy Renault LLP	633876	13-Jul-06	9,601.19	576.07	10,177.26	13	-	10,690.86	6.00%	2.00%		-
NRG Corp.	915	1-Aug-06	1,046.25	-	1,046.25	19	-	11,737.11	6.00%	2.00%		-
Ogilvy Renault LLP	642776	16-Aug-06	2,088.75	125.33	2,214.08	15	-	13,951.19	6.00%	2.00%		-
Ogilvy Renault LLP	648629	15-Sep-06	1,282.52	76.95	1,359.47	30	-	15,310.66	6.00%	2.00%		-
Ogilvy Renault LLP	648627	15-Sep-06	21.25	1.28	22.53	-	-	15,333.18	6.00%	2.00%		-
AUE - Aecon Utility Engineering	262	27-Sep-06	4,800.00	288.00	5,088.00	12	-	20,421.18	6.00%	2.00%		-
Harrison Pensa LLP	68035	27-Sep-06	1,796.00	107.76	1,903.76	-	-	22,324.94	6.00%	2.00%		-
Aiken & Associates	632-2006	30-Sep-06	1,162.50	69.75	1,232.25	3	-	23,557.19	6.00%	2.00%		-
Aid-to-Construct Receipt		13-Oct-06	-	-	-	13	130,000.00	(106,442.81)	6.00%	2.00%		-
Harrison Pensa LLP	68732	17-Oct-06	5,485.34	329.12	5,814.46	4	-	(100,628.35)	6.00%	2.00%		-
Ogilvy Renault LLP	655972	17-Oct-06	2,036.25	122.18	2,158.43	-	-	(98,469.92)	6.00%	2.00%		-
Ogilvy Renault LLP	655974	17-Oct-06	33,292.07	1,997.52	35,289.59	-	-	(63,180.33)	6.00%	2.00%		-
AUE - Aecon Utility Engineering	283	25-Oct-06	35,100.00	2,106.00	37,206.00	8	-	(25,974.33)	6.00%	2.00%		-
Aiken & Associates	635-2006	31-Oct-06	468.75	28.13	496.88	6	-	(25,477.45)	6.00%	2.00%		-
TSSA Total	P0610-18532	31-Oct-06	750.00	45.00	795.00	-	-	(24,682.45)	6.00%	2.00%		-
Ogilvy Renault LLP	673462	14-Nov-06	17,675.24	1,059.02	18,734.26	14	-	(5,948.19)	6.00%	2.00%		-
Ogilvy Renault LLP	665207	17-Nov-06	17,342.71	1,040.56	18,383.27	3	-	12,435.08	6.00%	2.00%		-
Martin Malette	2378	20-Nov-06	291.74	17.50	309.24	3	-	12,744.32	6.00%	2.00%		-
AUE - Aecon Utility Engineering	303	22-Nov-06	42,225.00	2,533.50	44,758.50	2	-	57,502.82	6.00%	2.00%		-
Lobsaveur	1780	1-Dec-06	1,935.00	116.10	2,051.10	9	-	59,553.92	6.00%	2.00%		-
The London Free Press Total	1.3423E+10	2-Dec-06	7,585.20	455.11	8,040.31	1	-	67,594.24	6.00%	2.00%		-
FKS Land Surveyors	06-426	13-Dec-06	60,917.50	3,655.05	64,572.55	11	-	132,166.79	6.00%	2.00%		-
Aiken & Associates	642-2006	29-Dec-06	1,262.04	75.72	1,337.76	16	-	133,504.55	6.00%	2.00%		-
AUE - Aecon Utility Engineering	315	31-Dec-06	67,842.88	4,070.57	71,913.45	2	-	205,418.00	6.00%	2.00%		-
Viva Voce Reporting Ltd. Total	1805	31-Dec-06	2,195.31	131.72	2,327.03	-	-	207,745.03	6.00%	2.00%		-
Ogilvy Renault LLP	680927	17-Jan-07	33,570.46	2,013.86	35,584.32	17	-	243,329.35	6.00%	2.00%		-
Senes Consultants Ltd. Total	21965	18-Jan-07	13,546.92	812.82	14,359.74	1	-	257,689.09	6.00%	2.00%		-
A.S.A.P. Reporting Services	181	22-Jan-07	1,081.00	64.86	1,145.86	4	-	258,834.95	6.00%	2.00%		-
Aiken & Associates	705-2007	2-Feb-07	2,406.50	144.39	2,550.89	11	-	261,385.84	6.00%	2.00%		-
Ogilvy Renault LLP	687364	6-Feb-07	25,254.51	1,514.53	26,769.04	4	-	288,154.88	6.00%	2.00%		-
Aid-to-Construct Receipt		16-Feb-07	-	-	-	10	100,000.00	188,154.88	6.00%	2.00%		-
A.S.A.P. Reporting Services	304	20-Feb-07	1,095.00	65.70	1,160.70	4	-	189,315.58	6.00%	2.00%		-
AUE - Aecon Utility Engineering	347	20-Feb-07	106,800.25	6,408.02	113,208.27	-	-	302,523.84	6.00%	2.00%		-
Aid-to-Construct Receipt		26-Feb-07	-	-	-	6	181,454.00	121,069.84	6.00%	2.00%		-
A.S.A.P. Reporting Services	366	27-Feb-07	150.00	9.00	159.00	1	-	121,228.84	6.00%	2.00%		-
Ogilvy Renault LLP	695597	7-Mar-07	3,218.15	192.71	3,410.86	8	-	124,639.70	6.00%	2.00%		-
Harrison Pensa LLP	72913	9-Mar-07	6,519.35	391.16	6,910.51	2	-	131,550.21	6.00%	2.00%		-
FKS Land Surveyors	07-040	21-Mar-07	11,200.00	672.00	11,872.00	12	-	143,422.21	6.00%	2.00%		-
AUE - Aecon Utility Engineering	364	28-Mar-07	38,744.50	2,324.67	41,069.17	7	-	184,491.38	6.00%	2.00%		-
Aiken & Associates	712-2007	30-Mar-07	656.25	39.38	695.63	2	-	185,187.01	6.00%	2.00%		-
Ogilvy Renault LLP	703732	10-Apr-07	15,428.23	925.04	16,353.27	11	-	201,540.28	6.00%	2.00%		-
A.S.A.P. Reporting Services	567	17-Apr-07	5,149.75	308.99	5,458.74	7	-	206,999.01	6.00%	2.00%		-
Aid-to-Construct Receipt		20-Apr-07	-	-	-	3	130,159.06	76,839.95	6.00%	2.00%		-
AUE - Aecon Utility Engineering	377	25-Apr-07	420.00	25.20	445.20	5	-	77,285.15	6.00%	2.00%		-
Harrison Pensa LLP	74283	30-Apr-07	423.75	25.43	449.18	5	-	77,734.33	6.00%	2.00%		-
Ogilvy Renault LLP	712635	14-May-07	20,165.98	1,209.84	21,375.82	14	-	99,110.15	6.00%	2.00%		-
Aid-to-Construct Receipt		31-May-07	-	-	-	17	73,898.33	25,211.82	6.00%	2.00%		-
Aiken & Associates	719-2007	31-May-07	75.00	4.50	79.50	-	-	25,291.32	6.00%	2.00%		-
AUE - Aecon Utility Engineering	397	31-May-07	795.00	47.70	842.70	-	-	26,134.02	6.00%	2.00%		-
Stantec Consulting	241010	8-Jun-07	3,409.56	204.57	3,614.13	8	-	29,748.15	6.00%	2.00%		-
AUE - Aecon Utility Engineering	283	11-Jun-07	425.50	25.53	451.03	3	-	30,199.18	6.00%	2.00%		-
Ogilvy Renault LLP	719545	11-Jun-07	6,131.25	367.88	6,499.13	-	-	36,698.31	6.00%	2.00%		-
AUE - Aecon Utility Engineering	415	27-Jun-07	127.50	7.65	135.15	16	-	36,833.46	6.00%	2.00%		-
Neal, Pallett & Townsend	25378	28-Jun-07	2,014.00	100.70	2,114.70	1	-	38,948.16	6.00%	2.00%		-
Stantec Consulting	245954	29-Jun-07	2,500.42	150.03	2,650.45	1	-	41,598.61	6.00%	2.00%		-
Lenczner Slaght Royce	69539	13-Jul-07	23,003.25	1,380.20	24,383.45	14	-	65,982.06	6.25%	2.00%		-
Ogilvy Renault LLP	728429	13-Jul-07	44,487.09	2,673.88	47,160.97	-	-	113,143.03	6.25%	2.00%		-
Aiken & Associates	725-2007	31-Jul-07	375.00	22.50	397.50	18	-	113,540.53	6.25%	2.00%		-
Harrison Pensa LLP	10089	10-Aug-07	2,942.75	176.57	3,119.32	10	-	116,659.85	6.25%	2.00%		-

Consultant	Invoice Number	Date	NRG Direct	GST	Total Amount	Days	Aid-to-Construct Payment	Net Cumulative Total	Prime	Premium	Interest Rate	Interest
Stantec Consulting	254306	17-Aug-07	4,632.55	277.95	4,910.50	7	-	121,570.35	6.25%	2.00%	-	-
Harrison Pensa LLP	77118	21-Aug-07	2,016.25	120.98	2,137.23	4	-	123,707.58	6.25%	2.00%	-	-
Ogilvy Renault LLP	737740	21-Aug-07	13,976.84	838.05	14,814.89	-	-	138,522.47	6.25%	2.00%	-	-
AUE - Aecon Utility Engineering	447	22-Aug-07	6,075.00	351.00	6,426.00	1	-	144,948.47	6.25%	2.00%	-	-
Ogilvy Renault LLP	741945	12-Sep-07	831.25	49.88	881.13	21	-	145,829.60	6.25%	2.00%	-	-
AUE - Aecon Utility Engineering	468	26-Sep-07	13,172.00	469.92	13,641.92	14	-	159,471.52	6.25%	2.00%	-	-
Aid-to-Construct Receipt		5-Oct-07	-	-	-	9	23,643.43	135,828.09	6.25%	2.00%	-	-
Ogilvy Renault LLP	748630	11-Oct-07	8,806.86	528.41	9,335.27	6	-	145,163.36	6.25%	2.00%	-	-
AUE - Aecon Utility Engineering	495	24-Oct-07	14,051.00	320.40	14,371.40	13	-	159,534.76	6.25%	2.00%	-	-
Lakeside Steel Corporation		29-Oct-07	-	-	-	5	-	159,534.76	6.25%	2.00%	-	-
Aid-to-Construct Receipt		2-Nov-07	-	-	-	4	23,130.12	136,404.64	6.25%	2.00%	-	-
Ogilvy Renault LLP	756818	9-Nov-07	377.92	22.68	400.60	7	-	136,805.24	6.25%	2.00%	-	-
AUE - Aecon Utility Engineering	525	20-Nov-07	21,563.00	549.00	22,112.00	11	-	158,917.24	6.25%	2.00%	-	-
Lenczner Slaght Royce	71966	29-Nov-07	47,949.79	2,849.39	50,799.18	9	-	209,716.42	6.25%	2.00%	-	-
Mark Bristol		27-Nov-07	130,006.50	-	130,006.50	2	-	339,722.92	6.25%	2.00%	-	-
Ogilvy Renault LLP	765103	7-Dec-07	375.00	22.50	397.50	8	-	340,120.42	6.00%	2.00%	-	-
Canadian Pacific Railway	2000050470	13-Dec-07	650.00	32.50	682.50	6	-	340,802.92	6.00%	2.00%	-	-
AUE - Aecon Utility Engineering	552	31-Dec-07	17,705.57	241.08	17,946.65	18	-	358,749.57	6.00%	2.00%	-	-
Ogilvy Renault LLP	775418	21-Jan-08	1,976.50	98.83	2,075.33	21	413,665.00	(52,840.10)	6.00%	2.00%	-	-
AUE - Aecon Utility Engineering	571	23-Jan-08	12,456.63	176.43	12,633.06	2	-	(40,207.04)	5.75%	2.00%	7.75%	(76.83)
The Municipality of Thames Centre	02/08	1-Feb-08	2,175.00	-	2,175.00	9	-	(38,032.04)	5.75%	2.00%	7.75%	(56.64)
Stantec Consulting	288433	8-Feb-08	6,857.46	342.87	7,200.33	7	-	(30,831.71)	5.75%	2.00%	7.75%	(32.87)
Ogilvy Renault LLP	782617	13-Feb-08	2,875.00	143.75	3,018.75	5	-	(27,812.96)	5.75%	2.00%	7.75%	(41.59)
AUE - Aecon Utility Engineering	591	20-Feb-08	35,140.00	1,757.00	36,897.00	7	-	9,084.04	5.75%	2.00%	7.75%	13.19
Lenczner Slaght Royce	73976	27-Feb-08	21,007.93	1,050.40	22,058.33	7	-	31,142.37	5.75%	2.00%	7.75%	13.14
Stantec Consulting	292497	29-Feb-08	5,603.24	280.16	5,883.40	2	-	37,025.77	5.75%	2.00%	7.75%	7.82
The Municipality of Thames Centre	03/08	1-Mar-08	9,300.00	-	9,300.00	1	-	46,325.77	5.75%	2.00%	7.75%	107.79
Ogilvy Renault LLP	790238	12-Mar-08	9,628.69	481.43	10,110.12	11	-	56,435.89	5.25%	2.00%	7.25%	55.98
Kettle Creek Conservation Authority		17-Mar-08	500.00	25.00	525.00	5	-	56,960.89	5.25%	2.00%	7.25%	-
Lenczner Slaght Royce	74245	17-Mar-08	69,327.21	3,466.36	72,793.57	-	-	129,754.46	5.25%	2.00%	7.25%	-
Upper Thames River Conservation Authority		17-Mar-08	10,300.00	-	10,300.00	-	-	140,054.46	5.25%	2.00%	7.25%	-
Upper Thames River Conservation Authority		17-Mar-08	500.00	-	500.00	-	-	140,554.46	5.25%	2.00%	7.25%	27.92
Catfish Creek Conservation Authority		18-Mar-08	100.00	5.00	105.00	1	-	140,659.46	5.25%	2.00%	7.25%	55.89
Harrison Pensa LLP	83601	20-Mar-08	490.50	24.53	515.03	2	-	141,174.49	5.25%	2.00%	7.25%	168.34
AUE - Aecon Utility Engineering	613	26-Mar-08	25,289.74	1,264.49	26,554.23	6	-	167,728.71	5.25%	2.00%	7.25%	-
MIG Engineering Ltd.	24931	26-Mar-08	10,885.14	544.26	11,429.40	-	-	179,158.11	5.25%	2.00%	7.25%	-
The Township of Malahide Total		26-Mar-08	21,160.00	-	21,160.00	-	-	200,318.11	5.25%	2.00%	7.25%	39.84
Harrison Pensa LLP	83768	27-Mar-08	735.50	36.78	772.28	1	-	201,090.38	5.25%	2.00%	7.25%	40.00
Purolator	402081827	28-Mar-08	17.51	0.88	18.39	1	-	201,108.77	5.25%	2.00%	7.25%	-
Stantec Consulting	292988	28-Mar-08	3,325.53	166.28	3,491.81	-	-	204,600.58	5.25%	2.00%	7.25%	-
The Corporation of the County of Elgin		28-Mar-08	400.00	-	400.00	-	-	205,000.58	5.25%	2.00%	7.25%	-
The Corporation of the County of Elgin		28-Mar-08	400.00	-	400.00	-	-	205,400.58	5.25%	2.00%	7.25%	122.59
Helix Courier Limited	67106	31-Mar-08	132.79	6.64	139.43	3	-	205,540.01	5.25%	2.00%	7.25%	40.91
The Municipality of Thames Centre	04/08	1-Apr-08	3,425.00	-	3,425.00	1	-	208,965.01	5.25%	2.00%	7.25%	124.81
Ayerswood Development Corporation	10137	4-Apr-08	194.51	9.73	204.24	3	-	209,169.24	5.25%	2.00%	7.25%	-
Purolator	402127889	4-Apr-08	35.02	1.75	36.77	-	-	209,206.01	5.25%	2.00%	7.25%	416.76
Ogilvy Renault LLP	798316	14-Apr-08	2,187.50	109.38	2,296.88	10	-	211,502.89	5.25%	2.00%	7.25%	-
Robert B. Somerville Co. Limited	08 008 01	14-Apr-08	163,593.97	8,179.70	171,773.67	-	-	383,276.56	5.25%	2.00%	7.25%	76.33
COMCO Pipe & Supply Company	841233	15-Apr-08	4,366.40	218.32	4,584.72	1	-	387,861.28	5.25%	2.00%	7.25%	154.52
C.R. Wall & Co. Inc.	SI-55773	17-Apr-08	26,370.58	1,220.86	27,591.44	2	-	415,452.72	5.25%	2.00%	7.25%	413.86
MIG Engineering Ltd.	24975	22-Apr-08	6,708.66	335.43	7,044.09	5	-	422,496.81	5.25%	2.00%	7.25%	-
MIG Engineering Ltd.	24976	22-Apr-08	24,072.30	1,203.62	25,275.92	-	-	447,772.73	5.25%	2.00%	7.25%	89.27
AUE - Aecon Utility Engineering	637	23-Apr-08	15,043.93	752.20	15,796.13	1	-	463,568.86	4.75%	2.00%	6.75%	86.05
COMCO Pipe & Supply Company	841817	24-Apr-08	3,645.00	182.25	3,827.25	1	-	467,396.11	4.75%	2.00%	6.75%	-
KTI Limited	59686	24-Apr-08	11,448.00	530.00	11,978.00	-	-	479,374.11	4.75%	2.00%	6.75%	-
KTI Limited	59687	24-Apr-08	10,130.40	469.00	10,599.40	-	-	489,973.51	4.75%	2.00%	6.75%	363.81
Harrison Pensa LLP	84743	28-Apr-08	4,972.50	248.63	5,221.13	4	-	495,194.63	4.75%	2.00%	6.75%	91.99
COMCO Pipe & Supply Company	842010	29-Apr-08	25,513.57	1,275.68	26,789.25	1	-	521,983.88	4.75%	2.00%	6.75%	290.87
MIG Engineering Ltd.	24979	2-May-08	28,374.71	1,418.74	29,793.45	3	-	551,777.32	4.75%	2.00%	6.75%	512.60
Lenczner Slaght Royce	74952	7-May-08	57,844.13	2,892.21	60,736.34	5	-	612,513.66	4.75%	2.00%	6.75%	341.54



Consultant	Invoice Number	Date	NRG Direct	GST	Total Amount	Days	Aid-to-Construct Payment	Net Cumulative Total	Prime	Premium	Interest Rate	Interest
Robert B. Somerville Co. Limited	08 008 02	10-May-08	616,624.17	30,831.21	647,455.38	3	-	1,259,969.04	4.75%	2.00%	6.75%	467.29
Aid-to-Construct Receipt		12-May-08	-	-	-	2	-	1,259,969.04	4.75%	2.00%	6.75%	-
Ogilvy Renault LLP	805822	12-May-08	4,600.00	230.00	4,830.00	-	-	1,264,799.04	4.75%	2.00%	6.75%	2,111.63
AUE - Aecon Utility Engineering	661	21-May-08	2,915.00	145.75	3,060.75	9	-	1,267,859.79	4.75%	2.00%	6.75%	471.16
COMCO Pipe & Supply Company	843129	23-May-08	2,170.80	108.54	2,279.34	2	-	1,270,139.13	4.75%	2.00%	6.75%	1,652.63
Ayerswood Development Corporation	10146	30-May-08	39.17	1.96	41.12	7	-	1,270,180.25	4.75%	2.00%	6.75%	-
Purolator	402493106	30-May-08	35.67	1.78	37.45	-	-	1,270,217.71	4.75%	2.00%	6.75%	236.41
Ayerswood Development Corporation	10149	31-May-08	300.00	15.00	315.00	1	-	1,270,532.71	4.75%	2.00%	6.75%	236.51
Ayerswood Development Corporation	10158	1-Jun-08	1,050.57	52.53	1,103.10	1	-	1,271,635.81	4.75%	2.00%	6.75%	1,183.80
Robert B. Somerville Co. Limited	08 008 03	6-Jun-08	971,370.45	48,568.52	1,019,938.97	5	-	2,291,574.78	4.75%	2.00%	6.75%	4,255.98
MIG Engineering Ltd.	25087	16-Jun-08	118,274.97	5,913.75	124,188.72	10	-	2,415,763.50	4.75%	2.00%	6.75%	1,797.41
Ogilvy Renault LLP	816373	20-Jun-08	718.75	35.94	754.69	4	-	2,416,518.18	4.75%	2.00%	6.75%	2,249.12
AUE - Aecon Utility Engineering	685	25-Jun-08	12,511.00	625.55	13,136.55	5	-	2,429,654.73	4.75%	2.00%	6.75%	2,263.34
Ayerswood Development Corporation	10164	30-Jun-08	350.76	17.54	368.30	5	-	2,430,023.03	4.75%	2.00%	6.75%	-
Corrosion Services Company Limited	22885	30-Jun-08	1,768.77	81.89	1,850.66	-	-	2,431,873.69	4.75%	2.00%	6.75%	-
Harrison Pensa LLP	86596	30-Jun-08	227.27	11.36	238.63	-	-	2,432,112.33	4.75%	2.00%	6.75%	-
KTI Limited	60541	30-Jun-08	800.00	104.00	904.00	-	-	2,433,016.33	4.75%	2.00%	6.75%	907.42
Neal, Pallett & Townsend	27423	2-Jul-08	900.00	45.00	945.00	2	-	2,433,961.33	4.75%	2.00%	6.75%	908.10
Purolator	402725966	4-Jul-08	111.63	5.58	117.21	2	-	2,434,078.54	4.75%	2.00%	6.75%	-
Robert B. Somerville Co. Limited	08 008 04	4-Jul-08	1,044,546.56	52,227.33	1,096,773.89	-	-	3,530,852.42	4.75%	2.00%	6.75%	2,628.28
C.R. Wall & Co. Inc.	SI-56816	8-Jul-08	621.00	28.75	649.75	4	-	3,531,502.17	4.75%	2.00%	6.75%	-
Fastenal	ONSTT18433	8-Jul-08	70.47	3.26	73.73	-	-	3,531,575.90	4.75%	2.00%	6.75%	1,315.38
Fastenal	ONSTT18497	10-Jul-08	70.46	3.52	73.98	2	-	3,531,649.89	4.75%	2.00%	6.75%	-
MIG Engineering Ltd.	25134	10-Jul-08	67,909.94	3,395.50	71,305.44	-	-	3,602,955.32	4.75%	2.00%	6.75%	3,355.66
Wellmaster	76262	15-Jul-08	11.48	0.57	12.05	5	-	3,602,967.38	4.75%	2.00%	6.75%	2,015.27
Ogilvy Renault LLP	823377	18-Jul-08	7,977.50	398.88	8,376.38	3	-	3,611,343.75	4.75%	2.00%	6.75%	-
Purolator	402818259	18-Jul-08	83.21	4.16	87.37	-	-	3,611,431.12	4.75%	2.00%	6.75%	2,694.77
AUE - Aecon Utility Engineering	706	22-Jul-08	1,485.96	74.30	1,560.26	4	-	3,612,991.38	4.75%	2.00%	6.75%	1,348.96
Neal, Pallett & Townsend	10167	24-Jul-08	6,767.29	406.04	7,173.33	2	-	3,620,164.71	4.75%	2.00%	6.75%	676.06
Purolator	402867492	25-Jul-08	66.08	3.30	69.38	1	-	3,620,234.09	4.75%	2.00%	6.75%	2,028.58
C.R. Wall & Co. Inc.	SI-57065	28-Jul-08	3,157.38	146.18	3,303.56	3	-	3,623,537.65	4.75%	2.00%	6.75%	1,354.36
C.R. Wall & Co. Inc.	SI-57112	30-Jul-08	4,390.47	203.26	4,593.73	2	-	3,628,131.38	4.75%	2.00%	6.75%	678.28
Helix Courier Limited	69517	31-Jul-08	64.80	3.24	68.04	1	-	3,628,199.42	4.75%	2.00%	6.75%	-
MIG Engineering Ltd.	25193	31-Jul-08	2,088.22	104.41	2,192.63	-	-	3,630,392.05	4.75%	2.00%	6.75%	5,430.59
MIG Engineering Ltd.	25196	8-Aug-08	3,760.10	188.01	3,948.11	8	-	3,634,340.16	4.75%	2.00%	6.75%	-
Robert B. Somerville Co. Limited	08 008 05	8-Aug-08	310,681.68	15,534.08	326,215.76	-	-	3,960,555.92	4.75%	2.00%	6.75%	3,704.43
Ogilvy Renault LLP	830606	13-Aug-08	143.75	7.19	150.94	5	-	3,960,706.86	4.75%	2.00%	6.75%	3,707.99
Corrosion Services Company Limited	23276	18-Aug-08	1,945.00	97.25	2,042.25	5	-	3,962,749.11	4.75%	2.00%	6.75%	1,485.32
AUE - Aecon Utility Engineering	735	20-Aug-08	195.91	9.80	205.71	2	-	3,962,954.82	4.75%	2.00%	6.75%	1,485.95
Purolator	4505192	22-Aug-08	118.52	5.93	124.45	2	-	3,963,079.26	4.75%	2.00%	6.75%	5,946.18
Aiken & Associates	826-2008	30-Aug-08	100.70	5.04	105.74	8	-	3,963,185.00	4.75%	2.00%	6.75%	-
Aiken & Associates	828-2008	30-Aug-08	293.75	14.69	308.44	-	-	3,963,493.44	4.75%	2.00%	6.75%	744.45
Black & McDonald Limited	43-W66147	31-Aug-08	823.18	41.16	864.34	1	-	3,964,357.77	4.75%	2.00%	6.75%	2,978.99
Bell	J16574	4-Sep-08	2,575.69	128.78	2,704.47	4	-	3,967,062.25	4.75%	2.00%	6.75%	745.80
KTI Limited	61488	5-Sep-08	134.00	17.42	151.42	1	-	3,967,213.67	4.75%	2.00%	6.75%	2,237.89
Ayerswood Development Corporation	10185	8-Sep-08	113.00	5.65	118.65	3	-	3,967,332.32	4.75%	2.00%	6.75%	746.40
MIG Engineering Ltd.	25274	9-Sep-08	7,610.86	380.54	7,991.40	1	-	3,975,323.72	4.75%	2.00%	6.75%	6,732.14
Union Gas Limited - Commission	140195	18-Sep-08	3,979.56	-	3,979.56	9	-	3,979,303.28	4.75%	2.00%	6.75%	5,999.97
Societe Generale		26-Sep-08	6,517.72	-	6,517.72	8	-	3,985,821.00	4.75%	2.00%	6.75%	3,009.24
Ayerswood Development Corporation	10197	30-Sep-08	55.50	2.78	58.28	4	-	3,985,879.28	4.75%	2.00%	6.75%	15,057.56
Harrison Pensa LLP - BNS	89782	20-Oct-08	29,295.25	1,460.26	30,755.51	20	-	4,016,634.79	4.25%	2.00%	6.25%	1,409.91
Lenczner Slaght Royce	78010	22-Oct-08	20,098.87	1,004.94	21,103.81	2	-	4,037,738.60	4.00%	2.00%	6.00%	3,402.28
Robert B. Somerville Co. Limited (final invoice)	08 008 06	27-Oct-08	68,824.91	3,441.25	72,266.16	5	-	4,110,004.76	4.00%	2.00%	6.00%	-
												\$ 105,109.40

Robert B. Somerville Co. Limited	08-008-01	14-Apr-08	163,593.97	8,179.70
Robert B. Somerville Co. Limited	08 008 02	10-May-08	616,624.17	30,831.21
Robert B. Somerville Co. Limited	08 008 03	6-Jun-08	971,370.45	48,568.52
Robert B. Somerville Co. Limited	08 008 04	4-Jul-08	1,044,546.56	52,227.33
Robert B. Somerville Co. Limited	08 008 05	8-Aug-08	310,681.68	15,534.08
Robert B. Somerville Co. Limited	08 008 06	27-Oct-08	68,824.91	3,441.25
<b>Robert B. Somerville Co. Limited Total</b>			<b>3,175,641.74</b>	

## **INTERROGATORY #14**

### Issue 2.5

Insurance Costs and other services costs (e.g. auditing)

### Preamble:

NRG has claimed \$62,000 in insurance costs. IGPC wishes to understand the amount of insurance procured for the construction of the IGPC pipeline?

### Reference:

NRG Evidence, June 3, 2013, p. 8 of 22

### **Question:**

- (a) Did NRG procure any new insurance for the construction of the IGPC pipeline?**
  - (i) If so, please provide the name of the insurance company and a copy of the policy including the declaration page which indicates the policy period and any changes in coverage.**
  - (ii) When did the policy take effect? When was the policy ended?**
  - (iii) What was the premium paid for insurance relating specifically to the construction of the IGPC pipeline?**
  - (iv) Was this competitively tendered? Please provide complete details regarding the procurement process?**
- (b) What amount did NRG forecast as its costs for insurance premiums which it used at its rates rebasing application in EB-2005-0544 (the "Forecast Insurance Costs")?**
- (c) Did NRG pay any amount for insurance premiums over and above the Forecast Insurance Costs in respect of the construction of the IGPC Pipeline? If so, please provide details and if not produced in response to the question above, please provide a copy of the applicable policy and declaration page.**
- (d) Has IGPC recovered as part of its rates, costs for insurance premiums since 2008 through Administrative & General costs?**
- (e) Did NRG allocate existing insurance costs to the IGPC Pipeline? What amount did NRG close to rate base in respect of insurance premiums?**
- (f) Please provide a copy of NRG's capitalization policy. If none exists, please reference the applicable section of the Standard or Code relied upon that allows NRG to capitalize insurance premiums. Please advise whether NRG has similarly capitalized part of its insurance costs to prior capital projects. Please list each of the projects and the amounts capitalized.**

### RESPONSE:

(a) and (b) No. As noted previously, it was entirely an allocation. See response to Board Staff IR#4. During project development, NRG went to its insurer and asked about additional insurance for the new IGPC Pipeline. An additional policy to cover the risks associated with the new IGPC Pipeline could have required a separate policy with a premium of approximately \$250,000. Based on the 40+ year relationship that NRG and its various related companies have with their insurer, the insurer agreed to place the IGPC Pipeline on the existing insurance policy. NRG had no obligation to negotiate this arrangement, which essentially permitted IGPC to borrow the good will of NRG and its related companies and profit immensely from that relationship.

(c) No.

(d) Yes.

(e) and (f) NRG allocated \$147,500 in insurance costs to IGPC, consistent with the Board's decision in EB-2010-0018. Consistent with the same Board decision, the Board allowed for \$259,300 to be included in NRG's rates.

(f) Please see attached. Paragraphs 20 through 24 of the first document (seven pages) addresses holding costs. While it mentions "carrying costs" such as interest costs, this would typically include interest costs, property taxes, and insurance as the three carrying costs in construction projects. The next document (four pages) is from the REALpac Handbook published by CICA and gives additional detail on the Handbook sections and how they should be applied to the construction industry. The full section is provided, but only the first few provisions need to be noted.

## SPECIFIC ITEMS

### SECTION 3061

#### property, plant and equipment

#### Additional Resources

TABLE OF CONTENTS	Paragraph
<b>Purpose and scope</b>	.01-.02
<b>Definitions</b>	.03-.15
<b>Measurement</b>	
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<b>Property, plant and equipment recorded at appraised values</b>	.44
<b>Transitional provisions</b>	.45-.48

#### PURPOSE AND SCOPE

- .01 This Section establishes standards for the recognition, measurement, presentation and disclosure of property, plant and equipment (tangible capital assets) by profit-oriented enterprises. This Section applies to property, plant and equipment recognized under LEASES, Section 3065. Not-for-profit organizations would account for property, plant and equipment in accordance with CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4430.
- .02 This Section does not deal with goodwill or intangible assets (see GOODWILL AND INTANGIBLE ASSETS, Section 3064), with the impairment of property, plant and equipment (see IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063) or with the disposal of property, plant and equipment (see DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475). This Section also does not deal with special circumstances when it may be appropriate to undertake a comprehensive revaluation of all the assets and liabilities of an enterprise (see COMPREHENSIVE REVALUATION OF ASSETS AND LIABILITIES, Section 1625).

#### DEFINITIONS

- .03 The definitions that follow have been adopted for the purposes of this Section.
- .04 **Property, plant and equipment** are identifiable tangible assets that meet all of the following criteria:

- (a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other property, plant and equipment;
- (b) have been acquired, constructed or developed with the intention of being used on a continuing basis; and
- (c) are not intended for sale in the ordinary course of business.

Spare parts and servicing equipment are usually carried as inventory and recognized in net income as consumed. However, major spare parts and standby equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. Property, plant and equipment and intangible assets, as defined in GOODWILL AND INTANGIBLE ASSETS, paragraph 3064.08, are referred to collectively as "capital assets".

- .05 **Cost** is the amount of consideration given up to acquire, construct, develop, or better an item of property, plant and equipment and includes all costs directly attributable to the acquisition, construction, development or betterment of the asset including installing it at the location and in the condition necessary for its intended use. Cost includes any asset retirement cost accounted for in accordance with ASSET RETIREMENT OBLIGATIONS, Section 3110.
- .06 **Mining properties** are items of property, plant and equipment represented by the capitalized costs of acquired mineral rights and the costs associated with exploration for and development of mineral reserves.
- .07 **Net carrying amount** of an item of property, plant and equipment is cost less both accumulated amortization and the amount of any write-downs.
- .08 **Net recoverable amount** of an item of property, plant and equipment is its estimated future net cash flow from use together with its residual value.
- .09 **Oil and gas properties** are items of property, plant and equipment represented by the capitalized costs of acquired oil and gas rights and the costs associated with exploration for and development of oil, gas and related reserves.
- .10 **Rate-regulated property, plant and equipment** are items of property, plant and equipment held for use in operations meeting all of the following criteria:
  - (a) The rates for regulated services or products provided to customers are established by or are subject to approval by a regulator or a governing body empowered by statute or contract to establish rates to be charged for services or products.
  - (b) The regulated rates are designed to recover the cost of providing the services or products.
  - (c) It is reasonable to assume that rates set at levels that will recover the cost can be charged to and collected from customers in view of the demand for the services or products and the level of direct and indirect competition. This criterion requires consideration of expected changes in levels of demand or competition during the recovery period for any capitalized costs.
- .11 **Rental real estate** is real estate held primarily to generate income through rental to others (i.e., not held for sale in the ordinary course of business). It includes rental property under development and developed property that is intended to be held for rental. In addition, it includes land designated for development as rental property.

- .12 **Residual value** is the estimated net realizable value of an item of property, plant and equipment at the end of its useful life to an enterprise.
- .13 **Salvage value** is the estimated net realizable value of an item of property, plant and equipment at the end of its life. Salvage value is normally negligible.
- .14 **Service potential** is used to describe the output or service capacity of an item of property, plant and equipment and is normally determined by reference to attributes such as physical output capacity, associated operating costs, useful life and quality of output.
- .15 **Useful life** is the period over which an asset, singly or in combination with other assets, is expected to contribute directly or indirectly to the future cash flows of an enterprise.

## MEASUREMENT

### Cost

- .16 ♦ *Property, plant and equipment should be recorded at cost. [DEC. 1990 \*]*
- .17 The cost of an item of property, plant and equipment includes the purchase price and other acquisition costs such as option costs when an option is exercised, brokers' commissions, installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. In addition, if the cost of the asset acquired other than through a business combination is different from its tax basis on acquisition, the asset's cost would be adjusted to reflect the related future income tax consequences (see INCOME TAXES, Section 3465). It may be appropriate to group together individually insignificant items of property, plant and equipment.
- .18 The cost of each item of property, plant and equipment acquired as part of a basket purchase (i.e., when a group of assets is acquired for a single amount), is determined by allocating the price paid for the basket to each item on the basis of its relative fair value at the time of acquisition.
- .19 When, at the time of acquisition, a portion of the acquired item of property, plant and equipment meets the criteria in DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, to be classified as held for sale at the acquisition date, that portion of the item is measured at fair value less cost to sell. The remainder of the acquired item is measured at the cost of acquisition of the entire item less the amount assigned to the portion to be sold. For example, if a portion of land acquired is to be resold, the cost of the land to be retained would be the total cost of the purchase minus the fair value less cost to sell of the portion of land held for sale. When, at the time of acquisition, a portion of the acquired item of property, plant and equipment is not intended for use because it will be abandoned, its cost and any costs of disposal, net of any estimated proceeds, are attributed to that portion of the acquired asset which is intended for use. For example, the cost of acquired land that includes a building which will be demolished, comprises the cost of the acquired property and the cost of demolishing the building.

### Acquisition, construction or development over time

- .20 The cost of an item of property, plant and equipment includes direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity.
- .21 For a mining property, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment. An enterprise applies the method of accounting for exploration costs that it considers to be appropriate to its operations and applies the method consistently to all its properties.
- .22 For an oil and gas property, the cost of the asset comprises acquisition costs, development costs and certain exploration costs depending on whether the enterprise accounts for its oil and gas properties

using the full cost method or the successful efforts method. An enterprise applies the method of accounting for acquisition, exploration and development costs that it considers to be appropriate to its operations and applies the method consistently to all its properties.

- .23 The cost of an item of property, plant and equipment that is acquired, constructed, or developed over time includes carrying costs directly attributable to the acquisition, construction, or development activity such as interest costs when the enterprise's accounting policy is to capitalize interest costs. For an item of rate-regulated property, plant and equipment, the cost includes the directly attributable allowance for funds used during construction allowed by the regulator.
- .24 Capitalization of carrying costs ceases when an item of property, plant and equipment is substantially complete and ready for productive use. Determining when an asset, or a portion thereof, is substantially complete and ready for productive use requires consideration of the circumstances and the industry in which it is to be operated. Normally it would be predetermined by management with reference to such factors as productive capacity, occupancy level, or the passage of time.
- .25 Net revenue or expense derived from an item of property, plant and equipment prior to substantial completion and readiness for use is included in the cost.

#### **Betterment**

- .26 The cost incurred to enhance the service potential of an item of property, plant and equipment is a betterment. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs are lowered, the life or useful life is extended, or the quality of output is improved. The cost incurred in the maintenance of the service potential of an item of property, plant and equipment is a repair, not a betterment. If a cost has the attributes of both a repair and a betterment, the portion considered to be a betterment is included in the cost of the asset.
- .27 A redevelopment project that adds significant economic value to rental real estate is treated as a betterment. When a building is removed for the purpose of redevelopment of rental real estate, the net carrying amount of the building is included in the cost of the redeveloped property, as long as the net amount considered recoverable from the redevelopment project exceeds its cost.

#### **Amortization**

- .28 ♦ *Amortization should be recognized in a rational and systematic manner appropriate to the nature of an item of property, plant and equipment with a limited life and its use by the enterprise. The amount of amortization that should be charged to income is the greater of:*
  - (a) *the cost less salvage value over the life of the asset; and*
  - (b) *the cost less residual value over the useful life of the asset. [DEC. 1990 \*]*
- .29 Property, plant and equipment is acquired to earn income or supply a service over its useful life. An item of property, plant and equipment, other than land that normally has an unlimited life, has a limited life. Its useful life is normally the shortest of its physical, technological, commercial and legal life. Amortization is the charge to income that recognizes that life is finite and that the cost less salvage value or residual value of an item of property, plant and equipment is allocated to the periods of service provided by the asset. Amortization may also be termed depreciation or depletion.
- .30 The cost of an item of property, plant and equipment made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. For example, initial leasing costs may be identifiable as a separable component of the cost of rental real estate and engines may be a separable component of an aircraft.

- .31 Different methods of amortizing an item of property, plant and equipment result in different patterns of charges to income. The objective is to provide a rational and systematic basis for allocating the amortizable amount of an item of property, plant and equipment over its estimated life and useful life. A straight-line method reflects a constant charge for the service as a function of time. A variable charge method reflects service as a function of usage. Other methods may be appropriate in certain situations. For example, an increasing charge method may be used when an enterprise can price its goods or services so as to obtain a constant rate of return on the investment in the asset; a decreasing charge method may be appropriate when the operating efficiency of the asset declines over time.
- .32 Factors to be considered in estimating the life and useful life of an item of property, plant and equipment include expected future usage, effects of technological or commercial obsolescence, expected wear and tear from use or the passage of time, the maintenance program, results of studies made regarding the industry, studies of similar items retired, and the condition of existing comparable items. As the estimate of the life of an item of property, plant and equipment is extended into the future, it becomes increasingly difficult to identify a reasonable basis for estimating the life.

#### **Review of amortization**

- .33 ♦ *The amortization method and estimates of the life and useful life of an item of property, plant and equipment should be reviewed on a regular basis. [DEC. 1990 \*]*
- .34 Significant events that may indicate a need to revise the amortization method or estimates of the life and useful life of an item of property, plant and equipment include:
- (a) a change in the extent the asset is used;
  - (b) a change in the manner in which the asset is used;
  - (c) removal of the asset from service for an extended period of time;
  - (d) physical damage;
  - (e) significant technological developments;
  - (f) a change in the law, environment, or consumer styles and tastes affecting the period of time over which the asset can be used.

#### **Asset retirement obligations**

- .35 Obligations associated with the retirement of property, plant and equipment are accounted for in accordance with ASSET RETIREMENT OBLIGATIONS, Section 3110.
- (paragraphs 3061.36-.37 deleted)

#### **PRESENTATION AND DISCLOSURE**

- .38 ♦ *For each major category of property, plant and equipment there should be disclosure of:*
- (a) *cost;*
  - (b) *accumulated amortization, including the amount of any write-downs; and*
  - (c) *the amortization method used, including the amortization period or rate. [DEC. 1990 \*]*



- .39 ♦ *The net carrying amount of an item of property, plant and equipment not being amortized, because it is under construction or development, or has been removed from service for an extended period of time, should be disclosed.* [DEC. 1990 \*]
- .40 ♦ *The amount of amortization of an item of property, plant and equipment charged to income for the period should be disclosed (see INCOME STATEMENT, Section 1520).* [DEC. 1990 \*]
- .41 The presentation and requirements of IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063, and DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, apply to property, plant and equipment.
- .42 Major categories of property, plant and equipment are determined by reference to type (for example, land, buildings, machinery, leasehold improvements), operating segment and/or nature of operations (for example, manufacturing, processing, distribution, rental real estate).

(paragraph 3061.43 deleted)

#### **PROPERTY, PLANT AND EQUIPMENT RECORDED AT APPRAISED VALUES**

- .44 ♦ *When an enterprise has an item of property, plant and equipment that was recorded at an appraised value prior to the effective date of this Section, the following additional requirements apply:*
- (a) *the basis of the valuation and the date of the appraisal should be disclosed;*
  - (b) *charges against income should be based on the appraised value; and*
  - (c) *appraisal increase credits should be shown as a separate item in accumulated other comprehensive income. The appraisal increase should be transferred to retained earnings in amounts equal to the realization of appreciation through sale or the amortization provision. The basis of any transfer to retained earnings should be disclosed.* [OCT. 2006]

#### **TRANSITIONAL PROVISIONS**

- .45 This Section applies to all fiscal periods beginning on or after December 1, 1990. However, earlier adoption is encouraged. The Section may be applied either prospectively or retroactively.
- .46 When this Section is applied prospectively, it is applied to all property, plant and equipment existing on the date of adoption of the Section.
- .47 When this Section is applied retroactively, any resulting adjustments are treated as a retroactive application of a change in an accounting policy (see ACCOUNTING CHANGES, Section 1506).
- .48 The reference to accumulated other comprehensive income in paragraph 3061.44(c) applies when an entity adopts COMPREHENSIVE INCOME, Section 1530.

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#### **Footnotes**

\* Editorial change — September 2001.

\* Editorial change — September 2001.

\* Editorial change — September 2001.

\* Editorial change — September 2001.

\* Editorial change — September 2001.

\* Editorial change — September 2001.

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## 205. CARRYING COSTS

- 205.1. Carrying costs on properties held for future development and under development include costs directly attributable to the project, such as, interest, realty taxes and the net revenue or expense related to incidental operations of the project, prior to the project reaching its *accounting completion date* or the date the project is substantially complete and ready for its intended use.
- 205.2. **Carrying costs should be capitalized during the *development period* to *qualifying assets*.**
- 205.3. The historical cost of acquiring a completed asset includes the costs incurred until it is substantially complete and ready for productive use. If a period of time is required in which to carry out the activities necessary to bring an asset to that condition, the carrying costs incurred during that period as a result of expenditures for the asset are a part of the historical cost of acquiring the asset.
- 205.4. The objectives of capitalizing carrying costs are: (a) to obtain a measure of cost that reflects the entity's total investment in the asset; and (b) to charge a cost that relates to the acquisition of a resource that will benefit future periods against the revenues of the periods benefited.
- 205.5. Carrying costs are capitalized from the date costs relating to *qualifying assets* are incurred and acquisition of the property has occurred or is more likely than not to occur. During the preacquisition period, such costs would be capitalized only if the criteria per paragraph 202.4. is met, or otherwise expensed, while after acquisition of the property, they would be capitalized. Accordingly, carrying costs would be capitalized to all phases of a phased project notwithstanding development work was only proceeding on the first phase.
- 205.6. The date carrying costs cease to be capitalized depends on the nature and circumstances of the project. For a land project, carrying costs would be capitalized through to the date the property was substantially complete and ready for its intended use on the assumption that costs are better matched with revenues. However, once substantially complete and ready for its intended use, carrying costs on a property developed for sale should no longer be capitalized. For income-producing property under construction, practice has been to capitalize carrying costs until its *accounting completion date*, which is frequently beyond the date of physical completion of construction.
- 205.7. Carrying costs are capitalized during holding periods on the assumption that costs are better matched with revenues. However, once substantially complete and ready for its intended use, carrying costs on a property developed for sale should no longer be capitalized. Presumably, an entity would only purchase land for future development if it expected to be able to sell or lease the property in the future and recover its costs including carrying costs to the date the property was substantially complete and ready for its intended use. The carrying costs incurred during this period are a result of the project and should be accounted for as a part of its cost rather than accounted for as a period expense.
- 205.8. Under U.S. GAAP, for carrying costs to be capitalized, the assets must be undergoing the activities necessary to get them ready for use. Accordingly, carrying costs may not be capitalized to all phases of a phased development where activities are being carried out on less than all of the phases. For assets completed in parts, and ready for use at different times, such as single-family houses, carrying cost capitalization would cease on each part when it was substantially complete and ready for use. In addition, if the entity suspends substantially all activities related to the acquisition of the asset, carrying cost capitalization would cease until activities were resumed.

## 205.9. INTEREST

- 205.9.1.** If designated as other than *held for trading*, debt is measured using the *effective interest method* with the amortization of any premium, discount and capitalized transaction costs being recognized as interest expense. Interest expense recognized under this measurement model is eligible for capitalization. If designated as *held for trading*, loans are re-measured to fair value each reporting period with changes in fair value recognized in net income. The change in fair value, which includes interest, is recognized as an expense or credit to net income. Although CICA Handbook Section 3855 does not contemplate separate presentation of interest expense for *held for trading* liabilities, an entity has the option of breaking up the fair aggregate value change into its fair value component and interest expense component. The interest expense recognized in this situation should be calculated based on the *effective interest method*. However, REALpac has concluded that interest expense recognized for debt that is designated as *held for trading* is not eligible for capitalization.
- 205.9.2.** **The amount of interest cost capitalized to *qualifying assets* should be that portion of the interest cost incurred during the *development period* of the assets that theoretically could have been avoided if expenditures for the assets had not been made.**
- 205.9.3.** In Canada, there have been a number of methods used in determining the amount of interest cost to be capitalized. One method limits the capitalization to the interest incurred on specific financial liabilities associated with the *qualifying asset*. In the view of REALpac, association of sources and uses of funds is primarily subjective. If this method is adopted, the enterprise's identification of the source of the funds used for the asset would determine not only the amount of interest capitalized but also whether any interest is capitalized. A second method allocates interest cost to *qualifying assets* in proportion to total assets or the total of the entity's financial liabilities and owner's equity. This method is based on an assumption that funds used for all assets are obtained from borrowings and other sources proportionately. In many cases, this method would result in an amount of capitalized interest that is unrealistically low as a measure of the economic cost of financing the acquisition of the *qualifying asset*. The third method is the avoided cost method.
- 205.9.4.** REALpac has concluded that the amount of interest cost to be capitalized should be the amount that theoretically could have been avoided during the *development period* if expenditures for the asset had not been made. Interest cost can be avoided by repaying existing financial liabilities as well as by not borrowing additional funds. When an enterprise is contemplating investment in an asset, both those alternatives are available. When the decision to invest in the asset is made, those alternatives are rejected and the incurrence of interest cost during the *development period* is a consequence of that decision. That cause-and-effect relationship between the investment in the asset and the incurrence of interest cost makes interest cost analogous to a direct cost in these circumstances.
- 205.9.5.** **The amount of interest capitalized in an accounting period should be determined by applying an interest rate (the capitalization rate) to the average amount of expenditures for the asset accumulated to date during the period.**
- 205.9.6.** For interest to be capitalized to accumulated expenditures, such expenditures for a *qualifying asset* must have required the payment of cash, the transfer of other assets, or the incurrence of a *financial liability* on which interest is recognized (in contrast to financial liabilities such as trade payables, accruals, and holdbacks which do not bear interest). Some accounting systems may not facilitate the calculation of such expenditures, and accordingly reasonable approximations may be required such that interest is capitalized on the full cost of the asset as recorded.
- 205.9.7.** **The capitalization rates used in the accounting period should be based on the rates applicable to financial liabilities outstanding during the period.**
- 205.9.8.** To the extent that a *qualifying asset* is funded by a *financial liability* secured by the property, an entity may use the rate on that *financial liability* as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that *financial liability*. If the amount of the average accumulated expenditures exceeds the *financial*

*liability* secured by the property, the capitalization rate applied to such excess should be the weighted average rate applicable to an appropriate pool of other financial liabilities of the entity. The applicable rate in each instance would be that used in the financial statements for the *financial liability*, which may not necessarily be the face rate.

**205.9.9.** The objective in determining the capitalization rate is to obtain a reasonable estimate of the cost of financing the acquisition of the completed asset. Judgement must be used in selecting the financial liabilities that are applicable and a consistent policy should be adopted in defining the components of the pool. For example, if an entity issued term-preferred shares, which it classified in its financial statements as a *financial liability* specifically to finance a project, it would be appropriate to capitalize the dividends thereon. It would not be acceptable to capitalize dividends on preferred shares that are classified as equity. Similarly, where entities are carrying on business in more than one country, it may be appropriate to use a different rate for the pooled financial liabilities in each country.

**205.9.10.** **The total amount of interest cost capitalized in an accounting period should not exceed the total amount of interest incurred by the reporting entity in that period.**

**205.9.11.** This test should be computed on the reporting entity basis, and accordingly for a consolidated reporting entity, the total amount of interest would include the interest incurred by the parent and all of its subsidiary companies. Furthermore, interest income should not be deducted from interest costs in determining the maximum amount of interest allowed to be capitalized.

**205.9.12.** In summary, the methodology of capitalization set out in these recommendations assumes that shareholders' equity finances non-qualifying assets to the maximum extent possible. Therefore, interest on financial liabilities secured by income-producing properties and interest on other financial liabilities are eligible for capitalization where *qualifying assets* are not specifically financed.

**205.9.13.** An example of the capitalization methodology is as follows:

Income-producing property	\$10,000
Land under development	5,000
Mortgage loan receivable	<u>1,000</u>
Total assets	<u>\$16,000</u>
Mortgage loan secured by income-producing property *	\$11,000
Accounts payable re land (non-interest bearing)	1,000
Shareholders' equity	<u>4,000</u>
Total liabilities and equity	<u>\$16,000</u>

In this situation, notwithstanding there would be interest income from the mortgage loan receivable and the fact that the mortgage loan payable is specifically secured by the income-producing property, interest would be capitalized to the land under development in the amount of \$4,000, being the accumulated expenditures on the land under development less the non-interest bearing liabilities related thereto, based on the average interest rate of the mortgage loan.

**205.9.14.** **Interest should continue to be capitalized to *qualifying assets* even if the total cost of the asset is not recoverable. The carrying amount of the asset should be reduced to the lower value by a subsequent credit.**

**205.9.15.** The total cost of the acquisition of the completed asset includes interest, and therefore it is not appropriate to account for such cost as a period expense in situations where the cost of the asset is not recoverable.

**205.9.16.** Practice in Canada on this issue has included the expensing of interest costs once the total cost is not recoverable. Those who adopted this practice often did so when the marketability of the particular asset was questionable and they believed that the carrying costs were not adding value to the property since the costs were holding costs. Essentially, those companies argued that holding costs should not be capitalized. REALpac believes this practice should no longer be used.

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## Footnotes

\* Assume mortgage loan is measured at *amortized cost*.

## **INTERROGATORY #15**

### Issue 4

Are the capital contribution amounts and the financial assurance provided to NRG by IGPC for the existing NRG facilities serving IGPC reasonable?

### Preamble:

NRG has made assertions regarding the amount of financial assurance provided by IGPC to NRG.

### Reference:

NRG Evidence, June 3, 2013 para. 31, p. 6 of 22, and Pipeline Cost Recovery Agreement, IGPC Pre-filed Evidence, Exhibit B, Tab 1

### **Question:**

**Please respond to the following:**

- (a) Provide the details of NRG's request(s) for a Customer Letter of Credit, including amount, date?**
- (b) Provide the form of the Customer Letter of Credit and the date it was first provided to IGPC.**
- (c) Provide the details and amount of the requests for the Delivery Letter of Credit?**
- (d) Provide the form of the Delivery Letter of Credit and the date it was first provided to IGPC.**
- (e) Does NRG agree that the amount of the Delivery Letter of Credit is to be reduced in conjunction with the undepreciated cost of the IGPC Pipeline? If not, why not?**
- (f) Does NRG agree that where IGPC made a payment in respect of a cost (pipe, station) that the Customer Letter of Credit should be reduced?**
- (g) Has NRG permitted IGPC to reduce the financial assurance provided since 2008?**

### RESPONSE:

The repeated requests of NRG for the Customer Letter of Credit and the Delivery Letter of Credit were set out in detail in the evidence filed by NRG for the February 2008 motion. This evidence has been separately filed with the Board, and NRG will rely on this evidence and its Written Submissions in this proceedings. Because this material is already been filed with the Board, NRG will request that it be placed before the Board. This will avoid unnecessary duplication costs and administrative work.

NRG does not dispute that the amount of the Delivery Letter of Credit is generally to be periodically adjusted to reflect the undepreciated capital cost of the pipeline. However, IGPC has never made a specific request setting out its position on the new undepreciated capital cost of the pipeline, and requesting that the Delivery Letter of Credit be reduced to that amount.

Moreover, given that IGPC does not accept the capital cost of the pipeline, it is not possible to calculate the undepreciated capital cost of the pipeline with any certainty. Until this issue is resolved, or until IGPC makes a specific request asserting what the capital cost of the pipeline is, NRG is not able to assess any request to reduce the Delivery Letter of Credit.

NRG certainly cannot consider any reduction in the Delivery Letter of Credit until the capital cost of the pipeline has been determined such that the undepreciated capital cost can be determined with certainty.



## INTERROGATORY #16

### Issue 4

#### Preamble:

IGPC wishes to understand NRG's position regarding the costs and the calculation of the aid-to-construct or contribution in aid of construction.

#### Reference:

IGPC Pre-filed Evidence, Exhibit C, Tab 1

#### **Question:**

(a) Does the total actual cost of the Pipeline as claimed by NRG only reflect cash outlays? Has NRG capitalized any future cost or expenditure which it did not incur prior to the Pipeline being commissioned? If so, please provide details and an explanation.

(b) Provide the detailed accounting entries for the capital costs of the IGPC Pipeline in 2007 and 2008.

(c) What is the remaining undepreciated value of the IGPC Pipeline as of June 1, 2014 from a regulatory accounting perspective?

(d) Please provide a table showing the decline in the IGPC Pipeline from its inclusion in rate base to June 1, 2014. Provide the dates on which the value declined?

Date	Undepreciated Cost of IGPC Pipeline
August 2008	
June 2014	

(e) Is the aid to construct calculation based upon the spreadsheet filed by NRG in EB-2006-0244? If not, why not and please provide a live Excel version of such spreadsheet. Explain in detail any differences in the spreadsheet, including formulas and inputs.

(f) Is the aid-to-construct compliant with E.B.O. 188?

(g) Does NRG agree that IGPC is a ratepayer?

#### RESPONSE:

(a) No. Yes, for example the contingency costs.

(b) This is not relevant.

(c) and (d) At August 2008, the amount would be \$4,872,182. By the end of June 2014 (71 months later), the amount would be \$3,430,828.

(e) See Attachment H to the Draft Rate Order (attached).

(f) At the original leave-to-construct proceeding (EB-2006-0243), Mr. Aiken (NRG's rates consultant) confirmed to Mr. Stoll on cross-examination that the economic analysis performed was in accordance with EBO 188. The Board accepted this, confirming in its leave-to-construct decision that the model was compliant with EBO 188. In Undertaking No. J2.4 of EB-2010-0018 (attached), some anomalies were discovered and pointed out.

(g) IGPC has been a ratepayer (of NRG's) since first taking natural gas.

**ATTACHMENT H**  
**RATE BASE per EBO-188**

	Application (A)	Undertaking J2.4	Original Draft Rate Order	Updated Draft Rate Order (B)	(A) - (B) Note 1
Capital Cost of Pipeline	8,652,814	8,626,353		8,399,873	252,941
Amount Closed to Rate Base	5,073,000	4,905,251	4,820,064	4,872,182	
Annual Depreciation (5%)	253,650	245,262	241,003	243,609	
Accum Depreciation prior to Oct 1/2010	528,438	510,964	522,174	527,820	
Opening Balance 2011 Test Year	4,544,563	4,394,287	4,297,890	4,344,362	
Closing Balance 2011 Test Year	4,312,050	4,169,463	4,056,887	4,100,753	
Average During 2011 Test Year	4,428,307	4,281,875	4,177,389	4,222,558	

Note 1 - difference agrees with "x" total on Attachment G

**UNDERTAKING NO. J2.4: TO PROVIDE ANALYSIS OF HOW \$1.1 MILLION REDUCTION WOULD FEED INTO CAPITAL CONTRIBUTION PAID BY IGPC AND AMOUNT THAT WOULD CLOSE TO RATE BASE.**

**RESPONSE:** NRG reviewed its contribution model against the requirements of EBO 188. Although EBO 188 applies to Enbridge and Union (and not NRG), NRG developed its EBO 188 model consistent with EBO 188; however, the following anomalies were identified:

- capital and net revenues were not present valued to a common date;
- net revenues were not present valued using mid-period values (the software on which the original model was created did not permit mid-year discounting); and,
- CCA Class 1 was relied on rather than CCA Class 51.

The model was revised for these anomalies, and the \$1.1 million reduction would result in the following:

Scenario	per EBO 188, Actual Capital Costs	per EBO 188, \$1.1M Capital Cost reduction
Pipeline Capital Cost	8,626,353	7,526,353
NPV Costs	8,751,053	7,635,151
NPV Dx Rate Revenue	3,645,677	3,645,677
NPV Tax Shield	1,384,274	1,207,757
Contribution	3,721,102	2,781,718
Amount Closed to Rate Base	4,905,251	4,744,635

NRG is in the process of implementing a new contribution model to validate these results. If further anomalies are identified an update will be provided. However, it is unlikely that any further refinement to the model would result in any material changes to the results provided above.