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October 2, 2013

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**SENT BY ELECTRONIC MAIL** (BoardSec@ontarioenergyboard.ca)

Calgary

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

New York

Dear Ms. Walli:

**Natural Resource Gas Limited/Integrated Grain Processors Co-operative Inc.  
Capital Cost Dispute and Service Denial  
OEB File No. EB-2012-0406/EB-2013-0081**

We are co-counsel to Natural Resource Gas Limited ("NRG"). This letter is in response to the letter from counsel for Integrated Grain Processors Co-operative Inc. ("IGPC") dated September 26, 2013 wherein IGPC suggests that the remainder of the Board process in the above-noted matter should consist of a technical conference and a written hearing. NRG agrees with IGPC that given the number of hearings and large amount of evidence on the record related to the pipeline dispute, an oral hearing is unnecessary and a written hearing would suffice, and is an effective approach. However, NRG believes that a technical conference is entirely inappropriate for several reasons:

- This is not a rate or facilities proceeding wherein technical conferences are convened in order to review and clarify an application or evidence, as per Rule 27.01 of the Board's Rules of Practice and Procedure. This particular proceeding is somewhat unique for the Board in that the Board has itself taken jurisdiction to adjudicate on a commercial contract – jurisdiction it initially declined. In this particular dispute the Board is acting akin to a civil court. There are no technical or other issues requiring clarification. Rather, IGPC is simply looking for an opportunity to obtain further discovery, and force NRG to tie up financial and internal resources providing information that has already been provided.
- This is IGPC's application, not NRG's. Typically, the Board convenes technical conferences in applications for intervenors to better understand the minutiae of an applicant's evidence (e.g., the very detailed and technical evidence that comprises in a rate case). The purpose is to limit the need for factual clarifications at the hearing stage of any proceeding. That is not what is happening here. This is a bilateral contract dispute and IGPC as applicant bears the burden of making its

case as a matter of contract law. It has had ample opportunity to do so. Surely, there is no further need for the factual clarifications typical of a technical conference. This dispute has been ongoing for years and by IGPC's own admission, has been the subject of multiple hearings and voluminous evidence. There is no further benefit to be gained from yet further discovery. It is hard to believe that after all of the evidence that has been adduced in these various Board proceedings over the years on this issue, somehow a little more process is needed to enable IGPC to argue its case. NRG has been asked and answered questions on the various cost items numerous times.

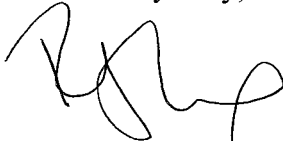
- The costs of the dispute have now outstripped any pipeline capital costs in dispute. Further process will only compound the inefficiency of resolving this dispute. Moreover, as pointed out in the letter from NRG's President (dated July 17, 2013), NRG's concern is that this dispute is really only costing NRG. As per IGPC's last financial statement available to NRG (mid-2012), IGPC has substantial assets (plant and equipment of \$70 million, and cash of \$15 million) that far outstrip NRG's. IGPC also receives over \$25 million in an annual operating grant. NRG receives no such public funds, and is dependent on this Board to ensure that it recovers its costs and earns a fair return. The amount in dispute is less than \$900,000. NRG's concern is that IGPC's operating grant has enabled IGPC to have no regard for the financial cost of litigating this issue. NRG does not have that luxury and the amounts spent to date are significant and directly impacts NRG's bottom line. Moreover, there is an internal cost for NRG to continue to engage in this dispute (i.e., senior employee time) which has meant that instead of being able to spend time on operating and growing its business, NRG has had to spend an inordinate amount of time over the six years dealing with a single customer. There is no benefit (only additional cost) associated with a technical conference. What ought to be discussed by the parties, and should be of concern to this Board, is how to deal with the expiry of IGPC's operating grant in 2016. As NRG has stated, based on the last financial statements from IGPC, in the absence of such grants IGPC operates at a significant annual loss (\$12 million). It is this issue that is looming and deserves attention, coupled with potentially significant decommissioning costs.

# OSLER

Page 3

For all of these reasons, NRG would support IGPC's request for an oral hearing but without a technical conference. This is a bilateral contract dispute and a technical conference would be, in NRG's view, an irregular procedure – and one that is unnecessary at this stage.

Yours very truly,

A handwritten signature in black ink, appearing to be 'RJ King', with a long, sweeping underline that extends down towards the distribution list.

Richard J. King  
RK:hi

c: All Parties to EB-2012-0406/EB-2013-0081  
T. Graat and L. O'Meara (NRG)  
L. Thacker (Co-counsel to NRG)