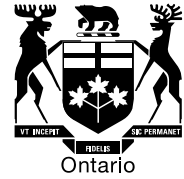


**Ontario Energy  
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**BY EMAIL**

March 13, 2014

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

Dear Ms. Walli:

**Re: Natural Resource Gas Limited  
April 1, 2014 QRAM Application  
Board File No. EB-2014-0053**

I am writing on behalf of Board staff in the above noted QRAM matter.

Board staff has the following questions:

1. Ref: Schedule 1 / Page 2: NRG provided a brief description of its delivery obligations under its direct purchase bundled transportation contract with Union.
  - (i) Please provide a more detailed description of NRG's delivery obligations and balancing requirements under its direct purchase bundled transportation contract with Union.
  - (ii) Please explain whether NRG could have requested authorization from Union to deliver incremental gas to Union in advance of the Winter Checkpoint in order to reduce banked gas account imbalances. Did NRG make such requests to Union? If so, please document the responses. If not, why not?
2. Ref: Schedule 1 / Page 3: NRG stated that, based on the Direct Purchase Status Report received from Union for the month ending January 31, 2014, it was notified that it was required to purchase 115,523 GJ in order to meet the Winter Checkpoint Quantity at the end of February 2014. NRG further noted that pursuant to its contract with Union, NRG was required to purchase the above

noted volume by February 28, 2014.

- (i) Please provide the Direct Purchase Status Reports for each month from December 2013 to February 2014.
  - (ii) Please discuss the systems that NRG has in place to monitor imbalances in its banked gas account with Union.
  - (iii) Please discuss how often NRG monitors imbalances in its banked gas account.
  - (iv) Please discuss when NRG first became aware that there was an existing imbalance in its banked gas account.
  - (v) Please describe the systems that NRG has in place to monitor gas prices.
  - (vi) Please discuss how often NRG monitors gas prices when imbalances exist in its banked gas account.
  - (vii) Please provide natural gas prices at Dawn for each day (December 1, 2013 to February 28, 2014) on both a forward market and cash market basis.
3. Ref: Schedule 1 / Page 4: NRG noted that on February 21, 2014, it asked Union to waive any rights it might have to require NRG to purchase natural gas before February 28, 2014. NRG noted that Union refused to waive NRG's contractual obligation.
- (i) Please discuss why NRG waited until only 1 week before it was required to meet its winter checkpoint quantity, to ask Union to waive its contractual rights.
4. Ref: Schedule 1 / Page 4 – 5 & Schedule 3: NRG noted that it purchased 90,027GJ of gas after February 21, 2014 at a cost of \$2,455,576 (\$27.276/GJ). NRG noted that it was unable to purchase the remaining shortfall of 25,496GJ in February as there was no gas available to be purchased and delivered to Union's system. NRG noted that it was informed by Union that the shortfall of 25,496GJ would be the subject of the "Surplus Sale over Consumer Premium." NRG noted that it received an invoice from Union charging its customers for the 25,496GJ at a cost of \$2,007,250 (\$78.728/GJ).
- (i) Please describe the protocols that NRG has in place for the execution of transactions required to reduce or alleviate balances in its banked gas account.
  - (ii) Please advise whether NRG has ever been subject to a Surplus Sale over Consumer Premium charge in the past.
  - (iii) Please provide the date(s) on which NRG executed the transaction(s) to purchase 90,027GJs of gas.
  - (iv) Please explain why NRG decided that it was prudent to execute the transaction(s) to purchase 90,027GJs of gas on the date(s) that it was purchased.
  - (v) Please advise where the authority resides to proceed with the execution

- of the noted transaction(s) of 90,027GJs.
- (vi) Please provide any gas market price analysis, emails, and memos that support the execution of the above noted transaction(s).
  - (vii) Please discuss whether NRG considered making any incremental gas purchases earlier in the winter which could have helped to reduce or alleviate imbalances in its banked gas account prior to the Winter Checkpoint. If so, please discuss why those options were not executed. If not, please explain why.
  - (viii) Please discuss whether incremental gas purchases, made earlier in the winter period (as opposed to immediately before the Winter Checkpoint), could have reduced NRG's costs of procuring gas supplies for its customers.
  - (ix) Please discuss whether NRG considered any non-Dawn spot gas purchases. Please discuss whether spot gas purchases at locations other than Dawn could have reduced NRG's costs of procuring gas supplies for its customers.
5. Ref: Schedule 1 / Page 5: NRG states that it has served notice on Union in writing that the \$78.728 per GJ cost is a penalty provision and unenforceable under the contract, and disputes under the contract are subject to arbitration under Article 8 of the contract. Board staff notes that the penalty provision is included in Union's R1 Rate schedule. Please discuss why NRG believes that this is a contractual matter rather than a rate matter.
6. Given the timelines for issuing a decision in this proceeding and the "non-mechanistic" nature of the application, please provide NRG's view were the Board to consider the following:
- (i) Approve, on an interim basis, the establishment of a new gas supply charge effective April 1, 2014 that excludes the costs of the transactions associated with the February checkpoint (i.e. \$2,455,576 + \$2,007,250) pending a more comprehensive review by the Board.
  - (ii) Approve, on an interim basis, the proposed gas supply charge effective April 1, 2014 pending a more comprehensive review by the Board.

Thank you,

*Original signed by*

Lawrie Gluck  
Case Manager

cc: Brian Lippold, Natural Resource Gas Limited

Laurie O'Meara, Natural Resource Gas Limited  
Randy Aiken, Aiken & Associates  
All Intervenors in EB-2010-0018