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April 23, 2014

File No.: 297298.00001

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Natural Resource Gas Limited (“NRG”)
April 1, 2014 QRAM -- Phase 2 Proceeding
Board File No.: EB-2014-0053
Arbitration Process and Union Gas Limited (“Union”) *Ex Parte* Application
to the Ontario Energy Board (“OEB”) – Board File No.: EB-2014-0154
Reply by NRG to OEB Letter dated April 22, 2014**

NRG takes the position that Union’s above-captioned *ex parte* application does not meet the requirements of section 21(4)(b) of the *Ontario Energy Board Act, 1998* (the “Act”). That section allows that the Board may dispose of a proceeding without a hearing if the Board determines that the no person “... will be adversely affected in a material way by the outcome of the proceeding ...”. NRG is adversely affected in a material way by the outcome of Union’s *ex parte* application. The Union application does not meet the requirements of section 21(4)(b) of the Act.

As the Board is aware, NRG has sought to reduce the Charge from \$78.31/GJ to \$12.31/GJ. NRG takes the position that, having regard to the admissions made by Union in its *ex parte* application, that the reduction requested by Union in the Charge to \$50.50/GJ is inadequate in the circumstances. The \$12.31/GJ represents Union’s actual cost. This is the logical Charge to be made in the exceptional weather circumstances of 2014 and on the issues raised or to be raised by NRG.



NRG takes the position that the OEB has no jurisdiction to deal with the arbitration outstanding between NRG and Union and in particular cannot purport to deal with the jurisdiction of the arbitration panel. That power is exclusively reserved to the arbitration tribunal itself.

NRG recognizes the jurisdiction of the OEB in deciding the proper quantum of the Charge and agrees with Union to a limited extent, namely that the OEB should proceed to deal with Union's application to change the quantum of the Charge on notice to NRG and other interested parties with a full hearing. NRG asks the OEB to proceed as quickly as possible.

NRG will also ask the Board to deal with the late penalty Charge sought by Union against NRG based on the disputed \$78.87/GJ Charge as more fully set out in the letter attached.

I enclose a copy of a letter sent to Union's counsel of today's date. This letter sets out NRG's position more fully.

NRG and I would be pleased to answer any questions the Board may have regarding the proper process and the reasonable outcome of reducing the Charge.

Yours very truly,

John A. Champion

JAC/car

cc: Lawrie Gluck, Ontario Energy Board
Brian Lippold, Natural Resource Gas Limited
Laurie O'Meara, Natural Resource Gas Limited
Robert Hutton, Natural Resource Gas Limited
Chris Ripley, Union Gas Limited
Crawford Smith, Torys