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May 6, 2014

File No.: 297298.00001

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

– and –

Mona Habashny  
Case Administrator  
Ontario Energy Board

– and –

John Pickernell  
Applications Administration  
Ontario Energy Board

Dear Ms. Walli, Ms. Habashny and Mr. Pickernell:

**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” or “Board”)  
Board File No.: EB-2014-0154**

NRG has been directed to serve copies of a Notice in EB-2014-0053 on certain persons and publish the Notice in certain newspapers. Further, NRG has been asked to file certain evidence regarding service and publication, ensure completed copies of the Application and evidence are available at NRG’s head office and to provide copies of the Application and evidence to any person upon request. NRG is proceeding to carry out that direction but, before publishing the Notice, makes the request contained herein.

**Request**

In EB-2014-0154, Union Gas sought to reduce the penalty rate applied to certain customers for February and March 2014 from \$78.73 per GJ to \$50.50 per GJ and \$52.04 per GJ, respectively. NRG sought to intervene in that Union Gas proceeding by letters dated April 23, 2014 delivered from the writer of this letter. NRG asked that the penalty be reduced from \$78.73 per GJ to \$12.31 per GJ. NRG took the position that the reduction to \$50.50 per GJ was inadequate having regard to the admissions made by Union regarding weather and the availability of natural gas in February and the fact that Union actually purchased the gas needed for balancing in February at \$12.31 per GJ. This cost being a pass-through cost, NRG submits that it is a desirable outcome to reduce the costs of balancing to Union's out-of-pocket costs for this particular winter season and exceptional circumstances.

The outcome of NRG's QRAM hearing (EB-2014-0053) will be directly impacted by the outcome of Union's Application to reduce the penalty rate from \$78.73 per GJ. If NRG's request in the EB-2014-0154 is granted then the penalty rate will be reduced to \$12.31 per GJ. NRG would thereafter request that this rate be recovered from its customers in rates under the QRAM request. If the Board fixed a higher rate at \$50.50 per GJ or maintained the rate at \$78.73 per GJ, then NRG would be seeking the rate fixed by the Board in NRG's QRAM.

As the Board is no doubt aware, the gas costs for customers serviced by NRG has sharply risen due to the exceptional gas costs experienced in the marketplace. NRG asks the Board to consider the impact of further gas costs increases on NRG's customers and take whatever steps within the Board's jurisdiction to reduce gas costs so that no party experiences a windfall or a detriment.

**Procedural Conclusion**

NRG hereby requests that the Board fix the special penalty rate for February and March 2014 in the Union Gas Application, EB-2014-0154 before or at the same time as the Board considers and decides NRG's QRAM Application being EB-2014-0053. If this procedural request by NRG is granted then there is less prejudice to NRG or its customers in fixing rates arising out of the cost of gas in the extreme weather conditions of the winter of 2013/2014. Otherwise, if the Union Application is decided after NRG's QRAM Application and the Board reduces the penalty rate in the Union case, repeat hearings may be necessary to seek a second adjustment to NRG's rates. A second hearing will lead to consumer confusion, extra regulatory cost and is respectfully therefore not in the public's interest.

NRG is anxious to abide by the directions of the Board in EB-2014-0053 and therefore requests the Board's direction regarding this procedural request as quickly as is convenient.

Yours very truly,



John A. Campion

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