



June 2, 2016

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**BoardSec@ontarioenergyboard.ca**

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

Dear Ms.Walli,

**RE: File EB-2014-0053/ EB-2014-0361 / EB-2015-0044 Natural Resource Gas Limited**

Pursuant to the procedural order under the above noted file number, NRG confirms that the "Annual Payment" as directed was made to Union Gas. The cheque was received by Union Gas on April 28<sup>th</sup>, 2016 and dated for April 30<sup>th</sup>.

Using the *Template for Calculation of ROE on a Deemed Basis* provided by the Board, it was determined that the April "Annual payment" to Union Gas for 2015 fiscal year was \$253,453 + HST. That figure represents 50% of NRG's 2015 net income for that period. For reference, please see the attached calculation.

The balance remaining on the Penalty amount is \$852,564.00

If you should have any questions in this matter, please do not hesitate to contact me.

Yours Truly,

A handwritten signature in blue ink, appearing to read "B. Simola", is positioned above the typed name and title.

**General Manager,  
NATURAL RESOURCE GAS LIMITED  
PH: 519 773-5321 EXT 205  
FAX: 519 773-5335  
EMAIL: brian@nrgas.on.ca**

Attachment: OEB ROE Calculation Template

Cc: Laurie O'Meara,  
Richard King, Osler

## Template for Calculation of ROE on a Deemed Basis

UTILITY NAME:  
YEAR END DATE:

NRG  
2015

**Please input based on your utility in the grey cells.**

Regulatory Net Income Calculation:		Comments
Regulated distribution net income	\$ 737,297 A	<i>Distribution component only</i>
Remove:		
Future/deferred taxes	\$ 0 B	<i>Not applicable</i>
Non rate regulated items	C	<i>Not applicable</i>
Adjustment to interest expense - for deemed debt	\$ 230,390 D (=W)	
<b>Adjusted regulated net income</b>	<u>\$ 506,906 E = A-B-C-D</u>	
Deemed Equity Calculation:		Comments
<b>Rate Base:</b>		
Inventory	\$ 44,578 F	<i>Test year total minus water heater amount</i>
Working Cash Allowance	\$ (52,755) G	<i>Test year total minus water heater amount</i>
Security Deposits	\$ (154,167) H	<i>Test year total - no amount assigned to water heater</i>
Total working capital allowance	\$ (162,344) J	
<b>Fixed Assets</b>		
Opening balance - regulated fixed assets (NBV)	\$ 11,779,716	
Closing balance - regulated fixed assets (NBV)	<u>\$ 11,462,812</u>	<i>NBV = Net Book Value</i>
Average regulated fixed assets	\$ 11,621,264 K	
<b>Total rate base</b>	<u>\$ 11,458,920 L = J + K</u>	
Regulated deemed short-term debt	4% \$ 458,357 M	
Regulated deemed long-term debt	56% \$ 6,416,995 N	
Regulated deemed equity	40% <u>\$ 4,583,568 P</u>	
	\$ 11,458,920	
Regulated Rate of Return on Deemed Equity		Comments
	11.06% Q = E / P	
<b>ROE% from most recent cost of service application</b>	last approved EDR <b>9.85% R</b>	<i>Approved ROE from last CoS rate proceeding</i>
	Allowed \$451,481	
<b>Difference - maximum deadband 3%</b>	<b>1.21% S = Q - R</b>	
	Over/(Under) \$55,425	
Interest adjustment on deemed debt:		Comments
Regulated deemed short-term debt - as above	\$ 458,357 6.67%	
Regulated deemed long-term debt - as above	<u>\$ 6,416,995 93.33%</u>	
	\$ 6,875,352 100.00%	
Short-term debt rate	2.07% 0.14%	<i>Interest rate on short-term debt from last approved CoS rate proceeding</i>
Long-term debt rate	7.67% <u>7.16%</u>	<i>Interest rate on long-term debt from last approved CoS rate proceeding</i>
Average debt rate	7.30%	
Regulated deemed debt - as above	\$ 6,875,352	
Weighted average interest rate	<u>7.30%</u>	
Deemed interest	\$ 501,672 T	
Interest expense as per the OEB trial balance	<u>\$ 193,992 U</u>	<i>As per financial statements</i>
Difference	\$ 307,680 V = T - U	
Utility tax rate	25.12%	<i>Distributor's Board-approved tax rate from the distributor's last rate application (IRM or CoS).</i>
Tax effect on interest expense	<u>\$ (77,289)</u>	
<b>Interest adjustment on deemed debt:</b>	<u>\$ 230,390 W</u>	