



Natural Resource Gas Limited

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ONTARIO ENERGY BOARD

September 3, 2008

EB-2008-0051

**Via Courier and Email**

Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Sirs:

Enclosed is an application and evidence from Natural Resource Gas Limited ("NRG") concerning the final disposition of certain fiscal 2007 year-end deferral and variance account balances.

NRG proposes that the impacts which result from the disposition of the 2007 deferral and variance account balances be implemented at the beginning of the first or second month following the Board decision. This would allow NRG the time needed to make the necessary programming changes to the billing system.

NRG notes that Section 36 (4.2) of the OEB Act requires that with respect to non-commodity related deferral accounts *"the Board shall at least once every 12 months, or such period as is prescribed by the regulations, make an order under this section that determines whether and how amounts recorded in the account shall be reflected in rates."* These deferral and variance accounts were last disposed of by the Board in its EB-2007-0092 Decision and Order dated May 30, 2007.

If you have any questions concerning this application and evidence, please contact me.

Yours truly,

**Natural Resource Gas Limited**

Per: Mark Bristoll  
Chairman

Enclosures (original and two copies)

cc: Mr. Patrick McMahon, Manager, Regulatory Research and Records, Union Gas Limited  
Mr. Scott Stoll, Aird & Berlis  
Mr. George Alkalay, c/o Northfield Venture Ltd.  
Mr. Randy Aiken, Aiken and Associates

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4 **ONTARIO ENERGY BOARD**

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6 **IN THE MATTER OF** the Ontario Energy Board  
7 Act, 1998, S.O. 1998, c.15 (Sched. B);

8  
9 **AND IN THE MATTER OF** an Application by  
10 Natural Resource Gas Limited for an order or  
11 orders to dispense with the balances in the non-  
12 commodity related deferral accounts as of  
13 September 30, 2007.  
14

15  
16 **Introduction**

17 Section 36(4.2) of the OEB Act states that each distributor shall provide the information  
18 annually about its non-commodity deferral or variance accounts to the Board to permit  
19 them to make an order that determines how the balances are to be reflected in rates.  
20

21 Within the Quarterly Rate Adjustment Mechanism ("QRAM") process, the Purchased  
22 Gas Commodity Variance Account ("PGCVA") and the Gas Purchase Rebalancing  
23 Account ("GPRA") are each adjusted on a regular basis to bring their balances down to  
24 close to zero on a rolling twelve month forward basis.  
25

26 The non-commodity variance/deferral accounts that the company had in Fiscal 2007 are  
27 the Purchased Gas Transportation Variance Account ("PGTVA"), the Regulatory  
28 Expense Deferral Account ("REDA") and the Gas Cost Difference Recovery Variance  
29 Account ("GCDRVA").  
30

31 **a) Regulatory Expense Deferral Account**

32 The REDA has a fiscal 2007 year-end balance of \$126 plus interest of \$34 and it is  
33 proposed that no disposition of this account be made at this time. NRG recommends that  
34 this account be continued to record the cost to NRG of generic regulatory matters that  
35 may arise as from the Board's 2008 – 2010 Business Plan such as a review of the QRAM  
36 process.

1 **b) Purchased Gas Transportation Variance Account**

2 This account is used to record the difference between the unit cost of all gas  
3 transportation costs purchased by NRG each month and the weighted average forecast  
4 cost of \$0.019029 per m<sup>3</sup>, as approved by the Board in EB-2005-0544.

5  
6 The PGTVA has a credit balance of \$44,748.29 as of September 30, 2007, plus \$2,980.70  
7 in accumulated interest for a total credit of \$47,728.99. This information was filed with  
8 the QRAM application for the quarter commencing January 1, 2008 (EB-2007-0027). A  
9 copy of that schedule is attached to this application as Appendix A. It is the company  
10 proposal to clear this account by way of a one-time rebate to all customers in proportion  
11 to their actual fiscal 2007 delivery volumes. Based on the final fiscal 2007 delivery  
12 volumes of 22,820,706 m<sup>3</sup>, this would result in a rebate of \$0.002091 per m<sup>3</sup> delivered in  
13 fiscal 2007. It is anticipated that this adjustment would appear on customers' bills in the  
14 first or second month subsequent to this proposal being accepted by the Board. This  
15 would allow sufficient time to make the necessary programming changes to the billing  
16 system.

17  
18 Based on actual consumption levels in fiscal 2007, the typical rebate for a Rate 1  
19 residential customer will be \$3.99. The typical rebate for an average Rate 1 commercial  
20 customer will be \$19.74.

21  
22 NRG proposes that this account be continued in fiscal 2008 to track the variance between  
23 the unit cost of all gas transportation purchased by NRG each month and NRG's  
24 weighted average cost of all gas transportation of \$0.019209 per m<sup>3</sup>, as approved by the  
25 Board in EB-2005-0544.

26  
27 **c) Gas Cost Difference Recovery Variance Account**

28 The GCDRVA was established in RP-2004-0167 to accumulate the difference between  
29 the associated gas cost amount that the company recovers from ratepayers and \$177,265.  
30 This amount is one-third of the \$531,794 that the Board authorized NRG to collect over  
31 three years in RP-2002-0147/EB-2002-0004 and was being recovered in the commodity

1 rate through a charge of \$0.008230 per m<sup>3</sup>. Fiscal 2005 was the first year for which this  
2 collection took place. The amount collected from customers was \$180,036, resulting in a  
3 credit in this account of \$2,771. In fiscal 2006, the second year for which this collection  
4 took place, the amount collected from customers was \$163,400, resulting in a debit in the  
5 account of \$13,865. Fiscal 2007 was the third and final year for which this collection  
6 took place. The amount collected from customers was \$161,455, resulting in a debit in  
7 the account of \$15,810. Combined with interest on the opening balance in the account at  
8 the beginning of fiscal 2006 and 2007 of \$357, the fiscal 2007 year-end balance in this  
9 account was a debit of \$27,261.19. These figures were filed with the QRAM application  
10 for the quarter commencing January 1, 2008 (EB-2007-0027) on page 9 of Schedule 1,  
11 and are attached as Appendix B to this application.

12

13 In the EB-2007-0734 QRAM application, NRG proposed the discontinuance of the  
14 collection of this gas commodity recovery charge effective October 1, 2007. The Board  
15 approved this proposal. Further NRG proposed that the outstanding debit in this account  
16 at the end of fiscal 2007 would be transferred to the Purchased Gas Commodity Variance  
17 Account ("PGCVA") effective October 1, 2007. As part of the EB-2007-0927 QRAM  
18 application, NRG indicated to the Board that it had done this (See Appendix B).

19

20 Given that the balance in this account at the end of fiscal 2007 has been transferred to the  
21 PGCVA at the beginning of fiscal 2008 and is being recovered through that mechanism,  
22 NRG proposes that the GCDRVA be closed.

23

#### 24 **Communications**

25 The address for service for Natural Resource Gas Limited is:

26

27 Mr. Mark Bristoll  
28 Natural Resource Gas Limited  
29 39 Beech Street East  
30 Aylmer, Ontario, N5H 2S1

31

32 Telephone: 519-773-5321  
33 Fax: 519-773-5335  
34 E-Mail: [mjb@cpirentals.com](mailto:mjb@cpirentals.com)

1 And

2

3 Mr. Randy Aiken

4 Aiken & Associates

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7

8 Telephone: (519) 351-8624

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15 Dated at Aylmer, Ontario this 2<sup>nd</sup> day of September, 2008

16

17 **NATURAL RESOURCE GAS LIMITED**

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20

21   
Mark Bristoll

22 Chairman

EB-2008-0051  
Appendix A

Dec., 2007  
EB-2007-0927  
Schedule 10

NATURAL RESOURCE GAS LIMITED

PURCHASED GAS TRANSPORTATION VARIANCE ACCOUNT - PROJECTED BALANCE

TWELVE MONTH PERIOD - JANUARY, 2007 TO DECEMBER, 2007

Act/Fcst	Month	Purchase Cost (\$'s)	M*3	Actual/Forecast Price (\$/M*3)	Reference Price (\$/M*3)	Unit Rate Difference (\$/M*3)	Monthly PGTV A (\$'s)	Y-T-D PGTV A (\$'s)	Monthly Interest (\$'s)	Y-T-D Interest (\$'s)	Total PGTV A (\$'s)	Total Y-T-D PGTV A (\$'s)	Average Residential Consumption (M*3)
								(1)		(2)			
Actual	January	38,720	3,092,422	0.012521	0.019029	0.006508	20,125.48	67,980.72	183.05	360.22	20,308.53	68,340.94	321.3
Actual	February	41,321	3,747,170	0.011027	0.019029	0.008002	29,984.85	97,965.57	260.03	620.25	30,244.88	98,585.82	345.9
Actual	March	36,556	2,633,200	0.013883	0.019029	0.005146	13,550.45	111,516.02	374.72	994.97	13,925.17	112,510.99	279.4
Actual	April	33,491	1,901,464	0.017613	0.019029	0.001416	2,692.47	114,208.49	426.55	1,421.52	3,119.02	115,630.01	175
Actual	May	29,503	814,733	0.036212	0.019029	(0.017183)	(13,999.56)	100,208.93	436.85	1,858.37	(13,562.71)	102,067.30	74.6
Actual	June	28,755	528,074	0.054453	0.019029	(0.035424)	(18,706.49)	81,502.44	383.30	2,241.67	(18,323.19)	83,744.11	40.7
Actual	July	28,738	493,332	0.058253	0.019029	(0.039224)	(19,350.46)	62,151.98	311.75	2,553.42	(19,038.71)	64,705.40	37.8
Actual	August	29,226	873,928	0.033442	0.019029	(0.014413)	(12,595.92)	49,556.06	237.73	2,791.15	(12,358.19)	52,347.21	35.1
Actual	September	31,473	1,401,273	0.022460	0.019029	(0.003431)	(4,807.77)	44,748.29	189.55	2,980.70	(4,618.22)	47,728.99	40.6
Forecast	October	31,704	1,586,076	0.019989	0.019029	(0.000960)	(1,522.63)	43,225.66	191.67	3,172.37	(1,330.96)	46,398.03	118.7
Forecast	November	36,323	2,377,188	0.015280	0.019029	0.003749	8,912.08	52,137.74	185.15	3,357.52	9,097.23	55,495.26	202.7
Forecast	December	40,689	3,252,953	0.012508	0.019029	0.006521	21,212.51	73,350.25	223.32	3,580.84	21,435.83	76,931.09	321.8
	Total	406,499	22,701,812	0.017906			25,495.01	73,350.25	3,403.67	3,580.84	28,898.68	76,931.09	1,993.6

PGTV A Balance per M\*3 Purchased (\$/M\*3) \$0.003389

Forecast Average Residential Consumption per Customer 1,993.6 M\*3

Estimated Impact on Average Residential Customer \$6.76 Customer Rebate

(1) Includes balance of 47,855.24 as of December, 2006 and reflects clearance of Fiscal 2006 year-end balances in EB-2007-0092.  
(2) Includes balance of 177.17 as of December, 2006 and reflects clearance of Fiscal 2006 year-end balances in EB-2007-0092.

## GAS COST DIFFERENCE RECOVERY ACCOUNT

NRG discontinued this charge effective October 1, 2007 and the projected balance was transferred to the PGCVA as a cost of gas in October, 2007.

The Board approved this charge in the RP-2004-0167/EB-2004-0413 Decision and Interim Rate Order dated September, 24, 2004. It was established to track the variance between the amount to be collected from ratepayers (\$531,794), and \$177,265 in each of three years. This three year period expired at the end of September, 2007.

The following table shows the estimated balance in this account at the end of September, 2007.

	Fiscal <u>2005</u>	Fiscal <u>2006</u>	Fiscal <u>2007</u>
System Gas Sales (m3)	21,875,578	19,854,199	19,617,806
Rate (\$/m3)	<u>0.008230</u>	<u>0.008230</u>	<u>0.008230</u>
Recovery (\$)	180,036.01	163,400.06	161,454.54
Approved Recovery (\$)	<u>177,265.00</u>	<u>177,265.00</u>	<u>177,265.00</u>
Recovery Variance (\$)	<u>2,771.01</u>	<u>(13,864.94)</u>	<u>(15,810.46)</u>
Accumulated Variance (\$)	<u>2,771.01</u>	<u>(11,093.93)</u>	<u>(26,904.39)</u>
<u>Calculation of Interest</u>			
Interest Rate (%)	NA	5.50%	4.59%
Interest on Opening Balance (\$)	<u>0.00</u>	<u>152.41</u>	<u>(509.21)</u>
Accumulated Interest (\$)	<u>0.00</u>	<u>152.41</u>	<u>(356.80)</u>
Total Balance (\$)	<u>2,771.01</u>	<u>(10,941.52)</u>	<u>(27,261.19)</u>



NRG has included in the October, 2007 cost of gas the projected debit of \$27,261.19 in this account as part of its calculation of the required reference price as of October 1, 2007. This projected cost will be replaced with the actual balance in the account when this information is finalized.

## **GAS COMMODITY CHARGE**

The system gas supply cost of \$0.001828 per m<sup>3</sup> will be maintained. This figure represents the functionalization of additional costs over and above the commodity and transportation costs that form the PGCVA reference price to the gas supply function. These additional costs are portions of the wages and benefits, management fee, return on rate base (working cash) and income taxes. This functionalization is unchanged from that approved in EB-2005-0544.

The change in the gas commodity charge proposed for January 1, 2008 is summarized below. The change in the gas commodity charge reflects both the change in the PGCVA reference price and the change in the recovery of the inventory revaluation amount in the GPRA. The change in the gas commodity charge is as follows:

	EB-2007-0734 Oct. 1, 2007	Proposed Jan. 1, 2008	Difference
PGCVA Reference Price	\$0.326729	\$0.305418	\$(0.021311)
GPRA Recovery	(\$0.001749)	(\$0.002033)	\$(0.000284)
System Gas Supply Cost	<u>\$0.001828</u>	<u>\$0.001828</u>	<u>\$0.000000</u>
Gas Commodity Charge	\$0.326808	\$0.305213	\$(0.021595)

## **PGTVA**

### **PGTVA Balance**

Based on the current reference price of \$0.019029 per m<sup>3</sup>, the projected December, 2007 balance in the PGTVA is a credit of \$76,931.09 including a credit of \$3,580.84 in accumulated interest, based on the Board approved short term interest rate. This estimate