



Natural Resource Gas Limited

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ONTARIO ENERGY BOARD

May 16, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

EB-2007-0092

| OEB BOARD SECRETARY | |
|---------------------|--------------|
| File No: | Sub File: 15 |
| Panel | KQ, GK, mrm |
| Licensing | VC |
| Other | |
| 00/04 | 10 HC, email |

Dear Ms. Walli: *to 18/5*

Re: EB-2007-0092 – Argument-In-Chief

In the above noted application, Natural Resource Gas Limited submitted a request for the disposition and/or continuance of three non-commodity variance or deferral accounts.

The Regulatory Expense Deferral Account (“REDA”) has a debit balance, including interest, of \$155 as of September 30, 2006. The company has not proposed recovery of this minor balance and has requested that this account be continued. The REDA account will be required to record the costs to NRG of participating in generic regulatory matters in the future, particularly those flowing out of the Natural Gas Forum that will impact on NRG.

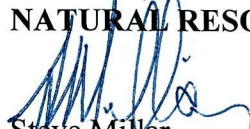
The Gas Cost Difference Recovery Variance Account (“GCDRVA”) contains a debit of \$10,942 at the end of September 30, 2006. NRG has recommended this account continue through Fiscal 2007 and that the balance not be disposed of at this time. The GCDRVA was established in RP-2004-0167 to accumulate the difference between the associated gas cost amount that the company recovers from ratepayers and \$177,265 in each of three years, Fiscal 2005 through Fiscal 2007. This amount is one-third of the \$531,794 that the Board authorized NRG to collect over three years and is being recovered in the commodity rate through a charge of \$0.008230 per m³. This account will be closed at the end of Fiscal 2007 and the disposition of the balance will be dealt with at that time.

The Purchased Gas Transportation Variance Account (“PGTVA”) has a credit balance, including interest, of \$87,287.86 at the end of September 30, 2006. NRG has proposed to clear this balance by way of a one-time rebate to all customers based on their actual Fiscal 2006 delivery volumes. Based on the actual delivery volumes of 22,726,575 m³, this results in a rebate of \$0.003841 per m³ delivered in Fiscal 2006 for all customers. The average rebate per customer for each of NRG’s rate classes has been shown in the response to Board Staff interrogatory #3. The PGTVA will be continued in Fiscal 2007.

The proposals submitted by NRG in this proceeding are the same as those accepted by the Board in the previous proceeding dealing with the disposition and continuance of these accounts in RP-2005-0555. That proceeding dealt with the Fiscal 2005 year-end balances in the same three deferral and variance accounts.

Should you have any questions with respect to the above, please feel free to contact me.

Yours truly,
NATURAL RESOURCE GAS LIMITED



Steve Millar
General Manager

Cc: Patrick McMahon, Union Gas
Scott Stoll, Aird & Berlis
George Alkalay, Northfield Venture Ltd.
Randy Aiken, Aiken & Associates
Pat Moran, Ogilvy Renault