

ONTARIO ENERGY BOARD

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

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

**ARGUMENT-IN-CHIEF
OF
NATURAL RESOURCE GAS LIMITED**

Natural Resource Gas Limited ("NRG") had three non-commodity related deferral/variance accounts in fiscal year ending September 30, 2007. These accounts are the Regulatory Expense Deferral Account ("REDA"), the Purchased Gas Transportation Variance Account ("PGTVA") and the Gas Cost Difference Recovery Variance Account ("GCDRVA"). NRG's proposal with respect to each of these accounts is detailed below.

a) Regulatory Expense Deferral Account

The balance in the REDA account as of September 30, 2007 was a debit of approximately \$160, including interest. NRG has not proposed to recover this minor balance at this time. NRG proposes that this account be continued to record the cost to NRG of the various generic regulatory matters that have and may arise from the Board's Business Plan, such as incentive regulation and the review of the commodity pricing, load balance and cost allocation (EB-2008-0106) process currently underway.

b) Purchased Gas Transportation Variance Account

The PGTVA has a credit balance of \$47,728.99, including interest, as of September 30, 2007. NRG has proposed to clear this balance by way of a one-time rebate to all

1 customers based on their actual fiscal 2007 delivery volumes. Based on the actual
2 delivery volumes of 22,820,706 m³, this results in a rebate of \$0.002091 per m³ delivered
3 in fiscal 2007 for all customers. The average rebate per customer for each of NRG's rate
4 classes is shown in the response to Board Staff Question 1.

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6 NRG proposes to continue the PGTVA in fiscal 2008 to continue to record the
7 differences between the unit cost of all gas transportation purchased by NRG each month
8 and NRG's weighted average cost of all gas transportation of \$0.019209 per m³, as
9 approved by the Board in EB-2005-0544.

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11 c) Gas Cost Difference Recovery Variance Account

12 The GCDRVA was established in RP-2004-0167 by the Board to collect an amount of
13 \$531,794. The Board authorized NRG to collect this amount over a three year period in
14 RP-2002-0147/EB-2002-0004. This amount was being recovered in the commodity rate
15 through a charge of \$0.008230 per m³. The three year period was fiscal 2005 through
16 fiscal 2007. At the end of this three year period, the GCDRVA had a debit balance of
17 \$27,261.19.

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19 In the EB-2007-0734 QRAM decision, the Board approved the discontinuation of the
20 collection of this gas commodity recovery charge effective October 1, 2007. As part of
21 that application NRG proposed to transfer the outstanding debit as of September 30, 2007
22 to the opening balance of the Purchased Gas Commodity Variance Account ("PGCVA")
23 effective October 1, 2007. As part of the EB-2007-0927 QRAM application, NRG
24 confirmed that this had been done.

25
26 The balance in the GCDRVA as of September 30, 2007 has been transferred to the
27 PGCVA and is being recovered through that mechanism. Further, the GCDRVA is no
28 longer required, as the commodity recovery charge was discontinued as of the end of
29 fiscal 2007. NRG, therefore, proposes that the GCDRVA be closed.