



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION ON APPLICATION FOR 2014 RATES BY NATURAL RESOURCE GAS LIMITED EB-2014-0274

January 9, 2015

Background

Natural Resource Gas (NRG) filed an Application on August 22, 2014 with the Ontario Energy Board (the Board) under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Sched. B, as amended, for an order of the Board approving or fixing rates for the distribution, transmission and storage of natural gas, effective October 1, 2014. The Board assigned file number EB-2014-0274 to the Application and issued a Notice of Application on September 9, 2014.

In its application, NRG requested the continuation of its current Incentive Regulation (“IR”) framework to set distribution rates and other charges for NRG’s next two fiscal years, from October 1, 2014 to September 30, 2016. NRG’s current IRM framework expired on September 30, 2014. In addition, NRG requested a deferral account to implement a new demand side management program commencing January 1, 2015, additional financial information from Integrated Grain Processors Co-operative (IGPC), and the approval of NRG’s existing transportation rate and current Rules and Regulations and Schedule of Service Charges.

The Board in Procedural Order No. 2 issued on October 20, 2014 determined that it would consider the request for the continuation of the current IRM framework as a preliminary issue and would proceed on that basis.

The Board held an oral hearing on November 11, 2014 to consider the preliminary issue. The Board issued an oral decision on this matter and accepted NRG’s request for a two-year continuation of the current IR framework. The Board also accepted NRG’s request for a deferral account for DSM programs effective January 1, 2015. However, the Board rejected NRG’s request for additional financial information from IGPC noting that IGPC was not regulated by the Board and the Board did not have the required authority to order IGPC to provide the requested financial information.

Following the Board’s approval, NRG submitted its application for 2014 (fiscal year 2015) IRM rates on November 25, 2014, which is based on the Board’s *Chapter 3 Incentive Regulation Filing Requirements for Electricity Distribution Rate Applications – 2014 Edition for 2015 Rate Applications*, Price Cap IR rate-setting method (Price Cap IR). Based on its November 5, 2011 Settlement Agreement, NRG applied for a stretch of 0.4% which is 0.1% greater than the stretch factor applicable to mid-range electricity distributors.

NRG proposed that the new rates be effective October 1, 2014.

In Procedural Order No. 3 issued on December 3, 2014, the Board set timelines to file interrogatories, responses to interrogatories and submissions on the Application.

Board staff has reviewed NRG's Application and interrogatory responses. The submissions below reflect observations and concerns of Board staff on issues that are outstanding in the proceeding. The submission is intended to assist the Board in evaluating NRG's application and in setting just and reasonable rates.

Board Staff Submission

Board staff supports the use of the Board's Price Cap IR parameters to set 2014 rates and the use of a stretch factor of 0.4%. Board staff notes that NRG has appropriately calculated the price cap adjustment and is satisfied with the resulting schedule of tariffs and charges as calculated by NRG.

However, Board staff opposes an effective date of October 1, 2014 as requested by NRG. Board staff submits that NRG should have forwarded its proposal much earlier to allow the Board to consider the request for the continuation of the IR framework and process the rates application in a timely manner.

NRG filed its request for the continuation of an IR framework on August 26, 2014, which is about 2 months prior to the requested effective date of October 1, 2014. .

The Board held an oral hearing to address NRG's request for the continuation of its current IR framework. The Board expedited the process further by issuing an oral decision approving the request on the same day that the oral hearing was held on November 11.

NRG filed its rates application on November 25, 2014, almost two months after its requested effective date of October 1, 2014.

Board staff submits that NRG's request for an effective date of October 1, 2014 is unreasonable. Board staff notes that NRG did not provide any justification for requesting an October 1, 2014 effective date while filing an application for an extension of its IR framework on August 26 and a rate application on November 25, 2014. This simply appears to coincide with the start of NRG's rate year and does not appear to have taken into consideration the time required by the Board to process the

applications. Board staff notes that the Board's metrics for a standard written rate application is 185 days from the receipt of the application until a decision is rendered. Even if the Board were to consider NRG initial application date of August 26, 2014, 185 days would take the anticipated decision date into March, 2015. Board staff also notes that for NRG's last two IRM applications, the Board took on average about 181 days to process NRG IR applications. In EB-2012-0342 (NRG's 2012-13 IR application), NRG applied on August 7, 2012 and the Board rendered its final Rate Order on March 14, 2013. In its Decision, the Board determined that the effective date was April 1, 2013 and not October 1, 2012. In EB-2013-0183, NRG applied in a timely manner on April 22, 2013 and the Board was able to issue a final Rate Order on September 12, 2013 for rates effective October 1, 2013.

Board staff submits that if NRG wanted its rates to be effective October 1, 2014, it should have filed its applications much sooner. Regulatory matters should be part of NRG's core functions and further consideration should be given to the time required by the Board to process an application. Accordingly, and consistent with several Board's decisions regarding unjustified late filings on the electricity sector, Board staff submits that the effective date should be the first day of the month following the Board's decision on this application.

– All of which is respectfully submitted –