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Board Secretary
Ontario Energy Board
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August 17, 2018

**RE: Review of Miscellaneous Rates and Charges (EB-2015-0304)
Draft Report of the Board dated July 19, 2018
Energy Retailer Service Charges**

Ag Energy Co-operative Ltd. is writing to the Ontario Energy Board ("OEB") in response to the Board's invitation to comment on its Draft Report – Energy Retailer Service Charges, issued July 19, 2018.

Ag Energy has concerns regarding the conclusions in the Draft report, in particular, the intention to double all Retailer Service Charges. We acknowledge that there has not been a change to the Retail Service Charges since their inception in 2002, however, the proposed decision to double current charges goes well beyond the Working Group's suggestion of an adjustment based on the inflation rate.

An immediate increase in Retailer Service Charges will add tens of thousands of dollars to Ag Energy's operating costs. In particular, Retailers will be further burdened by an increase in charges from Electricity Distributors by paying for services that are not being rendered. This is reinforcing acceptance of existing inefficiencies within the electrical distribution model and continues to support an extensive administrative burden.

Ag Energy suggests that Retailers only pay monthly fees to electricity distributors who are actively providing a service within their distribution area. The one-time \$100 charge paid by retailers to initiate distributor transactions should more than compensate the administrative costs of Retailer account set up, and idle maintenance until customers are activated under that Retailer. At the point in time usages are received, the monthly charges are proposed to be initiated.

If this proposal is accepted, Ag Energy believes it would be reasonable to continue paying the small monthly fee until January 1, 2020 and then abolish the said fees. This allows for a moderate time for change.

From a historic perspective, the average Ontario inflation rate from 2002 to 2018 was 1.78%¹. Increasing the Monthly Fixed Charge for example, from \$20 to \$40 exceeds an increase due to inflation. Using the above example and calculating new charge using the said inflation period, the \$20 monthly charge in 2002, would translate to \$26.52 in 2018. It is irresponsible to double a fee that does not accordingly track inflation to an already burdened system and the standard users within the Electricity Retailers would have also only been given rate adjustments using similar principles.

¹ Canadian Inflation Calculator measures the effect of inflation in Canada throughout the years.
(inflationcalculator.ca)

While the timing and implementation of these charges were not discussed during Working Group meetings, a realistic increase of perhaps 40% would be more reasonable. Furthermore, if a large increase is forthcoming and the OEB does not follow the above recommendation, Ag Energy suggests a 5-year plan for the increases to take effect. For example, a 20% increase in year 1, another 20% of the original amount in year two, etc.

Also, let it be known that the Draft Report for the Pole Attachment had not been released. The Working Group implied support of the same annual adjustment mechanism for an RSC increase and Pole Attachment Charges. Ag Energy supports the annual adjustment to the energy RSC to account for inflation, however an initial increase to double the fees is unacceptable and an unfair burden to the Retailers and the consumers they serve.

Ag Energy agrees with the OEB decision to eliminate the existing Retail Service Cost Variance Accounts. As electricity has been deregulated in Ontario for over 16 years, Retailers should not be held accountable to pay for bad debt generated by Electricity Distributors as it is comprehended through existing service fees. This is merely a “pass the buck” from the Distributor to the Retailer and the cost of Bad Debt should already be in the overall system.

Sincerely,



Rose Marie Gage
Chief Executive Officer
Ag Energy Co-operative Ltd.



Katie Morrow
Operations Team Lead
OEB Working Group Committee Member
Ag Energy Co-operative Ltd.

About Ag Energy Co-operative Ltd.

Ag Energy is an Ontario based co-operative and serves more than 370 agri member-owners and other consumers without ownership. We are a services-based co-operative that provides natural gas and electricity solutions to its member-customers and were incorporated 30 years ago. Our original objective was to ensure cost-effective procurement of natural gas for greenhouses as a result of energy deregulation, as energy is typically one of the largest input costs for our membership. We have annual sales of approximately 50 million CAD.

Our primary focus is to provide cost effective energy commodities and investment opportunities to our membership. We are a lean organization of 13 employees serving agriculture, agri-tech and agri-food.

Taking into consideration the broader reach of Ag Energy's membership base, including individual farmers, agri-businesses, and other member co-operatives and organizations, Ag Energy's members account for:

- *Approximately 5,500 employees;*
- *More than \$1 Billion CAD in revenues per year;*
- *Several hundred locations across rural Ontario;*
- *The recycling of an estimated 90% of members' revenues back into the local Ontario economy.*
- *Ag Energy also ensures that its Membership's voice and needs are heard and accounted for with its stakeholders and governing bodies, as such, Ag Energy is stating these concerns for the valued members it serves.*