

Ontario Energy Board

IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to determine methodologies for commodity pricing, load balancing and cost allocation for natural gas distributors;

WRITTEN SUBMISSIONS OF THE CITY OF KITCHENER

Introduction

1. For the convenience of the Ontario Energy Board ("Board") and parties to these proceedings, the City of Kitchener ("Kitchener") has organized its submissions to comment briefly on the proposals of Enbridge Gas Distribution ("EGD") and Union Gas Limited ("UGL" and, collectively, "the Utilities") and the Gas Marketer Group ("GMG") as summarized in Exhibit K3.1.
2. Kitchener generally supports the proposals of the Utilities and generally does not support the proposals of the GMG where they depart significantly from those of the Utilities.

A Review of QRAM for Gas LDCs

Trigger Mechanism

3. Kitchener supports the Utilities' proposal for EGD to adopt a "No Trigger" mechanism to align with UGL.

Price Adjustment Frequency and Forecast Period

4. This issue was of interest to Kitchener during these proceedings, prompting its Interrogatory to UGL at Exhibit IR6.1 and brief cross-examination on Day 1 of the hearing at Transcript pages 42 and 43. Kitchener's intent was to canvass the relative merits of an alternative seasonal price adjustment period that was less frequent than the current quarterly period. The thrust of the evidence filed by the Utilities and the GMG solely explored the relative merits of more frequent price adjustment and forecast periods (monthly, in particular) as possible alternatives to the current QRAM.

5. In answering the question “is the current frequency of the price adjustment appropriate”, Kitchener agrees with the view that one must examine the balance struck between price stability and an accurate price signal for customers. A less frequent price adjustment period presumably provides greater stability in the price over time but at the impairment of an accurate price signal, given the inherent volatility in the market price. A more frequent price adjustment period presumably has the opposite trade-off. These intuitive trade-offs were factually revealed to some extent by the written and oral evidence noted above.

6. Kitchener submits that if a change was to be made in the frequency of the price adjustment period from the currently quarterly period, then the different trade-off achieved between price stability and signal accuracy should be made in favor of price stability. Kitchener’s experience is that most customers prefer stable rates, particularly residential customers. The GMG’s proposal to have monthly rate adjustments runs counter to this preference. Kitchener does not support such a change.

7. Part of the GMG’s rationale for a monthly price adjustment was its alignment with “utility buying protocol”. The GMG pointed to the pricing regime in Alberta in this regard (Exhibits E8, E14, E19). Kitchener agrees with the submissions of EGD that this rationale is flawed when applied to Ontario due to the prevalence of our Province’s market area storage which, among other things, seasonally balances gas supply with demand. There is some theoretical merit to GMG’s rationale of an alignment with a utility buying protocol. Interestingly, in Kitchener’s view, this rationale is more supportive of a less frequent seasonal price adjustment period in Ontario, as explored by Kitchener in these proceedings.

8. On balance, Kitchener supports the Utilities proposal of no change to the current QRAM for the frequency and forecast period, and does not support the GMG proposal. Kitchener hopes the Board and the parties were assisted by at least some consideration of a less frequent price adjustment period as an alternative to the current QRAM.

Calculation of Reference Price

9. Kitchener supports the Utilities proposal of no change to the current methodology and does not support the GMG proposal.

Deferral and Variance Account Disposition

10. Kitchener supports the proposal by EGD to adopt a 12 month rolling rider methodology and does not support the GMG proposal.

Impact on Revenue Requirement (Re Reference Price)

11. Kitchener supports the proposal by UGL to eliminate the Intra-Period WACOG deferral account and adjust delivery rates with QRAMs.

Implications / Costs of Standardizing Pricing Mechanisms

12. Kitchener supports the Utilities proposal of no change to the current methodology and does not support the GMG proposal.

Filing Requirements

13. Kitchener supports the Utilities proposal to streamline the QRAM information filings and timeline efficiency. While Kitchener is generally supportive of the principle of stakeholder input to the process, it does not support the GMG proposal of monthly rate setting.

B Load Balancing (LB)

14. Kitchener supports the common proposals by EGD and GMG for EGD to adopt an MDV re-establishment mechanism. Due to its experience with UGL's checkpoint balancing in Union South and its intent to generally mirror this approach when dealing with its direct purchase customers, Kitchener conceptually supports the adoption of multi-point balancing by EGD. It would appear to advance the objective of a standardized approach among the gas Utilities. However, Kitchener is mindful of the issues and concerns which EGD has raised in its argument with respect to multi-point balancing. Kitchener is satisfied that the Board will be able to determine the extent to which any changes to LB for EGD are required based on the evidence and collective submissions of all parties.

C Cost Allocation

15. Kitchener supports the proposals by the Utilities and the GMG that no change is required to the current methodology for costing of system gas and direct purchase management. With respect to the rate setting methodology for allocation and disposition of commodity and load balancing impacts to the PGVA, Kitchener is mindful of concerns raised by some Intervenor in these proceedings that cross-subsidies between system gas and direct purchase customers may exist. To the extent the Board determines this to be the case; Kitchener submits it is proper for the Board to address them, and any remedies, in its Decision.

D Billing Terminology

16. Kitchener supports the Utilities proposal of no change to the current approach and does not support the GMG proposal.

E Implementation Issues

17. Kitchener supports the proposals by the Utilities and the GMG that recovery of implementation costs be accommodated in delivery rates. Kitchener also supports the GMG proposal that stakeholders be involved in the implementation plan.

All of which is respectfully submitted.

Per:

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