

JACK HUGHES
T (613) 787-3509

jhughes@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1100
Ottawa, ON, Canada K1P 1J9
T (613) 237-5160
F (613) 230-8842
F (613) 787-3558 (IP)
blg.com



By electronic filing

October 5, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
27th floor – 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms Walli,

2010 Natural Gas Market Review Announcement

Board File No.: EB-2010-0199

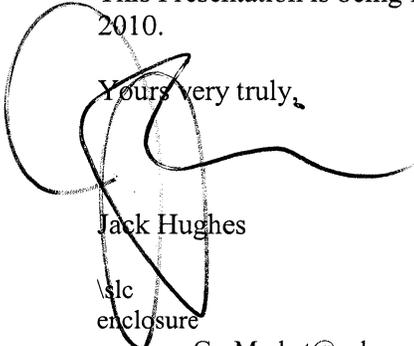
Our File No.: 339583-000080

Please find attached a Presentation of John A. Rosenkranz, the expert retained by the following seven intervenors:

- Consumers Council of Canada (“CCC”)
- Canadian Manufactures & Exporters (“CME”)
- City of Kitchener (“Kitchener”)
- Federation of Rental-housing Providers of Ontario (“FRPO”)
- London Property Management Association (“LPMA”)
- School Energy Coalition (“SEC”)
- Vulnerable Energy Consumers Coalition (“VECC”)

This Presentation is being filed in advance of the Stakeholder Conference scheduled for October 7 and 8, 2010.

Yours very truly,



Jack Hughes

\slc
enclosure

c. GasMarket@oeb.gov.on.ca
Robert Warren for CCC
Jim Gruenbauer for Kitchener
Dwayne Quinn for FRPO
Randy Aiken for LPMA
Jay Shepherd for SEC
Michael Buonaguro for VECC
Paul Clipsham

OTT01\4216758\1

Changes in North American Gas Supplies: Implications for Ontario Consumers

2010 Natural Gas Market Review

Ontario Energy Board Case EB-2010-0199

John A. Rosenkranz

October 2010

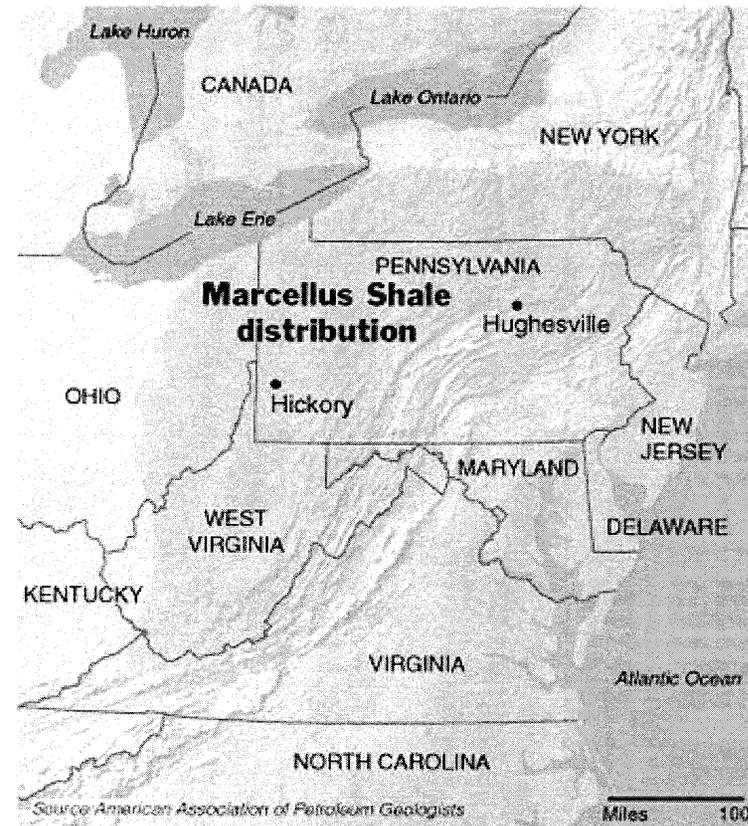
2010 Natural Gas Market Review

Board Objectives:

1. Assess the impact of changing dynamics in North American natural gas supply markets, particularly due to increased Marcellus shale gas production, on the Ontario energy sector.
2. Assess the need, if any, for further regulatory initiatives in response to the impacts identified.

Report prepared at the request of:

- Consumers Council of Canada
- Canadian Manufacturers & Exporters
- City of Kitchener
- Federation of Rental-housing Providers of Ontario
- London Property Management Association
- School Energy Coalition
- Vulnerable Energy Consumers Coalition



Questions

How will changes in North American gas supply affect the Ontario market?

- Further drops in throughput on the TCPL mainline
- Lower exports at Niagara and Iroquois
- Increased flows between Ontario and Michigan
- Flow reversal at Niagara

What are the implications for Ontario consumers?

- Changes in Ontario gas transmission facilities
 - Changes in utilization of existing facilities
 - Need for new transmission facilities
- New gas supply options
 - Changes in relative prices at gas supply points
 - Potential market centers at Niagara and Iroquois

What regulatory changes may be needed to ensure that Ontario consumers benefit from new gas supplies, but are not burdened with unreasonable costs or risks?

Risks for Ontario Consumers

1. Distribution charges increase because in-franchise customers subsidize transmission facilities built for ex-franchise markets.

- Uneconomic expansion

Rates increase because the incremental cost of capacity is higher than the current rolled-in rate.

- Demand for new transmission capacity is short-lived.

Rates increase in the long term because facilities are added now, but contracts are not renewed.

2. Contract constraints cause gas costs to be higher than necessary.

- Long-term utility contracts lock consumers into high-cost gas supply or transportation.
- Gas utility services restrict consumers' access to less-expensive gas supplies.

Regulatory Initiatives

1. Review economic guidelines for gas transmission projects.

- Ensure that in-franchise consumers do not subsidize facilities expansions for ex-franchise services, or take the risk that facilities will be underutilized.
- Require incremental pricing where rolled-in rates would increase costs for existing customers.
- Limit the time horizon for cost recovery to the term of the ex-franchise customers' contract commitments
- Make utility shareholders responsible for the cost of unused capacity (“at-risk condition”).

2. Re-examine delivery point restrictions in utility services.

Are Empress and Parkway delivery obligations still reasonable, or even necessary?

3. Establish a resource planning requirement for Ontario gas utilities.