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BY E-MAIL & COURIER

November 2, 2010

Ontario Energy Board
Attn: Ms. Kirsten Walli, Board Secretary
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0199 – 2010 Natural Gas Market Review ("NGMR") – Submission of the Corporation of the City of Kitchener ("Kitchener")

Kitchener respectfully provides the following brief submissions for consideration with our appreciation to the Ontario Energy Board ("Board") for the opportunity to do so.

Kitchener participated in the Stakeholder Conference for the NGMR and was a member of a coalition of ratepayers who retained Mr. Rosenkranz to prepare an expert report for these proceedings. Kitchener supports the recommendations of Mr. Rosenkranz in his report. Kitchener won't repeat them here as it has had an opportunity to review the submissions of the CME and FRPO which note the key observations and recommendations of Mr. Rosenkranz. As a fellow member of the ratepayer coalition, Kitchener fully supports the submissions of the CME and FRPO in these proceedings.

Subsequent to the Stakeholder Conference on October 7 and 8, 2010, Mr. Rosenkranz provided the coalition of ratepayers with a brief supplemental report to provide more detailed responses to two discussion questions raised in informal dialogue with Board Staff subsequent to the Stakeholder Conference, taking into consideration the presentations at the Conference. The supplemental report of Mr. Rosenkranz is attached to this letter and Kitchener fully supports his responses to the two discussion questions.

In summary, Kitchener is of the view that there is considerable uncertainty with respect to the Marcellus supply basin in terms of the extent and timing of its development and its impact on the gas market in Ontario, in general, and on ratepayers, such as Kitchener, in particular. These uncertainties suggest a cautious approach be taken by the Board and stakeholders with a vested interest in the outcome. There appear to be considerable benefits arising from the development of a significant new source of gas supply relatively close to Ontario. However, there are significant risks, as well. These risks need to be managed and balanced fairly with the benefits.

I hope these brief submissions are helpful and thank the Board again for this opportunity to provide them.

Sincerely,

James A. Gruenbauer, CMA
Manager, Regulatory Affairs and Supply

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Cc: W. Malcolm (Kitchener)
J. Alick Ryder, Q.C. (RWBH)

Ontario Energy Board
2010 Natural Gas Market Review
EB-2010-0199

This purpose of this brief supplemental report is to provide more detailed responses to two of the discussion questions raised by the Board, taking into consideration the presentations at the Stakeholder Conference on October 7th and 8th.

Do the natural gas market developments identified in this Review require regulatory changes by the Board?

- Yes. Information provided at the Stakeholder Conference supports the need for regulatory changes to respond to the changes in natural gas supply markets.

- Participants agreed with ICF's conclusion that the trend away from WCSB production and TCPL mainline transportation services will continue. As the Ontario market becomes more closely tied to U.S. gas supplies, there will be a greater potential for large shifts in natural gas flows into and through the province. These changes will affect the utilization of existing gas infrastructure, and may require the construction of new gas transmission capacity by Ontario utilities.

- Enbridge described its plans to purchase gas from suppliers at the Niagara border point, and contract for new firm transportation services from Niagara to market. Union Gas confirmed that increasing Marcellus gas supplies have heightened the risk that long-term contracts for ex-franchise transportation services on its Dawn-Trafalgar system will not be renewed.

- Under existing regulation, Ontario consumers may have to subsidize the costs of new gas transmission facilities that are constructed solely to provide ex-franchise services, and are on the hook for unrecovered costs if long-term contracts with ex-franchise customers are not renewed. To protect consumers, the Board should reassess its policies for approving gas facility expansions and pricing of ex-franchise transportation services.

- Participants at the Stakeholder Conference spoke to the uncertainty related to the development of new gas supplies and associated gas transmission projects. Environmental concerns and a lower natural gas price outlook could slow the development of Marcellus shale resources, and a decline in the price basis between Michigan and Dawn has already caused the Dawn Gateway Pipeline project to be put on hold.

- A more complex and variable gas supply environment creates more choices, but also increases the risk that poor decision making will lead to the construction of new facilities, or commitments to long term contracts, that result in unnecessary costs for Ontario consumers. An integrated resource planning process for Ontario gas utilities would help ensure that all reasonable alternatives are reviewed in a thorough and consistent manner before utilities make these commitments.

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What actions might the Board undertake in conjunction with other regulators? Are there areas in which there is a need for alignment between the work of the Board and other regulatory agencies?

- Ontario markets will be dependent on deliveries from U.S. pipelines to access new sources of natural gas supply. This means that Ontario consumers and regulators will have a greater stake in the regulatory activities of other jurisdictions. The Board may need to become more active outside Ontario to protect the interests of Ontario consumers.

- In its presentation, APPrO pointed out the need to minimize artificial barriers for access to competitive gas supplies. The Board's recent review of the proposed Dawn Gateway Pipeline, which combines U.S. facilities regulated by the Michigan Public Service Commission and Canadian facilities regulated by the Board, identified one such barrier, and is an example of the opportunities that exist for greater regulatory coordination and consistency. Specifically, the fact that Michigan gas utilities do not adhere to minimum North American standards for transportation service nominations could prevent Ontario storage customers from using Dawn Gateway to gain direct access Michigan storage services that are comparable to the services offered by Union Gas and Enbridge at the Dawn Hub. Communication between Ontario and Michigan regulators could help to eliminate these types of barriers.

- To create a seamless path between new gas supplies and Ontario markets, contracting opportunities also need to be consistent across transporters. In its Stakeholder Conference presentation, Union Gas described its recent actions to coordinate open seasons for transportation services on its Dawn-Trafalgar system with the open seasons of TransCanada and certain U.S. pipelines that proposed new transportation services to Niagara. To create a level playing field for all transportation and storage service providers, the Board should encourage this type of coordination, but should also ensure that Ontario gas utilities deal with all transporters and storage suppliers on a non-discriminatory basis.

- Finally, many of the participants spoke to the considerable burden that increases in TransCanada tolls represent for Ontario consumers. TransCanada said that it is in negotiations with stakeholders to modify its services and tolls to increase its competitiveness, and will file a proposal with the National Energy Board later this year. The Board should consider whether Ontario consumers are being adequately represented in TransCanada toll proceedings. In the U.S., for example, it is common for state public utility commissions to be active participants in facilities and rate proceedings at the Federal Energy Regulatory Commission to protect the interests of consumers in their states.