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November 28, 2012

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2012-0342
Natural Resource Gas Limited – 2012 IRM

Please find enclosed the final submissions of the Vulnerable Energy Consumers Coalition in the above noted matter.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

CC: NRG – Jack Howley – howley@nrgas.on.ca
NRG – Counsel – Richard King – Richard.king@nortonrose.com
OEB – Munir Madhavji – Munir.Madhavji@ontarioenergyboard.ca
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Union Gas – Patrick McMahon – pmcmahon@uniongas.com

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for an Order or Orders approving or fixing just and reasonable rates and other charges for the sale, transmission and distribution of gas as of October 1, 2012.

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for an Order or Orders approving a multi-year incentive rate mechanism plan.

FINAL SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION

NOVEMBER 28, 2012

PROPOSED RATE 1 TARIFF

The current approved delivery tariff for NRG's Rate 1 General Service customers includes:[1]

- A fixed monthly charge of $13.50;
- A Rate Rider for Shared Tax Savings of $(0.11);
- A variable delivery charge of 15.4014¢/m^3 for the first 1,000 m^3 per month; and
- A variable delivery charge of 10.5303¢/m^3 for all consumption over 1,000 m^3 per month.

Per Appendix 1, page 6 of the Application, the price cap to be applied is 0.78%.

The proposed delivery tariff for NRG's Rate 1 General Service customers includes:[2]

- A fixed monthly charge of $14.50;
- A Rate Rider for Shared Tax Savings of $(0.11);

[1] This is per the EB-2010-0018 Rate Order issued on December 22, 2011. Note that commodity charges are contained in Schedule A of the Rate Order: the commodity charges were updated in the EB-2012-0262 QRAM decision issued June 21, 2012.
[2] Application, Attachment 4, Proposed Tariff Sheets

- A variable delivery charge of 15.0709¢/m^3 for the first 1,000 m^3 per month; and
- A variable delivery charge of 10.6124¢/m^3 for all consumption over 1,000 m^3 per month.

VECC notes that, rather than increasing all components, fixed and variable, by the 0.78% price cap, NRG has proposed a 7.41% increase in the basic monthly charge,[3] no change to the Rate Rider for Shared Tax Savings, a 2.19% decrease in the first block variable rate,[4] and a 0.78% increase in the second block variable rate.[5]

VECC further notes that the estimated delivery bill impacts for typical Rate 1 customers of this proposed rate re-design are as follows:[6]

- An increase of 1.1% for Rate 1 Residential customers;
- An increase of 0.2% for Rate 1 Commercial customers; and
- An increase of o.6% for Rate 1 Industrial customers.

Therefore, VECC submits that the effect of the proposed rate re-design is to:

- Propose that a typical residential customer receive a delivery bill increase of fully 141% of the price cap;
- Propose that a typical commercial customer receive a delivery bill increase that is only 25.6% of the price cap; and
- Propose that a typical industrial customer receive a delivery bill increase that is only 76.9% of the price cap.

VECC submits that the proposed rate re-design for the first year of IRM:

- Was not previously approved by the Board or agreed to by intervenors in the Settlement Agreement – and this fact is acknowledged by NRG;[7]
- Was not supported by any pre-filed evidence in the Application;
- Results in asymmetric impacts to different Rate 1 customers, i.e., residential, commercial, and industrial, to the detriment of residential customers;[8]
- Will have increasingly detrimental delivery bill impacts for low-volume Rate 1 residential customers the more that they reduce consumption or the lower their consumption, providing delivery bill increases of 1.8%, 2.8%, and 4.4% respectively for customers consuming 1,500, 1,000, and 500 m^3 annually;[9] and

[3] Increasing from $13.50 to $14.50
[4] Decreasing from 15.4014¢/m^3 to 15.0709¢/m^3
[5] Increasing from 10.5303¢/m^3 to 10.6124¢/m^3
[6] Application, Attachment 5, page 1
[7] Board Staff IR #1 and VECC IR #2a) and 2c)
[8] VECC IR 2b)
[9] VECC IR #2d)

- Will decrease the incentive to conserve by customers since a larger proportion of the delivery bill is independent of actual consumption. In this respect, note that a Rate 1 customer consuming 3,500 m^3 will only see a delivery bill impact of 0.1%.[10]

For all of the above reasons, VECC therefore submits that NRG be directed to file a revised rate proposal that increases both the fixed monthly and the variable charges by 0.78% or, if different, the price cap escalator approved by the Board in this proceeding.

THE TREATMENT OF THE SHARED TAX SAVINGS RATE RIDER AND REGULATORY COSTS EMBEDDED IN RATES

In response to an interrogatory,[11] NRG agreed that it was "arguably … correct" that the shared tax saving rate rider should be escalated by the price cap.

However, NRG stated that "NRG is following the electricity IRM model for this process and would note that this is not an adjustment made in that process. In addition the adjustment would be a materially small amount (less than $100 in total)[12] and potentially lost in rounding when applied to most rate classes."[13]

VECC accepts the point made by NRG in respect of materiality and, as such, is not proposing that the escalation of the rate rider here. However, VECC does wish to draw a comparison between the treatment of this rate rider and the recovery of regulatory costs embedded in rates.

Per the EB-2010-0018 Phase 2 Settlement Agreement, page 3, parties agreed that a total of $338,400 in regulatory costs be recovered over the IRM period, of which $90,000 was embedded in rates with the remaining $68,400 recovered by a one-time adjustment to fixed rates that was subsequently moved to the volumetric charge.[14]

VECC would like to point out that (i) had these regulatory costs been recovered through a rate rider similar to that approved in respect of shared tax savings and (ii) if the regulatory cost rider were treated the same as the shared tax savings rider, the regulatory cost component currently embedded in rates would not be escalated by the price cap. Further, VECC submits that the regulatory costs to be recovered over the IRM were estimated in full prior to the embedding in rates, unlike other cost components in rates.

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[10] VECC IR #2d)
[11] VECC IR #5c)
[12] While not challenging the materiality argument made by NRG, VECC calculates the change to be slightly greater than $100.
[13] VECC IR #5c)
[14] Board Staff IR #4

For these reasons VECC invites NRG and the Board to consider whether the regulatory costs recovery, already embedded in rates, should properly be escalated by the price cap.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 28TH DAY OF NOVEMBER, 2012