



June 16, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
BoardSec@ontarioenergyboard.ca

VIA EMAIL

**RE: NOTICE OF PROCEEDING AND PROCEDURAL ORDER NO. 1 REVIEW OF THE QUARTERLY RATE
ADJUSTMENT MECHANISM PROCESS FOR NATURAL GAS DISTRIBUTORS June 3, 2014 - EB-2014-0199**

Dear Ms. Walli:

Planet Energy (Ontario) Corp. ("Planet Energy") respectfully submits the following in regards to the above noted proceeding.

As noted in Planet Energy's submission to case EB-2014-0039, Planet Energy's view that setting future prices based on a rare weather event and exception is extremely improvident. Board Staff's position and belief as that of Navigant's, is that future natural gas market prices will decrease; however, the Board's decision to smooth out Enbridge's prices omitted the fact that the cornerstone of Staff's decision was premised on the Navigant forecast. In fact, this same matter was raised in British Columbia by the utility FortisBC, which made substantially the same arguments for price smoothing (to have been in effect April, 1, 2014) as are being proposed by OEB Staff. However, upon review by the British Columbia Utilities Commission ("BCUC"), the BCUC rejected FortisBC's proposal, and ordered that the standard and established procedures are to remain in place and be adhered to (please refer to BCUC Order G-37-14). Further, the BCUC stated that –

"Although longer term forward prices show a return to lower levels, as noted by FEI, natural gas storage levels in North America are at unusually low levels exiting the winter heating season. The current situation is such that any number of factors including additional cold weather over the remainder of the heating season, warmer than normal summer weather, facility outage or other factors that may impact natural gas markets have a greater potential than usual to result in higher market prices in the shorter term.

Based on the foregoing factors, the Commission sees no compelling reason to depart from the standard commodity rate setting mechanism set out in the Guidelines at this time..."



However, the Ontario Energy Board ("OEB") decision in EB-2014-0039 gave no mention or credence to the submission made by Planet Energy – that included the BCUC decision; and have proceeded with a hearing to make adjustments to future Enbridge and Union Gas natural gas rates and pricing.

The BCUC, recently decided to maintain the Fortis Commodity Cost Recovery Charge for the July 1, 2014 – September 30, 2014 period, based on the recommendation by Fortis as a result of stable natural gas prices. (http://www.bcuc.com/Documents/Orders/2014/DOC_41523_L-27-14_FEI-2014SecondQuarterGasCosts-LM-Inland-Columbia.pdf).

The intent of system supply rates, as advertised and represented to Ontario consumers by both the utilities and the OEB from inception to today, is that the rates are substantially variable and market based, which reflect current market conditions and move in step with the market, using an established mechanism. However, it appears that the OEB has chosen to disbelieve and give little weight to the facts and submissions of parties which advocate against a smoothing out of Enbridge's rate.

Most importantly, any price smoothing is in the view of Planet Energy, an inherent violation of the first principle of the Ontario Energy Board Act, 1998 ("OEB Act") Section 2(1) which states:

"2. The Board, in carrying out its responsibilities under this or any other Act in relation to gas, shall be guided by the following objectives:

1. To facilitate competition in the sale of gas to users."

The OEB appears to have circumvented this first and leading principle of the OEB Act – that is to foster competition in the Ontario natural gas market. It is important that consumers are made aware of the volatility inherent in the natural gas market. It is equally important that consumers are aware that the rates provided by Enbridge and Union Gas are a fair representation of actual market conditions as these signals ensure that consumers can make informed decisions about rate alternatives.

In addition, a smoothing out of the rates for Enbridge and Union Gas would only result in higher pricing for consumers if all costs of doing so, such as administration, interest and so forth, are incorporated into the final price. As noted by Energy Probe Research Foundation -:

"As the Board and others are aware, the QRAM is designed to adjust the regulated gas supply every three months to reflect natural gas market prices. Any mitigation of this component of the rate increase would distort the natural gas market between direct purchase options and costs and the system gas commodity option and costs.

Gas customers may believe that the system gas supply price is lower than it actually is and this would distort the market. The interest costs incurred by EGD and ultimately paid for by system gas customers would be a hidden cost that would need to be paid in the future. If forecast costs increase in the future, more and more costs would get pushed further into the future, further distorting the market prices, pushing the inevitable payment further into the future and adding more and more hidden costs to customers.

The current 12 month approach for the forecasted future gas cost prices provides transparency to customers and lets them base their direct purchase/system gas purchase decisions on rates that are comparable. Any attempt at mitigation related to this component of the rate increase could easily distort market pricing and price transparency between system gas and direct purchase gas, leading to added customer confusion in the market.”

(http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/435408/view/Energy%20Probe_SUB_EGDI_20140423.PDF)

The proposal of interim price smoothing completely undermines the ability of consumers to make an informed and educated decision, and as noted, is a direct violation of the objectives and principles under the OEB Act. The proposal also goes against the well-established and approved rate setting mechanism/methodology. The proposed changes to smooth out the rates will result in less transparency to consumers, a highly anticompetitive natural gas market in Ontario, and ultimately a distortion in pricing for consumers. The end result is that consumers will not benefit from these changes.

In light of the above, and in response to the noted intent of the OEB pursuant to the above noted case, Planet Energy recommends the following:

- (i) The QRAM process should not be amended to require, in any cases, a substantive review of the application, including a review of the execution of the gas supply plan. However, should such a process be pursued, the review should consider a shorter period of time in which the utility reviews its rate setting periods, thus bringing Ontario’s practices in-line with most other jurisdictional practices throughout North American markets, which would ultimately increase consumer transparency, increase consumer education and facilitate the competition in the sale of gas to users.
- (ii) The QRAM process should not be amended as described; however, if such a review were to take place, then the circumstances of such review should be to lessen the period of time in which the rate is calculated from quarterly to monthly, and the period of time for rate projections should similarly be reduced, not increased. Doing so would ultimately increase consumer transparency, increase consumer education and facilitate the competition in the sale of gas to users.
- (iii) The third intended phase as noted is in opposition and in the view of Planet Energy, violation of the OEB Act’s guiding principles as described above. Such actions would directly undermine competition in the sale of natural gas to all consumers in Ontario. Further, the intended actions would distort prices for consumers, decrease competition and increase costs to consumers.
- (iv) The final intended phase, while considering the overall goal of the Board, suggests that it is the Board’s intention to indirectly re-regulate the natural gas supply market for all Ontario consumers. By advocating for rate adjustments for all Ontario gas consumers, the Board will significantly reduce competition of the sale of gas to all consumers in Ontario. The recommendations as proposed would centralize gas pricing as a government regulatory function, which would in effect, remove the



ability for consumers to control their energy costs. The end result of which is higher costs for consumers, no choice in the sale of gas to users, and ultimately ensuring Ontario is in effect a fully regulated market, which contrary to the lead guiding principle as noted above, as well as deregulation of natural gas sales in Ontario as a whole.

All of which is respectfully submitted.

Sincerely,

[Original Signed By]

Jordan Small
Director, Regulatory Affairs & Compliance
1500-5255 Yonge Street
Toronto, ON M2N 6P4
Office: 416-250-7117 ext. 3151
Direct: 647-253-9612
Fax: 647-253-9619
jsmall@planetenergy.ca