DR QUINN & ASSOCIATES LTD.

VIA E-MAIL, RESS & COURIER TO THE BOARD

June 17, 2014

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attn: Kirsten Walli, Board Secretary

RE: EB-2014-0199 OEB REVIEW OF QRAM FOR NATURAL GAS DISTRIBUTORS

We are writing on behalf of the Federation of Rental-housing Providers of Ontario ("FRPO") and the Ontario Greenhouse Vegetable Growers ("OGVG") in response to Procedural Order No. 1 in the subject proceeding.

In our view, the impacts of the recent cold winter provided a test for natural gas systems, both physically and commercially. We appreciate the Board's initiative to learn from the implications of this last winter and we are encouraged by the review of the issues as written for the first phase. Our responses to the questions posed by the Board are attached.

In response to the Board's invitation in Procedural Order No. 1, we respectfully submit that as part of Phase 2 of this proceeding, it is time for Ontario to consider using an Ontario-based reference price. As has been evidenced at the board in the 2010 Ontario Natural Gas Market Review[1] and the combined infrastructure proceedings of 2013[2], Ontario will be less reliant on Alberta gas in the coming years. In fact, the TCPL Settlement Agreement[3] requires that Union Gas and Enbridge keep only a fraction of their historic system supply sourced using TCPL Long-Haul transportation. In our view, a utility-specific reference price for Ontario-landed gas at Dawn based upon the respective utilities portfolio would be much more transparent allowing cross-utility comparison. Using a Dawn price rather than Empress may reduce accounting issues experienced during recent deferral account disposition proceedings. Further, if this change is made, retailers could be required to price their offerings in the same way reducing issues of total landed cost in comparisons for customers.

We have intentionally provided only some of the potential merits of such a change for the Board's consideration. We respectfully request the Board's consideration of this issue for phase 2 of the proceeding.

Respectfully Submitted on Behalf of FRPO and OGVG,

Dwayne Quinn

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

c. EB-2014-0199 Interested Parties

[1] EB-2010-0199
[2] EB-2012-0433, EB-2012-0451 and EB-2013-0074
[3] http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/415531/view/ TCPL Settlement Agreement, submitted Oct.31, 2013, page 13

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Responses to Board Issues Set Out in Procedural Order No. 1

(i) Whether the QRAM process should be amended to require, in certain cases, a substantive review of the application, including a review of the execution of the gas supply plan.

We are respectful that QRAM process was established to attempt to provide a market sensitive price through a mechanistic approach on a quarterly basis. However, beyond the reporting of high level actual costs, the process is mostly focused on the forward view of the market with under and over recoveries being flowed through to customers in the following 12 months. While this prospective approach tended to smooth the impacts of market volatility, the reasons behind variance from forecast were rarely explored.

In this last year, with the evolution of the North American market and TCPL's restructuring decision, Ontario utilities were required to evaluate the use of past strategies such as Short-term Firm Transportation. In the case of Enbridge for the winter of 2013/14, the more economic approach was the use of annual Firm Transport contracting with the expectation of leaving pipe empty while incurring Unutilized Demand Charges ("UDC") to effect a seasonal balance. Ratepayers acceptance of the annual contracts and UDC stimulated a request for provision of information on gas supply plan execution that had previously not been part of past proceedings.

As was outlined in submissions to the Board in Enbridge's second quarter 2014 QRAM[1], there was evidence that Enbridge varied from their planned storage balances over the course of the winter. The record of that proceeding speaks to ratepayers concerns regarding Enbridge's execution of their gas supply plan and the resulting rate impacts. However, in our view, even the expanded time frames provided in that proceeding did not produce sufficient disclosure to understand the reasons behind the variances over the course of the winter.

Therefore, we would respectfully submit that this recent experience presents very compelling reasons for the Board to balance the interests of an expedient mechanistic process to establish market sensitive prices with the protection of consumers. We believe to instill confidence of the public in natural gas rates set by the Board, there ought to be an opportunity for the Board to determine if the utility established a plan and stayed with the plan. While some may argue that this approach is hindsight, we respectfully challenge that view with this example:

> If a utility establishes an appropriately fluid plan, it must have benchmarks to determine if its delivered supply is matching its customers' consumption needs. That benchmark for most utilities is targeted storage fill at periodic milestones (e.g., month end). Therefore if a utility is forecasting that it will not hit its targeted month-end storage balance, it can only rely on decreased consumption or increased supply in the next month to get back on

[1] EB-2014-0039

> target. Unless the utility knows that next month's consumption will decrease the needed amount relative to forecast, it must increase its supply by accumulated shortfall. The only reason it would have to delay that purchase of increased supply is the certainty that it can obtain that supply at lower prices in a future period before impacting operational or contractual constraints. The question would come down to: with the information available at the time, what was the analysis, decision processes and resulting strategies to meet its obligations going forward? Surely, the utility can and does document its significant modifications to plan and should be able to report on those facts upon inquiry.

In our view, the review of the execution of a gas supply plan could use simple metrics like storage fill and other parameters such as forecast and actual Heating Degree Days to determine if further examination of the execution is warranted[2]. These metrics and parameters can be provided by the utility with its QRAM filings for evaluation by the Board and interested parties. Our expectation would be that, in almost all cases, the plan would executed to stay within a reasonable tolerance from established metrics. However, in situations where there is concern there was significant variance from the plan, the Board could establish the requested rates as interim allowing an additional round of discovery to satisfy itself of reasonable execution. In this way, the Board can establish that resulting prices set are a result of market forces and not other factors.

(ii) If the QRAM process is amended as described, what circumstances should trigger a substantive review

The requirement for an expanded QRAM process could be handled on an exception basis by the Board. As described above, we believe the high level metrics could be required submissions by the utilities affording a snapshot of the execution. If there are significant variances from the planned execution, the Board could trigger enhanced discovery while establishing interim rates.

This exception process could also be used if there were a request for a significant rate increase (e.g., 10% increase in total bill consistent with electric LDC's) or substantial variances over time between the respective utilities.

(iii) Whether the Board should establish a policy on rate mitigation to protect system-supply customers from rate volatility; for example, by further smoothing rate impacts over time

We believe that the current QRAM ratemaking process balances the desire for a market sensitive price with rate smoothing over the 12 month period. To add additional smoothing would potentially jeopardize other market offerings that contribute to a more liquid Ontario market and provide customer choice in some segments.

[2] EB-2012-0451 Exhibit K8.2, page 4 of 4

(iv) Whether the Board should establish protocols for communications to distribution customers

We believe that the utilities ought to be the prime communicator with their customers as they have the greatest opportunity through various channels. Through their customer contact, they have opportunity to determine where enhanced communication is needed and an understanding of the practices that have demonstrated the greatest efficacy.

We respect that the Board has enhanced its communication strategies over the years. We believe that it has a role, like the utilities, to examine the nature of inquiries received and channel effective means of reinforcing messages (e.g., utilities do not profit from commodity rates). However, for the reasons in our first paragraph in this section, we do not believe the Board ought to be prescriptive in its establishment of protocols for the utilities' communication to distribution customers.