

Ontario Energy Board

IN THE MATTER OF a proceeding initiated by the Ontario Energy Board to review the Quarterly Rate Adjustment Mechanism process for natural gas distributors.

SUBMISSIONS OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

I. INTRODUCTION

On June 3, 2014, the Ontario Energy Board ("Board") issued a Notice of Proceeding and Procedural Order No. 1 related to a review of the Quarterly Rate Adjustment Mechanism ("QRAM") process for natural gas distributors. As part of that Notice the Board indicated that any party that wished to reply to a written comment filed by any other party must do so by June 24, 2014.

These are the submissions of the London Property Management Association ("LPMA") related to the written comments filed by other parties.

LPMA has reviewed the comments of the other parties. These comments came from three distinct segments: the distributors, marketers and ratepayer representatives. LPMA notes that in many cases the comments were similar. Where this is the case, LPMA makes no further submissions.

There were, however, some areas of differences in the comments received. LPMA notes that no party had any issues with respect to the 12 month forecast portion of the QRAM application, rather the area of disagreement was the actual PGVA balances prior to the effective date of a proposed change and how those amounts may differ from the previous ARAM application and the reasons for those differences.

The first of these differences related to the need for a gas supply plan review. LPMA notes that both Union Gas and Enbridge Gas Distribution have, or are planning to have annual stakeholder reviews associated with the implementation of their gas supply plans

on a going forward basis. LPMA supports this and believes the other parties also support this.

However, there appears to be disagreement with respect to the need to have an after-the-fact review of the execution of the distributor's gas supply plan. LPMA submits that the Board should initiate such a review on a case by case basis if it finds that the situation warrants it. The distributors should be expected to account for a significant change in costs from their plan so that ratepayers can be ensured that the distributors are minimizing costs to ratepayers.

LPMA submits that if the Board establishes a trigger mechanism as part of the QRAM process, then this **could** trigger a subsequent review (or a second phase of the QRAM application) to look at the actions taken by the distributor to deal with whatever caused the trigger to be exceeded. It should not, however, be part of the QRAM process as it currently exists today. LPMA submits that the QRAM process should remain mechanistic in nature and continue to proceed on the current timetable as established by the Board.

When the trigger is activated, any approval of the QRAM application should be on an interim basis, allowing the Board to reflect any changes that may come out of the subsequent review of the execution of the distributor's gas supply plan.

LPMA does not agree with the proposal of Board Staff that would impose very short timelines on both intervenors and the distributors in dealing with a review of the execution of the gas supply plan. LPMA's proposal to have it as a subsequent proceeding would allow the Board to set a schedule commensurate with the need for the review.

AS noted above, LPMA submits that if the QRAM trigger is activated, a subsequent review **could** be initiated by the Board. In other words the QRAM trigger would not necessarily result in the need for a subsequent review.

LPMA notes the suggestion of Enbridge Gas Distribution in their comments of June 17, 2014, at page 5 related to the additional information that it says it could provide as part of its QRAM filings. This information, as provided in a response to a Board Staff interrogatory in EB-2014-0039, provides a breakdown of the effect of actual gas prices on budgeted purchases and of additional (not budgeted) purchases required to meet demand.

LPMA submits that if the QRAM trigger is activated, the distributor should file this information to show the difference between the current QRAM application and the

previous QRAM application to illustrate the drivers of the difference in the PGVA for the last three month period. For example, in a July 1, QRAM application, the causes of the differences in the amount actually or forecast to be recorded in the PGVA for the months of April, May and June as compared to the forecasts for same months in the April 1, QRAM should be provided. The last three month period should be used because it is this information that can change from one QRAM application to the next. This information, along with an explanation could then be used by the Board and interested parties to determine whether or not further information is required. If so, the subsequent review would be initiated.

In addition to the above information, it would be helpful if the distributor could provide as part of the explanation, its targeted level of gas in storage at the end of each month, along with the actual amount of gas in storage. This would illustrate, for example, whether or not the distributor delayed purchasing additional gas to future months. The explanation provided would also include detailed information on the constraints, if any, faced by the distributor in executing its gas supply plan and staying with planned storage balances on a monthly basis.

The second difference in the comments deals with the communication to ratepayers. Some parties appear to advocate for the distributors to provide notice in advance of the QRAM notice of any potential significant increase in gas costs. While LPMA believes that this would be helpful to system gas customers, it is not clear how this could be implemented by the distributors, or by the Board. LPMA submits that this is something that should be reviewed as part of the second phase review held in conjunction with the 2014 Natural Gas Market Review.

All of which is respectfully submitted this 24th day of June, 2014.

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