



**INFRASTRUCTURE SERVICES DEPARTMENT
KITCHENER UTILITIES**

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BY E-MAIL & COURIER

24 June 2014

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-2014-0199 – Review of the Quarterly Rate Adjustment Mechanism Process for Natural Gas Distributors – Reply Comments by the City of Kitchener (“Kitchener”)

Pursuant to the Ontario Energy Board’s (“Board’s”) Amended Notice of Proceeding and Procedural Order No. 1 dated June 3, 2014, Kitchener respectfully submits the following brief comments in reply to the submissions of other parties.

Kitchener agrees with the comments of several parties with an underlying theme of “don’t fix what isn’t broken”. The existing QRAM process very efficiently and effectively meets the objectives set out by the Board in EB-2008-0106 of price transparency and reflecting an appropriate trade-off between market prices and price stability in a formulaic and consistent manner. Kitchener also agrees with those parties that submit a review of gas supply plans is best done outside of the QRAM process.

With respect to rate stability and an *appropriate* trade-off between market prices, Kitchener would observe that negative customer and media attention is understandably only caught by significant increases in gas prices and not by decreases. No thought or effort is given to mitigate or delay the impact of significant price decreases. Rate mitigation *to protect customers* is only considered under sharp price increases arising from escalated PGVA costs and / or higher forward prices for gas.

While understandable, this approach selectively disconnects the rate from market prices because, as everyone knows or should know, natural gas is a commodity and its price can increase or decrease, often abruptly and in unexpected directions. Rate mitigation dampens the signal provided by market prices in an understandable effort *to protect customers*. The question becomes: at what point is the trade-off between rate stability and market prices no longer *appropriate*? In its experience, Kitchener suggests the answer to this question depends on the rate preference and risk tolerance of customers. No single approach will satisfy all customers.

June 24, 2014
Ms. Kirsten Walli
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Finally, Kitchener agrees with those parties that have suggested the Board should consider in Phase 2 of its review the replacement of the current reference price at Empress (Alberta) with a Dawn (Ontario) reference price. While preliminary at this stage, in our view, this concept has significant merit for the reasons advanced by the parties.

Kitchener hopes these reply comments are helpful and thanks the Board for the opportunity to provide them.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Gruenbauer', with a stylized flourish at the end.

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

Cc: Parties to EB-2014-0199
D. Kim (OEB)
W. Malcolm (Kitchener)
J. Chatterjee (Kitchener)