

SUPERIOR PLUS LP

Response to Board Staff Interrogatory #1

On page 4 of the covering letter filed with the application, it is stated that by November 2012, the Constellation/Macquarie arrangement to supply natural gas to Superior Energy Management Gas LP ("SEM Gas LP") has expired and the new supply arrangements were made through Superior.

- a. Please explain what supply arrangements were made by SEM Gas LP after November 2012.
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Response:

- a. The Constellation/Macquarie supply arrangement provided for gas supply for each *Superior Gas* customer, for the entire term of that customer supply agreement. (This is often referred to as a "full requirements" gas supply arrangement.) That is, any customer agreement entered into by *Superior Gas* prior to the November, 2012 expiration of the Constellation/Macquarie supply arrangement was (and continues to be) supplied, for the entire term of that customer agreement, under that supply arrangement.

From and after November, 2012, the time of expiry of the Constellation/Macquarie gas supply arrangement, gas supply required to fulfill new customer supply agreements was managed through a combination of physical gas supply arrangements and financial gas supply hedging products procured by *Superior Plus*, the licence applicant herein, from various Canadian and U.S. gas suppliers and financial institutions.

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Response to Board Staff Interrogatory #2

In the Decision and Order issued on April 25, 2013 in proceeding EB-2012-0448 (Superior's last licence renewal proceeding), it was recommended that Superior and SEM Gas LP use the next 12 months to "regularize" their gas supply arrangements.¹

- a. During the period from April 25, 2013 to present day, what steps has Superior taken with its gas supplier to prepare for the transition of the gas supply from SEM Gas LP's licence to Superior's licence? Please explain.
- b. Please explain why the transition could not be completed during the time period specified in the EB-2012-0448 Decision and Order dated April 25, 2013?

Response:

- a. As noted in response to interrogatory 1a. above, supply arrangements are made to cover the ongoing supply for each customer for the entire term of that customer agreement. Supply commitments to customers contracted prior to expiry of the Constellation/Macquarie supply arrangements in November, 2012 will continue to be supplied by Macquarie for the entire term of the underlying customer agreement.

As represented at page 5 of the July 24, 2014 transmittal letter for the licence renewal application, from and after the date of the decision in Superior's last licence renewal proceeding, upstream supply for new and renewing low-volume customers has been fully managed through *Superior Plus*.

- b. In the EB-2012-0448 Decision and Order dated April 25, 2013, the Board's delegated decision maker stated as follows [emphasis added]:

I am not placing conditions on the instant licence to restrict activity under the licence. However, I recommend that Superior LP and SEM Gas LP use the next 12 months to regularize their gas supply arrangements so as to be able to operate with one licence under the Superior Energy Management name and transition all of their low-volume customers to that

¹ EB-2012-0448 Decision and Order April 25, 2013, page 4

licence. I further recommend that within the next 18 months, one of Superior LP and SEM Gas LP apply to have one of the licences cancelled (and begin in a timely manner the process of renewing the licence I am now granting, if that licence is to be the continuing licence).

I cannot bind a future decision maker of the Board. However, I recommend that if no request for cancellation is forthcoming, and Superior LP seeks to renew its gas marketer licence, then the Board, at that time, begin a proceeding on its own motion to amend the term of licence GM-2012-0038 (the licence of SEM Gas LP), so that the Board can consider the licences simultaneously.

Superior respectfully submits that it has complied with this direction, applying what it understands to be the intent underlying these findings in a manner that accommodates the commercial realities of its upstream gas supply arrangements.

The terms of the Constellation/Macquarie supply arrangement entered into by Superior Gas require that the receivables under the customer contracts supplied under that arrangement be assigned to the supplier as collateral, or security, for the supply purchased. If the customers supplied under that arrangement were to be “moved” to Superior Plus prior to the expiry of their contracts, Superior Gas will be required to post alternative collateral with the Macquarie, in the amount of the market-to-market exposure to Macquarie, estimated in the July 24, 2014 letter as entailing a cost of approximately \$170,000. With the passage of time since the filing of the application, and the consequent decrease in the number of customers flowing with Superior Gas, the credit cost exposure as of today’s date is estimated at approximately \$140,000.

Through the transition plan outlined in the July 24th transmittal letter, Superior is attempting to strike a reasonable and practical balance between “regularizing” its gas supply and gas marketer licencing (i.e. consolidating its gas marketing under one licence; that of Superior Plus), and minimizing credit costs resulting from such “regularization” so as to continue to offer to its gas supply customers competitive pricing (as outlined in the July 24th transmittal letter, at the bottom of page 5 – top of page 6).

In particular:

1. From and after the date of the previous licencing decision, new upstream gas supply arrangements have been made through Superior Plus, allowing all new and renewing customer gas supply agreements to be entered into under the Superior Plus licence.

2. In the July 24th transmittal letter for the instant application, *Superior Gas* has requested that its current licence (GM-2012-0038) be amended so as to expire at the end of December, 2015, which is a year and a half early. This is, in effect, equivalent to an application to have one of *Superior's* two gas marketing licences cancelled (albeit in a time frame that mitigates otherwise unnecessary negative financial consequences).
3. *Superior* has brought both of these requests (renewal of the *Superior Plus* licence and early surrender of the *Superior Gas* licence) together and has provided full explanation for its proposal to transition all of its customer supply agreements to one *Superior Energy Management* licence no later than the end of December, 2015.
4. *Superior* has also indicated that all new and renewing low-volume customers will flow through the renewed licence, intended by *Superior* to become its single gas marketing licence; that of *Superior Plus* (GM-2012-0448, as renewed). As indicated in response to Board Staff interrogatory 4, *Superior Gas* is amenable to a condition on amendment of its current licence to this effect.

Superior notes that its transition proposal leaves some credit cost exposure at the end of the transition plan. There are 621 low-volume customers currently being served by *Superior Gas* whose gas supply contracts do not expire prior to December 31, 2015 (see July 24th letter, top of page 3). Assigning and transferring these customers to *Superior Plus*, as proposed, will entail a residual collateral cost of approximately \$30,000. However, it is *Superior's* view that extending the *Superior Gas* licence beyond the end of 2015 would not be appropriately responsive to the Board's direction in the prior licencing decision.

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Response to Board Staff Interrogatory #3

In the Decision and Order issued on April 25, 2013 in EB-2012-0448 Superior licence renewal proceeding, it was also recommended that Superior use the next 18 months to transfer customers from SEM Gas LP to Superior in order to utilize only one gas marketer licence.²

- a. Please explain what steps Superior has taken during the period from April 25, 2013 to present day to transition the customers from SEM Gas LP to Superior?
 - b. Since April 25, 2013, how many customers have been transferred from SEM Gas LP to Superior?
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Response:

- a. As indicated in the July 24th transmittal letter for the instant application (page 5), since the April 25, 2013 licencing decision;
 - 1. All new and renewing *Superior Energy Management* customers have been enrolled under the *Superior Plus* licence.
 - 2. Upstream supply for new and renewing low-volume customers is now being fully managed through *Superior Plus*.
- b. As of March 31, 2013, *Superior Gas* had 9,708 low-volume customers. As of today's date, *Superior Gas* has 2,805 low-volume customers. Since April 1, 2013, 869 customer accounts that were originally held by *Superior Gas* have been renewed into *Superior Plus* and are still active.

² EB-2012-0448 Decision and Order April 25, 2013, page 4

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Response to Board Staff Interrogatory #4

In the Decision and Order issued on March 11, 2009 in proceeding EB-2009-0012 (Superior's licence amendment proceeding), the Board noted that Superior had committed that it would not enter into any new customer supply agreements in the future³. However, in EB-2012-0448 proceeding, Superior indicated that contrary to its previous position, it had entered customers into contracts.⁴

- a. How can Board staff be assured that Superior will not change its business decision again?
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Response:

- a. *Superior* has proposed amendment of the *Superior Gas* licence (GM-2012-0038) such that it will expire on December 31, 2015. From and after this date, there will only be one licenced *Superior Energy Management* gas marketing entity into which customers can be enrolled, pursuant to the Board's objective as reflected in *Superior's* last licencing decision. Any changes to this business practice once the *Superior Gas* licence has expired will require prior Board (licencing) approval.

The present management of *Superior Energy Management* have provided their express undertaking to the Board through the July 24, 2014 transmittal letter for the instant application that no new or renewing low-volume customers will be enrolled through *Superior Gas*. The current customer numbers provided in response to Board Staff interrogatory 3b. evidence that *Superior* has been operating in accord with this representation since the date of *Superior's* last licencing decision.

Should the Board require further assurance, *Superior Energy Management* is amenable to a licence condition on the amended *Superior Gas* licence precluding the enrollment of new or renewing low-volume customers under that licence. Such a condition would become an "enforceable provision", enforceable pursuant to sections 112.3, 112.4, and/or 112.5 of the *Ontario Energy Board Act, 1998*.

³ EB-2009-0012 Decision and Order March 11, 2009, page 2

⁴ EB-2012-0448 Decision and Order April 25, 2013, page 3