

EB-2014-0053
EB-2014-0154
EB-2014-0361
EB-2015-0044

IN THE MATTER OF the Ontario Energy Board Act 1998, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF .an Application by Natural Resource Gas Limited, pursuant to section 36(1) of the Ontario Energy Board Act, 1998, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas as of April 1, 2014;

AND IN THE MATTER OF the Quarterly Rate Adjustment Mechanism;

AND IN THE MATTER OF an Application by Natural Resource Gas Limited, for an order or orders granting rate relief and/or a stay from the imposition of interest on any amounts due for payment to Union Gas Limited related to the application of certain penalty charges;

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders approving a one-time exemption from Union Gas Limited's approved rate schedules to reduce certain penalty charges applied to direct purchase customers who did not meet their contractual obligations;

AND IN THE MATTER OF a hearing on the Board's own Motion.

ARGUMENT AND OPINION OF

E2 Energy Inc. ("E2")

March 26th, 2015

**E2 ENERGY INC.'s
OPINION IN RESPONSE TO QUESTIONS POSED IN THE BOARD'S NOTICE OF MOTION TO
REVIEW AND PROCEDURAL ORDER NO.3 (MARCH 13, 2015)**

Board Motion, Question Number 3

"Should the costs associated with the penalty be recovered from NRG's ratepayers"?

Response:

a. The penalty charge for a failure to act on NRG's part should not be passed on to its ratepayers. Sufficient evidence has been provided by Union to warrant that NRG knew of its specific purchasing requirements needed to meet Union's February 28th balancing requirement, however no action was taken on their part to mitigate the potential costs to its ratepayers. Arguably, we believed that NRG, especially in its role as a natural gas distributor, failed to act in a reasonably responsible manner and in the best interests of its ratepayers and should alone bare the full penalty cost. Importantly, had NRG proactively acquired the gas it knew was needed to meet the February 28th checkpoint balancing requirements we would otherwise support including such costs in its QRAM rates or in consideration of a special recovery charge.

b. We do not believe that NRG was unable to obtain the balancing gas but rather chose not to obtain it in February 2014 due to the prevailing market pricing levels. Moreover, as most, if not all of NRG's natural gas supplies from Union are likely daily-read, then NRG would have known as early as mid-January that its deliveries were tracking lower than its forecasted consumption and that it would therefore need to purchase balancing gas, and should have done so analogously to the buying behaviour exhibited by Union (and as previously evidenced

in EB-2014-0050). This type of passive response by NRG should not entitle them to recover the full penalty from the ratepayers.

c. NRG fails to provide any form of banked gas reporting to advise its individual direct purchase clients should they be over or under supplied according to their (Bundled-T) contract and delivery requirements, let alone if they would meet the imposed February 28th balancing requirements. E2 confirms that it represents clients who are resident in both Union and NRG territories and as “embedded” distribution clients of NRG, they are uniquely disadvantaged by their inability to manage their own pools or to protect themselves from flow-through penalties, should these be applied to NRG’s direct purchase clients. In a specific instance we can confirm that one client was required to purchase a significant amount of balancing gas between January 15th and February 28th, 2014 for its other Union accounts, at market rates that were significantly less than they could be required to pay to NRG, pursuant to the current penalty rate approved by the Board.

d. NRG not only failed to act in the best interests of its ratepayers, by acquiring the balancing gas that it knew it needed in aggregate, it further failed to provide sufficient information to its direct purchase customers who would have been capable of mitigating the cost of their specific contribution to the NRG’s aggregate balancing gas requirements.