



June 21, 2016

Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto, Ontario M4P 1E4

**RE: Staff Discussion Paper on a Cap and Trade Regulatory Framework for Natural Gas Utilities  
- EB-2015-0363**

---

On behalf of Ag Energy Co-operative Ltd. and its 360+ agricultural, agri-business and rural member-owners, kindly accept the following comments regarding the Staff Discussion Paper on the Cap and Trade Regulatory Framework for Natural Gas dated May 25, 2016.

**1) Guiding Principles of Framework**

*The staff discussion paper suggests that the framework be guided by OEB's statutory objectives and well as six principles.*

**Ag Energy's Comments:** the Co-op is supportive of the guiding principles presented. In addition to the framework's principles, Ag Energy suggests a contemplative and staged approach to the successful adoption of the framework. That is, ensure that a province-wide program is adopted to ensure the proactive accomplishment of the climate change initiatives coupled with a supportive ease in adoption to ensure that Ontario's economic vibrancy is maintained. Furthermore, compliance penalties should be eased in during the phase-in period. That is, while the province is in the early stages of administration and education, an easing of penalties for compliance or delay is recommended.

**2) Forecasting Period**

*The forecasting periods require alignment with the duration of the Compliance Plans. OEB staff propose that the utilities prepare an annual forecast (of load, GHG emissions and carbon prices) for 2017 followed by 3-year forecasts that would span the length of the following compliance periods (e.g., 2017-2020, 2021-2023, etc.).*

**Ag Energy's Comments:** Ag Energy recommends staging the forecasting periods for load, GHG emissions and carbon pricing, whereby there would be three one year periods of learning and integration followed by three-year forecasts that would span the length of the compliance periods. This methodology would provide greater flexibility in program adoption for the utilities and consumers while protecting the interest of the rate payers.

---

### **3) Carbon Price Forecasts**

*Staff suggests that two carbon forecasts be prepared: an annual carbon price forecast and a long term (10-year forecast). These forecasts will be needed for the utility to calculate the costs of its Compliance Plan.*

**Ag Energy's Comment:** The Co-op recommends consideration of a short, medium and long-term forecasting perspective for adoption. For example: one, five and ten year forecasting periods. This aligns itself better with the nature of business within Ontario.

### **4) Centralized Information and Resources**

*Staff proposed a number of different guidelines which could be centrally provided.*

**Ag Energy's Comment:** Ag Energy supports a centralized and province wide philosophy of forecasting, communications and education. This aids in cost savings system wide and for ease of application for both the LDC's and the consumer, especially for those with multi-jurisdiction locations. Specific areas of consideration include:

1. The utilization of ICE for short, medium and long term forecasts. This can be coordinated by the OEB and provided to the LDC's.
2. OEB generated MACC
3. OEB created communications and education

### **5) Utilization of existing tools or systems for compliance or reporting**

**Ag Energy's Comments:** The Co-op encourages the LDC's and OEB to use existing tools for the capture and generation of data. We encourage the use of GDAR by the OEB, LDC's, Brokers and Agents as it is a widely adopted and well known platform.

### **6) Transparency and Predictability by Industry**

Ag Energy recommends full transparency in any and all Cap and Trade related charges. We believe separate lines item on future invoices would provide the clarity and priority required by all consumers to invoke the change desired by the initiative. Detail such as consumer volumetric charge, utility facility charge and administration are necessary as what is measured and reported will ideally create the attention required for change.

Furthermore, Ag Energy supports the volumetric assessment of Cap and Trade. We strongly encourage that the formula comprehends specific industry usage based upon life cycle or carbon sequestration in the form of a multiplier to the base calculation. Both the formulae and the value derived need to be simple and clear. For example: A greenhouse that produces tomatoes and utilizes CO<sub>2</sub> in the photosynthesis process may have a multiplier of 0.5 applied to the formula as it emits 50% less CO<sub>2</sub> than another non-agri producer.

### **7) Treatment of Investments by the OEB and LDCs**

It is strongly suggested that long term investment is dealt with as a forecasted capital expenditure and be a subset of the LDCs' rate application. This serves two purposes; it ensures the scrutiny provided by the OEB continues and also ensures a multi-year payback rather than a larger introductory rate of application.

---

## **8) Carbon Allowance Risk Management**

The utilities should not be engaging in financial risk management around carbon allowances as it should be a “pass through” cost with little risk. If the LDC’s engage in financial risk management and losses occur, these would in turn be passed onto the consumer and raise the carbon cost for the specific LDC’s consumers beyond consumers elsewhere in the province.

## **9) Other Energy and the Applicable Emission Calculation**

It is strongly suggested that the Ministry of Energy, the OEB or MOECC ensure that the same framework and principles be adopted for other forms of energy that fuel our businesses and economy. For example, the formula for Cap and Trade valuation be modified based upon the degree of effect it has in emissions. Other energy for consideration include: diesel, propane, wood chips, bunker oil, etc.

As it specifically applies to electricity, we recommend that the OEB create a similar set of guidelines and commentary for stakeholders and the public at large.

## **10) Confidentiality of Information**

It is highly recommended that the information collected and communicated from consumers be guarded under strict accordance of PIPEDA and also be safeguarded to ensure that companies maintain their anonymity and competitive advantage.

## **11) Process for Brokers and Agents**

The current guidelines remain silent on the role of Brokers and Agents in the effective roll out of Cap and Trade in the province. Process guidelines and administrative financial consideration need to be established.

## **12) No additional taxes to be charged for any Cap and Trade Levies**

It is strongly suggested that the Cap and Trade levy be free of any further taxation as it itself is truly an emissions tax.

Thank you for your consideration of these comments. We congratulate Ontario on its efforts to address the serious issue of climate change and look forward to continuing to work with the Province in making our contribution to the reduction of greenhouse gas emissions.

Sincerely,



Rose Marie Gage  
Chief Executive Officer  
Ag Energy Co-operative Ltd.

---

## **Background on Ag Energy Co-operative Ltd.**

Ag Energy is an Ontario based co-operative and serves more than 700 members and consumers in Ontario and Quebec. We are a services based co-operative that provides natural gas and electricity solutions to its member-customers and were incorporated 28 years ago. Our original objective was to ensure cost-effective procurement of natural gas for greenhouses as a result of energy deregulation, as energy is typically one of the largest input costs for our membership. We have annual sales in excess of \$35 million. Our primary focus is to provide cost effective energy commodities and investment opportunities to our membership. We are a lean organization of 10 full time employees serving agriculture, agri-tech and agri-food.

Taking into consideration the broader reach of Ag Energy's membership base, including individual farmers, agri-businesses, and other member co-operatives and organizations, Ag Energy's members account for:

- Approximately 5,000 employees;
- More than \$3/4 Billion CAD in revenues per year;
- Several hundred locations across rural Ontario;
- The recycling of an estimated 90% of members' revenues back into the local Ontario economy.