



Danny Persaud, P.Eng., MBA
Manager, Gas Supply Operations & Regulations

KITCHENER UTILITIES

Kitchener Operations Facility
131 Goodrich Drive
Kitchener ON N2C 2E8
Telephone: 519-741-2600 x4255
Fax: 519-741-2633
Email: danny.persaud@kitcher.ca
Website: www.kitchenerutilities.ca

BY RESS FILING & COURIER

22 June 2016

Ontario Energy Board
Attn: Ms. Kristen Walli, Board Secretary
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

RE: EB-2015-0363 - The Corporation of the City of Kitchener - Kitchener Utilities ("KU") Comments on Staff Discussion Paper on a Cap and Trade Regulatory Framework for Natural Gas Utilities

Pursuant to the Ontario Energy Board's ("OEB") Notice of Consultation to Develop a Regulatory Framework for Natural Gas Distributors' Cap & Trade Compliance Plans dated March 10, 2016, please find attached KU's comments.

KU wishes to thank the OEB for providing the opportunity to comment on this report as the cap and trade program will have a significant financial impact on KU's customers and customers throughout Ontario.

Kind Regards,

Danny Persaud

Encl.

Cc: W. Malcolm (KU)
J. Chatterjee (KU)

Comments on Sections 1 to 3

No comment.

Comments on Section 4 – Compliance Plans

Regarding GHG abatement measures (p.13), will the OEB be providing a list of approved investments, technologies, neighbouring utility initiatives etc.? KU would welcome the opportunity to participate in a new or existing working group to meet these objectives.

4.1.1 Regulatory Approach to Compliance Plans

No comment.

4.1.2 Duration of Compliance Plans

KU supports OEB staff approach to have compliance plans span the entire compliance period as it provides for better multi-year flexibility.

KU has no issue with the exception on the first year or annual update requirement for new forecasts and market developments.

4.1.3 Forecasting

KU foresees no issue in developing a GHG emissions forecast based on load forecast and GHG calculations from the emissions regulations.

KU supports OEB staff approach to have OEB issue a 10-year carbon price forecast, updated annually.

4.1.4 Compliance Plan Assessment

Regarding the marginal abatement cost curve (MACC) (p.18), KU believes that there is merit in developing this model and supports the OEB staff in recommending a single MACC be developed by the OEB to outline general non-utility-specific abatement activities as utilities may employ similar activities and come up with different numbers for abatement cost\potential.

KU may undertake the development of a curve based on its utility-specific abatement activities but foresees some difficulty in determining true abatement costs and abatement potential of such activities.

Regarding options analysis & description of optimization of decision-making, performance metrics and risk management, KU has no comment.

4.1.5 Treatment of longer term investments

No comment.

4.2 California and Quebec Markets

No comment.

Comments on Section 5 – Cost Recovery

5.1.1 Cost Causation

KU supports OEB staff recommendation to allocate facility-related and administrative costs across all customer classes as a cost of doing business. However, KU prefers the option of having this information in a separate line item on the bill.

5.1.2 Cost Allocation

KU supports OEB staff recommendation to allocate customer and facility related costs on a volumetric basis.

5.1.3 Rate Design and Bill Presentment

KU supports the option of having facility-related obligation and administrative costs be handled by a separate line item on the bill as opposed to having these costs embedded in the delivery charge. In addition, KU also supports the option of presenting the customer-related obligation costs as a separate line item on the bill as opposed to embedding this cost within the delivery charge. This is consistent with Québec practices.

Burying cap and trade costs into the delivery rates does not promote transparency, which is one of OEB's current initiatives. Combining cap and trade costs into the delivery charge hides the true

costs to administer and comply with the cap and trade program. In KU's experience, having a separate line on the bill reduces customer confusion and promotes transparency.

KU supports the option of having all customers see a rate rider on their bill for cap and trade. Determining whether to charge *facility-related + admin* or *facility-related + admin + customer-related* is easily achieved through the use of a flag.

5.1.4 Rate Setting Approaches

KU supports OEB staff recommendation to set rates based on annual weighted average price of utility's proposed compliance options, annual re-calibration and annual true-ups.

5.2 California and Québec Markets

No comment.

Comments on Section 6 to 9

No comment.