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Ottawa

Mr. John Pickernell
Manager, Applications Administration
Ontario Energy Board
27th Floor, 2300 Yonge Street
Toronto, ON M4P 1E4

Vancouver

New York

Dear Mr. Pickernell:

**Universal Energy Corporation
Renewal Application for Gas Marketer Licence
OEB File Number EB-2021-0274**

We are counsel to Universal Energy Corporation (“**Universal**”) in connection with Universal’s application for renewal of its existing gas marketer licence (GM-2016-0261, the “**Current Licence**”). We are filing this letter in response to your letter of October 29, 2021 seeking information about Universal’s plans to market natural gas in Ontario. In your letter, you indicate that the OEB does not issue licences to entities that do not intend to market natural gas within a reasonable timeframe. Your letter also asks Universal to respond to three discrete questions regarding: (a) when Universal ceased gas marketing activities in Ontario; (b) why Universal is making the application if it does not have plans to market natural gas; and (c) when Universal expects to begin marketing natural gas to low-volume consumers in Ontario.

As the Board knows, Universal is a subsidiary of Just Energy Group Inc. The entities within the Just Energy Group of companies (the “**JE Group**”) are retail energy providers specializing in delivering electricity and natural gas to nearly 1 million residential and commercial customers, mostly in Canada and the United States. In Ontario, Universal has held a gas marketer licence for many years but has not always actively marketed natural gas in Ontario. Universal’s last natural gas supply contract expired in November 2017. Just Energy Ontario L.P. and Hudson Energy Canada Corp. (Universal’s affiliates within the JE Group) have both been marketing natural gas and retailing electricity in Ontario for many years as well.

To address the three items set out in the October 29th letter, it is necessary to understand the current restructuring process within the JE Group, since the outcome of that process will determine Universal’s short-term gas marketing plans in Ontario. We are requesting that the Board renew the Current Licence on standard terms and conditions, so that the JE Group can complete its restructuring in 2022 without the Current License renewal causing

a distraction. Set out below is additional detail to assist the Board better understand the restructuring process.

During the term of Universal's Current Licence, Just Energy and a number of its subsidiaries applied for relief (the "**CCAA Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**"). The CCAA Application was made as a result of short-term liquidity challenges faced by the JE Group, which was caused by an unprecedented and catastrophic winter storm in Texas in February 2021 (the "**Weather Event**"). As a result of the Weather Event, the Just Energy Group was forced to balance its power supply through the Electric Reliability Council of Texas ("**ERCOT**") at artificially high electricity prices and significantly increased ancillary service costs. In February and March 2021, the JE Group received invoices from ERCOT for approximately US \$335 million for the week of February 13 to 20.¹ As part of the CCAA Application, the JE Group entered into a US \$125 million debtor-in-possession financing arrangement ("**DIP Facility**") and qualifying support agreements with its largest commodity supplier which enabled the JE Group to continue all retail electricity and natural gas operations without interruption across North America. In addition, JE Group is pursuing recovery of its ERCOT payments via two mechanisms: (a) Texas House Bill 4492 provides a mechanism for recovery of costs incurred by various entities, including the JE Group, during the Weather Event (through which the JE Group expects to recover over US \$100 million); and (b) a complaint filed in US Bankruptcy Court against ERCOT and the Public Utility Commission of Texas, Inc. seeking an award of US \$274 million.

While under CCAA protection, JE Group members have continued to meet all regulatory obligations and make all supplier payments. On November 10, 2021, the Ontario Superior Court approved the terms of an amended DIP Facility term sheet, which will extend the DIP Facility maturity date to September 30, 2022. This extension will allow the JE Group to carry on business and work towards a successful restructuring plan with its stakeholders in 2022. Upon its emergence from CCAA in 2022, the JE Group will be in a position to determine whether Universal will be actively marketing natural gas in Ontario. Until then, the JE Group is maintaining the status quo with respect to its energy marketing businesses across North America – i.e., maintaining and renewing all regulatory licences in order to facilitate the pending restructuring process. Since entering CCAA protection, the JE Group has renewed 23 regulatory licences in Canada and the United States, including in several jurisdictions where the JE Group is not actively marketing.

¹ To give a sense of the magnitude of the pricing anomaly, during the course of the Weather Event, the ERCOT wholesale market incurred charges of US \$55 billion over a seven-day period – an amount equal to what it ordinarily incurs over four years.

Universal believes that there are compelling reasons for the Board to renew Universal's natural gas marketer licence on standard terms and conditions, as follows:

- Granting the renewal would allow Universal flexibility to determine how best to restructure its natural gas marketing business in Ontario in a manner that makes sense for Universal, the JE Group and other stakeholders.
- There is no consumer protection issue that arises or would arise as a result of renewing the Current Licence.
- Granting the renewal would not prejudice any party (i.e., consumer or other electricity market participant in Ontario).
- This is not a question of a new market entrant seeking to be licensed without firm plans to carry out gas marketing. Rather this is a renewal application by an entity that has marketed natural gas in Ontario for several years – at times actively, and other times not at all. In 2022, Universal will be in a position to determine its short- and medium-term natural gas marketing plans for Ontario.
- Granting the renewal request would be consistent with the practice of other North American regulators. All 23 license renewal applications made by JE Group entities since filing of the CCAA Application have been granted.

Please contact the writer should there be further questions or information requests.

Yours very truly,



Richard King

RK:hi

c: Irina Kuznetsova (Advisor, OEB)
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