

VIA E-MAIL

December 15, 2021

Ontario Energy Board
Attn: OEB REGISTRAR
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

RE: EB-2021-0281 – EGI QRAM Q1 2021 - FRPO Submissions

Introduction

We are writing on behalf of the Federation of Rental-housing Providers of Ontario (FRPO) in response to the application for QRAM rate changes proposed by EGI in this application and EGI's responses¹ to our questions filed². While FRPO has participated in selective QRAM applications in the past on an exception basis, the evolution of Gas Supply discovery associated with the new Gas Supply Review framework had prompted our interest in reviewing more QRAM applications moving forward. Our comments are contained herein.

Ratemaking Represents a Balancing of Forces

FRPO respects that the QRAM methodology was created to try to provide a mechanistic approach for a flow through of market prices for commodity to consumer. Over time though, other factors have crept in including transportation impacts and mitigation expectations.

Differences between the market value and toll cost of transport has distorted the costs for customers and marketers who continue to supply gas at Empress³. We accept that this distortion is a result of a market evolution and a fixed rate setting construct. We encourage EGI to consider shifting its reference price from Empress to Dawn as part of its rebasing rates proceeding.

While the methodology is mechanistic, mitigation of the resulting rates and their impact is discretionary. We respect that the Board directed EGI to consider mitigation of rate

¹ EGI_ReplySUB_20211214

² FRPO_QUESTION_EGI_QRAM 2022Q1_20211210

³ EGI_ReplySUB_20211214 FRPO.1 AND FRPO.2

impacts above specific thresholds. We also understand that EGI and the Board are sensitive to government oversight⁴. In our submission, the ultimate test ought to be just and reasonable in the public interest.

EGI applied for mitigation through PGVA credits in its 2021 Q4 QRAM⁵. Given market direction at the time, we were very concerned about mounting ratepayer debt in an escalating commodity market. This concern was heightened given that the next increase would carry this debt burden into the Q1 period where ratepayers would face the highest seasonal consumption unless further mitigation was applied. Our concerns were realized when the current application increased the customer's annualized bill by about 5% while increasing the debt from \$173M to \$455M.

This approach would not be sustainable if market prices were continuing to escalate. In that situation, our submissions would be different. However, given a number of factors, the natural gas market was correcting around the time of the application. The result has been a decrease of approximately 5% for the calendar price⁶ by the shifting the QRAM 21-day time frame by one week. Perhaps more importantly, natural gas prices for this winter have decreased by 20-25% in the last month. Understanding that EGI has not fixed winter purchases at recent higher prices, provides some comfort that gas will be purchased at prices that are likely to be lower than those included in the forecasts that underpin the QRAM ratemaking.

These market decreases have been driven by recent stronger economic fundamentals which decrease the risks of price spikes during winter cold snaps. The evidence of stronger fundamentals can be seen in the EIA US storage report which shows current storage levels are approaching the 5 -year average after being below average since April⁷.

In our respectful submission, appropriate ratemaking would discourage a long-term carrying of ratepayer debt in the PGVA account. The market softening referred to above should allow EGI to reduce the PGVA balances in the 2022Q2 price setting while staying inside acceptable price increase thresholds. As such, FRPO supports the application as filed.

FRPO thanks the Board for consideration of its submissions and EGI for its responsiveness to our questions posed.

⁴ Exhibit A, Tab 2, Schedule 3

⁵ EB-2021-0219

⁶ EGI_ReplySUB_20211214 FRPO

⁷ <https://ir.eia.gov/ngs/ngs.html>

Costs

FRPO has outlined the reason for our involvement in the above introduction. We trust our observations and requests will be of benefit assistance to the Board and, as such, request a cost award of our reasonably incurred costs in the proceeding.

Respectfully Submitted on Behalf of FRPO,

Dwayne R. Quinn
Principal
DR QUINN & ASSOCIATES LTD.

- c. R, Wathy, EGI Regulatory Proceedings
Interested Parties - EB-2021-0281