

EPCOR Natural Gas Limited Partnership

2018 Cap and Trade Compliance Plan

EB-2017-0275

OEB STAFF INTERROGATORIES ON PUBLIC MATERIAL

January 26, 2018

Issue 1 – Cost Consequences

Staff IR EPCOR PUBLIC # 1

Topic: Administrative Costs

Ref: Exhibit 3 / pp. 22

Preamble:

EPCOR Natural Gas indicates that its 2018 administrative costs are \$157,000, made up of consulting services (\$76,500), legal services (\$12,000), auditing services (\$7,000), software development (\$23,000), incremental admin staff (\$28,000), travel (\$2,000) and communications and marketing (\$2,500).

Further, EPCOR Natural Gas states that it expects administrative costs to increase in 2018 for work required to develop software reports.

Questions:

- a) Please explain what EPCOR Natural Gas means when it states that it expects administrative costs to increase in 2018 (e.g., does EPCOR Natural Gas expect the costs to increase from the 2018 estimated costs of \$157,000?).
- b) Please explain the cost of \$23,000 for software development.
- c) Please explain the cost of \$28,000 for incremental administrative staff (e.g., the number of FTEs, the scope of work, etc.)
- d) Is Blackstone Energy Services Inc. under a one-year contract? Please explain.
- e) Please discuss if EPCOR Natural Gas considered the need and appropriateness of increasing its bad debt amount in relation to the impact of the cap and trade program.

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Issue 1.1 – Are the 2018 volume forecasts reasonable and appropriate?

Staff IR EPCOR PUBLIC # 2

Topic: Volume Forecasts

Ref: Exhibit 2 / p. 8

Preamble:

EPCOR Natural Gas states that it has been exempt from offering DSM programs to its customers.

Questions:

- a) Please indicate where the OEB has exempted EPCOR Natural Gas from undertaking DSM activities.
- b) OEB staff notes that in the OEB's Report of the Board, 2015-2020 DSM Framework¹, the OEB encourages Natural Resource Gas Ltd (NRG)/ EPCOR Natural Gas to prepare and file a DSM plan with the OEB. Please explain whether EPCOR Natural Gas has considered any DSM or abatement opportunities for its customers.
- c) Has EPCOR Natural Gas considered any of the abatement opportunities outlined in the OEB's Marginal Abatement Cost Curve² (OEB MACC)? Please explain.
- d) Has EPCOR Natural Gas initiated any studies/analysis regarding potential facility-related abatement opportunities? Please explain.
 - i. If yes, please file this material with the OEB.
 - ii. If no, please explain why not.

¹ EB-2014-0134, p. 18

² EB-2016-0359

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Issue 1.2 – Are the 2018 GHG emissions forecasts reasonable and appropriate?

Staff IR EPCOR PUBLIC # 3

Topic: GHG Emissions Forecasts

Ref: Exhibit 2 / pp. 10 and 11, Tables 4, 5, 6 and 7

Preamble:

In Table 6, EPCOR Natural Gas estimates that its 2018 total GHG emissions forecasts is 58,531 t CO₂e.

In Table 7, EPCOR Natural Gas estimates that its 2018 total GHG emissions forecasts are:

Customer- related GHG Emissions (t CO ₂ e)	Facility-Related GHG Emissions (t CO ₂ e)	Total GHG Emissions (t CO ₂ e)
56,918	1,624	58,542

- a) Please explain which is EPCOR Natural Gas' GHG emissions forecasts for 2018: 58, 531 t CO₂e or 58,542 t CO₂e. Please update all necessary tables and file the updates with the OEB.
- b) Please explain in detail how EPCOR Natural Gas calculated its emission factor of 0.001915 t CO₂e per m³ in Table 7. Please provide all supporting documentation.

Issue 1.9 – Are the gas utility's proposed longer term investments reasonable and appropriate?

Issue 1.10 – Are the gas utility's proposed new business activities reasonable and appropriate?

Staff IR EPCOR PUBLIC # 4

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Topic: New Business Activities

Ref: Exhibit 3 / pp. 27

Preamble:

EPCOR Natural Gas states that it will be putting additional resources into advancing biofuels programs in the Ontario market. EPCOR Natural Gas also states that it has significant, proven experience and success in renewables.

Questions:

- a) Please explain EPCOR Natural Gas' experience and success in renewables.
- b) Please discuss in detail the biogas and landfill gas projects that EPCOR Natural Gas is considering.
- c) Please discuss the status of EPCOR Natural Gas' biogas and landfill gas projects.
- d) Does EPCOR Natural Gas plan to be an offset project developer and/or offset supplier?
 - i. If yes, please confirm that the laws and regulations governing cap and trade and offset credits in Ontario would allow a capped participant such as of EPCOR Natural Gas to undertake this business activity. Please explain whether of EPCOR Natural Gas would undertake this business activity through an affiliate or as a regulated utility.
 - ii. Is EPCOR Natural Gas in partnership with other parties to invest in these projects? Please explain.
- e) Please provide any analysis, including underlying assumptions that EPCOR Natural Gas has done, with respect to the cost-effectiveness of biogas and landfill gas projects versus other abatement options.
 - i. Did EPCOR Natural Gas use the OEB MACC for this analysis? Please explain.

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- f) Please discuss in detail the potential costs and resources (e.g., FTEs, IT systems, etc.) that EPCOR Natural Gas would require to invest in these projects.

Issue 3 – Customer Outreach

Staff IR EPCOR PUBLIC # 5

Topic: Customer Outreach

Ref: Exhibit 5 / pp. 31-32

Preamble:

EPCOR Natural Gas describes its customer outreach activities and has indicated that it has undertaken a number of activities to ensure customers are informed about the cap and trade program and its impacts.

EPCOR Natural Gas also states that in 2018, it will focus on education surrounding household and small commercial load reduction abatement.

Questions:

- a) Please discuss EPCOR Natural Gas' experience to-date related to the communication material distributed to its customers. In your response, please discuss how the information has generally been received by customers and the volume of inquiries/comments submitted to EPCOR Natural Gas' call centre.
- b) Is EPCOR Natural Gas considering any changes to its communication strategy based on feedback and customer response based on the early response to the cap and trade program? Please explain.
- c) What tools has EPCOR Natural Gas developed to help customers quantify cap and trade costs? Is EPCOR Natural Gas developing any additional tools (i.e., bill calculators, etc.)?

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- d) Given that EPCOR Natural Gas has not implemented any DSM and/or abatement programs, please explain how it will educate customers on load reduction abatement opportunities.

Issue 5 – Cost Recovery

Staff IR EPCOR PUBLIC # 6

Topic: Cost Recovery

Ref: Exhibit 7 / pp. 34 and 35 and Exhibit 3 / p. 26, Table 13

Preamble:

EPCOR Natural Gas describes its cap and trade related charges and outlines these charges in Table 16. EPCOR Natural Gas also states that its administrative rates in 2018 for all rate classes, including one LFE customer, will be kept at 0.1560 cents per cubic metre. Further, EPCOR Natural Gas, in Table 13, outlines its scenario analysis and associated costs.

Questions:

- a) Please confirm that the 2018 administrative rate of 0.1560 ¢/m³ is not included in the charges outlined in Table 16.
- i. If these charges are included in Table 16, please update the table with the 2018 administrative rate removed.
- b) Please explain the difference in the 2018 administrative rate of 0.23588 ¢/m³ as outlined in Table 13 and the 2018 administrative rate of 0.1560 ¢/m³.
- c) Please confirm that pursuant to the OEB's Decision and Order in the 2017 cap and trade Compliance Plans³ that administrative costs are to be captured in the GGEIDA.

³ EB-2016-0296/0300/0330