

EPCOR RESPONSES TO VECC INTERROGATORIES

EPCOR Natural Gas Limited Partnership

**Application for Rates October 1, 2016 to December 31, 2019, a Fixed
Monthly Charge for Rate 6, Disposition of Deferral and Variance
Accounts and Approval to Change Rate Year from October 1 to
January 1 effective January 1, 2020**

EB-2018-0235

VECC -1

Reference: Exhibit A, pg. 5

At the above reference it states: “ENGLP’s current billing system cannot provide a breakdown of the consumption by block for consumption prior to the implementation of the new system so the total annual consumption by rate group has been allocated to blocks based on the historical proportions used by NRG in its IRM applications since EB-2010-0018.”

a) Please explain what “new system” is being discussed in this reference.

b) Please explain what is meant by “consumption by block.”

Responses:

a) As described in EB-2016-0236, Natural Resource Gas (NRG) identified the need to replace its DOS-based billing system as it was limited in its reporting capabilities and posed a significant risk to the utility as it was no longer supported¹. As well, NRG needed a system that had the functionality to allow the utility to adapt to market and regulatory changes. NRG implemented its new billing system, CUSI over the course of several months in 2016 and 2017 and commenced billing customers from the new system on April 24, 2017.

b) Consumption by block refers to the allocation of consumption into the various rate blocks applicable to each rate class. For Rate 1 customers this would be the blocks of “Delivery of the first 1000 m3” and “Delivery over 1000 m3”.

¹ EB-2016-0236 – Application and Evidence, August 9, 2016, Exhibit 2 Tab 1 Schedule 1, page 4

VECC-2

Reference: Exhibit A, pg. 9

- a) Please provide a reference as to where the Board has found for the natural gas sector that “the productivity factor (Industry TFP) for the price adjustment is zero”

Response:

- a) The productivity factor approved in NRG’s IR Plan for EB-2010-0018 is tied to the productivity factor used by the Board for electricity distributor adjustments and therefore the Industry TFP referenced in Exhibits A, B and C is that for electricity distributors. EB-2010-0379 Report of the Board Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors Issued on November 21, 2013 and as corrected on December 4, 2013 provide the Board’s determination that the Industry TFP for electricity distributors is zero.

1 **VECC-3**

2 **Reference: Exhibit A, pg. 10**

3 **At the above reference ENGLP states “Since this Application covers a historical**
4 **time period, ENGLP is requesting to create a deferral account to record this**
5 **difference.”**

6 **Questions:**

7 **a) Is ENGLP suggesting that a deferral account be approved to capture**
8 **amounts that have occurred prior to July 27, 2018?**

9 **b) If so please provide an OEB precedent for establishment of a deferral**
10 **account post facto of the event being tracked. For each account pleas**
11 **provide the period over which ENGLP is seeking amounts to be booked.**

12 **c) Please list all accounts for which approval is being sought to track**
13 **variances or deferred amount occurring prior to July 27, 2018.**

14 **Response:**

15 **For responses to questions a) through c) above, please see EPCOR Natural Gas**
16 **Limited’s (EPCOR) responses to A-Staff-2, C-Staff-8 and C-Staff-9.**

VECC-5

Reference: Exhibit B, pg. 12

- a) Please provide a table in the form of Table 3 – Deferred Revenue, which shows for each rate group the following:**
- i. The deferred revenue being sought for recovery for the period Oct 1 2016 to Sept 30, 2017 and separately for the same period any Shared Tax charge;**
 - ii. The deferred revenue being sought for recovery for the period Oct 1 2017 to Sept 30, 2018 and separately for the same period any Shared Tax charge;**
 - iii. The total deferred amounts being sought for recovery from each rate class**
 - iv. Please provide the historical actual volumes for by rate group for each period above i) and ii).**
 - v. For Rate class 1 in the above table please provide the actual volumes each period by sub-group (Residential/Commercial/Industrial).**

Response:

- a) The information requested has been provided in the table below.**

Rate Group	2016-2017		2016-2017		2017-2018		2017-2018		Total Deferred Revenue Requested for Recovery 2016-2018	2016-2017 Actual Consumption	2017-2018 Actual Consumption
	Deferred Revenue Recovery	Shared Tax Changes Recovery	Deferred Revenue Recovery	Shared Tax Changes Recovery	Deferred Revenue Recovery	Shared Tax Changes Recovery	Deferred Revenue Recovery	Shared Tax Changes Recovery			
RATE 1 - General Service Rate - Residential	\$ 60,572	\$ 9,171	\$ 114,926	\$ 9,171	\$ 193,839					14,699,145	17,800,992
RATE 1 - General Service Rate - Commercial	\$ 12,449	\$ 1,621	\$ 23,621	\$ 1,621	\$ 39,313					4,326,736	4,113,930
RATE 1 - General Service Rate - Industrial	\$ 3,678	\$ 496	\$ 6,979	\$ 496	\$ 11,649					1,544,914	2,571,024
RATE 2 - Seasonal Service	\$ 2,985	\$ 439	\$ 5,664	\$ 439	\$ 9,529					1,454,147	1,534,479
RATE 3 - Special Large Volume Contract Rate	\$ 2,293	\$ 337	\$ 4,351	\$ 337	\$ 7,318					1,485,572	1,227,827
RATE 4 - General Service Peaking	\$ 2,502	\$ 368	\$ 4,746	\$ 368	\$ 7,984					912,931	1,424,889
RATE 5 - Interruptible Peaking Contract Rate	\$ 804	\$ 118	\$ 1,525	\$ 118	\$ 2,565					553,894	754,495
RATE 6 - Integrated Grain Processors Co-Operative Aylmer Ethanol Production Facility	\$ 30,580	\$ 4,500	\$ 58,021	\$ 4,500	\$ 97,602					38,423,518	32,596,482
	\$ 115,863	\$ 17,051	\$ 219,833	\$ 17,051	\$ 369,799					63,400,857	62,024,118

1 **VECC-6**

2 **Reference: Exhibit D, page 6**

3 **a) What is the current status of the IGPC station rebuild? Specifically has it**
4 **been completed and if so at what capital cost?**

5 **Response:**

6 a) Please see EPCOR's response to IGPC-10a) for information on the station
7 replacement project.

VECC-7

Reference: Exhibit D, page 6

- a) ENGLP states that the forecasted cost of serving IGPC is not expected to increase by any other costs than inflation. How then are the station rebuild capital costs recovered?
- b) Are the rates (fixed and variable) for IGPC increasing by the same percentage as the Rate 1 and Rate 2 classes?
- c) Why has ENGLP chosen not to charge any administrative fees for passing through Union Gas M9 charges? Does IGPC pay these charges directly to Union Gas?

Responses:

- a) EPCOR's comments with respect to the forecasted costs of serving IGPC were in relation to the operating and maintenance costs. The capital cost of the station rebuild would be treated as an addition to the rate base for rate 6 and would be recovered through the revenue requirement once the revenue requirement and corresponding charge are adjusted in EPCOR's upcoming cost of service application.
- b) The revenue for each rate class is increasing by the same percentage and the methodology of applying that increase to the various rates and charges within the rate class was also consistent amongst all rate classes in Exhibit A, B and C. As described in EPCOR's response to D-Staff-10 b), the inflated rates from Exhibit C were then translated into the proposed monthly fixed rate.
- c) As noted in EPCOR's response to IGPC-9 all upstream supply costs from Union Gas Limited in relation to the contracts for the volumes supplied to IGPC as passed through directly to IGPC. In terms of EPCOR's administration costs associated with administering the pass through of the charges to Union, EPCOR has not done a cost allocation study to support adjusting the allocation of any operations, maintenance or administrative costs within the revenue requirement on which the applications in Exhibits A, B and C are based.

VECC-8

Reference: Exhibit A, B & C

- a) Please provide the historic (Stats Canada) annual inflation rate measure on average and annual (Dec vs. Dec) for each year 2015, 2016, 2017 and 2018 (ending Sept 30).**

Response:

- a) Statistics Canada calculates and provides a number of different annual inflation rates and consumer price indices which cannot all be provided here. However, for the purposes of rate setting, in the Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors, the Board adopted a 2-factor Input Price Index ("IPI") methodology. The Board uses the year-over-year change in the GDP-IPI (FDD), and the AWE ("Average Weekly Earnings") All Employees-Ontario, to calculate the 2-factor IPI. The percentage change is calculated as the weighted sum of 70% of the annual percentage change in the GDP-IPI (FDD) for the prior year relative to the index value for two years prior and 30% of the annual percentage change in the AWE for the prior year relative to the data for years prior.

The IPI as determined by the board for the years 2015, 2016, 2017 and 2018 can be referenced in the table provided in the response to IGPC-3 c).

1 **VECC-9**

2 **Reference: EB-2016-0236**

3 **a) Please explain why ENGLP has withdrawn its proposal in EB-2016-0276 to**
4 **adjust the monthly fixed charges of Rate Classes 1, 2 and 3?**

5 **Response:**

6 a) As noted in EPCOR's response to IGPC-5, EPCOR's review of EB-2016-0236
7 determined that the filing includes a number of material deficiencies and it cannot
8 simply be revised and updated to reflect EPCOR's cost structure as previously
9 thought.

VECC-10

Reference: EB-2016-0236/ EB-2018-0235

a) Please update the following table from EB-2016-0236 to show actual values for 2016 and 2017.

	<u>Utility Capital Additions</u> (\$'s)							
	<u>Test</u> <u>2017</u>	<u>Bridge</u> <u>2016</u>	<u>Actual</u> <u>2015</u>	<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2013</u>	<u>Actual</u> <u>2012</u>	<u>Actual</u> <u>2011</u>	<u>Actual</u> <u>2010</u>
Mains - Additions	425,000	2,046,520	56,544	55,483	49,023	350,150	422,291	117,826
- Replacements	150,000	6,500	0	0	0	0	0	2,160
Services - Additions	212,096	135,000	188,548	100,574	199,720	199,126	100,085	86,842
- Replacements	0	0	0	0	0	0	0	1,490
Ethanol Pipeline	200,000	0	0	0	0	0	0	0
New Steel Mains	0	0	0	0	0	0	0	0
Meters	131,189	125,026	276,027	260,412	176,570	73,713	22,920	103,219
Meter - IGPC	0	0	14,512	0	0	0	0	0
Regulators	63,500	62,250	14,512	22,302	71,354	42,387	17,105	16,139
Franchises	0	30,000	39,047	115,157	373,270	0	1,450	6,197
Land	0	15,000	0	0	0	0	0	0
Buildings	60,000	12,000	0	3,285	1,758	0	0	0
Furniture & Fixtures	4,200	2,000	6,214	21,653	2,946	10,083	0	0
Computer Equipment	20,000	9,000	15,638	6,076	6,972	3,640	1,159	5,214
Computer Software	89,500	200,000	10,977	9,327	7,504	3,952	16,800	21,115
Machinery & Equipment	17,700	98,100	47,243	40,158	38,373	5,328	3,741	4,347
Communication Equipment	7,500	12,000	0	15,889	4,730	0	10,196	6,500
Automotive	84,600	79,200	15,632	126,257	54,384	55,064	65,571	14,075
Water Softeners	0	0	0	0	0	0	0	0
Rental Water Heaters	0	0	123,708	166,120	147,245	220,239	153,853	192,902
Total Capital Expenditures	1,465,285	2,832,596	808,603	942,693	1,133,848	963,682	815,171	578,027

b) In EB-2016-0236 ENGLP (NRG) forecast spending of \$425,000 on three system integrity projects as per the recommendations of the SNC-Lavalin System Integrity Study. Please provide an update on these projects.

Responses:

a) The updated table showing the actual values for 2016 and 2017 has been provided in Attachment 1.

b) One of the recommended projects was completed in the fall of 2017. The project involved the installation of a 3.9 km 4 inch plastic pipeline connecting Orwell to Conservation (the "Springwater Project"). This improved the flow of gas to the southwest area of the system and increased pressures around the Town of Aylmer. The cost of the project was \$292,000. Other projects recommended in SNC-Lavalin's System Integrity Study have been put on hold pending the completion of EPCOR's current system integrity study and resulting capital plan which will be included in the upcoming cost of service filing.

VECC-11

Reference: EB-2016-0236 Exhibit 3, Tab 1, Schedule 1, pg. 8

- a) Please provide the actual revenues by rate class R1-Residential, R1-Commercial, R1-Industrial, R2 Seasonal, Contract R3, Industrial R4 and Contract R5 for each year 2015, 2016, and 2017.**

Response:

- a) The actual revenues by rate class² as requested are provided in the table below.

	2015	2016	2017
R1-Residential	3,726,738	3,487,504	3,728,013
R1-Commercial	674,450	609,914	656,041
R1-Industrial	212,091	185,393	211,528
R2-Seasonal	162,092	142,379	195,210
Contract R3	140,306	134,602	127,767
Industrial R4	167,515	102,848	91,607
Contract R5	91,724	55,931	47,871
IGPC	1,531,844	1,783,621	1,797,592
Total	6,706,760	6,502,192	6,855,629

² 2015 taken from EB-2016-0236 – Application and Evidence, August 9, 2016, Exhibit 3 Tab 1 Schedule 3, page 1; 2016 and 2017 obtained from NRG's audited Financial Statements for the respective years

- 1 **ATTACHMENT 1 as associated with VECC 10**
- 2 **Utility Capital Additions 2010 to 2017**

1

Utility Capital Additions³

(\$'s)								
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2016	2015	2014	2013	2012	2011	2010
Mains - Additions	2,151,817	623,344	56,544	55,483	49,023	350,150	422,291	117,826
- Replacements			-	-	-	-	-	2,160
Services - Additions	117,615	84,718	188,548	100,574	199,720	199,126	100,085	86,842
- Replacements	-	-	-	-	-	-	-	1,490
Ethanol Pipeline	29,361	-	-	-	-	-	-	-
New Steel Mains	-	-	-	-	-	-	-	-
Meters	81,402	122,957	276,027	260,412	176,570	73,713	22,920	103,219
Meter - IGPC	-	-	14,512	-	-	-	-	-
Regulators	6,952	69,506	14,512	22,302	71,354	42,387	17,105	16,139
Franchises	29,353	30,722	39,047	115,157	373,270	-	1,450	6,197
Land	-	-	-	-	-	-	-	-
Buildings	12,259	-	-	3,285	1,758	-	-	-
Furniture & Fixtures	-	2,464	6,214	21,653	2,946	10,083	-	-
Computer Equipment	16,355	19,169	15,638	6,076	6,972	3,640	1,159	5,214
Computer Software	75,530	217,730	10,977	9,327	7,504	3,952	16,800	21,115
Machinery & Equipment	13,375	94,550	47,243	40,158	38,373	5,328	3,741	4,347
Communication Equipment	4,533	15,515	-	15,889	4,730	-	10,196	6,500
Automotive	386	86,730	15,632	126,257	54,384	55,064	65,571	14,075
Water Softeners	-	-	-	-	-	-	-	-
Rental Water Heaters	-	-	123,708	166,120	147,245	220,239	153,853	192,902
	2,538,938	1,367,405	808,602	942,693	1,133,849	963,682	815,171	578,026

2

³ 2016 and 2017 Amounts taken from 2016 and 2017 Financial Statement working papers as provided by NRG