

OEB STAFF SUMMARY OF COMMUNITY MEETING

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Application for 2020 to 2024 Rates

March 29, 2019

TABLE OF CONTENTS

1	INTRODUCTION.....	1
2	THE PROCESS	2
3	SUMMARY OF THE MEETING	3

SCHEDULE A: ONTARIO ENERGY BOARD PRESENTATION

SCHEDULE B: EPCOR NATURAL GAS LIMITED PARTNERSHIP PRESENTATION

1 INTRODUCTION

EPCOR Natural Gas Limited Partnership (EPCOR Natural Gas) filed an application with the Ontario Energy Board (OEB) on February 1, 2019 seeking approval for changes to the rates that EPCOR Natural Gas charges for natural gas distribution, to be effective January 1, 2020. EPCOR Natural Gas also applied for an Incentive Regulation (IR) plan covering the period January 1, 2021 to December 31, 2024.

The rate impact for the period January 1, 2020 to December 31, 2020 is provided in the table below.

	Annual Bill Current Rates (\$)	Annual Bill Proposed Rates (\$)	Change (\$)	Change (%)
Rate 1 - Residential	469.92	464.68	-5.24	-1.11%
Rate 1 - Commercial	832.18	797.29	-34.88	-4.19%
Rate 1 - Industrial	2,080.55	1,959.73	-120.82	-5.81%
Rate 2	2,691.46	2,691.46	0.01	0.00%
Rate 3	93,609.24	93,610.68	1.44	0.00%
Rate 4	2,283.44	2,361.60	78.16	3.42%
Rate 5	14,922.42	16,353.40	1,430.98	9.59%
Rate 6	1,133,887.44	850,415.58	-283,471.86	-25.00%

A Notice of Hearing was issued on February 28, 2019.

The OEB hosted one community meeting on March 19, 2019 in Aylmer, Ontario regarding EPCOR Natural Gas' 2020 to 2024 application. Rate 4 and Rate 5 class of customers received a letter from the OEB inviting them to attend the meeting.

This is an OEB staff report summarizing the outcomes of this community meeting. This report will be placed on the public record of the OEB hearing of this application along with copies of any written presentations made at the meeting. This report includes a summary of comments, questions and concerns raised during the community meeting by customers who attended the meeting. This summary is intended to capture the range of perspectives that were shared, rather than to provide a verbatim transcript of the meeting.

Customers are also able to submit individual written letters of comment with the OEB, either during a community meeting or any other time during the course of the OEB's review of an application. The OEB places written letters of comment on the public record of the specific proceeding. All comments must be submitted to the OEB before the decision-makers in that case begin to consider their decision on the application. In making its decision, the OEB considers everything on the public record, including all comments when determining whether to grant the requests made by EPCOR Natural Gas.

2 THE PROCESS

The OEB convenes community meetings in the service territories of local distribution companies that have applied to the OEB to change their rates through a cost of service proceeding.

Community meetings are part of the OEB's process of reviewing a rate application. The OEB has established a [Consumer Engagement Framework](#) to ensure that the perspectives of customers served by rate-regulated entities are considered in the OEB's decision-making process.

Community meetings are hosted by OEB staff who informs customers about the role of the OEB in rate-setting and the processes involved. OEB representatives explain the various ways that customers can become involved in the adjudicative process. A copy of OEB staff's presentation is attached to this report as Schedule A.

To assist customers in better understanding the application, the utility makes a presentation explaining its proposals for capital, operations and other spending that result in the requested rate change. A copy of EPCOR Natural Gas' presentation is attached to this report as Schedule B.

Customers and municipal officials are also invited to make presentations outlining their thoughts on the utility's proposals.

Following the presentations, customers have the opportunity to ask questions of the OEB and the utility about the application and the regulatory process. The issues raised by customers in the community meetings are documented and used by OEB staff in reviewing the application, asking interrogatories and making submissions to the OEB panel hearing and deciding the application. Any verbal comments provided to OEB staff at the community meeting are summarized in this report with no attribution.

In addition to providing verbal comments to OEB staff, customers attending the meetings may express their concerns directly to the OEB by providing individual comments (with attribution) through an online form on the computers provided or by filling in a hard copy comment form, which is then submitted to the OEB by OEB staff.

3 SUMMARY OF THE MEETING

The EPCOR Natural Gas meeting was held at the East Elgin Community Complex in Aylmer, Ontario on March 19, 2019 from 6:30 p.m. to 8:30 p.m. Approximately seven customers attended the meeting to hear presentations from OEB staff and EPCOR Natural Gas. Prior to the presentations, OEB staff and staff from EPCOR Natural Gas were available to informally talk to attendees and answer questions. OEB and EPCOR Natural Gas representatives responded to questions from attendees during and following the presentations.

The following OEB staff and EPCOR Natural Gas representatives attended the meeting:

OEB Staff

Michael Millar, Counsel, Legal Services
Khalil Viraney, Project Advisor, Major Applications
Lillian Ing, Hearings Advisor, Office of the Registrar
Lynn Ramsay, Senior Advisor, Community Relations & Outreach

EPCOR Natural Gas

Bruce Brandell, Director, Commercial Services
Jamie Gingrich, Acting General Manager
Stacy Ricketts, Administrative & Field Supervisor

OEB staff and representatives from EPCOR Natural Gas presented at the meeting. There were no customer presentations at the meeting.

Some of the primary concerns or comments raised at the meeting included:

- General Service - concerns from commercial customers in the Belmont area over pressure issues and, its effect on their grain drying business. Customers asked about EPCOR Natural Gas' plans to address the issue. EPCOR Natural Gas outlined the capital projects that will be implemented to alleviate pressure issues in the Belmont area.
- EPCOR Natural Gas' future plans to provide service to rural areas. EPCOR Natural Gas explained the requirement for a financial contribution if the cost of connecting a customer is not economically feasible within existing rates.
- Bill impacts – questions about the current market rate, where the majority of gas comes from and why EPCOR Natural Gas rates are higher than Union Gas.
- Questions on what the increase would be between existing and proposed rates for Rate 4 and Rate 5 customers and how rates are set for each class. EPCOR

Natural Gas explained the changes in cost allocation that results in higher rates for these rate classes.

- Information on what a stretch factor in a Price Cap Index is and how it will be used to adjust EPCOR Natural Gas' rates during the IR period. The stretch factor is adjusted against inflation and represents the efficiency of a utility in relation to peers.
- Question on how many thousand cubic feet (MCF) of natural gas is procured through local production.
- General – a question on what the acronym, EPCOR stands for (Edmonton Power Corporation)

SCHEDULE A
ONTARIO ENERGY BOARD PRESENTATION
EPCOR NATURAL GAS LIMITED PARTNERSHIP
EB-2018-0336
MARCH 19, 2019

OEB's Rate Review Process Getting Involved

**OEB Community Meeting
EPCOR Natural Gas Limited Partnership
Rate Application**

March 19, 2019

Every Voice Matters

Meeting Objectives

- Learn more about your utility's costs and rate application
- Find out how to get involved in the OEB's process
- Provide your comments about your utility's application.

Who We Are

We are an independent regulator responsible for Ontario's electricity and natural gas sectors.

We support and guide the continuing evolution of Ontario's energy sector by promoting outcomes and innovation that deliver value for all Ontario energy consumers.



What We Do

**Protect
Consumers
(Set and
Enforce
Rules)**

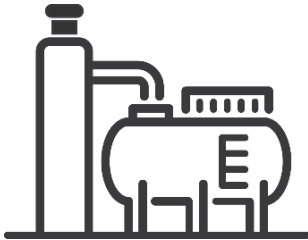
**Engage
and Inform
Consumers**

**Set Rates
and
Approve New
Facilities and
Mergers**

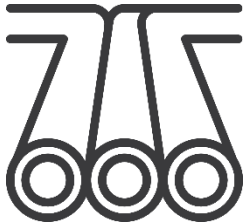
**Energy
Support
Programs
(OESP & LEAP)**

**Licence
Energy
Companies**

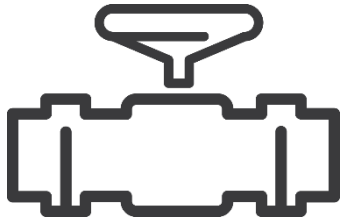
Ontario's Natural Gas Sector



Production



Transmission



Distribution



Home

OEB'S Role

Production

- Approve the price of natural gas four times a year

Transportation & Storage

- Approve transportation contracts
- Review and approve the transportation rate
- Approve certain pipeline infrastructure
- Approve storage areas and infrastructure

Your Utility

- Make and enforce rules and customer service standards
- Review and approve delivery rates for each utility

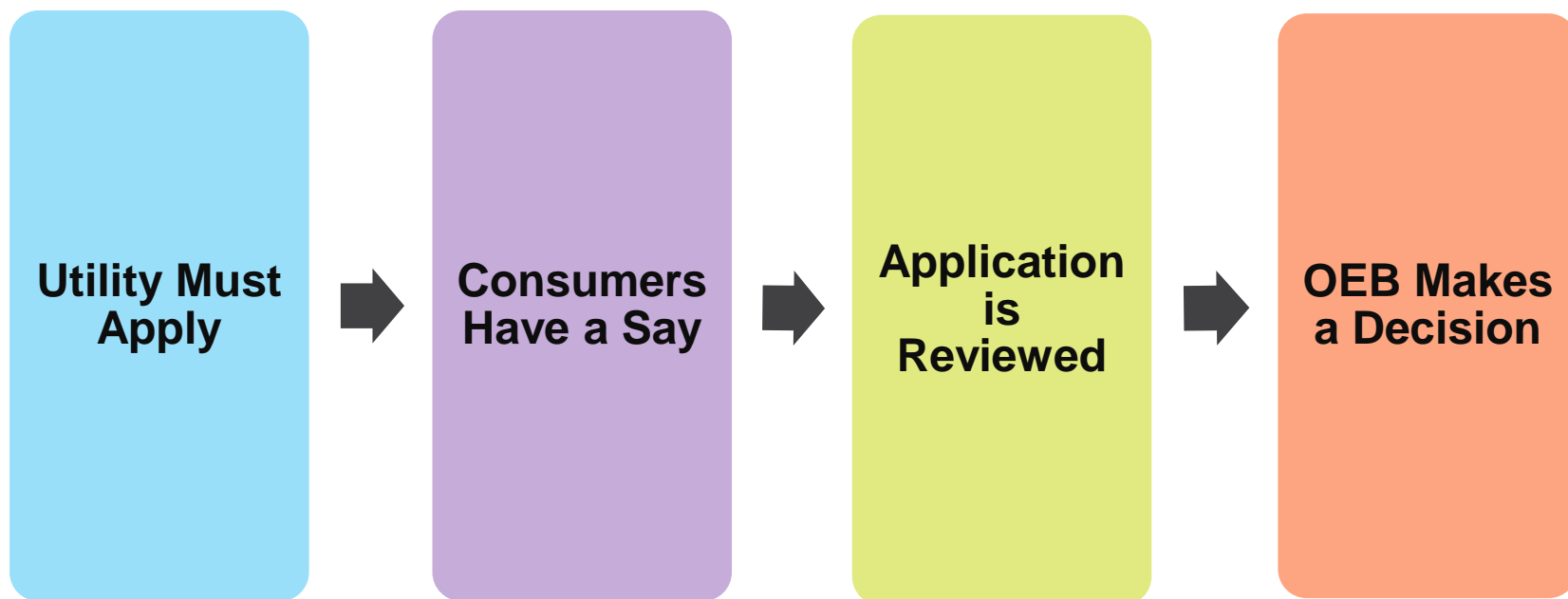
Delivering Value – Ensuring Reliability

Prices, reliability & quality of service



Financially viable energy sector

Holding Utilities to Account



Step One - Utilities Must Apply

Utilities Must Apply

- Every 5 years
- OEB closely examines costs, investments, plans and productivity
- Consumers are made aware through newspapers, websites, social media and bill inserts.

Step Two – Consumers Have a Say

Consumers Have a Say

- Giving consumers a stronger voice
- Making it easier to participate
- Hosting local community meetings
- Consumer feedback becomes part of the record
- Decision-makers see consumer comments

Step Three – Application is Reviewed

**Application
is
Reviewed**



Step Four – OEB Makes a Decision

OEB Makes a Decision

- The OEB rarely gives utilities all they ask for.
- Since 2009 the OEB has reviewed more than 140 major rate applications, and reduced requested rate increases by an average of about 38 per cent.

OEB's Rate Review Process – Have Your Say

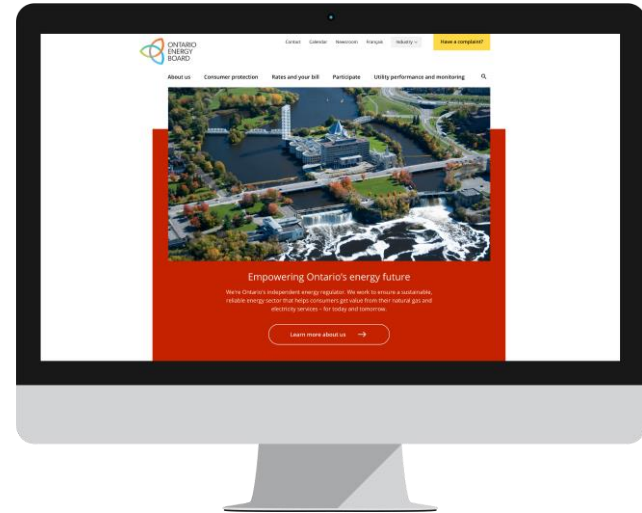


Your Voice Matters – Thank You



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 [**www.oeb.ca**](http://www.oeb.ca)

 **@OntEnergyBoard**

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2300 Yonge St, Suite 2701,
Toronto, ON M4P 1E4**

SCHEDULE B

EPCOR NATURAL GAS LIMITED PARTNERSHIP PRESENTATION

EPCOR NATURAL GAS LIMITED PARTNERSHIP

EB-2018-0336

MARCH 19, 2019



EPCOR Natural Gas LP

2019 – 2024 Rate Case Application

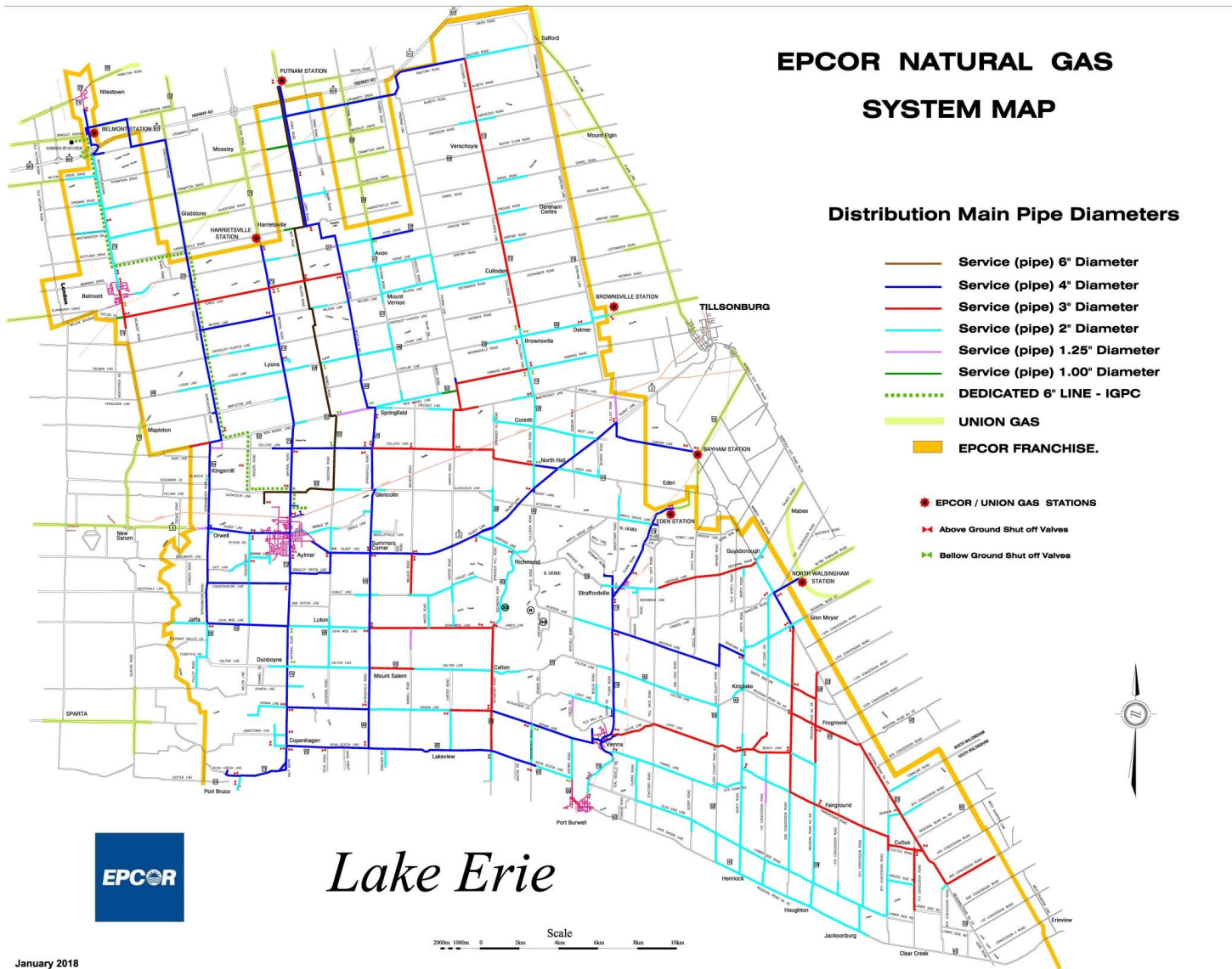
Agenda

- About EPCOR Natural Gas LP
- Rates Process
- Planned Capital Projects
- Operations Maintenance & Administration Costs
- Summary of Requested Orders
- Bill Impact
- Questions

EPCOR Natural Gas

- Serves 9,000+ customers
- Employs 19 full-time staff
- Supports local suppliers, contractors and service suppliers
- Invests in the community with sponsorships in local sports associations & teams, events and charities.

EPCOR – Where we operate



From NRG to EPCOR

- Acquired by EPCOR Utilities Inc. November 2017
- EPCOR owns and operates regulated water/wastewater, power and natural gas facilities in BC, AB, Sask., ON. and Southern US. HQ is in Edmonton, AB.
- Senior management for EPCOR Natural Gas is in Ontario.
- Use a shared service model to take advantage of economies of scale and provide access to an experienced core of management and subject matter experts including those in:

IT	Safety	Engineering	Human Resources
Treasury	Communications	Regulatory	General Management

Our 2019 - 2022 Objectives

- Improve reliability and internal processes to promote an efficient and sustainable environment.
- Improve marketing and communications to better serve our customers.
- Reduce operational costs and ensure efficient long term capital planning.
- Build and maintain regulatory relationships with the OEB and municipal entities to promote efficient provision of utility services.

Preparing for the Rate Case

- Customer engagement survey
 - 64.5% - Keeping rates/bills low
 - 25.3% - Service reliability
- Comprehensive review of strengths and challenges of utility
 - Confirmed requirement to reinforce system to address pressure concerns during periods of high demand
 - Highlighted requirement to strengthen certain operational systems
- Revisited Scorecard
 - Included measures related to public policy responsiveness

These activities helped us prioritize where we focus capital dollars and OM&A activities.

EPCOR - Scorecard

- Service Quality / Customer Satisfaction / Safety, System Reliability – Exceeds target for all measures
- Financial Ratios – Maintain financial stability, including profitability within allowed band
- Proposing additional measures related to Operational Effectiveness and Public Policy Responsiveness

EPCOR Rates

- Current rates were established after EPCOR filed an Incentive Rate Mechanism Application in 2018.
- Included a rate freeze from October 2015 to October 2018 for Rates 1 – 5. Then an increase in 2019 of 4.4% for Rate 1 residential.
- This application proposes the following

Customer Class	Rate Impact
Typical Customers (Rates 1-3 and 6)	Reduction or no change
General Service Commercial Customers (Rate 4)	Increase of 3.42%
Interruptible Contract Customers (Rate 5)	Increase of 9.59%

Bill Comparison

Step 1:

Enter your monthly gas usage

Select a month for usage estimate

Jan ▾ = 385 m³

SAMPLE MONTHLY BILL STATEMENT

Union Gas Limited - South

Account Number: 000 000 000 0000
Meter Number: 0000000

Your Natural Gas Charges

Customer Charge	\$21.00
Delivery	\$18.00
Delivery Charge Price Adjustment	\$0.94
Gas Supply Charge	\$57.77
Cost Adjustment	\$11.69
Transportation Charges	\$0.00
Transportation Price Adjustment	\$0.00
Storage Charges	\$2.82
Total Natural Gas Charges	\$112.22
HST	\$14.59

Total Amount \$126.81

Step 1:

Enter your monthly gas usage

Select a month for usage estimate

Jan ▾ = 352 m³

SAMPLE MONTHLY BILL STATEMENT

EPCOR Natural Gas Limited Partnership - All

Account Number: 000 000 000 0000
Meter Number: 0000000

Your Natural Gas Charges

Customer Charge	\$15.50
Delivery	\$56.14
Gas Supply Charge	\$63.23
Total Natural Gas Charges	\$134.87
HST	\$17.53

Total Amount \$152.40

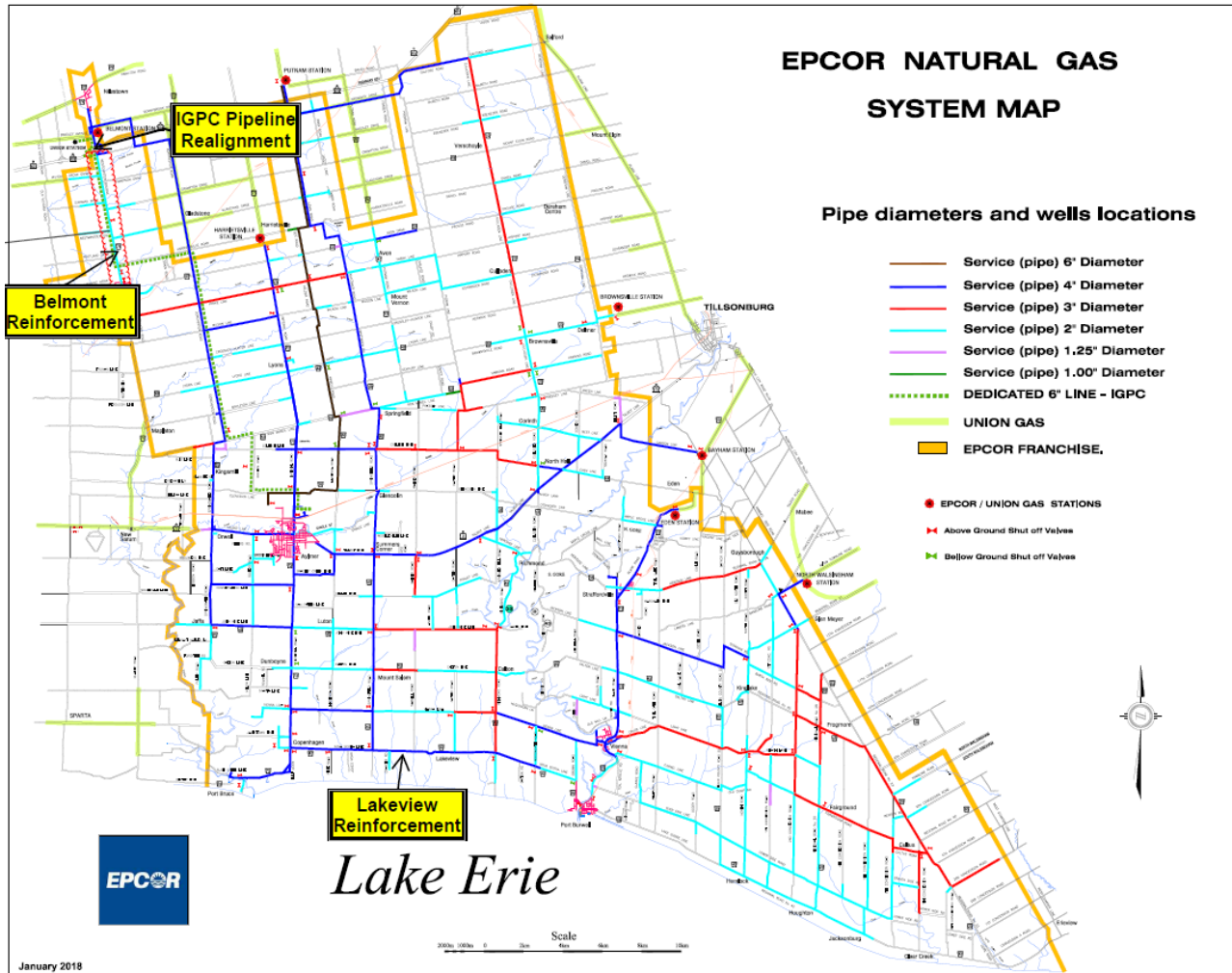
Approval of this application will result in a decrease in a typical residential customer's bill.

Planned Capital Expenditures

Category	Period Covered by Application						
	A	B	C	D	E	F	G
	2018	2019	2020	2021	2022	2023	2024
System Access	1,433,000	1,181,000	450,600	451,000	461,100	468,300	478,900
System Renewal	510,000	502,000	490,400	500,500	511,650	520,450	531,850
System Service	149,000	1,275,000	269,000	186,500	190,250	194,250	198,250
General Plant	168,000	453,000	130,000	319,000	76,000	78,000	79,000
Total	2,261,000	3,410,000	1,340,000	1,457,000	1,239,000	1,261,000	1,288,000

- System Access – provide access to new customers
- System Renewal – replacement / refurbishment of existing assets
- System Service – improve reliability, mitigate risk or introduce efficiencies
- General Plant – assets used to support business, operations and maintenance activities

Major Capital Expenditures



Reinforcements

- Belmont
- Lakeview
- IGPC Pipeline Realignment

Operational

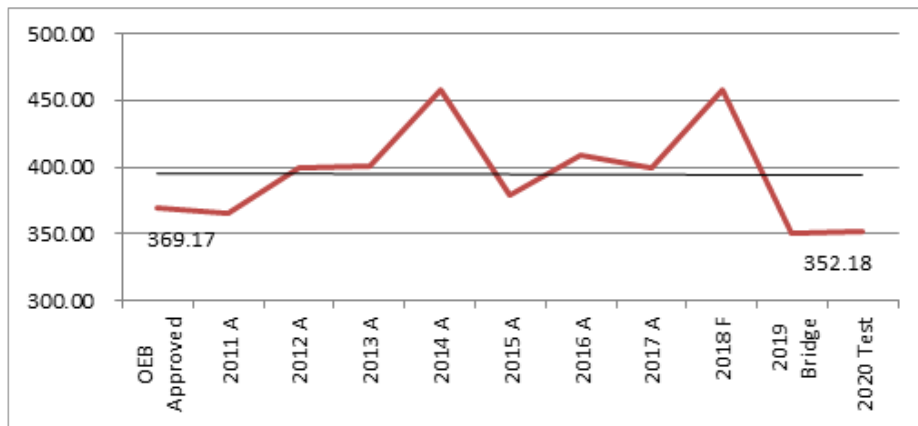
- SCADA Upgrade
- ArcGIS Mapping
- Utility Mgt System / Workforce Management
- Service and Main Additions
- Meter Installation

Operations, Maintenance & Administration Costs

Application proposes OM&A cost of \$3.359 million vs. \$2.629 million in 2011. Increase driven by:

- 34% growth in customers
- Inflation of approximately 16%
- Workforce planning that includes increased employee compensation to reflect market rates

OM&A Cost Per Customer



OM&A costs per customer are lower than in 2011

Summary of Requested Orders

- 2020 revenue requirement of \$6.652 million. This is a reduction of \$0.352 million vs. if existing rates were retained.
- Confirmation that capital invested in company has been prudently incurred.
- Approval of four year Incentive Rate Making Plan (increases between 2021 and 2024 would equal inflation less a stretch factor).
- Increase Rate 1 monthly charge from \$15.50 to \$17.00 then increase by \$1.00 each year.
- Continue to purchase local well gas until September 30, 2020 at \$8.486 Mcf.
- Reduce certain depreciation rates (results in lower rates during application period).

Bill Impact

Summary of Annual Distribution Rate Impact (Typical)

	A	B	C	D
Rate Class	Annual Bill	Annual Bill	Change (\$)	Change (%)
	Current Rates	Proposed Rates		
Rate 1 - Residential	469.92	464.68	(5.24)	(1.11%)
Rate 1 - Commercial	832.18	797.29	(34.88)	(4.19%)
Rate 1 - Industrial	2,080.55	1,959.73	(120.82)	(5.81%)
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Rate 5	14,922.42	16,353.40	1,430.98	9.59%
Rate 6	1,133,887.44	850,415.58	(283,471.86)	(25.00%)

**Reduction or no increase for Rates 1, 2, 3 and 6.
Increase of 3.42% and 9.59% for Rates 4 and 5 respectively.**

Questions?

For more information:

Phone: (519) 773-5321

Email: gas@epcor.com

Background Slides

Historical OM&A

Summary of OM&A 2011-2020

	A	B	C	D	E	F	G	H	I	J	K
Expense Category	Board Approved	2011 A	2012 A	2013 A	2014 A	2015 A	2016 A	2017 A	2018 F	2019	2020
WFP and Employee Compensation	1,219,057	995,870	1,343,213	1,335,700	1,376,847	1,441,024	1,561,365	1,336,675	1,217,748	1,255,343	1,432,123
Operating Support Costs	1,410,151	1,605,933	1,601,662	1,744,912	2,291,503	1,694,557	1,924,583	2,142,674	2,014,078	1,113,508	1,026,274
Shared Services / Corporate Cost Allocation	-	-	-	-	-	-	-	-	883,592	868,724	892,722
Low Income Program	-	-	-	-	-	-	-	-	6,582	6,582	7,983
Total	2,629,208	2,601,803	2,944,875	3,080,612	3,668,350	3,135,581	3,485,948	3,479,349	4,122,001	3,244,157	3,359,102

Revenue Cost Ratios

Distribution Revenue to Cost Comparison (excluding Commodity) (\$)

	A	B	C	D	E	F	G	H	I	J
	Total	Rate 1	Rate 1 - Residential	Rate 1 - Commercial	Rate 1 - Industrial	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6
Proposed Revenue	6,652,600	5,262,636	4,303,350	731,833	227,452	158,957	172,071	142,754	65,767	850,416
Cost	6,652,600	5,254,091	4,387,928	697,776	168,387	161,267	179,031	170,745	108,793	778,673
Over (Under) Contribution	0	8,545	(84,578)	34,057	59,066	(2,311)	(6,960)	(27,991)	(43,026)	71,742
Proposed Revenue to Cost Ratio	1.00	1.00	0.98	1.05	1.35	0.99	0.96	0.84	0.60	1.09
EB-2010-0018	0.98	0.99	0.94	1.47	0.72	0.37	0.93	1.14	0.61	1.06

Objective is to target a revenue cost ratio of 1.00 within a rate class and overall for the company.