



EPCOR Natural Gas Limited Partnership

**Application for approval of gas distribution rates and
other charges effective January 1, 2020 to December 31,
2024**

DECISION ON ISSUES LIST

May 10, 2019

EPCOR Natural Gas Limited Partnership (EPCOR Natural Gas) filed a cost of service application with the Ontario Energy Board (OEB) on February 1, 2019 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), seeking approval to charge new rates for the sale and distribution of natural gas effective January 1, 2020 and approval of an incentive rate-setting plan for the period January 1, 2021 to December 31, 2024.

In accordance with Procedural Order No. 1, OEB staff filed a letter on May 9, 2019, informing the OEB that all parties had reached an agreement on a proposed issues list. The proposed issues list was submitted for consideration of the OEB. In its application, EPCOR Natural Gas submitted a gas supply plan. The proposed issues list includes issues related to approval of the cost consequences resulting from the gas supply plan and transportation costs.

Decision

The OEB approves the Issues List as agreed to by all parties in the proceeding, with one administrative amendment. The numbering for Issue 4 is revised such that the issues are now a) to e). The approved Issues List is provided in Schedule A.

The OEB notes that the revised Issues 4 (d) and 4 (e) relate to EPCOR's natural gas supply plan and transportation costs. Separate from this proceeding, the OEB has initiated a process to consider the framework for the assessment of natural gas supply

plans for all natural gas distributors. EPCOR has filed its natural gas supply plan for the Aylmer franchise area in that policy proceeding (EB-2017-0129). The OEB is considering the process it will adopt and the timing for consideration of the framework for assessing the natural gas supply plans of distributors. To ensure the OEB retains the flexibility to coordinate between this proceeding and the EB-2017-0129 policy proceeding, the OEB requires that any settlement of Issues 4 (d) and (e) be severable from a settlement proposal that may be filed by the parties.

DATED at Toronto, May 10, 2019

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A

APPROVED ISSUES LIST

EPCOR Natural Gas Limited Partnership

May 10, 2019

ISSUES LIST
EB-2018-0336

Issue 1 Administration

- (a) Has EPCOR Natural Gas complied with the OEB directives from and since the utility's last cost of service proceeding (EB-2010-0018)?
- (b) Are the proposed changes to EPCOR Natural Gas' Conditions of Service appropriate?

Issue 2 Rate Base

- (a) Were amounts closed (or proposed to be closed) to rate base since the utility's last rate proceeding in EB-2010-0018 prudently incurred?
- (b) Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriate and adequately explained, giving due consideration to:
 - customer feedback and preferences
 - productivity
 - benchmarking of costs
 - reliability and service quality
 - impact on distribution rates
 - trade-offs with OM&A spending
 - government-mandated obligations
 - the objectives of EPCOR Natural Gas and its customers
 - the utility system plan
 - the business plan
- (c) Is the working capital allowance for the 2020 Test Year appropriate?

Issue 3 Operating Revenue

- (a) Are the customer addition forecasts for the 2019 Bridge Year and 2020 Test Year appropriate?
- (b) Are the volume throughput and revenue forecasts for the 2019 Bridge Year and 2020 Test Year appropriate?
- (c) Are the proposed Other Revenues for the 2020 Test Year appropriate?

Issue 4 Operating Costs

- a) Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:
- customer feedback and preferences
 - productivity
 - benchmarking of costs
 - reliability and service quality
 - impact on distribution rates
 - trade-offs with capital spending
 - government-mandated obligations
 - the objectives of EPCOR Natural Gas and its customers
 - the utility system plan
 - the business plan
 - Affiliate Shared Services
 - Corporate Shared Services and the Corporate Structure/Status
- b) Are the depreciation costs for the 2020 Test Year appropriate?
- c) Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the ratemaking treatment of each of these impacts appropriate?
- d) Are the cost consequences of the EPCOR Natural Gas Supply Plan, including the proposal for gas purchases from On- Energy Corp. appropriate?
- e) Is the gas transportation cost forecast for the 2020 Test Year appropriate?

Issue 5 Deferral and Variance Accounts

- (a) Is EPCOR Natural Gas' proposal for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts and the continuation or closure of existing accounts, appropriate?

Issue 6 Cost of Capital

- (a) Is EPCOR Natural Gas' proposed capital structure of 60% debt (56% long-term and 4% short-term) and 40% equity appropriate?
- (b) Is EPCOR Natural Gas' cost of capital for the 2020 Test Year appropriate?

Issue 7 Cost Allocation and Rate Design

- (a) Are the proposed changes to cost allocation, rate design and revenue-to-cost ratios appropriate?
- (b) Are the proposed rates appropriate?

- (c) Are the proposed changes to EPCOR Natural Gas' Schedule of Service Charges appropriate?

Issue 8 Incentive Regulation Plan

- (a) Is EPCOR Natural Gas' proposed Incentive Regulation Plan for the period 2021 to 2024 appropriate?

Issue 9 Score Card

- (a) Is EPCOR Natural Gas' proposed Score Card appropriate?