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May 31, 2019

**Sent By Electronic Mail, RESS Electronic Filing and Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EPCOR Natural Gas Limited Partnership (“EPCOR”) EB-2019-0101 – 2019 Federal Carbon Pricing Program Application – Interrogatory Responses**

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Pursuant to the Ontario Energy Board’s (“OEB”) Procedural Order No. 1 dated May 1, 2019 in the above noted proceeding, EPCOR hereby submits its responses to OEB staff interrogatories.

These responses will be delivered via e-mail, will be filed on the OEB’s RESS and copies will be sent by courier to the OEB.

Please do not hesitate to contact me if you have any questions.

Sincerely,

*[Original signed by]*

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**OEB-STAFF-1**

**Reference:**            **Background: the Greenhouse Gas Pollution Pricing Act (GGPPA) Exhibit A / Tab 1 / S 1/ p. 3**

**Preamble:**            EPCOR Natural Gas Limited Partnership (EPCOR) indicates that it will be required to remit the 2019 Fuel Charge rate to customers unless a customer provides EPCOR with an Exemption Certification.

**Request:**

- (a) Does EPCOR know whether there are any outstanding exemption certificates? Please explain.
  - (i) If so, what is the annual quantity of gas that they represent?

**Response**

- (a) As of the date of this response, EPCOR Natural Gas Limited Partnership (EPCOR) has received six exemption certificates from its customers (five greenhouse operators and one emitter). EPCOR is not aware of any outstanding exemption certificates. EPCOR will continue to utilize existing communication methods such as bill inserts to notify customers including greenhouse operators of the partial relief available through an exemption certificate<sup>1</sup>.

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<sup>1</sup> Exhibit A, Tab 1, Schedule 1, p.5.



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**OEB-STAFF-2**

**Reference:**            **Background: the Greenhouse Gas Pollution Pricing Act (GGPPA)**  
**Exhibit A / Tab 1 / S 1/ p. 3**

**Preamble:**            EPCOR states that it is required to calculate and report monthly to the Canada Revenue Agency (CRA) the volume of fuel covered under Part I of the GGPPA.

**Request:**

- (a)    Please explain how EPCOR will manage its own compliance obligation (i.e., its company use volumes related to its office building and natural gas vehicle fleet) under Part I of the GGPPA.
- (b)    Please identify and explain EPCOR's internal processes to ensure it complies with the federal government's Part I of the GGPPA (e.g., calculates and reports monthly to the CRA).
- (c)    Please explain whether any volumes of fuel (covered under Part I of the GGPPA) that EPCOR reports monthly to the CRA will be calculated using estimated volumes. If so, please explain how EPCOR will reconcile with customers and the CRA when the CRA monthly billed volumes do not accurately reflect the customer's actual monthly consumption.

**Response:**

- (a)    In order to comply with the Greenhouse Gas Pollution Pricing Act ("GGPPA") tracking requirements, EPCOR will track company use volumes subject to the Federal Carbon Charge (related to its office buildings and natural gas vehicle fleet) in its financial reporting system. The company use volumes related to its office buildings and natural gas vehicle fleet will be read once a month by the meter readers; same as any other EPCOR customer. This information will be used to separately report and remit the 2019 Fuel Charge for natural gas used for EPCOR's office building and natural gas vehicle fleet.



- (b) EPCOR has assigned a point person in the business unit the responsibility for managing exemption certificates as well as calculating and reporting month-end obligations under Part 1 of the GGPPA. In the event that the point person is not available to complete the calculation and reporting, the tasks have been cross-trained to ensure coverage.

Each month, EPCOR obtains customer and facility delivery volumes from its billing data. Exemption certificates collected from customers will be tracked in EPCOR's billing system and these accounts will be flagged for exclusion for the purposes of EPCOR's monthly reporting requirements under Part 1 of the GGPPA. EPCOR will continue to monitor changes in the Federal Carbon Pricing Program and will modify its processes and systems as needed to ensure ongoing compliance.

- (c) The volumes of fuel (covered under Part I of the GGPPA) that EPCOR reports monthly to the CRA will be the actual volumes billed to customers. There are situations where EPCOR will need to estimate usage due to no access to the meter to read the usage when the account is billed. In such a scenario, EPCOR's billing system calculates the estimated usage based on a set formula that uses the usage from the same period from the previous year. When an actual meter read is completed, the billing system auto-adjusts for estimates or errors on the next month's bill of the customer.

In the event monthly billed volumes reported to the CRA does not accurately reflect the customer's actual monthly consumption as in the case of a billing error, a billing adjustment will be made to correct the amounts charged to the customer, including the charges under the Federal Carbon Pricing Program. EPCOR's subsequent monthly remittance to the CRA will reflect any volumetric corrections.



**OEB-STAFF-3**

**Reference:**            **Background: the Greenhouse Gas Pollution Pricing Act (GGPPA)**  
**Exhibit A / Tab 1 / S 1/ p. 4**

**Preamble:**            EPCOR states that it will dispose its 2019 administrative costs in a future proceeding.

**Request:**

- (a)    Please explain which future proceeding EPCOR intends to seek disposition of these costs.
- (b)    Please explain whether EPCOR has decided on a methodology to dispose of its 2019 administration costs.

**Response:**

- (a)    Unless otherwise directed by the Board, EPCOR intends to treat this account in the same manner as all other deferral and variance accounts and seek disposition of these costs as part of its annual Price Cap IR application.
- (b)    EPCOR has not decided on a methodology to dispose of the 2019 administrative costs.



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**OEB-STAFF-4**

**Reference:** Forecast Customer-Related and Facility-Related Volumes and Associated Costs Exhibit B / Tab 1 / S 1/ pp. 1-2 and Exhibit A / Tab 1 / S 1 / pp. 3-4

**Preamble:** EPCOR indicates that its facility-related volumes for company use volumes include its office buildings and natural gas vehicle (NGV) fleet.

EPCOR states that it has made several assumptions to estimate its 2019 volumes such as:

- An estimate for unaccounted for gas (UFG) has not been included in its 2019 facility-related volumes as its unclear whether the CRA considers this to be “use” by a distributor
- It has not included any reductions to its 2019 customer-related volumes for volumes delivered to commercial greenhouse operators (as the federal government’s proposal for the greenhouse sector to receive 80% relief from the Federal Carbon Charge has not been finalized)

EPCOR also states that it has not received Exemption Certificates from any commercial greenhouse operators.

**Request:**

- (a) Please explain whether the CRA has provided EPCOR with any clarity regarding whether to include its UFG in its facility-related volume forecast?
  - (i) If so, please explain whether there are any changes to EPCOR’s estimate of its 2019 facility-related volume of 27,023 m<sup>3</sup>.
  - (ii) If not, what is EPCOR’s 2019 estimated volume for UFG? Please explain.
- (b) Draft Regulations Amending the Fuel Charge Regulations dated March 2019 states that greenhouse operators are to receive 80% relief from the Federal Carbon Charge.



- (i) Has EPCOR received any Exemption Certificates from commercial greenhouse operators in its service territory?
  - What is the estimated 2019 volume related to these commercial greenhouse operators. Please explain.
- (ii) Please update all relevant tables to reflect the federal government's amended draft regulation.

**Response:**

- (a) To date, the CRA has not provided guidance on whether to include and report UFG in its facility-related volume forecast. EPCOR will continue to have UFG included at 0% resulting in zero carbon charges associated with UFG until further clarity from the CRA.
  - (i) There are no changes to EPCOR's estimate of its 2019 facility-related volume of 27,023 m<sup>3</sup>.
  - (ii) EPCOR will forecast UFG at 0% until further guidance from the CRA, consistent with the historical deemed UFG for the system for the purposes of setting rates<sup>1</sup>.
- (b) See EPCOR's responses below.
  - (i) As noted in the response to Staff-IR 1 above, EPCOR has received exemption certificates from five commercial greenhouse operators in its service territory. The estimated 2019 (April-December) volume related to these commercial greenhouse operators is approximately 75,686 m<sup>3</sup>.<sup>2</sup>
  - (ii) All relevant tables to reflect the federal government's amended draft regulation have been updated and provided below.

<sup>1</sup> Exhibit B, Tab 1, Schedule 1, p.2.

<sup>2</sup> Based on actual 2018 annual consumption volumes and reflect partial relief (80%) allowed under the Draft Regulations Amending the Fuel Charge Regulations as detailed at:  
<https://www.fin.gc.ca/drleg-apl/2019/fuel-charge-reg-redevance-combustibles-l-eng.asp>



Table 1: Customer-Related Volume Forecast – April 1 – Dec 31, 2019<sup>3</sup>

**Customer-Related Volume Forecast - April 1, to Dec 31, 2019**

Line No.	Rate Class	Forecast	OBPS Participant & Other Exempt	Net
		Volume <sup>1</sup>	Volumes	Volumes
1	Rate 1	12,219,782	60,494	12,159,288
2	Rate 2	1,288,060	15,192	1,272,868
3	Rate 3	1,023,492	-	1,023,492
4	Rate 4	1,075,211	-	1,075,211
5	Rate 5	660,692	-	660,692
6	Rate 6	-	-	-
		<u>16,267,237</u>	<u>75,686</u>	<u>16,191,551</u>

Table 2: Customer and Facility Related Costs<sup>4</sup>

<b>Customer and Facility Related Costs</b>			
Line No.	Particulars		2019 Forecast
<b>Customer-Related Costs</b>			
1	Customer-Related Forecast Volume	April 1, 2019 to Dec 31, 2019	16,191,551
2	Federal Carbon Charge (\$/m <sup>3</sup> )		<u>0.0391</u>
3	Total Customer-Related Costs (\$)		\$ <u>633,090</u>
<b>Facility-Related Costs</b>			
4	Facility-Related Forecast Volume	April 1, 2019 to Dec 31, 2019	27,023
5	Federal Carbon Charge (\$/m <sup>3</sup> )		<u>0.0391</u>
6	Total Facility-Related Costs (\$)		\$ <u>1,057</u>
7	Total Cost Forecast		<u>\$ <b>634,146</b></u>

<sup>3</sup> Exhibit B, Tab 2, Schedule 1, p.1.

<sup>4</sup> Exhibit B, Tab 2, Schedule 3, p.1.





Table 3: Federal Carbon Charge Unit Rate Details<sup>5</sup>

Line No.	<u>Cost Recovery</u>	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Customer Rate	Net Volume <sup>1</sup> m <sup>3</sup>	Federal Carbon Charge <sup>2</sup> \$/m <sup>3</sup>	Federal Carbon Cost <sup>3</sup> \$	Recovery Net Volumes <sup>4</sup> m <sup>3</sup>	Federal Carbon Chg Unit Rate <sup>5</sup> cents/m <sup>3</sup>
1	Rate 1	12,159,288	0.0391	475,428	12,159,288	
2	Rate 2	1,272,868	0.0391	49,769	1,272,868	
3	Rate 3	1,023,492	0.0391	40,019	1,023,492	
4	Rate 4	1,075,211	0.0391	42,041	1,075,211	
5	Rate 5	660,692	0.0391	25,833	660,692	
6	Rate 6	-	0.0391	-	-	
7		16,191,551		633,090	16,191,551	<b>3.9100</b>

Notes:

(1) Exhibit B, Tab 2, Schedule 1

(2) Exhibit B, Tab 2, Schedule 3, Line No. 2

(3) Col. 1 x Col. 2

(4) Recovery volume for period from April 1, 2019 to December 31, 2019

(5) Col.3 / Col.4 x 100

<sup>5</sup> Exhibit E, Tab 2, Schedule 1, p.1.



**OEB-STAFF-5**

**Reference:** Administrative Costs – Staffing Resources Exhibit C / Tab 1 / S 1/  
pp. 1-3

**Preamble:** EPCOR states that it will use internal resources to administer the Federal Carbon Charge at an estimated cost of \$68,000 in 2019. For April – December 2019, the estimated cost is \$50,900 as outlined in Table C-1.

**Request:**

- (a) Please explain whether the \$50,900 for staffing resources represents EPCOR's estimated cost for nine months (April – December) of Federal Carbon work in 2019 (\$68,000 \* 9/12).

**Response:**

- (a) Correct; the \$50,900 for staffing resources represents EPCOR's estimated cost for nine months (April – December) of the Federal Carbon work in 2019.



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**OEB-STAFF-6**

**Reference:** **Administrative Costs – Consulting and External Legal Exhibit C / Tab 1 / S 1/ pp. 1-3**

**Preamble:** EPCOR states that the costs for consulting and external legal support in 2019 will include the following:

- External Legal Support - \$40,000
- Blackstone Energy Services - \$6,000

EPCOR also states that the Ontario Ministry of Environment, Conservation and Parks issued a notice on February 6, 2019 that removes EPCOR's obligation for mandatory reporting and verification of its GHG emission from fuel it sells. Therefore, EPCOR did not include the estimated costs of \$7,000 for verification in 2019.

EPCOR indicates that actual legal, consulting or third party verification costs incurred in relation to the GGPPA or other provincial or federal GHG or carbon pricing programs will be recorded in the Greenhouse Gas Emissions Administration Deferral Account (GGEADA).

**Request:**

- (a) Please explain whether EPCOR will be able to separately track costs related to 1) any provincial GHG or carbon pricing programs and 2) other federal GHG or carbon pricing programs (besides the GGPPA) in the GGEADA? If not, why not? Please explain.

**Response:**

- (a) EPCOR will be able to separately track costs related to provincial, federal, or other carbon pricing programs within the GGEADA. EPCOR will use internal accounts to separately track the costs related to the specified carbon pricing programs within the GGEADA account.



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**OEB-STAFF-7**

**Reference:** Administrative Costs – Communication Plan Exhibit C / Tab 1 / S 1/  
pp. 1-3

**Preamble:** EPCOR indicates it will utilize its existing communication methods such as bill inserts, bill messaging and webpage content to provide information related to the GGPPA.

**Request:**

- (a) Please explain, to what extent EPCOR has, to date, informed its customers of the requirement to charge the Federal Carbon Charge and any charges to customer's bills.
  - (i) Please outline any planned communications to inform customers of Federal Carbon Pricing Program.

**Response:**

- (a) EPCOR has notified customers of its application related to the GGPPA by posting information on its website. In April 2019, a notice was posted to the website to apprise customers of the OEB public hearing and how they can be involved. EPCOR provided information about the GGPPA on its website.
  - (i) EPCOR plans to utilize a bill insert to provide customers with information on the GGPPA. EPCOR does not have the data to identify greenhouse operators from its customer database, therefore the bill insert information to all customers will provide details of the potential for relief available through an exemption certificate and an exemption certificate will be included with the bill insert.

In addition, if this application is approved, EPCOR will inform customers of the changes to their rates and billing to implement the Federal Carbon Charge through the following communication channels:



- (a) Website content;
- (b) Bill inserts;
- (c) Bill notices;
- (d) Newspaper advertisement;
- (e) Media messaging (in anticipation of media inquiries);
- (f) Customer Service staff script (customer FAQs).



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**OEB-STAFF-8**

**Reference:** New Deferral and Variance Account Requests Exhibit D / Tab 1 / S 1/  
pp. 1-2

**Preamble:** EPCOR indicates that it is requesting final OEB approval to establish three new deferral and variance accounts as part of this application.

In Procedural Order No. 1, the OEB states that it will consider whether EPCOR's proposed variance and deferral accounts meet the tests of: Causation, Materiality and Prudence.

**Request:**

- (a) Please explain how each of EPCOR's three new variance and deferral accounts meets the tests of: Causation, Materiality and Prudence.

**Response:**

- (a) In accordance with the Board's Interim Decision and Order dated April 1, 2019 EPCOR is seeking approval to establish three new deferral and variance accounts associated with this application, specifically, the:
- Greenhouse Gas Emissions Administration Deferral Account effective January 1, 2019;
  - Federal Carbon Charge – Customer Variance Account effective April 1, 2019; and,
  - Federal Carbon Charge – Facility Variance Account effective April 1, 2019.

EPCOR's proposed deferral and variance accounts satisfy the tests of causation, materiality and prudence in the following manner:



- (i) Causation - the costs associated with the GGPPA were not contemplated in current rates nor have the costs been included in the rates proposed by ENGLP for the 2020 Test Year in EB-2018-0336. Therefore, these costs are outside of the base upon which rates were derived.
- (ii) Materiality - the total forecasted cost of compliance with the GGPPA in 2019 at approximately \$743,000 exceeds the materiality threshold of \$50,000. This amount is made up of \$634,000 related to customer and facility-related cost and \$109,000 in forecasted administration costs. While the facility related costs make up a small amount of the \$634,000 and do not meet the \$50,000 materiality level on their own ENGLP believes that the requirement under the program to separately report and track these costs justify the need to set up a separate deferral account.
- (iii) Prudence - EPCOR's forecasted costs of compliance with the GGPPA are prudent as they are the direct result of legislation that is outside the control of management, with which EPCOR is obligated to comply.



**OEB-STAFF-9**

**Reference:** Federal Carbon Charge Exhibit E / Tab 1 / S 1/ pp. 1-3

**Preamble:** EPCOR indicates that it proposes to present the Federal Carbon Charge for applicable customers as a separate line item on customers' bills.

EPCOR also indicates that it proposes to include the Facility Carbon Charge as part of the delivery charge on customers' bills.

**Request:**

- (a) Please explain whether there are any issues (such as costs, IT concerns) with including the Federal Carbon Charge and Facility Carbon Charge together as a single line item on customers' bills.

**Response:**

- (a) EPCOR does not have any cost issues or IT concerns associated with including the Federal Carbon Charge and Facility Carbon Charge together as a single line item on customers' bills. EPCOR has tested internally and discussed with the Continental Utility Solutions, Inc. (CUSI) to confirm that there are no technology issues with implementing this on customer's bills.





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**OEB-STAFF-10**

**Reference:** Federal Carbon Charge Exhibit E / Tab 1 / S 1/ pp. 1-3

**Preamble:** EPCOR indicates that customers are eligible for voluntary participation in the OBPS program if they emit greater than 10 ktCO<sub>2</sub>e and less than 50 ktCO<sub>2</sub>e and undertake an activity in which an OBS applies.

**Request:**

- (a) Does EPCOR have any customers that could opt-in to the federal government's OBPS program (Part II of the GGPPA)? Please explain.
  - (i) If so, please explain whether there are any changes to EPCOR's estimate of its 2019 customer-related volume of 16,267,237 m<sup>3</sup>.
- (b) Please explain whether EPCOR has received Exemption Certificates for any voluntary participants in the OBPS program.

**Response:**

- (a) EPCOR has one customer, Integrated Grain Processors Co-operative Inc. ("IGPC") that is a mandatory participant and will be participating in the OBPS program.
  - (i) IGPC's volumes have been excluded from the estimated customer related volumes provided in the application. Therefore there are no resulting changes to EPCOR's estimate of its 2019 (April-December) customer-related volume other than as noted in the response to Staff-IR 4 b) related to the exemption certificates received from five commercial greenhouse operators in its service territory. As noted, the estimated 2019 (April-December) volume related to these commercial greenhouse operators is approximately 75,687 m<sup>3</sup><sup>1</sup>. As a result, EPCOR's estimate

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<sup>1</sup> Based on actual 2018 annual consumption volumes and reflect partial relief (80%) allowed under the Draft Regulations Amending the Fuel Charge Regulations as detailed at:  
<https://www.fin.gc.ca/drleg-apl/2019/fuel-charge-reg-redevance-combustibles-l-eng.asp>



of its 2019 (April-December) customer-related volume will be updated from 16,267,237 m<sup>3</sup> to 16,191,550 m<sup>3</sup>.

- (b) EPCOR has not received exemption certificates for any voluntary participants in the OBPS program.



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**OEB-STAFF-11**

**Reference:** Federal Carbon Charge Exhibit E / Tab 1 / S 1/ pp. 1-3

**Preamble:** EPCOR states that it will track the difference between the Federal Carbon Charge amount collected through rates and actual Fuel Charge remitted to the CRA.

**Request:**

- (a) Please confirm that EPCOR will be tracking the difference between the Federal Carbon Charge amount collected through rates and the actual costs incurred for customer gas usage in its Greenhouse Gas Emissions Compliance Obligation – Customer-Related Deferral Account.

**Response:**

- (a) Confirmed; EPCOR will track the difference between the Federal Carbon Charge amount collected through rates and the actual costs incurred for customer gas usage effective April 1, 2019 in the Federal Carbon Charge – Customer Variance Account EPCOR has proposed to establish per the Board's Interim Decision and Order dated April 1, 2019.