ONTARIO ENERGY BOARD STAFF INTERROGATORIES
2019-2028 Custom IR Application – EPCOR Natural Gas LP Southern Bruce
EB-2018-0264

Exhibit 1 - Administration

1.Staff.1

Ref: Exhibit 1 / Tab 2 / Schedule 1 / Pg.16

On December 21, 2018, EPCOR Southern Bruce received confirmation that the Southern Bruce expansion project is eligible for rate protection as available through Bill 32. On March 7, 2019 the Government of Ontario filed Ontario Regulation 24/19 *Expansion of Natural Gas Distribution Systems* which stated in Schedule 1 that the Southern Bruce project was eligible for up to $22.0 million funding.

Please clarify that the approved funding is $22.0 million and not lower.

1.Staff.2

Ref: Exhibit 1 / Tab 2 / Schedule 1 / Pg.19

Following publication of the Notice of Application, consumers have the opportunity to file letters of comment with respect to the application. Sections 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment.

Please file a response to the matters raised in any letters of comment that were also copied to EPCOR Southern Bruce. Going forward, please ensure that responses to any matters raised in subsequent comments or letters that the applicant receives are filed in this proceeding. Please ensure that name and contact information is redacted for public filings. All responses must be filed before the final argument (submission) phase of this proceeding.

1.Staff.3

Ref: Exhibit 1 / Tab 2 / Schedule 1 / Pg.22

EPCOR Southern Bruce has indicated that it will operate separate business units, one each for the former Natural Resource Gas Limited gas distribution system (Aylmer) and the gas distribution system in the Southern Bruce Area

Please advise whether EPCOR Southern Bruce will integrate the two operations (Aylmer and Southern Bruce) and operate as a single utility in the future. If yes, please provide estimated timelines.

1.Staff.4
Ref: Exhibit 1 / Tab 2 / Schedule 1 / Pg.35
EPCOR Southern Bruce has indicated that the capital expenditures necessary to construct and maintain the distribution system included in EPCOR's CIP during the rate stability period total $71.832 million.

a) Please provide the reference in the EB-2016-0137/38/39 applications that quantifies the capital expenditures.
b) EPCOR Southern Bruce refers to "construct and maintain". Did the amount in the CIP include any OM&A expenditures to maintain the distribution system? If yes, please provide the forecasted amounts.
a) What is the rate base amount at the end of year 10 based on the forecasted capital costs (as per the CIP) adjusted for other items such as depreciation, interest and grant funding?
b) Are the cost estimates for constructing the distribution system in this application different from that estimated in the franchise competition proceeding (EB-2016-0137/38/39)? If yes, please provide and explain the difference.

1.Staff.5
Exhibit 1 / Tab 2 / Schedule 1 / Pg.62
EPCOR Southern Bruce has proposed a scorecard to measure and monitor performance over the 10-year rate stability period. The proposed scorecard is informed by Ontario electricity distributors' scorecard and the scorecard proposed by Enbridge Gas Inc. in the amalgamation application of Enbridge Gas Distribution and Union Gas Limited.

In the OEB's amalgamation decision (EB-2017-0306/0307) issued on August 30, 2018, the OEB on page 52 directed Enbridge Gas Inc. to add total cost per customer and total cost per km. of distribution pipeline to the scorecard. Please confirm if EPCOR Southern Bruce agrees to add the above two metrics to its proposed scorecard.

1.Staff.6
Exhibit 1 / Tab 3 / Schedule 1 / Pg.39
In the survey, respondents were asked how likely they were to convert to natural gas within the first year if a $400 to $500 grant was available to help with conversion costs. The survey revealed that 87% would likely convert within the first year if a grant was available.

Is EPCOR Southern Bruce considering providing a grant to potential customers if the forecasted customer attachments are not attained? If yes, please provide details.

Exhibit 2 – Rate Base

2-Staff-7
Ref: Exhibit 2 / Tab 1 / Schedule 1 / Pg.4 / Table 2-4
From Table 2-4, the Capital Expenditure in 2025 is $255,000, 2026 is $185,000, 2027 is $667,000 and 2028 is $33,000.

Please explain the substantive increase in capital expenditure for 2027.

2.Staff.8
Exhibit 2 / Tab1 / Schedule 1 / Pg.5
As a new utility, EPCOR Southern Bruce has the advantage of capturing and documenting the required information in a manner consistent with modern utility practices to better inform future decision making.

a) Please provide a brief summary of the best practices that EPCOR Southern Bruce intends to implement to ensure that appropriate risk management practices are in place and there is an effective maintenance, record keeping and monitoring strategy.
b) What kind of monitoring practices does EPCOR Southern Bruce intend to implement for the steel pipelines?

2-Staff-9
Ref: Exhibit 2 / Tab 1 / Schedule 1 / Pg.15 / Table 2-6
EPCOR Southern Bruce is proposing to capitalize one FTE for the entire rate stability period. Table 2-6 indicates a significant drop of direct capital cost starting from 2025 through to 2028 (with the exception of 2027).

Please provide additional information on how the FTE will be used as capitalized overhead, as this FTE accounts for 38%-82% of capital expenditure and overheads in the last three of the four years of the rate stability period.

Exhibit 3 – Operating Revenue

3.Staff.10
Exhibit 3 / Tab 1 / Schedule / Pg.14
EPCOR Southern Bruce has proposed to obtain service from Enbridge Gas (formerly Union Gas Limited) under a new M17 rate class. In its evidence EPCOR Southern Bruce has noted that if the rates included in any OEB approved M17 service are

different from those included in Enbridge Gas' application, or if EPCOR Southern Bruce is able to access an alternative service, such as M9, that would include storage, it will update the relevant elements of this application.

a) Please provide EPCOR Southern Bruce's proposal in the event that the OEB first approves the cost consequences as per the proposed M17 rate in this application and the actual service approved later is different from the one approved in this application. In other words, what would be the proposed remedy to capture the difference in timing of the two applications (the current rate application and the M17 rates application)?
b) What would be the difference in upstream charges if EPCOR Southern Bruce is able to obtain M9 service as opposed to the M17 service currently assumed in this application?

Exhibit 4 – Operating Expenses

4.Staff.11
Ref: Exhibit 4 / Tab 1 / Schedule 1 / Pg.18
EPCOR Southern Bruce anticipates it will require seven FTEs for full operations.

Please explain how seven FTEs are sufficient to manage a utility with over 5,000 customers.

4.Staff.12
Exhibit 4 / Tab 1 / Schedule 1 / Pg.20
EPCOR Southern Bruce has noted that in the initial years, capitalized salaries are higher to account for system construction and growth.

Please provide the quantum and percentage (as compared to total) of all OM&A type expenses that have been capitalized in the first three years of service.

4.Staff.13
Exhibit 4 / Tab 1 / Schedule 1 / Pg.20
EPCOR Southern Bruce has forecasted OM&A levels from 2019 to 2023 in accordance with Procedural Order No. 8 in EB-2016-0137/38/39 and the common assumptions agreed to by the parties during the CIP process.

a) Please confirm that EPCOR Southern Bruce has used an escalator of 1.27% per annum to calculate forecasted OM&A costs during the rate stability period.

b) Would EPCOR Southern Bruce's OM&A costs requested in its next rebasing application (Year 11) be impacted if it uses an escalator of 1.27% versus actual inflation? If yes, please provide the estimated impact in Year 11.

4.Staff.14

Ref: Exhibit 4 / Tab 1 / Schedule 1 / Pgs.22-55

EPCOR Southern Bruce will receive shared services from its parent corporation EPCOR Utilities Inc. and its affiliate companies.

a) Please provide a breakdown of Shared Service and Corporate Costs for the years 2020 to 2023 and provide the percentage allocation to the Southern Bruce operations.
b) Please confirm that any corporate/shared services costs allocated to the Southern Bruce operations for 2019 and beyond, does not include historic costs related to developing the CIP or providing support for the franchise competition proceeding (EB-2016-0137/38/39).
c) Human Resources, Supply Chain Management and Public & Government Affairs services will be provided by both EPCOR Utilities Inc. and EPCOR Water Services Inc. Please explain why a small utility like EPCOR Southern Bruce requires a range of sophisticated and duplicative services from two entities.
d) EPCOR Utilities Inc. and the affiliates aim to provide a range of services to the Southern Bruce operations. Some of these include management development program, treasury, labour relations, mailroom services, security and public & government affairs. Please explain how some of the services can be reasonably provided considering that the providers are based in Alberta.
e) Please confirm that the costs allocated for services provided by the parent and other affiliates is not merely a cost allocation exercise but reflect actual costs that will be incurred for providing services that are truly required by EPCOR Southern Bruce.
f) Will EPCOR Southern Bruce submit a corporate cost allocation study as part its next rebasing application (Year 11)? If no, why not?

4.Staff.15

Ref: Exhibit 4 / Tab 1 / Schedule 1 / Pgs.27-28

EPCOR Southern Bruce has included costs of EPCOR Utilities Inc. Board of Directors in its corporate costs.

a) Please provide the amount allocated to EPCOR Southern Bruce for services provided by EPCOR Utilities Inc. Board of Directors for the years 2019 to 2023.

b) Please explain why the parent's Board of Directors' costs should be allocated to EPCOR Southern Bruce considering that the Board of Directors of the parent company are protecting shareholder interests and compensated through the company's earnings.
c) Please confirm if any costs related to Treasury Operations has been allocated to the Southern Bruce operations. If yes, please provide the quantum and the type of treasury services that the Southern Bruce operations would require.

4.Staff.16
Ref: Exhibit 4 / Tab 1 / Schedule 1 / Pgs.60-61
EPCOR Southern Bruce has used Enbridge Gas' depreciation rates for the Union Gas rate zone as per the CIP process. EPCOR Southern Bruce has not undertaken a depreciation study in this application but intends to complete one for the next rebasing.

EPCOR Southern Bruce has used a depreciation rate of 3.82% for meters in line with that used by the Union Gas rate zone. For the Aylmer franchise area cost of service application (EB-2018-0336), EPCOR used a depreciation rate of approximately 10% for meters. Does EPCOR Southern Bruce intend to use an actual rate of 10% upon rebasing or continue using 3.82%?

4.Staff.17
Exhibit 4 / Tab 1 / Schedule 3 / Pgs.1
In the table, Projected Continuity Schedule of Contribution in Aid of Construction (CIAC) to Enbridge- Stations, the Additions continue to increase year over year. EPCOR Southern Bruce, throughout the application, has only indicated a CIAC for one year in the amount of $2.935M in 2019 related to the Enbridge customer station.

Please explain the increase in additions post 2019 and explain the Continuity Schedule.

4.Staff.18
Exhibit 4 / Tab 3 / Schedule 1 / Pgs.8-19
EPCOR Southern Bruce has provided a gas supply plan for the period 2019 to 2022. The plan analyses three supply options or strategies. Each supply option assumes gas supply is delivered from Enbridge Gas' transportation network to EPCOR Southern Bruce's distribution network through the M17 transportation contract, which transports the gas from the Dawn receipt point to the Dornoch interconnection point. EPCOR Southern Bruce has further noted that charges related to transportation, storage and load balancing charges can be high in the first years of service. EPCOR Southern Bruce intends to pass on to customers, costs for unutilized transportation or storage capacity.

a) Can EPCOR Southern Bruce enter into a contract with Enbridge Gas for lower transportation capacity in the initial years to match demand and increase it later when more customers are connected to the distribution system?
b) It is expected that Enbridge Gas will have to reinforce the Owen Sound transmission line to serve the South Bruce area. When is the demand from EPCOR Southern Bruce expected to reach the threshold at which point reinforcement will be required?
c) Will the Enbridge Gas transportation charges be different before and after the reinforcement of the Owen Sound transmission line?

4.Staff.19
Exhibit 4 / Tab 3 / Schedule 1 / Pgs.28-29
EPCOR Southern Bruce has recommended the annual baseload supply option that will best allow it to manage shifting demand requirements throughout the year and provides operational flexibility through service attributes and contract parameters. In its gas supply plan, EPCOR Southern Bruce has provided the commodity delivery point as Dawn.

Please provide additional information on how EPCOR Southern Bruce plans to purchase the commodity. Will the entire required volumes be purchased from Dawn through third party marketers or is EPCOR Southern Bruce going to purchase the commodity at different locations and transport the gas to Dawn?

Exhibit 6 – Revenue Sufficiency / Deficiency

6.Staff.20
Exhibit 6 / Tab 1 / Schedule 1 / Pgs.3-8
Exhibit 1 / Tab 2 / Schedule 1 / Pgs.16-17
EPCOR Southern Bruce has indicated that a delay in the OEB approval process has impacted the construction schedule and triggered a revenue deficiency of $1.764 million on a net present value basis compared to that included in the CIP. This includes $1.640 million in distribution revenue and $0.124 million in upstream charges.

a) EPCOR was awarded $22.0 million under the Natural Gas Grant Program (NGGP) for development of the Southern Bruce natural gas distribution system. On September 26, 2018, EPCOR was informed that the Province will not be executing any transfer payments under the NGGP and therefore EPCOR would not receive any funding for the project. On December 21, 2018, EPCOR received confirmation that the Southern Bruce expansion project was eligible for rate protection and would receive the $22 million funding. Please confirm that the cancellation of the NGGP also impacted the construction schedule as the project was not economically feasible without external funding.

b) EPCOR Southern Bruce is seeking recovery of $124,000 in upstream charges. Has EPCOR Southern Bruce entered into a rate contract with Enbridge Gas? If no, why does EPCOR Southern Bruce not have the ability to push the timeline of the rate agreement such that upstream charges are not triggered when no customers are expected to be connected to the system?

Exhibit 7 – Cost Allocation

7.Staff.21

Exhibit 7 / Tab 1 / Schedule 1 /Pg.3

EPCOR Southern Bruce has provided results of a cost allocation study to determine the allocation of costs amongst the different rate classes and the resulting revenue to cost ratios. In completing this study, EPCOR Southern Bruce has used its current best view of what the Southern Bruce system will look like in 2028. The current study is based on its CIP, the EPCOR Aylmer natural gas distribution system and management judgement.

a) Did EPCOR Southern Bruce adopt the Aylmer cost allocation model as is or did it make certain adjustments to the model to incorporate the distinct elements of the Southern Bruce system? If any adjustments were made, please describe those adjustments.
b) Will EPCOR Southern Bruce complete a full cost allocation study to support its next rebasing application?

7.Staff.22

Ref: Exhibit 7 / Tab 1 / Schedule 1 / Pg.15

The results of the cost allocation analysis indicate that EPCOR Southern Bruce's revenue to cost ratios are within a range of plus or minus 25% while the distribution revenue to cost ratios range from 1.01 to 1.37.

a) Please explain why a distribution revenue to cost ratio of 1.35 and 1.37 for Rate Classes 11 and 16 respectively, and a revenue to cost ratio of 0.78 for Rate 6 is a reasonable outcome.
b) Please provide the resulting revenue to cost ratios and the annual billing amounts for a typical customer if the distribution revenue to cost ratio for Rate 6

is increased to 0.90 and the benefit of the resulting revenue is distributed between Rates 11 and 16.

Exhibit 8 – Rate Design

8.Staff.23

Ref: Exhibit 8 / Tab 1 / Schedule 1 / Pg.3

EPCOR Southern Bruce has proposed four rate classes. Rate 6 is designed to apply to medium and large commercial, and agricultural market segments with year-round gas requirements. Customers whose requirements are greater than 10,000 m3 per annum are eligible for service under this rate class.

Please clarify whether there is an upper limit for Rate 6 with respect to the annual consumption at which point the customer would move to another rate class or would need to become a contract customer.

8.Staff.24

Ref: Exhibit 8 / Tab 1 / Schedule 1 / Pgs.8-9

Rate 11 and Rate 16 customers have limits on the volume of gas they can draw from the system. Any volumes used by a Rate 11 customer during the off-season period will be deemed overrun gas. For Rate 16 customers, overrun gas constitutes usage beyond the peak hour or daily limits defined in the contract with the specified customer. EPCOR Southern Bruce has proposed to permit authorized overrun at its discretion. Should customers fail to obtain authorization from EPCOR Southern Bruce prior to using overrun gas, they will incur unauthorized overrun charges plus applicable penalties.

Since there are only seven customers in rate classes 11 and 16, has EPCOR Southern Bruce informed them about overrun charges and the associated penalties for unauthorized overrun?

8.Staff.25

Ref: Exhibit 8 / Tab 1 / Schedule 1 / Pg.14

EPCOR Southern Bruce has proposed Conditions of Service that are in line with those applied for in the EPCOR Aylmer distribution rates application (EB-2018-0336). Similarly, the proposed service charges and miscellaneous charges are the same as those provided in the Aylmer distribution rates application.

Please confirm if the Conditions of Service and proposed service charges and miscellaneous charges are in line with those agreed to in the Aylmer distribution rates application settlement proposal dated June 3, 2019. If there are any differences, does EPCOR Southern Bruce intend to adopt them?

8.Staff.26

Ref: Exhibit 8 / Tab 1 / Schedule 2 / Pgs.2-9

The monthly fixed charge for Rate 1 customers which includes residential is proposed at $25 per month.

a) Please confirm that the $25 per month fixed charge is the highest amongst all gas distributors in Ontario. Please explain the reasons for the high monthly fixed charge.
b) With respect to the fixed monthly charge across all rate classes, please provide the proportion of customer related costs that will be recovered through the fixed monthly charge?

Exhibit 9 – Deferral and Variance Accounts

9.Staff.27

Ref: Exhibit 9 / Tab 2 / Schedule 1 / Pg.1

The draft Accounting Order for PGCVA, in part, states:

"The PGCVA will also record an inventory valuation adjustment every time a recalculated PGCVA Reference Price comes into effect at the beginning of a quarter within the fiscal year."

a) Please show an example of how the amount for inventory valuation adjustment would be recorded in this account.
b) Please confirm that only carrying charges related to inventory valuation would be recorded in this account.
c) Please adjust entry ii) as necessary based on EPCOR Southern Bruce's response to part b) of this question.

The accounting entry i. states:

"To record the projected changes in gas cost and prospective recovery of the gas supply deferral accounts approved by the Board:"

d) Please confirm that it is not the "projected changes" but the difference between actual price and forecast price underpinning the rates that would be recorded in this account.

9.Staff.28

Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4

2019 Federal Carbon Pricing Program

a) Please identify and explain EPCOR Southern Bruce' internal processes to ensure it complies with the federal government's Part I of the Greenhouse gas Price protection Act (GGPPA) e.g., calculates and reports monthly to the CRA.
b) Please explain how EPCOR Southern Bruce 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.
c) Please provide the bill impact for a typical residential customer.

9.Staff.29

Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4

Forecast Customer-Related and Facility-Related Volumes and Associated Costs

a) Please explain whether EPCOR Southern Bruce is a covered facility under Part II of the GGPPA (i.e., the federal government's Output-Based Pricing System (OBPS)).
    i. If yes, please provide EPCOR Southern Bruce' 2019 volume forecast subject to the OBPS.
        1. Please identify and explain EPCOR Southern Bruce' reporting requirements under Part II of the GGPPA.
        2. Please identify and explain whether there are additional compliance requirements that EPCOR Southern Bruce is required to do under Part II of the GGPPA.
        3. Please identify and explain EPCOR Southern Bruce' internal processes to ensure it complies with the federal government's OBPS.
        4. Please describe how EPCOR Southern Bruce will manage its own compliance obligation under Part II of the GGPPA.
b) Please explain whether any volumes of fuel (covered under Part I of the GGPPA) that EPCOR Southern Bruce reports monthly to the CRA will be calculated using estimated volumes. If so, please explain how EPCOR Southern Bruce will reconcile with customers and the CRA when the CRA monthly billed volumes do not accurately reflect the customer's actual monthly consumption.

c) Draft Regulations Amending the Fuel Charge Regulations dated March 2019[1] states that greenhouse operators are to receive 80% relief from the Federal Carbon Charge.

[1] https://www.fin.gc.ca/drleg-apl/2019/fuel-charge-reg-redevance-combustibles-l-eng.asp

i. Has EPCOR Southern Bruce received any Exemption Certificates from commercial greenhouse operators in its service territory?
ii. What is the estimated 2019 volume related to these commercial greenhouse operators. Please explain.
iii. Does EPCOR know whether there are any outstanding exemption certificates? If so, what is the annual quantity of gas that they represent?

9.Staff.30
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4
Administration Costs – Staffing Resources

a) What are the estimated administrative costs to administer the Federal Carbon Pricing Program?
b) What are the estimated internal and external resources required?

9.Staff.31
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4
Administration Costs – Communication Plan

a) Please explain whether EPCOR Southern Bruce has decided on a methodology to dispose of its 2019 administration costs and identify the proceeding in which these costs will be reviewed and disposed of.
b) Please explain, to what extent EPCOR Southern Bruce 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.

9.Staff.32
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4
EPCOR Southern Bruce is requesting approval to establish the following three new deferral and variance accounts for use associated with EPCOR Southern Bruce' compliance with the Greenhouse Gas Pollution Pricing Act for its South Bruce operation.

- Greenhouse Gas Emissions Administration Deferral Account
- Federal Carbon Charge – Customer Variance Account
- Federal Carbon Charge – Facility Variance Account

a) Is EPCOR Southern Bruce seeking to include recovery of the costs associated with the Federal Carbon Pricing Program in rates or is EPCOR Southern Bruce applying for the establishment of deferral accounts for 2019 (as opposed to a variance accounts for customer and facility)?

b) Please explain whether EPCOR Southern Bruce 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 Greenhouse Gas Emissions Administration Deferral Account (GGEADA)? If not, why not? Please explain.
c) Please explain how each of EPCOR Southern Bruce' three new variance and deferral accounts meet the tests of: Causation, Materiality and Prudence.

9.Staff.33
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4
Cost Recovery and Bill Presentation- Federal Carbon Charge

a) How does EPCOR Southern Bruce plan to present the costs related to the Federal Carbon Charge for applicable customers on customers' bills?
b) How does EPCOR Southern Bruce plan to present the costs related to the Federal Carbon Charge on EPCOR Southern Bruce' company use volumes on customers' bills?
   a. Please explain whether this would also include volumes under OBPS?
c) Please explain whether there are any issues (such as costs, IT concerns) with including the Federal Carbon Charge on customer-related volumes and Federal Carbon Charge on facility-related volumes together as a single line item on customers' bills.

9.Staff.34
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.4
Cost Recovery and Bill Presentation- Federal Carbon Charge

a) Does EPCOR Southern Bruce 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 this would impact EPCOR Southern Bruce' 2019 customer-related volume.
b) Does EPCOR Southern Bruce have any customers that qualify under the Output-Based Pricing system? If so, please explain whether EPCOR Southern Bruce has received Exemption Certificates for these customers.

9.Staff.35
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.5
EPCOR Southern Bruce is proposing a new deferral account, Regulatory Expense Deferral Account ("REDA"). OEB staff notes that the eligibility criteria of causation, materiality and prudence must be met for establishing a new deferral/variance account. Also, given that this is a cost of service application, EPCOR Southern Bruce would already have amounts built into its OM&A for regulatory expenses.

c) Does EPCOR Southern Bruce's OM&A include regulatory expenses?
d) If yes to a) please justify the need for this account, given that OM&A is generally not subject to true-up.
e) OEB expects that EPCOR Southern Bruce should be able to manage the variations in the OM&A costs. Why does EPCOR Southern Bruce deem it appropriate for the ratepayer to pay for these costs in addition to the amounts recovered in the OM&A?
f) Please discuss how the proposed account meets the eligibility criteria (causation, materiality, prudence) for establishing a new account.

9.Staff.36
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.5
EPCOR Southern Bruce has requested a Municipal Tax Variance Account to record any impacts resulting from changes in municipal tax rates or levies, or the introduction of any new municipal tax or levies that occur during the period covered by this application.

a) Municipal taxes are part of OM&A expenditures. Please explain why EPCOR Southern Bruce requires the Municipal Tax Variance Account and why it cannot be absorbed as part of routine OM&A expenditures considering that the municipalities will be making a contribution equivalent to the property taxes associated with the natural gas system assets during the rate stability period.
b) Please justify the need for this account on the basis of materiality.

9.Staff.37
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.5
EPCOR Southern Bruce has requested an Energy Content Variance Account to record any variations in revenues and costs resulting from differences in the energy content of the actual gas delivered and the assumed energy content. The assumed energy content is 38.89 MJ/M^3.

a) Please explain why EPCOR Southern Bruce requires an Energy Content Variance Account considering that differences in the energy content would be captured in volumes delivered. Lower energy content would result in higher volumes delivered and vice versa.
b) Why would variations in energy content not be captured in the Purchased Gas Commodity Variance Account?
c) Is EPCOR Southern Bruce aware of other Ontario regulated gas distributors that have an Energy Content Variance Account?
d) Please provide the mechanics of how this account would operate and explain how change in energy content will be reflected in volumes or costs.

9.Staff.38
Ref: Exhibit 9 / Tab 1 / Schedule 1 / Pg.6

EPCOR Southern Bruce has requested an External Funding Variance Account to record the difference in timing and quantum of external funding available to the project versus EPCOR's current forecast. The account would record the net present value of the carrying cost (whether positive or negative) in the difference between when EPCOR Southern Bruce has forecast it will receive the funds and when funds are actually received.

Please provide the timelines that EPCOR Southern Bruce has forecasted for receiving the funds.

9.Staff.39
Ref: Exhibit 9 / Tab 2 / Schedule 1 / Pgs.1-17 / All Accounting Orders

a) Please include an effective date for each Accounting Order.
b) Please indicate in each Accounting Order how and when the balances would be proposed for disposition.

Exhibit 10 – Incentive Rate-setting Proposal

10.Staff.40
Ref: Exhibit 10 / Tab 1 / Schedule 1 / Pg.1

EPCOR Southern Bruce has proposed an Incentive Rate-setting Plan (Custom IR Plan) to set rates for the 10-year rate stability period commencing January 1, 2019 through December 1, 2028.

a) Please explain why EPCOR Southern Bruce has not included an earnings dead band off-ramp mechanism as part of its Custom IR Plan.

b) Will EPCOR Southern Bruce report its earnings during the Custom IR period?
c) Please explain how ratepayers will be protected if there is no earnings sharing or off-ramp?

10.Staff.41
Ref: Exhibit 10 / Tab 1 / Schedule 1 / Pg.2

EPCOR Southern Bruce has proposed that the annual incentive rate adjustment include a factor to adjust the forecast inflation factor applied to the OM&A portion of the monthly fixed charge and delivery charge of each rate schedule to reflect actual inflation. In addition, the stabilization factor of 1.27% will be applied against the remaining portion of distribution charges. For ease of calculation, EPCOR Southern Bruce has proposed that in each year's incentive rate adjustment, inflation will be applied against 31.6% of that year's distribution charges for each rate class.

a) Please provide the reference in the EB-2016-0137/38/39 Decision and Order where the OEB has indicated that EPCOR Southern Bruce can apply the 1.27% inflation rate to escalate rates every year during the rate stability period.
b) Please provide the supporting calculations for the derivation of the proposal wherein EPCOR Southern Bruce intends to apply inflation against 31.6% of the distribution charges and 1.27% to the remaining portion.

10.Staff.42
Ref: Exhibit 10 / Tab 1 / Schedule 1 / Pg.3

EPCOR Southern Bruce has indicated that it has already applied productivity and stretch factors in its proposed 10-year revenue requirement. Driven by the competitive tension inherent within the OEB's process, the productivity and stretch factors were by necessity incorporated into its CIP revenue requirement in order to become the successful proponent. It is the view of EPCOR Southern Bruce that the competitive process has already resulted in a revenue requirement that incorporates productivity and stretch factors, and to apply additional factors would result in doubling up on these elements.

Please confirm that according to EPCOR Southern Bruce there are no more efficiency gains possible as compared to what was proposed in the initial CIP.

10.Staff.43
Ref: Exhibit 10 / Tab 1 / Schedule 1 / Pg.6

EPCOR Southern Bruce has requested for availability of an Incremental Capital Module (ICM) as part of its Custom IR Plan.

Please explain how EPCOR Southern Bruce intends to calculate the ICM materiality threshold during the rate stability period. Please provide an example that explains the proposed approach.

10.Staff.44
Ref: Exhibit 10 / Tab 1 / Schedule 1 / Pg.7

EPCOR Southern Bruce has proposed to include an adjustment for tax changes in its Custom IR Plan. EPCOR Southern Bruce has proposed a 50/50 sharing of the impacts of legislated tax changes that have not been included in rates.

Please explain why EPCOR Southern Bruce has not requested a deferral and variance account to track any changes in tax legislation.