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BY E-MAIL

July 11, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EPCOR Southern Bruce Rates Application for the period 2019-2028
OEB File Number: EB-2018-0264**

In accordance with Procedural Order No. 1, OEB staff advises the OEB that parties have not been able to reach an agreement on the Issues List for the above noted proceeding. Accordingly, OEB staff recommends that the settlement conference scheduled for July 15 and 16, 2019 be postponed until an Issues List is approved by the OEB. OEB staff further recommends a written process for determining a final Issues List.

Parties have agreed to use the Issues List circulated by OEB staff along with comments and suggestions from all parties, as the starting point to make submissions on the issues. The "Proposed Issues List" is attached to this letter. Some issues were agreed to by all the parties. OEB staff recommends that the OEB invite submissions only on the issues that are disputed.

The following issues have been agreed to by all parties:

- 1 (a) and (b)
- 4 (a)
- 6 (a), (c) and (d)
- 7 (b), (c)
- 9 (a)

All the remaining issues are disputed.

Yours truly,

Original Signed By

Arturo Lau
Case Manager

PROPOSED ISSUES LIST

EPCOR Natural Gas LP Southern Bruce - 2019-2028 Custom IR Application EB-2018-0264

Issue 1 Administration

- a) Has EPCOR Southern Bruce complied with the OEB directives from the Common Infrastructure Plan (CIP) process (EB-2016-0137/ EB-2016-0138/ EB-2016-0139)?
- b) Are EPCOR Southern Bruce's proposed rates consistent with its CIP, and where there are departures are such departures appropriate?

Issue 2 Rate Base and Utility System Plan

- a) Is the level of planned capital expenditures consistent with EPCOR's CIP proposal and appropriate in that the rationale for planning and pacing choices is adequately explained giving due consideration to:
 - Customer feedback and preferences
 - Benchmarking of costs
 - Reliability and service quality
 - Impact on distribution rates
 - Trade-offs with Operating, Maintenance & Administration (OM&A) spending
 - Government-mandated obligations;
 - The objectives of EPCOR Southern Bruce and its customers
 - The Utility System Plan
- b) Is EPCOR Southern Bruce's proposed working capital allowance during the rate stability period consistent with EPCOR's CIP proposal and appropriate?
- c) Is the amount of the Contribution in Aid of Construction paid to Enbridge Gas for upstream transmission reinforcement and EPCOR Southern Bruce's proposal for recovery of those costs appropriate?
- d) Is EPCOR Southern Bruce's proposal to waive new customer connection costs consistent with EPCOR's CIP proposal and appropriate?

Issue 3 Operating Revenue

- a) Is EPCOR Southern Bruce's proposed Distribution Revenue during the rate stability period consistent with EPCOR's CIP proposal and appropriate, giving due consideration to:
 - a. External funding
 - b. Municipal tax holidays
- b) Is EPCOR Southern Bruce's proposed Non-Distribution Revenue for the rate stability period consistent with EPCOR's CIP proposal and appropriate?
- c) Are EPCOR Southern Bruce's proposed Other Revenues during the rate stability period consistent with EPCOR's CIP proposal and appropriate?

Issue 4 Operating Expenses

- a) Is EPCOR Southern Bruce's forecasted gas supply, transportation and storage costs and proposal for recovery of those costs for the rate stability period appropriate?
- b) Are EPCOR Southern Bruce's shared services costs consistent with EPCOR's CIP proposal and appropriate?

Issue 5 Revenue Deficiency/Sufficiency

- a) Is EPCOR Southern Bruce's proposal to recover an additional \$1.764 million due to changes in construction schedule and the associated rate rider calculation consistent with EPCOR's CIP proposal and appropriate?
- b) Is the adjusted revenue requirement appropriate?

Issue 6 Cost Allocation and Rate Design

- a) Are the proposed rate classes appropriate?
- b) Are EPCOR Southern Bruce's proposed cost allocation, rate design and revenue to cost ratios appropriate and consistent with EPCOR's CIP proposal?
- c) Are EPCOR Southern Bruce's proposed rates appropriate?
- d) Are EPCOR Southern Bruce's proposed service charges appropriate?

Issue 7 Proposed Deferral and Variance Accounts

- a) Are EPCOR Southern Bruce's proposed deferral and variance accounts appropriate?
- b) What other deferral and variance accounts are required?
- c) Should EPCOR Southern Bruce's proposed Federal Carbon Charge and related deferral and variance accounts be addressed in this application or as a separate stand-alone application?

Issue 8 Incentive Rate Setting Proposal

- a) Is EPCOR Southern Bruce's proposed Custom Incentive Rate (IR) plan during the rate stability period consistent with EPCOR's CIP proposal and appropriate?
- b) Is the proposed 10-year term for the Custom IR plan appropriate?
- c) Is EPCOR Southern Bruce's proposed annual adjustment mechanism consistent with EPCOR's CIP proposal and appropriate?
- d) Is the exclusion of:
 - i. A productivity and stretch factor consistent with EPCOR's CIP proposal and appropriate?
 - ii. An earnings sharing mechanism consistent with EPCOR's CIP proposal and appropriate?
 - iii. An earnings dead-band off-ramp consistent with EPCOR's CIP proposal and appropriate?
- e) Is EPCOR Southern Bruce's request for availability of an Incremental Capital Module consistent with EPCOR's CIP proposal and appropriate?

Issues 9 Score Card

- a) Is EPCOR Southern Bruce's proposed Score Card appropriate?

Issue 10 Implementation

- a) Is EPCOR Southern Bruce's proposal for implementation (including its proposed January 1, 2019 effective date and its proposal for rate riders for recovery from and after this effective date) consistent with EPCOR's CIP proposal and appropriate?

Issue 11 Stakeholder Engagement

- a) Has EPCOR effectively engaged and consulted with key stakeholders and First Nations and Métis communities? Has EPCOR undertaken consultation to ensure Indigenous rights and interests in the application have been considered and addressed?