

**EPCOR Natural Gas Limited Partnership**

**Application for gas distribution rates and other charges  
for the period from January 1, 2019 to December 31,  
2028**

**PROCEDURAL ORDER NO. 3  
July 16, 2019**

EPCOR Natural Gas Limited Partnership (EPCOR Southern Bruce) filed a custom incentive rate making application with the Ontario Energy Board (OEB) on April 11, 2019 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for rates that EPCOR Southern Bruce charges for gas distribution, to be effective January 1, 2019 and for each following year through to December 31, 2028. EPCOR Southern Bruce has proposed to provide first-time natural gas service within certain communities in South Bruce.

The OEB issued Procedural Order No. 1 on May 21, 2019, which set out a schedule for various steps in this proceeding including scheduling a settlement conference. OEB staff and parties (intervenor and applicant) were to jointly develop and file a proposed issues list for the OEB's consideration.

By letter dated July 12, 2019, OEB staff advised the OEB that the parties were not able to reach an agreement on a draft issues list. However, OEB staff did provide a proposed issues list and identified the issues that were agreed to by all the parties. OEB staff further indicated that the OEB should invite written submissions only on the disputed issues in the proposed issues list.

In Procedural Order No. 2 issued on July 12, 2019, the OEB cancelled the settlement conference scheduled for July 15 and 16, 2019, pending approval of a final issues list.

The OEB has determined that it will proceed by way of written submissions on the proposed issues list. The proposed issues list as filed by OEB staff has been included as Schedule A to this Procedural Order. Parties are directed to provide submissions only on the disputed issues. The disputed issues include:

- 2 (a to d)
- 3 (a to c)
- 4 (b)
- 5 (a and b)
- 6 (b)
- 7(a)
- 8 (a to e)
- 10 (a) and 11 (a).

In proposing additional issues, parties should provide justification and give consideration to whether the item is already included under one of the proposed issues. Similarly, parties proposing to remove, change or limit the scope of an issue on the proposed issues list should provide justification. The parties will then have the opportunity to respond to other parties' written submission for the OEB's consideration.

After reviewing the submissions, the OEB will issue a final issues list. Only matters that are on the final issues list will be considered in this proceeding.

The OEB further reminds parties that the OEB accepted the commitments made by EPCOR Southern Bruce as part of the Common Infrastructure Plan (CIP) process.<sup>1</sup> EPCOR Southern Bruce was required to reflect these commitments in its rates application. The OEB will not be revisiting the overall commitments (with the exception of any proposed adjustments) that were made in the CIP process.

**THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. All parties who wish to file a submission on the draft issues list and suggest revisions shall file it with the OEB and serve it on all parties by **July 23, 2019**.
2. All parties who wish to file a reply argument to other parties' submissions shall file them with the OEB and serve them on other parties by **July 30, 2019**.

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<sup>1</sup> EB-2016-0137/38/39

3. A settlement conference among the parties and OEB staff will be rescheduled to convene on **August 21, 2019** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. If necessary, the settlement conference will continue on **August 22, 2019**.
4. Any settlement proposal arising from the settlement conference shall be filed with the OEB on or before **September 6, 2019**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues and a recommendation on whether to proceed by way of oral or written hearing.
5. If a settlement proposal is filed, OEB staff's submission on the settlement proposal shall be filed with the OEB and served on all parties by **September 16, 2019**.
6. If there is no settlement proposal arising from the settlement conference, EPCOR Southern Bruce shall file a statement to that effect with the OEB by **August 30, 2019**. In that event, parties shall file with the OEB and serve on the other parties by **September 6, 2019** any submissions on which issues shall be heard in writing, and for which issues the OEB should hold an oral hearing.
7. The OEB is setting a tentative date of **September 24, 2019** for EPCOR Southern Bruce to present to the OEB any settlement proposal and a summary of any unsettled issues in the case. The hearing will start at 9:30 a.m. and will be held at 2300 Yonge Street, 25th Floor, Toronto, Ontario.

All filings to the OEB must quote the file number, EB-2018-0264, be made in searchable/unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <https://www.oeb.ca/industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB memory stick in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Registrar at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Arturo Lau at [Arturo.Lau@oeb.ca](mailto:Arturo.Lau@oeb.ca) and OEB Counsel, Michael Millar at [Michael.Millar@oeb.ca](mailto:Michael.Millar@oeb.ca).

**ADDRESS**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4  
Attention: Registrar

Email: [boardsec@oeb.ca](mailto:boardsec@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, **July 16, 2019**

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**Schedule A**

**Procedural Order No. 3**

**EPCOR Natural Gas Limited Partnership**

**EB-2018-0264**

**Proposed Issues List**

**July 16, 2019**

## **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?