

Toronto

July 30, 2019

Montréal

Richard King
Direct Dial: 416.862.6626
rking@osler.com
Our Matter Number: 1200580

Calgary

Sent By Electronic Mail, Courier & RESS Electronic Filing

Ottawa

New York

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

Attention: Ms Kirsten Walli
Board Secretary

Dear Sirs/Mesdames:

**EPCOR Natural Gas Limited Partnership Application for Rates 2020
(EB-2018-0264 – South Bruce)**

In accordance with the Board's Procedural Order No. 3 in the above-noted proceeding, EPCOR Natural Gas Limited Partnership ("EPCOR") submits the following reply submission on the draft issues list.

Purpose of an Issues List

EPCOR agrees with Board Staff's characterization of the purpose of an Issues List. Board Staff's submission concludes by stating that: "Issues should only be excluded from the issues list ... if the panel is certain that the matter has no relevance to the proceeding."¹ In keeping with that approach, EPCOR submits that if a specific issue has already been determined by the Board (i.e., EPCOR's ten-year revenue requirement) then discussing matters related to subsets of that issue (e.g., capital expenditure or components of OM&A) is not relevant as it will not change the ultimate issue in this proceeding, which is the ten-year revenue requirement.

EPCOR participated and made binding commitments in the competitive Common Infrastructure Plan ("CIP") proceeding. EPCOR agreed to take on certain risks in the CIP process, on the basis that it would be able to recover its ten-year revenue requirement. To maintain a number of the cost issues on the issues list in the proceeding, on the basis that they should be scrutinized on an appropriateness standard (as opposed to consistency with EPCOR's CIP), suggests that EPCOR's ten-year revenue requirement is at risk. This would

¹ EB-2018-0264, Ontario Energy Board Staff Submission on Proposed Issues List, July 23, 2019, Section 2, page 3

not only completely undermine the CIP process and all that the CIP process was meant to achieve (expansion of natural gas delivery into previously unserved regions; ratepayer protection via competition as opposed to regulation; and regulatory efficiencies from relying on a competitive process), but would also be unfair to EPCOR. Like any bidder in a competitive process, EPCOR agreed to take on cost risks on the basis of a specified reward (in the case of the CIP, a ten-year revenue requirement) – i.e., balancing the risks against the reward. The draft issues list, by allowing further scrutiny of certain cost items, leaves it open for the reward to be diminished yet leave the risk unchanged.

As a result, except as noted below, EPCOR remains of the view that the wording of the issues as proposed in its July 23, 2019 submission are the most appropriate for this application.

Draft Issue 2(a): EPCOR agrees with Board Staff that the forecasted capital cost used to calculate the revenue requirement was not individually addressed in the CIP process. However, as it is one of the critical components of the envelope of costs that comprised EPCOR's ten-year revenue requirement, it was effectively tested and approved in the CIP process. To now propose to discuss and test one component of that approved revenue requirement, outside of the framework developed for the CIP process, would set aside one of the critical components of the decision on which EPCOR was awarded its Certificates of Public Convenience and Necessity required to bring service to South Bruce. Therefore, EPCOR continues to be of the view that if there is a review of any component of the revenue requirement (including capital expenditures) that review should be whether that component remains consistent with its CIP proposal.

Draft Issue 2(b): EPCOR agrees that the non-distribution costs component of working capital was not reviewed during the CIP proceeding. As a result, EPCOR proposes to reword this question as follows:

2(b) Is EPCOR Southern Bruce's proposed working capital allowance related to its approved revenue requirement consistent with EPCOR's CIP proposal and any proposed working capital allowance related to non-distribution costs appropriate?

Draft Issue 2(c): EPCOR agrees with Staff's submission on draft Issue 2(c), with the addition that the value of the CIAC related to the custody transfer station at Dornoch is also outside the scope of this proceeding.

Draft Issue 2(d): EPCOR submits that this issue goes to capital costs of the project, and therefore the same reasoning applicable to draft Issue 2(a) should also apply to this issue. There is no reason to probe the capital costs of the project – the risk on costs is EPCOR's and has been incorporated into the ten-year revenue requirement in EPCOR's CIP. EPCOR maintains its position on the proposed wording of this issue.

Draft Issue 3: EPCOR has no further comment on this issue. EPCOR reiterates the submissions in its July 23rd submission.

Draft Issue 4: EPCOR agrees with Board Staff's submission that draft Issue 4(b) should be removed. EPCOR is also of the view that its July 23rd submission and Board Staff's submissions on draft Issue 4 fully answers the proposal by SEC to specifically include OM&A expenses in this proceeding.

Draft Issue 5: EPCOR agrees with Board Staff comments that, with respect to draft Issue 5(a), the calculation and assumed values in calculating the additional revenue deficiency of \$1.764 million should be reviewed by the OEB. However, EPCOR remains of the view that any assessment of the calculations and assumed values must be made within the framework of the CIP process and the common assumptions used. Regarding draft Issue 5(b), EPCOR remains of the view that issues regarding revenue requirement and "whether all adjustments have been included" (per Board Staff's submission) are covered in Issue 1(a).

Draft Issue 6(b): EPCOR agrees with Board Staff's observation that "... the wording as proposed above is similar to that used in other cost of service applications"². However, as EPCOR noted in its July 23rd submission, this rate application is unique and the culmination of a long process, including the awarding to EPCOR of certain CPCNs based on its CIP proposal. Therefore, the wording of any Issues in this proceeding (including Issue 6) should take into consideration and reflect the process and decisions that have been made in arriving at this point in the regulatory processes associated with bringing gas service to the region. EPCOR reiterates its July 23rd submissions on this draft Issue 6(b).

Draft Issue 7(a): EPCOR has no further submissions, and reiterates those in its July 23rd submission.

Draft Issue 8: EPCOR continues to be of the view that any testing of its Custom IR Plan and term, productivity and stretch factor and earnings sharing and dead-band must be reviewed within the context of the CIP process and the competitive framework that was established by the OEB.

Draft Issue 10: EPCOR has no further submissions, and reiterates those in its July 23rd submission.

² EB-2019-0267, Ontario Energy Board Staff Submission on Proposed Issues List, July 23, 2019, Issue 6, page 10

Draft Issue 11: EPCOR supports the submissions of Board Staff on this draft Issue, and has no further submissions. It reiterates its submission of July 23rd on draft Issue 11.

Yours very truly,

A handwritten signature in blue ink, appearing to be 'RK' followed by a stylized flourish.

Richard King

Copy: All parties to EB-2018-0264