

September 17, 2019

VIA RESS AND COURIER

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Dear Ms. Walli:

Re: EB-2018-0264 – EPCOR Natural Gas Limited Partnership (EPCOR) Southern Bruce Rate Application.

Industrial Gas Users Association (IGUA) Request for Oral Hearing.

In Procedural Order No. 4 herein the Board directed that any settlement proposal arising from the settlement conference held in this matter include a recommendation on whether to proceed by way of oral or written hearing on any unsettled issues.

The Settlement Proposal reached by parties on a number of the issues in the case was filed by counsel for EPCOR on September 13th. The Settlement Proposal did not include a recommendation on whether to proceed by way of oral or written hearing because there was no agreement in that respect among the parties.

EPCOR, through counsel's letter, has proposed a written hearing on the unsettled issues. On behalf of IGUA we request an oral hearing on the unsettled issues.

There are two main unsettled issues in this matter;

1. Cost Allocation and Rate Design (Issue 6).
2. EPCOR's proposal to recover an additional \$1.764 million due to changes in construction schedule (Issue 5.a).

There are several additional unsettled issues.

Issue 6: Cost Allocation and Rate Design.

EPCOR has filed evidence on a cost allocation analysis, but proposes to set rates not on the basis of that analysis, but rather on the basis of judgement and in order to facilitate achievement of its customer connection forecast. The respective roles of “judgement” and cost allocation were highlighted only in EPCOR’s interrogatory responses¹, and parties and the Board would benefit from additional evidence on;

- (a) the principles for, and basis of, that judgement;
- (b) the extent to which that judgement departs from the results of the cost allocation work presented; and
- (c) the basis upon which EPCOR justifies such departure and the resulting impacts on its customers, and in particular on those customers which EPCOR proposes will cross-subsidize other customers.

As representative of those customers (Rate 16) who EPCOR proposes will be compelled to provide the cross-subsidy, for a 10 year period, to help EPCOR meet its connections forecast, IGUA seeks the ability to fully test EPCOR’s evidence and obtain a full articulation of EPCOR’s rationale prior to being put to argument on the matter.

Further, and in respect of the cost allocation analysis that EPCOR has filed in order to provide “a comparison and reasonableness check of the proposed rates and revenue to be recovered from each rate class”², all cost allocation entails judgement. EPCOR’s allocation judgement has not been elaborated on, or tested, in the record produced to date. Though EPCOR has provided information in interrogatory responses on amounts allocated, that information gives rise to a number of questions regarding the judgement applied in determining such allocations, as compared to other potential allocations. It is also salient that the cost allocation information that has been provided is for a brand new regulated gas distribution system and is thus a matter of “first instance”.

Both in respect of EPCOR’s judgement and in respect of the cost allocation analysis that EPCOR proffers in support of that judgement, given that the decision which the Hearing Panel will make on this application in respect of “just and reasonable” rates is likely to persist for a decade, affected customers should be afforded a full opportunity to understand and test EPCOR’s proposals prior to being put to argument on the matter, and the Hearing Panel should have a robust record on the issues prior to deliberating the matter.

¹ See IRRs IGUA.3, IGUA.4 and Staff.22. The prefiled evidence which gave rise to these interrogatories can be found at Ex1/T2/S1/p.41/paragraph 31; Exhibit 7/T1/S1/pages 1-2.

² IRR Staff.22, page 2, last paragraph.

Issue 5a): Recovery of Costs Due to Changes in Construction Schedule.

While EPCOR has produced evidence on the impact of foregone revenue as a result of the delay in connecting customers as a result of a later than anticipated construction start³, it has provided little explanation on the record of the basis upon which the risk of such delay should rest with ratepayers rather than the successful competitive proponent for South Bruce. It would be appropriate for those who disagree with EPCOR's proposal to recover an incremental \$1.76 million over and above its competitively proffered and committed to 10 year CIP revenue to be able to understand, and challenge, the basis for such proposed risk allocation prior to being put to argument on the matter.

The Hearing Panel may well have questions in this respect as well, and all parties would benefit from hearing, and understanding, EPCOR's responses to such questions.

An oral hearing to flesh out the record on this topic would provide all parties with a more complete basis upon which to argue their positions at the end of the day, and, it is respectfully submitted, a better record upon which the Hearing Panel can then deliberate this issue.

Other Unsettled Issues.

The other discrete unsettled issues of interest to IGUA are:

- 3(c) *Are EPCOR's proposed Other Revenues during the rate stability period consistent with EPCOR's CIP proposal?*
- 7(a)(ix); 8(a) *Is EPCOR's proposed Regulatory Expense Deferral Account (REDA) appropriate?*
- 7(b)(i) and (ii) *Are EPCOR's proposed Municipal Tax Variance Account (MTVA) and Energy Content Variance Account (ECVA) consistent with the CIP proposal and appropriate?*
- 8(e) *Is EPCOR's proposed Incremental Capital Module (ICM) consistent with the CIP?*
- 10 *Is EPCOR's proposal for a January 1, 2019 effective date and for rate riders for recovery from and after that date consistent with EPCOR's CIP proposal and appropriate?*

³ Ex6/T1/S1.

If an oral hearing is convened it would be appropriate to allow parties to cross-examine on these additional contested issues as well, for the sake of a clear record in support of fully developed final submissions.

Yours truly,



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