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Sent by Electronic Mail, Courier & RESS Electronic Filing

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

Dear Ms. Walli:

RE: EB-2018-0264: EPCOR Natural Gas Limited Partnership (EPCOR) Southern Bruce Rate Application – Oral Hearing versus Written Hearing on Unsettled Issues

On September 13, 2019, EPCOR filed a Settlement Proposal for EB-2018-0264 whose cover letter proposed a written hearing on the unsettled issues in the proceeding. On September 17, 2019 IGUA, through counsel, filed a letter requesting an oral hearing on the unsettled issues. On September 18, OEB Staff filed its submission which indicated that a limited oral hearing on the matter of cross subsidization is not an unreasonable path forward.

EPCOR is of the view that there is sufficient information on the record for the OEB to make a determination on all unsettled issues, subject to written submissions. On this basis, EPCOR is opposed to an oral hearing or even a limited oral hearing on the cost allocation issue.

In terms of EPCOR's proposal to recover an additional estimated \$1.764 million due to changes in construction (Issue 5.a), the utility agrees with OEB Staff's view that sufficient information has been provided in evidence for the parties to make arguments and for the OEB to make a final determination on this issue.¹ A written hearing will provide a meaningful and suitable process for the parties to respond to the evidence on record and to address the appropriateness of the proposal to recover the estimated amount.

In terms of the cost allocation issue (Issue 6), contrary to IGUA's suggestion, the respective role of management judgment did not first come to light in EPCOR's interrogatory responses. EPCOR's application noted that its current cost allocation study is "based on its CIP, the EPCOR Aylmer natural gas distribution system and management judgement".² The written interrogatory process provided ample opportunity for parties to seek further evidence or clarification on the application. We note that EPCOR's response to written interrogatory 7-Staff-21, which references the role of management judgment, touches on the cost allocation principles, methodology and framework adopted for the South Bruce operation,

¹ OEB Staff Submission, EPCOR South Bruce 2019-2028 Rates Application (EB-2019-0264), p. 17, fourth para.

² EPCOR South Bruce 2019-2028 Rates Application, Exhibit 1 (EB-2018-0264), Tab 1, Schedule 1, page 41 of 64, par. 31, and Exhibit 7, Tab 1, Schedule 1, page 3.

including adjustments made to the cost allocation model.³ There are other interrogatory responses that address cost allocation as noted in both IGUA's letter⁴ and OEB Staff's submission.⁵ Therefore, the application has been sufficiently tested on this issue and there is sufficient evidence on record for the parties to make an informed argument through a written hearing.

Furthermore, contrary to IGUA's submission, the context of this application is different from a typical rates application in that no ratepayer in South Bruce will be compelled to pay EPCOR's rates. There are no customers currently connected to the system and potential customers can make a choice on whether or not to connect to the system based on the utility's approved rates. If they chose to connect to the system they are then protected as a result of the 10-year rate stability period.

Overall, the regulatory process of getting gas service to South Bruce, which will be a small utility in terms of customer size, has already been the subject of multiple OEB proceedings including an initial application, a generic hearing, a competitive process, leave to construct and now a rates application. Regarding this rates application, the parties to this proceeding were represented by legal counsel and had ample opportunity to flesh out the issues and test the application through the written interrogatory process. EPCOR has fully participated in this rates proceeding and has provided sufficient, relevant information on the unsettled issues. In light of the evidence on record, an oral hearing, including a limited oral hearing on the cost allocation issue, would not be a cost effective or necessary approach to determining the unsettled issues. EPCOR's view is that IGUA has not demonstrated that there is good reason for not holding a written hearing.

EPCOR respectfully submits that the reasonable path forward would be to proceed by way of a written hearing for all unsettled issues. Thank you for your consideration.

Yours truly,

Original Signed By:

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cc: All parties to EB-2018-0264

³ EPCOR Responses to Interrogatories, EPCOR South Bruce 2019-2028 Rates Application (EB-2019-0264) OEB 7-Staff-21, page 1.

⁴ See IRRs IGUA 3, IGUA 4, IGUA 9, IGUA 10, IGUA 11, IGUA 14, IGUA 17, IGUA 18 and Staff 21, Staff 22.

⁵ *Supra* note 1, p. 17, third para.