



# **ONTARIO ENERGY BOARD**

## **STAFF COMMENTS ON DRAFT RATE ORDER FILED ON DECEMBER 11, 2019**

**EPCOR Southern Bruce  
2019-2028 Rates  
EB-2018-0264**

**December 17, 2019**

## Background

In 2018, the OEB selected EPCOR Natural Gas Limited Partnership (EPCOR Southern Bruce)<sup>1</sup> as the successful proponent for the South Bruce gas distribution project.<sup>2</sup> The process was competitive and the selection was made on the basis of a cumulative revenue requirement, forecasted attachments and total throughput volume for the 10-year rate stability period. The Ontario Energy Board (OEB) in its decision noted that it expected that EPCOR Southern Bruce's rate application would be consistent with its Common Infrastructure Plan (CIP) proposal.<sup>3</sup>

EPCOR Southern Bruce filed a custom incentive rate-setting application with the OEB on April 11, 2019 under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval for gas distribution rates to be effective January 1, 2019 and for each following years through to December 31, 2028. The application was to provide first-time natural gas service to communities within the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss.

EPCOR Southern Bruce and intervenors reached a settlement on some of the issues in the proceeding. A settlement proposal was filed with the OEB on September 13, 2019. The OEB issued a decision on October 3, 2019 accepting the settlement proposal and scheduled a written process to address the unsettled issues.

On November 28, 2019, the OEB issued its decision on the unsettled issues and directed EPCOR Southern Bruce to file a draft rate order reflecting the OEB's findings.<sup>4</sup> EPCOR Southern Bruce filed a draft rate order on December 11, 2019, that included draft rate schedules, draft accounting orders and derivation of rate riders to recover the revenue deficiency related to delay in connecting customers.

## OEB Staff Comments

The approved settlement proposal and the decision on the unsettled issues did not result in rate changes as compared to that filed in the evidence. However, the OEB did reduce the requested revenue deficiency to address the delay in the connection of customers (from the requested \$1.764 million to \$1.32 million).

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<sup>1</sup> EPCOR Natural Gas Limited Partnership in this application has been referred to as EPCOR Southern Bruce in order to identify it separately from the Aylmer gas distribution utility.

<sup>2</sup> EB-2016-0137/0138/0139, Decision and Order, April 12, 2018.

<sup>3</sup> *ibid*

<sup>4</sup> Decision and Order, EB-2018-0264, November 28, 2019.

OEB staff has reviewed the draft rate schedules, accounting orders and the rate rider calculation, and is satisfied with the calculation of rates and the description of the accounting orders. With respect to the derivation of rate riders to recover the revenue deficiency related to the delay in connecting customers, OEB staff notes that the volumes used in the calculation of the rate riders is different from that included in the application and the CIP. EPCOR Southern Bruce has reduced the total volumes by approximately 10 million cubic metres for the 10-year rate stability period to calculate the rate riders as compared to that submitted in the evidence and the CIP. EPCOR Southern Bruce is requested to explain the difference in its reply comments.

The annual delivery charges as a result of the decision for some of the rate classes is presented below. Since the application relates to providing first-time natural gas service, there is no comparison to an existing rate. A comparison has been made between the delivery charges as per the application and the resulting charges as per the OEB's Decision and Order. The bill amounts presented below only include delivery charges and the rate rider, and do not include gas supply charges or other government mandated charges.<sup>5</sup>

#### Summary of Annual Distribution Rate Impacts (Typical Customer)

Rate Class	Delivery Charge as per Application	Delivery Charge – Draft Rate Order	Change (\$)	Change (%)
Rate 1 – New Residential	893.02	881.65	- 11.37	- 1.3%
Rate 1 – Existing Residential	916.68	904.86	- 11.82	- 1.3%
Rate 1 – Small Commercial	1,633.57	1,607.76	- 25.82	- 1.6%
Rate 1 – Small Agricultural	1,641.12	1,615.16	- 25.97	- 1.6%
Rate 6 – Medium Commercial	7,786.11	7,703.63	- 82.48	- 1.1%
Rate 6 – Large Commercial	19,013.17	18,781.39	- 231.78	- 1.2%

EPCOR Southern Bruce has provided a generic customer notice that will be included with the first bill. OEB staff agrees with EPCOR Southern Bruce's proposal of explaining the different line items of the bill as part of the customer notice. Since this is the first time that customers in South Bruce will see a natural gas bill, OEB staff believes that

<sup>5</sup> Federal Carbon Charges and increase to the fixed monthly charge as per Bill 32 and Ontario Reg. 24/19.

customers need an explanation of the different line items that are included in their bill. OEB has reviewed the customer notice and is satisfied with the description of the line items.

– All of which is respectfully submitted –