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January 24, 2020

Sent By Electronic Mail, RESS Electronic Filing and Courier

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
27-2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: EPCOR Natural Gas Limited Partnership (“ENGLP”) EB-2019-0276 – Motion to Review
2020 to 2024 Rates – Phase 2 Decision – Correction to Evidence Exhibit “I”**

Enclosed please find a corrected Exhibit “I” to the Affidavit of Brian Lippold originally filed on December 4, 2019 in the above noted proceeding.

The model which underpins the summary exhibit at Exhibit “I”, page 7, Table 4 applied a municipal tax rate of 3.16% in error. ENGLP has re-run the model applying the corrected tax rates for the relevant municipalities, i.e. 2.0675% for the Municipality of Thames Centre, and 2.1317% for the Township of South-West Oxford.

As a result of the change above to municipal tax rates, Exhibit “I”, page 7, Table 4 is corrected as follows:

- At Line 9, Net Present Value in dollars changes from (318,531) to **(191,335)**.
- At line 10, Profitability Index (“PI”) changes from 0.68 to **0.81**. This correction is also reflected at page 3 and page 6 of Exhibit “I”.

ENGLP takes this opportunity to make corrections which are unrelated to the change to municipal tax rates:

- At page 7, Line 4, Customer Revenue Horizon was stated as 40.00%. This was a cell formatting error. For clarity, this has been corrected to 40 years.
- The exhibit pages also incorrectly indicate that Exhibit “I” has 11 pages. Exhibit “I” has only 7 pages, and ENGLP confirms there were no pages omitted in its original filing.

Please do not hesitate to contact me if you have any questions.

Sincerely,

[Original Signed by]

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cc. All parties in EB-2018-0336



8. The result of the EBO 188 system expansion PI test yields a PI of **0.81**. A large proportion of actual customers connected lie immediately along or a short distance from the Putnam to Culloden Line (which route includes Cromarty Drive and Pigram Road) or on 2" pipeline along Salford Road from Culloden Line to Dereham Line completed in 2017.

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Table 1 – Immediate Customer attachments to the Putnam to Culloden Pipeline

Area	Total Customer Count	High volume customers (Commercial or Industrial)
Salford Road (west of Culloden Line) ²	13	4
Culloden Line	9	3
Pigram Road	5	0
Cromarty Drive	2	0
Total	29	7

PI Calculation Assumptions, Inputs and Methodology

Capital Costs:

9. The Putnam to Culloden Pipeline costs as well as the costs of the Enabled Lines in the Northeast of ENGLP's system, were considered in 2016 when computing the PI of the system expansion. These costs are described in Table 2 noting the in-service year.

Table 2 – Significant pipeline costs

Pipeline Asset	in-service year	Cost (in year of expenditure dollars)
Putnam to Culloden Pipeline	2016	\$570,000
2-inch Pipeline along Salford Road from Culloden Line to Dereham Line	2017	\$101,099 ³
2-inch Pipeline along Prouse Road, from Culloden Line to Dereham Line	2017	\$100,296 ⁴

² There are 10 further customers, including two Rate 1 industrial customers on the 2017 extension, a 2" pipeline along Salford Road from Culloden Line to Dereham Line.

³ EB-2018-0336, response to interrogatory 1-VECC-1 (Phase 2)

⁴ EB-2018-0336, response to interrogatory 1-VECC-1 (Phase 2)



Discount rate:

18. The Board's prescribed weighted average cost of capital for January 1, 2016 was used to determine a discount rate for the 40-year time horizon. A capital structure of 40% equity, 56% long term debt, and 4% short term debt was used. At the effective tax rate of 26.5%, this results in a discount rate of 5.59%.

Incremental O&M costs:

19. Incremental O&M has been considered in the analysis. These costs include those for gas costs, billing, meter reading, inspection and maintenance, and customer calls.

Summary

20. Absent the benefits of system integrity, the Putnam to Culloden and Enabled Lines have a PI of 0.81.

/C

21. A summary table of parameters and key results is provided at Table 4 (Corrected) on the following page.

/C



**Table 4 (Corrected) - Putnam to Culloden
 and Enabled Lines
 Parameters and Key Results**

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Line No.	<u>Col. 1</u> Description	<u>Col. 2</u>	
EBO 188	PARAMETERS		
1.	Discount Rate	5.59%	
2.	CCA Rate	6.00%	
3.	Tax Rate	26.50%	
4.	Customer Revenue Horizon (Years)	40	/c
5.	Annual Volumes (m3)	513,529	
6.	Annual Distribution Revenues (Dollars)	148,466	
7.	Annual O&M (Dollars)	(16,258)	
8.	Capital Investment (Dollars)	1,003,040	
	Working Capital	nil	
EBO 188	RESULTS		
9.	Net Present Value	(191,335)	/c
10.	Profitability Index	0.81	/c