

# **INTERIM DECISION AND ORDER**

**EB-2020-0076**

## **EPCOR NATURAL GAS LIMITED PARTNERSHIP (AYLMER OPERATION)**

**2020 Federal Carbon Pricing Program Application**

**BEFORE: Lynne Anderson**  
Presiding Member

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**March 26, 2020**

# 1 INTRODUCTION AND SUMMARY

EPCOR Natural Gas Limited Partnership (EPCOR Natural Gas) filed an application on February 27, 2020, under section 36(1) of the *Ontario Energy Board Act, 1998*, seeking Ontario Energy Board (OEB) approval to increase rates to recover costs associated with meeting its obligations under the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA), and to dispose of 2019 balances for all deferral and variance accounts related to the Federal Carbon Pricing Program (FCPP).

This application applies to EPCOR Natural Gas' Aylmer operation, which serves approximately 9,300 customers in Aylmer and surrounding areas.

In this Interim Decision and Order, the OEB addresses EPCOR Natural Gas' request for approval of rates on an interim basis.

In EPCOR Natural Gas' 2019 FCPP proceeding (EB-2019-0101), the OEB approved EPCOR Natural Gas' proposal to recover costs associated with the FCPP by charging a Federal Carbon Charge and a Facility Carbon Charge<sup>1</sup> to its customers. The OEB also approved the establishment of FCPP-related variance accounts for customer-related costs and facility-related costs, and a deferral account for EPCOR Natural Gas' administration costs.

In this proceeding, EPCOR Natural Gas requested approval to increase the Federal Carbon Charge and Facility Carbon Charge on customer bills to reflect forecast 2020 costs. As of April 1, 2020, the Federal Carbon Charge that EPCOR Natural Gas must remit to the Government of Canada under the GGPPA for eligible volumes of natural gas will increase from 3.91 ¢/m<sup>3</sup> to 5.87 ¢/m<sup>3</sup>. EPCOR Natural Gas requested approval to update the Federal Carbon Charge on customer bills to match the level in the GGPPA, and to update the Facility Carbon Charge to reflect the costs EPCOR Natural Gas forecast that it will need to remit to the Government of Canada for its own emissions.

If approved, the incremental bill impact of changes to these two charges would be an increase of \$34.91 per year for a typical EPCOR Natural Gas residential customer with an annual consumption of 1,780 m<sup>3</sup>.<sup>2</sup>

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<sup>1</sup> The Facility Carbon Charge recovers from customers the costs that EPCOR Natural Gas must remit to the Government of Canada for its own emissions.

<sup>2</sup> The OEB notes that EPCOR Natural Gas' QRAM application (EB-2020-0093) uses a different volume of annual consumption for a typical residential customer (2,009 m<sup>3</sup>, resulting in an incremental bill impact of \$39.40). The actual bill impact for a given customer will depend on the volume of natural gas used.

EPCOR Natural Gas requested that the OEB approve its proposed rates for the Federal Carbon Charge and Facility Carbon Charge on an interim basis by March 23, 2020, if the OEB considered that it was not possible to provide final approvals by this date.

The OEB approves EPCOR Natural Gas' proposed rates for the Federal Carbon Charge and Facility Carbon Charge on an interim basis, effective April 1, 2020.

Charge	Unit Rate (¢/m <sup>3</sup> )
Federal Carbon Charge	5.8700
Facility Carbon Charge	0.0027

This determination is made without prejudice to the OEB's decision on the application. Despite this Interim Decision and Order, the OEB retains the discretion to set the final rates to whatever it ultimately determines to be just and reasonable.

EPCOR Natural Gas also seeks approval in this proceeding to dispose of balances in all FCPP-related deferral and variance accounts through the end of 2019, and requested authority to continue tracking costs for future recovery in these accounts. In this Interim Decision and Order, the OEB finds that no order is needed for EPCOR Natural Gas to continue tracking costs in these accounts. The OEB will provide further direction on next steps in this proceeding following EPCOR Natural Gas' submission of updated evidence that includes final December 31, 2019 balances and a proposed disposition methodology for these balances, including expected bill impacts.

## 2 DECISION

### 2.1 Federal Carbon Charge

Under the GGPPA, EPCOR Natural Gas is required to remit payment to the Government of Canada, on behalf of its customers, for emissions associated with the natural gas delivered by EPCOR Natural Gas and used by these customers. EPCOR Natural Gas applies a Federal Carbon Charge (currently 3.91 ¢/m<sup>3</sup> of natural gas) to customer bills to recoup this cost.

The Federal Carbon Charge that EPCOR Natural Gas must remit to the Government of Canada will increase by 50%, from \$20 per tonne of carbon dioxide equivalent (3.91 ¢/m<sup>3</sup> of natural gas) to \$30 per tonne of carbon dioxide equivalent (5.87 ¢/m<sup>3</sup>). This takes effect on April 1, 2020. EPCOR Natural Gas requested OEB approval to increase the Federal Carbon Charge on customer bills to the same level (5.87 ¢/m<sup>3</sup>), effective April 1, 2020.

Under the GGPPA, certain customers (e.g. industrial customers and greenhouses) are eligible for full or partial exemption from the Federal Carbon Charge for their emissions. EPCOR Natural Gas indicated that it would continue to track these customers and adjust their bills accordingly. EPCOR Natural Gas has a rate class consisting of a single customer (Rate 6), and that customer is exempt from the Federal Carbon Charge. The rate schedule for this class therefore does not include the Federal Carbon Charge. Rate schedules for other rate classes include the Federal Carbon Charge, with the wording “if applicable”.

### Findings

The OEB approves EPCOR Natural Gas’ proposed increase to the Federal Carbon Charge on customer bills effective April 1, 2020, on an interim basis. EPCOR Natural Gas’ proposed charge was calculated to pass-through the costs of remitting the Federal Carbon Charge related to customer use to the Government of Canada. The Federal Carbon Charge under the GGPPA increases on April 1 of each year. It is appropriate to adjust the Federal Carbon Charge on customer bills to match the level set in the GGPPA.

The OEB will set final rates after it has reviewed and fully tested the application. However, the OEB believes that the adjustment to EPCOR Natural Gas’ Federal Carbon Charge on customer bills is sufficiently mechanistic that changes to the interim rate are unlikely. Any differences between the amounts collected from customers and those remitted to the Government of Canada are tracked in a variance account for future disposition to customers. Because EPCOR Natural Gas applies the Federal

Carbon Charge on customer bills to actual billed volumes, future variances are expected to be minimal.

## **2.2 Facility Carbon Charge**

EPCOR Natural Gas is also required to remit payment to the Government of Canada for its own greenhouse gas emissions. As EPCOR Natural Gas' facility-related emissions are less than 10,000 tonnes carbon dioxide equivalent, it is not eligible for the Output-Based Pricing Standards component of the GGPPA, and is required to pay the Federal Carbon Charge to the Government of Canada for all of its facility-related emissions.

EPCOR Natural Gas applies a Facility Carbon Charge to customer bills to recoup the costs associated with these facility-related emissions. This charge is collected from all EPCOR Natural Gas customers, and is embedded within the delivery charge on customer bills.

EPCOR Natural Gas forecast a 2020 cost of \$70,850 for its facility-related emissions. This forecast was based on EPCOR Natural Gas' forecast volume of facility-related emissions, and on the Federal Carbon Charge that must be paid to the Government of Canada per unit of emission (3.91 ¢/m<sup>3</sup> between January 1, 2020 and March 31, 2020, and 5.87 ¢/m<sup>3</sup>, effective as of April 1, 2020).

EPCOR Natural Gas calculated the volumetric rate for the Facility Carbon Charge that would be needed to recover its forecast 2020 cost of facility-related emissions, based on forecast 2020 customer volumes. EPCOR Natural Gas requested approval to increase the Facility Carbon Charge from 0.0017 ¢/m<sup>3</sup> to 0.0027 ¢/m<sup>3</sup>, effective April 1, 2020.

### **Findings**

The OEB approves EPCOR Natural Gas' proposed rate for the Facility Carbon Charge effective April 1, 2020, on an interim basis.

As with the Federal Carbon Charge on customer bills, the OEB will set a final rate for the Facility Carbon Charge after it has reviewed and fully tested the application. Any differences between the amounts collected from customers and those remitted to the Government of Canada for EPCOR Natural Gas' facility-related obligations are tracked in a variance account for future disposition to customers.

## **2.3 2019 Federal Carbon Pricing Plan-Related Deferral and Variance Accounts**

In EPCOR Natural Gas' 2019 FCPP proceeding, the OEB approved the establishment of variance accounts for customer-related costs and facility-related costs, and a deferral account for EPCOR Natural Gas' administration costs, related to the FCPP. EPCOR Natural Gas indicated that it will seek approval in the current proceeding to dispose of balances in these accounts through the end of 2019, based on actual costs incurred from January 1, 2019 to December 31, 2019.

EPCOR Natural Gas' application and evidence did not provide any information on the expected balances in these accounts or the proposed disposition methodology. EPCOR Natural Gas indicated that it expects to file updated evidence in the near future with final 2019 audited balances and a proposed disposition methodology.

However, EPCOR Natural Gas requested that, as part of the OEB's decision on interim rates, the OEB confirm EPCOR Natural Gas' authority to continue to track costs for future recovery in these accounts, and clarify that reasonable administration costs between Jan 1, 2020 and March 31, 2020 will be eligible for recovery. EPCOR Natural Gas also indicated that its Greenhouse Gas Emissions Administration Deferral Account (GGEADA) would be used to record the administrative costs associated with the GGPPA, as well as any other federal/provincial regulations related to greenhouse gas emissions requirements.

### **Findings**

The OEB finds that no order is needed for EPCOR Natural Gas to continue to track FCPP-related costs in its deferral and variance accounts beyond December 31, 2019, as the accounting orders establishing these deferral and variance accounts did not include a sunset date.

The OEB notes that the purpose of the approved GGEADA (Account 179.60) is to record the administrative costs associated with the impacts of the GGPPA for EPCOR Natural Gas' Aylmer Operation. The use of this account is limited to that purpose, and should not be used to record administrative costs associated with other federal/provincial regulations related to greenhouse gas emissions requirements. The OEB is not prepared to amend the purpose of the GGEADA as part of this Interim Decision and Order.

## **2.4 Timing of Applications**

The OEB is concerned that EPCOR Natural Gas did not file its application until February 27, 2020 seeking rates for April 1, 2020. EPCOR Natural Gas also filed late last year (March 8, 2019 for April 1, 2019 rates). This is insufficient time for the OEB to process its application. The OEB has nevertheless approved interim rates in this Interim Decision and Order. EPCOR Natural Gas is expected to file its FCPP applications in a more timely manner in the future and provide a reasonable explanation for the timing of its applications.

### 3 ORDER

#### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. EPCOR Natural Gas' proposed unit rates for the Federal Carbon Charge and Facility Carbon Charge, as set out in Exhibit E, Tab 2, Schedule 3, and shown in Schedule A of this Interim Decision and Order are approved on an interim basis, effective April 1, 2020.
2. EPCOR Natural Gas shall file draft complete tariff sheets reflecting this Interim Decision and Order as part of its April 2020 Quarterly Revenue Adjustment Mechanism application.

**DATED** at Toronto March 26, 2020

#### ONTARIO ENERGY BOARD

*Original Signed By*

Christine E. Long  
Registrar and Board Secretary



**SCHEDULE A**  
**INTERIM DECISION AND ORDER**  
**EPCOR NATURAL GAS LIMITED PARTNERSHIP**  
**(AYLMER OPERATION)**  
**EB-2020-0076**  
**MARCH 26, 2020**



**SUMMARY OF FEDERAL CARBON CHARGE AND FACILITY CARBON CHARGE UNIT  
 RATES BY RATE CLASS**

**ENGLP**

**2020 Carbon Charge Unit Rate by Rate Class (January 1, 2020 to March 31, 2020)**

<b>Rate Class</b>	<b>Charge</b>	<b>Unit</b>	<b>Rate</b>
Rate 1	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	3.9100
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0017
Rate 2	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	3.9100
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0017
Rate 3	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	3.9100
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0017
Rate 4	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	3.9100
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0017
Rate 5	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	3.9100
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0017
Rate 6	Facility Carbon Charge	cents / m <sup>3</sup>	0.0017

**2020 Carbon Charge Unit Rate by Rate Class (April 1, 2020 to December 31, 2020)**

<b>Rate Class</b>	<b>Charge</b>	<b>Unit</b>	<b>Rate</b>
Rate 1	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	5.8700
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0027
Rate 2	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	5.8700
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0027
Rate 3	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	5.8700
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0027
Rate 4	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	5.8700
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0027
Rate 5	Federal Carbon Charge (if applicable)	cents / m <sup>3</sup>	5.8700
	Facility Carbon Charge	cents / m <sup>3</sup>	0.0027
Rate 6	Facility Carbon Charge	cents / m <sup>3</sup>	0.0027