

**ONTARIO ENERGY BOARD STAFF COMMENTS**  
**EPCOR Natural Gas QRAM Application EB-2020-0206**  
**September 15, 2020**

1. In Schedule 1 Page 10, ENGLP had identified annual cost required to administer the procurement of natural gas supply for its Southern Bruce franchise under the M17 rate. With the exception of the ECNG nomination fee, these costs were not included as part of the Upstream Recovery charge.

- a. Please identify any staff costs that are included in the currently approved Storage and Transportation Charges and that relates to managing the gas supply function.

**ENGLP response:** There are no staff costs included in the currently approved Storage and Transportation Charges that relate to managing the gas supply function

- b. Please identify any staff costs that are included in currently approved distribution rates and that relates to managing the gas supply function.

**ENGLP response:** There are no staff costs included in currently approved distribution rates that relate to managing the gas supply function.

- c. ENGLP has identified staff costs of \$185,000 related to the procurement of natural gas supply under the M17 rate. EPCOR has sought approval to record these costs in the Storage and Transportation Variance Account. Had ENGLP known of the gas supply administration costs for procuring gas supply under Rate M17 at the time of its Custom IR application, would ENGLP have recovered these costs through distribution rates? If not, how would have ENGLP recovered these costs at the time of the Custom IR?

**ENGLP response:** If ENGLP had known of the gas supply administration costs for procuring gas supply under Rate M17 at the time of its Custom IR application, it expects that it would have applied to recover those costs through the Transportation and Storage charge. This would align with the general principle that costs generated as a result of activity upstream of the demarcation point between the ENGLP and Enbridge (the Dornoch station) are recovered under the Upstream Charges section of the tariff. Alternatively, these charges could also have been recovered as part of the



Gas Supply Charge as they are directly related to acquisition of gas for system customers.

- d. The ECNG nomination fee is based on 2020 volumes. What would be the nomination fee when all forecasted customers are connected?

**ENGLP response:** We are anticipating the majority of customers to be connected within the first three years but will continue to see growth. The chart below shows the expected nomination fee from 2020-2028 (system gas customers only).

Year	ECNG Nomination Cost
2020	\$ 11,701.17
2021	\$ 18,863.75
2022	\$ 22,318.11
2023	\$ 23,428.31
2024	\$ 25,273.41
2025	\$ 25,962.20
2026	\$ 26,116.47
2027	\$ 26,241.81
2028	\$ 26,314.12

- e. Please provide a breakdown of the currently approved Upstream Recovery Charge and Transportation and Storage Charge, including the portion for the ECNG nomination fee.

**ENGLP response:** In responding to this staff question, ENGLP notes that the current approved Upstream Recovery Charge and Transportation and Storage Charge only allow it to collect a portion of the actual costs of those charges. The remainder of the charges are being tracked in the S&TVA Rates 1, 6 & 11 and Transportation Variance Account for Rate 16<sup>1</sup> (“TVA Rate 16”) accounts for future disposition. The table below details the portion of costs ENGLP’s current rates cover.

<sup>1</sup> As Rate 16 customers are not system gas users they are not allocated any storage costs.

Upstream Recovery Charge

CIAC to Enbridge <sup>2</sup>	\$280,982
Deferred M17, Storage and Load Balancing	\$0 <sup>3</sup>
Sub Total	\$280,982

Transportation and Storage Charge

M17	\$365,399
Storage	\$69,199
ECNG Nomination Fee <sup>4</sup>	<u>\$8,355</u>
Sub Total	\$442,953

TOTAL	\$723,935
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2. In Schedule 1 Page 11, ENGLP is seeking permission to track the incremental gas supply administration costs in the S&TVA Rates 1, 6, & 11 and seek to clear the variance in future IRM applications.
  - a. Please explain the rationale for choosing the S&TVA Rates 1,6 & 11 account to record the gas supply administration costs.

**ENGLP response:** ENGLP’s rational for choosing the S&TVA Rates 1, 6 & 11 account to record the gas supply administration costs is that the intent of the account is that it “records the difference between upstream costs and Upstream Charges collected to ensure that upstream costs are treated as a flow-through to customers.<sup>5</sup>” As detailed in 1(c) above, ENGLP considers the gas supply administration costs as a cost of providing upstream services.

- b. Would EPCOR have the ability to separately track the costs proposed for inclusion in this application as a sub-account to the S&TVA? Please explain.

**ENGLP response:** ENGLP does have the ability to separately track the costs proposed for inclusion in this application as a sub-account to the S&TVA Rates 1, 6 & 11. ENGLP would support the development of such a sub-account to track these costs.

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<sup>2</sup> Associated with ENGLP contribution towards the Dornoch Station and Enbridge’s Own Sound Expansion Project

<sup>3</sup> This value will become non zero when ENGLP begins collecting deferred values of these costs. Recovery of these deferred costs may be a rate rider rather than a modification to this rate line item.

<sup>4</sup> Using the original estimate of 2.75cents/GJ as included in EB-2018-0164. See ENGLP response to 2(d) below.

<sup>5</sup> EB-2018-0264, Rate Order, January 9, 2020, Schedule B Accounting Orders, Page 7 of 21.

- c. When is ENGLP expecting to seek clearance of the variance account balance?

**ENGLP response:** ENGLP has indicated that it will seek to clear the S&TVA Rates 1, 6 & 11 account starting in 2024<sup>6</sup>. However, if a sub-account is established to track these particular costs, ENGLP would propose that it seek clearance of the sub-account as early as 2021. This would allow ENGLP to better match these costs with the customers for which the cost is being incurred, thus reducing any intergenerational cross subsidy.

- d. Please explain how a portion of the ECNG nomination fee is already considered in the S&TVA Rates 1, 6 & 11.

**ENGLP response:** In developing the rate application (EB-2018-0264) ENGLP sought out an estimate as to the cost of nominating gas and was informed that the cost would be approximately 2.75 ¢/GJ. This amount was included as an element of the Transportation and Storage Charge in ENGLP's application and is reflected in the approved tariff. ENGLP later determined that the cost was 4.0 ¢/GJ and is currently tracking the 1.25 ¢/GJ difference in the S&TVA Rates 1, 6 & 11 as ENGLP considers these costs to be upstream costs. In this QRAM ENGLP is requesting permission to track the separate Gas Supply Administrative Costs in the S&TVA Rates 1, 6 & 11.

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<sup>6</sup> Ibid

3. In Schedule 5, please confirm that EB-2019-0264 was not effective until January 1, 2020. If so, please change the bill impacts dates to correctly reflect the effective date.

**ENGLP response:** After discussion with board staff, it was determined that this question was regarding schedule 9 instead of schedule 5. EB-2019-0264 was not effective until January 1, 2020 and the headings of schedule 9 were updated accordingly.

4. In Appendix A, please correct the footers to correctly reflect the application request.

**ENGLP response:** Corrected as requested.

5. In Schedule 1 Page 3, ENGLP has stated that there is a single system gas customer currently connected to the distribution system. Please provide the customer notice that accompany each customer's first bill or invoice following the implementation of the Decision.

**ENGLP response:** As there is only one customer connected, we would prefer to avoid any reference to specific financial savings to protect the proprietary usage data of that customer. During a typical QRAM filing, ENGLP will notify the Rate 1 customers regarding expected changes to their bill, which would appear as per the sample provided below:

### **IMPORTANT INFORMATION ABOUT YOUR GAS BILL**

#### **Gas Commodity:**

On all bills rendered by EPCOR on or after October, 2020, the price we charge for the gas commodity and transportation portion of your bill will be increasing by \$0.020182 per cubic meter to \$0.135296 per cubic meter. The Ontario Energy Board has approved this change to reflect the prices that EPCOR expects that it will be paying to its gas suppliers through to the end of September, 2021. On your gas bill this cost is on the line entitled "Gas Commodity".

As a regulated utility, EPCOR is permitted to recover what it pays for the purchase of gas plus any costs reasonably associated with this purchase but with no mark up or 'profit'. The price the utility charges you is based on the forecasted gas and transportation costs to EPCOR, which are periodically reviewed by the OEB and reconciled with actual costs. The gas commodity portion gets adjusted regularly throughout the year as the price of the gas commodity changes.

How will the price change impact you? That will depend on the amount of gas that you use. For a typical residential customer who consumes approximately 2,149 cubic meters of gas annually, this price change will cause your annual heating costs to increase by approximately \$43 per year. For customers who have arranged to have their gas supplied by a gas marketer/broker, the price may or may not change depending on the terms of the contract the customer has with the gas marketer/broker.

If you have any questions about the changes in rates or any other item that appears on your bill, please feel free to call our office at 519-773-5321.

We would like to thank you for choosing to make natural gas your energy of choice.

Questions 6&7 were received in a separate email from Board Staff.

6. On page 2 of the PDF

- a. ENGLP is requesting an Order to set the reference price of \$0.155114 per m3. Should this not be \$0.145511 per m3? Otherwise you are keeping it the same.

**ENGLP response:** This is a clerical error. Yes, this should be \$0.145511 per m3. Correct on revised submission.

- b. There was also a \$0.001465 per m3 change stated in 2b. Did you mean \$0.020182 (found in Sch 1 page 11, line 18).

**ENGLP response:** This is a clerical error. Yes, this should be \$0.020182. Correct on revised submission.

7. On Sch 1 pg 4 line 21-22, it states that the sch 4 is from Oct 2020 to sept 2021, However Sch 4 is from Oct 2019 to Sept 2020. Please reconcile.

**ENGLP response:** The data on schedule 4 is Oct 2019 to Sept 2020. Schedule 1 has been adjusted accordingly.