



Ontario | Commission  
Energy | de l'énergie  
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# **DECISION AND INTERIM RATE ORDER**

**EB-2020-0206**

## **EPCOR NATURAL GAS LIMITED PARTNERSHIP- SOUTHERN BRUCE**

**Application for quarterly rate adjustment mechanism commencing  
October 1, 2020**

**By Delegation, before: Pascale Duguay**

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**September 24, 2020**

## INTRODUCTION AND PROCESS

EPCOR Natural Gas Limited Partnership (ENGLP) filed an application on September 10, 2020 with the Ontario Energy Board (OEB) for an order or orders approving or fixing just and reasonable rates and other charges for the sale and distribution of natural gas commencing October 1, 2020 for its Southern Bruce operations (the Application).

The Application was made pursuant to section 36(1) of the *Ontario Energy Board Act, 1998* and in accordance with the Quarterly Rate Adjustment Mechanism (QRAM) established by the OEB for dealing with changes in gas costs.<sup>1</sup>

ENGLP also requested confirmation that ENGLP Southern Bruce may track (and later apply to clear in a future Incentive Rate-Setting Mechanism (IRM) application) the incremental administrative and general expenses associated with the procurement of gas supply for the franchise area. ENGLP proposed to include these costs in the existing Storage & Transportation Variance Account for Rates 1, 6, and 11 (S&TVA Rates 1, 6 & 11).

ENGLP provided as part of the Application written evidence in support of the proposed changes. ENGLP provided the Application to all parties of record in ENGLP Southern Bruce's last rates proceedings.<sup>2</sup>

Parties wishing to file comments on the Application were required to file them with the OEB by September 15, 2020. No parties filed any comments.

OEB staff requested additional details regarding ENGLP's proposed use of S&TVA Rate 1, 6 & 11. On September 18, 2020, ENGLP filed responses to OEB staff request and updated ENGLP Southern Bruce's application.

ENGLP Southern Bruce's application reflects an increase in the forecast cost of natural gas prices over the next 12 months. The Application also reflects a true-up between actual and forecast natural gas prices for prior periods.

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<sup>1</sup> EB-2008-0106

<sup>2</sup> EB-2018-0264 and EB-2019-0264

## OEB FINDINGS

The OEB approves the Application as filed. ENGLP Southern Bruce's rates are approved on an interim basis pending the outcome of the review of its annual gas supply plan.

The QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect natural gas market prices, and protecting the interest of consumers that purchase their gas from the distributor by reducing, to some extent, the volatility in the price of natural gas. Natural gas commodity prices charged by ENGLP are based on:

- a market price forecast for the commodity over the next 12 months
- a true-up between actual and forecast commodity prices for prior periods as actual costs are passed on to customers without a mark-up. By design, the QRAM includes smoothing of price volatility by spreading this difference over a 12-month period.

ENGLP Southern Bruce's rates will be adjusted effective October 1, 2020 to reflect an increase in forecast natural gas prices and prospective recovery of the projected twelve-month balances of the gas supply deferral accounts for the period ending September 2020. The reference price will also be adjusted to reflect the increase in forecast natural gas prices.

In response to questions from OEB staff regarding the use of S&TVA Rates 1, 6 & 11 to track the incremental administrative costs associated with the procurement of gas supply, ENGLP indicated that the purpose of the S&TVA Rate 1, 6, & 11 is to record the difference between upstream costs and Upstream Charges collected to ensure that upstream costs are treated as a flow-through to customers. ENGLP opined that it considers the gas supply administration costs as an integral component of providing upstream services. ENGLP stated that with the exception of the ECNG nomination fee, the incremental gas supply administrative costs were not included as part of the existing Upstream Recovery charge at the time of its Customer IR application<sup>3</sup> as the decision on whether ENGLP is to operate under the Rate M17 was not approved by the OEB until April 2020.<sup>4</sup> As the Rate M17 is a point-to-point transportation service agreement, ENGLP stated that it is responsible to administer the gas supply function, which also includes procurement. ENGLP agreed to separately track the gas supply administration costs in the S&TVA Rate 1, 6 & 11.

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<sup>3</sup> EB-2018-0264

<sup>4</sup> EB-2019-0183

The OEB agrees with ENGLP that the incremental costs to administer the gas supply function would not have been known by ENGLP at the time of its Custom IR application<sup>5</sup> as it preceded the approval of the Rate M17 which applies to ENGLP. The OEB also agrees that reasonable administrative costs associated with the gas supply function ought to be recoverable in rates or in a similar manner as proposed by ENGLP as they are necessary to provide upstream services. While the OEB is not making a determination in this application on the prudence of the costs incurred, the OEB will approve the inclusion of the incremental gas supply administrative costs in the S&TVA Rates 1, 6 & 11 for future disposition. ENGLP is requested to maintain detailed tracking and records to support amounts that have been recorded, for the OEB's future consideration. ENGLP may seek disposition of the balance in the variance account in a future IRM application where the prudence of these incremental administrative costs would be examined.

## IT IS ORDERED THAT:

1. The rates approved for ENGLP Southern Bruce as part of the decision and rate order EB-2019-0264, dated June 4, 2020, shall be superseded by the rates as provided in Appendix "A" and attached to this Decision and Interim Rate Order.
2. The rates shall be effective October 1, 2020 and shall be implemented in ENGLP's first billing cycle commencing in October 2020.
3. The reference price for use in determining the amounts to be recorded in the Purchase Gas Commodity Variance Account (Account No.179-27) shall be increased by \$0.022241 per m<sup>3</sup> from the previous OEB approved level of \$0.115114 per m<sup>3</sup> to **\$0.137355** per m<sup>3</sup> as shown in Schedule "A" of Appendix "A" attached to this Decision and Interim Rate Order.
4. The balance in the Gas Purchase Rebalancing Account shall be prospectively cleared. The resulting gas supply charge will increase from the previous OEB approved level of \$0.115114 per m<sup>3</sup> to **\$0.129861** per m<sup>3</sup> as noted in Schedule "A" of Appendix "A" attached to this Decision and Interim Rate Order.

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<sup>5</sup> EB-2018-0264

5. ENGLP shall maintain detailed tracking and records for the incremental gas supply administrative costs in the existing Storage & Transportation Variance Account for Rates 1, 6, and 11.
6. ENGLP shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

**ISSUED** at Toronto, September 24, 2020

**ONTARIO ENERGY BOARD**

*Original Signed By*

Christine E. Long  
Registrar and Board Secretary

**APPENDIX "A" TO  
DECISION AND INTERIM RATE ORDER  
EPCOR NATURAL GAS LIMITED PARTNERSHIP  
SOUTHERN BRUCE  
EB-2020-0206  
DATED: September 24, 2020**

**EPCOR NATURAL GAS LIMITED PARTNERSHIP**

**RATE 1 - General Firm Service**

**Applicability**

Any customer in EPCOR's Southern Bruce Natural Gas System who is an end user and whose total gas requirements are equal to or less than 10,000 m<sup>3</sup> per year.

**Rate**

Rates per m<sup>3</sup> assume an energy content of 38.89MJ/m<sup>3</sup>.

Bills will be rendered monthly and shall be the total of:

<b>Monthly Fixed Charge<sup>(1)</sup></b>	\$26.38
<b>Delivery Charge</b>	
First 100 m <sup>3</sup> per month	27.1967 ¢ per m <sup>3</sup>
Next 400 m <sup>3</sup> per month	26.6610 ¢ per m <sup>3</sup>
Over 500 m <sup>3</sup> per month	25.8735 ¢ per m <sup>3</sup>
<b>Upstream Charges</b>	
Upstream Recovery charge	1.4740 ¢ per m <sup>3</sup>
Transportation and Storage charge	2.6982 ¢ per m <sup>3</sup>
<b>Rate Rider for Delay in Revenue Recovery - effective for 10 years ending December 31, 2028</b>	1.6330 ¢ per m <sup>3</sup>
<b>Federal Carbon Charge (if applicable)</b>	5.8700 ¢ per m <sup>3</sup>
<b>Gas Supply Charge</b>	12.9861 ¢ per m <sup>3</sup>

<sup>(1)</sup>Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

**Direct Purchase Delivery**

Where a customer elects under this Rate Schedule to directly purchase its gas from a supplier other than EPCOR, the supplier must qualify as a "gas marketer" under the *Ontario Energy Board Act, 1998*, and must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**"). T-Service Receipt Contract rates are described in Rate Schedule T1. Transportation and Storage charges may vary depending on the Ontario Delivery Point. Gas Supply Charges in this Rate Schedule are not applicable for Rate T1 customers.

**Terms and Conditions of Service**

The provisions in the "EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service" apply, as contemplated therein, to service under this Rate Schedule.

Effective: October 1, 2020

Implementation: All bills rendered on or after October 1, 2020

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## EPCOR NATURAL GAS LIMITED PARTNERSHIP

### RATE 6 – Large Volume General Firm Service

#### Applicability

Any customer in EPCOR's Southern Bruce Natural Gas System who is an end user and whose total gas requirements are greater than 10,000 m<sup>3</sup> per year.

#### Rate

Rates per m<sup>3</sup> assume an energy content of 38.89MJ/m<sup>3</sup>.

Bills will be rendered monthly and shall be the total of:

<b>Monthly Fixed Charge<sup>(1)</sup></b>	\$104.53
<b>Delivery Charge</b>	
First 1,000 m <sup>3</sup> per month	25.0897 ¢ per m <sup>3</sup>
Next 6,000 m <sup>3</sup> per month	22.5807 ¢ per m <sup>3</sup>
Over 7,000 m <sup>3</sup> per month	21.4516 ¢ per m <sup>3</sup>
<b>Upstream Charges</b>	
Upstream Recovery charge	2.9200 ¢ per m <sup>3</sup>
Transportation and Storage charge	5.6413 ¢ per m <sup>3</sup>
<b>Rate Rider for Delay in Revenue Recovery</b>	0.9090 ¢ per m <sup>3</sup>
- effective for 10 years ending December 31, 2028	
<b>Federal Carbon Charge (if applicable)</b>	5.8700 ¢ per m <sup>3</sup>
<b>Gas Supply Charge</b>	12.9861 ¢ per m <sup>3</sup>

<sup>(1)</sup>Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

#### Direct Purchase Delivery

Where a customer elects under this Rate Schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**"). T-Service Receipt Contract rates are described in Rate Schedule T1. Transportation and Storage charges may vary depending on the Ontario Delivery Point. Gas Supply Charges in this Rate Schedule are not applicable for Rate T1 customers.

#### Terms and Conditions of Service

The provisions in the "EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service" apply, as contemplated therein, to service under this Rate Schedule.

Effective: October 1, 2020

Implementation: All bills rendered on or after October 1, 2020

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**EPCOR NATURAL GAS LIMITED PARTNERSHIP**

**RATE 11 - Large Volume Seasonal Service**

**Applicability**

Any customer in EPCOR's Southern Bruce Natural Gas System who is an end user and whose gas requirements are only during the period of May 1 through December 15 inclusive and are greater than 10,000 m<sup>3</sup>.

**Rate**

Rates per m<sup>3</sup> assume an energy content of 38.89MJ/m<sup>3</sup>.

Bills will be rendered monthly and shall be the total of:

	<b>May 1 through December 15</b>
<b>Monthly Fixed Charge<sup>(1)</sup></b>	\$208.06
<b>Delivery Charge</b>	
All volumes delivered	15.5849 ¢ per m <sup>3</sup>
<b>Upstream Charges</b>	
Upstream Recovery charge	0.0352 ¢ per m <sup>3</sup>
Transportation and Storage charge	1.8166 ¢ per m <sup>3</sup>
<b>Rate Rider for Delay in Revenue Recovery     - effective for 10 years ending December 31, 2028</b>	0.5524 ¢ per m <sup>3</sup>
<b>Federal Carbon Charge (if applicable)</b>	5.8700 ¢ per m <sup>3</sup>
<b>Gas Supply Charge</b>	12.9861 ¢ per m <sup>3</sup>

<sup>(1)</sup>Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

**Unaccounted for Gas (UFG):**

Forecasted UFG is applied to all volumes of gas delivered to the customer.

<b>Forecasted Unaccounted for Gas Percentage</b>	0.00 %
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**Overrun Charges:**

Any volume of gas taken during the period of December 16 through April 30 inclusive shall constitute "Overrun Gas" and must be authorized in advance by EPCOR. Delivery of these volumes is available at the Authorized Overrun Charge in addition to applicable Upstream Charges and Gas Supply Charges. EPCOR will not unreasonably withhold authorization.

<b>Authorized Overrun Charge</b>	16.2400 ¢ per m <sup>3</sup>
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Any volume of gas taken during the period of December 16 through April 30 inclusive without EPCOR's approval in advance shall constitute "Unauthorized Overrun Gas". Delivery of these volumes will be paid for at the Unauthorized Overrun Charge in addition to applicable Upstream Charges and Gas Supply Charges.

**Unauthorized Overrun Charge**388.9000 ¢ per m<sup>3</sup>

For any volume of Unauthorized Overrun Gas taken, the customer shall, in addition, indemnify EPCOR in respect of any penalties or additional costs imposed on EPCOR by its suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

**Nominations:**

Union Gas Limited will be the “Upstream Service Provider” to facilitate delivery and balancing of gas supplies to the EPCOR Southern Bruce Natural Gas System. For service under this Rate Schedule, the customer shall nominate for transportation of gas volumes for ultimate delivery to the customer. The customer agrees to nominate its daily gas volumetric requirement to EPCOR, or its designated agent, consistent with industry nomination standards including those nomination requirements of the Upstream Service Provider.

The customer shall nominate gas delivery daily based on its daily gas requirements plus the Forecasted UFG rate as set out in this Rate Schedule.

The nomination calculation shall equal:

*[(Daily volume of gas to be delivered) \* (1 + Forecasted UFG)]*

Customers may change daily nominations based on the nomination windows within a day as defined by EPCOR’s agreement with the Upstream Service Provider.

In the event nominations under this Rate Schedule do not match upstream nominations, the nomination will be confirmed at the upstream value.

Customers with multiple connections under this Rate Schedule may combine nominations at the sole discretion of EPCOR. For combined nominations the customer shall specify the quantity of gas to each meter installation (“Terminal Location”) and the order in which the gas is to be delivered to each Terminal Location.

**Load Balancing:**

Daily nominations provided by the customer shall be used for the purposes of day-to-day balancing as required under EPCOR’s arrangement with the Upstream Service Provider.

When a customer’s metered consumption on any day is different than the gas nominated for consumption by the customer on any day, this constitutes a “Daily Load Imbalance”. A “Cumulative Load Imbalance” occurs when the ongoing absolute value of Daily Load Imbalances are greater than zero.

To the extent that EPCOR incurs daily or cumulative load balancing charges, the customer will be responsible for its proportionate share of such charges. Charges related to these imbalances are as defined in EPCOR’s agreement with the Upstream Service Provider.

**Direct Purchase Delivery**

Where a customer elects under this Rate Schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider (“Ontario Delivery Point”). T-Service Receipt Contract rates are described in Rate Schedule T1. Transportation and Storage charges may vary depending on the Ontario Delivery Point. Gas Supply Charges in this Rate Schedule are not applicable for Rate T1 customers.

**Terms and Conditions of Service**

1. In any year, during the period of May 1 through December 15 inclusive, the customers shall receive continuous (“Firm”) service from EPCOR, except where impacted by events as specified in EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service including force majeure. During the

## **EPCOR NATURAL GAS LIMITED PARTNERSHIP**

period of December 16 through April 30 inclusive, any authorized overrun service shall be interruptible at the sole discretion of EPCOR. All service during the period December 16 through April 30 inclusive shall be subject to EPCOR's prior authorization under the daily nomination procedures outlined in this Rate Schedule and shall constitute Overrun Gas.

2. To the extent that EPCOR's Upstream Service Provider provides any seasonal or day-to-day balancing rights for EPCOR, the customer shall be entitled to a reasonable proportion of such balancing rights as determined by EPCOR from time to time. If the customer utilizes any of EPCOR's seasonal or day-to-day balancing services or any other services available from the Upstream Service Provider, the customer agrees to comply with all balancing requirements imposed by the Upstream Service Provider. The customer also agrees to be liable for its share of any such usage limitations or restrictions, fees, costs or penalties associated with the usage of such services, including but not limited to any associated storage fees, daily or cumulative balancing fees or penalties, and gas commodity costs as determined by EPCOR, acting reasonably.
3. EPCOR receives upstream services under the Union Gas Limited M17 Rate Schedule. Details of this upstream arrangement and associated nomination standards and Load Balancing Arrangement are available at [www.uniongas.com](http://www.uniongas.com).
4. The provisions in the "EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service" apply, as contemplated therein, to service under this Rate Schedule.

Effective: October 1, 2020

Implementation: All bills rendered on or after October 1, 2020

EB-2020-0206

**APPENDIX "B" TO  
DECISION AND INTERIM RATE ORDER  
EPCOR NATURAL GAS LIMITED PARTNERSHIP  
SOUTHERN BRUCE  
EB-2020-0206  
DATED: September 24, 2020**

**EPCOR NATURAL GAS LIMITED PARTNERSHIP**

**Accounting Entries for the Purchased Gas Commodity Variance Account**

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

To record monthly as a debit (credit) in Deferral Account No. 179-27 (PGCVA) the decrease (increase) to reflect the projected changes in gas costs and prospective recovery of the balances of the gas supply deferral accounts approved by the Board for rate making purposes.

Debit/Credit Account No. 179-27 Purchased Gas Commodity Variance Account (PGCVA)

Credit/Debit Account No. 623 Cost of Gas

To record as a debit (credit) in Deferral Account No. 179-28, interest on the balance in Deferral Account

Debit/Credit Account No. 179-28 Purchased Gas Commodity Variance Account (PGCVA)

Credit/Debit Account No. 323 Other Interest Expense

Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.