



43 Stewart Road
Collingwood, Ontario
L9Y 3M7 Canada
epcor.com

October 16, 2020

Sent by EMAIL, RESS e-filing

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

Dear Ms. Long:

**Re: EB- 2020-0076 EPCOR Natural Gas Limited Partnership ("ENGLP")
2020 Federal Carbon Pricing Program Application – updated evidence**

In response to the letter received September 10, 2020, ENGLP is submitting supporting evidence for clearance of the 2019 Deferral and Variance Accounts (DVA's) in an effort to finalize the 2020 Federal Carbon Pricing Program Application.

This supplementary filing includes a request for clearance and disposition of the 2019 DVAs, along with a request for approval on a final basis of the 2020 FCPP rates, currently in effect on an interim basis.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Hesselink", with a stylized flourish at the end.

Tim Hesselink
Senior Manager, Regulatory Affairs
EPCOR Natural Gas Limited Partnership
(705) 445-1800 ext. 2247
THesselink@epcor.com



EPCOR Natural Gas Limited Partnership

2020 Federal Carbon Pricing Program - Additional Evidence Filing

EB-2020-0076

Additional Evidence Filed: October 16, 2020

Original Application Filed: February 27, 2020

Index

| | |
|---|-----------|
| APPLICATION | 3 |
| DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS..... | 6 |
| BILL IMPACTS..... | 10 |
| APPENDIX A - AUDITOR'S REPORT | 11 |

**ONTARIO ENERGY
BOARD**

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Sched. B), as amended;

AND IN THE MATTER OF an Application by EPCOR Natural Gas Limited Partnership for an Order under section 36(1) of the Act for an order or orders for rates to recover costs resulting from the *Greenhouse Gas Pollution Pricing Act*, S.C. 2018, c. 12, s. 186.

APPLICATION

Background:

EPCOR Natural Gas Limited Partnership (ENGLP) filed an application on February 27, 2020, 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*, S.C. 2018, c. 12, s. 186, (GGPPA) and to dispose of 2019 balances for all deferral and variance accounts related to the Federal Carbon Pricing Program (FCPP). The application originally pertained to ENGLP's Aylmer operations (ENGLP Aylmer). ENGLP stated that its application would be updated in the near future to include evidence supporting ENGLP's request for an order approving disposition of 2019 balances in its FCPP-related deferral and variance accounts (DVAs) for ENGLP Aylmer. The OEB issued an Interim Decision and Order on March 26, 2020, approving ENGLP Aylmer's proposed rates for the Federal Carbon Charge and Facility Carbon Charge on an interim basis, effective April 1, 2020.

On April 3, 2020, the OEB issued a letter indicating that the issuance of the Notice of Hearing in this proceeding was deferred until the evidence supporting disposition of the 2019 DVA balances was filed.

On May 1, 2020, ENGLP filed supplementary evidence in this proceeding in support of a request to recover costs associated with meeting its obligations under the GGPPA for its Southern Bruce operations (ENGLP Southern Bruce) including a request for interim FCPP-related rates for the Southern Bruce franchise area. The OEB's Interim Decision and Order of May 21, 2020 approved the June 1, 2020 implementation of the Federal Carbon Charge on an interim basis. ENGLP Southern Bruce had no amounts pertaining to 2019 in any of its FCPP-related deferral and variance

accounts,¹ therefore it did not seek recovery of balances with respect to 2019 costs.

The DVAs:

In ENGLP's 2019 FCPP proceeding, the OEB approved the establishment of variance accounts for customer-related costs and facility-related costs, and a deferral account for ENGLP's administration costs, related to the FCPP. ENGLP 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.

In the current proceeding, EPCOR's original application and evidence did not provide any information on the expected balances in these DVAs or the proposed disposition methodology. ENGLP indicated that it expected to file updated evidence in the near future with final 2019 audited balances and a proposed disposition methodology. In its Interim Decision and Order dated March 26, 2020, the OEB found that no order was required for ENGLP to continue to track FCPP-related costs in its DVAs beyond December 31, 2019, as the accounting orders that established the DVAs had no sunset date.

Furthermore, reasonable administrative costs can continue to be tracked in the GGEADA account in so far as the costs recorded are administrative costs associated with the impacts of the GGPPA for EPCOR Aylmer.

Order Requested:

ENGLP requests approval on a final basis of the 2020 FCPP rates, currently in effect on an interim basis. ENGLP relies on the evidence submitted in the original application to support this request.

In addition, ENGLP is requesting to dispose of the December 31, 2019 audited balances for the following three deferral and variance accounts as part of this Application:

- Federal Carbon Charge - Customer Variance Account (FCCCVA) - effective April 1, 2019

¹ In Southern Bruce's custom incentive ratemaking application (EB-2018-0264) the OEB approved FCPP-related deferral and variance accounts for ENGLP Southern Bruce's customer-related costs, facility-related costs and administration costs, identical in purpose to those established for ENGLP Aylmer.

- Federal Carbon Charge - Facility Variance Account (FCCFVA) - effective April 1, 2019
- Greenhouse Gas Emissions Administration Deferral Account (GGEADA) - effective January 1, 2019

Address for Service:

ENGLP requests that copies of all documents filed with the OEB in connection with this proceeding be served as follows:

Tim Hesselink
Senior Manager, Regulatory Affairs, Ontario
EPCOR Utilities Inc.

Address for personal service and mailing address:

43 Stewart Road
Collingwood, ON, L9Y 3M7

Telephone: (705) 445-1800 ext. 2274
E-Mail: Thesselink@epcor.com

Daniela O'Callaghan
Legal Counsel
EPCOR Utilities Inc.

Address for personal service and mailing address:

2000 – 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Telephone: (780) 412-4081
E-Mail: DOCallaghan@epcor.com

Dated at Collingwood, Ontario this 16th day of October, 2020.

EPCOR NATURAL GAS LIMITED PARTNERSHIP
by its general partner **EPCOR ONTARIO UTILITIES INC.**



Tim Hesselink

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

In ENGLP's 2019 FCPP proceeding, the OEB approved the establishment of variance accounts for customer-related costs and facility-related costs, and a deferral account for ENGLP's administration costs, related to the FCPP. ENGLP indicated that it would 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.

ENGLP is requesting to dispose of the December 31, 2019 audited balances for the following three deferral and variance accounts as part of this Application:

- Federal Carbon Charge - Customer Variance Account (FCCCVA) - effective April 1, 2019
- Federal Carbon Charge - Facility Variance Account (FCCFVA) - effective April 1, 2019
- Greenhouse Gas Emissions Administration Deferral Account (GGEADA) - effective January 1, 2019

A report of the audited account balances has been included as Appendix A in this submission.

As these charges only relate to customers in the Aylmer service territory, there will be no impacts to South Bruce customers as a result of these amendments to the Application.

Federal Carbon Charge - Customer Variance Account (FCCCVA)

The purpose of the FCCCVA is to record the variances between actual customer carbon costs and customer carbon costs recovered in rates for distribution volumes delivered by ENGLP effective April 1, 2019. The calculation of the total balance requested for disposition is summarized in Table 1 below and additional details are provided in the continuity schedule in Appendix A.

Table 1 - Projected Total FCCCVA Amount for Disposal

| FCCCVA | Dec 31, 2019 Balance |
|------------------|---------------------------------|
| Principal | \$287,851.02 |
| Interest | <u>\$3,516.17</u> |
| Total | \$291,367.19 |

EPCOR only proposes to recover these costs from customers in rate classes 1-5, as our rate 6 customer has filed an exception for this charge. As per the original application, ENGLP received an Exemption Certificate for its Rate 6 customer, an Output-Based Pricing System (OBPS) qualified customer, and their volumes have been excluded from the calculation of the Federal Carbon Charge. OBPS-qualified customers with emissions exceeding 10 ktCO₂ e (assuming the registration of all voluntary participants), and customers that undertake a non-covered activity (e.g. facilities that use natural gas as a process feedstock) will not be charged the Federal Carbon Charge². The FCCCVA balances are proposed to be recovered through the implementation of a twelve-month volumetric rate rider commencing on April 1, 2021, calculated based on 2019 volumes. The calculation of the proposed rate rider is shown in Table 2 below.

Table 2 - Calculation of Proposed FCCCVA Rate Rider

| | | A | B | C | D | E | F | G | H | I |
|---|-----------------------------|-------------|----------------|---------------------------------|--------------------------------|--------------------------------|---------------|---------------|---------------|---------------|
| | | Unit | Row Sum | Rate 1 - Residential | Rate 1 - Commercial | Rate 1 - Industrial | Rate 2 | Rate 3 | Rate 4 | Rate 5 |
| 1 | Volume | m3 | 31,366,144 | 18,089,906 | 5,749,421 | 2,280,036 | 1,126,227 | 1,544,524 | 1,780,546 | 795,484 |
| 2 | Allocation for Rates 1-5 | % | 100% | 57.67% | 18.33% | 7.27% | 3.59% | 4.92% | 5.68% | 2.54% |
| 3 | Sum | \$ | 291,367 | 168,041 | 53,408 | 21,180 | 10,462 | 14,347 | 16,540 | 7,389 |
| 4 | Rate Rider | ¢/m3 | | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0093 | 0.0093 |

****Note that volumes related to eligible greenhouse customers have been removed as they are eligible for 80% relief on their charged FCC rates and will not be charged this rate rider.**

Federal Carbon Charge - Facility Variance Account (FCCFVA)

The purpose of the FCCFVA is to record the variances between actual facility carbon costs and facility

² ENGLP 2020 Federal Carbon Application 2020 02 27 - page 29

carbon costs recovered in rates effective April 1, 2019. The calculation of the total balance requested for disposition is summarized in Table 3 below and additional details are provided in the continuity schedule in Appendix A.

Table 3 - Projected Total FCCFVA Amount for Disposal

| FCCFVA | Dec 31, 2019 Balance |
|------------------|---------------------------------|
| Principal | \$1,457.32 |
| Interest | <u>\$11.36</u> |
| Total | \$1,468.68 |

ENGLP proposes to recover the costs related to the above proceeding from customers in rate classes 1-6. Due to the low dollar amount requested for disposition, the FCCFVA balances are proposed to be recovered through the implementation of a twelve-month fixed charge rate rider commencing on April 1, 2021, based on 2019 customer volumes. The calculation of the proposed rate rider is shown in Table 4 below.

Table 4 - Calculation of Proposed FCCFVA Rate Rider

| | | A Unit | B Row Sum |
|---|--------------------------|-------------------|--------------------------|
| 1 | Average Connection Count | Cx | 9,213 |
| 2 | Allocation for Rates 1-6 | % | 100% |
| 3 | Sum | \$ | 1,469 |
| 4 | Rate Rider | \$ / month | 0.01 |

Greenhouse Gas Emissions Administration Deferral Account (GGEADA)

The purpose of the GGEADA is to record the administrative costs associated with the impacts of the GGPPPA, as well as any other federal and/or provincial regulations related to GHG emission requirements for ENGLP's Aylmer operation effective January 1, 2019. The calculation of the total balance requested for disposition is summarized in Table 4 below and additional details are provided in the continuity schedule in Appendix A.

Table 5 - Projected Total GGEADA Amount for Disposal

| GGEADA | Dec 31, 2019 Balance |
|------------------|---------------------------------|
| Principal | \$84,209.25 |
| Interest | <u>\$919.56</u> |
| Total | \$85,128.81 |

ENGLP proposes to recover the costs related to the above proceeding from customers in rate classes 1-6. When determining the appropriate allocation method, ENGLP reviewed both a variable rate and fixed rate allocation. As the amounts in the account are applicable to all customers, the fixed rate methodology was chosen as the variable rate created an over allocation to the rate 6 customer. The FCCCVA balances are proposed to be recovered through the implementation of a twelve-month fixed charge rate rider commencing on April 1, 2021, based on 2019 customer volumes. The calculation of the proposed rate rider is shown in Table 6 below.

Table 6 - Calculation of Proposed GGEADA Rate Rider

| | | A | B |
|---|--------------------------|-------------------|--------------------|
| | | Unit | Row Sum |
| 1 | Average Connection Count | Cx | 9,213 |
| 2 | Allocation for Rates 1-6 | % | 100% |
| 3 | Sum | \$ | 85,129 |
| 4 | Rate Rider | \$ / month | 0.77 |

BILL IMPACTS

The average annual customer impacts per rate class are included below:

| Rate Class | Average Customer Annual Billings | Average Customer Annual Volume (m3) | FCCCVA (Rates 1-5) \$/m3 0.0092 | FCCCVA (Rates 1-6) \$/month 0.01 | GGEADA (Rates 1-6) \$/month 0.77 | Total Annual Customer Impact | % Variance |
|---|---|--|--|---|---|---------------------------------------|-------------|
| RATE 1 - General Service Rate - Residential | \$907 | 2,113 | \$19.65 | \$0.12 | \$9.24 | \$29.01 | 3.2% |
| RATE 1 - General Service Rate - Commercial | \$3,920 | 11,854 | \$110.25 | \$0.12 | \$9.24 | \$119.61 | 3.1% |
| RATE 1 - General Service Rate - Industrial | \$10,472 | 32,113 | \$298.65 | \$0.12 | \$9.24 | \$308.01 | 2.9% |
| RATE 2 - Seasonal Service - Apr to Oct | \$4,654 | 14,067 | \$130.82 | \$0.12 | \$9.24 | \$140.18 | 3.0% |
| RATE 2 - Seasonal Service - Nov to Mar | <u>\$3,481</u> | <u>8,917</u> | <u>\$82.93</u> | <u>\$0.12</u> | <u>\$9.24</u> | <u>\$92.29</u> | 2.7% |
| RATE 2 - Seasonal Service - Annual | \$8,136 | 22,984 | \$213.75 | \$0.12 | \$9.24 | \$223.11 | 2.7% |
| RATE 3 - Special Large Volume Contract Rate | \$72,664 | 257,421 | \$2,394.01 | \$0.12 | \$9.24 | \$2,403.37 | 3.3% |
| RATE 4 - General Service Peaking - Apr to Dec | \$13,831 | 44,132 | \$410.42 | \$0.12 | \$9.24 | \$419.78 | 3.0% |
| RATE 4 - General Service Peaking - Jan to Mar | <u>\$2,103</u> | <u>5,328</u> | <u>\$49.55</u> | <u>\$0.12</u> | <u>\$9.24</u> | <u>\$58.91</u> | 2.8% |
| RATE 4 - General Service Peaking - Annual | \$15,934 | 49,460 | \$459.97 | \$0.12 | \$9.24 | \$469.33 | 2.9% |
| RATE 5 - Interruptible Peaking Contract Rate | \$55,638 | 198,871 | \$1,849.50 | \$0.12 | \$9.24 | \$1,858.86 | 3.3% |
| RATE 6 - Integrated Grain Processors Co-Operative Aylmer Ethanol Production Facility | \$921,422 | 62,382,456 | N/A | \$0.12 | \$9.24 | \$9.36 | 0.0% |

- *Note: Comparison is presented based on rates as of October 1, 2020.*
- *Aylmer customers only. There are no rate impacts to South Bruce customers.*

Appendix A - Auditor's Report



Tel: 519-432-5534
Fax: 519-432-6544
www.bdo.ca

BDO Canada LLP
633 Colborne St., Suite 230
London ON N6B 2V3

ACCOUNTANT'S REPORT ON APPLYING SPECIFIED AUDITING PROCEDURES IN RESPECT OF THE SPECIFIC DEFERRAL ACCOUNT BALANCES

To: EPCOR Natural Gas Limited Partnership

As specifically agreed, we have performed the auditing procedures described in appendix A over the deferral account schedule for Federal Carbon Charge, to assist EPCOR Natural Gas Limited Partnership (the "Company") to comply with the requirements of the Ontario Energy Board (OEB) for the period from January 1, 2019 to December 31, 2019.

This engagement to apply agreed-upon auditing procedures was performed in accordance with Canadian Standards on Related Services 9100, Reports on the Results of Applying Specified Auditing Procedures. We make no representation regarding the sufficiency of the procedures described in Appendix A either for the purpose for which this report has been requested or for any other purpose.

The procedures in Appendix A do not constitute an audit of the deferral account schedule and, therefore, we express no opinion on the information in the schedule for the period from January 1, 2019 to December 31, 2019. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This letter is for use in assessing the Company's deferral account activity for Federal Carbon Charge from January 1, 2019 to December 31, 2019, and is not intended to be and should not be used for any other purpose.

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario

May 25, 2020

APPENDIX A

1. We obtained the deferral account activity for Federal Carbon Charge from January 1, 2019 to December 31, 2019 and recalculated the schedule to ensure its mathematical accuracy.
2. For the Greenhouse Gas Emissions Administration Deferral Account (GGEADA) expenses, we obtained an invoice for one selection in each month of activity to ensure that the amount of cost claimed is correct.
3. For the federal fuel charge amounts, we obtained the CRA remittances for each month to ensure the amount claimed is correct.
4. For the amounts received via billing, we agreed each claim to the Federal carbon charge Consumption Summary Report as prepared by EPCOR based on the consumption data collected monthly from customers. We validated a selection of the data in the consumption report by agreeing it to individual customer invoices.

| | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 |
|---|--------|--------|--------|------------|------------|------------|------------|------------|-------------|-------------|--------------|--------------|
| Federal Carbon Charge - Customer Variance Account (FCCCVCA) | | | | | | | | | | | | |
| Received via Billing - Customer Charge | - | - | - | - | - | - | - | (8,405.21) | (26,580.23) | (47,331.45) | (131,816.79) | (208,850.90) |
| Federal fuel charge | - | - | - | 114,750.79 | 77,156.46 | 41,745.68 | 24,805.14 | 25,501.65 | 33,769.58 | 53,779.81 | 131,876.23 | 207,450.27 |
| Monthly Total | - | - | - | 114,750.79 | 77,156.46 | 41,745.68 | 24,805.14 | 17,096.44 | 17,189.35 | 6,448.36 | 59.44 | (1,400.63) |
| Monthly Interest | - | - | - | - | 208.46 | 348.63 | 424.47 | 469.53 | 500.59 | 513.65 | 525.37 | 525.47 |
| Monthly Total with Interest | - | - | - | 114,750.79 | 77,364.92 | 42,094.31 | 25,229.61 | 17,565.97 | 7,689.94 | 6,962.01 | 584.81 | (875.16) |
| Cumulative Monthly Total | - | - | - | 114,750.79 | 191,907.24 | 233,652.92 | 258,458.06 | 275,554.50 | 282,743.85 | 289,192.21 | 289,251.65 | 287,851.02 |
| Cumulative Interest | - | - | - | - | 208.46 | 557.09 | 981.56 | 1,451.09 | 1,951.68 | 2,465.33 | 2,990.70 | 3,516.17 |
| Cumulative Total with Interest | - | - | - | 114,750.79 | 192,115.70 | 234,210.01 | 259,439.62 | 277,005.59 | 284,695.53 | 291,657.54 | 292,242.35 | 291,367.19 |