Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

January 22, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Long:

Re: Ontario Energy Board (OEB) Staff Submission
EPCOR Natural Gas Limited Partnership
2020 and 2021 Federal Carbon Pricing Program Applications
OEB File Numbers: EB-2020-0076/EB-2020-0231

Pursuant to Procedural Order No. 1, please find attached the OEB staff submission in the above referenced proceedings. This document has been sent to EPCOR Natural Gas Limited Partnership.

Yours truly,

Original Signed By

Michael Parkes
Project Advisor, Application Policy & Conservation

Encl.

ONTARIO ENERGY BOARD

OEB Staff Submission

EPCOR Natural Gas Limited Partnership

2020 and 2021 Federal Carbon Pricing Program Applications

EB-2020-0076/EB-2020-0231

January 22, 2021

General Background

The federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) established a federal carbon pricing program (FCPP). Under the GGPPA, EPCOR Natural Gas Limited Partnership (ENGLP) is required to pay to the Government of Canada a Fuel Charge to cover greenhouse gas emissions from the natural gas that it delivers to its non-exempt customers,[1] and incurs further obligations to the Government of Canada for greenhouse gas emissions from its own facilities. The Fuel Charge under the GGPPA came into effect on April 1, 2019, increased on April 1, 2020, and will increase again on April 1, 2021.

In a previous proceeding,[2] the Ontario Energy Board (OEB) approved a Federal Carbon Charge on ENGLP customer bills to recover ENGLP's FCPP costs related to customer emissions and a Facility Carbon Charge to recover ENGLP's FCPP costs related to its own facility emissions, and established three sets of FCPP deferral and variance accounts (DVAs):[3]

- Federal Carbon Charge – Customer Variance Accounts, to record the variance between actual FCPP costs related to customer emissions and FCPP costs recovered in rates related to customer emissions
- Federal Carbon Charge – Facility Variance Accounts, to record the variance between actual FCPP costs related to its own facility emissions and FCPP costs recovered in rates related to its own facility emissions
- Greenhouse Gas Emissions Administration Deferral Accounts, to record the administration costs associated with the FCPP

Background on this Proceeding

ENGLP filed its 2020 FCPP application (EB-2020-0076) on March 2, 2020, applying to the OEB for approval under section 36(1) of the *Ontario Energy Board Act, 1998* (OEB Act) to increase the Federal Carbon Charge and Facility Carbon Charge rates effective April 1, 2020 to recover forecast costs associated with meeting its obligations under the GGPPA, and (pending a subsequent evidence update) to dispose of 2019 balances in FCPP-related DVAs.

ENGLP operates two distinct natural gas distribution systems in Ontario, which are

[1] Certain customers (e.g. industrial customers and greenhouses) are eligible for full or partial exemption from the Fuel Charge under the GGPPA for their emissions, and are thus also fully or partially exempt from ENGLP's Federal Carbon Charge.
[2] EB-2019-0101
[3] The deferral and variance accounts established in the 2019 proceeding were for ENGLP's Aylmer operations only. However, identical deferral and variance accounts for the South Bruce operations were established as part of ENGLP's 2019-2028 rates proceeding (EB-2018-0264).

treated separately for ratemaking purposes: ENGLP's Aylmer operations, and ENGLP's South Bruce operations, a new service territory with the first customer connections in the second half of 2020. ENGLP's original 2020 FCPP application applied only to its Aylmer operations, but a subsequent evidence update to the 2020 FCPP application filed on May 1, 2020 requested approval of an identical rate for the Federal Carbon Charge for ENGLP's South Bruce operations. Where appropriate, differences in the FCPP applications between the Aylmer operations and South Bruce operations are discussed later in this submission.

The OEB approved ENGLP's requested 2020 FCPP rates on an interim basis for both Aylmer and South Bruce operations, on March 26, 2020 and May 1, 2020, respectively. The OEB determined that it would address final rates and disposition of the 2019 DVA balances following ENGLP's evidence update with information on the DVA balances.

On October 16, 2020, ENGLP filed this evidence update, requesting final approval to increase its FCPP rates, effective April 1, 2020, and to dispose of 2019 balances in its FCPP DVAs for its Aylmer operations.

Also on October 16, 2020, ENGLP filed its 2021 FCPP application (EB-2020-0231), requesting approval to further increase its rates, effective April 1, 2021. The 2021 FCPP application seeks changes to the Federal Carbon Charge and Facility Carbon Charge to reflect ENGLP's forecasted 2021 FCPP compliance costs.

On October 30, 2020, the OEB issued notice and indicated that it would hear the 2020 and 2021 FCPP applications jointly, covering both the Aylmer operations and South Bruce operations. No intervention requests were received.

On November 27, 2020, the OEB issued Procedural Order No.1, which set dates for the interrogatory and submission stages in this proceeding.

On December 11, 2020, OEB staff filed interrogatories, and on January 8, 2021, ENGLP filed interrogatory responses.

Application Summary

As part of its 2020 FCPP application, ENGLP requested:

- Approval on a final basis of the Federal Carbon Charge rate of 5.87 ¢/m^3 that was previously approved on an interim basis, effective April 1, 2020 for Aylmer operations and June 1, 2020 for South Bruce operations, to recover ENGLP's forecast FCPP customer-related costs.
- Approval on a final basis of the Facility Carbon Charge rate of 0.0027 ¢/m^3 for ENGLP's Aylmer operations that was previously approved on an interim basis, effective April 1, 2020, to recover ENGLP's forecast 2020 FCPP facility-related

costs.
    - ENGLP forecast that it would not incur any facility-related costs in 2020 for its South Bruce operations, and requested a zero Facility Carbon Charge.
- Approval of the 2019 balances in ENGLP's FCPP DVAs for its Aylmer operations, and ENGLP's proposed methodology and rates for allocating and disposing of these balances.
    - ENGLP's South Bruce operations were not in service in 2019, thus there are no balances in the South Bruce DVAs for disposition.

In its 2021 Application, ENGLP requested:

- Approval to increase the Federal Carbon Charge on applicable customer bills (for both Aylmer and South Bruce operations) from 5.87 ¢/m^3 ($30 per tonne of carbon dioxide equivalent) to 7.83 ¢/m^3 ($40 per tonne of carbon dioxide equivalent) effective April 1, 2021, to recover ENGLP's forecast FCPP customer-related costs, matching the increase in the Fuel Charge that ENGLP must remit to the Government of Canada that takes effect on this date.
- Approval to increase the Facility Carbon Charge for ENGLP's Aylmer operations from 0.0027 ¢/m^3 to 0.0052 ¢/m^3, effective April 1, 2021, to recover ENGLP's forecast 2021 FCPP facility-related costs.
    - ENGLP forecast that it would not incur any facility-related costs in 2021 for its South Bruce operations, and did not request a Facility Carbon Charge.

ENGLP estimated that the incremental bill impact on typical residential customers in ENGLP's Aylmer operations, including both the 2021 FCPP rate increases and the rate riders associated with the disposition of the 2019 FCPP deferral and variance accounts (relative to the interim rates for the Federal Carbon Charge and Facility Carbon Charge that are currently effective), would be $70.48 per year (based on annual consumption of 2,113 m^3). The incremental bill impact on typical residential customers in ENGLP's South Bruce operations (who would be affected only by the 2021 Federal Carbon Charge rate increase) would be $42.12 per year (based on annual consumption of 2,149 m^3).

ENGLP requested that approvals be granted on a final basis by March 23, 2021, such that rates can be applied to customer bills effective April 1, 2021. Should the OEB determine that it is not possible to review and grant the approvals request by such date, ENGLP requested that the OEB grant approvals on an interim basis.

Summary of OEB Staff Submission

OEB staff makes the following submissions. The rationale for these submissions is described in more detail in the following sections.

ENGLP’s requested rates for the Federal Carbon Charge should be approved on a final basis for both the Aylmer and South Bruce operations. This applies to both the approval of the rates previously approved on an interim basis, and the additional requested rate increase that would become effective April 1, 2021.

The methodology used by ENGLP to establish the requested rate for the Facility Carbon Charge for ENGLP’s Aylmer operations, based on forecast FCPP facility-related costs, could be improved. However, a more accurate methodology would lead to only a minor change in the requested rate, and the Facility Variance Account is in place to address variances between actual costs and costs recovered in rates. For administrative simplicity, the Facility Carbon Charge rates for ENGLP’s Aylmer operations (both the rates previously approved on an interim basis, and the additional requested rate increase that would become effective April 1, 2021) should be approved on a final basis. ENGLP should consider adopting a more accurate methodology as the basis for Facility Carbon Charge rates for future FCPP applications.

OEB staff agrees that no Facility Carbon Charge is needed for ENGLP’s South Bruce operations.

The 2019 balances in all three FCPP DVAs for ENGLP’s Aylmer operations should be approved for disposition, as should ENGLP’s proposed twelve-month disposition period, which will help smooth bill impacts. OEB staff notes that FCPP administration costs have a relatively high bill impact on customers and that ENGLP should continue to make efforts to reduce administration costs.

OEB staff submits that the proposed allocation approach for the balances in the Facility Variance Account and Administration Deferral Account should be approved. However, OEB staff have concerns with the proposed allocation approach for the balance in the Customer Variance Account. OEB staff submits that ENGLP should allocate this balance based on customer volumes between April 1, 2019 and July 31, 2019, as opposed to the 2019 calendar year, and should also ensure that greenhouse customers are charged the Customer Variance Account rate rider on 20% of their volumes, consistent with the approach to the Federal Carbon Charge for these customers. ENGLP should be required to update the eligible customer volumes and resulting Customer Variance Account rate rider to incorporate these two changes.

Federal Carbon Charge

ENGLP requested approval on a final basis of the Federal Carbon Charge rate of 5.87 ¢/m^3 ($30 per tonne of carbon dioxide equivalent) that was previously approved on an interim basis, effective April 1, 2020 for Aylmer operations and June 1, 2020 for South Bruce operations.[4] ENGLP requested approval of a further increase in the Federal Carbon Charge (for both Aylmer and South Bruce operations) to 7.83 ¢/m^3 ($40 per tonne of carbon dioxide equivalent) effective April 1, 2021.

The requested rates for the Federal Carbon Charge match the volumetric rates for the Fuel Charge that ENGLP must pay to the Government of Canada for its customers' emissions, as shown in Table 1. ENGLP customers are charged the Federal Carbon Charge monthly based on actual billed volumes.

Table 1: Fuel Charge Payable to the Government of Canada for Eligible Volumes of Natural Gas[5]

Effective Date	Fuel Charge (¢/m^3 of natural gas)
April 1, 2019	3.91
April 1, 2020	5.87
April 1, 2021	7.83
April 1, 2022	9.79

OEB staff submits that ENGLP's methodology for establishing the Federal Carbon Charge is appropriate, and that the requested rates for the Federal Carbon Charge for both the Aylmer and South Bruce operations should be approved on a final basis (both the interim rates currently in place, and the rate increases requested for April 1, 2021).

OEB staff also note that (i) ENGLP could provide additional clarity as to how it proposes to display the Federal Carbon Charge for commercial greenhouses on its rate schedules, and (ii) the applicability of the Federal Carbon Charge to First Nations on-reserve customers is not relevant to the current proceeding. These issues are discussed further below.

Customer Exemptions/Reductions from the Federal Carbon Charge, Including Greenhouses

ENGLP is not required to remit the Fuel Charge to the Government of Canada for emissions from its customers that are subject to the federal Output-Based Pricing

[4] The June 1, 2020 date was prior to the connection of any customers in the South Bruce operations. Therefore, ENGLP did not incur any remittance obligations to the Government of Canada for customer emissions prior to this date.
[5] *Greenhouse Gas Pollution Pricing Act*, schedule 2.

System, and is required to remit only 20% of the standard Fuel Charge for emissions from commercial greenhouses. ENGLP therefore provides a corresponding exemption or reduction from the Federal Carbon Charge to these customers. ENGLP's current rate schedules address these reductions/exemptions by including the worlds "if applicable" for the Federal Carbon Charge.[6]

ENGLP's 2021 FCPP application did not include draft rate schedules, but included tables showing a rate for "qualifying greenhouses" that was 20% of the full Federal Carbon Charge rate.[7] ENGLP should clarify in its reply submission how it plans to display the 80% reduction in Federal Carbon Charge costs for eligible commercial greenhouses on its rate schedules. As commercial greenhouses are not a distinct rate class, OEB staff submits that it would be appropriate to continue the approach used in the current rate schedules (i.e., showing the full rate for the Federal Carbon Charge, including the "if applicable" wording). If desired, ENGLP could add a footnote to these schedules indicating that the Federal Carbon Charge is only "applicable" to 20% of the natural gas volumes used by eligible greenhouses, reducing their effective Federal Carbon Charge rate.

Applicability to First Nations On-Reserve Customers

In the 2020 FCPP proceeding for Enbridge Gas,[8] an issue was raised as to the applicability of the Federal Carbon Charge to First Nations on-reserve customers in light of the *Indian Act*, relevant treaties, and section 35 of the *Constitution Act, 1982*. In that proceeding, the OEB kept rates for the Federal Carbon Charge (and the related Customer Variance Account rate rider) interim for Enbridge Gas's First Nations on-reserve customers, pending a future determination on this issue.

ENGLP confirmed that it does not serve any First Nations on-reserve customers in either its Aylmer or South Bruce service territories, nor does it expect to connect any such customers prior to April 1, 2022.[9] Therefore, the issue of applicability of the Federal Carbon Charge to First Nations on-reserve customers is not relevant to the current proceeding.

[6] See, for example, the draft rate schedules filed as part of ENGLP's 2020 FCPP application (EB-2020-0076, Exhibit E, Tab 3, Schedule 1)
[7] Tables 7 and 8 (pp. 23-24) of the 2021 FCPP application. These tables show proposed Federal Carbon Charge rates for qualifying greenhouses of 1.17 ¢/m^3 and 1.57 ¢/m^3, before and after April 1, 2021, respectively. In its response to Staff IR-3, ENGLP confirmed that these rates should be 1.174 ¢/m^3 and 1.566¢/m^3 (i.e., exactly 20% of the regular Federal Carbon Charge rate).
[8] EB-2019-0247
[9] Response to Staff IR-1

Facility Carbon Charge

Aylmer Operations

For its Aylmer operations, ENGLP requested:

- Approval on a final basis of the Facility Carbon Charge rate of 0.0027 ¢/m^3 that was previously approved on an interim basis, effective April 1, 2020, to reflect forecast 2020 facility-related FCPP costs;
- Approval of an updated Facility Carbon Charge of 0.0052 ¢/m^3, effective April 1, 2021, to reflect forecast 2021 facility-related FCPP costs.

ENGLP's requested Facility Carbon Charge rates in both its 2020 and 2021 FCPP applications were calculated by forecasting ENGLP's facility-related FCPP costs for the 2020 or 2021 calendar year (based on forecast facility-related emissions from ENGLP's buildings and natural gas vehicles, and the applicable Fuel Charge payable to the Government of Canada for these emissions), and determining what rate would be needed to recover these costs (based on forecast customer volumes), **if** this rate was effective for the full calendar year.[10]

However, because the requested Facility Carbon Charge rate does not become effective until April 1 of a given year, and a different (lower) rate is effective for the first three months of the year, OEB staff notes that ENGLP's methodology will set the Facility Carbon Charge too low, systematically under-recovering actual FCPP facility-related costs. A more accurate methodology would use ENGLP's forecast facility-related costs between April 1 of one year and March 31 of the subsequent year as the basis for establishing the Facility Carbon Charge.[11]

ENGLP indicated that it did not have concerns with this alternative methodology, but noted that as the volumes are only forecasts, there will be some variance regardless of the approach taken.[12]

OEB staff notes that due to the low volume of ENGLP's facility-related emissions and costs ($4,885 in 2021), the bill impact of a more accurate Facility Carbon Charge rate would be very small.[13] In addition, the Facility Variance Account is in place to address

[10] ENGLP's response to Staff IR-4 confirmed that ENGLP's requested Facility Carbon Charge rate for April 1, 2020 was incorrectly based on forecast facility emissions only for the period from January 1, 2020 to March 31, 2020, instead of for the entire calendar year. This error was corrected in the calculation of the requested April 1, 2021 Facility Carbon Charge rate.

[11] Alternatively, ENGLP could continue to use the calendar year as the time period for its forecast of facility-related costs and customer volumes, but would need to account for the fact that different Facility Carbon Charge rates are in effect (before and after April 1) to recover these costs.

[12] Response to Staff IR-5

[13] The total annual cost of the requested Facility Carbon Charge between April 1, 2021 and March 31, 2022 is only

any variance between actual facility-related FCPP costs and costs recovered through the Facility Carbon Charge. For administrative simplicity, OEB staff therefore submits that ENGLP's requested rates for the Facility Carbon Charge for its Aylmer operations should be approved on a final basis (both the interim rate currently in place, and the rate increase requested for April 1, 2021). However, ENGLP should consider adopting a more accurate methodology for establishing the Facility Carbon Charge in future FCPP applications. In OEB staff's view, balances in variance accounts should be minimized to the extent possible.

South Bruce Operations

Current rate schedules for ENGLP's South Bruce operations do not include a Facility Carbon Charge. ENGLP forecast that it will not incur any facility-related FCPP costs in either 2020 or 2021 for its South Bruce operations, as it leases its building space and does not operate any natural gas vehicles.

In its 2020 application, ENGLP requested that a Facility Carbon Charge (0.0000 cents per m^3) be approved for its South Bruce operations, although ENGLP proposed that this (zero) charge not be noted on rate schedules. In its 2021 application, ENGLP did not request a Facility Carbon Charge for its South Bruce operations.

In its response to interrogatories, ENGLP confirmed that either having no Facility Carbon Charge or showing a Facility Carbon Charge of zero is acceptable, but that the first option (no Facility Carbon Charge) is likely less confusing for customers.[14]

OEB staff agrees with ENGLP that either approach would be acceptable. If ENGLP seeks a (non-zero) Facility Carbon Charge at some point in the future, it would need to request OEB approval under either approach. For administrative simplicity, staff suggests that ENGLP's tariff for its South Bruce operations should continue not to include a Facility Carbon Charge.

Disposition of 2019 Deferral and Variance Account Balances

The 2019 FCPP deferral and variance account balances sought for disposition are shown in Table 2, along with ENGLP's proposed allocation and disposition approach, and the resulting rate rider. The allocation and disposition of the 2019 DVA balances is only applicable to ENGLP Aylmer customers and has no impact on ENGLP South Bruce customers.

\$0.11 for a typical residential customer (0.0052 ¢/m^3 * 2,113 m^3)
[14] Response to Staff IR-6

Table 2: ENGLP 2019 FCPP Deferral and Variance Account Balances

Account	Purpose	2019 Balance[15]	Proposed Allocation Approach	Rate Rider[16]
Customer Variance Account	Difference between actual 2019 FCPP customer-related costs incurred, and costs recovered through Federal Carbon Charge	$295,789	Volumetric charge based on customer's 2019 volumes	$0.094/m^3
Facility Variance Account	Difference between actual 2019 FCPP facility-related costs incurred, and costs recovered through Facility Carbon Charge	$1,491	Fixed customer charge	$0.01/month
Administration Deferral Account	2019 administration costs	$86,421	Fixed customer charge	$0.78/month

OEB staff first addresses the proposed calculation of interest and the disposition period, which are issues that impact all three deferral and variance accounts, before discussing specific considerations relevant to the individual accounts.

Interest on Deferral and Variance Account Balances

ENGLP's application included carrying charges (interest) on the balances in the deferral and variance accounts, through December 31, 2019. In its interrogatory responses, ENGLP confirmed that it intends to seek recovery of balances including interest to March 31, 2021, and provided updated calculations of the account balances and associated rate riders.[17] The OEB subsequently confirmed that the prescribed interest rate for approved deferral and variance accounts for Q1 2021 will remain unchanged from the previous quarter at 0.57%, the interest rate used by ENGLP in its updated calculations.[18] Therefore, OEB staff submits that ENGLP's methodology for calculating carrying charges on the FCPP deferral and variance account balances is appropriate.

[15] Balances and rate riders updated based on response to Staff IR-8
[16] All rate riders to be applied for a 12-month period beginning April 1, 2021
[17] Response to Staff IR-8
[18] https://www.oeb.ca/industry/rules-codes-and-requirements/prescribed-interest-rates

Disposition Period and Bill Smoothing

ENGLP seeks disposition of all 2019 FCPP deferral and variance account balances using twelve-month rate riders that would commence on April 1, 2021.

OEB staff supports the twelve-month disposition period, noting that the extended disposition period helps smooth the combined bill impact of the increase in the Federal Carbon Charge and Facility Carbon Charge and the disposition of the 2019 FCPP DVA balances, all of which become effective on April 1, 2021 for ENGLP Aylmer customers.

As shown in Table 3, the combined annual bill impact of these changes would be 7.8% for ENGLP Aylmer residential customers. In addition, ENGLP also has an active Incentive Rate Mechanism (IRM) application that, if approved as filed, would further increase rates for ENGLP Aylmer customers effective April 1, 2021.[19] The combined annual bill impact on ENGLP Aylmer residential customers of the rate changes requested in the IRM application and the FCPP applications would be 10.6%.[20]

Table 3: Incremental Bill Impacts of Proposed FCPP Rate Changes on ENGLP Residential Customers[21]

	Annual Incremental Bill Impact on ENGLP Residential Customers[22]	
Requested Rate Change	**Rate Zone**	
	Aylmer (annual consumption 2,113 m^3)	**South Bruce (annual consumption 2,149 m^3)**
2021 Federal Carbon Charge	$41.42	$42.12
2021 Facility Carbon Charge	$0.05	$0.00 or n/a
2019 DVA - Customer Variance Account Rate Rider	$19.65	n/a
2019 DVA - Facility Variance Account Rate Rider	$0.12	n/a
2019 DVA - Administration Deferral Account Rate Rider	$9.24	n/a
Total	**$70.48**	**$42.12**
Average Annual Customer Bill (prior to requested rate changes)	**$907**	**$1425**
% Increase in Customer Bill	**7.8%**	**3.0%**

[19] EB-2020-0234
[20] Response to Staff IR-15
[21] Adopted from: EB-2020-0231, 2021 Federal Carbon Pricing Application, Tables 9 and 10; EB-2020-0076 2020 Federal Carbon Pricing - Additional Evidence, Page 10 of 14. There will be very minor changes to the bill impact of the DVAs due to the updated DVA account balances that include interest through March 31, 2021.
[22] Incremental to existing Federal Carbon Charge and Facility Carbon Charge, which are currently approved on an interim basis

Customer Variance Account – Balance and Allocation Approach

ENGLP seeks disposition of a 2019 balance of $295,789 in the Customer Variance Account. The balance in the Customer Variance Account is due to costs incurred in the four-month period between April 1, 2019 and July 31, 2019, plus interest. ENGLP was required to remit a Fuel Charge to the Government of Canada for its customers' emissions as of April 1, 2019, but a Federal Carbon Charge to recover this cost did not become effective on the bills of ENGLP customers until August 1, 2019.[23]

ENGLP filed audited statements of the monthly balance in the deferral and variance accounts that showed the principal balance in the Customer Variance Account continuing to accumulate after July 31, 2019.[24] ENGLP indicated that this was due to timing issues between remittance and customer billing.[25]

OEB staff has no concerns regarding the balances in the Customer Variance Account and submits that this balance should be approved for disposition.

ENGLP has proposed to allocate balances to rate classes for the Customer Variance Account in proportion to customer volumes for the 2019 calendar year. ENGLP's Rate 6 customer is subject to the Output-Based Pricing System and is not charged the Federal Carbon Charge, and ENGLP proposes that this customer would also be exempt from the rate rider for the Customer Variance Account. ENGLP also indicated that eligible greenhouse customers (who receive an 80% reduction in their Federal Carbon Charge) would not be charged the Customer Variance Account rate rider at all.[26]

OEB staff has several concerns with ENGLP's proposed allocation approach for the Customer Variance Account.

First, ENGLP provided no rationale for not charging greenhouse customers the Customer Variance Account rate rider, noting only that the volumes used by these customers are a small fraction of total customer volumes.[27] In the absence of any rationale for excluding these volumes, OEB staff submits that eligible greenhouse customers should be charged the Customer Variance Account rate rider on 20% of their volumes, consistent with the approach to the Federal Carbon Charge for these customers.

Second, OEB staff submits that a more accurate allocation approach for the balance in

[23] EB-2019-0101, Decision and Order, July 18, 2019
[24] EB-2020-0076, 2020 Federal Carbon Pricing - Additional Evidence, Exhibit A, October 16, 2020
[25] Response to Staff IR-7
[26] Response to Staff IR-10(d)
[27] 20% of commercial greenhouse volumes would equal 0.15% of total customer volumes

the Customer Variance Account would be to allocate this balance based on customer volumes between the period of April 1, 2019 to July 31, 2019, not the entire calendar year. As noted, the principal balance in the Customer Variance Account is entirely due to customer volumes from this four-month period. ENGLP indicated that “using volumes between April 1, 2019 and July 31, 2019 would lead to a calculation of a rate rider that would recover too much from customers over the 12 month period.”[28] OEB staff does not agree that this would lead to over-recovery. Unless there are limitations in ENGLP’s billing system (which ENGLP did not indicate), there is no inherent reason why the time period used to calculate eligible customer volumes for the allocation of the balance in a variance account needs to be the same length as the time period used for disposition of the balance. Enbridge Gas’s 2019 Federal Carbon Pricing Program proceeding provides a relevant example, where the 2019 balance in the Customer Variance Account was allocated based on volumes during the four-month period between April 1, 2019 and July 31, 2019, but disposed of over a three-month period.[29] For future years, ENGLP’s approach to use customer volumes for the entire calendar year for recovery of the Customer Variance Account balance will probably be preferred, but staff submits that this year is an exception, due to the timing circumstances as to how the balance was incurred.

OEB staff submits that ENGLP should be required to update the eligible customer volumes and resulting Customer Variance Account rate rider to incorporate these two changes.

Facility Variance Account – Balance and Allocation Approach

ENGLP seeks disposition of a 2019 balance of $1,491 in the Facility Variance Account. This balance is due to the four-month period between April 1, 2019 and July 31, 2019 when a Facility Carbon Charge was not effective on customer bills, as well as higher facility volumes than were forecast and lower customer volumes than forecast (reducing the amount of funds collected through the Facility Carbon Charge to cover ENGLP’s facility-related FCPP costs).[30]

ENGLP proposes allocating this balance equally across all customers, to be recovered through a fixed monthly charge based on customer count.

OEB staff has no concerns regarding the Facility Variance Account and submits that the 2019 balance and allocation and disposition approach should be approved.

---

[28] Response to Staff IR-10(b)

[29] See the draft rate order (Appendix B) in the 2019 FCPP proceeding for Enbridge Gas (EB-2019-0247) . This methodology was only used for Enbridge Gas’s customers in the EGD rate zone and its contract customers in the Union rate zones, due to billing system limitations.

[30] Response to Staff IR-7(b)

Administration Deferral Account – Balance and Allocation Approach

ENGLP seeks disposition of a 2019 balance of $86,421 in the Administration Deferral Account, due to FCPP-related administration costs in 2019, plus interest. The prudence of these costs has not previously been considered by the OEB. ENGLP indicated that overall administration costs were $24,991 less than forecast – staffing costs to administer the FCPP requirements were significantly less than forecast, however, external legal costs to interpret and review ENGLP's implementation of the GGPPA were higher than forecast.[31]

ENGLP proposes allocating the balance in the Administration Deferral Account equally across all customers, to be recovered through a fixed monthly charge based on customer count.

OEB staff submits that the 2019 balance and allocation and disposition approach for the Administration Deferral Account should be approved, and that ENGLP should continue to make efforts to reduce administration costs. OEB staff notes that FCPP administration costs have a relatively high bill impact on customers ($9.24 per year), given the small customer base from which to recover these costs. OEB staff also supports ENGLP's intention to allocate FCPP administration costs in future years between the Aylmer and Southern Bruce franchise areas based on customer counts, and notes that this will reduce the bill impact, by spreading this cost across more customers.[32]

All of which is respectfully submitted.

[31] Response to Staff IR-12
[32] Response to Staff IR-14