



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2020-0076 / EB-2020-0231

EPCOR NATURAL GAS LIMITED PARTNERSHIP

2020 and 2021 Federal Carbon Pricing Program Applications

BEFORE: Lynne Anderson
Presiding and Chief Commissioner

Pankaj Sardana
Commissioner

March 11, 2021



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1 INTRODUCTION AND SUMMARY

EPCOR Natural Gas Limited Partnership (ENGLP) requested Ontario Energy Board (OEB) approval under section 36(1) of the *Ontario Energy Board Act, 1998* (OEB Act) to increase rates to recover costs associated with meeting its obligations under the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) and the Federal Carbon Pricing Program (FCPP).

Under the GGPPA, ENGLP is required to pay to the Government of Canada a fuel charge for greenhouse gas emissions from (i) the natural gas that it delivers to its non-exempt customers, and (ii) its own facilities. A Federal Carbon Charge and a Facility Carbon Charge are effective on ENGLP customer bills to recover ENGLP's customer-related and facility-related GGPPA costs, respectively.

On April 1, 2021, the fuel charge under the GGPPA will increase from \$30/tonne of carbon dioxide equivalent (CO₂e) to \$40/tonne CO₂e, equivalent to a charge increase from 5.87 ¢/m³ to 7.83 ¢/m³ of natural gas use.

As part of its 2020 FCPP application (EB-2020-0076), ENGLP requested:

- Approval on a final basis of the Federal Carbon Charge rate of 5.87 ¢/m³ 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 FCPP customer-related costs.
- Approval on a final basis of the Facility Carbon Charge rate of 0.0027 ¢/m³ 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.¹
- Approval of the 2019 balances in ENGLP's FCPP deferral and variance accounts (DVAs) for its Aylmer operations, and ENGLP's proposed methodology and rates for allocating and disposing of these balances.²

¹ 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.

² 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 FCPP Application (EB-2020-0231), ENGLP requested:

- Approval to increase the Federal Carbon Charge on applicable customer bills (for both Aylmer and South Bruce operations) from 5.87 ¢/m³ (\$30 per tonne of CO₂e) to 7.83 ¢/m³ (\$40 per tonne of CO₂e) effective April 1, 2021, to recover ENGLP's 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 ¢/m³ to 0.0052 ¢/m³, effective April 1, 2021, to recover ENGLP's forecast 2021 FCPP facility-related costs.³

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 DVAs (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 an annual consumption of 2,113 m³). 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 an annual consumption of 2,149 m³).

The Federal Carbon Charge rate of 5.87 ¢/m³ approved on an interim basis in ENGLP's 2020 FCPP Application is approved on a final basis. This rate was effective April 1, 2020 for ENGLP's Aylmer operations, and effective June 1, 2020 for ENGLP's South Bruce operations.

The OEB also approves, on a final basis, ENGLP's request in its 2021 FCPP Application to increase the Federal Carbon Charge on applicable customer bills for ENGLP's Aylmer and South Bruce operations from 5.87 ¢/m³ to 7.83 ¢/m³ effective April 1, 2021.

The Facility Carbon Charge rate of 0.0027 ¢/m³ for ENGLP's Aylmer operations previously approved on an interim basis is approved on a final basis. The rate is effective April 1, 2020 and recovers ENGLP's forecast 2020 FCPP facility-related costs.

³ 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.

The OEB approves, on a final basis, the increase to the Facility Carbon Charge for ENGLP's Aylmer operations from 0.0027 ¢/m³ to 0.0052 ¢/m³, effective April 1, 2021, to recover ENGLP's forecast 2021 FCPP facility-related costs.

The OEB approves, on a final basis, the 2019 audited balances for the three DVAs for ENGLP's Aylmer operations for disposition over a twelve-month period starting April 1, 2021.

OEB accepts ENGLP's submission that no Facility Carbon Charge is needed for the South Bruce operations for 2021.

ENGLP shall file draft complete tariff sheets reflecting the OEB's determination in this proceeding as part of its April 1, 2021 Quarterly Revenue Adjustment Mechanism (QRAM) application.

2 GENERAL BACKGROUND

The OEB has approved a Federal Carbon Charge on customer bills to recover ENGLP's FCPP costs related to greenhouse gas emissions from the natural gas that it delivers to its customers, and a Facility Carbon Charge to recover Enbridge Gas's FCPP costs related to facility emissions.

Emissions from certain customers (e.g. large industrial customers and greenhouses) are eligible for full or partial exemption from the fuel charge under the GGPPA. These customer volumes are therefore subject to ENGLP's Facility Carbon Charge, but not its Federal Carbon Charge.

The OEB has previously established three FCPP DVAs for each of its Aylmer Operations and South Bruce Operations:⁴

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

⁴ 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).

3 THE PROCESS

ENGLP filed its 2020 FCPP application⁵ on March 2, 2020, applying to the OEB for approval under section 36(1) of the OEB Act to increase rates, effective April 1, 2020, to recover the costs associated with meeting its obligations under the GGPPA.

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

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. In the March 26, 2020 Interim Decision and Order, the OEB indicated that it would address final rates and disposition of the 2019 DVA balances for ENGLP's Aylmer operations following ENGLP's evidence update with information on audited balances for the DVAs.

On October 16, 2020, ENGLP filed its evidence update, requesting final approval for the increase its FCPP rates (which had remained interim) and to dispose of audited 2019 balances in its FCPP DVAs for its Aylmer operations.

On October 16, 2020, ENGLP also filed its 2021 FCPP application⁶, requesting approval to further increase its rates to be effective April 1, 2021 to align with an increase to the federal fuel charge.

On October 30, 2020, the OEB issued public notice of ENGLP's requests 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 by the OEB.

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

⁵ EB-2020-0076

⁶ EB-2020-0231

On December 11, 2020, OEB staff filed interrogatories, and on January 8, 2021, ENGLP filed responses to OEB staff's interrogatories. OEB staff filed its submission on January 22, 2021 and ENGLP filed its reply argument on February 5, 2021.

4 DECISION

For the reasons set out below, the OEB approves the rates requested in the ENGLP's 2020 and 2021 FCPP applications.

4.1 Federal Carbon Charge

ENGLP requested approval on a final basis of the Federal Carbon Charge rate of 5.87 ¢/m³ (\$30 per tonne of CO₂e) that was previously approved on an interim basis, effective April 1, 2020 for Aylmer operations and June 1, 2020 for South Bruce operations.⁷ ENGLP requested approval of a further increase in the Federal Carbon Charge (for both Aylmer and South Bruce operations) to 7.83 ¢/m³ (\$40 per tonne of CO₂e) 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. ENGLP customers are charged the Federal Carbon Charge monthly based on actual billed volumes.

OEB staff submitted 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 rate currently in place, and the rate increase requested for April 1, 2021).

OEB staff also noted that ENGLP could provide additional clarity as to how it proposes to display the Federal Carbon Charge for commercial greenhouses on its rate schedules.

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.⁸ OEB staff submitted that 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

⁷ 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.

⁸ 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 ¢/m³ and 1.57 ¢/m³, before and after April 1, 2021, respectively. In its response, Exhibit I.Staff.3, ENGLP confirmed that these rates should be 1.174 ¢/m³ and 1.566 ¢/m³ (i.e., exactly 20% of the regular Federal Carbon Charge rate).

are not a distinct rate class, OEB staff submitted 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, OEB staff suggested that 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.

In its reply submission, ENGLP supported this approach and updated its draft rate schedules to incorporate this footnote.

Findings

The Federal Carbon Charge rate of 5.87 ¢/m³ approved on an interim basis in ENGLP’s 2020 FCPP Application is approved on a final basis. This rate was effective April 1, 2020 for ENGLP’s Aylmer operations, and effective June 1, 2020 for ENGLP’s South Bruce operations.

The OEB also approves, on a final basis, the increase to the Federal Carbon Charge on applicable customer bills for ENGLP’s Aylmer and South Bruce operations from 5.87 ¢/m³ to 7.83 ¢/m³ effective April 1, 2021. This charge is set to recover ENGLP’s 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.

4.2 Facility Carbon Charge

Aylmer Operations

For its Aylmer operations, ENGLP requested:

- Approval on a final basis for the Facility Carbon Charge rate of 0.0027 ¢/m³ 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 ¢/m³, 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). ENGLP then determined the rate to recover these costs based on a forecast of customer volumes, if this rate was effective for the full calendar year.⁹

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 noted that ENGLP's methodology will set the Facility Carbon Charge too low, systematically under-recovering actual FCPP facility-related costs. OEB staff submitted that 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.¹⁰

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.¹¹

OEB staff noted 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.¹² In addition, the Facility Variance Account is in place to address any variance between actual facility-related FCPP costs and costs recovered through the Facility Carbon Charge. For administrative simplicity, OEB staff therefore submitted 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.

In its reply submission, ENGLP submitted that it was appreciative of the suggestions of OEB staff to improve the accuracy of future filings and will incorporate as suitable.

⁹ ENGLP's response to Exhibit I.Staff.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.

¹⁰ 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.

¹¹ Response to Exhibit I.Staff.5

¹² The total annual cost of the requested Facility Carbon Charge between April 1, 2021 and March 31, 2022 is only \$0.11 for a typical residential customer ($0.0052 \text{ ¢/m}^3 \times 2,113 \text{ m}^3$)

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 m³) 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.¹³

OEB staff agreed 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, OEB staff suggested that ENGLP's tariff for its South Bruce operations should continue not to include a Facility Carbon Charge.

Findings

The Facility Carbon Charge rate of 0.0027 ¢/m³ for ENGLP's Aylmer operations previously approved on an interim basis is approved on a final basis. The rate is effective April 1, 2020 and recovers ENGLP's forecast 2020 FCPP facility-related costs.

The OEB approves, on a final basis, the increase to the Facility Carbon Charge for ENGLP's Aylmer operations from 0.0027 ¢/m³ to 0.0052 ¢/m³, effective April 1, 2021, to recover ENGLP's forecast 2021 FCPP facility-related costs.

The OEB accepts ENGLP's submission that no Facility Carbon Charge is needed for ENGLP's South Bruce operations for 2021.

¹³ Exhibit I.Staff.6

4.3 Disposition of 2019 Deferral and Variance Accounts

The 2019 FCPP DVA 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's Aylmer customers and has no impact on ENGLP's South Bruce customers.

Table 2: ENGLP 2019 FCPP Deferral and Variance Account Balances Aylmer

Account	Purpose	2019 Balance ¹⁴	Proposed Allocation Approach	Rate Rider ¹⁵
Customer Variance Account	Difference between actual 2019 FCPP customer-related costs incurred, and costs recovered through Federal Carbon Charge	\$295,789	Volumetric charge applied on prospective basis to eligible customer volumes over 12-month period beginning April 1, 2021	\$0.0094/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

¹⁴ Balances and rate riders updated based on response to Exhibit I.Staff.8

¹⁵ All rate riders to be applied for a 12-month period beginning April 1, 2021

Interest on Deferral and Variance Account Balances

ENGLP's application included carrying charges (interest) on the balances in the DVAs, 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.¹⁶ The OEB subsequently confirmed that the prescribed interest rate for approved DVAs for Q1 2021 will remain unchanged from the previous quarter at 0.57%, which is the interest rate used by ENGLP in its updated calculations.¹⁷

OEB staff submitted that ENGLP's methodology for calculating carrying charges on the FCPP DVA balances is appropriate.

Disposition Period and Bill Smoothing

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

OEB staff supported 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.

The combined annual bill impact of these changes would be 7.8% for ENGLP Aylmer residential customers. In addition, a Decision and Order on ENGLP's Incentive Rate Mechanism (IRM) application was issued on January 28, 2021 that approved other rate increases for ENGLP Aylmer customers effective April 1, 2021.¹⁸ The combined annual bill impact on ENGLP Aylmer residential customers of the rate changes in the IRM application and the FCPP applications would be 10.6%.¹⁹

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'

¹⁶ Exhibit I.Staff.8

¹⁷ [Prescribed Interest Rates](#)

¹⁸ EB-2020-0234

¹⁹ Exhibit I.Staff.15

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, 2019.²⁰

ENGLP filed audited statements of the monthly balance in the DVAs that showed the principal balance in the Customer Variance Account continuing to accumulate after July 31, 2019.²¹ ENGLP indicated that this was due to timing issues between remittance and customer billing.²²

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

ENGLP has proposed to allocate the balance for the Customer Variance Account to rate classes in proportion to customer volumes for the 2019 calendar year. ENGLP's Rate 6 customer is subject to the Output-Based Pricing System in the GGPPA and is not charged the Federal Carbon Charge. 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.²³

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

First, OEB staff submitted that 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.²⁴ In the absence of any rationale for excluding these volumes, OEB staff submitted 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 submitted that a more accurate allocation approach for the balance in 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

²⁰ EB-2019-0101, Decision and Order, July 18, 2019

²¹ EB-2020-0076, 2020 Federal Carbon Pricing - Additional Evidence, Exhibit A, October 16, 2020

²² Exhibit I.Staff.7

²³ Exhibit I.Staff.10(d)

²⁴ 20% of commercial greenhouse volumes would equal 0.15% of total customer volumes

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.”²⁵

OEB staff did not agree that this would lead to over-recovery. Unless there are limitations in ENGLP’s billing system, 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.

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

In its reply submission, ENGLP agreed with OEB staff’s submission to charge greenhouse customers the Customer Variance Account rate rider on eligible volumes, and updated the requested disposition rate to reflect this change. The updated rate is 0.9416 cents/m³, a minor change which will not have a material impact on the bill impact of this rate rider.

Regarding the disposition approach, ENGLP indicated that there was a misunderstanding regarding ENGLP’s proposed disposition approach. ENGLP indicated that it only intended to use the 2019 customer volumes as a projected volume base to calculate an appropriate rate rider. However, it intended to apply the calculated rate rider to customers based on a prospective disposition approach, using volumes during the approved recovery period (April 2021-Mar 2022), not based on 2019 actuals.

ENGLP further indicated that a disposition approach based on 2019 actuals was not possible in ENGLP’s billing system.

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 and lower customer volumes than were forecast (reducing the amount

²⁵ Exhibit I.Staff.10(b)

of funds collected through the Facility Carbon Charge to cover ENGLP's facility-related FCPP costs).²⁶

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

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

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.²⁷

ENGLP proposed 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 submitted 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 noted 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 supported ENGLP's intention to allocate FCPP administration costs in future years between the Aylmer and Southern Bruce operations based on customer counts, and noted that this will reduce the bill impact, by spreading this cost across more customers.²⁸

²⁶ Exhibit I.Staff.7(b)

²⁷ Exhibit I.Staff.12

²⁸ Exhibit I. Staff.14

Findings

The OEB approves, on a final basis, the audited 2019 balances for the three DVAs for ENGLP's Aylmer operations for disposition over a twelve-month period effective April 1, 2021. The allocation and disposition methodology for these balances is also approved.

The OEB agrees with OEB staff's concern that FCPP administration costs have a relatively high bill impact on customers and that ENGLP should continue to make efforts to reduce administration costs. In this regard, the OEB supports ENGLP's on-going efforts to address the administrative costs of the FCPP by expanding the use of shared internal resources to administer the program over the Aylmer and South Bruce operations areas where appropriate.

As to whether it is appropriate to allocate FCPP administration costs in future years between the Aylmer and Southern Bruce operations based on customer counts, the OEB concludes that this will depend on the nature of the costs, not simply whether this spreads the administration costs across more customers.

5 NEXT STEPS

The OEB finds that a draft rate order process is not necessary in this proceeding. The rates approved by the OEB in this proceeding shall be brought forward by ENGLP for incorporation in its April 1, 2021 QRAM application.

ENGLP filed draft rate schedules as part of its reply submission. When ENGLP files the rate schedules in the April 1, 2021 QRAM application, “if applicable” shall be added to the Rate Rider for FCCCVA recovery.

6 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Federal Carbon Charge rate of 5.87 ¢/m³ previously approved on an interim basis is approved on a final basis. This rate was effective April 1, 2020 for ENGLP's Aylmer operations, and effective June 1, 2020 for ENGLP's South Bruce operations.
2. The increase to the Federal Carbon Charge of 7.83 ¢/m³ on applicable customer bills for ENGLP's Aylmer and South Bruce operations is also approved on a final basis effective April 1, 2021.
3. The Facility Carbon Charge rate of 0.0027 ¢/m³ for ENGLP's Aylmer operations previously approved on an interim basis is approved on a final basis. The rate is effective April 1, 2020 and recovers ENGLP's forecast 2020 FCPP facility-related costs.
4. The Facility Carbon Charge of 0.0052 ¢/m³ for ENGLP's Aylmer operations, is approved on a final basis, effective April 1, 2021.
5. The audited 2019 balances for the three DVAs for ENGLP's Aylmer operations are approved on a final basis for disposition over a twelve-month period effective April 1, 2021. The allocation and disposition methodology for these balances is also approved.
6. ENGLP shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto March 11, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar