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November 10, 2021

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-2021-0215: EPCOR Natural Gas Limited Partnership's ("EPCOR") 2022 Incentive Rate Adjustment Application - Aylmer

Enclosed are EPCOR's responses to OEB Staff questions received October 28, 2021.

Further, EPCOR confirms that these documents do not include any personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

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, CPA, CGA
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EPCOR Natural Gas Limited Partnership
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**Ontario Energy Board Staff Questions
IRM 2022 Update – EPCOR Natural Gas LP- Aylmer
EB-2021-0215**

Received - October 28, 2021

OEB Staff.1 – Earnings Dead Band Off-Ramp

Ref: 2022 Incentive Rate Adjustment Application, page 13-14

EPCOR stated:

EPCOR's 2020 regulated return on equity (ROE) was 5.42%, which is 356 basis points below the approved deemed return on equity of 8.98%. There were two main contributing factors: unplanned maintenance of the Integrated Grain Processors Co-operative (IGPC) pipeline and lower than projected sales volumes. Although the values were outside of the +/- 300 basis points window, EPCOR anticipates that this was a unique set of circumstances and expects to recover back to expected ROE levels in 2021.

- a) What would have contributed to a lower than projected sales volume?
- b) Are there any other known issues with respect to the IGPC pipeline that would require additional maintenance on the pipeline? How does EPCOR plan to prevent further unplanned maintenance on the IGPC pipeline?

EPCOR Response:

- a) A lower than projected sales volume can be attributed to warmer and drier weather. Warmer weather reduces the need for residential heat and drier weather reduces the amount of natural gas needed for grain drying operations.
- b) Typically, unplanned maintenance can be attributed to the following:
 - i. Category A or B Leak on the pipe due to corrosion,
 - ii. A line strike, or
 - iii. Pipeline integrity issue.

To prevent unplanned maintenance, EPCOR performs the following on the IGPC line,

- i. Pipeline leak survey,
- ii. Pipeline Corrosion Survey to ensure the pipe is cathodically protected for corrosion due to soil & weather conditions,
- iii. Depth of Cover Survey, and
- iv. Ensuring there are visible signs of Pipeline Markers.

OEB Staff.2- Purchase Gas Transportation Variance Account (PGTVA)

Ref: 2022 Incentive Rate Adjustment Application, page 17-20
2022 Incentive Rate Adjustment Application, Appendix D, page 89 (Auditor's report)

EPCOR has proposed to dispose of the PGTVA balances as of December 31, 2020 including interest as of the same date. In the Auditor's Report for the PGTVA Rates 1-5, the 2020 PGTVA balance is \$91,376 (including interest to Dec 31, 2021).

a) The summary states a total projected disposition amount of \$190,097, however Table 6- Projected Total PGTVA Amount for Disposal shows a balance of \$38,804 and Table 3- Deferral & Variance Account Amounts and Table 7- Calculation of Proposed PGTVA Rate Rider both state a recovery of \$91,377. Please confirm the projected disposition amount and update the table(s) as required.

EPCOR Response:

The correct disposition amount is \$91,376. Tables 3, 6 & 7 from the original application have been revised as follows:

Table 3 - Deferral & Variance Account Amounts:

Account	Balance Dec 31, 2020	2020 Carrying Charges	2021 Carrying Charges	Balance Dec 31, 2021
REDA	\$38,443	\$142	\$219	\$38,804
PGTVA	\$91,078	-\$221	\$519	\$91,376
LDMDA	\$151,841	\$1,812	\$865	\$154,518
SICDA	\$67,158	\$288	\$383	\$67,829
Total	\$348,520	\$2,021	\$1,987	\$352,527

Table 6 - Projected Total PGTVA Amount for Disposal

PGTVA	Balance Dec 31, 2020	Q1 2021 0.57%	Q2 2021 0.57%	Q3 2021 0.57%	Q4 2021 0.57%	Balance Dec 31, 2021
Principal	\$91,078					\$91,078
Carrying Charges	<u>\$(221)</u>	<u>\$130</u>	<u>\$130</u>	<u>\$130</u>	<u>\$130</u>	<u>\$298</u>
Total	\$90,857	\$130	\$130	\$130	\$130	\$91,376

Table 7 - Calculation of Proposed PGTVA Rate Rider

		A	B	C	D	E	F	G	H	I
		Unit	Row Sum	Rate 1 - Residential	Rate 1 - Comm- ercial	Rate 1 - Industrial	Rate 2	Rate 3	Rate 4	Rate 5
1	Volume	m3	28,601,377	16,640,846	5,037,308	2,218,060	789,336	1,310,553	1,768,644	836,630
2	Allocation	%	100%	58.2%	17.6%	7.8%	2.8%	4.6%	6.2%	2.9%
3	Sum	\$	91,376	53,163	16,093	7,086	2,522	4,187	5,651	2,673
4	Rate Rider / m3	¢/m3	0.3195	0.3195	0.3195	0.3195	0.3195	0.3195	0.3195	0.3195

Note, the revisions presented do not change the proposed PGTVA rate rider as included in the original application submission.

OEB Staff.3- Loss on Disposal of Meters Deferral Account (LDMDA)

Ref: 2022 Incentive Rate Adjustment Application, page 20-21

EPCOR requested to dispose the LDMDA balance as of December 31, 2020 including associated carrying charges to the date of implementation.

- a) Please provide the number of meters that is associated with the amount requested for disposition.

EPCOR Response: There are 220 meters associated with the request.

- b) Please forecast the number of meters and amount for disposition that will be disposed of until rebasing?

EPCOR Response: The 220 meters and LDMDA balance as of December 31, 2020 are all that will be disposed of until rebasing.

- I. When is EPCOR expecting to cease booking amounts in the LDMA for disposition?

EPCOR Response: EPCOR does not anticipate booking any additional amounts in the LDMDA account and will request closure of the account once the current balance has been approved (accompanying the 2023 IRM filing).

- II. What is the methodology used to select meters for disposal and how are the disposition amount per meter calculated? Please provide explanation with a sample calculation.

EPCOR Response: Individual customer meters are tracked which includes install date, seal date, and seal expiry date. Residential meters are replaced at the seal expiry date which coincides with the useful life of the meter. Each meter is fully amortized by the date

of disposition.

c) Did EPCOR begin recording the loss on disposal of the meters in 2020?

EPCOR Response: Yes.

OEB Staff.4- System Integrity Capital Deferral Account (SICDA)

Ref: 2022 Incentive Rate Adjustment Application, page 21-22
2022 Incentive Rate Adjustment Application, Appendix D, page 94
EB-2018-0336, Decision and Order- Phase 2, October 24, 2019 (Most recent Cost of Service)
EB-2020-0234, Decision and Order, January 28, 2020 (2021 IRM)

EPCOR requested to dispose the SICDA balance (including associated carrying charges) as of December 31, 2020. EPCOR also stated that “amounts requested for disposition in future years will no longer include amounts related to the Putnam Station to Colloden Line or Springwater Road pipelines.”

In EPCOR- Aylmer’s most recent cost of service application, the OEB approved the Bradley Station project and the Bradley to Wilson pipeline’s net book values to be included in 2020 rate base. In EPCOR- Aylmer’s 2021 IRM, the OEB approved Springwater Pipeline and Putnam to Culloden projects’ net book values in rate base.

EPCOR appears to have allocated the SICDA balance to rate classes using a volumetric allocator.

- a) Please provide the breakdown of the principal balance by capital project and provide a detailed calculation supporting the principal balance in the account.

EPCOR Response:

Table 4-1: Summary

	Putnam X Culloden	Springwater	Total
Operation and maintenance	\$53	\$28	\$81
Depreciation and Amortization	12,862	6,660	19,522
Income Taxes	1,165	419	1,584
Interest Expense	12,102	6,428	18,530
Return on Equity	17,922	9,519	27,441
	\$44,104	\$23,055	\$67,158

Table 4-2: Depreciation

2020 Opening NBV	New Useful Life	Remaining useful life	Depreciation Rate	2020 depr	2020 Closing NBV	Average NBV/Ratebase ¹
505,353	43.29	39.29	2.5452%	12,862	492,491	498,922
268,345	43.29	40.29	2.4820%	6,660	261,684	265,015
				19,522		

Table 4-3 ROE & Interest Expense Calculation

Ratebase ² Allocation %	Ratio	Cost Rate	Putnam X Culloden	Springwater	Total
			498,922	265,015	763,937
			65.3%	34.7%	100%
Equity	40%	8.98%	17,922	9,519	27,441
LT Debt	56%	3.83%	11,539	6,129	17,668
ST Debt	4%	2.82%	563	299	862
			\$30,023	\$15,948	\$45,971

Table 4-4 Income Tax Calculation

	Putnam X Culloden	Springwater	Total
Revenue requirement	(44,104)	(23,054)	(67,158)
Operation and maintenance	53	28	81
Interest	12,102	6,428	18,530
CCA	27,554	15,016	42,570
Net Income before Tax	(4,395)	(1,582)	(5,977)
Tax Rate	26.50%	26.50%	0
Tax Impact	(1,165)	(419)	(1,584)

¹ EB-2020-0234, Decision & Order, page 5, January 28, 2021

- b) Please confirm that EPCOR does not intend to record further balances for Putnam Station to Colloden Line or Springwater Road pipelines beyond December 31, 2020 as those projects were included in rate base in the 2021 IRM?
- I. Besides what is being requested for disposition in the current proceeding, please confirm that no further balances are expected to be recorded in the SICDA beyond December 31, 2020.

EPCOR Response: EPCOR confirms this to be correct. No further balances are expected to be recorded beyond December 31, 2020 and EPCOR will request closure of the account once the current balance has been approved (accompanying the 2023 IRM filing).

- c) Please confirm that EPCOR has used a volumetric allocator to allocate the SICDA balance to rate classes. Please provide rationale supporting this approach.

EPCOR Response: EPCOR used a volumetric allocator to allocate the SICDA as this is consistent with how the amounts would have been allocated if they had been included in rate base from the onset of the rate term. This was determined to be the most equitable method to allocate the amounts to be recovered.

During review, OEB staff noted that Table 5 - Calculation of Proposed REDA Rate Rider was missing some information. The table appeared as follows:

		A	B	C	D	E	F	G	H	I	J
		Unit	Row Sum	Rate 1 - Residential	Rate 1 - Commercial	Rate 1 - Industrial	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6
1	Connections	Cx	9608	8892	541	73	50	6	41	4	1
2	Allocation for DSM	%	100%	92.56%	5.63%	0.76%	0.52%	0.06%	0.43%	0.04%	N/A
3	Allocation for Other	%	100%	92.55%	5.63%	0.76%	0.52%	0.06%	0.43%	0.04%	0.01%
4	DSM	\$	7.111	6.581	400	54	37	4	30	3	N/A

The table should have appears as follows (including rows 5-7):

[illegible]