

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c. 15, (Schedule B) (the “OEB Act”);

AND IN THE MATTER OF an application by EPCOR Natural Gas Limited Partnership pursuant to section 36(1) of the OEB Act for an order or orders approving or fixing just and reasonable rates and other charges for the sale and distribution of gas to be effective January 1, 2022 for the EPCOR Natural Gas Limited Partnership gas distribution system to serve the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss.

**REPLY SUBMISSION OF
EPCOR NATURAL GAS LIMITED PARTNERSHIP (“ENGLP”)**

**2022 IRM Application for natural gas distribution rates and other
charges effective January 1, 2022**

**EB-2021-0216
November 29, 2021**

Overview of Reply Submission

In accordance with EB-2021-0216 Procedural Order 1, ENGLP is filing this submission in response to the OEB Staff submission of November 19, 2021 (the “OEB Staff Submission”).

This reply submission will directly address Staff comments regarding the disposition and treatment of the following Deferral and Variance accounts:

1. Energy Content Variance Account (ECVA)
2. Contribution in Aid of Construction Variance Account (CIACVA)
3. External Funding Variance Account (EFVA)

As expressed in the accompanying cover letter, ENGLP will respond to comments regarding the Municipal Tax Variance Account (MTVA) in the second part of this submission.

1. Energy Content Variance Account (ECVA)

As stated on page 5-6 of the OEB Staff Submission:

OEB staff calculated the allocation of the ECVA balance to rate classes based on the forecasted volumes that underpin the CIP revenues (CIP volumes) and notes that the allocation is similar to the proposed.¹⁰ Given the small balance in the ECVA (\$14,199) and the insignificant change to the allocation resulting from the use of the CIP volumes, OEB staff submits that EPCOR’s proposed allocation methodology should be accepted on a one-time basis subject to EPCOR confirming that OEB staff’s calculation of the allocation based on the CIP volumes is correct.

ENGLP Response:

ENGLP confirms that Board Staff’s calculation is correct based on the information in EB-2018-0264, Exhibit 3, Tab 1, Schedule 2, Table 3-9 -Throughput Volumes by Rate Class:

Rate Class	2022	% of Total
Rate 1	9,067,927	69.9%
Rate 6	2,650,500	20.4%
Rate 11	<u>1,251,827</u>	<u>9.7%</u>
Total	12,970,254	100.0%

ENGLP will apply the methodology as approved in the ECVA accounting order for future disposition requests.

2. Contribution in Aid of Construction Variance Account (CIACVA)

As stated on page 7 of the OEB Staff Submission:

OEB staff generally supports the allocation of the CIACVA balance to rate classes using a rate base allocator as the variances tracked in the account (i.e. the revenue requirement impact of capital contribution differences) are related to amounts included in rate base. However, EPCOR allocated the CIACVA balance to rate classes based on total CIP rate base minus "non-distribution rate base. "It is unclear what is included in non-distribution rate base and why it is appropriate that the rate base allocator applied should be net of non-distribution rate base. OEB staff requests that EPCOR, in its reply argument, discuss what is included in non-distribution rate base and explain why the proposed allocation methodology for the CIACVA balance is appropriate

ENGLP Response:

On further review, ENGLP has determined that the CIACVA should have been calculated based on the full revenue requirement. Accordingly, the applicable revised rate riders for this account are set out in the table below:

	Staff IR	Revised
Rate 1 - General Firm Service	0.5577	0.5434
Rate 6 - Large Volume General Firm Service	0.7091	0.7135
Rate 11 - Large Volume Season Service	0.1153	0.0992
Rate 16 - Contracted Firm Service	0.8547	0.9603

All rate riders are presented in cents per m3 except Rate 16 which is cents per m3 of contract demand per month. ENGLP will provide updated rate schedules as required to conclude the hearing.

3. External Funding Variance Account (EFVA)

As stated on page 8 of the OEB Staff Submission:

OEB staff has no concerns with the proposed EFVA balance (including interest). OEB staff also has no concerns with the proposed disposition methodology.

Similar to the comments on the CIACVA, OEB staff requests that EPCOR, in its reply

argument, explain why its proposed allocation methodology (i.e. total CIP rate base minus non-distribution rate base) is appropriate for the EFVA.

ENGLP Response:

The non-distribution rate base (and the non-distribution revenue requirement) consist of (a) the *contribution in aid of construction (“CIAC”) required by Union (for the Dornoch Meter and Regulator Station and its Owen Sound Transmission Reinforcement project), and (b) Union’s proposed M17 service that Union in indicating would apply to EPCOR for transportation services.*¹

In both (a) and (b), there is no allocation for grant funding (Refer to Row 7 on the following tables) in the rate base calculation. As a result, EPCOR is proposing a disposition methodology that excludes the non-distribution rate base amounts.

The following tables show the net asset value of the Dornoch Meter and Regulator Station:

EB-2018-0264, Exhibit 2, Tab 1, Schedule 2 Table 9 CIAC to Union - Owen Sound Reinforcement

Table 2-9: CIAC to Union – Owen Sound Reinforcement

Description	Col. 1 2019	Col. 2 2020	Col. 3 2021	Col. 4 2022	Col. 5 2023	Col. 6 2024	Col. 7 2025	Col. 8 2026	Col. 9 2027	Col. 10 2028
Row 1										
Row 2 Gross Fixed Assets										
Row 3 Opening Balance	0	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363
Row 4 Capital Expenditure	2,363	0	0	0	0	0	0	0	0	0
Row 5 Interest During Construction	0	0	0	0	0	0	0	0	0	0
Row 6 Capitalized Overhead	0	0	0	0	0	0	0	0	0	0
Row 7 Grant Funding	0	0	0	0	0	0	0	0	0	0
Row 8 Retirement	0	0	0	0	0	0	0	0	0	0
Row 9 Closing Balance	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363
Row 10										
Row 11 Accumulated Depreciation										
Row 12 Opening Balance	0	-23	-70	-116	-162	-209	-255	-301	-348	-394
Row 13 Depreciation	-23	-46	-46	-46	-46	-46	-46	-46	-46	-46
Row 14 Retirement	0	0	0	0	0	0	0	0	0	0
Row 15 Closing Balance	-23	-70	-116	-162	-209	-255	-301	-348	-394	-440
Row 16										
Row 17 Net Asset	2,340	2,294	2,247	2,201	2,155	2,108	2,062	2,016	1,969	1,923

¹ EB-2018-0264, Exhibit 1, Tab 2, Schedule 1 Page 22 of 53.

EB-2018-0264, Exhibit 2, Tab 1, Schedule 2 Table 10 CIAC to Union - Station

Table 2-10: CIAC to Union - Station

Description	Col. 1 2019	Col. 2 2020	Col. 3 2021	Col. 4 2022	Col. 5 2023	Col. 6 2024	Col. 7 2025	Col. 8 2026	Col. 9 2027	Col. 10 2028
Row 1										
Row 2 Gross Fixed Assets										
Row 3 Opening Balance	0	2,935	2,935	2,935	2,935	2,935	2,935	2,935	2,935	2,935
Row 4 Capital Expenditure	2,935	0	0	0	0	0	0	0	0	0
Row 5 Interest During Construction	0	0	0	0	0	0	0	0	0	0
Row 6 Capitalized Overhead	0	0	0	0	0	0	0	0	0	0
Row 7 Grant Funding	0	0	0	0	0	0	0	0	0	0
Row 8 Retirement	0	0	0	0	0	0	0	0	0	0
Row 9 Closing Balance	2,935	2,935	2,935	2,935	2,935	2,935	2,935	2,935	2,935	2,935
Row 10										
Row 11 Accumulated Depreciation										
Row 12 Opening Balance	0	-39	-116	-193	-270	-348	-425	-502	-579	-656
Row 13 Depreciation	-39	-77	-77	-77	-77	-77	-77	-77	-77	-77
Row 14 Retirement	0	0	0	0	0	0	0	0	0	0
Row 15 Closing Balance	-39	-116	-193	-270	-348	-425	-502	-579	-656	-734
Row 16										
Row 17 Net Asset	2,896	2,819	2,742	2,664	2,587	2,510	2,433	2,355	2,278	2,201