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December 7, 2021

Sent by EMAIL, RESS e-filing

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

Dear Ms. Long:

Re: EB-2021-0216: EPCOR Natural Gas Limited Partnership's ("ENGLP") 2022 Incentive Rate Adjustment Application - Southern Bruce - MTVA

On December 6, ENGLP received an inquiry via phone call from Board Staff with a request for clarity on the MTVA accounting order as submitted on December 1¹. As a result, a new submission has been submitted, revised as follows:

- 1) The amount of 'actual' municipal taxed paid included in the example has been revised as it was coincidentally the same number in the 2022 CIP.
- 2) The example included in the accounting order has been revised to reflect projected 2021 costs as opposed to 2022. Further, the 'actual' distribution revenue has been adjusted to be lower than the CIP value.
- 3) The revenue requirement has been updated to reflect CIP values as approved in EB-2018-0264. The difference between the \$58.535M and the \$56.070M is the \$2.465M of forgone distribution revenue that ENGLP was approved to recover in the November 28, 2019 EB-2018-0264 decision (issued 5a).

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", is written over a light blue horizontal line.

Tim Hesselink
Senior Manager, Regulatory Affairs
EPCOR Natural Gas Limited Partnership
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¹ ENGLP_ReplySub_OEB Staff_MTVA_EB-2021-0216_20211201

EPCOR NATURAL GAS LIMITED PARTNERSHIP
ACCOUNTING ORDER
MUNICIPAL TAX VARIANCE ACCOUNT (“MTVA”)

The Municipal Tax Variance Account (“MTVA”) is to record the difference between the actual annual municipal taxes paid, net of municipal contributions related to municipal taxes, and the net municipal taxes billed to customers by ENGLP. The effective date of this account is January 1, 2019.

Net municipal taxes billed to customers by ENGLP is calculated by multiplying the annual distribution revenues billed to customers and accrued for the year by the proportion of annual municipal taxes included in the annual revenue requirement for EPCOR’s Southern Bruce operations as approved in EB-2018-0264 for each year of the rate stability period.

CIP Municipal Taxes as a Percentage of CIP Revenue Requirement (\$000’s)

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	Col. 11 Total
CIP Revenue Requirement ⁽¹⁾	589	3,050	4,621	5,818	6,646	7,190	7,455	7,594	7,727	7,846	58,535
CIP Municipal Taxes	(214)	(377)	(547)	(565)	(582)	(590)	(624)	(626)	(629)	(630)	(5,383)
% of Revenue Requirement	36%	12%	12%	10%	9%	8%	8%	8%	8%	8%	9%

(1) EB-2018-0264 Decision and Order November 28, 2019, pg. 6

For example, if in 2021 ENGLP bills \$1,950 of distribution revenues to customers and pays \$339 in municipal taxes, the net municipal taxes billed to customer would be calculated as:

$$\text{Net municipal taxes billed to customers} = \text{Billed Distribution Revenues} \times \frac{\text{CIP Municipal Taxes}}{\text{CIP Revenue Requirement}}$$

$$\text{Net municipal taxes billed to customers} = \$1,950 * \frac{\$547}{\$4,621} = \$231$$

The amount recorded in the MTVA for 2021 would be the variance between the calculated net municipal taxes of \$231 and the actual municipal taxes paid of \$339, for an amount owing to EPCOR of \$108.

The audited balance in this account, together with carrying charges, will be brought forward for approval for disposition on an annual basis. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

Simple interest is to be calculated monthly on the opening balance of this account in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries

- i. To record the difference between actual annual net municipal taxes paid and net municipal taxes billed to customers by ENGLP:

Debit/Credit Account No. 179.15 Municipal Tax Variance Account ("MTVA")

Credit/Debit Account No. 305 Municipal Tax

- ii. To record simple interest on the opening monthly balance of the MTVA:

Debit/Credit Account No. 179.16 Interest on Municipal Tax Variance Account

Credit/Debit Account No. 323 Other Interest Expense