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BY EMAIL

June 15, 2022

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Letter of Comment  
EPCOR Natural Gas Limited Partnership- Aylmer  
July 2022 Quarterly Rate Adjustment Mechanism (QRAM) Application  
OEB File Number: EB-2022-0173**

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Please find attached OEB staff's comments in the above-referenced proceeding.

Yours truly,

Arturo Lau  
Case Manager, Natural Gas Applications

Encl.

cc: All parties in EB-2022-0173

## Background

The Ontario Energy Board (OEB) requires natural gas distributors, one month in advance of the normal Quarterly Rate Adjustment Mechanism (QRAM) filing date, to complete a preliminary estimate of the change in the commodity portion of a typical residential sales service customer's bill that arises from the forecast cost of gas for the next quarter and the forecasted Purchased Gas Commodity Variance Account (PGCVA) balances to be cleared. A gas distributor that anticipates an increase or decrease of 25% or more on the commodity portion of a typical residential sales service customer's bill (which includes all commodity-related rate riders), must file a letter with the OEB describing the anticipated increase or decrease and the cost drivers underpinning the anticipated change. The letter must include information regarding the 21-day strip used and the forecasted PGCVA balances that the distributor expects to clear. The letter must be filed with the OEB as soon as possible after the preliminary forecast has been completed and no later than 14 days before the filing date of the QRAM application.

After the letter is filed with the OEB (if applicable), the distributor files its QRAM application in accordance with the OEB-approved QRAM methodology.<sup>1</sup> If a 25% or greater change on the commodity portion of a typical residential sales service customer's bill is still anticipated, the distributor must also include evidence which explains, in detail, the reasons for the large rate increase (or decrease). Where the change is an increase, the distributor must include a plan for mitigation of the increase. The OEB has not specified what form the mitigation proposal should take but has indicated that it would consider the necessity for and method of implementation of mitigation on a case by case basis.<sup>2</sup>

On May 27, 2022, EPCOR Natural Gas Limited Partnership (EPCOR) filed a letter to inform the OEB that, based on market pricing trends, the gas commodity portion of the bill was expected to increase by more than 25% for sales service customers in Aylmer. EPCOR also stated that should the commodity bill increase be greater than 25% for an average residential customer, it planned to include a rate mitigation proposal.

## Application Summary

On June 10, 2022, EPCOR filed its July 2022 QRAM application for the Aylmer service territory. EPCOR purchases natural gas, on behalf of its sales service customers in the Aylmer service territory, from Enbridge Gas Inc. (Enbridge Gas) and from a local producer.<sup>3</sup> Enbridge Gas's rates and any approved rate mitigation directly flows through

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<sup>1</sup> EB-2008-0106

<sup>2</sup> EB-2014-0199, Decision and Order, p. 6

<sup>3</sup> The formula for the price paid to the local producer takes into account Enbridge Gas's total gas supply commodity charge.

to the rates that EPCOR Aylmer system gas customers are charged. EPCOR noted that Enbridge Gas filed two rate mitigation options in its July 2022 QRAM application: the preferred rate mitigation approach and the alternate rate mitigation approach. EPCOR proposed that its July 2022 QRAM rates should be based on whichever rate mitigation option the OEB approves in Enbridge Gas's July 2022 QRAM proceeding with no additional rate mitigation.

The table below shows the commodity and the total annual bill impacts for a typical residential sales service customer resulting from Enbridge Gas's two rate mitigation approaches:

**Table 1: Annual Bill Impacts of Proposed Approaches**

	Commodity Bill		Total Bill	
	\$	%	\$	%
Enbridge Gas Preferred Rate Mitigation Approach	\$138.90	41.5%	\$138.90	13.6%
Enbridge Gas Alternate Rate Mitigation Approach	\$89.28	26.7%	\$89.28	8.8%

On June 13, 2022, EPCOR filed a corrected Schedule A of its rate schedule. The PGCVA reference price was incorrectly stated in the original application and was revised from 30.8263 cents per m<sup>3</sup> to 30.9263 cents per m<sup>3</sup>.

On June 15, 2022, EPCOR filed a revised Schedule 9 and Schedule 14. The customer rate impacts have been revised to be consistent with EPCOR South Bruce's application.

## OEB Staff Position

OEB staff submits that the OEB should approve EPCOR's application to reflect the rate mitigation approach it approves in Enbridge Gas's July 2022 QRAM, with no additional rate mitigation required.

## Proposed Rates

EPCOR did not propose an additional rate mitigation plan for its Aylmer operation. OEB staff notes that EPCOR Aylmer is a system gas customer on Enbridge Gas's system, specifically the Union South rate zone. Therefore, any rate mitigation approved in Enbridge Gas's July 2022 QRAM will impact the commodity rates that EPCOR will pay to Enbridge Gas (and pass-through to its customers).

OEB staff submits that no additional rate mitigation is necessary as the bill impacts for EPCOR Aylmer residential customers are lower than the bill impacts for Enbridge Gas's Union South residential customers under both mitigation options. Please see Table 2 below for the annual bill impacts of EPCOR Aylmer's and Enbridge Gas's Union South

customers.

**Table 2: Annual Bill Impacts on EPCOR Customer and Enbridge Gas’s Union  
South Customers**

	Commodity Bill		Total Bill	
	\$	%	\$	%
EPCOR- Aylmer (Preferred rate mitigation approach)	\$138.90	41.50%	\$138.90	13.6%
Enbridge Gas- Union South Rate Zone (Preferred rate mitigation approach) <sup>4</sup>	\$246.92	55.7%	\$250.70	23.1%
EPCOR- Aylmer (Alternative rate mitigation approach)	\$89.28	26.7%	\$89.28	8.8%
Enbridge Gas- Union South Rate Zone (Alternative rate mitigation approach) <sup>5</sup>	\$158.09	35.7%	\$161.87	14.9%

OEB staff further notes that the near-term impact of the Enbridge Gas’s preferred rate mitigation approach on a typical EPCOR Aylmer residential customer over the next three months, subject to EPCOR’s confirmation in its reply letter, is a total bill increase of approximately \$10, whereas the Enbridge Gas’s alternative rate mitigation approach results in a total bill increase of approximately \$6 over three months for EPCOR Aylmer customers. In other words, the alternative rate mitigation approach reflected in Enbridge Gas’s July 2022 QRAM application only reduces the total bill impact by approximately \$1/ month.<sup>6</sup>

OEB staff has also reviewed the corrected Schedule A (revised June 13, 2022), and Schedule 9 and Schedule 14 (revised June 15, 2022) and has no concerns with the changes.

### Customer Notifications

EPCOR’s application does not indicate EPCOR’s approach to customer notification of bill changes. EPCOR, in its reply letter, may wish to describe the process for customer notification of bill changes arising from decisions on EPCOR’s QRAM applications. As part of the response, EPCOR should advise whether it sends printed customer notices/bill inserts to its customers.

If EPCOR sends printed customer notices, OEB staff submits that EPCOR should address in a future QRAM application the value that printed notices provide as

<sup>4</sup> EB-2022-0150, Enbridge Gas Q3 QRAM, Exhibit A, Tab 2, Schedule 2, Page 8, Table 3

<sup>5</sup> EB-2022-0150, Enbridge Gas Q3 QRAM, Exhibit A, Tab 2, Schedule 2, Page 11, Table 4

<sup>6</sup> OEB staff took the third quarter’s consumption of 126 m<sup>3</sup>, calculated the third quarter’s bill impact using the current rates, Enbridge Gas’s proposed preferred approach rates, and Enbridge Gas’s alternative proposed rates, and calculated the difference between current rates and the proposed preferred rates, and the current rates and the alternative proposed rates.

compared to the level of effort required and the impact on the efficiency of the QRAM process. EPCOR should also file an updated proposal for customer notification in a future QRAM application.