Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

September 7, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EPCOR Natural Gas Limited Partnership (EPCOR)
Application for 2023 Rates – South Bruce Service Area
Ontario Energy Board File Number: EB-2022-0184

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant has been copied on this filing.

EPCOR Natural Gas Limited Partnership's responses to interrogatories are due by September 19, 2022.

Any questions relating to this letter should be directed to Arturo Lau, Advisor at Arturo.Lau@oeb.ca. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Arturo Lau

Digitally signed by Arturo Lau
Date: 2022.09.07 07:15:13 -04'00'

Arturo Lau
Advisor, Natural Gas

Encl.

OEB Staff Interrogatories
EPCOR Natural Gas Limited Partnership
EB-2022-0184

Please note, EPCOR Natural Gas Limited Partnership is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

OEB Staff.1 – Energy Content Variance Account- Rate 16 2022 Adjustment

Ref: 2023 Incentive Rate Adjustment Application, page 14

Due to a clerical error, the 2022 ECVA rate rider was incorrectly added to the draft rate order and approved in EPCOR's South Bruce 2022 Custom IR update.[1] As this was an approved rate rider, EPCOR had billed this rate rider to four Rate 16 accounts from its commencement date of January 1, 2022 until June 27, 2022.

In EPCOR's South Bruce July 2022 QRAM, EPCOR was approved to remove the error and rebate the amounts as soon as feasible.[2] EPCOR was also instructed to report back to the OEB on the details of the correction.

a) Please provide details of how the rebate amounts were calculated.

b) Please confirm that each customer was rebated the amount proportional to their consumption from January 1, 2022 until July 1, 2022.

c) Please explain why EPCOR cited that four Rate 16 accounts were billed this rate rider but only three customers appear to have received rebates.

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

Ref: 2023 Incentive Rate Adjustment Application, pages 16-17
2023 Incentive Rate Adjustment Application, Auditor's Report, CIACVA
EB-2018-0264, Application, Exhibit 1, Tab 2 Schedule 1, Page 31, Table 1-4

EPCOR proposed to recover the CIACVA balance of $309,129 as of December 31, 2021, including interest to December 31, 2022. EPCOR proposed to recover the

[1] EB-2021-0216 Decision and Order, December 9, 2021, page 20 of 27
[2] EB-2022-0173 Decision and Order, June 27, 2022

balance in the CIACVA from all rate classes based on revised forecast volumes allocated by rate base assumptions included in the Common Infrastructure Plan (CIP). EPCOR requested a 12-month volumetric rate rider for the disposition of the account.

In EPCOR's 2019-2028 rates proceeding[3] the following table was filed:

Table 1-4: Ten Year Revenue Requirement

(Thousands of Dollars)

		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
	Description	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Sum
Row 1	CIP Distribution Revenue Requirement	1,332	4,389	6,156	7,534	8,489	9,122	9,406	9,567	9,723	9,865	75,583
Row 2	less Grant Impact	(352)	(1,435)	(1,753)	(1,721)	(1,689)	(1,657)	(1,624)	(1,592)	(1,560)	(1,528)	(14,912)
Row 3	less Tax Holidays	(114)	(189)	(214)	(223)	(231)	(235)	(249)	(250)	(251)	(252)	(2,208)
Row 4	Rate Smoothing Adjustment	279	(281)	(427)	(221)	(69)	49	87	140	194	248	(0)
Row 5	add LEAP Funding	2	4	6	7	8	9	9	9	9	9	72
Row 6	Distribution Revenue Requirement	1,147	2,487	3,768	5,376	6,508	7,288	7,629	7,875	8,115	8,343	58,535
Row 7												
Row 8	add Upstream Recovery Charge	49	239	310	366	403	467	460	452	443	435	3,625
Row 9	add Transportation and Storage Charge	80	372	513	630	712	763	789	802	815	826	6,302
Row 10	add Gas Supply Charge	190	662	1,224	1,682	1,978	2,160	2,248	2,290	2,330	2,366	17,129
Row 11	Non-distribution Revenue Requirement	319	1,273	2,047	2,678	3,093	3,391	3,497	3,544	3,588	3,627	27,056
Row 12												
Row 13	Total EPCOR Revenue Requirement	1,466	3,760	5,814	8,053	9,601	10,679	11,126	11,418	11,703	11,970	85,591

OEB staff notes that the Upstream Recovery Charge is related to overall upstream transportation capacity expansion costs (including CIAC related to Owen Sound Transmission Reinforcement and Dornoch Meter and Regulator Station).

a) Please advise when EPCOR started making payments to Enbridge Gas related to the CIAC for the Owen Sound Transmission Reinforcement and Dornoch Meter and Regulator Station.

b) The Auditor's Report shows that the "CIACVA revenue requirement based on the amount paid" for 2020 and 2021 is $511,168 and $704,053, respectively. Please discuss how this is calculated and why there is an increase in the CIACVA paid relative to the amount included in rates.

   i. Please provide detailed calculations for the "CIAC revenue requirement based on the amount paid."

[3] EB-2018-0264

c) As shown in the Auditor's Report, the "CIACVA revenue requirement per filing" for 2020 and 2021 is $406,235 and $399,485, respectively.

   i. Please confirm that the "CIACVA revenue requirement per filing" is the amount included in EPCOR's approved revenue requirement to which actual costs are compared for the purposes of calculating the balance in the CIACVA.

   ii. Please discuss how the "CIACVA revenue requirement per filing" amounts are calculated and provide a reference to where these amounts can be found in EPCOR's 2019-2028 rates application. In addition, please explain how the "CIACVA revenue requirement per filing" amounts relate to the Upstream Recovery Charge in Table 1-4 shown above

OEB Staff.3- Customer Volume Variance Account (CVVA)

Ref: 2023 Incentive Rate Adjustment Application, pages 21-36 and Appendix E

EPCOR requested approval to establish the CVVA to track the variance in revenue resulting from the difference between customer volume forecast based on common assumptions and the actual customer volume. The CVVA would track the variances for all mass market customers in Rate 1 and Rate 6. Volume variances related to seasonal Rate 11 and large commercial industrial rate customers would not be tracked in this account as their volumes were not forecast using common assumptions.

EPCOR requested that the CVVA be established as of the filing date of its application. Notwithstanding the effective date that is established for the CVVA, EPCOR requested that variances be recorded back to January 1, 2020, which is when the first mass market customer was connected to the Southern Bruce system. EPCOR proposed an end date for the CVVA corresponding to the end of the approved rate stability period (i.e. December 31, 2028).

EPCOR acknowledged that it should retain the risk related to customer attachments, as that was a CIP competitive parameter. EPCOR's draft accounting order for the CVVA stated that for EPCOR to retain the risk related to customer connection counts, the common assumption volumes per customer will be applied to the actual customer connections for each corresponding customer segment and rate class to determine the "Common Assumptions Customer Volume."

EPCOR provided the following methodology to calculate the CVVA balance each year:

$$\left(\begin{array}{c} \text{Customer Volume} \\ \text{Common Assumption by} \\ \text{Customer Type within a} \\ \text{Rate Class} \end{array} - \begin{array}{c} \text{Actual Customer} \\ \text{Volume by Customer} \\ \text{Type within a Rate} \\ \text{Class} \end{array} \right) \textbf{X} \ \text{Tariff for Rate Class}$$

EPCOR stated that had Enbridge Gas (then known as Union Gas) been the successful proponent, consistent with the principle of not taking the risk related to common assumptions, it would have used its existing variance accounts (i.e. Normalized Average Consumption Variance Account (NACVA) and South Purchase Gas Variance Account (SPGVA)) to capture variances in consumption volumes.

EPCOR noted that it has an approved variance account relating to the energy content of the natural gas consumed [Energy Content Variance Account (ECVA)], but there is no variance account that addresses changes in consumption volume (increase or decrease) caused by other factors.

EPCOR stated that it intends to bring the balance recorded in the CVVA together with any carrying charges, forward for approval for disposition in its annual Incentive Rate Adjustment Applications once the balance has been audited, or at such other time as EPCOR may request and the OEB may order. EPCOR stated that the manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

EPCOR also provided the following table that highlights the impact on its revenues related to variances in consumption between the common assumptions used to set base rates and expected actual consumption.

Table 1.4

Summary Impact on Revenue ($)

	Forecasted Revenue	Col. 1 Total	Col. 2 Actual 2019	Col. 3 Actual 2020	Col. 4 Actual 2021	Col. 5 Forecast 2022	Col. 6 Forecast 2023	Col. 7 Forecast 2024	Col. 8 Forecast 2025	Col. 9 Forecast 2026	Col. 10 Forecast 2027	Col. 11 Forecast 2028
Row 1	CIP Common Assumptions	28,225,250	0	56,663	705,699	1,890,713	3,199,775	4,289,801	4,380,126	4,472,443	4,566,796	4,663,232
Row 2	Actual / Forecast	20,478,224	0	930	296,409	1,336,578	2,282,755	3,175,763	3,242,548	3,310,805	3,380,567	3,451,868
Row 3	Difference (negative = shortfall)	(7,747,026)	0	(55,733)	(409,290)	(554,135)	(917,020)	(1,114,038)	(1,137,578)	(1,161,638)	(1,186,229)	(1,211,364)

a) Please provide a list of the specific charges (e.g. delivery charges, upstream transportation charges, etc.) that are included in the "Tariff for Rate Class" aspect of the CVVA calculation.

b) Please provide a simple example that shows how the CVVA will ensure that EPCOR retains the risk associated with customer attachments. As part of this response, please include calculations for each the “Customer Volume Common Assumption” and “Actual Customer Volume.”

c) Please provide a summary table describing how the NACVA and SPGVA operate to true-up consumption variances for the Union Rate Zones and compare the operation of those accounts to EPCOR’s proposed CVVA. As part of this response, please discuss if, and how, EPCOR intends to address weather normalization in the CVVA.

d) Please discuss the operation of the CVVA in the context of the OEB-approved ECVA. Specifically, please discuss how EPCOR will ensure that variances in actual energy content relative to the assumed energy content used in determining EPCOR’s revenue requirement are not captured in both the ECVA and the CVVA.

e) Please provide detailed calculations, along with the excel files, supporting Tables 1.4 and 1.5.

f) For Table 1.6 Actual/Forecast Connection Count (Annual Average), please describe how the Annual Average is calculated for each rate class.

g) In EPCOR’s 2022 Gas Supply Plan update[4] proceeding, in response to OEB staff questions[5], EPCOR provided the following table.

Year	2020 GSP				2021 GSP Update				2022 GSP Update			
	Rate1	Rate6	Rate11	Total	Rate1	Rate 6	Rate 11	Total	Rate1	Rate 6	Rate 11	Total
2020	2,249	34	2	2,285	179	-	1	180	179	-	1	180
2021	3,616	56	5	3,677	2,614	40	3	2,657	1847	7	1	1,858
2022	4,248	78	5	4,331	3,703	56	6	3,765	3,112	21	6	3,139
2023	4,795	87	5	4,887	4,792	71	6	4,869	4,878	34	7	4,919
2024					5,039	91	6	5,136	5,829	34	7	5,870
2025									5,829	34	7	5,870

Please discuss why the customer connection forecast in the table above differs from the forecast in Table 1.6 in the current application.

h) For Table 1.8 Actual/Forecast Volume by Rate Class, the total Actual 2020 Existing Residential only consumed 2,850m³ with an Annual Average connection

[4] EB-2022-0146
[5] EB-2022-0146, EPCOR Response to Questions, July 15, 2022, Staff 2b.

count of 81 residential customers. This implies the average customer used 35m^3 in 2020. Likewise, the average existing residential customer in 2021 used 836m^3. Please discuss why these numbers differ from the annual consumption of 1,453m^3 estimated by EPCOR in its application.

i) Please comment on the extent to which the backdating of the CVVA to 2020 amounts to impermissible retroactive ratemaking.

j) EPCOR has requested an effective date of January 1, 2020 for the CCVA. Please confirm if EPCOR intends to recover carrying charges from January 1, 2020 to the effective date of this decision for any amounts recorded for this period.

k) Please discuss the impact on EPCOR Natural Gas Limited Partnership's financial viability in the following two scenarios:

   i. The OEB does not approve the CVVA, which EPCOR forecasted to record a total debit balance of $7.48 million by 2028.
   ii. The OEB does approve the CVVA, however, the effective date is January 1, 2023 and is not applied retroactively to 2020 (forecasted deficit of $1.02 million).

l) Please discuss the impact on EPCOR Utilities Inc.'s financial viability in the following two scenarios:

   i. The OEB does not approve the CVVA, which EPCOR forecasted to record a total debit balance of $7.48 million by 2028.

   ii. The OEB does approve the CVVA, however, the effective date is January 1, 2023 and is not applied retroactively to 2020 (forecasted deficit of $1.02 million).

m) Please provide evidence on EPCOR's proposed allocation and disposition methodologies for the CVVA.

   i. Please provide a high-level estimate of the bill impact associated with the recovery of a $1 million debit balance from Rate 1 customers in 2024, which is the year when EPCOR expects the majority of Rate 1 customers to be connected.

n) Please provide the total forecast CVVA debit (2020-2028) as a percentage of total actual/estimated distribution revenues (2020-2028) and for each year (2020-2028) provide the forecast CVVA debit as a percentage of the actual/estimated distribution revenue.

o) Please provide the total forecast CVVA debit (2020-2028) as a percentage of the total OEB-approved Revenue Requirement (2020-2028) and for each year (2020-2028) provide the forecast CVVA debit as a percentage of the OEB-approved Revenue Requirement.

p) Please advise whether EPCOR agrees that the establishment of the CVVA reflects a material change to the rate framework approved by the OEB in EPCOR's 2019-2028 rates proceeding.[6]

q) Please advise whether EPCOR agrees that the proposal to establish the CVVA is not a mechanistic issue that would typically be addressed in an annual update proceeding.

    i. Please advise whether EPCOR agrees that it is appropriate to address the typical issues (i.e. incentive rate adjustment and disposition of existing deferral account balances) as Phase 1 to this proceeding and a Phase 2 process can be established, subject to the OEB Panel's findings on this procedural matter, to address EPCOR's CVVA proposal.

[6] EB-2018-0264