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October 7, 2022

Sent by EMAIL, RESS e-filing

Ms. Nancy Marconi  
 Registrar  
 Ontario Energy Board  
 27-2300 Yonge Street  
 Toronto, ON M4P 1E4

Dear Ms. Marconi,

**Re: EB-2022-0184: EPCOR Natural Gas Limited Partnership’s (“EPCOR”) 2023 Incentive Rate Adjustment Application – Southern Bruce – Phase 1 Reply Submission**

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In response to the OEB Staff submission received October 4, 2022, EPCOR submits the following comments regarding Phase 1 of the hearing. Overall, the submission from OEB Staff supported the application as filed and as such, only minor comments are included.

**1. Municipal Tax Variance Account Allocation (pg. 5)**

*OEB staff is concerned with EPCOR’s proposed allocation methodology (i.e. total CIP rate base) for the MTVA. It is unclear why a rate base allocator should be used for the allocation of a municipal tax-related deferral account. OEB staff submits that it is likely more appropriate to use the property tax allocation that underpinned EPCOR’s base rates as approved in EPCOR’s 2019-2028 Custom IR proceeding. OEB staff notes, based on its own calculations, that while the change in the percentage of costs allocated to each of the rate classes is not significant, it appears to be a more appropriate allocator to apply to the MTVA. OEB staff asks that EPCOR, in its reply submission, advise whether OEB staff’s calculations are correct as set out in the footnote below. OEB staff also asks EPCOR to discuss whether it agrees that the property tax allocator is appropriate for the MTVA or provide further rationale supporting the proposed use of the rate base allocator.*

After review, EPCOR agrees with OEB Staff that the property tax allocator is a more appropriate allocation methodology for the MTVA balance. Revised projected balances and rate riders are included on the tables below confirming OEB Staff’s calculations as correct.

Table 1 – MTVA Allocation Methodology Comparison

Allocation	Rate 1	Rate 6	Rate 11	Rate 16	Total
Rate Base	59%	21%	3%	17%	100%
Property Tax	54%	25%	3%	18%	100%
<b>Variance (\$)</b>	<b>-6%</b>	<b>4%</b>	<b>0%</b>	<b>1%</b>	<b>0%</b>



Table 2 – MTVA Allocation Methodology Balance Comparison

Allocation	Rate 1	Rate 6	Rate 11	Rate 16	Total
Rate Base	-\$169,672	-\$60,324	-\$7,366	-\$48,116	-\$285,477
Property Tax	-\$153,561	-\$70,849	-\$8,673	-\$52,394	-\$285,477
<b>Variance (\$)</b>	<b>\$16,111</b>	<b>-\$10,526</b>	<b>-\$1,307</b>	<b>-\$4,278</b>	<b>\$0</b>
<i>Variance (%)</i>	-9%	17%	18%	9%	0%

Table 3 – MTVA Allocation Methodology Rate Rider Comparison

Allocation	Rate 1	Rate 6	Rate 11	Rate 16
	¢/m3	¢/m3	¢/m3	¢/CD/month
Rate Base	-\$3.0834	-\$2.8983	-\$0.5609	-\$4.1844
Property Tax	-\$2.7906	-\$3.4040	-\$0.6604	-\$4.5564
<b>Variance</b>	<b>\$0.2928</b>	<b>-\$0.5057</b>	<b>-\$0.0995</b>	<b>-\$0.3720</b>
<i>Variance (%)</i>	-9%	17%	18%	9%

## 2. Inflationary index and carrying charges

Once the OEB's 2023 inflationary index is released, EPCOR intends to file an updated rate model and draft rate order reflecting the adjusted price cap adjustment value along with updated DVA rate riders to reflect the calculation of carrying charges using the OEB's Q4 2022 approved interest value. *(Rate riders were initially calculated based on the Q3 2022 rate as the Q4 2022 was not yet released).*

Sincerely,

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