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BY EMAIL

October 13, 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 #2, please find attached the Ontario Energy Board (OEB) staff interrogatories for Phase 2 of the above proceeding. The applicant and all intervenors have been copied on this filing.

EPCOR Natural Gas Limited Partnership's responses to interrogatories are due by October 20, 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
Advisor, Natural Gas

Encl.

OEB Staff Interrogatories- Phase 2
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 – Customer Volume Variance Account (CVVA) - Delivery Rates

Ref: EPCOR IR Response to Staff.3a
EPCOR IR Response to Staff.3c

EPCOR noted that the delivery charge is the specific charge included in the “Tariff for Rate Class” aspect of the CVVA calculation.

EPCOR stated that it will apply a weighted average of OEB-approved delivery charges to determine the annual value to be recognized in the CVVA.

- a) Please confirm that only the volumetric delivery charge forms part of the CVVA calculation.
- b) Please explain how the weighted average of the OEB-approved volumetric delivery charge will be calculated. Please include an illustrative example.

OEB Staff.2 – CVVA - Weather-Normalization

Ref: EPCOR IR Response to Staff.3c
EPCOR IR Response- Appendix A- Revised Draft Accounting Order

EPCOR provided Table 3c, which compares the operation of Enbridge Gas's NACVA and EPCOR's proposed CVVA.

- a) Please provide a detailed example of how the actual consumption is calculated.
- b) Please provide a detailed example of how the actual weather-normalized consumption is calculated as proposed in the revised draft accounting order.
- c) OEB staff notes that Enbridge Gas's NACVA includes the OEB-approved number of customers in its calculation. It is OEB staff's understanding that EPCOR is not proposing to use its approved customer count in the CVVA calculation as

EPCOR continues to retain the risk of customer attachments. Instead, EPCOR is proposing to use the actual connections pertaining to the relevant year. Please confirm that OEB staff's understanding is correct.

- d) For the years 2020 and 2021, which OEB staff believes are the two years for which actual volumes would be available, please provide a detailed calculation of the CVVA balance using EPCOR's proposed methodology as set out in its interrogatory responses and revised draft accounting order.

OEB Staff.3 – CVVA - Energy Content Normalization

Ref: EPCOR IR Response to Staff.3d

EPCOR stated that it plans to continue to operate the Energy Content Variance Account (ECVA) and to normalize the volumes used in the CVVA calculation for any energy content variance that is recorded in the ECVA.

EPCOR noted that this normalization would be accomplished using a ratio of the actual heat value to the rate setting heat value. EPCOR stated that this would avoid any double counting in consumption due to changes in energy content.

- a) Please provide an illustrative example for the energy content normalization that would be undertaken to avoid double counting between the CVVA and the ECVA.
- b) Please provide EPCOR's view on closing the ECVA and capturing energy content variances in the CVVA (along with the other variances in normalized average consumption).

OEB Staff.4 – CVVA - Brockton

Ref: EPCOR IR Response to Staff.3k

EPCOR stated that, "without the CVVA, community expansions would be less likely to take place. As an example, EPCOR has recently been awarded a \$22.0 million grant from the Provincial Government to expand the distribution system into the Brockton area under Phase 2 of the Natural Gas Expansion Program (NGEP). In applying for the grant EPCOR was required to use a common assumption for annual customer consumption of 2,200m³. Without access to the CVVA, this community expansion would now become uneconomic. It would also put the utility at a direct disadvantage in competing for future expansion grants given that Enbridge currently has an approved NACVA that would address shortfalls in consumption between common assumptions and actual consumption."

- a) Please provide the forecasted customer attachments that underpins the approved funding under Phase 2 of the NGEF for the Brockton community expansion for each year during the attachment period.
- b) Please provide the financial impact each year, specific to the Brockton community expansion, if the CVVA was not approved using the approved forecasted attachments that underpins Phase 2 of the NGEF and assuming similar average consumption as the South Bruce customers.
- c) If available, please provide the forecast Profitability Index (PI) of the Brockton community expansion based on:
 - i. The OEB approving the establishment of the CVVA
 - ii. The OEB denying the establishment of the CVVA.

OEB Staff.5 – CVVA- Cost Allocation

Ref: EPCOR IR Response to Staff.3m
Application, Table 1.9, pg. 34

EPCOR stated that it intends to allocate the CVVA balance to Rate 1 and Rate 6 customers based on the proportion of actual distribution revenue as a percent of the total distribution revenue for Rate 1 and Rate 6 customers during the period of accumulation.

- a) Please provide an illustrative example that shows how the total balance in the CVVA will be allocated to Rate 1 and Rate 6 customers.
- b) Please provide rationale supporting the proposed allocation methodology.
- c) Based on EPCOR's proposed allocation methodology, please advise whether EPCOR expects that the allocated balance in the CVVA will be a debit for Rate 1 customers and a credit for Rate 6 customers over the term that EPCOR proposes that the CVVA will be in operation.

OEB Staff.6 – CVVA- Rate Rider Delay in Revenue Recovery

Ref: EB-2018-0264, Decision and Order, November 28, 2019, pg. 12-13

The OEB approved the Delay in Revenue Recovery rate rider to recover the revenue deficiency associated with the change to the timeline for the South Bruce construction schedule in EPCOR's 2019-2028 rates proceeding. The Delay in Revenue Recovery rate rider is a volumetric rate rider.

In its Decision and Order, the OEB approved the recovery of \$1.32 million through a rate rider as proposed by EPCOR South Bruce on a final basis. The OEB stated that there will be no further updates to the foregone revenue if there is a further delay to the connection of customers.

- a) Please confirm that EPCOR is not seeking approval to adjust the Delay in Revenue Recovery rate rider to account for changes in actual average customer consumption relative to the amounts that underpinned the calculation of the Delay in Revenue Recovery rate rider in the 2019-2028 rates proceeding.