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October 20, 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: EPCOR Natural Gas Limited Partnership's ("EPCOR") - Customer
Volume Variance Account - Responses to Interrogatories
EB-2022-0184 – Phase 2**

In accordance with Procedural Order 2, please find enclosed EPCOR's responses to additional interrogatories received regarding the Customer Volume Variance Account ("CVVA").

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". The signature is fluid and cursive.

Tim Hesselink
Senior Manager, Regulatory Affairs
EPCOR Natural Gas Limited Partnership
(705) 445-1800 ext. 2274
THesselink@epcor.com

Encl.

REQUESTOR NAME **OEB Staff**
TO: **EPCOR– Southern Bruce Service Area**
CASE NO: **EB-2022-0184**
APPLICATION NAME **Application for 2023 Rates - CVVA**

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.

EPCOR Response:

Not confirmed. The calculation includes the volumetric delivery charge along with the Rate Rider for Delay in Revenue Recovery.

Note that the original submission in the Application included the transportation and storage charges, in error. As a result, the following tables have been updated. This results are a reduction of the forecasted CVVA impact of \$350k over the 10 year stability period.

Table 1.4 - Revised
Summary Impact on Revenue (\$)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
	Total	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Forecasted Revenue											
Row 1 CIP Common Assumptions	26,738,007	0	53,881	669,233	1,787,634	3,023,132	4,059,626	4,148,224	4,238,802	4,331,403	4,426,073
Row 2 Actual / Forecast	19,340,672	0	884	280,151	1,258,218	2,149,359	2,996,573	3,062,014	3,128,917	3,197,315	3,267,241
Row 3 Difference (negative = shortfall)	(7,397,335)	0	(52,996)	(389,081)	(529,416)	(873,773)	(1,063,053)	(1,086,211)	(1,109,885)	(1,134,088)	(1,158,832)

Table 1.5 Revised

Actual / Forecast Revenue Difference by Rate Class (\$)

Description	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
	Total	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Existing Residential	(7,031,335)	0	(48,623)	(352,022)	(516,125)	(808,701)	(1,015,907)	(1,038,040)	(1,060,667)	(1,083,800)	(1,107,449)
New Residential	(524,302)	0	(3,708)	(26,602)	(38,520)	(60,279)	(75,667)	(77,315)	(79,001)	(80,724)	(82,485)
Small Commercial	74,453	0	(665)	(3,858)	261	(3,804)	15,800	16,144	16,496	16,856	17,223
Small Agricultural	6	0	0	0	(251)	257	0	0	0	0	0
Rate 1	(7,481,177)	0	(52,996)	(382,482)	(554,636)	(872,527)	(1,075,774)	(1,099,211)	(1,123,172)	(1,147,668)	(1,172,711)
Medium Commercial	(27,964)	0	0	(14,585)	(5,171)	(7,757)	(86)	(88)	(90)	(92)	(94)
Large Commercial	111,807	0	0	7,986	30,391	6,511	12,807	13,089	13,377	13,672	13,974
Rate 6	83,843	0	0	(6,599)	25,220	(1,246)	12,721	13,001	13,287	13,580	13,879
Rate 1 & Rate 6 Sum	(7,397,335)	0	(52,996)	(389,081)	(529,416)	(873,773)	(1,063,053)	(1,086,211)	(1,109,885)	(1,134,088)	(1,158,832)

For comparison, the tables as included in the Application are provided below:

Table 1.4 - Original

Summary Impact on Revenue (\$)

Forecasted Revenue	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
	Total	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	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)

Table 1.5 Original

Actual / Forecast Revenue Difference by Rate Class (\$)

Description	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
	Total	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Existing Residential	(7,369,927)	0	(51,134)	(369,973)	(542,066)	(848,792)	(1,065,576)	(1,088,082)	(1,111,084)	(1,134,595)	(1,158,625)
New Residential	(549,546)	0	(3,900)	(27,958)	(40,456)	(63,267)	(79,366)	(81,042)	(82,755)	(84,506)	(86,296)
Small Commercial	78,058	0	(699)	(4,054)	275	(3,989)	16,590	16,940	17,297	17,663	18,036
Small Agricultural	5	0	0	0	(265)	270	0	0	0	0	0
Rate 1	(7,841,410)	0	(55,733)	(401,985)	(582,512)	(915,778)	(1,128,352)	(1,152,184)	(1,176,542)	(1,201,438)	(1,226,885)
Medium Commercial	(31,094)	0	0	(16,311)	(5,761)	(8,628)	(75)	(77)	(79)	(81)	(83)
Large Commercial	125,478	0	0	9,006	34,138	7,385	14,389	14,683	14,983	15,290	15,604
Rate 6	94,384	0	0	(7,305)	28,376	(1,243)	14,314	14,606	14,905	15,210	15,521
Rate 1 & Rate 6 Summary	(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)

b) Please explain how the weighted average of the OEB-approved volumetric delivery charge will be calculated. Please include an illustrative example.

EPCOR Response:

The weighted average rate will be calculated based on the average monthly usage per customer group (i.e. Residential, Small Commercial and Small Agricultural for Rate 1).

	R1 (¢/m3)	Average Usage (m3)	Total (\$)
Tier 1	27.621	100	27.62
Tier 2	27.0769	400	108.31
Tier 3	26.2771	500	131.39
Delay in Recovery Rate Rider	1.6330	1,000	16.33
Total		1,000	283.64
Weighted Average Rate	(¢/m3)		28.36441

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.

EPCOR Response:

Actual consumption will be calculated on a monthly basis as the average consumption for the customer type. The amounts will then be adjusted by the weather normalizing factor explained in OEB Staff 2b and the ECVA adjustment explained further in OEB Staff 3a.

- b) Please provide a detailed example of how the actual weather-normalized consumption is calculated as proposed in the revised draft accounting order.

EPCOR Response:

EPCOR intends to use the weather normalized actual consumption ("NAC") to compare against the CIP common assumption volume. In calculating the NAC EPCOR intends to adopt the same methodology as EPCOR Aylmer, and use historical average and actual heating degree days specific to the South Bruce region (i.e. Kincardine), to weather normalize consumption. Further detail can be found in the Elenchus report included in the 2022 annual update to the Gas Supply Plan for Aylmer (EB-2022-0141, April 29, 2022, Appendix E, Elenchus Weather Normalized Distribution System Throughput Forecast: 2022-2026, Section 4 – Weather Normalization). This study has been added as an attachment to this submission. (ENGLP_IRR_CVVA_OEBStaff2b)

As this calculation requires a detailed regression analysis and data validation, a detailed example is unavailable at the time of this submission.

- 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.

EPCOR Response:

Confirmed.

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.

EPCOR Response:

For detailed calculations, please refer to ENGLP_IRR_CVVA_OEBStaff2d, in addition to the information below.

	Col. 1	Col. 2	Col. 3	Col. 4
	Total	Actual 2019	Actual 2020	Actual 2021
Forecasted Revenue				
Row 1 CIP Common Assumptions	723,113	0	53,881	669,233
Row 2 Actual / Forecast	281,036	0	884	280,151
Row 3 Difference (negative = shortfall)	(442,077)	0	(52,996)	(389,081)

Please note:

- Actual values have not been weather normalized as the data is not available at the time of submission (refer to OEB-Staff 2b for further explanation)
- The balances above are presented based on an annual calculation (subject to mid-year average usage in calculations). Actual values will be calculated on a monthly basis to more accurately reflect usage patterns.

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.

EPCOR Response:

Calculation of the Energy Content Variance Account (ECVA) (as per EB-2022-0184 application):

Formula to determine value to be recorded in ECVA - $(Actual - Benchmark)/Actual$
x CIP Revenue Rates 1, 6 and 11

Formula for ECVA normalization ratio – $(Actual - Benchmark)/Actual$

- Actual Heat Content – 39.37
- Benchmark Heat Content – 38.89

Calculation ECVA ratio – $(39.37-38.89)/39.37 = 0.012192$

Calculation of volume difference for CVVA (Using 2021 values for Rate 1 in Application).

- 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)

EPCOR Response:

EPCOR is of the view that it would likely be more efficient and straight forward to close

the ECVA during this time, but would need to address two considerations:

1. The need for the ECVA would exist in 2029 after the CVVA is closed.
2. The ECVA would need to remain open for Rate 11 customers as they are included in the ECVA calculation but not the CVVA.

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 NGEP for the Brockton community expansion for each year during the attachment period.

EPCOR Response:

Project Year	1	2	3	4	5	6	7	8	9	10	Total
Residential	147	147	62	43	46						445
Com/Agr/Inst	16	14	6	7	2		5		1		51
Agricultural-Seasonal	4	1									5
Total	167	162	68	50	48	0	5	0	1	0	501
Cumulative	167	329	397	447	495	495	500	500	501	501	

Reference: EB-2019-0255_ENGLP_APPL_Brockton_20201124_Redacted, 2020-08-04, Page 23/46.

Note that the Agricultural-Seasonal customers are not impacted by the CVVA and have been removed from the calculations below.

- 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 NGEP and assuming similar average consumption as the South Bruce customers.

EPCOR Response:

Using the financial impacts as incorporated in the response to SEC 6 under the assumption of a 2024 project, the 10 year impact would be a revenue shortfall of \$822k over a 10 year rate stabilization period.

Brockton – CVVA Cumulative Customer Count

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Residential	147	294	356	399	445	445	445	445	445	445
Com/Agr/Inst	16	30	36	43	45	45	50	50	51	51
Total	163	324	392	442	490	490	495	495	496	496

Brockton – CVVA Impact (\$'000s)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Residential	(\$27)	(\$81)	(\$108)	(\$98)	(\$72)	(\$72)	(\$72)	(\$72)	(\$72)	(\$72)	(\$745)
Com/Agr/Inst	(\$3)	(\$8)	(\$11)	(\$11)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$7)	(\$76)
Total	(\$30)	(\$89)	(\$119)	(\$108)	(\$79)	(\$79)	(\$79)	(\$79)	(\$79)	(\$79)	(\$822)

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.

EPCOR Response:

The Brockton Leave to Construct application is currently being prepared, and as such, this information is not yet finalized. Should it become available, EPCOR intends to provide this information in advance of the settlement conference.

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.

EPCOR Response:

The total balance of the CVVA will be allocated to Rate 1 and Rate 6 customers based on actual volume balances. EPCOR will maintain an internal sub-account in order to separate the balances as the calculations are completed independently, which will be used to validate the data during the audit process.

The volume variances and the calculation of the CVVA will be broken out based on actual volume variances by customer category within a rate class as presented above. This will result in a single rate rider for each rate class (consistent with the current rate structure) which will be recovered based on the projected customer volumes for the 12 month period following disposition.

A detailed calculation can be found referring to Attachment ENGLP_IRR_CVVA_OEBStaff2d (tab 'Output'), beginning with the table below.

Revenue Variance (Actual / Forecast less CIP)
 (\$)

Description	Col. 1	Col. 2	Col. 3	Col. 4
	Total	Actual 2019	Actual 2020	Actual 2021
Existing Residential	(400,645)	0	(48,623)	(352,022)
New Residential	(30,311)	0	(3,708)	(26,602)
Small Commercial	(4,523)	0	(665)	(3,858)
Small Agricultural	0	0	0	0
Rate 1	(435,478)	0	(52,996)	(382,482)
Medium Commercial	(14,585)	0	0	(14,585)
Large Commercial	7,986	0	0	7,986
Rate 6	(6,599)	0	0	(6,599)
Rate 1 & Rate 6 Sum	(442,077)	0	(52,996)	(389,081)

b) Please provide rationale supporting the proposed allocation methodology.

EPCOR Response:

The allocation is based on actual volumes and financial impacts per rate class.

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.

EPCOR Response:

Based on the data currently available, EPCOR expects that that the allocated balance in the CVVA will be a debit for Rate 1 customers and a credit for Rate 6 customers.

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.

EPCOR Response:

EPCOR is not seeking approval to adjust the Delay in Revenue Recovery Rate rider, but is seeking approval to include the rate rider in the calculation of the CVVA as it is a volume based rate rider built on the same CIP assumptions as the distribution revenue.

REQUESTOR NAME **VECC**
TO: **EPCOR– Southern Bruce Service Area**
CASE NO: **EB-2022-0184**
APPLICATION NAME **Application for 2023 Rates - CVVA**

VECC.1

Reference: IRM Application page 21-22 / OEB Staff.3 (i)

- a) Why was a customer volume variance account not proposed as part of EB-2016-0137/138/139 and specifically as part of EPCOR's common infrastructure plan applications (CIP)? That is why, did EPCOR not make explicit its request for an account similar to the (former) Union Gas Normalized Average Consumption (NAC) Account?

EPCOR Response:

The customer volume common assumption was agreed upon by Enbridge, EPCOR and the OEB.

Please refer to page 29 of the Application, specifically lines 8 – 17:

EPCOR is seeking a start date for recording variances of January 1, 2020 as that is the year that EPCOR began relying on the revenue generated from a common assumption related to the forecasted volume consumed by mass market customers. As a greenfield utility, EPCOR did not have access to any historical customer usage data for the Southern Bruce region for use in setting rates in its Application. A customer base that has been steadily increasing from zero, and lack of data covering an annual usage cycle combined such that EPCOR was unable to complete any meaningful analysis to confirm the existence of a material usage shortfall until recently. In the interim, EPCOR has continued in good faith to build out the distribution system according to the commitments made in its CIP, which are based on the revenue requirement determined using the common assumption related to customer volume.

Please refer to EPCOR's response to OEB Staff Interrogatories, September 19, 2022 Question 3 p), specifically:

EPCOR would have applied for the CVVA in the 2019-2028 proceeding, however, the common customer consumption assumption as approved by all parties was based on historical consumption in adjacent regions and there was no indication that achieving

it represented a material risk to the ratepayer or utility and therefore disadvantage either. While at this time there is a shortfall in average per customer consumption, this could potentially reverse itself over time as more customers switch out their water heaters to gas, add other gas appliances and new customers with stronger consumption profiles connect to the system. If that occurs, the CVVA would then serve to safeguard the ratepayers.

- b) EPCOR was the successful proponent of that competitive process and received the necessary approvals by April 12, 2018. Why is this application the first time that the proposed Customer Volume Variance Account (CVVA) is being raised?

EPCOR Response:

In addition to the response provided in VECC.1a), as a greenfield utility, EPCOR did not have the historical data in order to determine the materiality of the issue as the first customer was not connected until Q3 2020.

EPCOR did raise the issue of lower than anticipated volumes in the 2022 update to the Gas Supply Plan (EB-2022-0141¹), where it was stated:

The revised 3-year forecast customer conversion in this Supply Plan Update reflects the customer applications received in 2020 to 2021, updated as of March 25, 2022, as well as revised pace of daily customer conversions as discussed above. The demand forecast in this update deviates from the 2021 update due to two reasons:

- *Availability of actual historical consumption data which indicates that 12-month consumption for gas-consuming residential customers is materially lower than what was assumed in the CIP.*

¹ EB-2022-0141 Southern Bruce, Page 18 of 61, April 29, 2022

VECC.2

Reference: IRM Application page 21-22 / OEB Staff.3

- a) Please compare and provide any differences in the proposed CVVA and the (former) Union Gas NAC Account. Specifically, please provide a comparison as the NAC Account variance calculation and that proposed by EPCOR for the CVVA.

EPCOR Response:

A detailed table can be found in EPCOR's response to OEB Staff Interrogatories, September 19, 2022 Question 3 c).

VECC.3

Reference: IRM Application

- a) What notification has EPCOR provided customers which would alert them to the possibility of retroactive adjustments to their bill(s) based on their own or their overall class consumption?

EPCOR Response:

Notice was provided based on OEB instruction in Procedural Order No. 1, which includes reference to the CVVA in the customer notice.

- b) Please provide the documents/wording of the CVVA that was provided to potential and actual customers.

EPCOR Response:

As per the OEB letter of direction received August 5, 2022, EPCOR served the OEB provided customer notice, application and evidence on:

1. All intervenors of record in EB-2016-0137 / EB-2016-0138 / EB-2016-0139 and EB-2018-0264
2. Enbridge Gas Inc.
3. The clerks of all municipalities in which ENGLP- Southern Bruce supplies gas.

EPCOR also posted notice of the application on our website.

- c) Please provide the current customer outreach form provided to potential new natural gas customers.

EPCOR Response:

EPCOR has included its customer outreach form as an appendix with this submission (ENGLP_IRR_CVVA_VECC3_20221020). Customers are also directed to EPCOR’s website for further information and instruction:

<https://www.epcor.com/products-services/natural-gas/Pages/why-choose-natural-gas.aspx>

VECC.4

Reference: IRM Application, page 29

EPCOR states “*A customer base that has been steadily increasing from zero, and lack of data covering an annual usage cycle combined such that EPCOR was unable to complete any meaningful analysis to confirm the existence of a material usage shortfall until recently*”.

- a) Did EPCOR complete any studies (as part of EB-2016-0137/138/139) or otherwise) with respect to the expected average use for new customers in the South Bruce franchise? If yes, please provide those studies.

EPCOR Response:

In July 2017, EPCOR contracted Innovate Research Group to survey customers in the franchise area to better understand decision drivers related to conversion. The survey included questions on secondary appliances and barriers to conversion. (ENGLP_IRR_CVVA_VECC4_20221020).

A second survey was completed in March 2021 by Innovate Research Group to survey customers in the franchise area to better understand decision drivers related to conversion.

(ENGLP_IRR_CVVA_VECC4_2_20221020)

VECC.5

Reference: IRM Application, page 31

EPCOR states: *“While it is unclear what all the underlying drivers for the consumption shortfall for residential customers are, a material factor appears to be that a low number of customers have been connecting multiple gas appliances. In particular, EPCOR estimates that only 13% of customers have converted to gas water heaters, which are estimated to use an average of 400 - 500m3 annually.”*

- a) What efforts has EPCOR made to determine the reasons for the approximate 32% under estimation in average use?

EPCOR Response: Refer to VECC 4

- b) What steps and investments has EPCOR made to induce new customers to switch to natural gas appliances and specifically natural gas water heaters?

EPCOR Response:

Customer engagement activities include:

- A 2021 contest designed to increase natural gas usage
- Investment in a March 2021 a study to determine why some customers were not using gas even though they were connected
- Email campaign and reminders in construction notices
- (Currently in progress) An email survey campaign is underway to determine any additional reasoning this year and to motivate customers to energize

VECC.6

Reference: IRM Application, page 36 / OEB Staff.3 (k)

EPCOR states: *“For the year ended 2020, EPCOR incurred a loss of \$2,114,240.27 and does not have the capability of absorbing the revenue losses due to the variances in volumes consumed versus forecast by mass market customers..”*

- a) Please provide the 2020 and 2021 Financial statements of EPCOR Natural Gas Limited Partnership.

EPCOR Response:

The 2020 and 2021 financial statements have been included as an appendix to this submission (*ENGLP_IRR_CVVA_VECC6_20221020*). Note that the statements largely reflect the consolidated operations of Aylmer and Southern Bruce as the partnership is a single LDC and corporate entity. Separate presentation can be found on page 27 of the appendix.

VECC.7

Reference: IRM Application, page 22

EPCOR proposes to bring the balance in the Variance Account, 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 Board may order.

- a) Please calculate the CVVA rate riders, based on a one year disposition period and 2022 forecast year-end balances and as recovered from only existing 2022 year-end customers.

EPCOR Response:

Based on the 2022 forecast year end balances, the rate rider for Rate 1 customers would be 29.60 cents per m³ and a credit of 5.11 cents per m³ for Rate 6. This assumes collection over a 12 month period. In this example, the value disposed of represents the cumulative values for 2020, 2021 and 2022.

CVVA Rate Rider

Description	Col. 1 2022
<hr/>	
Disposition Amount (neg = refund)	
Rate 1	1,033,850
Rate 6	(47,010)
Sum	986,840
<hr/>	
Volume (m3)	
Rate 1	3,492,243
Rate 6	920,695
<hr/>	
Rate Rider (cent / m3)	
Rate 1	29.60
Rate 6	(5.11)

REQUESTOR NAME	SEC
TO:	EPCOR– Southern Bruce Service Area
CASE NO:	EB-2022-0184
APPLICATION NAME	Application for 2023 Rates - CVVA

SEC-1

Please provide a copy of all material that EPCOR provides to potential new customers (residential and commercial) regarding expected natural gas rates and energy savings. Please specifically reference where EPCOR has told those customers they are expected to pay an additional amount in distribution rates, if overall gas usage is lower than EPCOR had previously forecast when initially having its rates set.

If the CVVA is approved, please explain what type of revised material EPCOR plans to provide potential new customers.

EPCOR Response:

Refer to VECC.3 for information and a link to EPCOR's website where information can be located.

EPCOR continues to update its website based on current customer rates. EPCOR will provide customers with an update on the outcome of the IRM filing with a customer notice (phase 1 and phase 2 timing will differ).

EPCOR does note that, if the CVVA is approved, balances would remain subject to the OEB disposition process through a separate hearing (likely a future IRM update) and rate rider impacts would be communicated at that time. While EPCOR is applying for this variance account based on current trends, actual bill impacts will not be finalized as part of this hearing as there is no balance being disposed of.

SEC-2

Please confirm that the CIP volume forecast, including the breakdown by customer type, that EPCOR will use as the baseline for determining any amount to be included in the CVVA, is set out in Table 3-8 in its 2019-2028 rate application (EB-2018-0264, Exhibit 3, Tab 1, Schedule 1, p.2)

EPCOR Response:

The volumes will be based on the assumptions in the above noted reference, but EPCOR will not be using the totals per rate class, but instead the average per customer as to avoid the inclusion of the EPCOR assumed customer connection risk in the calculation. The volumes provided in the table assume connection of all expected customers.

SEC-3

For each of 2020 and 2021, please provide the full calculation of the balance that would be included in the CVVA. The calculation should include, among other aspects, exactly how the weather normalization was undertaken, and the breakdown of the customer type for both attachments and volumes (included in EB-2018-0264 and actuals).

EPCOR Response:

Please refer to OEB-Staff 2d.

SEC-4

[Application p.33-34] Please provide a revised version of Tables 1.5 and 1.9, that excludes revenue (Table 1.5) and volume (Table 1.8) differences associated with variance in forecast and actual customer connections.

EPCOR Response:

Please refer to the tables below.

Table 1.5A: Actual / Forecast Revenue Difference by Rate Class
(\$)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Description	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Existing Residential	(8,773,387)	(256,293)	(607,651)	(670,900)	(841,501)	(916,954)	(1,015,608)	(1,069,958)	(1,103,160)	(1,133,412)	(1,157,950)
New Residential	(638,697)	(13,162)	(27,325)	(29,954)	(42,498)	(53,040)	(67,282)	(82,627)	(96,728)	(109,019)	(117,062)
Small Commercial	231,284	(36,049)	(39,820)	1,507	(13,287)	46,155	52,075	54,016	54,782	55,559	56,347
Small Agricultural	28	0	0	0	28	0	0	0	0	0	0
Rate 1	(9,180,772)	(305,503)	(674,796)	(699,348)	(897,257)	(923,840)	(1,030,815)	(1,098,569)	(1,145,106)	(1,186,872)	(1,218,665)
Medium Commercial	(176,618)	(32,398)	(106,329)	(16,925)	(19,500)	(218)	(239)	(246)	(250)	(254)	(258)
Large Commercial	147,135	(26,420)	39,340	42,633	6,419	12,254	13,560	14,520	14,729	14,942	15,158
Rate 6	(29,482)	(58,818)	(66,989)	25,708	(13,080)	12,036	13,321	14,274	14,479	14,688	14,900
Rate 1 & Rate 6 Sum	(9,210,254)	(364,321)	(741,785)	(673,640)	(910,338)	(911,804)	(1,017,494)	(1,084,295)	(1,130,627)	(1,172,184)	(1,203,766)

Table 1.9A: Volume Difference by Rate Class
(m3)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Description	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Existing Residential	(28,957,193)	(910,698)	(2,132,781)	(2,327,409)	(2,868,076)	(3,081,655)	(3,365,134)	(3,495,154)	(3,552,732)	(3,598,686)	(3,624,867)
New Residential	(2,086,110)	(46,753)	(95,875)	(103,888)	(144,810)	(178,212)	(222,880)	(269,844)	(311,434)	(346,055)	(366,359)
Small Commercial	749,730	(129,058)	(139,464)	5,547	(44,431)	158,633	176,483	180,505	180,505	180,505	180,505
Small Agricultural	95	0	0	0	95	0	0	0	0	0	0
Rate 1	(30,293,478)	(1,086,509)	(2,368,120)	(2,425,750)	(3,057,222)	(3,101,234)	(3,411,531)	(3,584,494)	(3,683,662)	(3,764,236)	(3,810,721)
Medium Commercial	(709,148)	(134,665)	(437,588)	(67,396)	(75,996)	1,006	1,085	1,101	1,101	1,101	1,101
Large Commercial	626,605	(113,528)	174,729	183,318	29,913	52,587	57,367	60,555	60,555	60,555	60,555
Rate 6	(82,544)	(248,193)	(262,859)	115,922	(46,082)	53,592	58,453	61,656	61,656	61,656	61,656

SEC-5

With respect to the timing of customer connections with a year:

a. Please confirm that EPCOR assumed that any new customer connections would occur at the mid-point of the year as it applied a half-year rule approach to new connection volumes.

EPCOR Response:

Confirmed

b. For the purposes of calculating any balance in the CVVA, does EPCOR propose adjusting the consumption for a customer in the year they connect to the system, to reflect the timing in the year of their connection compared to what was forecast?

EPCOR Response:

EPCOR proposes to adjust the consumption for the year in which a customer connects based on the load profile used in the CIP assumptions, provided below:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rate 1	17.5%	18.3%	15.1%	9.1%	5.2%	2.9%	2.2%	2.1%	2.2%	4.8%	7.2%	13.4%
Rate 6	18.9%	16.9%	14.5%	7.8%	3.8%	0.9%	1.7%	1.9%	2.2%	4.7%	10.6%	16.0%

As an example, a Rate 1 customer who connects in February, would only be allocated 82% of a full years CIP projected volume (100% less 17.5%).

SEC-6

For each customer type, and for each year between 2023 and 2028, please provide the distribution and total bill impact, if the CVVA is approved (assuming annual deposition of the account as proposed).

EPCOR Response:

Please refer to the tables below:

CVVA Disposition (\$ / cx)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Description	Sum	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Existing Residential	1,288	0	0	0	0	117	186	276	303	245	162
New Residential	1,288	0	0	0	0	117	186	276	303	245	162
Small Commercial	4,323	0	0	0	0	345	633	938	1,028	831	549
Small Agricultural	3,989	0	0	0	0	375	575	852	934	755	498
Rate 1 (Weighted Avg.)	1,351	0	0	0	0	121	196	290	318	257	170
Medium Commercial	(990)	0	0	0	0	10	(159)	(235)	(258)	(209)	(138)
Large Commercial	(2,895)	0	0	0	0	30	(465)	(689)	(756)	(611)	(404)
Rate 6 (Weighted Avg.)	(1,770)	0	0	0	0	18	(285)	(421)	(462)	(374)	(247)

CVVA Impact to Distribution Bill

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Description	Weighted Avg.	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Existing Residential	17.1%	0.0%	0.0%	0.0%	0.0%	14.8%	23.3%	34.0%	36.7%	29.2%	19.0%
New Residential	17.1%	0.0%	0.0%	0.0%	0.0%	14.8%	23.3%	34.0%	36.7%	29.2%	19.0%
Small Commercial	28.8%	0.0%	0.0%	0.0%	0.0%	20.6%	33.4%	48.7%	52.7%	42.0%	27.3%
Small Agricultural	29.9%	0.0%	0.0%	0.0%	0.0%	20.9%	32.7%	47.8%	51.7%	41.2%	26.8%
Rate 1 (Weighted Avg.)	18.3%	0.0%	0.0%	0.0%	0.0%	20.8%	33.1%	48.3%	52.2%	41.6%	27.1%
Medium Commercial	(1.6%)	0.0%	0.0%	0.0%	0.0%	0.1%	(1.9%)	(2.8%)	(3.0%)	(2.4%)	(1.6%)
Large Commercial	(1.6%)	0.0%	0.0%	0.0%	0.0%	0.1%	(2.2%)	(3.2%)	(3.5%)	(2.8%)	(1.8%)
Rate 6 (Weighted Avg.)	(1.7%)	0.0%	0.0%	0.0%	0.0%	0.1%	(2.0%)	(3.0%)	(3.2%)	(2.6%)	(1.7%)

CVVA Impact to Non-distribution and Distribution Bill

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Description	Weighted Avg.	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Existing Residential	9.5%	0.0%	0.0%	0.0%	0.0%	8.0%	12.3%	18.0%	19.6%	15.7%	10.3%
New Residential	9.5%	0.0%	0.0%	0.0%	0.0%	8.0%	12.3%	18.0%	19.6%	15.7%	10.3%
Small Commercial	13.3%	0.0%	0.0%	0.0%	0.0%	9.5%	14.7%	21.4%	23.4%	18.8%	12.3%
Small Agricultural	14.1%	0.0%	0.0%	0.0%	0.0%	9.5%	14.6%	21.3%	23.2%	18.6%	12.2%
Rate 1 (Weighted Avg.)	9.9%	0.0%	0.0%	0.0%	0.0%	8.0%	12.4%	18.0%	19.6%	15.7%	10.3%
Medium Commercial	(0.7%)	0.0%	0.0%	0.0%	0.0%	0.1%	(0.7%)	(1.1%)	(1.2%)	(1.0%)	(0.6%)
Large Commercial	(0.6%)	0.0%	0.0%	0.0%	0.0%	0.1%	(0.8%)	(1.2%)	(1.3%)	(1.0%)	(0.7%)
Rate 6 (Weighted Avg.)	(0.6%)	0.0%	0.0%	0.0%	0.0%	0.1%	(0.8%)	(1.1%)	(1.2%)	(1.0%)	(0.6%)

SEC-7

[OEB Staff.3k] With respect to the impact on the expansion to the Brockton area:

- a. Please confirm that the Brockton area was not part of the CIP process, and its costs were not included in EPCOR's approved revenue requirement.

EPCOR Response:

Confirmed.

- b. Does EPCOR plan to bring a separate rate application for its expansion into Brockton? If so, please provide details.

EPCOR Response:

No. EPCOR is planning on using the Southern Bruce rate structure in order to achieve operational and regulatory synergies in the expansion.²

² ENGLP_APPL_Brockton_20201124_Redacted_Page 2