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December 5, 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 Phase 2: EPCOR Natural Gas Limited Partnership's ("EPCOR")
Customer Volume Variance Account - Responses to Additional Interrogatories**

Pursuant to procedural order 3, please find enclosed EPCOR's response to additional interrogatories received regarding Phase 2 of the above noted hearing.

In addition to the consolidated responses, EPCOR has also submitted two excel workbooks which further detail:

- A update of the recalculation of the CVVA balance related to IR responses. This includes a correction of the Rate 6 calculation delayed revenue rate rider.
- A detailed workbook showing the return of equity calculations

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", written in a cursive style.

Tim Hesselink, CPA, CGA
Senior Manager, Regulatory Affairs
EPCOR Natural Gas Limited Partnership
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OEB Staff Interrogatories- Phase 2- Additional Evidence 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 – CVVA – Normalized Average Consumption (NAC)

Ref: EPCOR Additional Evidence- Appendix A

In steps 3 and 4 of the CVVA calculation outline, EPCOR set out the weather normalization methodology.

- a) Please compare the NAC calculation proposed for EPCOR South Bruce to the weather normalization process for EPCOR Aylmer. What are the differences?

EPCOR Response:

The Aylmer methodology uses 120 months (10 years) of data for the regression analysis. The regression in South Bruce is completed for each calendar year using the monthly data within those calendar years as the utility has a limited operating history.

In Aylmer's regression analysis, the extended history of consumption data allows for the analysis to have separate regression parameters for each calendar month. For example, in the Aylmer 2022 Gas Supply Plan Update¹, average January consumption from 2010 to 2021 is regressed against January Heating Degree Days ("HDD") from 2010 to 2021; average February consumption from 2010 to 2021 is regressed against February HDD from 2010 to 2021, etc. As there is not enough historical data for South Bruce, this method was not possible; therefore, for South Bruce, monthly average consumption is regressed against the HDD for that month, and there is only a single regression coefficient each year.

¹ EB-2022-0141, EPCOR Natural Gas Limited Partnership 2022 Gas Supply Plan Update, Appendix D

- b) Has the OEB approved EPCOR Aylmer’s weather normalization process?
i. If so, please provide a reference.

EPCOR Response:

EPCOR Aylmer’s weather normalization process was agreed upon as part of Issue 3b in the Settlement Proposal² for EB-2018-0336. The weather normalization process is explained in detail in the Elenchus report included in Exhibit 3, Tab 2, Schedule 1, page 17 of 32. The weather normalization process is part of the volume forecast methodology for Aylmer for the purpose of rate application and Gas Supply Plan.

This same process has been used in the preparation of Aylmer’s Gas Supply Plan and subsequent update and has not been subject to IRs as part of these proceedings. Referring to the most recent annual update to the Gas Supply Plan (EB-2022-0141, Elenchus Report, page 5 of 43)

The methodology outlined in this report is virtually unchanged from the methodology used in ENGLP’s 2020-24 load forecast update dated April 17, 2020 and 2021-25 load forecast updated dated April 23, 2021. The methodology is largely consistent with the methodology used in ENGLP’s 2020 COS application (EB-2018-0336) and the methodology used by Natural Gas Resources Limited (“NRG”) in previous rates applications. Parties agreed to the results of the 2020 throughput forecast in settlement and the overall methodology was last approved in EB-2010-0018. Alternate methods were tested but generally found to be inferior to the previously approved methodology.”

- c) Please further describe the trend applied to determine average baseload consumption for Rate 1 Residential and Commercial sub-classes. Please provide rationale supporting the trend that was applied for these sub-classes.

EPCOR Response:

This method was adopted due to an observed change in baseload consumption for both Rate 1-Residential and Rate 1-Commercial sub-classes when comparing 2021 to 2022. Changes in the average baseload consumption were anticipated as the South Bruce customer base grows, and along with it, changes in the mix of heating and baseload (non-weather sensitive) equipment of the customer base in those sub-classes. For simplicity, EPCOR takes the change in average baseload between each year to be linear, and it will be calculated on a year to year basis.

For example, average baseload consumption for Rate 1-Residential was 19 m³ for August 2021 and 22.4 m³ for July 2022. The linear trend applied is an addition of 0.2 m³ increase in baseload on a monthly basis ((22.4 – 19) ÷ 11).

- i. Please explain why average baseload consumption is higher than actual average consumption in July and August 2022 for these sub-classes.

EPCOR Response:

In generating a response to this IR an excel referencing error was discovered in the tabs 2021 R1_RES, 2022 R1_RES (EST), 2021 R1_COM, and 2022 R1_COM (EST). This has been corrected in the updated version included with this submission

EPCOR notes that the final values and forecasts presented in these responses may vary from the balances requested for disposition, should the account be approved.

- d) Please provide rationale supporting the use of the lowest average monthly consumption in a given calendar year as baseload consumption for Rate 1 Agricultural, Rate 6 Medium Commercial and Rate 6 Large Commercial.

EPCOR Response:

For the regression analysis, the model aims to remove materially all non-weather sensitive consumption to establish a clear relationship between weather sensitive consumption and HDD.

For Rate 1 Agricultural, Rate 6 Medium Commercial and Rate 6 Large Commercial, the lowest consumption months have not been observed to be July and August. In addition, given the low number of customers in these sub-classes, any additions throughout the year have been observed to have major impacts on the average monthly consumption. In the analysis when July and August consumption were assumed to be baseload consumption (and therefore excluded from the weather normalization regression analysis), the analysis created a negative relationship between HDD and consumption (where increases in HDD correlated to lower consumption for that sub-class).

In order to generate a reasonable relationship between HDD and actual consumption for the purpose of weather normalization, EPCOR intends to remove the lowest consuming month for these sub-classes as the baseload.

- i. Please explain why, for Rate 6 Medium Commercial, the baseload value changes each month in the context of EPCOR's proposed approach of using the lowest average monthly consumption value as the baseload volume.

EPCOR Response:

The trending baseload method is expected to be consistent with the baseload trending methodology used for R1 residential and R1 commercial. Please see response for Staff 1.c.

- ii. Please explain why actual average consumption in September 2022 for Rate 6 Large Commercial is significantly lower than in all other months in 2021 and 2022 and advise whether this is an error in the model.

EPCOR Response:

All 3 Rate 6 Large Commercial customers have very low consumption in August and September of 2022, with 1 of the R6 large commercial customer with 0 consumption during August and September 2022. Upon review it is determined the low average consumption in September 2022 is not an error in the model.

- e) With respect to outlier removal for weather normalization purposes, please provide the criteria used to determine if a data point is considered an outlier?

EPCOR Response:

In the process of going through the sample calculation, it was identified that certain months have much higher or lower consumption than the expected trend. For example, in May 2022 both actual total consumption and average consumption for that month are higher than January 2022 for the Rate 6 Large Commercial customer group. In the weather normalization exercise, which aims to find a relationship between HDD and actual average consumption for each calendar year, including that specific data point will create an inaccurate HDD-consumption relationship, which in turn create an inaccurate weather normal consumption profile.

There were a number of drivers for these outliers, amongst them: multiple months of consumption billed in a single 30-day billing period; additional customer starts consuming gas mid-year with their monthly consumption much higher or lower than the average of the sub-class.

Customers in Rate 1 residential and Rate 1 commercial have consumption patterns relatively similar to their peers within their sub-class, and each subclass has a large number of customers.

In these cases single data points outside of expectations do not drive meaningful changes in the HDD-consumption pattern and therefore the weather normalization methodology is robust.

Rate 1 Agricultural, Rate 6 Medium Commercial, and Rate 6 Large Commercial subclasses have a small number of customers. For Rate 6 Large Commercial customers in particular, customers are also expected to have different consumption patterns and potentially a material difference in annual average volume. This high variability can create significant impacts on the weather normalization results for these sub-groups. EPCOR will confirm that the monthly usage data is accurate when completing the calculation. calculate the CVVA balance.

OEB Staff.2 – CVVA – Residential CIP Assumptions

Ref: EPCOR Additional Evidence- ENGLP_AddlEvidence_CVVA_excel_20221114.xls

In the excel model at Tab “CIPassumption”, EPCOR used a ratio of 90% existing and 10% new residential to determine the CIP average consumption value for residential customers.

- a) Please provide any information available that supports that actual/forecast customer attachments will be 90% existing homes and 10% new builds.

EPCOR Response:

The 90/10 ratio is based on the CIP values and its use aligns with EPCOR accepting the risk of customer acquisition during the rate stability period. While the information in the sample calculation was presented to be the same annually, the split will be adjusted for future years as assumed in the CIP.

CIP Customer Connections

EB-2016-0137, EB-2016-0138, EB-2016-0139, October 16, 2017, Schedule D, Page 1 of 3

Schedule D

Table D1 - Customer Connections

Customer Type	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total Available Market
Existing Residential	861	2,297	3,237	3,742	4,176	4,349	4,349	4,349	4,349	4,349	7,250
New Residential	46	103	159	215	271	328	384	424	462	469	781
<i>Sub Total</i>	907	2,400	3,396	3,957	4,447	4,677	4,733	4,773	4,811	4,818	8,031
Small Commercial	55	144	215	288	343	359	359	359	359	359	554
Medium Commercial	10	27	43	59	67	69	69	69	69	69	107
Large Commercial	3	7	13	16	17	19	19	19	19	19	28
<i>Sub Total</i>	68	178	271	363	427	447	447	447	447	447	688
Small Agricultural	-	-	-	1	2	2	2	2	2	2	7
Industrial and Large Agricultural	4	5	9	11	11	11	11	11	11	11	13
<i>Sub Total</i>	4	5	9	12	13	13	13	13	13	13	20
Grand Total	979	2,583	3,676	4,332	4,887	5,137	5,193	5,233	5,271	5,278	8,739

OEB Staff.3 – CVVA – Year- End Account Balance and Accrual Determination

Ref: EPCOR Additional Evidence- pg 3

EPCOR stated that due to the timing of year-end close and delays in data availability (amounts consumed in November/December would not be fully billed until the following calendar year), it intends to book an accrual in the CVVA using the available regression results based on actual data and apply to the weather normal heating degree days, providing a weather normalized average consumption that can be used to reasonably estimate year end results.

- a) Please confirm that EPCOR's proposal, for the purposes of calculating the CVVA balance to be recovered from ratepayers, is to use estimated volumes for November and December in each year. If so, please explain why this is appropriate.

EPCOR Response:

Due to the variance in timing of year end close and billing of consumption (delayed until 1-2 months after usage has taken place), EPCOR will not be able to wait until these months are accumulated before finalizing the balance in the year end accounting books. Instead of deferring the disposition of the account balance by an additional year, EPCOR proposes to accrue for the final two months, using a consistent weather normalization process on projected usage for the purposes of financial reporting and will include continuity schedule which accounts for the adjustments as part of the annual disposition filing.

- b) Please advise whether EPCOR can wait until the November and December billing is complete to calculate the CVVA balance for recovery. Please consider for example, 2022 year-end balances will not be disposed of until 2024, providing EPCOR at least 6 months to complete the CVVA balance calculation and file its 2024 rate application.

EPCOR Response:

Please refer to OEB Staff.3a).

OEB Staff.4 – CVVA – Effective Date

Ref: EPCOR Additional Evidence- Table 1
EPCOR 2023 South Bruce Rate Application, pg 29

EPCOR in its original application requested an effective date of January 1, 2020, for the CVVA. The tables and calculations provided in EPCOR's additional evidence begin in 2021.

- a) Please confirm EPCOR's requested effective date for the CVVA.

EPCOR Response:

During the review of the billing data as part of the weather normalization process, it was determined that there were only 58 Rate 1-Residential customers who were subject to a billing period covering all of December 2020. In addition, there were no Rate 1-Commercial, Rate 1-Agricultural, Rate 6-Medium Commercial, and Rate 6-Large Commercial

In working through the weather normalization process for November and December of 2020, which are the months during which EPCOR billed Rate 1 and Rate 6 customers for that year, it was determined that there was not enough data to undertake the weather normalization procedure. As a result, EPCOR is proposing an effective date for the CVVA of January 1, 2021

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
 S.O. 1998, c. 15, 3 Schedule B, as amended;

AND IN THE MATTER OF an Application by EPCOR
 Natural Gas Limited Partnership for an Order or Orders under
 section 36 of the *Ontario Energy Board Act*.

**EPCOR RESPONSES TO SUPPLEMENTARY
 INTERROGATORIES ON BEHALF OF THE
 SCHOOL ENERGY COALITION**

SEC-8

[Additional Evidence] EPCOR has provided certain information on the financial impacts to the utility should the OEB not approve the CVVA as proposed. As it relates to Southern Bruce operations that were subject to the EB-2018-0264 approvals, please provide the Applicant’s actual (or forecast) regulated return on equity for each year between 2019 and 2028, both with and without approval of the CVVA as proposed, using the most up to date information available (i.e. forecast revenues and costs). Please provide all supporting calculations and detail all assumptions made.

EPCOR Response:

Return of Equity Projections

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ROE (Without CVVA)	-4160.5%	-32.2%	-14.0%	-9.1%	-2.4%	1.9%	3.2%	3.5%	3.8%	3.4%
ROE (With CVVA)	<u>-4160.5%</u>	<u>-32.2%</u>	<u>-13.4%</u>	<u>-7.2%</u>	<u>1.1%</u>	<u>6.5%</u>	<u>8.3%</u>	<u>8.8%</u>	<u>9.2%</u>	<u>9.0%</u>
Variance	0.0%	0.0%	0.5%	1.9%	3.5%	4.6%	5.1%	5.3%	5.4%	5.6%

Please refer to attachment EPCOR_IRR_SEC-8_20221205 for detail.

Assumptions:

- 2019-2021 values are actual. 2022-2028 values are forecast.
- Capital expenditures for service connections out of scope of the original approved rate base have been added to match the out of scope customers included in the CVVA calculation.
- OM&A and interest costs are projected as approved in EB-2018-0264.
- Rate 1/Rate 6 revenue is calculated based on the CVVA model updated for revised customer forecasts for both with and without CVVA projections

- Rate 11/16 revenue is calculated based on current projected customer connections/volumes.
- Note: edits from the original EB-2018-0264 rate application have been highlighted in yellow on the 2022-2028 tab.
- The 2019 ROE is outside of expected levels due to the lack of assets in service at the time.

SEC-9

[Additional Evidence, Appendix A, p.2] EPCOR states that the proposed weather normalization process “is largely consistent” with the weather normalization process previously approved for ENGLP Aylmer. Please explain the differences.

EPCOR Response:

Please refer to OEB-Staff 1a)

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

NB: Numbering continues from VECC’s prior interrogatories

VECC.8

Reference: Nov 14 Additional Evidence,

“The weather normalization process used in the CVVA calculation (described in Steps 3 and 4) is largely consistent with the weather normalization process for ENGLP Aylmer as approved by the OEB for the latest Cost of Service application (EB-2018-0336) and used in ENGLP Aylmer’s annual Gas Supply Plans and Gas Supply Plan Updates” emphasis added

- a) In what ways does the normalization process used in the CVVA calculation differ from that used in the Aylmer franchise?

EPCOR Response:

Please refer to OEB-Staff 1a)

- b) Please provide (describe in detail) the approved OEB normalized methodology used by the Aylmer franchise.

EPCOR Response:

Please refer to OEB-Staff 1a) and 1b) for further explanation. Additional information can also be found in EB-2022-0141, EPCOR Natural Gas Limited Partnership 2022 Gas Supply Plan Update, Appendix D.

VECC.9

Reference: Nov 14 Additional Evidence

- a) What is the purpose of removing the “baseload consumption” in the proposed methodology?
- b) Enbridge EGD rate zone does not use a baseload seasonal adjustment (EB-2022-0200, Exhibit 3, Tab2, Schedule 5, Attachment 2, page 3). Why should one be used in the EPCOR franchise?
- c) Enbridge Union and EGD franchises use different approved normalization methodologies. EPCOR Aylmer uses a third method, also approved by the Ontario Energy Board in prior proceedings. Is the described methodology in the Additional Evidence the first time the Board has been asked to approve a normalization methodology for the South Bruce franchise?

EPCOR Response:

- a) EPCOR is proposing to remove baseload consumption in the proposed methodology to align with the methodology currently used in Aylmer. The removal of baseload in the weather normalization process is to remove non-weather sensitive consumption for the purpose of the regression analysis so that the weather normalization process does not impact the baseload estimate, which should not be driven by assumptions in weather. It is added back onto the average consumption after weather normalizing weather-sensitive consumption.
- b) EPCOR cannot comment on why Enbridge does not use a baseload seasonal adjustment.
- c) The described methodology in the Additional Evidence is the first time the Board has been asked to approve a normalization methodology for the South Bruce franchise.

VECC. 10

Reference: Nov 14 Additional Evidence, Excel

- a) Please provide the reference and extract of the original CIP evidence which provides for the CIP Average Volumes and CIP Heat values shown in rows 4 and 5 of the Excel Spreadsheet.

EPCOR Response:

The CIP annual average volumes is a monthly breakdown of the Average annual CIP volumes in Schedule C, Page 1 of 3 of the CIP (Page 55 of 113). The heat value of 38.89 MJ/m³ was approved in the EB-2018-0264 Decision and Order, Page 20.

VECC.11

Reference: Nov 14 Additional Evidence

- a) Please explain what EPCOR considers the purpose of an average or normalized use true-up variance account in the Aylmer franchise.
- b) Please compare and contrast that with the purpose of the CVVA account?

EPCOR Response:

EPCOR is not requesting an average or normalized use true-up variance account in the Aylmer franchise. The weather normalization process used in Aylmer is part of the consumption forecast methodology used for the Rate Application as well as ENGLP Aylmer Gas Supply Plan and Gas Supply Plan Annual Updates. ENGLP is referencing and aligning the weather normalization process used in Aylmer for the purpose of weather normalizing consumption as requested for ENGLP South Bruce’s CVVA account.

EPCOR notes that the final values and forecasts presented in these responses may vary from the balances requested for disposition, should the account be approved.

VECC.12

Reference: Nov 14 Additional Evidence

- a) Please provide the actual and forecast average annual R1 customer consumption for each of the years 2019 through 2028 (based on EPCOR’s normalized HDD methodology calculation for the forecast years – i.e. based on “normal” weather assumption for each of the forecast years).
- b) What was the forecast annual actual R1 customer forecast provided as part of the CIP?

EPCOR Response:

- a) The averages for 2021 and 2022 can be found on column O of the sample calculation spreadsheet. For 2023 through 2028, the 2022 averages are used.

	Normalized Average Annual Consumption (m3/yr)		
	2021	2022	2023-2028
R1 Residential	1,550	1,424	1,424
R1 Commercial	2,891	4,185	4,185
R1 Agricultural	NA	7,493	7,493

- b) CIP annual average volumes is in Schedule C, Page 1 of 3 of the CIP (Page 55 of 113).