43 Stewart Road
Collingwood, Ontario
L9Y 4M7 Canada
epcor.com

April 20, 2023

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") Customer Volume Variance Account ("CVVA") Draft Accounting Order

In accordance with the Ontario Energy Board's April 6, 2023 Decision and Order (Phase 2), please find enclosed a draft accounting order in accordance with the findings in this decision for the establishment of the CVVA.

EPCOR notes that it intends to file a motion to review and vary this Decision and Order which may lead to further direction from the Board on this matter. As this will motion not be filed until after the deadline of April 20, 2023, ENGLP has continued with this submission.

Two versions have been enclosed:

1. Appendix A - A 'clean' version with all updates
2. Appendix B - A 'red line' version with updates marked based on the September 19, 2022 accounting order

Further, on page 21 of the Decision, the OEB invited EPCOR, in the draft accounting order process, to advise on: *"whether it believes that the 8.78% ROE figure is the appropriate figure to include in the CVVA accounting order as the starting point for determining the ROE percentage that is 300 basis points below the ROE underpinning the rates".*

The OEB's description of the ROE of 8.78% as a rate that "underpins EPCOR rates established in the 2019-2028 Custom IR proceeding", reflects the fact that neither the competitive process through which

EPCOR was granted Certificates of Public Convenience and Necessity for Southern Bruce or the subsequent rates proceeding established an approved ROE. As EPCOR does not have an approved deemed ROE on which its rates are designed, the utility believes that the most appropriate figure to use in the accounting order is the current OEB approved ROE of 9.36%, given that this value aligns with the timing of this Decision.

Sincerely,

Hesselink, Tim

Digitally signed by Hesselink, Tim
DN: cn=Hesselink, Tim
Date: 2023.04.20 13:48:34 -04'00'

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

Enclosure

c: Arturo Lau, OEB Case Manager
Michael Millar, OEB Counsel
Mark Rubenstein, Legal Counsel for School Energy Coalition
Mark Garner, Representative for Vulnerable Energy Consumers Coalition
Richard King, Partner, External Counsel for EPCOR

Appendix A – Revised Draft Accounting Order – Clean

EPCOR NATURAL GAS LIMITED PARTNERSHIP

DRAFT ACCOUNTING ORDER

CUSTOMER VOLUME VARIANCE ACCOUNT ("CVVA")

The Customer Volume Variance Account is to record the variance in revenue by rate class resulting from the difference between customer volume forecast based on common assumptions and the Actual Normalized Average Customer Volume ("NACV") as defined below. This account will record such resulting variances in revenue for Rate 1 and Rate 6 since a common assumption related to customer usage volume was used for these rate classes in the development of the Common Infrastructure Plan as submitted by EPCOR in EB-2016-0137 / EB-2016-0138 / EB-2016-0139.

The effective date of this account is January 1, 2023 and this account will record such variances for amounts consumed until December 31, 2028.

The common assumption volumes per customer by rate class to be used in determining the balances to be recorded in this account are as follows:

Rate Class	Segment / Sub-segment		Average Annual Consumption (M^3/year)
Rate 1	Residential	Pre-existing Homes	2,149
		Future Construction	2,066
	Commercial	Small (0-15,000 m^3/year)[1]	4,693
Rate 6		Medium (15,001- 50,000 m^3/year)	26,933
		Large (>50,000 m^3/year)	75,685
	Agricultural	Cash Crop Farm (excl. large grain dryers)	4,720
		Other Agri-Business	4,720

In order that EPCOR retain the risk related to customer connection counts, for the purposes of calculating amounts to be recorded in the CVVA the common assumption volumes per customer outlined in the table above will be applied to the actual customer connections for each corresponding customer segment and rate class to determine the "Common Assumptions Customer Volume".

The NAC shall be calculated as the actual average monthly consumption per customer, adjusting it to remove the impact of the Energy Content Variance Account (ECVA), and applying the weather normalization methodology.

Differences are to be shared on a 50/50 basis between EPCOR and its customers. Accordingly, the monthly balance to be recorded in this account will be calculated as 50% of the variance in revenue resulting in the difference between the Common Assumptions Customer Volume and the NAC, both determined in the applicable manner described above for Rate 1 and Rate 6 customers. The revenue difference shall be calculated by applying approved rate schedules (including volumetric charges, monthly fixed charges and the delay in revenue rate rider) to the calculated difference between the Common Assumptions Customer Volume and the NAC.

[1] Small commercial customers with a volume greater than 10,000m3/year will be billed as a Rate 6 customer.

EPCOR shall only be eligible for the recovery of the annual net balance in the CVVA from its customers until such point that EPCOR's actual Return on Equity (ROE) reach 300 basis points below 9.36%, consistent with the ROE outlined in the Board's 2023 cost of capital parameters.

While the revenue variances for each of Rate Class 1 and Rate Class 6 shall be calculated separately and tracked in the subaccounts as outlined below in the accounting entries, for the purposes of disposition these accounts they shall not be bifurcated. Therefore, either the balances in both accounts are disposed of, or as in a case where the EPCOR is not eligible for recovery based on its ROE as described above, neither balance shall be eligible to be recovered/returned to ratepayers.

The variance account will apply only to the Southern Bruce distribution system.

Simple interest is to be calculated monthly on the opening balance in the CVVA in accordance with the methodology approved by the Board in EB-2006-0117.

The audited balance of this account, together with carrying charges, will be brought forward for approval for disposition an annual basis, unless otherwise directed by the Board. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

<u>Accounting Entries</u>

Subaccount to record 50% of the revenue impact of the difference between Common Assumptions Customer Volume and the NAC for Rate Class 1:

Debit / Credit Account No. 179.96 Customer Volume Variance Account – Rate 1 (CVVA)

Credit / Debit Account No. 300 Operating Revenue

To record simple interest on the opening balance of the CVVA for Rate Class 1:

Debit / Credit Account No. 179.97 Interest on Customer Volume Variance Account – Rate 1

Credit / Debit Account No. 323 Other Interest Expense

Subaccount to record 50% of the revenue impact of the difference between Common Assumptions Customer Volume and the NAC for Rate Class 6:

Debit / Credit Account No. 179.98 Customer Volume Variance Account – Rate 6 (CVVA)

Credit / Debit Account No. 300 Operating Revenue

To record simple interest on the opening balance of the CVVA for Rate Class 6:

Debit / Credit Account No. 179.99 Interest on Customer Volume Variance Account - Rate 6

Credit / Debit Account No. 323 Other Interest Expense

Appendix B – Revised Draft Accounting Order – Red Line

EPCOR NATURAL GAS LIMITED PARTNERSHIP

DRAFT ACCOUNTING ORDER

CUSTOMER VOLUME VARIANCE ACCOUNT ("CVVA")

The Customer Volume Variance Account is to record the variance in revenue by rate class resulting from the difference between customer volume forecast based on common assumptions and the ~~actual customer volume~~ Actual Normalized Average Customer Volume ("NACV") as defined below. This account will record such resulting variances in revenue for Rate 1 and Rate 6 since a common assumption related to customer usage volume was used for these rate classes in the development of the Common Infrastructure Plan as submitted by EPCOR in EB-2016-0137 / EB-2016-0138 / EB-2016-0139.

The effective date of this account is ~~June XX. 2022. Notwithstanding the effective date of June XX, 2022, this account will record revenue variances as a result of variance in customers' usage volume as of January 1, 2020.~~ January 1, 2023 and this account will record such variances for amounts consumed until December 31, 2028.

The common assumption volumes per customer by rate class to be used in determining the balances to be recorded in this account are as follows:

Rate Class	Segment / Sub-segment		Average Annual Consumption (M^3/year)
Rate 1	Residential	Pre-existing Homes	2,149
		Future Construction	2,066
	Commercial	Small (0-15,000 m^3/year)[2]	4,693
Rate 6		Medium (15,001- 50,000 m^3/year)	26,933
		Large (>50,000 m^3/year)	75,685
	Agricultural	Cash Crop Farm (excl. large grain dryers)	4,720
		Other Agri-Business	4,720

In order that EPCOR retain the risk related to customer connection counts, for the purposes of calculating amounts to be recorded in the CVVA the common assumption volumes per customer outlined in the table above will be applied to the actual customer connections for each corresponding customer segment and rate class to determine the "Common Assumptions Customer Volume".

The NAC shall be calculated as the actual average monthly consumption per customer, adjusting it to remove the impact of the Energy Content Variance Account (ECVA), and applying the weather normalization methodology.

Differences are to be shared on a 50/50 basis between EPCOR and its customers. Accordingly, the monthly balance to be recorded in this account will be calculated as 50% of the variance in revenue resulting in the difference between the Common Assumptions Customer Volume and the NAC, both determined in the applicable manner described above for Rate 1 and Rate 6 customers. The revenue difference shall be calculated by applying approved rate schedules (including volumetric charges, monthly fixed charges and the delay in revenue rate rider) to the calculated difference between the Common Assumptions Customer Volume and the NAC.

[2] Small commercial customers with a volume greater than 10,000m3/year will be billed as a Rate 6 customer.

EPCOR shall only be eligible for the recovery of the annual net balance in the CVVA from its customers until such point that EPCOR's actual Return on Equity (ROE) reach 300 basis points below 9.36%, consistent with the ROE outlined in the Board's 2023 cost of capital parameters.

While the revenue variances for each of Rate Class 1 and Rate Class 6 shall be calculated separately and tracked in the subaccounts as outlined below in the accounting entries, for the purposes of disposition these accounts they shall not be bifurcated. Therefore, either the balances in both accounts are disposed of, or as in a case where the EPCOR is not eligible for recovery based on its ROE as described above, neither balance shall be eligible to be recovered/returned to ratepayers.

The variance account will apply only to the Southern Bruce distribution system.

~~The balance to be recorded in this account will be calculated as the variance in revenue resulting in the difference between the common assumption volumes included in the CIP and the actual normalized average consumption (NAC) for Rate 1 and Rate 6 customers.~~

Simple interest is to be calculated monthly on the opening balance in the CVVA in accordance with the methodology approved by the Board in EB-2006-0117.

The audited balance of this account, together with carrying charges, will be brought forward for approval for disposition an annual basis, unless otherwise directed by the Board. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

<u>Accounting Entries</u>

Subaccount to record 50% of the revenue impact of the difference between ~~common volume assumptions and actual volume consumed~~ Common Assumptions Customer Volume and the NAC for Rate Class 1:

Debit / Credit Account No. 179.96 Customer Volume Variance Account – Rate 1 (CVVA)

Credit / Debit Account No. 300 Operating Revenue

To record simple interest on the opening balance of the CVVA for Rate Class 1:

Debit / Credit Account No. 179.97 Interest on Customer Volume Variance Account – Rate 1

Credit / Debit Account No. 323 Other Interest Expense

Subaccount to record 50% of the revenue impact of the difference between ~~common volume assumptions and actual volume consumed~~ Common Assumptions Customer Volume and the NAC for Rate Class 6:

Debit / Credit Account No. 179.98 Customer Volume Variance Account – Rate 6 (CVVA)

Credit / Debit Account No. 300 Operating Revenue

To record simple interest on the opening balance of the CVVA for Rate Class 6:

Debit / Credit Account No. 179.99 Interest on Customer Volume Variance Account - Rate 6

Credit / Debit Account No. 323 Other Interest Expense