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April 27, 2023

VIA E-MAIL

Ms. Nancy Marconi  
Registrar (registrar@oeb.ca)  
Ontario Energy Board  
Toronto, ON

Dear Ms. Marconi:

**Re: EB-2022-0184 – EPCOR Natural Gas LP Phase 2 (EPCOR) – Draft Accounting Order (DRO)  
Comments on DRO of the Vulnerable Energy Consumers Coalition (VECC)**

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In its Decision the Board stated:

*“With the approved establishment of the CVVA as modified by the OEB, EPCOR’s proposed CVVA draft accounting order is required to be updated. The updated draft accounting order shall reflect the findings in this Decision and Order. In addition, the OEB invites EPCOR to advise whether it believes that the 8.78% ROE figure is the appropriate figure to use as the starting point for determining the ROE percentage that is 300 basis points below the ROE underpinning rates. The OEB directs EPCOR to file an updated draft accounting order for review by the OEB.”*

In the DRO EPCOR stated that:

*“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.”*

VECC submits that the appropriate ROE to use as the starting point for the CVVA calculation is the rate that underpins EPCOR’s rate and which is 8.78%. In this regard we have had the opportunity to review the submissions of SEC on this issue and agree with those submissions.

We disagree with EPCOR's submission that the Board has not established an approved ROE for this franchise. The rates approved by the Board in the proceeding EB-2016-0137/138/139 are calculated on the basis of achieving an 8.78% return on equity.

The Applicant's submission appears to be based on the premise the Board's decision was not explicit in noting the ROE in its Decision. This premise reflects a poor understanding of the Board's regulatory practice. Board rate decisions habitually incorporate the various and numerous aspects of the derivation of rates without explicit reference to each component (for example depreciation rates, tax calculations, cost allocation factors etc.). In any event the Board did explicitly set out the approved 10-year revenue requirement. Revenue requirement is calculated based on an assumed return on equity.

Finally, we do not understand how the selection of a different ROE number would be consistent with the concept, approved by the Board, of a rate stability period.

Like Staff we are confused as to the meaning of the following paragraph included in the DRO:

*"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."*

Staff has provided in their submissions an interpretation of this paragraph which itself is also unclear as to its meaning. Whatever the intention of EPCOR (or Staff) it is our submission that it is procedurally inappropriate for an accounting order to incorporate provisions which purport to clarify the originating decision or to limit the discretion of a future panel. In any event the proposed wording is not necessary for the establishment of the accounting order and therefore should be removed.

Yours truly,



Mark Garner  
Consultants for VECC/PIAC

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