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December 5, 2023

SENT VIA EMAIL, RESS e-filing

Nancy Marconi, Registrar
Ontario Energy Board
27-2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Marconi,

**RE: EPCOR Natural Gas Limited Partnership ("EPCOR")
Brockton Expansion - Leave to Construct Application
EB-2022-0246
Technical Conference Undertaking JT 1.9**

Pursuant to the OEB's Procedural Order No. 3, please find enclosed response to the Undertaking JT1.9 arising from the Technical Conference on November 14, 2023.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

Tim Hesselink, CPA
Senior Manager, Regulatory Affairs
EPCOR Natural Gas Limited Partnership
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cc: OEB Case Manager and Intervenors

Encl.

EPCOR Natural Gas Limited Partnership

Brockton Natural Gas Expansion – EB-2022-0246

November 14, 2023 Technical Conference – Undertaking JT1.9

UNDERTAKING JT1.9: EPCOR TO PROVIDE ITS VIEWS ON A RATE FRAMEWORK FOR BROCKTON THAT CONTINUES THE IRM FRAMEWORK THAT IS APPLIED TO SOUTH BRUCE POST-2029 UNTIL THE RATE STABILITY PERIOD ENDS FOR BROCKTON IN 2034; TO PROVIDE EPCOR'S VIEWS ON HOW THAT WOULD WORK AND WHAT ASPECTS OF THE CURRENT SOUTH BRUCE IR FRAMEWORK WOULD BE APPLICABLE.

EPCOR Response:

Under treatment of the Southern Bruce tariff items as detailed in the tables 1& 2 below, EPCOR supports use of a rate framework for Brockton that continues the Custom IR framework that currently applies to Southern Bruce (*EB-2018-0264*), post 2029 until the Rate-Stability Period (“RSP”) ends for Brockton in 2034, as an alternative to that proposed in the Application.

EPCOR notes that continuing to use the current Southern Bruce Tariff and Custom IR framework for Brockton post the next rebasing is a departure from the risk allocation framework approved for Enbridge in EB-2020-0094 in which the Board agreed that:

“The OEB finds that inclusion of the forecasted capital costs in rate base at the next rebasing before the end of the RSP is consistent with the Generic Decision’s requirement for a Community Expansion Project and would achieve the desired goal that Enbridge Gas bear the risk of any capital cost overrun during the RSP.”^[1]

As a result, EPCOR’s consideration of the continued use of the current Southern Bruce tariff in response to this undertaking is not intended to set a precedent for EPCOR’s future community expansion projects.

EPCOR also notes, that this response was in regards to rates approved in the distribution rate setting process and the utility still expects to file only one QRAM and Gas Supply Plan for the Southern Bruce area during the 10 year rate stability period and beyond.

The two following tables have been included as an appendix to this submission:

- 1) A comparison of 2024-2028 rate structures applying EB-2018-0264 framework to both Brockton and Southern Bruce customers.
- 2) A comparison of 2029-2033 rate structures with Brockton customers continuing with the EB-2018-0264 framework and Southern Bruce customers being applied newly rebased rates as the outcome of the first rebasing following the 10-year Southern Bruce RSP.

^[1] EB-2020-0094 Decision and Order, November 5, 2020, 3.3 Treatment of Revenue Requirement and Capital Costs, page 9.

Table 1 - Comparison of 2024-2028 Rate Structures Applying EB-2018-0264 Framework to Both Brockton and Southern Bruce Customers

Rate Type	Brockton	SB	Same Rate?	Comments
Monthly Fixed Charge	Yes	Yes	Yes	Distribution Revenue - annual increase based on custom IR approved formula
Delivery Charge	Yes	Yes	Yes	Distribution Revenue - annual increase based on custom IR approved formula
Upstream Charges	Yes	Yes	Yes	Includes Upstream Recovery Charge and Transportation and Delivery Charge. Upstream Recovery Charge reflects the budgeted capital costs (Contribution In Aid of Construction) related to EPCOR's contracted capacity on Enbridge's Owen Sound Reinforcement project and construction of the Dornoch Meter and Regulator Station built by Enbridge at the connection point between Enbridge's transmission system and Southern Bruce's system. The cost of capital for capital costs above that forecasted by Enbridge is recovered through the CIACVA Rate Rider. The Transportation and Storage Charge is related to managing gas that flows through the system including gas transportation to the Dornoch Meter, market based storage related costs as well as daily and cumulative load balancing costs. Each of Southern Bruce and Brockton require proportional access to these upstream functions. The S&TVA settles variances (flow-through transportation, storage and balancing costs) and can be increased with an approved application in IRM
Rate Rider for Delay in Revenue Recovery	Yes	Yes	Yes	Rate rider enabling the collection of unrecovered costs incurred in the development of Southern Bruce. These costs will not be recovered through the approved tariff due to a delay in approval of the Southern Bruce LTC that was out of the control of EPCOR. The unrecovered costs are generally capital costs associated with the construction of Southern Bruce system and early payments related to the cost of capital incurred as a result of the CIAC paid to Enbridge for capacity on their Owen Sound system. The Brockton expansion requires access to the Southern Bruce system and the Enbridge Owen Sound transmission system to operate. As per EB-2018-0264, EPCOR has taken the volume risk on this rate rider. Expansions of the Southern Bruce system to date have been subject to the rate rider. To date EPCOR has been under collecting on this rate rider. The revenue from this rate rider has been incorporated into the EBO 188 calculations for the Brockton Project. The Rate Rider expires in 2029 - no inflationary increase
Existing Rate Riders				
Energy Content Variance Account (ECVA) Rate Rider	Yes	Yes	Yes	Intent of this variance account is to record any variations in revenues and costs resulting from differences in the energy content of the gas actually delivered and the energy content assumed (38.89 MJ/M3) when forecasting customer gas usage. EPCOR will be purchasing gas for all customers in the expanded system using the same forecast energy content. Existing balance would be cleared only to Southern Bruce customers. Balance generated going forward would be cleared to all customers in the expanded system. Based on DVA accounting order - disposed annually
Contribution In Aid of Construction Variance Account (CIACVA) Rate Rider	Yes	Yes	Yes	This variance account recovers the cost of capital related to the difference between the budgeted CIAC (\$5.298 Million) paid to Enbridge for capacity on its Owen Sound Transmission Reinforcement and the Dornoch Meter and Regulator Stations built by Enbridge and the actual capital cost (\$9.5 Million). Brockton and Southern Bruce customers would both access these capital assets in order to transport gas to the headend of the Southern Bruce system.
Municipal Tax Variance Account (MTVA) Rate Rider	Yes	Yes	No	This variance account records the difference between budgeted and actual linear taxes levied against system pipeline assets. In the case of Southern Bruce, and now in the case of Brockton, actual taxes to be levied can only be estimated as final capital cost to be taxed and actual levies will be determined post construction by the Province and Municipalities respectively. Current balance would be cleared to Southern Bruce customers only. Going forward, any balance related to Brockton customers would be cleared to Brockton customers only. Based on DVA accounting order - disposed annually
Other Revenue Deferral Account (ORDA) Rate Rider	No	Yes	No	As per EB-2018-0264 this account is to track the net revenue (revenue less cost) of providing certain non-recurring items such as return checks/payments. Any such net revenue related to Brockton customers are expected to be immaterial. As a result this account will not apply to Brockton customers and current and ongoing balance would be cleared to Southern Bruce customers only. Based on DVA accounting order - disposed annually
Potential Rate Riders (Pending Application & Approval)				
COVID Rate Rider *	Yes	Yes	Yes	Intended to recover capital costs related to the construction of the Southern Bruce system incurred as a result of the COVID-19 pandemic. As this is related to construction of Southern Bruce system which is being used by Southern Bruce and Brockton customers account would be cleared to all customers.
Brockton Customer Volume Variance Account (BCVVA)/Customer Volume Variance Account (CVVA) Rate Rider *	Yes	Yes	No	Intended to clear any revenue deficiency/over collection related to budgeted versus actual annual customer volume consumption. The CVVA is specific to Southern Bruce customers and the BCVVA is specific to Brockton customers. Current and ongoing balances would be cleared to Southern Bruce and Brockton customers respectively.
Storage & Transportation Variance Account Rates 1, 6 & 11 (S&TVA 1, 6, & 11) Rate Rider *	Yes	Yes	Yes	The intent of this account is to record the difference between forecast and actual storage and transportation costs for Rate 1, 6 & 11 customers as included in the Upstream Charge (storage and delivery charges) in the Southern Bruce tariff. Initial disposition applicable only to Southern Bruce customers. Ongoing, these gas handling services are used proportionally by Southern Bruce and Brockton customers so would be cleared to all customers.

Rate Type	Brockton	SB	Same Rate?	Comments
Transportation Variance Account Rates 16 (TVA 16) Rate Rider *	Yes	Yes	Yes	The intent of this account is to record the difference between forecast and actual transportation costs for Rate 16 customers as included in the Upstream Charge (delivery charges) in the Southern Bruce tariff. Initial disposition applicable only to Southern Bruce customers. Ongoing, these transportation services are used by Rate 16 Southern Bruce and Brockton customers so would be cleared to these customers. Note that at this time Brockton has no forecasted Rate 16 customers.
External Funding Variance Account (EFVA) Rate Rider *	Yes	Yes	No	The intent of this account is to record the cost of capital associated with any differences in budgeted versus actuals regarding the timing and quantum of funding from the Province's Natural Gas Expansion Program (NGEP). The account has been cleared for all Southern Bruce variances and therefore has \$0 balance. The account would be used to recognize any variance in collecting NGEP grant funding for Brockton and any balance would be cleared to Brockton customers only. Based on DVA accounting order - disposed annually
Unaccounted For Gas Variance Account (UAGVA) Rate Rider *	Yes	Yes	Yes	The intent of this account is to record the cost of gas that is associated with volumetric variances between actual volume of Unaccounted for Gas (UFG) and the UFG volume forecast of 0.0m ³ which is incorporated into Southern Bruce rates. Initial disposition applicable only to Southern Bruce customers. Going forward, as systems are interrelated, geographically close and of same age and construction material, and therefore expected to have the same rate of UFG, balances would be cleared to all customers.
Excess Soil Variance Account (ESCA) Rate Rider*	Yes	No	No	This account has been applied for construction of the Brockton system. As a result, it is not applicable to Southern Bruce
Federal Carbon Pricing Plan				
Customer Carbon Charge Variance Account (CCCVa)	Yes	Yes	Yes	The intent of this account is to record the variance in costs collected in the Southern Bruce tariff versus actual costs collected arising from obligations resulting from the Greenhouse Gas Pollution Pricing Act (GGPPA) associated with natural gas that EPCOR delivers to its customers. Current balance cleared to Southern Bruce customers only. As rates are set by government policy and same for all customers, ongoing the account would be cleared to all customers.
Federal Carbon Charge - Facility Variance Account (FCCFVA)	Yes	Yes	Yes	The intent of this account is to record costs arising from the obligations resulting from the Greenhouse Gas Pollution Pricing Act (GGPPA) associated with EPCOR's operational facilities. Current balance would be cleared to Southern Bruce customers only. As the systems would be operationally closely tied, ongoing recovery of costs for EPCOR's facility (Natural Gas vehicles and building costs) would be cleared to all customers.
Greenhouse Gas Emissions Administration Deferral Account (GGEADA) Rate Riders *	Yes	Yes	Yes	The intent of this account is to record administrative costs associated with the impact of the Greenhouse Gas Pollution Pricing Act. Given the intended integrated nature, and similar customers of Southern Bruce and Brockton, it is expected that any administrative costs will be similar. Any current balance will be cleared to Southern Bruce customers only. Going forward, account balances will be cleared to all customers. Based on DVA accounting order - approved as part of the FCPP application.
Other Items				
Incentive Rate Mechanism (IRM) Inflation Factor	Yes	Yes	Yes	The existing Southern Bruce inflation factor is based on a weighted average of an Ontario specific price index factor as well as a consistent adjustment factor and was deemed by the OEB to be appropriate for the parent Southern Bruce System in EB-2018-0264. The incentive rate adjustment formula is = [(1.0-0.341) x 0.0127] + [0.314 x Inflation (I)]. This adjustment formula is appropriate for all customers given their close proximity would indicate they are subject to the same inflation factors.
Gas Supply Charge	Yes	Yes	Yes	Any customers accessing gas through EPCOR would be charged same rate and therefore account would be cleared to all customers. Includes PGCVA and GRPA DVA disposition.

* No current rate rider approved for this DVA

Table 2 - A Comparison of 2029-2033 Rate Structures with Brockton Customers Continuing with the EB-2018-0264 Framework and Southern Bruce Customers Being Applied Newly Rebased Rates as the Outcome of the First Rebasing Following the 10-year Southern Bruce RSP

Rate Type	Brockton	SB	Same Rate?	
Monthly Fixed Charge	Yes	Yes	No	Brockton customers would continue with existing Southern Bruce rate structure (EB-2018-0264). Updated Southern Bruce distribution rates for Southern Bruce customers only would be determined in a rate case expected to be filed in 2028.
Delivery Charge	Yes	Yes	No	Brockton customers would continue with existing Southern Bruce rate structure (EB-2018-0264). Updated Southern Bruce distribution rates for Southern Bruce customers only would be determined in a rate case expected to be filed in 2028.
Upstream Charges	Yes	Yes	Yes	Charges related to access to Enbridge's Owen Sound transmission system in addition to managing gas that flows through the system. Each of Southern Bruce and Brockton systems require ongoing access to these upstream functions in order to access and manage gas. S&TVA settles any variances (flow-through costs).
Rate Rider for Delay in Revenue Recovery				Expires in December 2028
Existing Rate Riders				
Energy Content Variance Account (ECVA) Rate Rider	Yes	Yes	Yes	Balance generated going forward would be cleared to all customers as consumption forecast based on same energy content. Based on DVA accounting order - disposed annually
Contribution In Aid of Construction Variance Account (CIACVA) Rate Rider				Variance account expires December 2028. Net Book Value of capital costs added to Southern Bruce rate base.
Municipal Tax Variance Account (MTVA) Rate Rider	Yes	No	No	Effective for Brockton customers only. Expected to expire at end of Brockton rate stability period in 2034.
ORDA Rate Rider	No	No		Other revenue amounts will be added to revenue requirement.
Potential Rate Riders (Pending Application & Approval)				
COVID Rate Rider *				Account expected to expire in December 2028. Net Book Value added to Southern Bruce rate base.
Brockton Customer Volume Variance Account (BCVVA)/Customer Volume Variance Account (CVVA) Rate Rider *	Yes	No	No	BCVVA continues to function as per proposed accounting order. CVVA for Southern Bruce expires with 2029 Southern Bruce rebasing.
Storage & Transportation Variance Account Rates 1, 6 & 11 (S&TVA 1, 6, & 11) Rate Rider *	Yes	Yes	Yes	Ongoing, these gas handling services are used proportionally by Southern Bruce and Brockton customers so would be cleared to all customers.
Transportation Variance Account Rates 16 (TVA 16) Rate Rider *	Yes	Yes	Yes	Ongoing, these transportation services are used by Rate 16 Southern Bruce and Brockton customers so would be cleared to these customers.

Rate Type	Brockton	SB	Same Rate?	
External Funding Variance Account (EFVA) Rate Rider *	No	No		Expectation is that all Brockton related NGEF amounts will be settled by 2028 and this account would be closed.
Unaccounted For Gas Variance Account (UAGVA) Rate Rider *	Yes	Yes	Yes	As systems are interrelated and of same age and construction material and therefore expected to have similar rates of UFG, the account would be cleared to all customers going forward.
Excess Soil Variance Account (ESCA) Rate Rider*	Yes	No	No	Ongoing balances cleared to Brockton customers only. Not applicable to Southern Bruce.
Federal Carbon Pricing Plan				
Customer Carbon Charge Variance Account (CCCVA)	Yes	Yes	Yes	As rates are set by government policy and same for all customers, ongoing account would be cleared to all customers.
Federal Carbon Charge - Facility Variance Account (FCCFVA)	Yes	Yes	Yes	As the systems would be operationally closely tied, ongoing recovery of costs for EPCOR facilities (Natural Gas vehicles and building costs) would be cleared to all customers.
Greenhouse Gas Emissions Administration Deferral Account (GGEADA) Rate Riders *	Yes	Yes	Yes	Given the intended integrated nature, and similar customers of Southern Bruce and Brockton, it is expected that any administrative costs will be similar. Therefore account balances would be cleared to all customers.
Other Items				
Incentive Rate Mechanism (IRM) Inflation Factor	Yes	Yes	Yes	The incentive rate mechanism inflation factor formula as approved for Southern Bruce at the planned 2029 rebasing would also be applied to Brockton customers beginning in 2029 (or the new rate effective date for Southern Bruce) in an annual IRM filing as the expanded system would experience the same inflation factors and therefore application to all customers would continue equal treatment of combined utility customers.
Gas Supply Charge	Yes	Yes	Yes	Any customers accessing gas through EPCOR would be charged same rate and therefore account would be cleared to all customers. Includes PGCVA and GRPA DVA disposition.

* No current rate rider approved for this DVA