



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2023-0274

EPCOR NATURAL GAS LIMITED PARTNERSHIP

2024 Federal Carbon Pricing Program Application

BY DELEGATION, BEFORE: Theodore Antonopoulos
Vice President
Applications

February 22, 2024

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1 OVERVIEW

EPCOR Natural Gas Limited Partnership (ENGLP) applied to the Ontario Energy Board (OEB) for approval under section 36(1) of the *Ontario Energy Board Act, 1998* to update rates and recover costs associated with meeting its obligations under the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA). After consideration of the application and evidence presented by ENGLP, the OEB approves ENGLP's updates to the Federal Carbon Charge and the Facility Carbon Charge as detailed below.

ENGLP operates two natural gas distribution systems in Ontario, which are treated separately for rate-making purposes. These are ENGLP's Aylmer rate zone and ENGLP's South Bruce rate zone, the latter being a newer service territory with the first customer connections in the second half of 2020.

In this application, ENGLP has requested:

- Approval to increase the Federal Carbon Charge on applicable customer bills, for both the Aylmer and South Bruce rate zones, from 12.39 ¢/m³ to 15.25 ¢/m³ effective April 1, 2024, to recover ENGLP's forecast Federal Carbon Pricing Program (FCPP) customer-related costs.
- Approval to decrease the Facility Carbon Charge for ENGLP's Aylmer's rate zone from 0.0037 ¢/m³ to 0.0035 ¢/m³, effective April 1, 2024 and to increase the Facility Carbon Charge for ENGLP's South Bruce rate zone from 0.0011 ¢/m³ to 0.0013 ¢/m³ effective April 1, 2024, to recover ENGLP's forecast 2024 facility-related costs.

The incremental bill impact on a typical residential customer in ENGLP's Aylmer rate zone resulting from these requests would be an increase of \$59.12 per year. The incremental bill impact on a typical residential customer in ENGLP's South Bruce rate zone resulting from these requests would be an increase of \$61.47 per year.

In this Decision and Order, the OEB approves ENGLP's request for the Federal Carbon Charge and Facility Carbon Charge on a final basis.

2 CONTEXT AND PROCESS

The GGPPA established a FCPP under which a natural gas utility in Ontario is required to pay a fuel charge to the Government of Canada for emissions from the natural gas it delivers to its customers and for its facility-related emissions. The next increase to the fuel charge is expected to take effect on April 1, 2024, at which time the fuel charge under the GGPPA will increase from 12.39 ¢/m³ of natural gas use to 15.25 ¢/m³ of natural gas use.

Emissions from certain customers (e.g., large industrial customers and greenhouses) are eligible for full or partial exemption from the fuel charge under the GGPPA. These customer volumes are therefore subject to ENGLP's Facility Carbon Charge, but not the Federal Carbon Charge for customer use. Effective January 1, 2022, the Government of Canada announced that the Ontario Emissions Performance Standards (EPS) program will replace the Government of Canada's Output-Based Pricing System (OBPS) for large industrial customers who are eligible for exemption from the fuel charge under the GGPPA.

The OEB has previously established three FCPP deferral and variance accounts (DVAs) for both ENGLP's Aylmer and South Bruce rate zones:¹

- Federal Carbon Charge – Customer Variance Accounts to record the variance between actual FCPP costs related to customer emissions, and costs recovered in rates related to customer emissions.
- Federal Carbon Charge – Facility Variance Accounts to record the variance between actual costs related to facility emissions and costs recovered in rates related to facility emissions.
- Greenhouse Gas Emissions Administration Deferral Accounts to record related administration costs.

On October 20, 2023, ENGLP filed its application with the OEB, requesting final approval to update its rates for both the Aylmer and South Bruce rate zones. There was no request to dispose of any DVA balances in this application and ENGLP will defer disposition until next year's application.

¹ The FCPP DVAs for ENGLP's Aylmer rate zone were established in EB-2019-0101. The FCPP DVAs for the South Bruce rate zone were established as part of ENGLP's 2019-2028 rates proceeding (EB-2018-0264).

On November 15, 2023, the OEB issued a Case Management Letter informing ENGLP that given the rate adjustments contemplated are largely mechanistic, an employee of the OEB to whom authority has been delegated under section 6 of the *Ontario Energy Board Act, 1998*, intends to make a decision on the application without holding a hearing.

Over the course of this proceeding, EPCOR responded to questions from OEB staff to clarify certain matters. ENGLP's responses were taken into consideration during the review of the application by the OEB.

3 DECISION

The OEB approves the Federal Carbon Charge increase to 15.25 ¢/m³ for both the Aylmer and the South Bruce rate zones effective April 1, 2024.

The OEB also approves a Facility Carbon Charge for the Aylmer rate zone of 0.0035 ¢/m³ and a Facility Carbon Charge for the South Bruce rate zone of 0.0013 ¢/m³, both effective April 1, 2024.

3.1 Federal Carbon Charge and Facility Carbon Charge

ENGLP requested approval, on a final basis, of a Federal Carbon Charge of 15.25 ¢/m³ for both the Aylmer and South Bruce rate zones, effective April 1, 2024. ENGLP proposed to charge customers the Federal Carbon Charge monthly based on actual billed volumes. The requested rate for the Federal Carbon Charge matches the volumetric rate for the fuel charge that ENGLP expected to pay to the Government of Canada for emissions from its non-exempt customers, effective April 1, 2024.

ENGLP also requested approval, on a final basis, of a Facility Carbon Charge for the Aylmer rate zone of 0.0035 ¢/m³ and a Facility Carbon Charge for the South Bruce rate zone of 0.0013 ¢/m³, effective April 1, 2024. The volumetric rate proposed by ENGLP for the Facility Carbon Charge in the current application is based on forecasted facility-related emissions from ENGLP's buildings and natural gas vehicles and forecast customer volumes. Building emissions were allocated between the Aylmer and South Bruce rate zones based on forecast volumes of all customers. 100% of natural gas vehicle emissions were allocated to Aylmer since South Bruce has a separate fleet that does not include natural gas vehicles.

Findings

The Federal Carbon Charge:

The OEB finds that the increase in the Federal Carbon Charge and the methodology for establishing the charge is consistent with the costs ENGLP is expected to incur through the Federal Carbon Pricing Program, and is therefore approved on a final basis.

The Facility Carbon Charge

The OEB finds that the changes to the Facility Carbon Charge for the Aylmer and South Bruce rate zones are consistent with the facility costs ENGLP is expected to incur, and is therefore approved on a final basis.

4 IMPLEMENTATION

ENGLP intends to reflect any changes to rates for the Federal Carbon Charge and Facility Carbon Charge as part of its April 1, 2024 Quarterly Rate Adjustment Mechanism (QRAM) application.

Findings

The OEB finds that a draft rate order process is not necessary in this proceeding. The rates approved by the OEB in this proceeding shall be brought forward by ENGLP for incorporation in its April 1, 2024 QRAM application.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Federal Carbon Charge rate of 15.25 ¢/m³ for EPCOR Natural Gas Limited Partnership's Aylmer and South Bruce rate zones is approved effective April 1, 2024.
2. The Facility Carbon Charge rate of 0.0035 ¢/m³ for EPCOR Natural Gas Limited Partnership's Aylmer rate zone is approved effective April 1, 2024.
3. The Facility Carbon Charge rate of 0.0013 ¢/m³ for EPCOR Natural Gas Limited Partnership's South Bruce rate zone is approved effective April 1, 2024.

DATED at Toronto February 22, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar