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DECISION AND ORDER

EB-2024-0124

ONTARIO ENERGY BOARD

Hearing on the Ontario Energy Board's own Motion regarding
EPCOR Natural Gas Limited Partnership's Request to Correct
Certain Historical Quarterly Rate Adjustment Mechanism Errors

BEFORE: Fred Cass
Presiding Commissioner

June 4, 2024

1 OVERVIEW AND PROCESS

On March 21, 2024, the Ontario Energy Board (OEB) approved, on an interim basis, EPCOR Natural Gas Limited Partnership's (EPCOR) April 2024 Quarterly Rate Adjustment Mechanism (QRAM) application (April 2024 QRAM Application) as filed.¹

In the April 2024 QRAM Application, EPCOR requested approval to correct two errors that were made in previous QRAMs. The first error was a reference price error in which EPCOR applied the incorrect reference price to the October to December 2023 volumes in the Purchased Gas Commodity Variance Account (PGCVA) (Reference Price Error). The second error was a billing error whereby approximately 75 customers were incorrectly billed for lower volumes during the period April 2021-January 2024, which affected the volumes in the Gas Purchase Rebalancing Account (GPRA) (Billing Error).

In addition, over the course of the April 2024 QRAM proceeding, OEB staff discovered that the heat value applied by EPCOR, when calculating its Gas Commodity Charge, differed from the heat value used by Enbridge Gas Inc. (Enbridge Gas) for its Union South rate zone.

In its March 21, 2024 Decision, the OEB recommended that further discovery and argument with respect to these errors be allowed in a subsequent proceeding. The OEB noted that, in accordance with the OEB's October 31, 2019 letter regarding the correction of pass-through costs, the OEB may explore further the nature of the errors and the appropriate approach to finalizing the rates for the subject period.²

On April 1, 2024, the OEB issued a Notice of Hearing and Procedural Order No.1 to proceed with a hearing on its own motion pursuant to sections 19(4) and 36(1) of the *Ontario Energy Board Act, 1998* to determine whether EPCOR's proposals to correct two identified errors, and whether the heat value applied in its April 2024 QRAM Application, are appropriate (Motion). The Motion relied on the record in the April 2024 QRAM Application. The intervention period ended on April 5, 2024. No intervention requests were received.

OEB staff filed written interrogatories on April 18, 2024. On April 25, 2024, EPCOR filed interrogatory responses.

¹ EB-2024-0100

² [OEB's Letter: Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition](#), October 31, 2019

OEB staff filed a written submission on May 7, 2024. On May 13, 2024, EPCOR filed a reply submission stating that it had no further comments.

The OEB accepts EPCOR's proposed corrections of the Reference Price Error and Billing Error on a final basis, as well as the credit adjustment of \$5,841.56 to be made to the balance of the GPRA. The OEB also finds that EPCOR should use the most up to date heat value from Enbridge Gas's contemporaneous QRAM applications for both EPCOR South Bruce and Aylmer QRAM Applications.

The OEB emphasizes that it is EPCOR's responsibility to provide comprehensive and accurate evidence in support of its applications, especially QRAM applications, given the short timeline within which QRAM applications must be processed. The OEB reminds EPCOR that if any errors within the control of EPCOR, or any instances of non-disclosure of methodological changes by EPCOR, emerge in future applications (QRAM or other applications), the OEB may see fit at that time to hold EPCOR accountable for its error(s) or omission(s).

2 DECISION

2.1 Errors in Previous Applications

In the April 2024 QRAM Decision, the OEB noted that this was not the first time EPCOR identified errors or made undocumented methodological change proposals that required further clarification.³

In interrogatories, OEB staff asked EPCOR to describe the review process that EPCOR uses in its QRAM applications to ensure the evidence is accurate. In EPCOR's interrogatory responses, EPCOR described the steps that it undertakes in its review process before filing its QRAM applications. EPCOR noted that it has included an additional step in its review process to limit errors, namely a "line-by-line comparison of Schedules 2, 3, 4 and 8 that matches the most recent approved application".⁴

In addition, when asked if EPCOR believes it has a rigorous QRAM preparation process, EPCOR stated:

"[EPCOR] believes it has a rigorous QRAM preparation process that limits the potential for errors and continuously reviews and improves the application process and the review process at each filing. This is further evident given EPCOR has very limited staffing resources and two separate applications are required quarterly."⁵

OEB staff in its submission noted that in previous QRAM proceedings, EPCOR made several errors and omissions and that the OEB had reminded EPCOR that "[a]pplicants are responsible for providing comprehensive and accurate evidence".⁶ OEB staff submitted that the OEB should caution EPCOR one final time that errors and omissions within the control of a utility should not be made with such regularity, especially in a QRAM proceeding where there are less than three weeks to finalize rates.

³ For example, in the January 2024 QRAM, OEB staff noted changes to actual purchase cost between two QRAM applications and EPCOR explained that it changed its methodology to calculate actual purchase costs without raising it with the OEB (EB-2023-0338); in the October 2023 QRAM EPCOR Aylmer made an unexplained update to the RNG pricing formula relative to the formula applied in previous QRAM applications, again without raising it first with the OEB (EB-2023-0269); in the July 2023 QRAM OEB staff noted that there was an error in the pre-filed application in Schedule C and EPCOR filed an updated Schedule C prior to the decision being issued (EB-2023-0159).

⁴ EPCOR Interrogatory Responses, Staff 1

⁵ EPCOR Interrogatory Responses, Staff 1

⁶ EB-2023-0338, Decision and Order, pg. 2

Findings

The OEB notes that the QRAM process works within tight timelines. Because of the need to meet these timelines, it is essential that errors in QRAM applications be minimized, if not avoided, and that any changes in methodology be fully transparent and clearly explained.

Unfortunately, EPCOR has a history of errors and undisclosed methodological changes in its QRAM applications.⁷ As recently as EPCOR's January 2024 QRAM application, the OEB expressed its concern about changes not identified in EPCOR's pre-filed evidence that only came to light in response to OEB staff questions. In its decision, the OEB reminded EPCOR that applicants are responsible for providing comprehensive and accurate evidence.⁸

However, in the April 2024 QRAM application, EPCOR requested approval to correct two further errors (Reference Price Error and Billing Error) and, moreover, OEB staff discovered yet another error during the review of the April 2024 QRAM (Heat Value Error).

In response to OEB staff interrogatories in this proceeding, EPCOR stated twice that it believes it has "a rigorous QRAM preparation process that limits the potential for errors and continuously reviews and improves the application process and the review process at each filing".⁹ The OEB is encouraged by EPCOR's assurances that its QRAM preparation process is rigorous and subject to continuous review and improvement and by EPCOR's recognition of the importance of limiting the potential for errors in its QRAM applications.

However, the question that arises out of EPCOR's assurances is why errors continue to happen if EPCOR's QRAM preparation process is rigorous and is intended to limit the potential for errors. On this question, EPCOR's evidence and submissions were not as encouraging as its assurances about rigorous preparation of QRAM applications: specifically, EPCOR said that it "has very limited staffing resources and two separate applications are required quarterly". If EPCOR's statement about "very limited staffing resources" was intended to instill confidence that errors will not continue in future QRAM applications, it did not have the desired effect.

⁷ See footnote 3

⁸ EB-2023-0338

⁹ EPCOR Interrogatory Responses, Staff 1 f) iii) and iv)

EPCOR had another opportunity in its reply submission to address concerns about errors in its QRAM applications. However, in response to points made in the OEB Staff submission about QRAM application errors, EPCOR had no further commentary to add to the hearing record beyond what had already been submitted.

In the findings that follow below, the OEB approves a correction in respect of each of the three errors that are the subject-matter of this proceeding. However, the OEB again emphasizes that it is EPCOR's responsibility to provide comprehensive and accurate evidence. The OEB also emphasizes the importance of avoiding or at least minimizing errors in all applications to the OEB, and the particular importance of bringing due care and attention to the preparation of QRAM applications in consideration of the short timeline within which QRAM applications must be processed.

In view of the history and circumstances outlined above, if any errors within the control of EPCOR, or any instances of non-disclosure of methodological changes by EPCOR, emerge in future applications, the OEB may see fit at that time to hold EPCOR accountable for its error(s) or omission(s).

2.2 Reference Price Error

In its April 2024 QRAM Application, EPCOR stated that an error was discovered in its January 2024 QRAM regarding the reference price recorded for October 2023 to December 2023. The approved rate from the October 2023 QRAM was \$0.161348 per m³; however, it was erroneously recorded as \$0.17429 per m³ in EPCOR's January 2024 QRAM application. EPCOR had already collected the \$0.161348/m³ from customers but recorded \$0.17429/m³ in the PGCVA, resulting in an over-credit in favour of EPCOR customers.

EPCOR proposed to correct the reference price to the approved rate of \$0.161348/m³ in both the PGCVA and the GPRA, which would capture the discrepancy caused by the incorrect rate used in the January 2024 QRAM (Approach 1).¹⁰

In response to interrogatories in the April 2024 QRAM Application, EPCOR also agreed that an alternative approach to correct the error would be to directly debit the amount of \$71,138 to the PGCVA (Approach 2).¹¹

¹⁰ EB-2024-0100, Schedule 1, pg. 10

¹¹ EB-2024-0100, EPCOR Interrogatory Responses, Staff 1-f)

In response to further interrogatories, EPCOR confirmed that the difference between the two approaches is not material, approximately \$254 in total, and that EPCOR preferred Approach 1.

In the March 21, 2024 Decision, the OEB suggested that the errors in the QRAM Application be considered in accordance with the OEB's October 31, 2019 letter regarding the correction of pass-through costs. The letter sets out that the OEB will determine whether to make retroactive adjustments on a case-by-case basis, based on the circumstances of each case, taking into account factors including:

- Whether the error was within the control of the distributor
- The frequency with which the distributor has made the same error
- Failure to follow guidance provided by the OEB
- The degree to which other distributors are making similar errors

The October 2019 letter also identified the possibility of asymmetrical approaches to correcting errors in favour of customers. For example, if a distributor repeats an error, and if correcting the error is solely to the benefit of the distributor, the OEB may not approve part or all of the correction and any associated carrying charges.

In response to OEB staff questions regarding the OEB's October 31, 2019 letter, EPCOR stated:

- This was the first time that a reference price error has occurred
- EPCOR has identified the source of the error and has introduced further checks to minimize future errors

EPCOR did not comment on whether there was a failure to follow guidance provided by the OEB nor did it comment on whether other distributors have made similar errors. EPCOR also did not comment on past errors made in QRAM applications.

OEB staff noted that the Reference Price Error by EPCOR was caught quickly and did not propagate beyond the quarter. OEB staff submitted that the OEB should accept EPCOR's proposed correction as filed on a final basis.

OEB staff submitted that, if the OEB chooses to accept EPCOR's proposed correction of the Reference Price Error, the OEB should accept Approach 1 since EPCOR has already implemented Approach 1 in its April 2024 QRAM and the difference between Approach 1 and Approach 2 is not material.

Findings

The OEB accepts EPCOR's proposed correction of the Reference Price Error on a final basis. This type of error was made for the first and only time in EPCOR's January 2024 QRAM proceeding, it was identified by EPCOR in time for a correction to be requested in the April 2024 QRAM application and EPCOR introduced further validation checks into the QRAM application process to minimize the risk of future errors.

The OEB accepts EPCOR's proposal to correct the reference price to the approved rate of \$0.161348/m³ in both the PGCVA and the GPRA in accordance with Approach 1. This will capture the discrepancy arising from the use of an incorrect reference price in EPCOR's January 2024 QRAM application and it is the approach that EPCOR has already implemented through its April QRAM application.

2.3 Billing Error

EPCOR discovered a billing issue that affected approximately 75 customers by incorrect programming of digital encoder receiver transmitters, which resulted in underbilling to these customers. The error occurred during the period of April 2021 to January 2024. This error reduced the inventory rate in the GPRA by increasing the throughput volumes from April 2021 to January 2024, thus lowering the inventory recorded. EPCOR applied billing adjustments recently to the affected customers to recover the additional amounts owed according to EPCOR's conditions of service. The cumulative impact of correcting the Billing Error results in a net credit to EPCOR's customers generally.

In responses to interrogatories, EPCOR confirmed that an additional \$5,841.56 credit adjustment in the GPRA was not included in the April 2024 QRAM Application and recommended the adjustment be made in its July 2024 QRAM.

EPCOR clarified in its interrogatory responses that three customers were impacted by the Billing Error who are no longer served by EPCOR and its shareholder will be responsible for the costs related to these three customers.

OEB staff submitted that the Billing Error correction should be approved on a final basis, in addition to the \$5,841.56 credit adjustment in the GPRA. Both adjustments, the Billing Error correction and the additional credit are in favour of EPCOR's customers generally and should be credited accordingly to customers. OEB staff noted that EPCOR acknowledges that its shareholder will absorb the cost of the underbilling for those customers who are no longer served by EPCOR.

OEB staff also submitted that the additional credit should be disposed of in EPCOR's July 2024 QRAM Application.

Findings

The OEB accepts EPCOR's proposal to correct the Billing Error on a final basis, as well as the credit adjustment of \$5,841.56 to be made to the balance of the GPRA. The OEB notes EPCOR's confirmation that its shareholder is responsible for the cost variance related to the underbilling of three customers who were impacted by the Billing Error and are no longer served by EPCOR.

The credit adjustment of \$5,841.56 to the GPRA balance was not made in EPCOR's April QRAM proceeding and the OEB finds that it should be disposed of in EPCOR's July 2024 QRAM proceeding.

2.4 Heat Value

EPCOR South Bruce is a customer of Enbridge Gas and it takes service from Enbridge Gas in the Union South rate zone. In its April 2024 QRAM Application, EPCOR used a heat value of 39.09 MJ/m³, which it found on Enbridge Gas's website, for gas delivered to its service area by Enbridge Gas.¹² Enbridge Gas, in its own April 2024 QRAM application, used a heat value of 39.17 GJ/10³m³ (i.e. 39.17 MJ/m³) for the Union South rate zone.¹³

In response to interrogatories, EPCOR confirmed that the heat value used in its application should be the same updated value as the one that Enbridge Gas used in its own April 2024 QRAM application for its Union South rate zone (i.e. 39.17 GJ/10³m³).¹⁴ EPCOR also confirmed that the existing QRAM methodology will true up the actual heat values in its next QRAM application.

OEB staff submitted that in future QRAM applications, EPCOR should use the heat value from Enbridge Gas's QRAM as this is what Union South rate zone commodity rates are based on. OEB staff also submitted that the QRAM methodology will true up based on the actual heat values used in the previous period (i.e. April – June 2024).

¹² EPCOR Aylmer April 2024 QRAM application, EB-2024-0099, EPCOR Interrogatory Responses, Staff 1, March 13, 2024

¹³ EB-2024-0093, Interrogatory Responses, Exhibit I. Staff.2

¹⁴ EPCOR Interrogatory Responses, Staff 3

Findings

The OEB agrees with OEB staff that, for both EPCOR's South Bruce and Aylmer QRAM applications, EPCOR should be using the most up to date heat value used by Enbridge Gas in Enbridge Gas's own contemporaneous QRAM applications for the same period. EPCOR confirmed in its interrogatory responses that the heat value for its April 2024 QRAM application should have been the value used in the Union South rate zone from Enbridge Gas's April 2024 QRAM application.

The OEB makes no finding regarding correction of the heat value used in EPCOR's April 2024 QRAM application because EPCOR's QRAM methodology will true up to actual heat values in the next QRAM application, namely, the July 2024 QRAM application.

3 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The rates approved for EPCOR's South Bruce service area as part of the Decision and Interim Rate Order in EB-2024-0100, dated March 19, 2024 in Appendix A, shall be final.
2. EPCOR shall record a credit adjustment of \$5,841.56 into the Gas Purchase Rebalancing Account that will be reflected in its July 2024 QRAM application.

DATED at Toronto June 4, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar