VIA RESS and EMAIL

September 24, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Nancy Marconi:

Re: EPCOR Natural Gas Limited Partnership (ENGLP) - Aylmer
2025 Rates Application
Consumers Council of Canada (CCC) Interrogatories
OEB File No. EB-2024-0130

In accordance with Procedural Order No. 1, dated September 5, 2024, please find attached CCC's interrogatories with respect to ENGLP's 2025 rates application.

Yours truly,

Lawrie Gluck

Lawrie Gluck
Consultant for the Consumers Council of Canada

cc: All parties in EB-2024-0130

EPCOR Natural Gas Limited Partnership – Aylmer

2025 Rates

Consumers Council of Canada

Interrogatories

September 24, 2024

2-CCC-1
Ref: Ex. 2/1/1/pp. 8, 9, 17, 22

a) [p.8] ENGLP overspent its capital budget between 2020-2024 relative to the 2019 USP by $7.58 million (or $14.1 million actual capital spend relative to $6.6 million proposed in the USP). ENGLP stated that the variance was less driven by scope of work but rather an increase in the standards to which work was completed. Please discuss whether prior to 2022/2023 (when there was a contractor change) the work completed was not in accordance with industry standards.

b) [p.9] With respect to the negotiated RFP process, please provide the number of bidders in the process and describe the basis upon which the proponent was selected. Please also discuss whether the significant increase in service costs (Table 2.2.2-3) is related to the hiring of a new contractor.

c) [p.17] Please explain the statement that the meter life begins as soon as it is put on the shelf. Is ENGLP placing meter assets in rate base at the time of delivery?

d) [p.22] Please provide 2024 year-to-date actual capital additions by category in the same format as Table 2.2.2-5.

Please note that the following questions related to ENGLP's USP reference the PDF page number of Exhibit 2 as there is no page numbering in the USP.

2-CCC-2
Ref: Ex. 2/3/1/PDF P. 88

Please confirm that the total 2025-2029 proposed capital budget is $16.85 million, and the average is $3.37 million annually. Please explain how a test year capital budget of $4.06 million, which is 20% higher than the average, reflects an appropriate pacing for the capital program.

2-CCC-3
Ref: Ex. 2/3/1/PDF P. 109-110

a) [p. 109] Please provide the costs of the historical main addition program for the years 2020-2024 on the same basis as shown in this table (i.e., does not include costs associated with large one-off connections similar to the new agricultural customer).

b) [p. 109] Please provide the capital contributions for 2020-2024 on the same basis as shown in this table.

c) [p. 109] Please provide the length and size of main installations for each year during the 2020-2024 period.

d) [p. 109] Please explain the forecast installation of 2,500 metres of 2 inch and 500 metres of 4-inch pipe annually. On what basis was that forecast made and confirm that this forecast is the basis for the 2025-2029 costs of the main addition program?

e) [p. 109] Please explain how the forecast capital contributions were calculated.

2-CCC-4
Ref: Ex. 2/3/1/PDF P. 113-115

a) [p. 113] Please provide the costs of the historical service connection addition program for the years 2020-2024 on the same basis as shown in this table.

b) [p. 113] Please provide the capital contributions for 2020-2024 on the same basis as shown in this table.

c) [p. 113] Please provide the number of new service connections by customer type for each year of the 2020-2024 period.

d) [p. 113] Please explain the forecast of 175 new service installations with 85-90% being residential. On what basis was that forecast made and provide the number

of annual installations by customer type that underpin the 2025-2029 costs of the service connection addition program.

e) [p. 113] Please explain how the forecast capital contributions were calculated.

2-CCC-5

Ref: Ex. 2/3/1/PDF P. 122-125
Ex. 2/3/2 (New Connection Policy)

a) [p. 122] Please provide a status update on the Large Agricultural Customer Phase 1 and 2 Load Project. Specifically, please discuss whether the first part of Phase 1 to reach 800 m3/hour is complete and the expected timing for completing the second part of Phase 1 to reach 1,700 m3/hour.

b) [p. 122] With respect to Phase 2 of the project, please provide any updates regarding the $500k placeholder that ENGLP believes it will need in 2025.

c) [p. 122] Please discuss the price difference for the project based on the winter rates described relative to if ENGLP had waited for summer construction.

d) [p. 123] Please explain the statement that the project was not contemplated in the original ENGLP Cost of Service filing and was subject to E.B.O. 188 calculations. Does this mean that at a certain point in time ENGLP was not applying the E.B.O 188 economic test? If so, please explain.

e) [p. 123] Please file the detailed E.B.O. 188-related NPV calculations that shows that the PI for the Agricultural Customer Phase 1 and 2 Load Project is greater than 1.0.

f) [Ex.2/3/2/p. 5] Please discuss, in the context of EPCOR's new customer connection policy, whether the proposed facilities related to the Large Agricultural Customer Phase 1 and 2 Load Project would be considered a "dedicated facility" in accordance with Paragraph 4.3 of the new connection policy.

g) [Ex.2/3/2/p. 4] Please advise whether ENGLP historically has performed and currently performs the E.B.O. 188 test for all distribution expansion projects.

h) [Ex.2/3/2/p. 6] Please explain the statement that the, "utility, in its discretion, evaluates all system expansion projects in a test year and ensures they are designed to achieve a portfolio PI of at least 1.1."

i) For the 2025-2029 USP, please list the projects that are considered system expansion projects that are subject to E.B.O. 188 and EPCOR's new connection policy.

2-CCC-6
Ref: Ex. 2/3/1/PDF P. 130

[p. 130] Please provide the costs of the historical main replacement program for the years 2020-2024 on the same basis as shown in this table.

2-CCC-7
Ref: Ex. 2/3/1/PDF P. 133

a) [p. 133] Please provide the costs of the historical service replacement program for the years 2020-2024 on the same basis as shown in this table.

b) [p. 133] Please provide the capital contributions for the 2020-2024 period on the same basis as shown in this table.

c) [p. 133] Please explain how the forecast capital contributions were calculated.

2-CCC-8
Ref: Ex. 2/3/1/PDF P. 138
Ex. 2/1/1/ p. 19, 22

a) [p. 138] Please confirm that the meter replacement program includes both the replacement of residential and commercial meters.

b) [Ex.2/1/1/p. 19] Please further discuss the introduction of the residential meter renewal program that started in 2023. Please explain the basis for the program including a discussion of the age of the meters being replaced and the Measurement Canada requirements that ENGLP has referred to (and file those Measurement Canada requirements). Specifically, please provide the total cost of the program by year, the total number of meters to be replaced by year, the date when the program starts and ends, the cost per meter, and how ENGLP considered pacing (and rationale supporting the pace selected).

c) [p. 138-139] With respect to the residential meter renewal program, please provide a comparison of the cost of a sampling program to reverify meters relative to the proposed plan to simply replace all residential meters at the end of

the initial verification period. Please also discuss whether ENGLP has done any sampling to see whether the residential meters would be re-verified.

d) [Ex.2/1/1/p. 22] Please further discuss the introduction of the commercial meter renewal program that started in 2024. Please explain the basis for the program including a discussion of the age of the meters and the Measurement Canada requirements that ENGLP has referred to (and file those Measurement Canada requirements). Specifically, please provide the total cost of the program, the total numbers of meters to be replaced by year, the date when the program starts and ends, the cost per meter, how ENGLP considered pacing (and rationale supporting the pace selected).

e) [p. 138-139] With respect to the commercial meter renewal program, please explain whether the costs for this program are related to replacements or re-verification. Please provide a breakdown of the commercial meter program costs between replacements and re-verifications.

2-CCC-9
Ref: Ex. 2/3/1/PDF P. 153

[p. 153] Please explain why the Port Burwell project was not completed in 2024 if the pressure issue was so severe.

2-CCC-10
Ref: Ex. 2/3/1/PDF P. 160

[p. 160] For each of the trucks listed in the table, please provide the kms traveled and further explain why 5-6 years is the appropriate age to replace a truck?

2-CCC-11
Ref: Ex. 2/3/1/PDF P. 162

a) [p.162] Please provide a breakdown of the IT costs between regular hardware replacement and costs associated with cyber security
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b) [p. 162] Please provide the hardware replacement costs for 2020-2024 on the same basis as provided in the table.

2-CCC-12
Ref: Ex. 2/3/1/PDF P. 175

[p. 175] Please further discuss the mobile app development program. Specifically, please explain who is developing the apps and what apps are expected to be developed? Are there off the shelf solutions that ENGLP can simply purchase?

3-CCC-13
Ref: Ex. 3/1/1/p. 15
Ex. 2/1/1/p. 30

a) [p. 15] Please advise which customer types (e.g., residential, commercial, etc.) the installation of service lateral fee applies. If it applies to different customer types, are different charges applied?

b) [p. 15] Please provide historical service lateral installation costs to support the baseline $100 fee.

c) [p. 15] Please explain how ENGLP plans to determine the service lateral connection fee. More specifically, is the new language intended to imply that ENGLP can charge more than $100 for the first 20 meters and will apply additional charges for installations beyond 20 meters?

d) [Ex.2/1/1/p. 30] Assuming the new language is intended to reflect an increase in customer contributions towards service connections, please explain why total capital contributions associated with customer connections appear to be held at $72k for the 2025 test year, which is the same as the 2020 test year and below every other year for which actual information is provided.

3-CCC-13
Ref: Ex. 3/1/2/pp. 34, 38-39

a) [p.34, 38] With respect to the treatment of new customers in each of Rates 3 and 4, please explain why different approaches were used to forecast consumption and provide rationale for each approach.

b) [p. 39] For Rate 4, the 2025 load forecast per customer is lower than 2023 actuals inclusive of the addition of a larger than average customer in 2024. Please further explain why the consumption forecast for 2025 is reasonable.

c) [p. 34] Please confirm that the 3,000,000 m3 of additional volumes for Rate 3 in 2025 reflects both the Phase 1 and Phase 2 projects related to the new agricultural customer.

d) [p. 34] Please explain why the per customer volumes for the 4 existing customers in Rate 3 falls from 347,477 m3 in 2023 (actual) to 229,509 m3 in 2025.

4-CCC-14
Ref: Ex. 4/1/1/p. 21

a) [p. 21] Please provide 2024 year-to-date actual expenses using the same categories as set out in Table 4.3.2-2.

b) [p. 21] Please explain the significant reduction between 2024 bridge and 2025 forecast in operating recoveries and burden.

c) [p. 21] The increased contractor and consultant costs between 2024 bridge and 2025 forecast appear to be related to new training-related costs. Please confirm that these are training opportunities that do not need to be repeated each year.

4-CCC-15
Ref: Ex. 4/1/1/pp. 30, 33, 34-35, 44, 54

a) [p. 30] Please provide the current number of net FTEs employed by ENGLP using the same categories as Table 4.3.3.1-1 (Lines 11-14). Please advise whether the locator that was planned to be hired in 2024 has actually been hired.

b) [p. 33] Please advise whether the costs of the management support FTE that was allocated to ENGLP Southern Bruce and is now proposed to be allocated back to Aylmer is already being recovered in Southern Bruce rates. Please provide evidence references from the ENGLP Southern Bruce rates proceeding supporting the company's position on this matter.

c) [p. 34] Please provide further details, or the analysis itself, if available, regarding ENGLP's cost/benefit analysis of completing locate work in-house versus using a contractor.

d) [p. 35] Given that ENGLP Aylmer already has HS&E support allocated to it through shared services, please provide further rationale supporting the need for

an incremental 0.5FTE. Please advise whether the additional HS&E support has already been hired.

e) [p. 54] For the service categories in Table 4.3.3.2-2 that are allocated based on an allocator other than direct costs, please provide the underlying calculations.

f) [p.53-54] Please further explain the head office salary allocator. As part of the response, please provide a formula to illustrate the calculation.

g) [p. 44] With respect to the allocation of 0.7 FTE for regulatory support for 2025, please explain the basis for that allocation given that the cost of service application for Aylmer will be concluded and there are two other Ontario rate regulated distributors to which the costs should be split.

4-CCC-16
Ref: Ex. 4/1/1/p. 94

Please provide the depreciation rate schedule from EB-2018-0336 that is comparable to Table 4.4-1.

5-CCC-17
Ref: Ex. 5/1/1/p. 7-8

Please explain the proration calculation regarding 2025 principal in Tables 5.1-6 and 5.1-7.

7-CCC-18
Ref: Ex. 7/1/1/Cost Allocation Study

Please provide the cost allocation study from EB-2018-0336.

7-CCC-19
Ref: Ex. 7/1/1/p. 10

a) Please advise whether in EB-2018-0336, Rate R1 was considered one rate class and costs were allocated to the class as a single class (as opposed to there being different allocations to the three categories of customers in the class). If this is not correct, please explain.

b) Please confirm that in the current proceeding that the R1 Residential and R1 General Service rate classes are now allocated costs separately using different allocators for each class. If this is not correct, please explain.

7-CCC-20
Ref: Ex. 7/1/1/Cost Allocation Study
Ex. 2/3/1/PDF p. 122

With respect to the large agricultural customer load project, with a total project cost of approximately $2.3 million (or nearly 10% of 2025 rate base), please illustrate, referencing the cost allocation study, how the costs of this project were allocated. Please also provide support for the proposed allocation in the context that the entirety of the project cost appears to benefit a single Rate 3 customer.

8-CCC-21
Ref: Ex. 8/1/1/pp. 6-8

a) [p. 6] Please advise whether it is ENGLP's intent to move the residential rate class to fully fixed rates. If so, please confirm that the transition will be completed in the next rate term.

b) [p. 6] Please advise whether ENGLP has previous OEB approval to move the residential rate class to fully fixed rates. Please provide the relevant excerpts from the EB-2018-0336 proceeding (including the settlement agreement and/or decision that address the move to fully fixed rates for residential customers).

c) [p. 8] Please further explain the decision to separate Rate 1 into two rate classes (Rate 1 Residential and Rate 1 General Service). As part of the response, please discuss why EPCOR elected to create two classes instead of three classes (with the addition of a third new class for non-contract Industrial customers that appear to consume approximately 3 times as much gas as commercial customers in Rate 1 General Service).

10-CCC-22
Ref: Ex. 10/1/1/pp. 4-9

a) [p. 4-5] Please explain ENGLP's proposal to increase the fixed charge for the new Rate 1 General Service class by 15% (after inflation) each year of the IR term. More specifically, what is the basis for this continued move towards fixed charges now that the class does not include residential customers?

b) [p. 6-7] Please confirm that the proposed inflation factor methodology, productivity factor and stretch factor are unchanged from the previously approved IRM for the 2021 to 2024 period.

c) [p. 6-7] Please provide an excerpt from the settlement agreement and/or OEB decision where the 0.4 stretch factor was first approved for ENGLP Aylmer.

d) [p. 8] Please explain the Y-factor for participating in generic and other OEB hearings that impact the utility. Is this referencing the existing Regulatory Expense Deferral Account? How are the costs eligible to be recorded in the account differentiated from the regulatory costs proposed to be included in base rates?

e) [p.9] Please provide an illustrative example of the ICM threshold value for a year in ENGLP's IR term (e.g., 2026, 2027, etc.). Please discuss the type of project that could not be predicted now that may require ICM treatment during the IR term.

10-CCC-23

Ref: Ex. 10/1/1/p. 11
Ex. 1/1/1/p. 45

a) Please provide ENGLP Aylmer's actual ROE compared to the deemed ROE for each year 2020-2023.

b) [Ex. 1/1/1/p. 45] Please explain the purpose of the language that was originally included in the ESMDA Accounting Order regarding ENGLP's Affiliate and Corporate Shared Services costs that has now been deleted. Please provide a reference to the EB-2018-0336 Settlement Agreement and/or decision where this language was originally approved. Please also discuss why this language is no longer applicable to the ESMDA.