



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

BY EMAIL

March 12, 2025

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Nancy Marconi:

**Re: Ontario Energy Board (OEB) Staff Letter of Comment
EPCOR Natural Gas Limited Partnership - Southern Bruce
April 2025 Quarterly Rate Adjustment Mechanism (QRAM) Application
OEB File Number: EB-2025-0097**

Please find attached OEB staff's letter of comment in the above referenced proceeding.

Yours truly,

Original Signed By

Yaroslav Paliy
Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2025-0097

Background

The Ontario Energy Board (OEB) requires natural gas distributors, one month in advance of the normal Quarterly Rate Adjustment Mechanism (QRAM) filing date, to complete a preliminary estimate of the change in the commodity portion of a typical residential system supply customer's bill that arises from the forecast cost of gas for the next quarter and the forecasted Purchased Gas Commodity Variance Account (PGCVA) balances to be cleared. A gas distributor that anticipates an increase or decrease of 25% or more on the commodity portion of a typical residential system supply customer's bill (which includes all commodity-related rate riders), must file a letter with the OEB describing the anticipated increase or decrease and the cost drivers underpinning the anticipated change. The letter must include information regarding the 21-day strip used and the forecasted PGCVA balances that the distributor expects to clear. The letter must be filed with the OEB as soon as possible after the preliminary forecast has been completed and no later than 14 days before the filing date of the QRAM application.

After the letter is filed with the OEB (if applicable), the distributor is required to file its QRAM application in accordance with the OEB-approved QRAM methodology¹. If a 25% or greater change on the commodity portion of a typical residential system supply customer's bill is still anticipated, the distributor must also include evidence which explains, in detail, the reasons for the large rate increase or decrease. Where the change is an increase, the distributor must include a plan for mitigation of the increase. The OEB has not specified what form the mitigation proposal should take but has indicated that it would consider the necessity for and method of implementation of mitigation on a case-by-case basis.²

On February 27, 2025, EPCOR Natural Gas Limited Partnership (EPCOR) filed a letter to inform the OEB that, based on market pricing trends, EPCOR was forecasting that the gas commodity portion of the bill will increase by more than 25% for system supply customers in its Southern Bruce service area. EPCOR also stated that, if at the time it filed its QRAM application the commodity bill increase remained greater than 25%, or the annual bill impact would be an increase of more than 10% for an average residential customer, it would include a rate mitigation proposal.

Application Summary

Proposed Rate Mitigation Plan

On March 7, 2025, EPCOR filed its April 2025 QRAM application for Southern Bruce. EPCOR identified that, prior to any mitigation, the bill impacts for a typical residential

¹ EB-2008-0106

² EB-2014-0199, Decision and Order, p. 6

system supply customer would exceed 25% of the commodity portion of the bill. The bill impacts were prepared using a forecast of gas costs effective March 2025, based on a 21-day strip ending February 28, 2025, and resulted in commodity increases of approximately 50.0%. EPCOR stated that the combination of low storage levels, low production due to freeze-offs, increased demand in natural gas with colder than normal winter temperatures, and concerns for supply availability led to increases in natural gas prices. EPCOR expects natural gas prices to remain elevated for the upcoming summer and potentially beyond. In addition to increased commodity rates, EPCOR is also implementing an increase in the Federal Carbon Charge as previously approved by the OEB effective April 1, 2025.³ This resulted in a total bill increase of 11.2% for a typical residential system supply Southern Bruce customer.

EPCOR proposed a rate mitigation plan to lower the impact of higher gas prices on customer bills. As part of its rate mitigation plan, EPCOR proposed to include a \$390,000 PGCVA credit to limit commodity bill increases to 24.8% and total bill increases to 7.2%. EPCOR further noted that it will propose to include a PGCVA debit of an equal amount with the July 2025 QRAM to recover the cost of the PGCVA credit not recovered in the current QRAM application.

The annual commodity bill impacts for a typical residential system supply customer, before and after the proposed rate mitigation plan, are as follows.

	Commodity Bill		Total Bill	
	\$	%	\$	%
Before Rate Mitigation	\$146.33	50.0%	\$207.79	11.2%
After Rate Mitigation	<u>\$72.46</u>	<u>24.8%</u>	<u>\$133.92</u>	<u>7.2%</u>
Difference	(\$73.87)	(25.2%)	(\$73.87)	(5.0%)

The total bill impact for a typical residential system supply customer, after the proposed rate mitigation, is 7.2% on an annual basis.

CNG Pilot

As it did in its January 2025 QRAM application, EPCOR indicated that the current application includes volumes of 58,587 m³ of compressed natural gas (CNG) purchased during the period of October – December 2024 at a market price without markup.⁴ EPCOR stated that the remaining costs, including the delivery portion of the M2 rates, will be included in the Storage and Transportation Variance Account balance for

³ EB-2024-0237, Decision and Order, January 28, 2025

⁴ EB-2025-0097, Application, p. 16

disposition expected in its 2025 annual update for 2026 rates.⁵ The January 2025 QRAM Decision and Interim Order found that the proposed rates would remain interim pending the outcome of the OEB's review of EPCOR's Gas Supply Plan that includes the CNG Pilot proposal. The OEB concluded its review of EPCOR's Gas Supply Plan with the issuance of the OEB Staff Report on February 28, 2025.⁶ In this report, OEB staff recommended that EPCOR's proposed pilot program to use CNG for Southern Bruce is reasonable as a temporary measure and its use for the 2024/25 planning period should be made final.⁷ The report also added that EPCOR should complete an analysis of options to alleviate the pressure issue for future planning periods as part of EPCOR's 2026 IRM filing. This includes cost estimates, timelines, recommendations, and any available historical or forecast information on the low-pressure system.⁸ The OEB endorsed these recommendations in a letter filed February 28, 2025.

⁵ Ibid., p.17

⁶ EB-2024-0139, OEB Staff Report to the Ontario Energy Board

⁷ Ibid., Appendix C

⁸ Ibid.

OEB Staff Position

Proposed Rate Mitigation Plan

EPCOR's proposed mitigation plan reduces the commodity bill impact to 24.8% and the total bill impact to 7.2% for a typical system supply residential customer. OEB staff is of the view that EPCOR's proposed rate mitigation plan is acceptable and should be approved as filed.

OEB staff notes that the QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect natural gas market prices and protecting the interest of consumers that purchase their gas from the distributor by reducing, to some extent, the volatility (and in particular rapid increases) in the price of natural gas. OEB staff submits that EPCOR's proposed rate mitigation plan achieves this balance.

EPCOR's proposed rate mitigation plan in the current application is similar to the rate mitigation methodology proposed by EPCOR for the January 2022 QRAM application⁹, which was approved by the OEB. OEB staff notes that even though the commodity bill impact in the current application is close to 25% after mitigation, the total bill impact is less than the 10% threshold used in the electricity sector to trigger the need for a rate mitigation plan.¹⁰

OEB staff notes that EPCOR expects natural gas prices to remain elevated for the upcoming summer and potentially beyond and that the implementation of EPCOR's proposed rate mitigation plan will result in the deferral of a PGCVA balance (i.e. \$390,000 plus applicable carrying charges) that EPCOR will ultimately seek to recover from ratepayers in the July 2025 QRAM. OEB staff submits that EPCOR should provide options for the OEB to consider in the July 2025 QRAM application relating to the recovery of the deferred PGCVA balance depending on the updated forecasts and resulting bill impacts at that time.

OEB staff suggests that EPCOR may wish to consider a phased recovery of the deferred amount, where the deferred amount would start to be progressively recouped over more than one quarter. OEB staff submits that a longer-term approach to the recovery of the deferred amount would provide for rate smoothing for the benefit of ratepayers.

To aid in the OEB's decision making process, OEB staff requests that EPCOR comments on if it considered any other rate mitigation options. OEB staff would also like EPCOR to provide the estimated carrying costs from deferring the PGCVA balance until

⁹ EB-2021-0309, EPCOR January 1, 2022 QRAM Application

¹⁰ OEB's [Handbook for Utility Rate Applications](#) (October 13, 2016) page v, Rate Mitigation

the next QRAM application, assuming the latest OEB-prescribed interest rates through 2025 (i.e. 4.23%).

CNG Pilot

OEB staff would like EPCOR to clarify a discrepancy in the application relating to the CNG pilot. EPCOR stated that this application includes volumes of 58,587 m³ of CNG purchased during the period of October - December 2024. However, in Schedule 3 of the application, it states that the total CNG purchases for that period were 28,587 m³. OEB staff would like EPCOR to clarify which number is correct. OEB staff makes no other submissions on this topic other than to support the approval of rates on a final basis consistent with the OEB staff position in the Gas Supply Plan report. OEB staff looks forward to EPCOR's further options analysis for Southern Bruce in its future applications.

Other Items

OEB staff would also like EPCOR to clarify the following other items found in its April 2025 QRAM application.

Schedule 9:

OEB staff noted in Schedule 9, Quarterly Bill Impacts, under both rate mitigation and no rate mitigation options, that the Rate Riders for Quarter Starting April 1, 2025 total \$82.04. OEB staff requests EPCOR to verify that this number is correct and to provide the calculation.

Region Labeling:

OEB staff noted the following references in the application:

1. On Page 18: "This is consistent with ENGLP Aylmer's past proposals..."
2. On Page 19: "This is consistent with ENGLP Aylmer's proposal..."

OEB staff requests EPCOR to confirm if "Aylmer" should be replaced with "Southern Bruce".

OEB staff submits that EPCOR's application should be approved pending any possible changes resulting from the requests made by OEB staff.