Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

March 20, 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 Digitally signed by Yaroslav Paliy Date: 2025.03.20 17:35:25 -04'00'

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 methodology.[1] 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 typical residential system supply customers in its Southern Bruce service area.

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 system supply customer would be an increase of approximately 50% of the commodity portion of the bill. In addition to increased commodity rates, EPCOR proposed to implement 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 limit commodity-related bill increases to 24.8% and total bill increases to 7.2%.

[1] EB-2008-0106
[2] EB-2014-0199, Decision and Order, p. 6
[3] EB-2024-0237, Decision and Order, January 28, 2025

EPCOR further noted that it would propose to recover the cost of the mitigation plan in a future QRAM application.

On March 12, 2025, OEB staff filed a letter of comment supporting EPCOR's proposed rate mitigation plan and application and requested additional information and clarification of discrepancies in the application.

EPCOR filed its reply comments on March 16, 2025, providing the requested additional information and clarification of discrepancies in the application as identified by OEB staff.

On March 15, 2025, federal regulations amending Schedule 2 to the *Greenhouse Gas Pollution Pricing Act* and the Fuel Charge Regulations were published in the Canada Gazette. [4] The federal regulations amend the fuel rates of charge applicable after March 31, 2025, found in Schedule 2, Table 5, Columns 6 to 11 of the Act to $0.00.

In a letter filed on March 18, 2025, EPCOR stated that it would be filing an amended application requesting to remove both the Federal Carbon Charge and Facility Carbon Charge from the April 1 rate order to reflect the March 15, 2025, amendment in federal regulations setting the federal carbon charge to zero after March 31, 2025. EPCOR also stated that the removal of the Federal Carbon Charge and Facility Carbon Charge was expected to result in a reduction in total bill impacts for all customers and that they intend to remove the previously proposed rate mitigation plan in the amended application.

Amended Application

Removal of the Federal Carbon Charge and Rate Mitigation Plan

On March 19, 2025, EPCOR filed its amended April 2025 QRAM application for Southern Bruce. Consistent with the letter filed by EPCOR on March 18, this application included a request to remove the Federal Carbon Charge and Facility Carbon Charge as well as the rate mitigation plan included in the original application.

EPCOR identified that after removing the Federal Carbon Charge and Facility Carbon Charge from the April 1 rate order, the bill impacts for a typical residential system supply customer would still exceed 25% of the commodity portion of the bill, but there would be an overall bill decrease. 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

[4] https://gazette.gc.ca/rp-pr/p2/2025/2025-03-15-x2/html/sor-dors107-eng.html

in commodity increases of approximately 50.0%.[5] EPCOR stated that the combination of low storage levels, low production due to freeze-offs, increased demand for natural gas with colder than normal winter temperatures, and concerns for supply availability led to increases in natural gas prices.[6] EPCOR expects natural gas prices to remain elevated for the upcoming summer and potentially beyond. EPCOR also proposed to remove the Federal Carbon Charge and Facility Carbon Charge effective April 1, 2025. This resulted in a total bill decrease of 9.8% for a typical residential system supply Southern Bruce customer.

Since the overall bill impact is a decrease and natural gas prices are expected to remain elevated in the near term, EPCOR is no longer proposing a rate mitigation plan.

CNG Pilot

There were no changes to the requests made by EPCOR related to CNG in the amended application. In the amended application, EPCOR corrected the total volumes of CNG purchased during the period of October – December 2024 from 58,587 m^3 to 28,587 m^3 in accordance with its responses to OEB staff comments.[7]

[5] EB-2025-0097, Application, March 7, 2025
[6] Ibid.
[7] EB-2025-0097, EPCOR's Responses to OEB Staff Questions, March 16, 2025

OEB Staff Position

Removal of the Federal Carbon Charge and Rate Mitigation Plan

EPCOR's proposed removal of the Federal Carbon Charge and Facility Carbon Charge is in accordance with the amendment in federal regulations that was published on March 15, 2025. OEB staff is of the view that EPCOR's amended application is acceptable and should be approved as filed.

EPCOR stated that after removing the Federal Carbon Charge and Facility Carbon Charge from the April 1 rate order, the bill impacts for a typical residential system supply customer would be a 50% increase in the commodity portion of the bill and a decrease of 9.8% in the total bill. EPCOR is also expecting natural gas prices to remain elevated in the near term and is therefore not proposing any rate mitigation in the amended application.

OEB staff submits that even though the commodity-related bill impact in the amended application is over 25%, customers will see a decrease in total bills and a rate mitigation plan is not needed.

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 amended application achieves this balance.

OEB staff also notes that EPCOR's amended application is largely aligned with Enbridge's amended April 2025 QRAM application.[8] OEB staff notes that EPCOR is requesting to remove both the Federal Carbon Charge and Facility Carbon Charge from the April 1 rate order, whereas Enbridge is only requesting to remove the Federal Carbon Charge. OEB staff understands that only a portion of the costs recovered through Enbridge's Facility Carbon Charge will be impacted by the amendment in federal regulations[9], whereas EPCOR's carbon pricing costs currently recovered through the Facility Carbon Charge are fully impacted by the amendment in federal regulations and will fall to zero.[10] OEB staff submits that it does not have any objections to EPCOR's request to remove the Facility Carbon Charge from the April 1 rate order.

[8] EB-2025-0078
[9] EB-2025-0078, Letter from Enbridge, March 17, 2025
[10] The reason for the difference is that Enbridge Gas is a prescribed industrial emitter under the provincial Emissions Performance Standards program, which remains in place, while EPCOR is not. Enbridge Gas' costs under this program are recovered through the Facility Carbon Charge.

CNG Pilot

OEB staff acknowledges that EPCOR corrected the total volumes of CNG purchased during the period of October – December 2024 from 58,587 m^3 to 28,587 m^3 in accordance with its responses to OEB staff comments.[11] OEB makes no other submissions on this topic other than to support approval of rates on a final basis consistent with the OEB staff position in the Gas Supply Plan report.[12]

Other Items

Schedule 9:

EPCOR confirmed in its responses to OEB staff questions, that in Schedule 9, Quarterly Bill Impacts, the Rate Rider for Quarter starting April 1, 2025, should be $33.71.[13] OEB staff acknowledges that EPCOR made this correction in the amended application and has no further comments.

Region Labeling:

EPCOR confirmed in its responses to OEB staff questions, that on page 18 and 19 of the application filed on March 7th, the reference "Aylmer" should be replaced with "Southern Bruce".[14] OEB staff notes that EPCOR has not made this change in the amended application. OEB staff submits that EPCOR should ensure to make this change in their next QRAM application.

OEB staff submits that EPCOR's amended application should be approved as filed.

[11] EB-2025-0097, EPCOR's Responses to OEB Staff Questions, March 16, 2025
[12] EB-2024-0139, OEB Staff Report to the Ontario Energy Board
[13] EB-2025-0097, EPCOR's Responses to OEB Staff Questions, March 16, 2025
[14] Ibid.