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BY EMAIL

October 8, 2026

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

Dear Ritchie Murray:

**Re: EPCOR Natural Gas Limited Partnership (EPCOR)
Application for 2027 Rates – Aylmer Service Area
Ontario Energy Board File Number: EB-2026-0148**

Please find attached OEB staff's submission in the above-referenced proceeding, pursuant to Procedural Order No. 1.

EPCOR Natural Gas Limited Partnership is reminded that its reply argument is due by October 23, 2026.

Yours truly,

Arturo Lau

Digitally signed by
Arturo Lau
Date: 2026.10.09
15:14:03 -04'00'

Arturo Lau
Senior Advisor, Natural Gas

Encl.

cc: All parties in EB-2026-0148



ONTARIO ENERGY BOARD

OEB Staff Submission

EPCOR Natural Gas Limited Partnership

Aylmer 2027 Rate Application

EB-2026-0148

October 8, 2026

Application Summary and Process

On July 10, 2026, EPCOR Natural Gas Limited Partnership (ENGLP) applied to the Ontario Energy Board (OEB) under section 36(1) of the *Ontario Energy Board Act, 1998* for changes to its natural gas distribution rates for the Aylmer service area to be effective January 1, 2027 (Application).

In the Application, ENGLP requested the following:

- I. Approval to adjust distribution rates for the Aylmer service area effective January 1, 2027, in accordance with the OEB's Decision and Order in ENGLP's 2026-2029 Rates proceeding (Settlement Decision)¹
- II. Approval to dispose of the balances of certain deferral and variance accounts

On July 31, 2026, the OEB issued a Notice of Hearing. The intervention period ended on August 14, 2026. No persons applied for intervenor status.

Procedural Order No. 1 was issued on August 28, 2026. OEB staff filed written interrogatories on September 11, 2026. ENGLP filed interrogatory responses on September 25, 2026.

¹ EB-2024-0130, Decision and Order, January 14, 2025

OEB Staff Submission

OEB staff provides submissions on ENGLP's proposed price cap adjustment and the proposed disposition of certain deferral and variance accounts.

Price Cap Adjustment

ENGLP seeks to increase its rates, effective January 1, 2027, based on a mechanistic price cap adjustment (PCA) pursuant to the Settlement Decision.² The PCA is calculated using an inflation factor less a productivity factor and a stretch factor.

Based on the Input Price Index (IPI), productivity factor and stretch factor the PCA is 2.55% for 2027 rates as depicted in the table below. OEB staff notes the IPI used is the latest inflation factor published by the OEB.³

Components	Amount
OEB Inflationary Index	3.00%
Productivity Factor	0.00%
Less Stretch Factor	-0.45%
Final Price Cap Adjustment	2.55%

ENGLP proposes that the distribution rates for the Aylmer area be adjusted in accordance with the Settlement Decision through increasing the fixed monthly charge annually by 15% (after inflation) and to correspondingly adjust the volumetric charges to achieve a total projected revenue for the IR year equivalent to the prior year OEB approved revenue increased by the PCA.

Submission

OEB staff submits that ENGLP's Price Cap Adjustment (PCA) calculation in the 2027 rate adjustment is calculated in accordance with the Settlement Decision.

OEB staff does not take issue with increasing the fixed monthly charge annually by 15% (after inflation) and the corresponding volumetric changes as this is done in accordance with the Settlement Decision.

Deferral and Variance Accounts

ENGLP sought approval to dispose of the 2026 year-end balances in certain deferral and variance accounts including the Earning Sharing Mechanism Deferral Account (ESMDA). The total amount sought for recovery from ENGLP Aylmer customers is a

² EB-2024-0130

³ [2027 Inflation Parameters](#), June 11, 2026

debit of \$288,676 (including interest to December 31, 2026⁴) as shown in the table below.

EPCOR Deferral and Variance Account Balances		
<u>Account Acronym</u>	<u>Account Name</u>	<u>Balance with interest to December 31, 2026</u>
PGTVA	Purchased Gas Transportation Variance Account	\$154,088
UFGVA	Unaccounted For Gas Variance Account	\$235,623
ADVADA	Approved Deferral/ Variance Disposal Account	(\$21,816)
ESMDA	Earning Sharing Mechanism Deferral Account	(\$79,219)
Total Deferral Account Balances		\$288,676

Purchased Gas Transportation Variance Account (PGTVA)

The PGTVA records differences between forecasted transportation costs included in ENGLP's approved rates, and the actual transportation costs incurred by ENGLP for Rates 1-5. As the transportation costs are a flow-through to customers, this deferral account ensures that ratepayers pay the actual cost of transportation and that ENGLP does not profit or incur a loss on these costs.

The amount recorded in the PGTVA is debit of \$154,088 including interest to December 31, 2026.

OEB staff notes that the allocation methodology differs slightly from the previously approved methodology in ENGLP's 2026 Aylmer rate application.⁵ The 2026 rate application used a weather normalized volume allocator of the year when the balance accumulated. ENGLP proposes to allocate the balance based on the actual 2025 volumes and to recover the allocated costs from the customers in Rate Classes 1-5.

ENGLP proposes recovering the balance from the customers in Rate Classes 1-5 through the implementation of a twelve-month volumetric rate rider.

Submission

OEB staff submits that the proposed disposition of the PGTVA balance (including interest to December 31, 2026) is appropriate.

OEB staff submits that the proposed allocation methodology better reflects cost causation, as customers who used more natural gas should be assigned a larger share of the balance.

⁴ The Q1 2026 – Q3 2026 carrying charges were calculated using the OEB's prescribed interest rates. The Q4 2026 carrying charges were forecasted using the Q3 2026 prescribed interest rate as a proxy.

⁵ EB-2025-0177

OEB staff notes that the recovery methodology, using a 12-month volumetric rate rider, for the PGTVA is consistent with the approvals in ENGLP's 2026 Aylmer rate application.

Unaccounted for Gas Variance Account (UFGVA)

The purpose of the UFGVA is to record the cost of gas for Rates 1-5 that is associated with volumetric variances between the actual volume of Unaccounted for Gas (UFG) and the OEB-approved UFG forecast included in the determination of rates (0%). The calculated UFG percentage for 2025 was 4% of purchased volumes.

The deferral account has a debit balance of \$235,623 with interest to December 31, 2026.

In response to interrogatories, ENGLP notes that the allocation methodology differs slightly from the previously approved methodology in ENGLP 2026 rate application.⁶ The 2026 rate application used weather normalized volumes of the year when the balance accumulated. ENGLP proposes to allocate the balance based on the actual 2025 volumes and to recover the allocated costs from the customers in Rate Classes 1-5.

ENGLP proposes recovering the balance from the customers in Rate Classes 1-5 through the implementation of a twelve-month volumetric rate rider.

Submission

OEB staff submits that the proposed disposition of the UFGVA balance (including interest to December 31, 2026) is appropriate.

OEB staff submits that the proposed allocation methodology reflects the cost causation, as customers who used more natural gas should be assigned a larger share of the balance.

OEB staff notes that the recovery methodology, using a 12-month volumetric rate rider, for the UFGVA is consistent with the approvals in ENGLP 2026 Aylmer's rate application.

Approved Deferral/ Variance Disposal Account (ADVADA)

The Approved Deferral/Variance Disposal Account (ADVADA) records all deferral and variance account balances that have been approved for disposition or recovery. ENGLP accounts for this balance in the same manner as Account 1595 (Disposition and Recovery/Refund of Regulatory Balances Control Account). Deferral and variance account balances, which have been approved for disposition by the OEB, will be

⁶ ENGLP response to interrogatories, September 28, 2026, OEB Staff- 3, f

transferred into the ADVADA and appropriate sub-account (categorized based on the year of disposition).

The account has a credit balance of \$21,816 with interest to December 31, 2026. ENGLP is proposing to allocate the balance to customers in Rate Classes 1-5 based on the 2021-2023 actual volumes, which reflects the period when the balances accumulated. ENGLP proposes a twelve-month volumetric rate rider commencing on January 1, 2027 to dispose of the balance.

Submission

OEB staff submits that the proposed disposition of the ADVADA balance (including interest to December 31, 2026) is appropriate.

OEB staff notes that the recovery methodology for the ADVADA are consistent with the approvals in ENGLP's 2021 Aylmer rate application.⁷

Earnings Sharing Mechanism Deferral Account (ESMDA)

Pursuant to the Settlement Decision, an asymmetrical Earnings Sharing Mechanism (ESM) is triggered in the event the utility's annual return on equity (ROE) exceeds the approved ROE (9.00%) by more than 150 basis points.

ENGLP's 2025 annual return on equity (ROE) was 298 basis points above the OEB-approved ROE of 9.00%, and as a result the ESM has been triggered and 50% of the earning is eligible to be shared with customers. The resulting amount to be shared with customers is \$79,219 including interest to December 31, 2026.

ENGLP stated that the elevated ROE was caused by a decrease in OM&A cost, which includes an increase in capital transfer, lower meter reading costs and lower budgeted one-time costs (e.g. regulatory preparation costs and project specific work) that were not incurred.

ENGLP also requested to allocate the balance of the 2025 ESMDA based on the revenue requirement allocator. ENGLP stated that this allocation methodology is suitable to "combine both what was approved in the cost of service, while also factoring in customer deviations from the test year customer and volume assumptions."⁸

In interrogatories, OEB staff requested that ENGLP also show the balance allocated based on the 2024 Cost of Service "Distribution Revenue" allocator.⁹ OEB staff notes that the difference between the proposed allocation and the allocation requested in the

⁷ EB-2020-0234, Decision and Order, January 28, 2021

⁸ ENGLP response to interrogatories, September 28, 2026, OEB Staff- 1, d

⁹ ENGLP response to interrogatories, September 28, 2026, OEB Staff- 1, g-h

interrogatories is very small.

ENGLP proposed a 12-month volumetric rate rider. In response to OEB staff interrogatories, ENGLP explained that as the “approved rate design includes a larger variable component than fixed (excluding Rate 6, which is 100% fixed), a common approach of using a variable rate rider was proposed for Rates 1-5.”¹⁰

Submission

OEB staff reviewed the calculations and supporting documentation provided in the Application and interrogatory responses. OEB staff submits that the ESMDA balance is properly calculated.

OEB staff submits that ENGLP could clarify if the proposed allocation methodology is an updated allocation based on the “Distribution Revenue” allocator found in EB-2024-0130 which was asked about in OEB staff interrogatories.¹¹

OEB staff further submits that the proposed 12-month volumetric rate rider for Rates 1-5 and fixed rate rider for Rate 6 is appropriate to dispose of the balance in the ESMDA.

~All of which is respectfully submitted~

¹⁰ ENGLP response to interrogatories, September 28, 2026, OEB Staff- 1, f

¹¹ ENGLP response to interrogatories, September 28, 2026, OEB Staff- 1, g-h