



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

Ontario

DECISION AND ORDER

EB-2019-0101

EPCOR Natural Gas Limited Partnership (Aylmer Operation)

2019 Federal Carbon Pricing Program Application

BEFORE: Lynne Anderson
Presiding Member

Michael Janigan
Member

Susan Frank
Member

July 18, 2019

1 INTRODUCTION

EPCOR Natural Gas Limited Partnership (EPCOR Gas) seeks Ontario Energy Board (OEB) approval under section 36(1) of the *Ontario Energy Board Act, 1998* to increase rates to recover costs associated with meeting its obligations under the federal *Greenhouse Gas Pollution Pricing Act* (GGPP Act).

The GGPP Act establishes a federal carbon pricing program (FCPP)¹ under which EPCOR Gas is required:²

- To pay the Federal Carbon Charge of 3.91 ¢/m³ to the federal government for volumes of natural gas that EPCOR Gas delivers to its residential, commercial and industrial customers³ starting April 1, 2019
- To pay the Federal Carbon Charge of 3.91 ¢/m³ to the federal government for company use volumes (such as distribution buildings and natural gas vehicle (NGV) fleet) starting April 1, 2019

EPCOR Gas is seeking approval of the following accounts⁴:

1. Greenhouse Gas Emissions Administration Deferral Account (GGEADA) effective January 1, 2019
2. Federal Carbon Charge – Customer Variance Account (FCCCVA) effective April 1, 2019
3. Federal Carbon Charge – Facility Variance Account (FCCFVA) effective April 1, 2019

In this Decision and Order, the OEB considers recovery of EPCOR Gas' costs related to the FCPP, the establishment of accounts to record those costs, the presentation of the carbon charges on customers' natural gas bills, and communications with customers about the FCPP. The OEB has generally found the proposals by EPCOR Gas reasonable and the OEB has made one requirement regarding bill messaging as set out below. The OEB will require EPCOR Gas to file revised complete tariff sheets in accordance with this Decision and Order.

¹ This is also referred to as the federal carbon pollution pricing system, <https://www.canada.ca/en/revenue-agency/campaigns/pollution-pricing.html>

² EPCOR Gas indicated that it is not a prescribed industrial facility under the GGPP Act and therefore it is not covered under the Output-Based Pricing System (OBPS).

³ Customers that are covered under Part I of the GGPP Act.

⁴ Argument-in-Chief, p. 8.

2 PROCESS

EPCOR Gas filed an application with the OEB on March 8, 2019, seeking approval to increase rates to recover costs associated with meeting their obligations under the GGPP Act.

On April 1, 2019, the OEB issued an Interim Decision and Order denying EPCOR Gas' request to use its existing greenhouse gas accounts established under the now-discontinued provincial cap and trade program to track costs related to the GGPP Act. Instead, the OEB approved, on an interim basis, the establishment of three new accounts to capture administration costs and customer-related and facility-related variances. The OEB also denied interim rates as of April 1, 2019, stating that it would consider the comments of stakeholders and submissions of parties prior to making a determination on any new charges and related bill presentation issues.⁵

On April 8, 2019, the OEB issued a Notice of Hearing for this proceeding.

On May 1, 2019, the OEB issued Procedural Order No. 1 (PO 1), which set out dates for written interrogatories and submissions in this proceeding. Also in PO 1, the OEB determined that the scope of the proceeding would be limited to considering recovery of EPCOR Gas' costs related to the FCPP and the presentation of the carbon charges on customers' natural gas bills. The OEB stated that it would not be considering additional measures that EPCOR Gas should undertake to reduce either customer-related or facility-related emissions as an issue for adjudication. The OEB also indicated that it would not be approving the forecast administration costs in this proceeding.

No parties were granted intervenor status in the proceeding.⁶ OEB staff filed interrogatories and a written submission as provided for in PO 1.

⁵ Interim Decision and Order, April 1, 2019, p. 4.

⁶ In PO 1, the OEB denied a request from the Building Owners and Managers Association, Greater Toronto (BOMA) for intervenor status on the basis that BOMA had not demonstrated that it had a substantial interest in this proceeding.

3 DECISION

General Background

Summary of Findings

The OEB has generally found the proposals by EPCOR Gas reasonable. As discussed below, the OEB directs EPCOR Gas to include a bill message to help inform customers about the new charge.

As noted by the OEB in Procedural Order No. 1, the FCPP is relatively new and has been subject to amendments and updates. The OEB has considered this context in reaching the findings that follow on each aspect of EPCOR Gas' implementation of its obligations under the GGPP Act.

Proposed Rates

The 2019 customer-related volume forecast subject to the GGPP Act is 16,191,551 m³.⁷ EPCOR Gas indicated that the customer-related volumetric forecast was based on EPCOR Gas' 2020 cost-of-service application⁸ which was weather normalized and prepared by Elenchus Research Associates Inc.⁹

The 2019 facility-related volume forecast subject to the GGPP Act is 27,023 m³.¹⁰

EPCOR Gas applied the 2019 unit cost of carbon of \$20 per tonne of carbon dioxide equivalent or 3.91 cents/cubic meter (¢/m³) to the 2019 customer-related and facility-related volume forecasts. The resulting total forecast cost is \$635,203 (\$634,146 + \$1,057) for 2019.¹¹

OEB staff had no issues with respect to the customer-related and facility-related volumetric forecasts subject to the GGPP Act or the unit cost of carbon used for 2019.

⁷ EPCOR Gas updated its customer-related volumetric forecast in its Argument-in-Chief as it received an Exemption Certificate from one of its customers, pp. 5-6.

⁸ EB-2019-0336.

⁹ Ex B, T1, S1, p. 1.

¹⁰ Ex B, T1, S1, p. 2.

¹¹ Argument-in-Chief, pp. 5-6.

Findings

The OEB approves the charges proposed by EPCOR Gas for the 2019 Federal Carbon Charge (customer-related) and the 2019 Facility Carbon Charge.¹² The bill presentment of these charges is addressed below. The OEB requires EPCOR Gas to file revised complete tariff sheets to reflect the charges that have been approved.

The OEB approves EPCOR Gas' proposal to charge customers the 2019 Federal Carbon Charge and the 2019 Facility Carbon Charge on a volumetric basis. As the costs are incurred on a volumetric basis, the OEB concludes that recovery on a volumetric basis is appropriate.

The OEB also approves EPCOR Gas' 2019 volume forecasts for the purposes of calculating the forecast carbon costs for the FCPP. EPCOR Gas used a methodology for forecasting volumes that has been approved by the OEB.¹³ The OEB notes that the variance accounts discussed in a subsequent section ensure that customers ultimately pay the actual amounts of the Federal Carbon Charge and Facility Carbon Charge only.

Customer Engagement and Bill Presentment/Messaging

EPCOR Gas indicated that if this application is approved, EPCOR Gas will inform customers of the changes to their rates and billing to implement the 2019 Federal Carbon Charge and the 2019 Facility Carbon Charge through the following communication channels: bill inserts, bill notices, newspaper advertisement, media messaging, website content and customer Service staff script (customer FAQs)¹⁴.

In terms of bill presentment, EPCOR Gas stated that the 2019 Federal Carbon Charge of 3.91 ¢/m³ on volumes delivered to its residential, commercial and industrial customers¹⁵ will be shown as a separate line item on customers' bills.¹⁶

¹² The 2019 Facility Carbon Charge is the 2019 Federal Carbon Charge applied to EPCOR Gas' company use volumes (such as distribution buildings and NGV fleet).

¹³ EB-2018-0336, Decision and Interim Rate Order, July 4, 2019.

¹⁴ In its application EPCOR Gas stated that the communications methods to be used included bill inserts, bill messaging and webpage content. The list of communications channels was expanded as part of OEB-STAFF-7.

¹⁵ Customers that are covered under Part I of the GGPP Act.

¹⁶ Ex E, T1, S2, p. 2.

EPCOR Gas also stated that the 2019 Facility Carbon Charge on company use volumes (such as distribution buildings¹⁷ and NGV fleet) will be included in the delivery or transportation charges on customers' bills.¹⁸

OEB staff supported EPCOR Gas' bill presentment proposals.

Findings

While it appears that EPCOR is not seeking the OEB's approval for bill presentment, the OEB has determined that it is appropriate for it to establish how charges related to the FCPP will appear on customer bills. This is consistent with the approach taken in relation to bill presentment of the compliance costs for the cap and trade program that has now been cancelled.

The OEB accepts EPCOR Gas' proposal to present the Federal Carbon Charge (customer-related) as a separate line on the bill and to include the Facility Carbon Charge as part of the delivery charge.

Having the Federal Carbon Charge (customer-related) set out as a separate line on the bill will allow a customer to reconcile the amount on their bill to the legislated charge for carbon more easily.

To help inform customers about the new charge, the OEB is requiring EPCOR Gas to include the following bill message for a period of six months:

The Federal Carbon Charge on this bill relates to the federal carbon pricing program.

Variance and Deferral Accounts

EPCOR Gas stated that it is seeking final approval of the following accounts:

- Greenhouse Gas Emissions Administration Deferral Account effective January 1, 2019 (GGEADA)
- Federal Carbon Charge – Customer Variance Account (FCCCVA) effective April 1, 2019
- Federal Carbon Charge – Facility Variance Account (FCCFVA) effective April 1, 2019¹⁹

¹⁷ EPCOR Gas has also included unaccounted-for-gas (UFG) in its Facility Carbon Charge. However, at this time EPCOR Gas has assumed UFG to be zero.

¹⁸ Ex E, T1, S1, p. 2.

¹⁹ Interim Decision and Order, April 1, 2019, p. 5.

Also, EPCOR Gas indicated that it intends to seek disposition of its 2019 administration costs as part of its annual Price Cap IR application.²⁰

OEB staff submitted that the OEB should approve the three new accounts. Also, OEB staff submitted that it expects EPCOR Gas would be filing annual FCPP-related applications. As a result, EPCOR Gas should dispose of the 2019 balances (which would include GGEADA, FCCCVA, FCCFVA) as part of a future FCPP application so that all FCPP-related costs and balances are reviewed in the same proceeding.

EPCOR Gas indicated that it had no concerns with OEB staff's suggestion that balances should be disposed of as part of a FCPP application. It further indicated that it will await the OEB's directions regarding the disposition of 2019 costs, whether it be through the annual Price Cap IR application, a FCPP-specific application, or such other application or process as the OEB directs.²¹

Findings

The interim FCCCVA, FCCFVA are final effective April 1, 2019. OEB staff had no objections to the establishment of these accounts on a final basis to record the difference (variance) between costs and amounts collected from customers.

The OEB also approves the establishment of a GGEADA on a final basis effective January 1, 2019. The OEB approves the accounting orders attached as Appendix A to this Decision and Order.

In terms of the future disposition of the 2019 balances in these accounts, the OEB expects EPCOR Gas to file an application to update customer rates for future legislated changes to the carbon charges in order to minimize variances. The OEB also expects any applications to dispose of the deferral account and variance accounts to be done in conjunction with any such rate application. This could include the disposition of the variance accounts on an interim basis if audited balances are not yet available when there are legislated changes to the carbon charges. The OEB would expect administration costs to be audited.

Implementation

The OEB orders EPCOR Gas to implement the FCPP charges effective August 1, 2019.

²⁰ OEB-STAFF-3.

²¹ Reply submission.

4 DECISION

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The charges in Exhibit E, Tab 3, Schedule 1 for the Federal Carbon Charge (customer-related) and Facility Carbon Charge are approved.
2. EPCOR Gas shall file draft complete tariff sheets reflecting this Decision and Order by July 24, 2019.
3. OEB staff may file any comments on the draft tariff sheets by no later than July 26, 2019. If OEB staff does not file any comments, the tariff sheets filed by EPCOR Gas will be made final.
4. EPCOR Gas may file a reply to any comments filed by OEB staff by July 30, 2019.
5. EPCOR Gas shall include bill messaging on customer bills in accordance with this Decision and Order.
6. EPCOR Gas shall present the Federal Carbon Charge (customer-related) and the Facility Carbon Charge on customer bills in accordance with this Decision and Order.
7. The Accounting Orders attached as Appendix A to this Decision and Order are approved.

DATED at Toronto July 18, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A
DECISION AND ORDER
EPCOR NATURAL GAS LIMITED PARTNERSHIP
FEDERAL CARBON PRICING PROGRAM
ACCOUNTING ORDERS
EB-2019-0101
JULY 18, 2019

EPCOR NATURAL GAS LIMITED PARTNERSHIP
Accounting Order
Greenhouse Gas Emissions Administration Deferral Account
(GGEADA)

The purpose of the GGEADA is to record the administrative costs associated with the impacts of the Greenhouse Gas Pollution Pricing Act (GGPPA) for EPCOR Gas' Aylmer Operation.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner approved by the OEB.

Accounting Entries

To record the GGPPA administrative costs:

Debit/Credit	GGEADA	(Account 179.60)
Credit/Debit:	Various accounts	(Account _____.____)

To record the administrative costs associated with the impact of the GGPPA.

Interest accrual:

Debit/Credit:	Interest on GGEADA	(Account 179.61)
Credit/Debit:	Interest expense	(Account 323)

To record simple interest on the opening monthly balance of the GGEADA using the OEB approved EB-2006-0117 interest rate methodology.

EPCOR NATURAL GAS LIMITED PARTNERSHIP
Accounting Order
Federal Carbon Charge – Customer Variance Account (FCCCVA)

The purpose of the FCCCVA is to address costs for EPCOR Gas' Aylmer operation arising from the obligations resulting from the Greenhouse Gas Pollution Pricing Act (GGPPA) associated with the natural gas that EPCOR Gas delivers to its customers. This account will record the variances between EPCOR Gas' actual customer-related GGPPA costs and customer-related GGPPA costs recovered in rates for distribution volumes delivered by EPCOR Gas.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner approved by the OEB.

Accounting Entries

To record the GGPPA customer related costs:

Debit/Credit	FCCCVA	(Account 179.62)
Credit/Debit:	Gas Sales	(Account 529)

To record variances between EPCOR Gas' actual customer-related GGPPA costs and customer-related GGPPA costs recovered in rates for distribution volumes delivered to customers.

Interest accrual:

Debit/Credit:	Interest on FCCCVA	(Account 179.63)
Credit/Debit:	Interest expense	(Account 323)

To record simple interest on the opening monthly balance of the FCCCVA using the OEB approved EB-2006-0117 interest rate methodology.

EPCOR NATURAL GAS LIMITED PARTNERSHIP
Accounting Order
Federal Carbon Charge – Facility Variance Account (FCCFVA)

The purpose of the FCCFVA is to address costs for EPCOR Gas' Aylmer operation arising from the obligations resulting from the Greenhouse Gas Pollution Pricing Act (GGPPA) associated with EPCOR Gas' facilities (i.e., its company use volumes) for its Aylmer operation. This account will record the differences between actual facility-related GGPPA costs and facility-related GGPPA costs recovered in rates.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner approved by the OEB.

Accounting Entries

To record the GGPPA customer related costs:

Debit/Credit	FCCFVA	(Account 179.64)
Credit/Debit:	Gas Sales	(Account 529)

To record variances between EPCOR Gas' actual facility-related GGPPA costs and facility-related GGPPA costs recovered in rates.

Interest accrual:

Debit/Credit:	Interest on FCCFVA	(Account 179.65)
Credit/Debit:	Interest expense	(Account 323)

To record simple interest on the opening monthly balance of the FCCFVA using the OEB approved EB-2006-0117 interest rate methodology.