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

RATE ORDER

EB-2018-0264

EPCOR Natural Gas Limited Partnership Application for Rates and Charges – 2019 to 2028 (Southern Bruce)

BEFORE: **Lynne Anderson**
Presiding Member

Robert Dodds
Member & Vice-Chair

Cathy Spoel
Member

January 9, 2020

INTRODUCTION

EPCOR Natural Gas Limited Partnership[1] filed a custom incentive rate-setting application with the Ontario Energy Board (OEB) on April 11, 2019 under section 36 of the *Ontario Energy Board Act*, *1998*, seeking approval for gas distribution rates to be effective January 1, 2019 and for each following years through to December 31, 2028. The application was to provide first-time natural gas service to communities within the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss in South Bruce.

EPCOR Southern Bruce and intervenors reached a settlement on some of the issues in the proceeding. A settlement proposal was filed with the OEB on September 13, 2019. The OEB issued a decision on October 3, 2019 accepting the settlement proposal and scheduled a written process to address the unsettled issues.

On November 28, 2019, the OEB issued its decision on the unsettled issues and directed EPCOR Southern Bruce to file a draft rate order reflecting the OEB's findings.[2] There were no changes to the proposed rates as a result of the settlement proposal or the OEB's decision on the unsettled issues. However, the OEB did reduce the requested revenue deficiency to address the delay in the connection of customers (from the requested $1.764 million to $1.32 million). EPCOR Southern Bruce filed a draft rate order on December 11, 2019, that included draft rate schedules, draft accounting orders, bill impacts and derivation of rate riders to recover the revenue deficiency related to the delay in connecting customers.

OEB staff filed comments on the draft rate order on December 17, 2019. OEB staff was satisfied with the calculation of rates and the accounting orders, but sought clarification from EPCOR Southern Bruce regarding the calculation of the rate riders to recover the revenue deficiency related to the delay in connecting customers. OEB staff noted that the volumes used in the calculation of the rate riders was different from that included in the application and the Common Infrastructure Plan (CIP) submitted in the franchise competition proceeding.[3]

[1] EPCOR Southern Bruce
[2] Decision and Order, EB-2018-0264, November 28, 2019.
[3] EB-2016-0137/0138/0139

In reply, EPCOR Southern Bruce noted that the updated 10-year volume of 332 million cubic metres was used in Exhibit 6 of the application to calculate the proposed rate riders and the same number has been used in the draft rate order. EPCOR Southern Bruce further clarified that the initial 10-year volume in the CIP did not take into account the impact of the delay in approval of the leave to construct application.

OEB FINDINGS

The OEB has reviewed the draft rate schedules, accounting orders and the calculation of the rate riders, and approves them as filed. The OEB is satisfied with the explanation of EPCOR Southern Bruce regarding the volumes used to calculate rate riders to recover the revenue deficiency related to the delay in connecting customers.

ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The rate changes set out in Schedule A shall be made final effective January 1, 2019.

2. EPCOR Southern Bruce shall establish the following Deferral and Variance Accounts as set forth in Schedule B.
   a. Purchased Gas Commodity Variance Account
   b. Gas Purchase Rebalancing Account
   c. Storage and Transportation Variance Account for Rates 1, 6 and 11
   d. Transportation Variance Account for Rate 16
   e. Unaccounted for Gas Variance Account
   f. Greenhouse Gas Emissions Administration Deferral Account
   g. Federal Carbon Charge – Customer Variance Account
   h. Federal Carbon Charge – Facility Deferral/Variance Account
   i. Municipal Tax Variance Account
   j. Energy Content Variance Account
   k. Contribution in Aid of Construction Variance Account
   l. External Funding Variance Account

3. EPCOR Southern Bruce shall inform all customers about the rate change with the first bill or invoice reflecting the new rates.

DATED at Toronto, January 9, 2020

ONTARIO ENERGY BOARD

Original signed by

Christine E. Long
Registrar and Board Secretary

EPCOR NATURAL GAS LP

RATE ORDER
(Southern Bruce)

SCHEDULE A

RATE SCHEDULES

JANUARY 9, 2020

EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 1 - General Firm Service

Applicability
Any customer in EPCOR's Southern Bruce Natural Gas System who is an end user and whose total gas requirements are equal to or less than 10,000 m^3 per year.

Rate
Rates per m^3 assume an energy content of 38.89MJ/m^3.

Bills will be rendered monthly and shall be the total of:

Monthly Fixed Charge[(1)]	$26.00	
Delivery Charge		
First 100 m^3 per month	26.7948	¢ per m^3
Next 400 m^3 per month	26.2670	¢ per m^3
Over 500 m^3 per month	25.4911	¢ per m^3
Upstream Charges		
Upstream Recovery charge	1.4740	¢ per m^3
Transportation and Storage charge	2.6982	¢ per m^3
Rate Rider for Delay in Revenue Recovery - effective for 10 years ending December 31, 2028	1.6330	¢ per m^3
Federal Carbon Charge (if applicable)	3.9100	¢ per m^3
Gas Supply Charge	11.5114	¢ per m^3

[(1)]Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Direct Purchase Delivery
Where a customer elects under this Rate Schedule to directly purchase its gas from a supplier other than EPCOR, the supplier must qualify as a "gas marketer" under the *Ontario Energy Board Act, 1998*, and must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**"). T-Service Receipt Contract rates are described in Rate Schedule T1. Transportation and Storage charges may vary depending on the Ontario Delivery Point. Gas Supply Charges in this Rate Schedule are not applicable for Rate T1 customers.

Terms and Conditions of Service
The provisions in the "EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service" apply, as contemplated therein, to service under this Rate Schedule.

Effective: January 1, 2019
Implementation: All bills rendered on or after January 1, 2019
EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 6 – Large Volume General Firm Service

Applicability
Any customer in EPCOR's Southern Bruce Natural Gas System who is an end user and whose total gas requirements are greater than 10,000 m^3 per year.

Rate
Rates per m^3 assume an energy content of 38.89MJ/m^3.

Bills will be rendered monthly and shall be the total of:

Monthly Fixed Charge[(1)]	$103.00	
Delivery Charge		
First 1,000 m^3 per month	24.7189	¢ per m^3
Next 6,000 m^3 per month	22.2470	¢ per m^3
Over 7,000 m^3 per month	21.1346	¢ per m^3
Upstream Charges		
Upstream Recovery charge	2.9200	¢ per m^3
Transportation and Storage charge	5.6413	¢ per m^3
Rate Rider for Delay in Revenue Recovery - effective for 10 years ending December 31, 2028	0.9090	¢ per m^3
Federal Carbon Charge (if applicable)	3.9100	¢ per m^3
Gas Supply Charge	11.5114	¢ per m^3

(1)Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Direct Purchase Delivery
Where a customer elects under this Rate Schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**"). T-Service Receipt Contract rates are described in Rate Schedule T1. Transportation and Storage charges may vary depending on the Ontario Delivery Point. Gas Supply Charges in this Rate Schedule are not applicable for Rate T1 customers.

Terms and Conditions of Service
The provisions in the "EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service" apply, as contemplated therein, to service under this Rate Schedule.

Effective: January 1, 2019
Implementation: All bills rendered on or after January 1, 2019
EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 11 - Large Volume Seasonal Service

Applicability

Any customer in EPCOR's Southern Bruce Natural Gas System who is an end user and whose gas requirements are only during the period of May 1 through December 15 inclusive and are greater than 10,000 m^3.

Rate

Rates per m^3 assume an energy content of 38.89MJ/m^3.

Bills will be rendered monthly and shall be the total of:

	May 1 through December 15	
Monthly Fixed Charge[1]	$205.00	
Delivery Charge		
All volumes delivered	15.3546	¢ per m^3
Upstream Charges		
Upstream Recovery charge	0.0352	¢ per m^3
Transportation and Storage charge	1.8166	¢ per m^3
Rate Rider for Delay in Revenue Recovery - effective for 10 years ending December 31, 2028	0.5524	¢ per m^3
Federal Carbon Charge (if applicable)	3.9100	¢ per m^3
Gas Supply Charge	11.5114	¢ per m^3

[1]Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Unaccounted for Gas (UFG):

Forecasted UFG is applied to all volumes of gas delivered to the customer.

Forecasted Unaccounted for Gas Percentage 0.00 %

Overrun Charges:

Any volume of gas taken during the period of December 16 through April 30 inclusive shall constitute "Overrun Gas" and must be authorized in advance by EPCOR. Delivery of these volumes is available at the Authorized Overrun Charge in addition to applicable Upstream Charges and Gas Supply Charges. EPCOR will not unreasonably withhold authorization.

Authorized Overrun Charge 16.0000 ¢ per m^3

Any volume of gas taken during the period of December 16 through April 30 inclusive without EPCOR's approval in advance shall constitute "Unauthorized Overrun Gas". Delivery of these volumes will be paid for at the Unauthorized Overrun Charge in addition to applicable Upstream Charges and Gas Supply Charges.

Unauthorized Overrun Charge 388.9000 ¢ per m^3

For any volume of Unauthorized Overrun Gas taken, the customer shall, in addition, indemnify EPCOR in respect of any penalties or additional costs imposed on EPCOR by its suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

Nominations:
Union Gas Limited will be the "Upstream Service Provider" to facilitate delivery and balancing of gas supplies to the EPCOR Southern Bruce Natural Gas System. For service under this Rate Schedule, the customer shall nominate for transportation of gas volumes for ultimate delivery to the customer. The customer agrees to nominate its daily gas volumetric requirement to EPCOR, or its designated agent, consistent with industry nomination standards including those nomination requirements of the Upstream Service Provider.

The customer shall nominate gas delivery daily based on its daily gas requirements plus the Forecasted UFG rate as set out in this Rate Schedule.

The nomination calculation shall equal:
[(Daily volume of gas to be delivered) * (1 + Forecasted UFG)]

Customers may change daily nominations based on the nomination windows within a day as defined by EPCOR's agreement with the Upstream Service Provider.

In the event nominations under this Rate Schedule do not match upstream nominations, the nomination will be confirmed at the upstream value.

Customers with multiple connections under this Rate Schedule may combine nominations at the sole discretion of EPCOR. For combined nominations the customer shall specify the quantity of gas to each meter installation ("Terminal Location") and the order in which the gas is to be delivered to each Terminal Location.

Load Balancing:
Daily nominations provided by the customer shall be used for the purposes of day-to-day balancing as required under EPCOR's arrangement with the Upstream Service Provider.

When a customer's metered consumption on any day is different than the gas nominated for consumption by the customer on any day, this constitutes a "Daily Load Imbalance". A "Cumulative Load Imbalance" occurs when the ongoing absolute value of Daily Load Imbalances are greater than zero.

To the extent that EPCOR incurs daily or cumulative load balancing charges, the customer will be responsible for its proportionate share of such charges. Charges related to these imbalances are as defined in EPCOR's agreement with the Upstream Service Provider.

Direct Purchase Delivery
Where a customer elects under this Rate Schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**"). T-Service Receipt Contract rates are described in Rate Schedule T1. Transportation and Storage charges may vary depending on the Ontario Delivery Point. Gas Supply Charges in this Rate Schedule are not applicable for Rate T1 customers.

Terms and Conditions of Service
1. In any year, during the period of May 1 through December 15 inclusive, the customers shall receive continuous ("**Firm**") service from EPCOR, except where impacted by events as specified in EPCOR Natural Gas Limited

Partnership Southern Bruce Natural Gas Operations Conditions of Service including force majeure. During the period of December 16 through April 30 inclusive, any authorized overrun service shall be interruptible at the sole discretion of EPCOR. All service during the period December 16 through April 30 inclusive shall be subject to EPCOR's prior authorization under the daily nomination procedures outlined in this Rate Schedule and shall constitute Overrun Gas.

2. To the extent that EPCOR's Upstream Service Provider provides any seasonal or day-to-day balancing rights for EPCOR, the customer shall be entitled to a reasonable proportion of such balancing rights as determined by EPCOR from time to time. If the customer utilizes any of EPCOR's seasonal or day-to-day balancing services or any other services available from the Upstream Service Provider, the customer agrees to comply with all balancing requirements imposed by the Upstream Service Provider. The customer also agrees to be liable for its share of any such usage limitations or restrictions, fees, costs or penalties associated with the usage of such services, including but not limited to any associated storage fees, daily or cumulative balancing fees or penalties, and gas commodity costs as determined by EPCOR, acting reasonably.

3. EPCOR receives upstream services under the Union Gas Limited M17 Rate Schedule. Details of this upstream arrangement and associated nomination standards and Load Balancing Arrangement are available at www.uniongas.com.

4. The provisions in the "EPCOR Natural Gas Limited Partnership Southern Bruce Natural Gas Operations Conditions of Service" apply, as contemplated therein, to service under this Rate Schedule.

Effective: January 1, 2019
Implementation: All bills rendered on or after January 1, 2019
EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 16 – Contracted Firm Service

Applicability
Any customer connected directly to EPCOR's Southern Bruce Natural Gas High Pressure Steel System and who enters into a contract with EPCOR for firm contract daily demand of at least 2,739m^3.

Rate
Rates per m^3 assume an energy content of 38.89MJ/m^3.

Bills will be rendered monthly and shall be the total of:

Monthly Fixed Charge[(1)]	$1,501.00	
Delivery Charge		
Per m^3 of Contract Demand	102.3139	¢ per m^3
Upstream Charges		
Upstream Recovery charge per m3 of Contract Demand	14.2434	¢ per m^3
Transportation charge per m3 of Contract Demand		
Transportation from Dawn	18.2999	¢ per m^3
Transportation from Kirkwall	11.8480	¢ per m^3
Transportation from Parkway	11.8480	¢ per m^3
Rate Rider for Delay in Revenue Recovery - effective for 10 years ending December 31, 2028	0.0601	¢ per m^3
Federal Carbon Charge (if applicable)	3.9100	¢ per m^3

[(1)]Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Unaccounted for Gas:
Forecasted Unaccounted for Gas (UFG) is applied to all volumes of gas delivered to the customer.

Forecasted Unaccounted for Gas Percentage	0.00	%

Overrun Charges:
Any volume of gas taken in excess of the daily Contract Demand or Peak Hourly Volume EPCOR is obligated to transport as per the contract with the customer shall constitute "Overrun Gas" and must be authorized in advance by EPCOR. Delivery of these volumes is available at the Authorized Overrun Charge in addition to applicable Upstream Charges. EPCOR will not unreasonably withhold authorization.

Authorized Overrun Charge	5.0000	¢ per m^3

Any volume of gas taken in excess of the daily Contract Demand or Peak Hourly Volume EPCOR is obligated to transport as per the contract with the customer without EPCOR's approval in advance shall constitute "Unauthorized

Overrun Gas". Delivery of these volumes will be paid for at the Unauthorized Overrun Charge in addition to applicable Upstream Charges.

Unauthorized Overrun Charge	389.0000	¢ per m^3

For any volume of Unauthorized Overrun Gas taken, the customer shall, in addition, indemnify EPCOR in respect of any penalties or additional costs imposed on EPCOR by its suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

Nominations:

Union Gas Limited will be the "Upstream Service Provider" to facilitate delivery and balancing of gas supplies to the EPCOR Southern Bruce Natural Gas System. For service under this Rate Schedule, the customer shall nominate for transportation of gas volumes for ultimate delivery to the customer. The customer agrees to nominate its daily gas volumetric requirement to EPCOR, or its designated agent, consistent with industry nomination standards including those nomination requirements of the Upstream Service Provider.

The customer shall nominate gas delivery daily based on its daily gas requirements plus the Forecasted UFG rate and Fuel Ratio. The Forecasted UFG rate is as set out in this Rate Schedule. The Fuel Ratio is the Shipper Supplied Fuel rates applicable to the receipt point of gas defined in the "Gas Supply" section of this Rate Schedule.

The nomination calculation shall equal:
[(Daily volume of gas to be delivered) * (1 + Forecasted UFG) * (1 + Fuel Ratio)]

Customers may change daily nominations based on the nomination windows within a day as defined by EPCOR's agreement with the Upstream Service Provider.

In the event nominations under this Rate Schedule do not match upstream nominations, the nomination will be confirmed at the upstream value.

Customers with multiple connections under this Rate Schedule may combine nominations at the sole discretion of EPCOR. For combined nominations the customer shall specify the quantity of gas to each meter installation ("Terminal Location") and the order in which the gas is to be delivered to each Terminal Location.

Load Balancing:

Daily nominations provided by the customer shall be used for the purposes of day-to-day balancing as required under EPCOR's arrangement with the Upstream Service Provider.

When a customer's metered consumption on any day is different than the gas nominated for consumption by the customer on any day, this constitutes a "Daily Load Imbalance". A "Cumulative Load Imbalance" occurs when the ongoing absolute value of Daily Load Imbalances are greater than zero.

To the extent that EPCOR incurs daily or cumulative load balancing charges, the customer will be responsible for its proportionate share of such charges. Charges related to these imbalances are as defined in EPCOR's agreement with the Upstream Service Provider.

Gas Supply:

Unless otherwise authorized by EPCOR, customers under this Rate Schedule must deliver firm gas at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**"). The customer or their agent must enter into a T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. T-Service Receipt Contract rates are described in Rate Schedule T1.

The customer must deliver to EPCOR on a daily basis the volume of gas to be delivered to the customer's Terminal Location plus the Forecasted UFG rate and Fuel Ratio. Transportation charges vary depending on the Ontario Delivery

Point at the rates provided in this Rate Schedule. The Forecasted UFG rate is as set out in this Rate Schedule, and the Fuel Ratio is the Shipper Supplied Fuel rates of the Ontario Delivery Point related to necessary compressor or other fuel requirements of the Upstream Service Provider.

The Gas Supply calculation shall equal:
[(Daily volume of gas to be delivered) * (1 + Forecasted UFG) * (1 + Fuel Ratio)]

Terms and Conditions of Service

1. EPCOR receives upstream services under the Union Gas Limited M17 Rate Schedule. Details of this upstream arrangement and associated nomination standards, applicable Fuel Ratio, and Load Balancing Arrangement are available at www.uniongas.com.

2. The provisions in the "EPCOR Natural Gas Limited Partnership General Terms and Conditions for Rate 16 Customers" apply, as contemplated therein, to service under this Rate Schedule.

Effective: January 1, 2019
Implementation: All bills rendered on or after January 1, 2019
EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE T1 – Direct Purchase Contract Rate

Availability

Rate T1 is available to all customers or their agent who enter into a T-Service Receipt Contract for delivery of gas to EPCOR. The availability of this option is subject to EPCOR obtaining a satisfactory agreement or arrangement with EPCOR's Upstream Service Provider for direct purchase volume.

Eligibility

All customers who must, or elect to, purchase gas directly from a supplier other than EPCOR. These customers must enter into a T-Service Receipt Contract with EPCOR either directly or through their agent, for delivery of gas to EPCOR at a receipt point listed on the upstream transportation contract that EPCOR has with the Upstream Service Provider ("**Ontario Delivery Point**").

Rate

All charges in the customer's appropriate Rate Schedule excluding Gas Supply Charge shall apply. Applicable Transportation and Storage charges are determined based on the Ontario Delivery Point.

In addition, administration fees apply to customers who elect to enter into a T-Service Receipt Contract with EPCOR and are detailed in the Direct Purchase Contract with the customer or its agent.

For gas delivered to EPCOR at any point other than the Ontario Delivery Point, EPCOR will charge the customer or their agent all approved tolls and charges incurred by EPCOR to transport the gas to the Ontario Delivery Point.

Unaccounted for Gas:

Forecasted Unaccounted for Gas (UFG) is applied to all volumes of gas supplied:

Forecasted Unaccounted for Gas Percentage	0.00	%

Gas Supply:

Unless otherwise authorized by EPCOR, customers who are delivering gas to EPCOR under direct purchase arrangements must deliver firm gas at a daily volume acceptable to EPCOR, to an Ontario Delivery Point, and, where applicable, must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

The customer or its agent must deliver to EPCOR on a daily basis, at the Ontario Delivery Point, the volume of gas to be delivered to the customer's Terminal Location plus the Forecasted UFG rate and Fuel Ratio. Where the Forecasted UFG rate is as set out in this Rate Schedule, and the Fuel Ratio is the Shipper Supplied Fuel rates of the Ontario Delivery Point related to necessary compressor or other fuel requirements of the Upstream Service Provider.

The Gas Supply calculation shall equal:
[(Daily volume of gas to be delivered) * (1 + Forecasted UFG) * (1 + Fuel Ratio)]

Terms and Conditions of Service

The provisions in the "T-Service Receipt Contract General Terms and Conditions" apply, as contemplated therein, to service under this Rate Schedule.

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Schedule of Miscellaneous and Service Charges

	A Service	B Fee
1	Service Work	
2	During normal working hours	
3	Minimum charge (up to 60 minutes)	$100.00
4	Each additional hour (or part thereof)	$100.00
5	Outside normal working hours	
6	Minimum charge (up to 60 minutes)	$130.00
7	Each additional hour (or part thereof)	$105.00
8		
9	Miscellaneous Charges	
10	Returned Cheque / Payment	$20.00
11	Replies to a request for account information	$25.00
12	Bill Reprint / Statement Print Requests	$20.00
13	Consumption Summary Requests	$20.00
14	Customer Transfer / Connection Charge	$35.00[1]
15		
16	Reconnection Charge	$85.00
17		
18	Inactive Account Charge	ENGLP’s cost to install service
19		
20	Late Payment Charge	1.5% / month, 19.56% / year (effective rate of 0.04896% compounded daily)
21		
22	Meter Tested at Customer Request Found to be Accurate	Charge based on actual costs
23		
24	Installation of Service Lateral	No charge for the first 30 meters.

Note: Applicable taxes will be added to the above charges

[1] No Charge for initial connection

EPCOR NATURAL GAS LP

RATE ORDER
(Southern Bruce)

SCHEDULE B

ACCOUNTING ORDERS

JANUARY 9, 2020

EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

PURCHASED GAS COMMODITY VARIANCE ACCOUNT ("PGCVA")

The Purchased Gas Commodity Variance Account ("PGCVA") is to record the effect of price variances between actual natural gas commodity purchase prices and the forecast prices that underpin EPCOR Southern Bruce's rates charged to customers. Without this variance account, lower than forecast gas purchase prices would result in an over recovery from customers, and higher than forecast gas purchase prices would result in an under recovery by EPCOR. This variance account eliminates exposure to the risk of purchased gas price variances for both customers and EPCOR. The effective date of this account is January 1, 2019.

The actual unit cost of purchased gas is determined by dividing the total commodity costs by the actual volumes purchased in the month. The rate differential between the PGCVA reference price for the period and the actual unit cost of the purchases, multiplied by the actual volumes purchased, is recorded in the PGCVA monthly. The PGCVA reference price will be adjusted quarterly as part of the Quarterly Rate Adjustment Mechanism (QRAM) process. The PGCVA reference price will be calculated based on both the forecast gas costs for the forward looking 12-month period and the balance in the PGCVA at the beginning of the 12 month period to factor in the disposition of the PGCVA account balances in the determination of the new PGCVA reference price.

Simple interest is to be calculated monthly on the opening balance in the PGCVA in accordance with the methodology approved by the Board in EB-2006-0117.

<u>Accounting Entries</u>

To record the monthly difference between actual gas cost and the forecasted gas cost underpinning EPCOR's rates (i.e. reference price) approved by the Board:

Debit/Credit Account No. 179.27 Purchased Gas Commodity Variance Account ("PGCVA")
Credit/Debit Account No. 623 Gas Costs

i. To record simple interest on the opening monthly balance of the PGCVA:

Debit/Credit Account No. 179.28 Interest on Purchased Gas Commodity Variance Account
Credit/Debit Account No. 323 Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

GAS PURCHASE REBALANCING ACCOUNT ("GPRA")

The Gas Purchase Rebalancing Account ("GPRA") is to record the change in the value of gas inventory available for sale to customers as a result of changes to EPCOR Southern Bruce's PGCVA reference price as approved by the Board. This variance account ensures that gas inventory available for sale is valued at the current approved commodity price. The effective date of this account is January 1, 2019.

When a new Board-approved reference price comes into effect at the beginning of a quarter, the difference between the new Board-approved reference price and the prior reference price will be applied to the volume of gas in inventory. This adjustment amount will be recorded to value opening inventory volumes at the Board-approved quarterly PGCVA reference price in effect.

The GPRA balance will be disposed of through the GPRA recovery rate included as part of EPCOR's gas supply charges. The GPRA recovery rate will be adjusted quarterly through the Quarterly Rate Adjustment Mechanism (QRAM) process.

Simple interest is to be calculated monthly on the opening balance in the GPRA in accordance with the methodology approved by the Board in EB-2006-0117.

<u>Accounting Entries</u>

i. To record the adjustment necessary to value actual inventory volumes at a rate equal to the PGCVA reference price.
   Debit/Credit Account No. 179.35 Gas Purchase Rebalancing Account ("GPRA")
   Credit/Debit Account No. 623 Gas Costs or Account No. 152 Gas in Storage

ii. To record simple interest on the opening monthly balance of the GPRA:

   Debit/Credit Account No. 179.36 Interest on Gas Purchase Rebalancing Account
   Credit/Debit Account No. 323 Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

STORAGE AND TRANSPORTATION VARIANCE ACCOUNT FOR RATES 1, 6 & 11 ("S&TVA Rates 1, 6 & 11")

The Storage and Transportation Variance Account for Rates 1, 6 & 11 ("S&TVA Rates 1, 6 & 11") is to record the difference between actual total upstream costs, including all Transportation and Storage Costs and Upstream Recovery Costs, incurred for all customers in Rates 1, 6 and 11 and the Upstream Charges (including all Upstream Recovery Charges and Transportation and Storage Charges) recovered from these customers. The S&TVA Rates 1, 6 & 11 records the difference between upstream costs and Upstream Charges collected to ensure that upstream costs are treated as a flow-through to customers. The effective date of this account is January 1, 2019.

The S&TVA Rates 1, 6 & 11 will record: (a) the variance between the forecast storage and transportation demand levels and the actual storage and transportation demand levels; (b) amounts credited or invoiced from storage and transportation suppliers related to the disposition of the suppliers' deferral/variance accounts; (c) the variance between the forecasted commodity cost for fuel and the updated reference price set through the Quarterly Rate Adjustment Mechanism (QRAM) process; and (d) the variance between the forecast and actual administrative costs for storage and transportation including costs associated with daily nominations, load balancing, and storage procurement.

EPCOR has set its Upstream Recovery Charges so as to defer the recovery of a portion of the Upstream Recovery Costs related to the CIAC paid to Enbridge Gas/Union Gas for the Owen Sound Transmission Reinforcement and the Dornoch Meter and Regulator Station, and the additional capacity EPCOR was required to contract with Enbridge Gas/Union Gas initially in order to provide service to its customer base in future years. Accordingly, this under recovery will accrue in the S&TVA Rates 1, 6 & 11 account and EPCOR estimates that this balance will reach its maximum in 2024.

EPCOR proposes to bring forward the balance in this account, together with any carrying charges for disposition after the maximum balance has been reached. The balance in this account together with any carrying charges will be collected over the remaining life of the 30-year upstream transportation contract with Enbridge Gas/Union Gas. When the balance in this account is brought forward for disposition EPCOR will also bring forward a proposal for the treatment of the variances related to upstream costs for these customers in subsequent years. This proposal will recognize that variances related to upstream costs in subsequent years should no longer be materially impacted by the deferred recovery of the Upstream Recovery Costs and therefore would more appropriately be brought forward for disposition on an annual basis and recovered over a shorter term.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved interest rate for long term debt. EPCOR is proposing to use the Board approved interest rate for long term debt as the balance of this deferral account will be financed over a long term period (i.e remaining life of 30-year upstream transportation contract.

Accounting Entries

i. To record the difference between total upstream costs, including all Transportation and Storage Costs and Upstream Recovery Costs, incurred for all customers in Rates 1, 6 and 11 and the Upstream Charges recovered from these customers:
   Debit/Credit Account No. 179.11 Storage and Transportation Variance Account Rates 1, 6 & 11 (S&TVA Rates 1, 6 & 11)
   Credit/Debit Account No. 624 Gas Supply

To record simple interest on the opening monthly balance of the S&TVA Rates 1, 6 & 11:
   Debit/Credit Account No. 179.12 Interest on Storage and Transportation Variance Account Rates 1, 6 &11
   Credit/Debit Account No. 323 Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

TRANSPORTATION VARIANCE ACCOUNT FOR RATE 16 ("TVA Rate 16")

The Transportation Variance Account for Rate 16 ("TVA Rate 16") is to record the difference between actual total upstream costs, including all Transportation Costs and Upstream Recovery Costs, incurred for all customers in Rate 16 and the Upstream Charges (including all Upstream Recovery Charges and Transportation Charges) recovered from these customers. The TVA Rate 16 records difference between upstream costs and Upstream Charges collected to ensure that upstream costs are treated as a flow-through to customers. The effective date of this account is January 1, 2019.

The TVA Rate 16 will record, as applicable: (a) the variance between the forecast transportation demand levels and the actual transportation demand levels; (b) amounts credited or invoiced from transportation suppliers related to the disposition of the suppliers' deferral/variance accounts; (c) the variance between the forecasted commodity cost for fuel and the updated reference price set through the Quarterly Rate Adjustment Mechanism (QRAM) process; and (d) the variance between the forecast and actual administrative gas supply costs including costs associated with daily nominations and load balancing.

EPCOR has set its Upstream Recovery Charges so as to defer the recovery of a portion of the Upstream Recovery Costs related to the CIAC paid to Enbridge Gas/Union Gas for the Owen Sound Transmission Reinforcement and the Dornoch Meter and Regulator Station, and the additional capacity EPCOR was required to contract with Enbridge Gas/Union Gas initially in order to provide service to its customer base in future years. Accordingly, this under recovery will accrue in the TVA Rate 16 account and EPCOR estimates that this balance will reach its maximum in 2024.

EPCOR proposes to bring forward the balance in this account, together with any carrying charges for disposition after the maximum balance has been reached. The balance in this account together with any carrying charges will be collected over the remaining life of the 30-year upstream transportation contract with Enbridge Gas/Union Gas. When the balance in this account is brought forward for disposition EPCOR will also bring forward a proposal for the treatment of the variances related to upstream costs for these customers in subsequent years. This proposal will recognize that variances related to upstream costs in subsequent years should no longer be materially impacted by the deferred recovery of the Upstream

Recovery Costs and therefore would more appropriately be brought forward for disposition on an annual basis and recovered over a shorter term.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved interest rate for long term debt. EPCOR is proposing to use the Board approved interest rate for long term debt as the balance of this deferral account will be financed over a long term period (i.e remaining life of 30-year upstream transportation contract.

Accounting Entries

i. To record the difference between total Upstream Costs, including all Transportation Costs and Upstream Recovery Costs, incurred for all customers in Rate 16 and the Upstream Charges recovered from these customers:
   Debit/Credit Account No. 179.19 Transportation Variance Account Rate 16 (TVA Rate 16)
   Credit/Debit Account No. 624 Gas Supply

To record simple interest on the opening monthly balance of the TVA Rate 16:
   Debit/Credit Account No. 179.20 Interest on Transportation Variance Account Rate 16
   Credit/Debit Account No. 323 Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

UNACCOUNTED FOR GAS VARIANCE ACCOUNT ("UFGVA")

The Unaccounted for Gas Variance Account ("UFGVA") is to record the cost of gas for EPCOR Southern Bruce that is associated with volumetric variances between the actual volume of Unaccounted for Gas ("UFG") and the Board approved UFG volumetric forecast included in the determination of rates. The effective date of this account is January 1, 2019.

The gas costs associated with the UFG variance will be calculated at the end of each calendar year based on the estimated volumetric variance between the applicable Board approved level of UFG and the estimate of the actual UFG. The UFG annual variance will be allocated on a monthly basis in proportion to actual sales and costed at the monthly PGCVA reference price. If required, an adjustment will be made in the subsequent year to record any differences between the estimated UFG and actual UFG. Where there are recoveries of gas loss amounts invoiced as part of third party damages, the gas loss amounts will be removed from the gas cost associated with UFG for the purposes of determining and recording a UFGVA balance.

The audited balances in this account, together with any carrying charges, will be brought forward for approval for disposition on an annual basis. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

Simple interest is to be calculated monthly on the opening balance in the UFGVA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries

i. To record the costs associated with unaccounted for gas based on the estimated volumetric variance between the actual UAG and the Board approved level:
   Debit/Credit Account No.179.13 Unaccounted for Gas Variance Account (UFGVA)
   Credit/Debit Account No. 623 Cost of Gas

ii. To record the recovery of gas loss amounts invoiced to third parties:

   Debit Account No. 140 Sundry Accounts Receivable

Credit Account No. 179.13 Unaccounted For Gas Variance Account (UFGVA)

iii. To record simple interest on the opening monthly balance of the UFGVA:

Debit/Credit Account No. 179.14 Interest on Unaccounted For Gas Variance Account

Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

GREENHOUSE GAS EMISSIONS ADMINISTRATION DEFERRAL ACCOUNT ("GGEADA")

The Greenhouse Gas Emissions Administration Deferral Account ("GGEADA") is to record the administrative costs associated with the impacts of the Greenhouse Gas Pollution Pricing Act ("GGPPA") for EPCOR's South Bruce operation. The effective date of this account is January 1, 2019.

Simple interest is to be calculated monthly on the opening balance in the GGEADA in accordance with the methodology approved by the Board in EB-2006-0117.

The audited balance of this account, together with carrying charges, will be brought forward for approval for disposition an annual basis, unless otherwise directed by the Board. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

<u>Accounting Entries</u>

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

   Debit/Credit Account No. 179.60 Greenhouse Gas Emissions Administration Deferral Account (GGEADA)

   Credit/Debit Account No. ___. ___ Various accounts

To record simple interest on the opening monthly balance of the GGEADA:

   Debit/Credit Account No. 179.61 Interest on Greenhouse Gas Emissions Administration Deferral Account

   Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

FEDERAL CARBON CHARGE – CUSTOMER VARIANCE ACCOUNT ("FCCCVA")

The Federal Carbon Charge – Customer Variance Account ("FCCCVA") is to address costs for EPCOR's Southern Bruce operations arising from the obligations resulting from the Greenhouse Gas Pollution Pricing Act ("GGPPA") associated with the natural gas that EPCOR delivers to its customers. This account will record the variances between EPCOR's actual customer related GGPPA costs and customer related GGPPA costs recovered in rates for distribution volumes delivered by EPCOR. The effective date of this account is April 1, 2019.

Simple interest is to be calculated monthly on the opening balance in the FCCCVA in accordance with the methodology approved by the Board in EB-2006-0117.

The audited balance of this account, together with carrying charges, will be brought forward for approval for disposition an annual basis, unless otherwise directed by the Board. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

Accounting Entries

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

   Debit/Credit Account No. 179.62 Federal Carbon Charge – Customer Variance Account (FCCCVA)

   Credit/Debit Account No. 529 Gas Sales

To record simple interest on the opening monthly balance of the FCCCVA:

   Debit/Credit Account No. 179.63 Interest on Federal Carbon Charge – Customer Variance Account

   Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

FEDERAL CARBON CHARGE – FACILITY DEFERRAL/VARIANCE ACCOUNT ("FCCFVA")

The Federal Carbon Charge – Facility Deferral/Variance Account ("FCCFVA") is to address costs arising from the obligations resulting from the Greenhouse Gas Pollution Pricing Act ("GGPPA") associated with EPCOR's facilities for its Southern Bruce operation. Until such time that EPCOR has received Board approval to include a Federal Carbon Charge – Facility related charge in its rates charged to customers this account will record actual facility associated GGPPA costs incurred by EPCOR Southern Bruce. After EPCOR receives approval to include a Federal Carbon Charge – Facility related charge in its rates, this account will record the differences between actual facility associated GGPPA costs and facility associated GGPPA costs recovered in rates. The effective date of this account is April 1, 2019.

Simple interest is to be calculated monthly on the opening balance in the FCCFVA in accordance with the methodology approved by the Board in EB-2006-0117.

The audited balance of this account, together with carrying charges, will be brought forward for approval for disposition an annual basis, unless otherwise directed by the Board. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

Accounting Entries

i. To record EPCOR's actual facility related GGPPA costs (prior to approval to include a GGPPA facility related charge in rates) or the variances between EPCOR's actual facility related GGPPA costs and facility related GGPPA costs recovered in rates:

   Debit/Credit Account No. 179.64 Federal Carbon Charge – Facility Deferral/Variance Account (FCCFVA)

   Credit/Debit Account No. 529 Gas Sales

To record simple interest on the opening monthly balance of the FCCFVA:

   Debit/Credit Account No. 179.65 Interest on Federal Carbon Charge – Facility Deferral/Variance Account Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

MUNICIPAL TAX VARIANCE ACCOUNT (“MTVA”)

The Municipal Tax Variance Account (”MTVA”) is to record the difference between the actual annual municipal taxes paid, net of municipal contributions related to municipal taxes, and the net municipal taxes included in the annual revenue requirement for EPCOR’s Southern Bruce operations as approved in EB-2018-0264 for each year of the rate stability period. The effective date of this account is January 1, 2019.

The audited balance in this account, together with carrying charges, will brought forward for approval for disposition on an annual basis. The manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

Simple interest is to be calculated monthly on the opening balance of this account in accordance with the methodology approved by the Board in EB-2006-0117.

<u>Accounting Entries</u>

i. To record the difference between actual annual net municipal taxes paid and net municipal taxes included in the annual approved revenue requirement:

   Debit/Credit Account No. 179.15 Municipal Tax Variance Account (”MTVA”)

   Credit/Debit Account No. 305 Municipal Tax

To record simple interest on the opening monthly balance of the MTVA:

   Debit/Credit Account No.179.16 Interest on Municipal Tax Variance Account

   Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

ENERGY CONTENT VARIANCE ACCOUNT ("ECVA")

The Energy Content Variance Account ("ECVA") is to record differences in variable revenues resulting from differences in the energy content of the gas actually delivered and the assumed energy content of 38.89MJ/M3 used in determining EPCOR Southern Bruce's revenue requirement and delivery rates as approved in EB-2018-0264. Differences in the energy content of the gas delivered from the assumed energy content would impact the actual volumes delivered thereby impacting the amount of revenue collected over EPCOR's 10-year rate stability period. The effective date of this account is January 1, 2019.

This account will capture the impact of energy content changes on variable revenue by applying the energy content change to the revenue earned from Delivery Charges for all customers in Rates 1, 6 and 11. Rate 16, contract demand customers, are excluded from the calculation of the balances in this account as the revenue from these customers is not impacted by the energy content given that these customers contract for a specified volume.

On an annual basis the amount to be recorded in this account will be calculated by taking the difference between the actual energy content (heat value conversion factor) for the year as provided by the gas provider and the assumed energy content of 38.89 MJ/M3 and applying this to the revenue approved in EB-2016-0137/0138/0139 for Delivery Charges for Rates 1, 6 and 11 for the year as modified by EB-2018-0264 ("CIP Revenue Rates 1, 6 and 11"). The calculation will be as follows:

$$\frac{\text{Actual Energy Content} - 38.89\text{ MJ/M3}}{\text{Actual Energy Content}} \times \text{CIP Revenue Rates 1, 6 and 11} = \text{Amount to record in ECVA}$$

In cases where the actual energy content is lower than the assumed energy content this will result in credit booked to the ECVA and actual energy content that is higher than the assumed energy content will result in a debit amount recorded in the ECVA.

The audited balance in this account, together with carrying charges, will brought forward for approval for disposition on an annual basis. The balance in this account will be apportioned to Rates 1, 6 and 11 based on forecasted volumes underpinning CIP revenues for each rate class. Other details on the manner in which the account will be disposed of will be proposed at the time the account is brought forward for disposition.

Simple interest is to be calculated monthly on the opening balance in the ECVA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries

i. To record the difference in revenues resulting from differences in the energy content of the gas actually delivered and the assumed energy content of 38.89MJ/M3:

   Debit/Credit Account No. 179.17 Energy Content Variance Account (ECVA)

   Credit/Debit Account No. 300 Operating Revenue

To record simple interest on the opening monthly balance of the ECVA :

   Debit/Credit Account No.179.18 Interest on Energy Content Variance Account

   Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

Contribution in Aid of Construction Variance Account ("CIACVA")

The Contribution in Aid of Construction Variance Account ("CIACVA") is to record the revenue requirement impact of any differences between the actual capital contributions that EPCOR Southern Bruce pays to Enbridge Gas/Union Gas related to Enbridge's Owen Sound Transmission Reinforcement and the Dornoch Meter and Regulator Station, and the capital contribution included for these projects for the purposes of determining EPCOR's approved rates. Enbridge Gas provided EPCOR with a forecasted contribution value of $2.363 million for the Owen Sound Transmission Reinforcement and $2.935 million for the Dornoch Meter and Regulator Station. These values have been included in EPCOR's capital budget and form part of the utility's rate base. The costs associated with this capital are recovered through the Upstream Recovery Charge included in the proposed rates and changes to the contribution values will have a direct impact on the amount of capital EPCOR proposes to recover through the Upstream Recovery Charge. The effective date of this account is January 1, 2019.

The balance of this account would be calculated as the revenue requirement impact resulting from the difference between the forecasted capital contribution values provided by Enbridge Gas/Union Gas and the actual capital contributions paid. No balance will be recorded in this account until such time as the actual capital contribution amounts EPCOR is required to pay to Enbridge Gas/Union Gas are finalized. Once the actual capital contributions are finalized the cumulative revenue requirement impact to date will be calculated and recorded in this account, after which the balance will be recorded annually. In its cost of service application for rates commencing 2029 EPCOR will propose to adjust its rate base to record the depreciated difference in capital contribution so as to appropriately reflect the finalized capital contribution paid in its rate base and revenue requirement commencing 2029.

The balance in this account, together with carrying charges, will brought forward for disposition on an annual basis at which time EPCOR will propose a methodology and timing for disposition of the balance that aligns with customers' use of the capacity and EPCOR's rate smoothing objectives

Simple interest is to be calculated monthly on the opening balance in this account in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries

i. To record the revenue requirement impact resulting from the difference between the forecasted capital contribution values provided by Enbridge Gas/Union Gas and the actual capital contributions paid:

   Debit/Credit Account No. 179.74 Contribution in Aid of Construction Variance Account (CIACVA)

   Credit/Debit Account No. 300 Operating Revenue

To record simple interest on the opening monthly balance of the CIACVA :

   Debit/Credit Account No.179.75 Interest on Contribution in Aid of Construction Variance Account

   Credit/Debit Account No. 323 Other Interest Expense

EPCOR NATURAL GAS LIMITED PARTNERSHIP

ACCOUNTING ORDER

External Funding Variance Account ("EFVA")

The External Funding Variance Account ("EFVA") is to record the impact of the difference in timing and quantum of external funding available to the project versus EPCOR's forecast as reflected in approved rates. EPCOR is expecting $22.0 million in funding as detailed in Schedule 1 of the Ontario Regulation 24/19 Expansion of Natural Gas Distribution Systems. It is expected that EPCOR will receive this funding starting in December, 2019 and a payment will be made in each subsequent quarter until December 2020. However, the final timing as to when EPCOR will receive this funding, as well as the quantum of each payment, has not been confirmed. This account would record the net present value of the carrying cost (whether positive or negative) in the difference between EPCOR's forecast and when funds are actually received. The effective date of this account is January 1, 2019.

The balance in this account, together with carrying charges, will brought forward for disposition as part of the annual IR application following receipt of the final payment.

Simple interest is to be calculated monthly on the opening balance in this account in accordance with the methodology approved by the Board in EB-2006-0117.

<u>Accounting Entries</u>

i. To record the impact of the difference in timing and quantum of external funding available to the project versus EPCOR's forecast as reflected in approved rates:

   Debit/Credit Account No. 179.76 External Funding Variance Account (EFVA)

   Credit/Debit Account No. ___. ___ Various accounts

To record simple interest on the opening monthly balance of the EFVA:

   Debit/Credit Account No.179.77 Interest on External Funding Variance Account

   Credit/Debit Account No. 323 Other Interest Expense