

Section 6.0

Load Retention Proposal

1 **Background**

2 During the hearing in Matter 253, the concept of providing a special rate, discounted rates or
3 retention rates for certain groups of customers with competitive fuel options was discussed. Due
4 to the possible threats from compressed natural gas (CNG), heavy fuel oil, propane and some
5 customers who may have special group pricing, the concept of special contracted rates was
6 discussed. It was stated that maintaining a certain customer at a lower rate would be more
7 beneficial to the natural gas system and the remaining customers than losing the customer and its
8 revenue altogether. EGNB testified that it would entertain the potential for contracted rates if
9 customer specific evidence was shared to support lower rates for certain customers.

10 In its December 23, 2014 Decision, the Energy and Utilities Board (“Board”) indicated that it
11 would also be open to the notion or concept of a flex rate or contracted rate.

12 EGNB reviewed different concepts and ideas for a discounted rate mechanism. In Matter 306,
13 EGNB proposed a framework and general process as to how a flex or retention rate could
14 function considering the parameters and constraints at that time.

15 In its Decision for Matter 306 dated July 7, 2016, the Board approved the concept of a flex rate
16 load retention program and ordered EGNB to commence a process with stakeholders:

17 *“The Board approves the concept of a flex rate load retention program but*
18 *concludes that clear parameters on when and how such a program would work*
19 *have not been proposed to the satisfaction of the Board.*

20 *The Board therefore directs EGNB to commence a process, with stakeholder input,*
21 *to establish the parameters of this program. Once that process is complete, EGNB*
22 *is to file the proposed details of the program for Board approval.”*

23 **What is currently being proposed**

24 EGNB held two stakeholder sessions as directed by the Board. While two days of discussions
25 did not result in an overall consensus, there was agreement on a number of items. As a result of
26 these discussions, what EGNB is proposing can be found below. Since commercial rates are

1 frozen until December 31, 2019, it is anticipated that this load retention rate could only be used
2 starting in 2020.

3 **Retention Rate:**

4 This rate shall be granted only in circumstances where it can be shown that:

- 5 • The customer's option to use an alternate supply of energy other than natural gas is
6 both technically, economically feasible and probable.
- 7 • Retaining the customer's load, at the price offered by this rate, is better for the natural
8 gas distribution system including the utility than losing the customer load in question.
- 9 • The revenue from service to a customer under this rate shall be greater than the
10 applicable incremental cost to serve such customer and shall make a significant
11 positive contribution to fixed costs.
- 12 • This rate shall be available only to customers whose natural gas needs have been
13 supplied by EGNB for at least two consecutive years at the time of the request. It is
14 not available for new customers.
- 15 • This rate is available to customers in the ICGS rate class only.

16 **Joint Application:**

17 **Step 1:** Customer must apply in writing and provide all relevant details as required by EGNB to
18 the satisfaction of EGNB. Relevant details to be provided to EGNB should include but not be
19 limited to:

- 20 • Details of location/accounts.
- 21 • Detailed and verifiable written information on alternative energy offers:
 - 22 ○ Pricing of energy source
 - 23 ○ Pricing term
 - 24 ○ Pricing/market benchmark used for offer
 - 25 ○ Pricing/costs of delivery for energy source
 - 26 ○ Additional details and exclusions/exceptions
- 27 • Detailed and verifiable information on conversion costs:

- 1 ○ Equipment costs
- 2 ▪ New equipment
- 3 ▪ Conversion equipment
- 4 ▪ Metering or measurement costs
- 5 ○ Materials costs
- 6 ▪ Above or underground piping
- 7 ▪ Attachment requirements
- 8 ○ Installation costs
- 9 ▪ Labour
- 10 ▪ Down time
- 11 ● Detailed and verifiable information on load profiles for energy offers:
- 12 ▪ Annual or seasonal maximums or minimums
- 13 ▪ Delivery constraints or requirements
- 14 ● Detailed and verifiable savings and payback projections in electronic formats

15 **Step 2:** EGNB analyzes offers and information provided by customer in Step 1 and compares to
16 the total price of natural gas equivalent for the customer's rate class.

17 **Step 3:** If EGNB determines at its sole discretion that a reasonable case has been made and the
18 natural gas distribution system would benefit from a retention rate for this particular case and
19 customer, EGNB would prepare a summary document to be submitted to the Board as a joint
20 application with the customer with some of the particulars shared in Steps 1 and 2. Summary to
21 include:

- 22 ● Customer information
- 23 ● Customer affidavit relating to intentions
- 24 ● Actual annual distribution revenue for the last two years.
- 25 ● Proposed fuel replacement
- 26 ● Verified annual savings VS natural gas equivalent
- 27 ● Verified conversion payback analysis
- 28 ● Proposed new retention rate to counter the benefit of the verified analysis (no greater
29 than a 5% discount over the proposed alternate fuel proposal)

- 1 • Forecast lost annual distribution revenue if customer leaves system (GJ X Approved
- 2 rate)
- 3 • Forecast lost annual distribution revenue if customer stays with proposed retention
- 4 rate (GJ X (Approved – Proposed rate))
- 5 • Forecast annual distribution revenue with proposed rate (GJ X Proposed Rate)
- 6 • Forecast distribution revenue lost for current calendar year
- 7 • Positive contribution to system calculation (GJ X (Load retention rate - cost to serve
- 8 Rate) > \$0)
- 9 • Request for approval to approve the proposed retention rate

10 Costs for this application to be borne by EGNB.

11 **Step 4:** Board would normally consider details of the joint application of EGNB and the

12 customer in a written proceeding on an expedited basis.

13 **Step 5:** Approval would allow EGNB to adjust the rate for the customer and begin billing at the

14 billing cycle indicated by the Board. EGNB Billing has determined that an appropriate billing

15 system identifier/label for the customer can be done. The new approved volumetric rate will

16 replace the currently approved rate on the monthly bill in the appropriate Distribution Charge

17 line.

18 **Application by a Customer:**

19 If EGNB does not determine at its sole discretion that a reasonable case has been made for a load

20 retention rate to be prescribed, the customer can provide evidence described in Steps 1 and 2

21 directly to the Board for review and consideration. Costs to be borne by the customer if the

22 application is unsuccessful. EGNB to participate in process. Board to review and consider

23 evidence, then may provide direction to EGNB for reconsideration. If customer applies to Board

24 directly, a full hearing may be required, no timing for decision to be provided.

25 **Ongoing**

1 At the next general rate application, adjustments to revenue requirement and rate design will be
2 made to provide an appropriate recovery of revenue requirement from all customers and
3 considering all load retention rates in place at that time.

4 **NTD:** Questions remain as to whether EGNB is entitled to recover all or some portion of the
5 revenue shortfall resulting from the load retention rate between the time it is approved and
6 EGNB's next general rate application, the manner in which any amount would be recovered,
7 over what period of time, and from which customers.

8 EGNB's position on these issues is set out below:

- 9 1. EGNB believes it is entitled to recover all of the revenue shortfall resulting from a load
10 retention rate between the time it is approved and EGNB's next general rate application.
- 11 2. The revenue shortfall resulting from the load retention rate as described in item 1 will be
12 maintained in a Load Retention Rate variance account.
- 13 3. The revenue shortfall will be recovered over a 24 month period.
- 14 4. The revenue shortfall will be recovered from all customers of the public utility system
15 over the period described in item 3. This will be done by calculating a \$ per GJ adder
16 based on the public utility's total GJs forecasted in its Budget for the years over which
17 the shortfall is to be recovered.