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May 1, 2020

Sent by Electronic Mail and RESS Electronic Filing

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
27-2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: EPCOR Natural Gas Limited Partnership (ENGLP) Annual Gas Supply Plan Update for Aylmer Operations – EB-2020-0106

In accordance with the requirements under the Framework for the Assessment of Distributor Gas Supply Plans (Framework), enclosed is ENGLP's annual gas supply plan update for its Aylmer operations.

Further to Ontario Energy Board (Board) direction, this annual update includes an analysis of the utility's natural gas supply contract with Lagasco Inc., which is effective January 1, 2020.¹ The procedural background resulting in this direction is outlined below, as well as ENGLP's proposal that the cost consequences of the contract be reviewed for approval in the utility's upcoming QRAM application for the period commencing July 1, 2020.

Procedural Background re the Lagasco Contract:

ENGLP filed the Aylmer Gas Supply Plan for the period 2019-2024, as part of its rate application.² In that rate proceeding, the Board required that any settlement on gas supply issues be severable from the settlement proposal since it had initiated consultations to assess the natural gas supply plans for all natural gas distributors. The Board approved the parties' settlement proposal in its entirety and the resulting cost consequences of EPCOR's gas supply plan.³

In ENGLP's QRAM application for the period commencing January 1, 2020, the Board was "not convinced that the cost consequences of the Lagasco contract were previously approved effective January 1, 2020."⁴ The Lagasco contract is a new incremental long-term gas supply agreement that was executed in October 2019 and will displace approximately 30% of the volumes under the M9 contract with Enbridge. This agreement was precipitated by the results of the 2018 Cornerstone Energy Services system integrity study, which supports the utility's decision to tie-in incremental Lagasco production in order to address low system pressure issues in the Southern area of the franchise.

¹ EB-2019-0288, Decision and Interim Rate Order, dated December 23, 2019.

² EB-2018-0336, Exhibit 4, Tab 4, Schedule 1.

³ EB-2018-0336, Decision and Interim Rate Order, dated July 4, 2019.

⁴ Supra note 1, at page 3.

The Board approved the QRAM application on an interim basis and directed the utility to address the following issues vis-à-vis the Lagasco contract, in the annual review of its gas supply plan:

- An assessment of the alternatives considered; and
- A risk assessment including forecasting risk, operational risk; commercial and regulatory risk (and how the utility proposes to address these risks in order to minimize the impact to its ratepayers);

The enclosed annual update details how ENGLP determined the parameters for the Lagasco contract and addresses the above-noted issues.

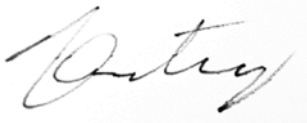
Approval of cost consequences of the Lagasco Contract:

The Board held that following the annual review of the Aylmer Gas Supply Plan, it would determine the forum in which the status of the interim rates will be addressed.⁵

ENGLP acknowledges that in the Framework, the Board has established that the assessment of gas supply plans will not result in a decision on the costs or cost recovery, as that should be the subject of related applications. Accordingly, ENGLP proposes that following the annual review, the utility should seek approval of the cost consequences arising from the Lagasco contract in the next Aylmer QRAM application for the period commencing July 1, 2020. ENGLP anticipates filing that application in June, 2020.

We trust the enclosed is satisfactory. Should you have any questions, please do not hesitate to contact the writer.

Sincerely,



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Enclosures

⁵ Supra note 1, at page 4.