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BY EMAIL

June 29, 2021

Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: Review of 2021 Annual Update to Gas Supply Plan of EPCOR Natural Gas Limited Partnership

OEB File Number: EB-2021-0146

In accordance with the Ontario Energy Board (OEB) initiation letter dated May 18, 2021, please see attached OEB staff questions pertaining to the above noted matter.

Any questions relating to this letter should be directed to Khalil.Viraney@oeb.ca or at 416-440-7729.

Yours truly,

Khalil Viraney
Case Manager

Encl.

EPCOR Natural Gas LP – Aylmer Franchise Area**ONTARIO ENERGY BOARD STAFF QUESTIONS****June 29, 2021****Staff.1****Ref: EPCOR Natural Gas LP Aylmer Gas Supply Plan (GSP) 2021 Annual Update, pp. 8-10**

EPCOR Natural Gas LP (ENGLP) has provided a demand forecast for the different customer classes. Tables 2-1 and 2-2 provides the forecast of customer connections and volumes for the period 2020 to 2025.

The forecast volumes for R2 seasonal customers increase significantly from 2020 to 2021 (785,475 m³ in 2020 to 1,305,829 m³ in 2021) although customer numbers have increased by one, from 48 to 49 for the same period. Please provide the rationale for the substantial increase in volumes.

Staff.2**Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, pp. 12-13: Supply Options, Peak Day/Hour**

Based on the study, the biggest difficulty in establishing an accurate model for the distribution system was the loading throughout the system. Gas is not metered using district meter stations for each of the towns the system serves, which necessitates that a peak hour consumption estimate be developed for each town center.

- a) Please explain what drawbacks, if any, there are to using a peak hour consumption estimate for determining peak load.
- b) Were alternative methodologies or approaches considered?
 - i. If so, please provide additional details.

Staff.3**Ref: ENGLP Aylmer GSP Update pp. 15-16**

ENGLP signed a 5-year gas supply agreement with Lagasco and service commenced December 1, 2019. The gas was mainly sourced to alleviate system pressure issues in the southeast area of the distribution system where ENGLP has historically suffered from low pressure issues.

- a) ENGLP has been receiving gas from Lagasco for 18 months now. Please provide an update on the system pressure issues in the southeast area.
- b) What is the typical pressure in the southeast area of the distribution system after Lagasco has started delivering gas to ENGLP?

Staff.4

Ref: ENGLP Aylmer GSP Update pp. 22-23: Accelerated depletion of local gas production wells

ENGLP consulted with Lagasco Inc. (Lagasco) in order to determine production levels over the planning period. Lagasco confirmed production will continue to decline from these wells. In 2020, well gas volumes declined by another 31% compared to 2019 volumes. To mitigate potential gas shortages in the south area of the franchise, ENGLP contracted for incremental lake gas starting December 2019 on a firm basis.

- a) Please indicate when well gas volumes are expected to decline to a level at which Lagasco will no longer be able to provide gas to ENGLP from this source.
- b) Is the supply from lake gas sufficient to meet ENGLP's supply requirements and alleviate system pressure issues in the south in the event that well gas is not available anymore?
- c) Does Lagasco intend to drill additional wells in the southern area of ENGLP's franchise?

Staff.5

Ref: ENGLP Aylmer GSP Update p. 17: Alternative Rate Consideration

ENGLP has provided an analysis of alternative rates for comparison purposes. For the M17 rate, ENGLP allocated storage based on 30% of the expected annual consumption.

Please explain the underlying reasoning for this assumption.

Staff.6**Ref: ENGLP Aylmer GSP Update p. 24: Renewable Natural Gas (RNG)**

At this time, ENGLP does not hold any RNG supply in its Supply Plan. However, ENGLP is currently in discussion with customers capable of providing RNG into the natural gas distribution system. ENGLP will update the Supply Plan as strategies of a RNG solution are developed and finalized.

- a) Has ENGLP identified any suppliers for RNG? If yes, is there a premium for purchasing RNG as compared to conventional natural gas? Please provide a detailed response.
- b) Is the purchase of RNG a consideration for the 2020-2024 gas supply planning period?
- c) What is the anticipated supply of RNG and what portion of the total supply will be from RNG?

Staff.7**Ref: Weather Normalized Distribution System Throughput Forecast, Report by Elenchus Research Associated Inc., pp. 4-27**

Forecast consumption for the R1 Residential, R1 Industrial, R1 Commercial and R3 rate classes were forecast using multivariate regressions. A set of interaction COVID/weather variables were considered for the weather-sensitive classes but found to be not statistically significant. The variable intended to capture potential incremental heating load for the residential class, and reduced heating load for non-residential classes, resulting from people staying at or working from home, was found to not have a material impact on heating load.

Does the actual consumption for 2020 support the conclusions from the regression analysis for the R1 and R3 rate classes? Please explain your response.

Staff.8**Ref: ENGLP Aylmer GSP Update Appendix F: Performance Metric Scorecard**

ENGLP has provided a Performance Metric Scorecard for the Aylmer franchise area. The measures are based on the guiding principles of Cost Effectiveness, Reliability & Security of Supply and Public Policy identified in the OEB's Gas Supply Plan Framework.

However, the scorecard does not have any objectives or targets to compare the achieved performance and assess the extent to which the guiding principles have been achieved, and present value for customers.

- a) Has ENGLP considered any target metrics or performance objectives for its performance scorecard?
 - a. Please provide a list of probable target objectives in the event that ENGLP is required to develop a set of performance objectives for the scorecard.
- b) Does ENGLP support the establishment of performance objectives for the scorecard?

EPCOR Natural Gas LP – South Bruce Franchise Area

ONTARIO ENERGY BOARD STAFF QUESTIONS

June 29, 2021

Staff.1

Ref. EPCOR Southern Bruce Gas Supply Plan (GSP), Administration, p. 7

The 3-year GSP was referenced as EB-2020-0161, records show that the referenced docket number was a QRAM for July 1, 2020, that was withdrawn. Please confirm the docket number for the 3-year GSP.

Staff.2

Ref: EPCOR Southern Bruce GSP, Customer Connection, p.17, 24 and 33

EPCOR has revised its customer connection number (see below for table). In 2020, actual customer connections deviated significantly from the forecast presented in the 2020 Supply Plan due to a later start date for customer conversion and a slower than forecasted pace of customer conversion.

A number of factors contributed to the delay in conversion, namely:

- Construction delays as a result of the evolving health and safety guidance caused by the COVID-19 Pandemic required to ensure employee safety
- Customers having difficulty scheduling HVAC contractors for equipment inspection and conversion.
- Customers with propane equipment filled up their propane tanks over winter and delayed conversion until Spring.

EPCOR contracted Innovate Research Group to survey customers in the franchise area to better understand decision drivers related to conversion. The findings from the survey suggested that almost half of those surveyed intend to convert to natural gas as soon as possible, 2-in-5 said they continue to have difficulty finding an HVAC contractor for the inspection and equipment conversion.

Table 3-2 – Customer connection forecast comparison by source

	2020	2021	2022	2023	2024
2020 Gas Supply Plan Forecast	2,285	3,677	4,331	4,887	-
Actual Gas-consuming customers	180	-	-	-	-
2021 Gas Supply Plan Update Forecast	-	2,657	3,765	4,869	5,136

- a) From Table 3-2, please breakout the actual Gas-consuming customer by rate classes.
 - i. Compare the rate class breakout to the 2020 GSP forecast.
- b) One of the reasons cited for the delay is customers having difficulty scheduling HVAC contractors. Is EPCOR aware of the number of HVAC contractors that provide service in the South Bruce area? If yes, please provide the number.
- c) Noting that HVAC contractors are external to EPCOR and there are a limited number of HVAC contractors in the Southern Bruce region, what measures does EPCOR intend to implement in order to meet the planned customer connection forecast?
- d) When does EPCOR expect the actual customer connections to align with the connection schedule as outlined in the Common Infrastructure Plan (CIP)?

Staff.3**Ref: EPCOR Southern Bruce GSP, Storage Portfolio, p. 22**

In its GSP update, EPCOR has indicated that it has entered into a 5-year contract with Enbridge Gas Inc. for seasonal storage service with a maximum storage balance of 100,000 GJ.

In EPCOR's 2020 Annual Update to the GSP (EB-2020-0106), EPCOR indicated that it has entered into a 10-year contract for seasonal storage services in contrast to a 5-year contract noted in this update. Please confirm the updated contract length and explain the reasons for the discrepancy.

Staff.4**Ref: EPCOR Southern Bruce GSP, Unutilized Storage Capacity, p. 25**

EPCOR made the decision in February 2021 to sell off a portion of gas held in storage at high spot prices, and an equivalent volume of gas (after accounting for fuel loss) were purchased for redelivery and to be injected back into storage for May and June 2021 at lower fixed prices as monthly strip transactions at fixed daily volumes.

EPCOR expects minimal unutilized storage capacity in the upcoming winters covered by this Supply Plan Update. Given the current forecast, storage gas is expected to meet 36.6% of system gas demand this upcoming winter.

- a) Please provide the spread in the price between the storage gas sold in winter and repurchased for injection in May and June 2021.
- b) Is EPCOR expecting the practice of selling stored gas in winter and repurchasing cheaper gas in summer to continue in 2021/2022 and beyond? Is EPCOR aware of any risks of pursuing such a strategy? Please provide a detailed response.

Staff.5**Ref: EPCOR Southern Bruce GSP, Supply Option Update, p. 28**

Consumptions during warm days in March and April, when heating degree days drop to near zero, suggest that the CIP assumptions may be overestimating baseload consumption. One reason may be that most customers who have converted to natural gas only converted heating equipment (i.e. they have electric stove ranges and water heaters).

- a) Has EPCOR considered the impacts of COVID when evaluating the baseload assumptions for customers in different rate classes? (i.e. restaurant and business closures etc.)
- b) Has EPCOR completed a survey indicating if potential customers will convert other appliances (i.e. excluding space heating) to natural gas?
 - i. If so, please provide the results of the survey.
 - ii. Please indicate if the baseload assumptions includes non-space heating equipment. If yes, please provide reasons.

Staff.6**Ref. EPCOR Southern Bruce GSP, Unutilized Transportation Capacity, p. 24 and 33**

EPCOR does not expect all M17 transportation capacity to be fully utilized. EPCOR will have unutilized transportation capacity for which costs will not be fully recovered in the planning period. The approved Storage and Transportation Variance Account for Rates 1, 6 & 11 account provides for EPCOR the ability to defer the recovery of 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.

The actual UDC incurred was 633 GJ lower than planned primarily due to delay in construction and slower than forecasted pace of conversion.

- a) Please confirm that UDC refers to Unutilized Transportation Capacity.

- b) What is the M17 transportation capacity Southern Bruce has contracted for during the plan period?
- c) Please provide a comparison between actual and planned excess transportation capacity (to-date) on a monthly basis.

Staff.6**Ref: EPCOR Southern Bruce GSP, Community Expansion, p. 34**

In August 2020, EPCOR submitted "The Southern Bruce Expansion Project" to the OEB as part of the Phase 2 natural gas expansion program funding.

Please provide an update on the program funding request and identify any changes to EPCOR's community expansion plans.

Staff.7**Ref. EPCOR Southern Bruce GSP, Federal Carbon Pricing Program, p. 34**

As part of the Government of Canada's Federal Carbon Pricing Program ("FCPP"), a federal carbon pricing system has been implemented in Ontario, under the Greenhouse Gas Pollution Pricing Act.

- a) Has EPCOR completed any follow up survey after the increase to the FCPP with potential customers, to gauge interest in conversion considering the increase in bill impacts due to FCPP pricing? If yes, please provide details.
- b) What is EPCOR's current FCPP assumptions until the end of the planning period?
- c) Does EPCOR forecast a decrease in customer connections due to the FCPP? If so, what is the forecasted impact?

Staff.8**Ref. EPCOR Southern Bruce GSP, Demand Side Management, p.35**

EPCOR is in the process of developing a commercial demand side management (DSM) pilot program expected to be rolled out in 2021 or 2022 within its Aylmer or South Bruce territories.

Has DSM been factored into the GSP and the demand forecast? If yes, please provide details.

Staff.9**Ref: EPCOR Southern Bruce GSP, EPCOR Natural Gas Procurement Manual**

The manual has several references of the consultant providing information to EPCOR and in certain cases, the consultant provides written information to the Gas Supply Manager.

- a) Please confirm the key contact of the consultant in EPCOR Southern Bruce.
- b) Is the Gas Supply Manager an employee of EPCOR Southern Bruce or a different related company?
- c) When the manual refers to “the consultant provides information to EPCOR”, who receives this information in EPCOR?

Staff.9**Ref. EPCOR Southern Bruce GSP, EPCOR Natural Gas Procurement Manual, RFP Procedures, p. 13**

The procedures manual states that the consultant will provide EPCOR a summary of results & recommendations based on RFP results, and accept winning bid based on pre-approved criteria.

- a) Please confirm that it is the consultant that will be selecting the winning bid on behalf of EPCOR based on a pre-approved criteria.

Staff.10**Ref. EPCOR Southern Bruce GSP, Performance Metric Scorecard, Appendix F**

EPCOR has provided a Performance Metric Scorecard for the Southern Bruce franchise area. The measures are based on the guiding principles of Cost Effectiveness, Reliability & Security of Supply and Public Policy identified in the OEB's Gas Supply Plan Framework. However, the scorecard does not have any objectives or targets to compare the achieved performance and assess the extent to which the guiding principles have been achieved, and present value for customers.

- a) Has EPCOR considered any target metrics or performance objectives for its performance scorecard?

- i. Please provide a list of probable target objectives in the event that EPCOR is required to develop a set of performance objectives for the scorecard.
- b) Does EPCOR agree that “Customer Connections” should be a performance measure for the current planning period, considering that it is an important metric in the “Price Effectiveness” performance category during this initial period?
- c) Does EPCOR support the development of performance objectives for the scorecard?