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OEB Staff Report to the Ontario Energy Board

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

EB-2021-0146

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1 INTRODUCTION AND SUMMARY

On May 18, 2021, the Ontario Energy Board (OEB) initiated a consultation to review the annual update to the natural gas supply plans (GSP) of EPCOR Natural Gas Limited Partnership (ENGLP) in accordance with the gas supply plan assessment process established in the OEB's [Report of the Ontario Energy Board: Framework for the Assessment of Distributor Gas Supply Plans](#) (Gas Supply Framework).¹

ENGLP Aylmer's initial five-year, 2019-2024, GSP was approved as part of the settlement proposal in its latest cost of service proceeding.² ENGLP South Bruce's initial three-year, 2019-2022, GSP was reviewed during ENGLP South Bruce's cost of service application.³

The Gas Supply Framework requires distributors to file an annual update to their GSP. Accordingly, ENGLP filed its annual update to its GSPs (for both the Aylmer and South Bruce service territories) on April 30, 2021.

This report sets out OEB staff's assessment of ENGLP's annual update to the GSPs. In particular, as per the Gas Supply Framework, OEB staff assessed the extent to which:

- ENGLP's GSPs provides the information requirements (i.e., the framework criteria) used to evaluate whether the plan delivers value to customers and meets the OEB's guiding principles of: i) cost-effectiveness, ii) reliability and security of supply and iii) public policy. The OEB's framework criteria are: i) demand forecast analysis, ii) supply option analysis, iii) risk mitigation analysis, iv) achieving public policy objectives, v) procurement process and policy analysis and vi) performance measurement.
- ENGLP's GSPs includes a description of how the framework criteria have been met.
- ENGLP's GSPs successfully balances the three OEB guiding principles in a way that is prudent and delivers value to customers.

In their comments to the annual update, none of the stakeholders identified major issues with the annual update or requested an oral hearing to further review the plan.

¹ EB-2017-0129, October 25, 2018.

² EB-2018-0336

³ EB-2018-0264

Stakeholders' comments focused on issues including additional information to be included in future annual updates, proposing goals or targets for some of the performance metrics, and clarifying certain initiatives.

OEB staff is generally satisfied of the annual update and the information provided therein. OEB staff has considered the comments of stakeholders and the reply of ENGLP in formulating its recommendation to the OEB. While OEB staff is proposing that additional information be provided as part of the next annual GSPs update, OEB staff does not propose any further review of this annual plan update at this time and recommends that the process end with the filing of this report.

1.1 Background

The Gas Supply Framework sets out the OEB's approach for the assessment of the rate-regulated natural gas distributors' (distributors) supply plans. It identified three guiding principles to be used in assessing the distributors' GSPs:

- **Cost-effectiveness** – The GSP will be cost-effective. Cost-effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner.
- **Reliability and security of supply** – The GSP will ensure the reliable and secure supply of natural gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and seasonal gas delivery requirements.
- **Public policy** – The GSP will be developed to ensure that it supports and is aligned with public policy where appropriate.

The OEB clarified that cost-effectiveness does not necessarily mean the “lowest cost,” reliability does not mean “reliable at any cost” and support for public policy does not mean “support at any cost” or “any level of reliability”. Rather, the intent is to strike a balanced approach to the benefit of customers. Distributors are required to demonstrate that their GSPs balance the principles in a way that is prudent and appropriate for customers. It is expected that distributors would employ strategies that clearly describe their approach, customer impacts and risks associated with both the options considered and chosen to deliver value to customers.⁴

⁴ EB-2017-0129, Gas Supply Framework, p. 8

The OEB also stated that a distributor's plan must meet specific criteria established by the OEB and the GSP should include a description of how the criteria have been met. The framework criteria are the following:

- **Demand Forecast Analysis:** A distributor must describe: i) the process used to develop its demand forecasts, ii) the factors impacting its demand forecasts such as historical demand, customer demographic trends and changing weather patterns, and iii) associated risks. A distributor is expected to also use its OEB-approved methodology when preparing these forecasts.
- **Supply Option Analysis:** A distributor must describe the options that were considered and how the selected option was determined. The option analysis should include: landed costs, bill impacts, the risks associated with each option and how the option aligns with the OEB's guiding principles.
- **Risk Mitigation Analysis:** A distributor must provide a clear description of the risk management process (identification and mitigation) and an assessment of the risk/cost trade-off implications for customers that are associated with options examined. A distributor must also include a suite of scenarios: best, most likely and worst scenarios.
- **Achieving Public Policy:** A distributor must identify and demonstrate the public policy (i.e., public policy that is in effect, not proposed) that its gas supply plan is supporting and how it balanced achieving this with the other guiding principles.
- **Procurement Process and Policy Analysis:** A distributor must provide an overview of its gas procurement policies including how the distributor monitors the market and what resources are applied to ensure that it meets demand.
- **Performance Measurement:** A distributor must develop performance metrics that reflect the OEB's criteria and demonstrate how the OEB's guiding principles have been achieved.

1.2 The Process

On April 30, 2021, ENGLP filed its second (2021) annual update to the GSPs pursuant to the Gas Supply Framework. The annual update extended the previous annual update to the GSPs by one year, 2025 for ENGLP Aylmer and 2024 for ENGLP South Bruce. In the initiation letter dated May 18, 2021, the OEB set up a process to review this annual update to the GSPs, including written questions by stakeholders and OEB staff, written responses by ENGLP, written comments by stakeholders and written reply by ENGLP.

Following ENGLP's reply, OEB staff were to file its conclusions to the OEB in the form of a report (i.e. this document). Unless the OEB decides to hold a proceeding to consider any component of the annual updates, the review process concludes with OEB staff's report.

On June 17, 2021, the OEB issued its Decision on Cost Awards Eligibility and Procedural Order.

In addition to ENGLP and OEB staff, the following stakeholders participated in the consultation:

- Federation of Rental-housing Providers of Ontario (FRPO)
- Pollution Probe

On March 30, 2021, the two stakeholders and OEB staff filed questions to ENGLP on its annual update to its GSPs. ENGLP filed its responses on July 13, 2021.

The stakeholders submitted written comments on July 27, 2021. ENGLP submitted its written reply on August 10, 2021. ENGLP did not propose any changes to its GSPs.

All material related to this consultation is available on the [OEB's website](#).

2 SUMMARY OF NATURAL GAS SUPPLY PLANS

2.1 ENGLP Aylmer Gas Supply Plan

ENGLP Aylmer distributes natural gas in southwestern Ontario. It serves over 9,000 customers in Aylmer and surrounding areas. In November 2017, ENGLP purchased all the distribution assets from the predecessor distributor, Natural Resource Gas Limited (NRG).

ENGLP is an Ontario limited partnership and is a subsidiary of EPCOR Utilities Inc. which is a utility company based in Edmonton, Alberta. EPCOR Utilities Inc. manages water, wastewater, natural gas and electricity distribution systems in Canada and the United States. ENGLP was formed pursuant to a limited partnership agreement which provides that EPCOR Ontario Utilities Inc., as general partner, will manage the day-to-day operations of ENGLP. ENGLP operates separate business units, one each for the Aylmer region and the other for the South Bruce area. The two business units are referred to as ENGLP Aylmer and ENGLP South Bruce in this report.

ENGLP Aylmer filed its five-year GSP for the period 2019-2024 in its cost of service proceeding.⁵ The OEB in its Phase 1 decision approved the settlement proposal between the applicant and the intervenors in its entirety including ENGLP's five-year GSP.⁶ While the OEB approved the resulting cost consequences of ENGLP's GSP, the OEB also noted that it expected that ENGLP would still participate in the GSP framework policy consultations and adhere to any applicable directions that are provided to natural gas distributors with respect to their gas supply plans.

ENGLP Aylmer is a system gas customer of Enbridge Gas and procures gas under Rate M9. ENGLP receives a bundled service under Rate M9 which includes natural gas commodity, storage, load balancing and transportation services. ENGLP augments the supply from Enbridge Gas with locally produced gas to address system integrity issues in the southeast portion of its service area.

In ENGLP's cost of service proceeding, ENGLP engaged Cornerstone Energy Service to produce a system integrity study for the Aylmer service territory. The study determined that procuring local production was the most cost-effective option to address system integrity and low-pressure issues.⁷

⁵ EB-2018-0336

⁶ EB-2018-0336, Decision and Interim Rate Order, July 4, 2019, pp. 4-5.

⁷ EB-2018-0336, Exhibit 2, Tab 3, Schedule 2.

ENGLP discussed the specific criteria established by the OEB and described how its GSP has met the framework criteria. These criteria are discussed below:

2.1.1 Demand Forecast

To develop a natural gas supply portfolio, ENGLP first constructed a demand forecast. ENGLP services three main classes of customers: General Service, Seasonal and Contract customers. These customers fit under six rate classes (R1 through to R6).

The forecasted annual customer service demand for R1 Residential, R1 Commercial, R1 Industrial and R3 rate classes were determined through multivariate regressions. Consumption of the remaining four rate classes (R2 Seasonal, R4, R5 and R6) were not weather-sensitive and did not exhibit sensitivity to the explanatory variables. As total and monthly volumes fluctuate from year-to-year, a five-year rolling average was used to forecast monthly consumption for each of these classes, with the exception of R4 in which a trend analysis is also applied. The table below shows the forecasted annual customer service demand for R1 Residential, R1 Commercial, R1 Industrial and R3 rate classes.

Table 1: Forecasted Annual Service Demand

	2020 Actual	2020 Normal	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
R1 Residential	16,843,918	17,620,844	18,000,822	18,601,223	19,221,294	19,861,668	20,522,997
R1 Industrial	2,103,134	2,241,827	2,248,154	2,364,079	2,485,405	2,612,369	2,745,218
R1 Commercial	5,008,664	5,344,470	5,616,718	5,789,736	5,967,885	6,151,312	6,340,168
R2 Seasonal	785,475	785,475	1,305,829	1,261,308	1,218,305	1,176,768	1,136,647
R3	1,372,226	1,390,907	1,452,982	1,388,606	1,331,446	1,280,263	1,234,092
R4	1,556,748	1,556,748	1,792,148	1,952,899	2,128,069	2,318,951	2,526,955
R5	554,438	554,438	693,203	693,203	693,203	693,203	693,203
R6	59,599,950	59,599,950	59,599,950	59,599,950	59,599,950	59,599,950	59,599,950
Total	87,824,554	89,094,659	90,709,805	91,651,004	92,645,557	93,694,483	94,799,231

The customer connections count was forecasted by applying the geometric mean annual growth rate from 2010 to 2020 to the 2020 average customer count. The table below shows the customer connection forecast by rate classes.

Table 2: Forecast of Customer Connections

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
R1 Residential	8,839	8,839	9,102	9,415	9,769	10,133
R1 Industrial	75	75	77	80	83	86
R1 Commercial	535	535	548	562	576	591
R2 Seasonal	48	49	48	46	44	43
R3	6	6	6	6	6	6
R4	40	40	42	44	45	47
R5	4	4	4	4	4	4
R6	1	1	1	1	1	1
Total	9,548	9,549	9,828	10,158	10,528	10,911

2.1.2 Supply Options

ENGLP receives the majority of its commodity under Enbridge Gas’s bundled M9 rate. The balance of ENGLP’s commodity requirements are sourced from local production.

ENGLP signed a long-term (five year) gas supply agreement with Lagasco (local producer) for services effective on December 1, 2019. The pricing terms of this contract are benchmarked to the M9 rate⁸. ENGLP stated that this long-term firm supply contract was needed to address system pressure issues.

Alternative Rate Considerations

In the 2020 annual update, ENGLP evaluated the economics of the M9 bundled service versus buying gas directly from Dawn and taking service pursuant to the T3 or M17 rates. In the Staff Report dated December 14, 2020⁹, OEB staff requested that ENGLP quantify the estimated net cost differential of the direct purchase option in this Annual Update. Using the most up to date rates, the table below shows the net cost differential for services under the M9, T3, and M17 contracts.

Table 3: Net Cost Differential (M9/T3/M17)

	M9	T3	M17
Annual Consumption (m3)	16,092,854	16,092,854	16,092,854
Contract Demand (m3/d)	208,429	208,429	208,429
Storage Allocation	N/A	Aggregate Excess Method	30% of Annual Consumption
Storage Cost	N/A	Cost Based	Market Based
Injection / Withdrawal rights	N/A	1.2% of MSB	1.2% of MSB
Nomination fee	N/A	Low	High
Administrative Cost	N/A	1 FTE	1.25 FTE
Premium to Dawn	8%	17%	34%

Based on this analysis, both T3 and M17, which require coordination of supply procurement and storage management, are more costly to manage than the M9 bundled service.

⁸ A 5% discount is applied to the total gas supply commodity charge (inclusive of commodity rate adjustments) from Enbridge Gas for all gas delivered to ENGLP, plus the OEB-approved delivery commodity charge paid to Enbridge Gas.

⁹ EB-2020-0106

2.1.3 Gas Supply Plan recommendations

Given its limited size and resources, ENGLP recommended the continuation of its strategy of contracting with Enbridge Gas under the M9 rate. In addition, local production (in particular the introduction of gas from the Lagasco contract), will augment this supply in order to ensure reliability of the ENGLP system. Specifically, this incremental lake gas addresses historical low-pressure issues.

2.1.4 Gas Supply Plan Execution and Risk Mitigation

Each year, ENGLP evaluates its current demand, its forecasted growth and direct purchase demand, and takes into consideration the amount of local production it is purchasing on both a firm and interruptible basis when establishing its Contract Demand with Enbridge Gas.

ENGLP has established a monthly review process with its System Gas and Direct Purchase Customers under Rates 3 and 5 to ensure provisions are in place for these customers to not exceed the established Firm Contract Demand. This will ensure the customers consume within the established Firm Contract Demand in the same manner that ENGLP has to operate within the limits set by Enbridge Gas.

The key risks identified in this Gas Supply Plan are:

- M9 Rate no longer being offered by Enbridge Gas, and
- Accelerated depletion of local gas production wells.

M9 Rate

Enbridge Gas has an approved new M17 rate designed to provide transmission service to embedded distribution utilities. ENGLP indicated that it believes that this new rate is unfavorable compared to the M9 rate and does not intend to subscribe to this service. The OEB recently ruled that any embedded distributor who elects to move to an M17 rate will be precluded from returning to the former M9 rate. However, ENGLP stated its understanding that Enbridge Gas will continue to offer the M9 rate to ENGLP (Aylmer).

Accelerated Depletion of Local Gas Production Wells

ENGLP retained GSA Energy, a third party consultant, to identify the remaining production life of the former NRG wells. This refers to local production wells previously owned by an NRG affiliate that provided gas to NRG prior to the execution of the Lagasco contract. GSA Energy's review identified significant economic depletion in the remaining production life of NRG's wells. ENGLP consulted with Lagasco 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 (Lagasco contract) starting December 2019 on a firm basis. Between December 2019 and March 2021, the incremental lake gas contract delivered 11,592,312 m³ of gas into the distribution system. The new incremental lake gas supply volume is sufficient in offsetting declines in local well gas volumes. ENGLP will continue to monitor performance of this incremental supply source.

2.1.5 Public Policy Objectives

Renewable Natural Gas (RNG)

ENGLP stated its support of the development of an RNG market that would facilitate the inclusion of RNG in its gas supply portfolio. ENGLP referred to the importance of Greenhouse Gas (GHG) abatement across the province, as well as the role that ENGLP plays in supporting the achievement of GHG emission reduction targets. ENGLP does not currently hold any RNG in its GSP. However, ENGLP indicated that it is currently in discussion with potential suppliers.

ENGLP is not currently considering the purchase of RNG for 2020-2024. ENGLP is in discussions with a RNG supplier to transport RNG. However, there will be no attributable carbon credits from this supplier. ENGLP seeks to gain experience from this supplier for future RNG projects.

Demand Side Management (DSM)

ENGLP is developing a commercial DSM pilot in their service areas for 2021/2022. ENGLP is also considering other DSM offerings. However, as DSM is still at the development stage, ENGLP does not have enough information to quantify the impact of DSM programs on the demand forecast.

Community Expansion

ENGLP stated that it has been actively working to bring natural gas to unserved communities. A number of customers have requested service and ENGLP has proactively responded to those requests.

2.1.6 Current and Future Market Trends Analysis

ENGLP engaged a third party (ECNG) to perform a current and future market trends analysis. The analysis concluded that there are no major changes expected in the North American natural gas market over the planning period that will shift the fundamental supply and demand dynamics to a degree that will impact the viability of the GSP, or its ability to deliver on the guiding principles of cost-effectiveness and reliability and security of supply.

2.1.7 Performance Metrics

ENGLP developed a performance metric scorecard in order to measure the effectiveness of the GSP. Details of the scorecard are included in Appendix A.

2.2 ENGLP South Bruce Gas Supply Plan

ENGLP South Bruce provides natural gas service to the area of South Bruce. The OEB awarded ENGLP South Bruce Certificates of Public Convenience and Necessity for the South Bruce Municipalities in a Common Infrastructure Plan (CIP) competitive process.¹⁰ ENGLP South Bruce commenced connecting customers in October 2020.

In its cost of service proceeding, ENGLP South Bruce filed its three-year GSP for the period 2019-2022.¹¹ ENGLP's first GSP annual update (2020) covered the 2020-2023 period while this GSP annual update is for the 2021-2024 period.

ENGLP South Bruce is a new operation with limited historical data; therefore, supply planning in the period covered by this plan was done based on estimated consumption profiles. ENGLP stated that a considerable focus was placed on how the plan can be flexible in cost effectively providing reliable supply to South Bruce customers in cases when actual demand deviates from the forecasted demand profile used for planning purposes.

ENGLP presented its update for South Bruce which includes:

- Updates to the customer connection and demand forecasts from the forecasts submitted in the previous year annual update
- An updated GSP Outlook, including updated data for the three-year Outlook
- A Three-Year Historical Review, which includes a historical comparison of 2020 actuals to the Outlook.

¹⁰ EB-2016-0137/38/39

¹¹ EB-2018-0264

2.2.1 Market Overview

ENGLP South Bruce receives upstream firm transportation (from Dawn) and daily load balancing services from Enbridge Gas under the M17 rate. There were no changes considered for the supply, transportation and storage options for the past year. Therefore, there were no changes considered for the period covered in this annual update.

2.2.2 Rate Zone Description

The South Bruce Distribution system is serviced from a single meter interconnect with Enbridge Gas at the Dornoch station. ENGLP South Bruce services two main classes of customers: General Service and Contract Customers.

Contract Customers make up 62% of ENGLP’s demand profile by volume. There are currently two customers under this classification, and both will contract for their own natural gas supplies and their own storage assets to manage fluctuations in demand. The consumption profile of these two customers are therefore excluded from the Supply Option Analysis.

General Service customers make up the remaining 38% of ENGLP’s natural gas system, and are comprised of residential, commercial, and agricultural customers.

Customer Connection Forecast

In 2020, actual customer connections forecast deviated from the forecast presented in the 2020 annual update due to a later start date for customer conversion, and a slower than forecasted pace of customer conversion. The first Rate 11 seasonal customers converted to natural gas in mid-August 2020, while Rate 1 and Rate 6 customers started converting to natural gas usage early November 2020. The table below illustrates the changes in customer connection forecast.

Table 4: 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 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 the winter and delayed conversion until spring time.

In March 2021, ENGLP retained the services of a third party to survey customers in the franchise area to better understand decision drivers related to conversion. The results from the survey suggested that almost half of those surveyed intend to convert to natural gas as soon as possible, 2-in-5 said that they continue to have difficulty finding an HVAC contractor for the inspection and equipment conversion.

Demand Forecast

The revised three-year forecast customer conversion in this annual update reflects the customer applications received in 2020 and 2021 (updated as of April 16, 2021), as well as revised pace of daily customer conversions. The following figure depicts the monthly forecast service demand up to November 2024.

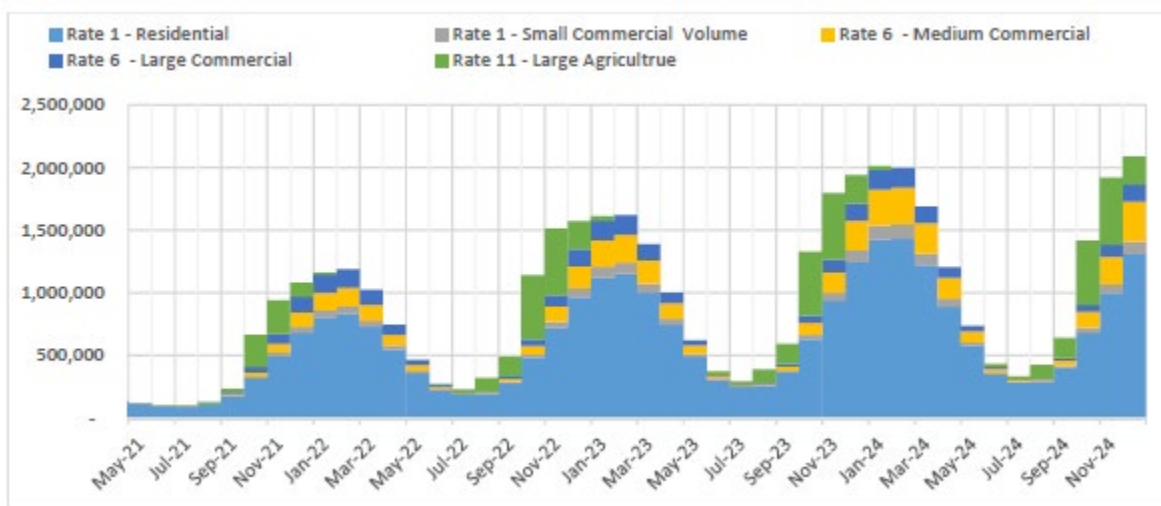


Figure 1: Forecast Monthly General Service Demand, by Customer Type

Design Day Demand

ENGLP stated that it has procured sufficient transportation to meet customer demand within the planning period. ENGLP’s Contract Demand under the M17 is based on the expected capacity required to meet peak day conditions in ENGLP’s Year-10 gas flow. The figure below shows the expected average day demand compared against the M17

contract demand, and the portion of that contract demand apportioned to General Service customers.

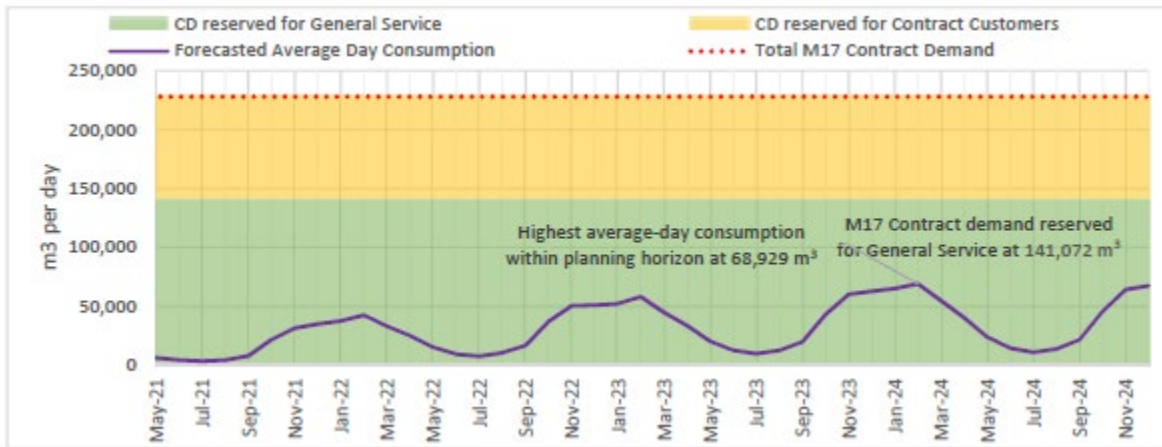


Figure 2: Forecast Average Day Consumption vs M17 Contract Demand

Based on the demand forecast shown above, ENGLP is not expecting to make full use of the Contract Demand in the three-year planning horizon covered by this annual update.

2.2.3 Current Portfolio

No changes were made to ENGLP's commodity, transportation and storage portfolio and daily balancing management, and none are planned for the horizon of this update.

ENGLP plans to continue to procure all commodity supplies at the Dawn hub for South Bruce as per ECNG's recommendation in the market outlook analysis. The supply and demand dynamics at Dawn are not expected to change significantly compared to the outlook from last year's annual update, and Dawn is expected to continue to be a viable source of cost-effective and reliable source of supply.

The ENGLP M17 contract with Enbridge Gas is the only Transportation contract relevant for South Bruce during the period covered by this annual update.

In May 2020, ENGLP entered into a five-year contract with Enbridge Gas for seasonal storage service with a maximum storage balance of 100,000 GJ (100 TJ). When supply exceeds demand, ENGLP will store the excess supply in its storage account on a planned basis and in the M17 Load Balancing Agreement (LBA) on an unplanned basis. Conversely, when demand exceeds supply, ENGLP will use this stored supply to make up for the deficiency.

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

2.2.4 Updated Gas Supply Plan Outlook

ENGLP has contracted sufficient transportation assets to service South Bruce within the planning horizon. The M17 Contract Demand reserved for General Service customers is approximately double the highest average-day demand forecasted in February 2024 as ENGLP had to secure a ten-year contract with Enbridge Gas.

In the 2020 annual update, three Supply Options were considered and modeled to meet the guiding principles of cost-effectiveness and reliability and security of supply. ENGLP elected to use Option C, a mix of month-to-month index purchases and seasonal baseload purchases priced at AECO and Dawn. In the OEB Staff Report for ENGLP's 2020 annual update, OEB Staff agreed that Option C is an appropriate procurement option.¹²

2.2.5 Gas Supply Plan Execution

ENGLP and its third-party consultant maintain a number of checks and balances throughout the execution phase of the supply plan to ensure adherence to the OEB's guiding principles, with a focus on mitigation of risks highlighted in last year's annual update. ENGLP submitted its Procurement Procedural documentation as part of this annual update.

ENGLP stated that there are no major changes since the last annual update, and that no major changes are expected for the period covered in this annual Update.

2.2.6 Historical review

The following compares the planned and actual heating degree days, annual demand, commodity purchases and unutilized transportation capacity during 2020/2021.

Table 5: Actual vs Plan Annual Heating Degree Days

	2020/2021		
	<u>Planned</u>	<u>Actual</u>	<u>Variance</u>
HDD	3,831	3,741	90

¹² EB-2020-0106, OEB Staff Report to the Ontario Energy Board, December 14, 2020

Heating degree days were lower than planned due to warmer than expected temperatures.

Table 6: Actual vs Plan Annual Demand

	2020/2021		
	Planned	Actual	Variance
TJ	138	15	122

Table 7: Actual vs Plan Commodity Purchases

	2020/2021		
	Planned	Actual	Variance
GJ			
Dawn	138	102	36
AECO	0	0	0

Delays in construction and slower than forecasted pace of conversion led to lower actual demand and commodity purchases than forecasted.

Table 8: Actual vs Plan Unutilized Transportation Capacity

	2020/2021		
	Planned	Actual	Variance
GJ			
M17	4,308	4,941	633

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

2.2.7 Public Policy

Community Expansion

In August of 2020, ENGLP submitted “The South Bruce Expansion Project” to the OEB as part of the Ontario government’s Phase 2 for natural gas expansion program funding. The project intended to connect customers in the Municipality of Kincardine and Township of Huron- Kinloss which were out of reach on the previous South Bruce project.

As indicated in ENGLP’s response to questions, this project was not selected in the Phase 2 natural gas expansion program funding and therefore, the expansion is currently no longer contemplated.

Federal Carbon Pricing

In 2020, ENGLP filed two subsequent applications for 2020 and 2021 Federal Carbon Pricing Program rates, which were approved in March 2021.¹³

Demand Side Management

ENGLP is in process of developing a commercial Demand Side Management (DSM) pilot expected to be rolled out in 2021 or 2022 within its Aylmer and/or South Bruce service areas. If proved to be successful, ENGLP would look to expand the DSM offerings to other customer rate classes.

Renewable Natural Gas

At this time, ENGLP does not hold any RNG in its GSP for South Bruce. ENGLP will update the GSP as plans for RNG are developed.

2.2.8 Performance Metrics

ENGLP developed a performance metric scorecard in order to measure the effectiveness of the GSP. Details of the scorecard are included in Appendix B.

¹³ EB-2020-0076 / EB-2020-0231, Decision and Order, dated March 11, 2021.

3 STAKEHOLDER COMMENTS AND OEB STAFF ANALYSIS

The consultation provided stakeholders an opportunity to submit written questions to ENGLP which was followed by ENGLP's written response to these questions.

The process also provided stakeholders an opportunity to submit written comments on ENGLP's GSPs. FRPO and Pollution Probe submitted written comments. ENGLP was given the opportunity to review the written comments and decide whether to: (i) provide written comments in response, and/or (ii) revise its plan and provide a revision statement that outlines any changes, together with the rationale for those changes. ENGLP indicated that no changes to the GSPs were required.

Below is a summary of the OEB Staff's analysis followed by a description of key issues raised by FRPO and Pollution Probe, ENGLP's response to these comments, and OEB Staff's recommendations on those issues.

A Summary of OEB Staff Analysis

OEB staff is of the view that ENGLP provided the required information (i.e., the framework criteria) necessary to evaluate whether the annual update to the GSP meets the OEB's guiding principles. OEB staff is generally satisfied that ENGLP has considered and balanced the guiding principles of the Gas Supply Framework. OEB staff further believes that the matters raised in the review do not warrant a further review of the plan or require a hearing before the OEB.

Overall, none of the stakeholders raised significant concerns regarding ENGLP's annual update. FRPO in its comments noted, "the GSP Update provides the Board with sufficient information to test ENGLP's GSP and its alignment with the guiding principles. Moreover, we submit that ENGLP is demonstrating prudent risk management given the information available".

OEB Staff has summarized stakeholder comments and OEB Staff's analysis on a combined basis for the ENGLP Aylmer and South Bruce service areas, unless otherwise stated, as most comments were common between the two service areas.

With respect to the specific concerns raised in this review, OEB staff supports the development of goals or targets for some of the performance metrics. However, OEB staff disagrees with some stakeholder's suggestion on establishing performance metrics and targets for RNG and DSM as part of a gas supply annual update.

3.1 Scorecard and Metrics

Stakeholders did not raise any specific concerns with the performance metric results. In ENGLP's response to questions from Pollution Probe, ENGLP stated it does not currently have targets but will consider stakeholder feedback on existing performance metrics, new items and, if possible and helpful, consider targets results for the performance metrics.¹⁴ Pollution Probe recommended that ENGLP include proposed metrics and targets related to RNG and DSM in its next scorecard iteration.

Pollution Probe also recommend that ENGLP assess options to collect relevant policy from all levels of government to enhance the scorecard that supports those polices. ENGLP responded that it will “engage cost effective methods to collect and assess relevant policy information from all levels of government and to enhance the development of scorecard metrics that support those policies within its current operating cost structure and resource constraints”.

OEB Staff Recommendations

OEB staff is of the view that it would be premature to set RNG metrics and targets as there are currently no government or OEB policy to implement RNG and no cost/ benefit analysis have been presented by ENGLP.

OEB Staff is also of the view that setting targets and metrics for DSM is not in scope for the Annual Update to the GSPs and should be addressed in a rates proceeding.

Consistent to ENGLP's position, OEB staff recommends that ENGLP continue to assess relevant policy information and consider including targets for relevant metrics and report back as part of the next annual update.

3.2 Integrated Resource Planning

Pollution Probe recommended that ENGLP review the Gas Integrated Resource Planning (IRP) Decision for Enbridge Gas¹⁵ to consider relevant options that could benefit consumers in its franchise areas. Although the IRP Framework approved in the IRP Decision applies only to Enbridge Gas, the OEB noted that “it should also be used as a resource to guide ENGLP when it examines infrastructure investments and potential alternatives.”¹⁶ ENGLP responded that it will continue to review the approved IRP evaluation framework and evaluate how it will impact gas supply management in

¹⁴ EB-2021-0146, ENGLP Written Response to Questions, July 13, 2021, OEB Staff 10

¹⁵ EB-2020-0091, Decision and Order, July 21, 2021

¹⁶ *Ibid.*, p. 21.

future filings. ENGLP further indicated that a non-pipeline alternative in the Aylmer service area has already been implemented to meet peak day requirements through the procurement of local supply.

OEB Staff Recommendations

OEB staff agrees with Pollution Probe's recommendation and ENGLP's position that a review of Enbridge Gas' IRP framework and how it may provide further benefits would be useful. OEB staff expects ENGLP to report back on how the IRP framework may impact gas supply management in future updates.

3.3 Demand Side Management

ENGLP is developing a commercial DSM pilot in its service areas and is expecting that the program be rolled out in 2021/2022. If the pilot is successful, ENGLP will expand DSM offerings into other customer rate classes.

Pollution Probe recommended that the impact of DSM programs be factored into the demand forecast and associated GSPs in future annual updates. ENGLP replied that the DSM program is still in development and ENGLP does not have enough information to determine the impact on annual demand and peak day forecast in their respective franchise areas. ENGLP will report back on the impact of the DSM program in future GSPs and annual updates.

OEB Staff Recommendations

OEB staff agrees with Pollution Probe that the impact of DSM programs should be included in the demand forecast and the associated GSPs. However, OEB staff understands that DSM is still in the development phase. OEB staff supports ENGLP's commitment to report back on the impact of DSM on the demand forecast and associated gas supply plans in future GSPs updates. OEB staff also notes that ENGLP has not yet submitted a DSM application for its Aylmer or South Bruce operations.

3.4 Renewable Natural Gas-Aylmer

ENGLP does not hold any RNG supply in its GSP and has no consideration to purchase RNG for the 2020-2024 GSP period. ENGLP stated it is in discussions with a RNG supplier and will act as a transportation agent.

Pollution Probe asked for clarification on the potential supplier of RNG and how it may affect ENGLP customers and the Ontario natural gas grid. Pollution Probe supported ENGLP working with suppliers to better understand opportunities for RNG. ENGLP confirms that the RNG arrangement will not enable measurable emissions benefits for

Ontario and will not receive any attributable credits from the transaction. ENGLP stated it has engaged in this project to support RNG development and gain valuable experience for future RNG projects.

OEB Staff Recommendations

OEB staff recommends that ENGLP continue to engage with suppliers for RNG to identify potential opportunities (including cost and benefits) and monitor policy developments.¹⁷

3.5 Alternative Rate Consideration - Aylmer

ENGLP purchases a majority of its gas requirements from Enbridge Gas under the M9 system gas service which is a fully bundled service (commodity, storage, transportation and load balancing). As part of its 2020 GSP update, ENGLP presented a comparison of the bundled M9 service offering versus other direct purchase options (i.e. T3 and M17) which showed a 9% premium for the bundled M9 service. In its report to the OEB, OEB staff commented that the comparison provided was not entirely on an equal footing as the costs of other alternatives did not include storage and load balancing services. OEB staff also noted that there would be additional costs to manage the gas supply function (employees and IT systems) and obtain the required credit support for upstream transportation contracting and storage. OEB staff requested ENGLP to quantify in its next annual update, the estimated net cost differential of the direct purchase options.¹⁸

ENGLP included the requested analysis in this annual update. The analysis showed that the services under the T3 and M17 rate schedule would be more expensive than the M9 rate and would require the coordination of supply procurement and storage management.

OEB Staff Recommendations

OEB staff is satisfied with the analysis presented by ENGLP on the net cost differential of the bundled M9 service versus other direct purchase options.

OEB staff considers that purchasing gas under the M9 rate is appropriate as it is less expensive and provides security of supply, reliability, and is less onerous to administer.

¹⁷ On September 24, 2020, the OEB issued a Decision and Order approving Enbridge Gas's application to offer a Voluntary Renewable Natural Gas Program on a pilot or test basis. As noted in the OEB's Decision and Order above, there was no Ministerial Directive, provincial legislation or regulation, or any other government imperative requiring natural gas utilities to implement voluntary RNG programs at the time of the OEB's decision, nor is there any such requirement currently.

¹⁸ OEB Staff Report, EB-2020-0106 pp. 16-17.

3.6 Customer Forecast - South Bruce

ENGLP revised their demand forecast for South Bruce due to lower than forecasted customer connections. As a result, ENGLP sold excess gas in storage during the winter and re-purchased the gas at a lower price. FRPO commented that the lag in customer attachments due to COVID was beyond the control of the utility. However, mitigating its impact was the responsibility of the utility. FRPO commended ENGLP for their decision to optimize its storage position and stated that ENGLP demonstrated prudent risk management.

OEB Staff Recommendations

OEB staff agrees with FRPO that ENGLP took the appropriate measures to optimize its storage position to the benefit of rate payers.

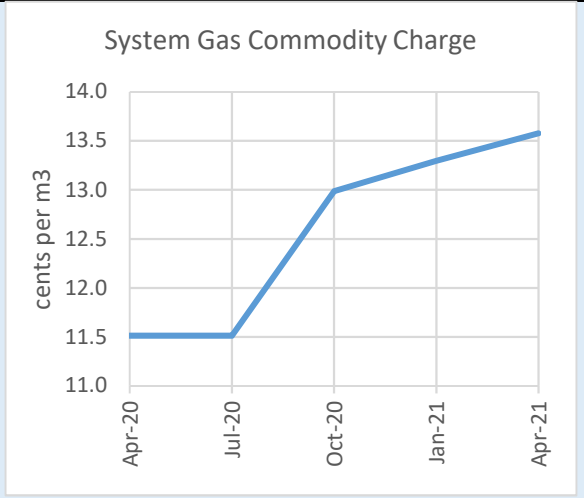
APPENDIX A: PERFORMANCE SCORECARD OF AYLMER

EPCOR Aylmer Performance Metrics Scorecard

1. Cost Effectiveness	Performance Categories	Intent of Measures	Measures	Sample	2020
1. Cost Effectiveness	Policies & Procedures	Demonstrates consideration of alternate Enbridge rates	Annual rate review	C	C
	Price Effectiveness	Demonstrates local production a competitive option	Premium to system gas alternative	+/-%	Well gas: +80% Lake gas: -5%
2. Reliability & Security of Supply	Performance Categories	Intent of Measures	Measures	Sample	2020
2. Reliability & Security of Supply	Design Day	Demonstrates ENGPL ability to procure transportation assets required to meet design day demand	1. Acquired assets to meet design day	%	100%
			2. Enbridge Overrun Charges	\$	\$0
	Coordination	Demonstrates ENGPL ability to invest in capital distribution required to meet design day demand	Monthly meetings between gas supply & engineering operations	12/yr	4
	Communication	Ensure ongoing communications	Communication to ratepayers re material bill impacts	C	C
	Diversity	Demonstrate the diversity of the portfolio	1. % Firm local gas flow	%	95%
			2. Local production as % of system gas	%	37.08%
	Reliability	Demonstrate the reliability of the portfolio	1. Days failed to deliver to customers	#	0
			2. Days customer interrupted	#	0
	Performance Categories	Intent of Measures	Measures	Sample	2020
3. Public Policy	Supporting Policy	Reports public policy in ENGLP supply plan	1. Community expansion	C	C
			2. FCC	C	C
			3. RNG	C	N/A
			4. DSM	C	N/A

APPENDIX B: PERFORMANCE SCORECARD OF SOUTH BRUCE

Performance Categories	Intent of Measures	Measures	Sample	2020		
1. Cost Effectiveness	Policies & Procedures	Demonstrates consideration of timely pricing information and utility's ability to transact according to internal policies for managing counterparty risk	Procurement plan reviewed and approved as outlined in the policy	C	C	
		Transacting counterparties have met appropriate credit requirements		%	100%	
		Distribution of procurement terms:				
	Price Effectiveness	Demonstrates diversity of supply terms within procurement plan through a layers approach to contracting	1. < 1 Month		%	18.7%
			2. Monthly		%	81.3%
			3. Seasonal		%	0%
			4. Annual		%	0%
	Illustrates Price Stability	5. Reference Price History	Graph			



Performance Categories		Intent of Measures	Measures	Sample	2020	
2. Reliability & Security of Supply	Design Day	Demonstrates ability to procure transportation assets required to meet design day demand	Acquired assets to meet design day	100%	100%	
	Storage	Demonstrates execution of storage inventory strategy	1. % of storage level Sept 30th	%	99%	
			2. % of storage level March 31st	%	70%	
	Coordination	Demonstrates ENGPL ability to invest in capital distribution required to meet design day demand	Monthly meetings between gas supply, engineering, operations	12/yr	4	
	Communication	Ensure ongoing communications	Communication to ratepayers re material bill impacts	C	C	
	Diversity	Demonstrate the diversity of the portfolio	1. % of contract vol. per delivery point	%	Dawn: 100% AECO: 0%	
			2. # of unique counterparties	#	3	
Reliability	Demonstrate the reliability of the portfolio	1. Days failed to deliver to customers	#	0		
		2. Days customer interrupted (1)	#	0		
3. Public Policy		Performance Categories	Intent of Measures	Measures	Sample	2020
3. Public Policy	Supporting Policy	Reports public policy in ENGLP supply plan	1. Community expansion (% customer converted/unlocked vs. CIP)	%	15.40%	
			2. FCC	C	C	
			3. RNG	C	N/A	
			4. DSM	C	N/A	

Definitions:

1. Cost Effectiveness: The gas supply plans will be cost-effect. Cost effectiveness is achieved by appropriately balancing the principles and in executing the supply plan in an economically efficient manner
2. Reliability and Security of Supply: The gas supply plans will ensure the reliable and secure supply of gas. Reliability and security of supply is achieved by ensuring gas supply to various receipt points to meet planned peak day and season gas delivery requirements
3. Public Policy: The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate