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BY E-MAIL

June 27, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: EPCOR Natural Gas Limited Partnership (ENGLP)
Review of 2022 Annual Update to Gas Supply Plan
OEB File Number: EB-2022-0141**

In accordance with the Ontario Energy Board (OEB) initiation letter dated May 10, 2022, please see attached OEB staff questions pertaining to the above-noted matter.

Any questions relating to this letter should be directed to petar.prazic@oeb.ca.

Yours truly,

Original Signed By

Petar Prazic
Senior Advisor, Natural Gas Applications

Encl.



OEB Staff Questions

**Review of 2022 Annual Update to Gas Supply Plan of EPCOR
Natural Gas Limited Partnership**

EB-2022-0141

June 27, 2022

EPCOR NATURAL GAS LP – AYLMER FRANCHISE AREA**ONTARIO ENERGY BOARD STAFF QUESTIONS****JUNE 27, 2022****Staff.1**

Ref: EPCOR Natural Gas LP Aylmer Gas Supply Plan (GSP) 2022 Annual Update, pp. 15, 22-23: Commodity and Renewable Natural Gas

ENGLP receives the majority of its commodity under the bundled M9 rate, which is based on Enbridge Gas's OEB-approved weighted average cost of gas. The balance of ENGLP's commodity requirements are sourced from local production.

In the fall of 2022, ENGLP Aylmer is expecting another source of local supply to the distribution system through the introduction of renewable natural gas (Production D). The facility is expected to increase supply to the distribution system by approximately 4,577 m³ to 14,000 m³ per day. While the source of this supply is from a renewable natural gas facility, ENGLP is only purchasing the commodity and not the environmental attributes. Therefore, ENGLP Aylmer will treat the natural gas produced by the facility as another source of local supply, with a pricing structure similar to other Aylmer local supply contracts at the Enbridge commodity rate minus a 5% discount. ENGLP expects to finalize the supply contract during the summer of 2022.

ENGLP noted that it is not the ultimate buyer of the renewable natural gas as the producer has a contract with a buyer outside of Ontario for the renewable natural gas volume as well as the environmental attributes.

- a) ENGLP stated that it expects it will finalize the supply contract by summer 2022.
 - i. Please explain any potential impacts to supply if the contract is not finalized by the end of summer 2022.
 - ii. Does ENGLP have contingency plans if the supply contract is not finalized by this time? If so, please provide additional information.
- b) Please further explain the statement that "the producer has a contract with a buyer outside of Ontario for the *renewable natural gas volume* as well as the environmental attributes" [emphasis added]. Specifically, please confirm that ENGLP is paying only for

the commodity and the other buyer is paying only for the environmental attribute. If this is not confirmed, please explain the contractual arrangement.

Staff.2**Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, p. 16: Transportation**

ENGLP evaluates its Contract Demand (CD) requirements with Enbridge Gas on an annual basis and will balance the need to maximize its usage and minimize overrun charges. For the November 2021 renewal, Enbridge Gas proposed lowering the CD for SA1550 (for system gas customers) by 22,329 m³ and increasing the CD for SA25050 (for direct purchase customers) by an equivalent amount. This is due to the introduction of the Lakeview local supply in 2019, which displaced the volumes purchased from Enbridge's SA1550 contract and also lowered the peak day consumption from SA1550. The higher CD allocated to SA25050 allows ENGLP to lower the risk of triggering overrun charges from SA25050 in high consumption months for DP customers, which is often the highest in the grain drying season in October to November.

- a) Has ENGLP conducted an internal comparative risk analysis of triggering overrun charges, using different scenarios? If so, please provide detailed information on what the results were.
- b) How was the reallocation of the SA1550 and SA25050 determined?
 - i. Was there a study completed to determine this? If so, please provide the study.

Staff.3**Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, pp. 13-14: Supply Options, Peak Day/Hour**

ENGLP engaged Cornerstone to review and predict system conditions under the current peak gas demand and predict future peak demands. 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. With the town loads making up a large majority of the consumption, based on the number of customers located in the towns compared to the distributed customers, this introduced a large unknown.

- a) Are there future plans to install district meters to accurately measure each town's consumption?

- b) Please clarify what are “distributed customers.”

Staff.4**Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, p. 23: Demand Side Management (DSM)**

ENGLP is in the process of developing a commercial DSM pilot within its Aylmer or South Bruce territories. In 2021 and 2022, ENGLP had a number of conversations with OEB staff as well as a number of consultants to develop an initial program. The DSM program is now expected to be filed in 2023. If successful, ENGLP would look to expand the DSM offerings into other rate classes.

- a) Please explain what is meant by the statement “ENGLP is in the process of developing a commercial DSM pilot within its Aylmer or South Bruce territories.” Is ECPOR developing a pilot for both service areas or only one of the service areas?
- b) Does ENGLP have an established timeline for the submission of a DSM application in 2023? If so, please provide additional information.
- c) Does ENGLP plan to develop a residential DSM program? If so, please provide additional information.

Staff.5**Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, p. 19: Gas Supply Plan Recommendations**

ENGLP is also developing the Southern Bruce natural gas franchise and as ENGLP gains operational experience and measures consumption data associated with this system, it will evaluate potential synergies between the two systems including the M9 system supply option for the Aylmer operation. ENGLP is mindful that should it elect to not take service under the M9 rate for the Aylmer operation, the rate will no longer be available to ENGLP.

- a) Has ENGLP considered scenarios in which it would consider ending service under the M9 rate for its Aylmer operation? If so, please provide any details of this analysis.

Staff.6**Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, p. 23: Community Expansion**

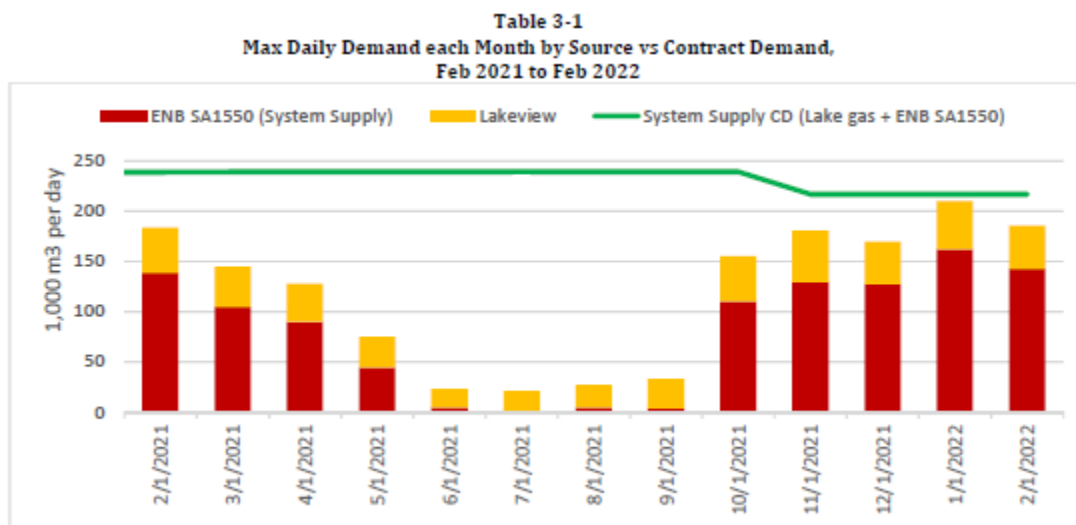
ENGLP has been actively working to bring secure, reliable and affordable natural gas to unserved communities. A number of customers have requested service and ENGLP has proactively responded to those requests and they are considered as part of the 2022 demand forecast. There are no updates for this Gas Supply Plan Update.

a) Please provide additional information on:

- i. The number of potential customers which have requested service in Aylmer.
- ii. What efforts ENGLP has made to address these requests.
- iii. If a timeline for community expansion is in development, and what, if any, firm dates have been established.

Staff.7

Ref: ENGLP Aylmer GSP Update, 2020-2024 GSP, p. 13: Supply Options



- a) When compared to the 2021 GSP the System Supply CD reduced from approximately 240,000 m³/day to 215,000 m³/day. Please provide rationale for this drop.
- b) In Table 3-1, please confirm if the ENB SA1550 (red) and Lakeview (yellow) bars are the actuals taken from their respective sources per month and the System Supply CD is the total CD available to ENGLP Aylmer.

EPCOR NATURAL GAS LP – SOUTH BRUCE FRANCHISE AREA**ONTARIO ENERGY BOARD STAFF QUESTIONS****JUNE 27, 2022****Staff.1****ENGLP South Bruce GSP, Rate Zone Description, p.15**

In 2021, ENGLP added a third Contract Customer to the South Bruce distribution system. The additional contract customer makes up an additional 3.9% of the total M17 capacity bringing the capacity available to system gas customers to 58%.

- a) In the 2021 GSP update, the total M17 capacity available to system gas customers was 62%.
 - i. What is the current M17 utilization for system gas customers?
 - ii. What is the forecasted M17 utilization for system gas customers once the forecasted system gas customers are fully connected?
 - iii. Please discuss how this additional contract customer affects system gas customers currently and when the forecasted connections are fully connected?

Staff.2**ENGLP South Bruce GSP, Rate Zone Description, p.17**

Since the last update, ENGLP has observed a relatively consistent pace of gas-consuming customer additions on the South Bruce system. ENGLP also have received customer applications that is expected to drive the growth of system demand into 2024 and 2025. The observed pace of customer additions in 2021 also informs the adjustment to the customer connection forecast in this GSP Update. Table 3-2 shows the changes in customer connection forecasted in the previous GSP updates, actual connections in 2021, and the adjusted customer connection forecast underpinning the demand forecasts in 2022 GSP Update.

Table 3-2 – Customer connection forecast comparison by source

Year	2020 GSP				2021 GSP Update				2022 GSP Update			
	Rate1	Rate6	Rate11	Total	Rate1	Rate 6	Rate 11	Total	Rate1	Rate 6	Rate 11	Total
2020	2,249	34	2	2,285	179	-	1	180	179	-	1	180
2021	3,616	56	5	3,677	2,614	40	3	2,657	1,847	7	1	1,858
2022	4,248	78	5	4,331	3,703	56	6	3,765	3,112	21	6	3,142
2023	4,795	87	5	4,887	4,792	71	6	4,869	4,792	34	7	4,939
2024					5,039	91	6	5,136	5,038	34	7	5,903
2025									5,094	34	7	5,903

In 2021, the actual customer connections forecast continued to deviate significantly from the forecast presented in the 2021 GSP Update, as the pace of customer conversion was slower than forecasted. This was primarily due to difficulty scheduling HVAC contractors for equipment inspection and conversion. The number of applications received in 2021 requesting service exceeded expectations set out in the Common Infrastructure Plan (CIP), which contributes to higher forecasted conversions in 2024 and 2025.

- a) Please confirm the customer connection forecast for 2020 GSP in Table 3-2 is the same connection forecast used when estimating the CIP connection forecast.
- b) Please reconcile the total column under 2022 GSP update with the sum of Rate 1, 6 and 11. If it is in error, please update as required.
- c) Please provide evidence supporting:
 - i. The Rate 1 connections increase of 299 in the 2022 GSP Update relative to the 2020 GSP.
 - ii. The Rate 6 connections decrease of 53 in the 2022 GSP Update relative to the 2020 GSP.
- d) Given that the pace of customer conversion in 2021 was hampered by difficulties in scheduling HVAC contractors. Has the 2022 GSP customer connection forecast update accounted for this?
- e) What factors are driving customers to connect to the system in 2024 and 2025 as opposed to earlier?

Staff.3

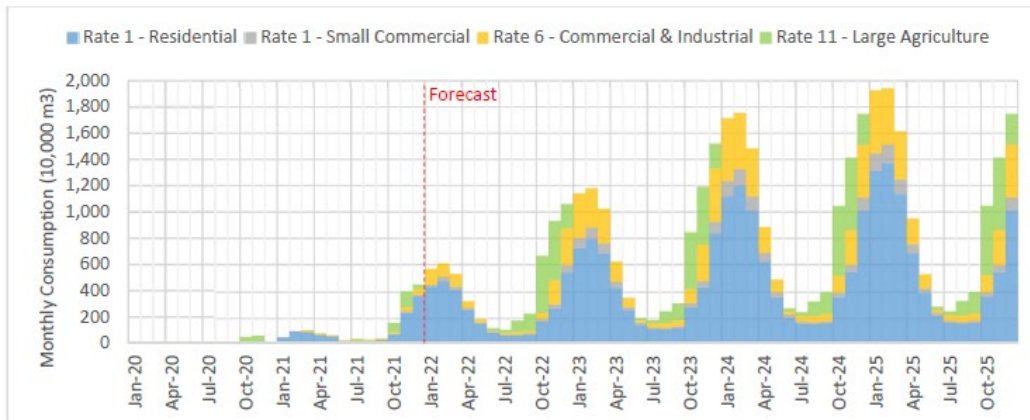
ENGLP South Bruce GSP, Rate Zone Description, p.15

The demand forecast in this update deviates from the 2021 update due to two reasons:

- Availability of actual historical consumption data which indicates that 12-month consumption for gas-consuming residential customers is materially lower than what was assumed in the CIP.
- A decrease in the expected number of large commercial customers to be connected and consuming gas for the forecast period.

The actual and forecasted average day volume per month broken down by each customer type is shown in Figures 3-3.

Figure 3-3 - Forecast Monthly General Service Demand, by Customer Type



- ENGLP indicated that actual consumption data for residential customers is materially lower than what was assumed in the CIP. Please compare the CIP assumptions to the actual historical consumption and provide a discussion as to why there is such a material deviation.
- ENGLP expects to see a decrease in the large commercial connections. Please confirm this is Rate 6 customers as shown in Table 3-2. If they are different, please provide a discussion as to why there is a decrease in large commercial connections.
- In the 2021 GSP, Figure 3-3 had a y-axis of a maximum of 2.5 million m³. The 2022 GSP Figure 3-3 has a y-axis of 20 million m³. Please confirm the y-axis for the 2022 GSP, Figure 3-3. If it is correct, please discuss how and why the monthly consumption has increased roughly 10-fold.

Staff.4

ENGLP South Bruce GSP, Design Day Demand, p.19

The analysis for Design Day demand in this Supply Plan update deviates from the 2021

update in three ways:

- 1) The outlook of January design day demand was revised to equal approximately 1% of a customer's expected annual consumption. Grain dryers are excluded from this analysis as their consumption is interruptible between December 16th to May 1st of the following year. By 2025, January design day consumption from General Service customers is expected to utilize 68.6% of the contract demand reserved for General Service customers.
- 2) The consumption from the grain dryer currently connected on the South Bruce system exceeded initial expectations, based on the daily consumption observed during drying season in November 2021. The dryer single day peak consumption was estimated to be around 16,500 m³, or approximately 11% of the contract demand reserved for General Service customers.
- 3) The number of grain dryers expected to connect to the system have increased. ENGLP has received service applications for six additional grain dryers, and are expected to connect to the system and consume gas by 2025. Four of the grain dryers have expected consumption patterns similar to the grain dryer currently consuming gas. In total, ENGLP expects peak day consumption for the seven dryers to be approximately 68,000 m³, or 51.5% of the M17 capacity reserved for General Service customers.

While the design day peak for General Service customers is not expected to exceed the M17 capacity reserved for General Service customers in January, there is a risk that if each dryer were to run on the same day during a cold day before December 15th, the General Service daily consumption for that day could exceed the capacity allocated to this group of customers.

For general service customers that are not grain dryers, December "peak day" is modelled to be 0.72% of average annual consumption.

- a) Why was 1% of the customer's annual consumption used to determine January design day demand? Please provide rationale supporting this assumption.
- b) Please provide the percentage of customer's annual consumption that was previously used to determine January design day demand. If a percentage of customer's annual consumption was not used to determine January design day demand, please explain the approach. Please also provide rationale supporting the change in approach.
- c) Please provide a comparison of January design day demand before and after the change in approach.

- d) Please clarify if this single-day of peak 16,500 m³ is the initial expectation or is it the revised expectation based on historical data.
 - i. Please compare the initial and revised expectations and provide a discussion on the effects on the design day.
- e) Provide a discussion on what risks there are when all the dryers run on the same day (prior to December 15) and exceed the capacity allocated to this group?
 - i. If there is a large risk what has ENGLP done to limit that risk or the probability of it happening?
- f) For General service customers, that are not grain dyers, December “peak days” are model to be 0.72% of average annual consumption. Please provide rationale supporting this assumption.
 - i. Please provide an explanation for why 0.72% is used for December and 1% is used for January.
- g) Figure 2-4 shows that the general service peak day demand is expected to exceed the demand allocated for general service customers starting winter 2023/24. Please provide what scenario(s) may happen if general service peak day demand is exceeded?
 - i. Please provide ENGLP’s response to each scenario if this was to occur.

Staff.5

ENGLP South Bruce GSP, Supply Option Update, p.31

ENGLP is exploring forward purchases for summer 2023 in an effort to stabilize system gas commodity prices for General Service customers. Given the volatile prices this year in the North American natural gas market, fundamental drivers will likely continue to exert upward pressure on prices across all market hubs in North America, including the Dawn and AECO hubs relevant to South Bruce. As such, ENGLP is looking to procure a portion of expected summer 2023 demand between May 2022 and March 2023 at a Dawn fixed price, to be delivered in 2023.

ENGLP will only procure a portion rather than all of the forecasted demand, which will allow for market prices to flow through for a portion of the portfolio, as well as mitigate the risk of over procurement (for example, if demand is over forecasted for those future months).

- a) Has ENGLP procured gas on a forward fixed price basis previously? If so, please describe those procurements and provide the timing of such procurements.
- b) Please advise whether ENGLP has already started procuring gas to be delivered in the summer of 2023 on a forward fixed price basis.
- c) Please describe the risks associated with procuring gas on forward fixed price basis.
- d) Does ENGLP have a framework in place to determine whether it should forward purchase natural gas on a fixed price basis? Specifically, please discuss how EPCOR evaluates how much to purchase, when to purchase, how far out to purchase and the term for the fixed price contracts? Please discuss the planned forward purchase of gas for summer 2023 in terms of the decision-making framework that ENGLP has applied.
- e) What portion of 2023 forecasted demand is expected to be forward purchased on a fixed price basis for delivery in 2023?
- f) Please provide the expected term(s) of the planned fixed price contract(s) (e.g. 1 month, 3 months, etc.).

Staff.6

ENGLP South Bruce GSP, Community Expansion, p.37

In August of 2020, ENGLP submitted the “Brockton Expansion Project” to the OEB as part of the Ontario government’s Phase 2 natural gas expansion program funding. The project intends to connect 500 customers in the Municipalities of Brockton, West Grey and the Township of Chatsworth. The impact of the Brockton expansion on demand forecast and gas supply planning is expected to be detailed in next year’s Gas Supply Plan.

- a) When is the Brockton Expansion Project expected to be connected to the South Bruce distribution system?
- b) Figure 2-4 – January and December Forecast Peak Day Consumption vs M17 Contract Demand shows the General Service Customer peak day demand (Dec) go beyond the reserved for General Service customers starting in the Winter of 23/24. Please confirm if the General Service peak day demand (Dec) includes Brockton?
 - i. If not, please provide a discussion as to how the inclusion of Brockton would impact Figures 2-4.

- c) Please provide a breakdown of the 500 customers into residential, commercial, and industrial.

Staff.7**ENGLP South Bruce GSP, Performance Measurement, p.39**

- a) It appears that the reference to the performance metric scorecard was cut off. Please provide the complete reference.

Staff.8**ENGLP South Bruce GSP, IRP, p.22**

ENGLP is participating in Enbridge Gas's Integrated Resource Planning (IRP) working group as an observing member. As discussions further develop on Enbridge Gas's implementation of the IRP framework, ENGLP will review how IRPs would impact future gas supply planning in the 2023 Gas Supply Plan.

- a) Is ENGLP expecting IRP projects to be implemented in South Bruce? If so, what are the timelines?
- b) Does ENGLP expect Enbridge Gas's IRP plans to affect ENGLP South Bruce customers? If so, in what way?