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**October 25, 2022**

# OEB Staff Report to the Ontario Energy Board

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

**EB-2022-0141**

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### APPENDIX A: EPCOR AYLMER PERFORMANCE SCORECARD

### APPENDIX B: EPCOR SOUTH BRUCE PERFORMANCE SCORECARD

# 1 INTRODUCTION AND SUMMARY

On May 10, 2022, 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 (EPCOR) 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).<sup>1</sup>

EPCOR Aylmer's initial five-year 2019-2024 GSP was approved as part of the settlement proposal in its latest cost of service proceeding.<sup>2</sup> EPCOR South Bruce's initial three-year 2019-2021 GSP was reviewed during EPCOR South Bruce's 2019-2028 rates application.<sup>3</sup> The 2019-2021 GSP was updated in 2020,<sup>4</sup> and the 2020-2022 GSP is considered the first year of the three-year GSP cycle. EPCOR intends to submit a new three-year GSP for Southern Bruce in April 2023 for the period November 1, 2023 to October 31, 2025.

The Gas Supply Framework requires distributors to file an annual update to their GSP. Accordingly, EPCOR filed its annual update to its GSPs (for both the Aylmer and South Bruce service territories) on April 29, 2022 (2022 GSP Update).

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

- EPCOR'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.
- EPCOR's GSPs includes a description of how the framework criteria have been met.
- EPCOR's GSPs successfully balances the three OEB guiding principles in a way that is prudent and delivers value to customers.

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<sup>1</sup> EB-2017-0129, October 25, 2018.

<sup>2</sup> EB-2018-0336

<sup>3</sup> EB-2018-0264

<sup>4</sup> EB-2020-0106

In its comments, Pollution Probe did not identify major issues with the 2022 GSP Update or request a hearing to further review any aspect of the plan. Pollution Probe's comments focused on: (a) the duration of the term for the GSPs; (b) Renewable Natural Gas (RNG); (c) Demand Side Management (DSM); (d) Integrated Resource Planning (IRP); and (e) performance scorecards.

OEB staff is generally satisfied with the 2022 GSP Update and the information provided therein. OEB staff considered the comments of Pollution Probe and the reply of EPCOR in formulating its recommendation to the OEB. While OEB staff proposes that additional information be provided in future GSPs, OEB staff does not propose any further review of the 2022 GSP 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.<sup>5</sup>

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<sup>5</sup> 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 29, 2022, EPCOR filed its 2022 GSP Update pursuant to the Gas Supply Framework. In the initiation letter dated May 10, 2022, the OEB set up a process to review the 2022 GSP Update, including written questions by any stakeholders and OEB staff, written responses by EPCOR, written comments by stakeholders and written reply by EPCOR. Following EPCOR's reply, OEB staff were to file its conclusions to the OEB in the form of a report (i.e. the present document). Unless the OEB decides to hold a

proceeding to consider any component of the annual updates, the review process concludes with this OEB staff report.

On June 17, 2022, the OEB issued its Decision on Cost Awards Eligibility and Procedural Order. In addition to EPCOR and OEB staff, Pollution Probe participated in the consultation.

Pollution Probe and OEB staff filed questions to EPCOR on June 24, 2022, and June 27, 2022, respectively, on its annual update to its GSPs. EPCOR filed its responses on July 15, 2022.

Pollution Probe submitted written comments on July 22, 2022. EPCOR submitted its written reply on August 18, 2022. EPCOR did not propose any changes to its GSPs arising from the questions and written comments.

EPCOR and OEB staff held a meeting on September 12, 2022, where OEB staff asked EPCOR three clarification questions to ensure the accuracy of the record. Following this conversation, EPCOR filed a letter on September 14, 2022, which responded to OEB staff's three clarification questions.

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

## 2 SUMMARY OF NATURAL GAS SUPPLY PLANS

### 2.1 Overview

EPCOR 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. EPCOR 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 EPCOR. EPCOR 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 EPCOR Aylmer and EPCOR South Bruce in this report.

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

EPCOR South Bruce provides natural gas service to the area of South Bruce. The OEB awarded EPCOR South Bruce Certificates of Public Convenience and Necessity for the South Bruce Municipalities in a Common Infrastructure Plan (CIP) competitive process.<sup>6</sup> EPCOR South Bruce commenced connecting customers in October 2020.

### 2.2 EPCOR Aylmer Gas Supply Plan

EPCOR Aylmer filed its five-year GSP for the period 2019-2024 in its cost of service proceeding.<sup>7</sup> The OEB in its Phase 1 Decision and Interim Rate Order approved the settlement proposal between the applicant and the intervenors in its entirety including EPCOR Aylmer's five-year GSP.<sup>8</sup> While the OEB approved the resulting cost consequences of EPCOR Aylmer's GSP, the OEB also noted that it expected that EPCOR Aylmer 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. This is the third annual update to EPCOR Aylmer's five-year GSP, or year four of the plan.

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<sup>6</sup> EB-2016-0137/38/39

<sup>7</sup> EB-2018-0336

<sup>8</sup> EB-2018-0336, Decision and Interim Rate Order, July 4, 2019, pp. 4-5.

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

In EPCOR Aylmer's cost of service proceeding, EPCOR 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.<sup>9</sup>

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

### **2.2.1 Demand Forecast**

To develop a natural gas supply portfolio, EPCOR Aylmer first constructed a demand forecast. EPCOR Aylmer 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.

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<sup>9</sup> EB-2018-0336, Exhibit 2, Tab 3, Schedule 2.



*Table 1: Forecasted Annual Service Demand*

<b>Forecast Annual Customer Service Demand, by Rate Class</b>							
	2021 Actual	2021 Normalized	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
R1 Residential	17,299,257	18,272,944	18,607,331	19,257,743	19,930,528	20,626,443	21,346,276
R1 Industrial	2,226,121	2,736,619	2,220,366	2,333,411	2,451,644	2,575,289	2,704,581
R1 Commercial	5,306,940	5,648,018	5,876,510	6,078,753	6,287,803	6,503,888	6,727,238
R2 Seasonal	829,096	829,096	962,031	940,348	919,154	898,437	878,187
R3	1,372,372	1,414,518	1,358,859	1,301,078	1,249,451	1,202,977	1,160,868
R4	1,793,580	1,793,580	1,806,683	1,889,798	1,976,737	2,067,675	2,162,797
R5	791,530	791,530	757,724	757,724	757,724	757,724	757,724
R6	60,410,748	60,410,748	61,336,401	61,336,401	61,336,401	61,336,401	61,336,401
<b>Total</b>	<b>90,029,645</b>	<b>91,897,053</b>	<b>92,925,905</b>	<b>93,895,256</b>	<b>94,909,441</b>	<b>95,968,834</b>	<b>97,074,072</b>

The customer connections count was forecasted by applying the geometric mean annual growth rate from 2011 to 2021 to the 2021 average customer count.

*Table 2: Forecast of Customer Connections*

<b>Forecast of Customer Connections</b>						
	2021 Actual	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
R1 Residential	9070	9353	9644	9945	10,254	10,574
R1 Industrial	76	79	81	84	87	90
R1 Commercial	559	575	593	610	628	647
R2 Seasonal	51	49	48	47	46	45
R3	6	6	6	6	6	6
R4	46	48	50	52	54	57
R5	4	4	4	4	4	4
R6	1	1	1	1	1	1
<b>Total</b>	<b>9,812</b>	<b>10,115</b>	<b>10,427</b>	<b>10,750</b>	<b>11,081</b>	<b>11,424</b>

## 2.2.2 Supply Options

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

EPCOR Aylmer 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 rate.<sup>10</sup> EPCOR Aylmer stated that this long-term firm supply contract was needed to address system pressure issues.

<sup>10</sup> 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 EPCOR, plus the OEB-approved delivery commodity charge paid to Enbridge Gas.

Two changes to supply options were made in the 2022 Aylmer GSP update:

- 1) Well gas volumes are not considered for the analysis related to Contract Demand and capacity. The well gas contract does not have associated contract demand. While the local production volumes from these wells play an important role in system pressure and system reliability, they have an overall minor impact on contract demand utilization.
- 2) In the fall of 2022, EPCOR Aylmer is expecting another source of local supply to the distribution system through the introduction of renewable natural gas (RNG), referred to as Production D. The facility is expected to increase supply to the distribution system by approximately 4,577 m<sup>3</sup> - 14,000 m<sup>3</sup> per day. While the source of this supply is from a RNG facility, EPCOR is only purchasing the commodity and not the environmental attributes. Therefore, EPCOR 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 Gas commodity rate minus a 5% discount.

*Table 3: Supply Sources*

Supply Source Breakdown – Forecast and Actual					
Supply Source Breakdown-Forecast					
	Enbridge	Production A & B	Production C	Production D	Total
2026	69.0%	1.2%	24.1%	5.7%	100%
2025	67.8%	1.5%	24.9%	5.9%	100%
2024	66.5%	1.8%	25.7%	6.1%	100%
2023	66.3%	2.1%	26.5%	5.0%	100%
2022	69.0%	2.6%	27.3%	1.1%	100%

Supply Source Breakdown-Historical					
	Enbridge	Production A & B	Production C	Production D	Total
2021	67.5%	2.7%	29.8%	0%	100%
2020	67.3%	3.3%	29.4%	0%	100%
2019	94.9%	4.6%	0.5%	0%	100%
2018	96.5%	3.5%	0.0%	0%	100%
2017	94.3%	5.7%	0.0%	0%	100%

## Transportation

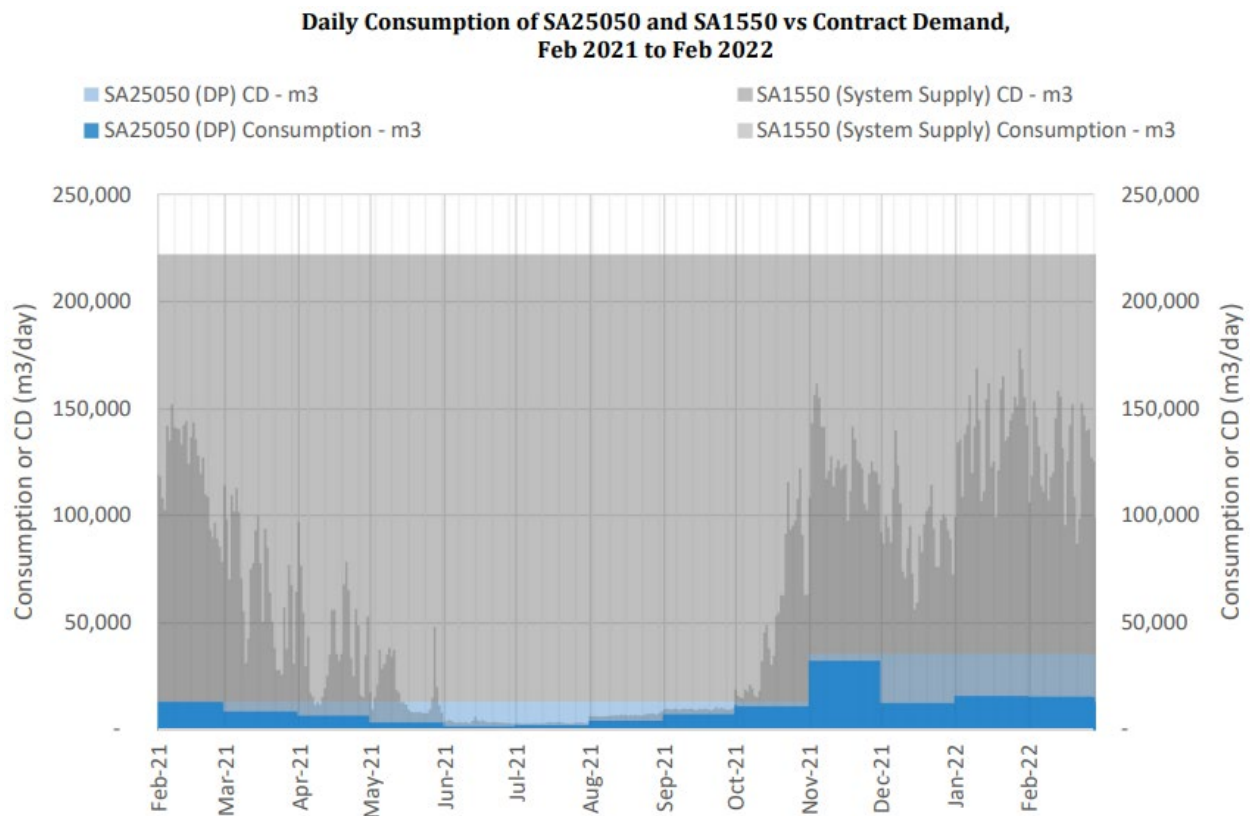
EPCOR Aylmer evaluates its Contract Demand requirements with Enbridge Gas on an annual basis and will balance the need to maximize its usage and minimize over run charges under this contract.

One change to transportation was made in the 2022 Aylmer GSP update. For the November 2021 renewal, Enbridge Gas proposed lowering the Contract Demand for SA1550 (for system gas customers) by 22,329 m<sup>3</sup> and increasing the Contract Demand

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 Contract Demand allocated to SA25050 allows EPCOR Aylmer to reduce the risk of triggering overrun charges from SA25050 in high consumption months for direct purchase customers, which is often the highest in the grain drying season in October to November.

Table 4: Daily Consumption Comparison



### 2.2.3 Gas Supply Plan Recommendations

Given its limited size and resources, EPCOR Aylmer 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 Lake Erie in the Lagasco contract),

will augment this supply in order to ensure reliability of the EPCOR Aylmer system. This incremental lake gas addresses historical low-pressure issues and allows EPCOR Aylmer to displace fixed-price local production.

## **2.2.4 Gas Supply Plan Execution and Risk Mitigation**

Each year, EPCOR Aylmer 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.

EPCOR Aylmer 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 EPCOR Aylmer operates within the limits set by Enbridge Gas.

The key risk identified in the 2022 GSP Update is that the M9 Rate could no longer be offered by Enbridge Gas.

### **M9 Rate**

Enbridge Gas has an approved new M17 rate designed to provide transmission service to embedded distribution utilities. EPCOR Aylmer 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 ruled that any embedded distributor who elects to move to an M17 rate will be precluded from returning to the former M9 rate.<sup>11</sup> As per the OEB's Decision,<sup>12</sup> Enbridge Gas will continue to offer the M9 rate to EPCOR (Aylmer).

In the OEB Staff Report on the 2021 GSP Update,<sup>13</sup> OEB staff stated that purchasing natural gas under the M9 rate is appropriate for EPCOR Aylmer, given that it is less expensive, and provides security of supply, reliability, and imposes less administrative burden.

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<sup>11</sup> Decision and Order, EB-2019-0183, p. 31

<sup>12</sup> Ibid.

<sup>13</sup> EB-2021-0146

## 2.2.5 Public Policy Objectives

### Renewable Natural Gas

EPCOR Aylmer stated its support of the development of an RNG market that would facilitate the inclusion of RNG in its gas supply portfolio. EPCOR Aylmer referred to the importance of Greenhouse Gas (GHG) abatement across the province, as well as the role that EPCOR Aylmer plays in supporting the achievement of GHG emission reduction targets. EPCOR Aylmer does not currently hold any RNG in its GSP. In fall 2022, EPCOR Aylmer expects to start receiving RNG into its distribution system. However, EPCOR Aylmer is not the ultimate buyer of the RNG. The RNG producer has a contract with a buyer outside of Ontario for the RNG volume, as well as the environmental attributes. As a result, EPCOR Aylmer will purchase the RNG as another source of local supply, and will not be taking ownership of the environmental attributes generated from the production of the RNG.

This arrangement allows for the development of RNG production within Ontario, as well as providing EPCOR Aylmer a learning opportunity on how to transact and procure RNG without cost impacts.

### Demand Side Management (DSM)

In its filing, EPCOR stated that it would be implementing a DSM pilot in 2023 within its Aylmer or South Bruce territories.<sup>14</sup> In response to OEB staff's clarification questions, EPCOR confirmed that its plan changed during the course of the 2022 GSP Update and it no longer planned to implement a DSM pilot in 2023.<sup>15</sup> While a pilot was an early consideration for DSM portfolio introduction, further investigation by EPCOR concluded that a more reasonable approach was a staggered rollout, potentially covering a two-year DSM plan with options for residential and commercial customers.

EPCOR stated that it is planning to include a DSM proposal as part of EPCOR Aylmer's 2025 cost of service proceeding.

### Community Expansion

EPCOR Aylmer stated that it has been actively working to bring natural gas to unserved communities. A number of customers have requested service and EPCOR Aylmer has

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<sup>14</sup> EPCOR 2022 GSP Update, Aylmer, p. 23 of 91.

<sup>15</sup> EB-2022-0141, EPCOR Response to OEB Staff Clarifying Questions, September 14, 2022, p. 1.

pro-actively responded to those requests, and included them as part of its 2022 demand forecast.

### Federal Carbon Pricing Program

EPCOR Aylmer continues to file annual applications for Federal Carbon Pricing Program (FCPP) rates and recoverable costs, effective April 1 of each year, most recently in EPCOR's 2022 FCPP proceeding.<sup>16</sup>

### Integrated Resource Planning

EPCOR is participating in the IRP Technical Working Group as an observing member. EPCOR continues to learn and assess the impacts of IRP integration for use in future planning.

## **2.2.6 Current and Future Market Trends Analysis**

EPCOR Aylmer engaged a third party (ECNG Energy Group) 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 EPCOR Aylmer's GSP, or its ability to deliver on the guiding principles of cost-effectiveness and reliability and security of supply.

## **2.2.7 Performance Metrics**

EPCOR Aylmer developed a performance scorecard in order to measure the effectiveness of the GSP. Details of the scorecard are included in Appendix A. There have not been any major changes made to the scorecard since the 2021 GSP Update

## **2.3 EPCOR South Bruce Gas Supply Plan**

EPCOR South Bruce's initial three-year 2019-2021 GSP was reviewed during EPCOR South Bruce's 2019-2028 rates application.<sup>17</sup> The 2019-2021 GSP was updated in 2020<sup>18</sup> and the 2020-2022 GSP is considered the first year of the three-year GSP cycle.<sup>19</sup> The 2022 GSP Update is the second, and final, annual update to the three-

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<sup>16</sup> EB-2021-0268

<sup>17</sup> EB-2018-0264

<sup>18</sup> EB-2022-0106

<sup>19</sup> EB-2022-0141, EPCOR Response to OEB Staff Clarifying Questions, September 14, 2022, p. 1.

year GSP. In 2023, EPCOR will file its next three-year GSP for the 2023-2025 period.<sup>20</sup>

EPCOR South Bruce is a greenfield operation with limited historical data; therefore, supply planning continues to rely on estimated consumption profiles. As a result, there is a considerable focus on how the plan maintains flexibility in providing reliable supply customers economically in cases when actual demand deviates from the forecasted demand profile used for planning purposes.

EPCOR South Bruce filed its 2022 GSP Update which includes:

- Changes to the customer connection forecast, demand forecast and procurement strategy relative to the 2020-2022 GSP and the 2021 GSP 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.

### **2.3.1 Connection and Demand Forecast**

EPCOR South Bruce is served from a single meter interconnect with Enbridge Gas at the Dornoch station. EPCOR South Bruce serves two main classes of customers: general service and contract customers. Contract customers procure their own natural gas supply and storage assets to manage fluctuations in demand. Therefore, the consumption of contract customers is not included in the demand forecast.

Residential customers account for 67% of EPCOR South Bruce's general service demand profile and commercial customers account for 22%. Seasonal agricultural customers account for the remaining 11% of general service demand. Seasonal agricultural customers use natural gas for production purposes, and as such, their natural gas usage is expected to vary year-on-year depending on crop yield, making it more challenging to forecast demand due to a lack of historical data.

#### **Customer Connection Forecast**

The 2020 actual customer connections deviated from the forecast presented in the 2020-2022 three-year GSP due to a later start date for customer conversion, and a slower than forecasted pace of customer conversion. The first Rate 11 seasonal

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<sup>20</sup> EB-2022-0141, EPCOR Response to OEB Staff Clarifying Questions, September 14, 2022, p. 1.

customers converted to natural gas in mid-August 2020, while Rate 1 and Rate 6 customers started converting to natural gas usage in early November 2020.

The 2021 actual customer connections deviated 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 CIP, which contributes to higher forecasted conversions in 2024 and 2025.

The table below illustrates the changes in the customer connection forecast as presented in each GSP.

*Table 5: Customer Connection Forecast Comparison By Source<sup>21</sup>*

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	1847	7	1	1,858
2022	4,248	78	5	4,331	3,703	56	6	3,765	3,112	21	6	3,139
2023	4,795	87	5	4,887	4,792	71	6	4,869	4,878	34	7	4,919
2024					5,039	91	6	5,136	5,829	34	7	5,870
2025									5,829	34	7	5,870

### Demand Forecast

The revised three-year forecast customer conversion in the 2022 GSP Update reflects the customer applications received in 2020 and 2021 (updated as of March 25, 2022), as well as revised pace of daily customer conversions. The demand forecast deviates from the 2021 GSP Update for two reasons:

1. Actual historical consumption data for residential customers indicate a materially lower gas consumption than what was assumed in the CIP.
2. A decrease in the expected number of large commercial customers to be connected and consuming gas for the forecast period.

<sup>21</sup> Updated in EPCOR's IR Response, South Bruce, Staff 2b.



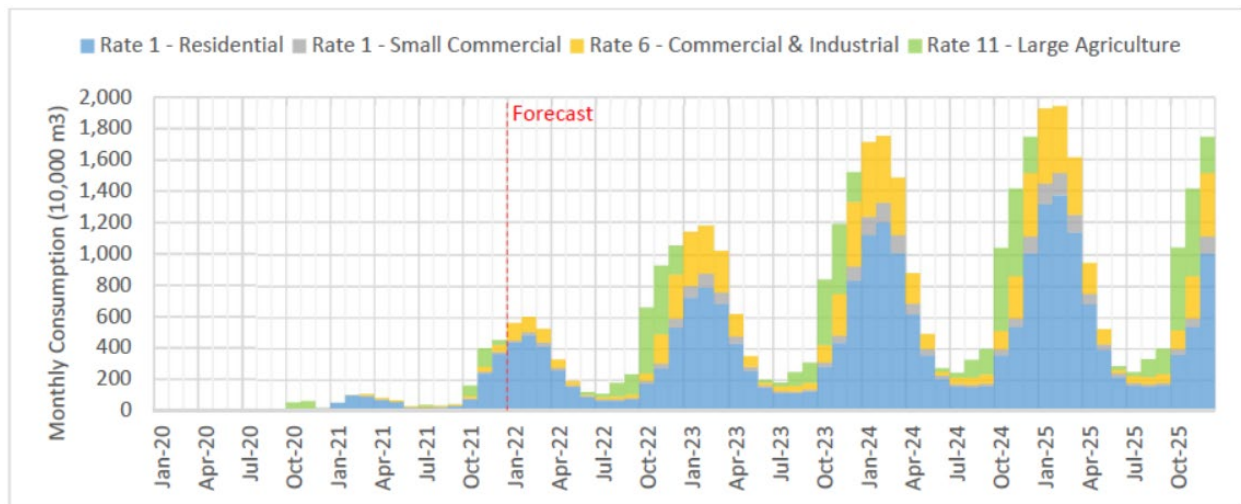


Figure 1: Forecast Monthly General Service Demand, by Customer Type

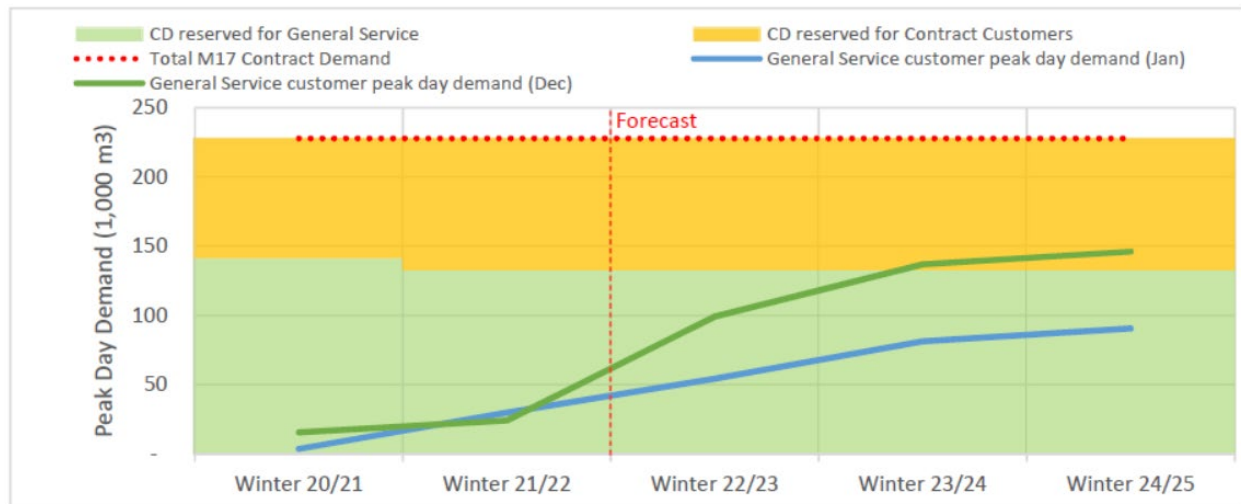
### Design Day Demand

EPCOR South Bruce stated that it has procured sufficient transportation to meet customer demand within the planning horizon. EPCOR South Bruce's Contract Demand under the M17 is based on the expected capacity required to meet peak day conditions in EPCOR' South Bruce'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.

The analysis for Design Day deviates from the 2021 GSP 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.<sup>22</sup> By 2025, January design day consumption from general service customers are expected to utilize 68.6% of the contract demand reserved for general service customers.
2. Based on actual consumption, the consumption from the grain dryer connected on the South Bruce system exceeded initial expectations.
3. The number of grain dryers expected to connect to the system have increased.

<sup>22</sup> Grain dryers were excluded from the January analysis as their consumption is interruptible between December 16 to May 1.



*Figure 2: Forecast Average Day Consumption vs M17 Contract Demand*

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 cold day before December 15th, the general service daily consumption for that day could exceed the capacity allocated to this group of customers. In the event of exceeding the capacity allocated to this group, EPCOR South Bruce will request authorized overrun for the M17 service from Enbridge Gas.<sup>23</sup>

Based on the demand forecast shown above, EPCOR is not expecting to make full use of the Contract Demand in the three-year planning horizon covered by the 2022 GSP Update.

### 2.3.2 Current Portfolio

No changes were made to EPCOR South Bruce's commodity, transportation and storage portfolio and daily balancing management, and none are planned for the horizon of the 2022 GSP Update.

EPCOR South Bruce plans to continue to procure all commodity supplies at the Dawn hub as per ECNG Energy Group'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 the 2021 GSP Update, and Dawn is expected to continue to be a viable source of cost-effective and reliable source of supply.

<sup>23</sup> EPCOR's IR Response, South Bruce, Staff 4e.

EPCOR South Bruce's M17 contract with Enbridge Gas is the only transportation contract relevant during the period covered by the 2022 GSP Update.

In May 2020, EPCOR South Bruce entered into a ten-year contract with Enbridge Gas for seasonal storage service with a maximum storage balance of 100,000 GJ (100 TJ). When supply exceeds demand, EPCOR South Bruce 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, EPCOR South Bruce will use this stored supply to make up for the deficiency.

EPCOR South Bruce does not expect M17 transportation capacity to be fully utilized and does not have the ability to assign its excess transportation capacity to another party. EPCOR South Bruce stated that the cost for unutilized transportation capacity will not be fully recovered from ratepayers in the planning period. In EPCOR South Bruce's 2019-2028 rate application, EPCOR South Bruce was granted approval for a Storage and Transportation Variance Account (S&TVA). This account provides EPCOR South Bruce the ability to defer the recovery of the cost of the additional capacity EPCOR South Bruce was required to contract with Enbridge Gas in order to provide service to its customer base in future years. Accordingly, this under recovery will accrue in the S&TVA.

EPCOR expects minimal unutilized storage capacity in the upcoming winters covered by the 2022 GSP Update. Given the current forecast, storage gas is expected to meet 42.3% of system gas demand this upcoming winter.

### **2.3.3 Updated Gas Supply Plan Outlook**

#### **Supply Option Update**

EPCOR South Bruce noted that three supply procurement options were considered and modeled in its 2020-2022 GSP to meet the guiding principles of cost-effectiveness and security of supply. EPCOR elected to use "Option C", which reflects a mix of month-to-month index purchases and seasonal baseload purchases priced at AECO and Dawn. In the OEB Staff Report for EPCOR's 2020-2022 GSP, OEB staff agreed that Option C is an appropriate procurement option.<sup>24</sup>

EPCOR South Bruce noted that due to delays in customer connections, slower than expected rate of conversion and lower than expected annual consumption for typical

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<sup>24</sup> EB-2020-0106, OEB Staff Report to the Ontario Energy Board, December 14, 2020.

residential customers, it made the following natural gas procurement adjustments relative to the 2020-2022 GSP:

1. With storage heading into winter at over 99% full, EPCOR South Bruce made the decision to mainly use storage gas to service system gas demand, with market purchases contributing to approximately 21% of general service demand between November 1, 2021 and March 31, 2022.
2. EPCOR South Bruce determined that a seasonal-term gas purchase for the 2022 summer as planned in 2020-2022 GSP continues to carry an elevated risk of over-procurement. EPCOR South Bruce decided to procure system supply for the 2022 summer on either a month-to-month basis or as spot / cash purchases.
3. EPCOR South Bruce is still committed to procuring Dawn fixed priced term gas for the upcoming winter later in the 2022 summer, and is continuing to assess conversion rates and market prices on a frequent basis before deciding on the procurement volume. As a conservative measure, EPCOR South Bruce will procure 50% of the estimated system demand as a fixed Dawn purchase, down from 65%.

EPCOR South Bruce is also exploring forward fixed-price purchases for summer 2023 to stabilize commodity prices for system gas customers. EPCOR South Bruce has previously procured forward fixed price gas contracts.<sup>25</sup> EPCOR South Bruce forecasts that up to 50% of its storage requirements will be forward purchased on a fixed price basis for delivery in Summer 2023.<sup>26</sup>

### **2.3.4 Gas Supply Plan Execution**

EPCOR South Bruce and its third-party consultant maintain a number of checks and balances throughout the execution phase of the GSP to ensure adherence to the OEB's guiding principles, with a focus on mitigation of risks highlighted in the 2021 GSP Update. EPCOR South Bruce submitted its Procurement Procedural documentation as part of the 2021 GSP Update and no major changes were made since it was filed.

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<sup>25</sup> EPCOR's IR Response, South Bruce, Staff 5a.

<sup>26</sup> Ibid, Staff 5e.

### 2.3.5 Historical review

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

*Table 6: Actual vs Plan Annual Heating Degree Days*

<b>Heating Degree Days (HDDs)</b>			
	<b>Planned</b>	<b>Actual</b>	<b>Variance</b>
<b>2020/2021</b>	3,831	3,741	90
<b>2021/2022</b>	3,831	3,709	122

2021/2022 heating degree days were lower than planned due to warmer than expected temperatures in February and shoulder months.

*Table 6: Actual vs Plan Annual Demand*

<b>Annual Demand (TJ)</b>			
	<b>Planned</b>	<b>Actual</b>	<b>Variance</b>
<b>2020/2021</b>	138	15	122
<b>2021/2022</b>	272	120	152

2021/2022 annual demand was lower due to delays in HVAC conversion and actual per residential customer demand was lower compared to CIP assumption.

*Table 7: Actual vs Plan Commodity Purchases*

<b>Commodity Purchases (GJ)</b>				
		<b>Planned</b>	<b>Actual</b>	<b>Variance</b>
<b>2020/2021</b>	Dawn	138	102	36
	AECO	0	0	0
<b>2021/2022</b>	Dawn	272	49	223
	AECO	0	0	0

2021/2022 commodity purchases were lower due to high volumes of gas remained in storage and lower consumption in the summer of 2021 and winter of 2021/2022.

*Table 8: Actual vs Plan Unutilized Transportation Capacity*

<b>Unutilized M17 Capacity (GJ)</b>			
	<b>Planned</b>	<b>Actual</b>	<b>Variance</b>
<b>2020/2021</b>	4,308	4,941	633
<b>2021/2022</b>	3,874	4,021	147

2021/2022 unutilized transportation capacity incurred was 147 GJ lower than planned primarily due to delay in construction and slower than forecasted pace of conversion as well as lower average residential customer consumption.

## **2.3.6 Public Policy**

### Community Expansion

In August of 2020, EPCOR South Bruce submitted the “Brocton Expansion Project” to the OEB as part of the Ontario government’s Phase 2 natural gas expansion program. The Brocton Expansion Project intends to connect 500 customers in the Municipalities of Brockton, West Grey and the Township of Chatsworth.

EPCOR South Bruce received conditional Certificate of Public Convenience and Necessity approval for the Brocton Expansion Project in February 2022<sup>27</sup> and is planning on filing a Leave to Construct application later in 2022. 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.

### Federal Carbon Pricing

EPCOR South Bruce continues to file annual applications for FCPP rates and recoverable costs, effective April 1 of each year, most recently in EPCOR’s 2022 FCPP proceeding.<sup>28</sup>

### Demand Side Management

In its filing, EPCOR stated that it would be implementing a DSM pilot in 2023 within its Aylmer or South Bruce territories.<sup>29</sup> In response to OEB staff’s clarification questions, EPCOR confirmed that its plan changed during the course of the 2022 GSP Update and it no longer planned to implement a DSM pilot in 2023.<sup>30</sup> While a pilot was an early consideration for DSM portfolio introduction, further investigation by EPCOR concluded that a more reasonable approach was a staggered rollout, potentially covering a two-year DSM plan with options for residential and commercial customers.

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<sup>27</sup> EB-2021-0269

<sup>28</sup> EB-2021-0268

<sup>29</sup> EPCOR 2022 GSP Update, Aylmer, p. 23 of 91.

<sup>30</sup> EB-2022-0141, EPCOR Response to OEB Staff Clarifying Questions, September 14, 2022, p. 1.

EPCOR stated that it is planning to include a DSM proposal as part of EPCOR Aylmer's 2025 cost of service proceeding.

#### Renewable Natural Gas

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

#### Integrated Resource Planning

EPCOR is participating in the IRP Technical Working Group as an observing member. EPCOR continues to learn and assess the impacts of IRP integration for use in future planning.

### **2.3.7 Performance Metrics**

EPCOR South Bruce developed a performance scorecard in order to measure the effectiveness of the GSP. Details of the scorecard are included in Appendix B. There have not been any changes made to the scorecard since the 2021 GSP Update.<sup>31</sup>

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<sup>31</sup> EPCOR's IR Response, South Bruce, Pollution Probe 10.

### 3 STAKEHOLDER COMMENTS AND OEB STAFF ANALYSIS

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

The process also provided stakeholders an opportunity to submit written comments on EPCOR's GSPs. Pollution Probe submitted written comments. EPCOR 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.

Below is a summary of OEB staff's analysis followed by a description of the key issues raised by Pollution Probe, EPCOR's response to these comments, and OEB staff's recommendations on those issues. OEB staff has also made recommendations with respect to certain issues that were not raised by Pollution Probe.

#### A Summary of OEB Staff Analysis

OEB staff is of the view that EPCOR provided the required information (i.e., the framework criteria) necessary to evaluate whether the 2021 GSP Update meets the OEB's guiding principles. OEB staff is generally satisfied that EPCOR has considered and balanced the guiding principles of the Gas Supply Framework. OEB staff further believes that no component of the 2021 GSP Update requires a hearing before the OEB.

Overall, Pollution probe, which was the only participant in this review process, did not raise significant concerns regarding EPCOR's 2022 GSP Update. OEB staff summarized stakeholder comments and OEB staff's analysis on a combined basis for the EPCOR Aylmer and South Bruce business units, unless otherwise stated, as most comments were common between the two business units.

With respect to the specific issues raised in this review, OEB staff:

- Recommends that EPCOR South Bruce continue with a three-year GSP cycle and file its next three-year GSP in 2023 for the 2023-2025 period.
- Recommends that EPCOR continue to explore opportunities to engage with local suppliers for RNG to identify potential opportunities, and that EPCOR Aylmer should provide a summary of any lessons learned with respect to receiving RNG supply in its 2023 GSP Update. EPCOR should also provide an update regarding



any RNG-related opportunities it may be considering for the future in the 2023 GSPs.

- Recommends that EPCOR submit a DSM proposal in its next cost of service filing for Aylmer (or in a separate standalone proceeding), where the GSP, the financial impacts, and ratemaking implications can be addressed.
- Recommends that EPCOR report, in future GSPs, on the demand and the gas supply portfolio impacts resulting from potential future IRP projects that are implemented.
- Recommends that EPCOR provide details regarding its consideration of scorecard improvements (including potentially adding targets) at the time of its next five-year GSP for the Aylmer service area (expected to be filed in 2024), and its next three-year GSP for the South Bruce service area (expected to be filed in 2023).
- Agrees that it is appropriate that EPCOR South Bruce used the most up-to-date consumption information available for demand forecasting purposes.
- Agrees that the updated design day demand forecasts appropriately use the most accurate information currently available.
- Expects that as part of EPCOR South Bruce's next three-year gas supply plan (expected to be filed in 2023), it will provide a comprehensive evaluation of its natural gas procurement plan (described as "Option C" in the 2020-2022 Gas Supply Plan).

### 3.1 Timing and Scope

EPCOR Aylmer filed its five-year GSP for the period 2019-2024 in its cost of service proceeding.<sup>32</sup>

EPCOR South Bruce's initial three-year, 2019-2021, GSP was reviewed during EPCOR South Bruce's 2019-2028 rates application.<sup>33</sup> The 2019-2021 GSP was updated in 2020<sup>34</sup> and the 2020-2022 GSP is considered the first year of the three-year GSP

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<sup>32</sup> EB-2018-0336

<sup>33</sup> EB-2018-0264

<sup>34</sup> EB-2020-0106

cycle.<sup>35</sup> The 2022 GSP Update is the second, and final, annual update to the three-year GSP.

Pollution Probe noted that Enbridge Gas files a five-year GSP. Pollution Probe recommended that EPCOR Aylmer and South Bruce's GSPs be five-year plans going forward.

EPCOR stated that for its South Bruce GSP it plans to continue with a three-year filing cycle due to delays in construction and lack of historical data. EPCOR noted that another three-year cycle will allow it to gain more operational experience in managing natural gas procurement.

### OEB Staff Recommendations

OEB staff is of the view that it would be premature for EPCOR South Bruce to file a five-year plan considering its first customers were connected in late 2019.

OEB staff agrees with EPCOR South Bruce that another three-year cycle (2023-2025) will allow EPCOR South Bruce to better understand its operations as its forecasted to connect the majority of its customers by 2024 and is appropriate. OEB staff expects that EPCOR South Bruce will file its next three-year GSP in 2023 for the 2023-2025 period (as opposed to an annual update to its existing three-year 2020-2022 GSP).

## **3.2 Renewable Natural Gas**

In fall 2022, EPCOR Aylmer expects to start receiving RNG into its distribution system. EPCOR Aylmer will purchase the RNG as source of local supply, and will not be taking ownership of the environmental attributes generated from the production of the RNG. This arrangement allows for the development of RNG production within Ontario, as well as providing EPCOR Aylmer a learning opportunity on how to transact and procure RNG without cost impacts.

Pollution Probe stated that "EPCOR does not proactively promote or coordinate with potential RNG suppliers to expand supply or use of RNG".<sup>36</sup> Pollution Probe noted that RNG has been identified by the Province of Ontario as an economic opportunity to reach Ontario's decarbonization goals. Pollution Probe recommended that EPCOR

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<sup>35</sup> EB-2022-0141, EPCOR Response to OEB Staff Clarifying Questions, September 14, 2022, p. 1.

<sup>36</sup> Pollution Probe written comments, July 22, 2022, p. 2

assess and leverage its ability to partner with local suppliers and municipalities to increase RNG supply to its system.

### OEB Staff Recommendations

OEB staff recommends that EPCOR continue to explore opportunities to engage with local suppliers for RNG to identify potential opportunities (including costs and benefits). OEB staff expects that there will be lessons learned from EPCOR Aylmer's experience with the RNG supplier after the fall of 2022. EPCOR Aylmer should provide a summary of any lessons learned with respect to receiving RNG supply in its 2023 GSP Update. EPCOR should also provide an update regarding any RNG-related opportunities it may be considering for the future in the 2023 GSPs.

In the future, if EPCOR wishes to submit a proposal for the purchase of RNG (with the associated environmental attributes), including parameters such as long-term contracting and a potential premium, it could file an appropriate application before the OEB.

## **3.3 Demand Side Management**

In its filing, EPCOR stated that it would be implementing a DSM pilot in 2023 within its Aylmer or South Bruce territories.<sup>37</sup> In response to OEB staff's clarification questions, EPCOR confirmed that its plan changed during the course of the 2022 GSP Update and it no longer planned to implement a DSM pilot in 2023.<sup>38</sup> While a pilot was an early consideration for DSM portfolio introduction, further investigation by EPCOR concluded that a more reasonable approach was a staggered rollout, potentially covering a two-year DSM plan with options for residential and commercial customers.

Pollution Probe recommended that EPCOR should do the following:

1. develop and launch DSM programs in 2023 and include timelines for additional DSM programs
2. leverage partners to enhance program development and delivery with other energy and emission goals
3. initiate a DSM consultative starting in 2023, which provides a structured form for early feedback and partnership from relevant stakeholders.

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<sup>37</sup> EPCOR 2022 GSP Update, Aylmer, p. 23 of 91.

<sup>38</sup> EB-2022-0141, EPCOR Response to OEB Staff Clarifying Questions, September 14, 2022, p. 1.

EPCOR stated that the development and implementation of a DSM portfolio is not as simple as Pollution Probe implied. Due to the size of EPCOR's operation, EPCOR expects that the investments in a DSM application could exceed EPCOR's financial thresholds. EPCOR stated that there is currently no mechanism to recover these costs and there is no formal deferral account to track implementation costs. EPCOR stated that it is planning to include a DSM proposal as part of EPCOR Aylmer's 2025 cost of service proceeding.

#### OEB Staff Recommendations

OEB staff understands that given the size of EPCOR's operation, developing and implementing a DSM program could be a major undertaking with significant cost implications. OEB staff recommends that EPCOR submit a DSM proposal in its next cost of service filing for Aylmer (or in a separate standalone proceeding), where the plan, the financial impacts and ratemaking implications can be addressed. This would also give EPCOR an opportunity to review and consider the OEB's direction related to Enbridge Gas's application for a new multi-year DSM Plan beginning in 2023 as well as any updates to the OEB's DSM policy framework.<sup>39</sup>

### **3.4 Integrated Resource Planning**

EPCOR is participating in the IRP Technical Working Group as an observing member. EPCOR continues to learn and assess the impacts of IRP integration for use in future planning.

Pollution Probe recommended that EPCOR accelerate its assessment of the IRP Framework, and that options for implementation and opportunities should be included in the GSPs starting in 2023.

#### OEB Staff Recommendations

The OEB's current IRP Framework has been established for Enbridge Gas; however, the OEB indicated that it should also be used as a resource to guide EPCOR when it examines infrastructure investments and potential alternatives.<sup>40</sup> OEB staff is of the view that that EPCOR should continue to review the IRP Framework and consider how it may provide future benefits.

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<sup>39</sup> EB-2021-0002

<sup>40</sup> IRP Framework, p.3

OEB staff expects EPCOR to report, in future GSPs, on the demand and the gas supply portfolio impacts resulting from potential future IRP projects that are implemented. However, the consideration of IRP alternatives to facility projects are not properly part of a GSP review. Therefore, EPCOR should not provide information with respect to options for IRP implementation in its GSPs. IRP alternatives are properly considered as part of leave to construct applications and in distribution system planning for rate applications.

### **3.5 Scorecard and Metrics**

There have been no major changes made to the EPCOR Aylmer and EPCOR South Bruce performance scorecards since the 2021 GSP Update.

Pollution Probe noted that EPCOR's performance scorecards do not have any objectives or targets to evaluate the achieved performance. Pollution Probe stated that it previously provided suggestions for improving the scorecard and recommended that EPCOR is best placed to develop a recommended list of target objectives and areas of improvement for OEB review. As EPCOR indicated that it has made no changes to scorecard metrics in the 2022 GSP Update, Pollution Probe stated that the annual OEB review process is not structured enough to drive forward annual improvements. Pollution Probe recommend that the OEB consider enhancements to the GSP review process that would be more effective in driving forward annual improvements.

#### OEB Staff Recommendations

OEB staff is of the view that EPCOR should consider whether its performance scorecards can be improved in the future. OEB staff recommends that EPCOR provide details regarding its consideration of scorecard improvements (including potentially adding targets) at the time of its next five-year GSP for the Aylmer service area (which is expected to be filed in 2024) and its next three-year GSP for the South Bruce service area (which is expected to be filed in 2023).

### **3.6 Demand Forecast - South Bruce**

EPCOR South Bruce revised its demand forecast to reflect the customer applications received in 2020 to 2021 as well as the pace of daily customer conversions. The demand forecast deviated from the 2021 GSP Update due to the availability of actual historical consumption data and a decrease in expected large commercial customers. EPCOR South Bruce revised its annual consumption of a typical residential customer to 1,453m<sup>3</sup> per year, based on approximately 1,000 customers with at least 12 months gas

flow.<sup>41</sup> The CIP annual consumption assumption was 2,149 m<sup>3</sup> for residential customers.

### OEB Staff Recommendations

For the purposes of forecasting demand to ensure EPCOR South Bruce establishes an appropriate GSP to serve its customers, OEB staff agrees that it is appropriate that EPCOR South Bruce used the most up-to-date consumption information available.

OEB staff notes that its support for EPCOR South Bruce's use of the most up-to-date consumption information for gas supply planning purposes is without prejudice to any position that OEB staff may take with respect to EPCOR South Bruce's proposal for the establishment of the Customer Volume Variance Account (CVVA) in its 2023 rates proceeding.<sup>42</sup>

## **3.6 Design Day Demand - South Bruce**

EPCOR South Bruce revised its design day demand forecast based on the outlook of January design day, the consumption of the grain dryer and the number of grain dryers expected to be connected to the system. EPCOR South Bruce stated that if all dryers were to run on the same day during a cold day before December 15, the general service daily consumption for that day could exceed the capacity allocated to this group of customers. EPCOR South Bruce noted that it did not consider this scenario to be a major risk at this time.<sup>43</sup> EPCOR South Bruce also stated that if this scenario was to occur it will proactively request M17 overrun service from Enbridge Gas.<sup>44</sup>

### OEB Staff Recommendations

OEB staff agrees that using the most up to date design day demand forecasts is appropriate. In the scenario that all grain dryers run on the same cold day before December 15, OEB staff notes that EPCOR South Bruce can ensure continuity of service through M17 overrun.

## **3.7 Updated Supply Options**

EPCOR South Bruce noted that due to delays in customer connections, slower than expected rate of conversion and lower than expected annual consumption for typical

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<sup>41</sup> EPCOR's IR Response, South Bruce, Staff 3a.

<sup>42</sup> EB-2022-0184.

<sup>43</sup> EPCOR's IR Response, South Bruce, Staff 4e.i

<sup>44</sup> *ibid*, Staff 4g.i

residential customers, it made adjustments to its natural gas procurement plan in the 2022 GSP Update relative to the 2020-2022 GSP (described detail in section 2.3.3 of this report.

EPCOR South Bruce also noted that it is exploring forward fixed-price purchases for summer 2023 to stabilize commodity prices for system gas customers. EPCOR South Bruce noted that it has previously procured forward fixed price gas contracts.<sup>45</sup> EPCOR South Bruce forecasts that up to 50% of its storage requirements will be forward purchased on a fixed-price basis for delivery in Summer 2023.<sup>46</sup>

### OEB Staff Recommendations

OEB staff has no concerns with the adjustments that EPCOR South Bruce made to its natural gas procurement plan in the 2022 GSP Update. The adjustments appear to be reasonable in the context of EPCOR South Bruce's reduced demand forecast and should reduce the risk of over procurement.

With respect to EPCOR South Bruce's proposal that up to 50% of its storage requirements will be forward purchased on a fixed-price basis for delivery in Summer 2023, OEB staff has no specific concerns with this approach and notes that EPCOR South Bruce has previously procured natural gas using forward fixed price gas contracts.

However, OEB staff expects that as part of EPCOR South Bruce's next three-year gas supply plan (which is expected to be filed in 2023), EPCOR will provide a comprehensive evaluation of its natural gas procurement plan (described as "Option C" in the 2020-2022 Gas Supply Plan). This analysis should include an evaluation of the price differences between the forward fixed-price purchases that EPCOR South Bruce made on an actual basis and what it would have paid if it instead did not make fixed-price purchases (and alternative procurement options were selected).

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<sup>45</sup> EPCOR's IR Response, South Bruce, Staff 5a

<sup>46</sup> Ibid, Staff 5e.

## **APPENDIX A:**

### **EPCOR AYLMER PERFORMANCE SCORECARD**

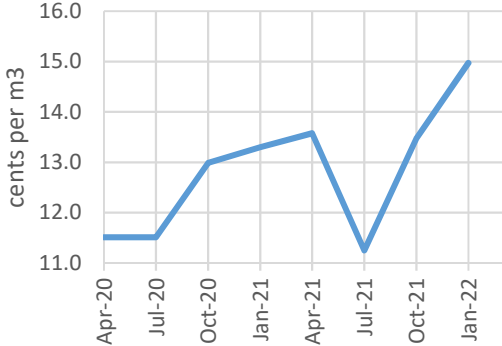


## 16. Appendix F - ENGLP Aylmer Performance Metrics Scorecard

	Performance Categories	Intent of Measures	Measures	Sample	2020	2021
1. Cost Effectiveness	Policies & Procedures	Demonstrates consideration of alternate Enbridge rates	Annual rate review	C	C	C
	Price Effectiveness	Demonstrates local production a competitive option	Premium to system gas alternative	+/-%	Well gas: +80% Lake gas: -5%	Well gas: -5% Lake gas: -5%
	Performance Categories	Intent of Measures	Measures	Sample	2020	2021
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%	100%
			2. Enbridge Overrun Charges	\$	\$0	\$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	12
	Communication	Ensure ongoing communications	Communication to ratepayers re material bill impacts	C	C	C
	Diversity	Demonstrate the diversity of the portfolio	1. % Firm local gas flow	%	95%	97%
			2. Local production as % of system gas	%	37.08%	37.01%
	Reliability	Demonstrate the reliability of the portfolio	1. Days failed to deliver to customers	#	0	0
			2. Days customer interrupted	#	0	0
	Performance Categories	Intent of Measures	Measures	Sample	2020	2021
3. Public Policy	Supporting Policy	Reports public policy in ENGLP supply plan	1. Community expansion	C	C	C
			2. FCC	C	C	C
			3. RNG	C	N/A	N/A
			4. DSM	C	N/A	N/A

## **APPENDIX B:**

### **EPCOR SOUTH BRUCE PERFORMANCE SCORECARD**

Performance Categories	Intent of Measures	Measures	Sample	2020	2021	
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:				
		1. < 1 Month	%	18.7%	5.0%	
		2. Monthly	%	81.3%	58.5%	
		3. Seasonal	%	0%	36%	
		4. Annual	%	0%	0%	
	Price Effectiveness	Demonstrates diversity of supply terms within procurement plan through a layers approach to contracting	5. Reference Price History	Graph	<div>System Gas Commodity Charge</div> 	
		Illustrates Price Stability				

	Performance Categories	Intent of Measures	Measures	Sample	2020	2021
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%	100%
	Storage	Demonstrates execution of storage inventory strategy	1. % of storage level Sept 30th	%	99%	99%
			2. % of storage level March 31st	%	70%	16%
	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	12
	Communication	Ensure ongoing communications	Communication to ratepayers re material bill impacts	C	C	C
	Diversity	Demonstrate the diversity of the portfolio	1. % of contract vol. per delivery point	%	Dawn: 100% AECO: 0%	Dawn: 100% AECO: 0%
			2. # of unique counterparties	#	3	3
	Reliability	Demonstrate the reliability of the portfolio	1. Days failed to deliver to customers	#	0	0
			2. Days customer interrupted (1)	#	0	0
	Performance Categories	Intent of Measures	Measures	Sample	2020	2021
3. Public Policy	Supporting Policy	Reports public policy in ENGLP supply plan	1. Community expansion (% customer converted/unlocked vs. CIP)	%	15.40%	49.58%
			2. FCC	C	C	C
			3. RNG	C	N/A	N/A
			4. DSM	C	N/A	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