EPCOR NATURAL GAS LIMITED PARTNERSHIP

RESPONSES TO ADDITIONAL ONTARIO ENERGY BOARD STAFF QUESTIONS

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Follow up to South Bruce- Staff.8

Ref: 2023-2025 South Bruce GSP, Pg. 6

EPCOR emphasized the importance of flexibility. EPCOR also discussed that "Southern Bruce is still a relatively new operation with little historical data."

Question(s):

a) Given that EPCOR stated that there is a need for flexibility in the supply plan "in cases when actual demand deviates from the forecasted demand profile," why has EPCOR decided to pursue a gas supply plan that includes forward-purchased gas on a fixed-price basis as opposed to a more flexible approach given the lack of historical usage data?

EPCOR Response: EPCOR's approach is intended to optimize the flexibility and cost stability of the gas supply purchase.

b) What is the rationale for EPCOR pursuing only limited purchases on the spot market (11% since 2020) with regard to EPCORs goal of emphasizing flexibility in its gas supply plan?

EPCOR Response: EPCOR does not set out to specifically limit spot market purchases. Spot market (intra-day purchase, next day purchase, and purchases for less than 1 month). Spot purchases are a means to introduce flexibility into the gas supply plan, and is one of a complement of tools to flexibly manage gas procurement (along with the storage contract and the M17 LBA). For example, spot purchases are often purchased in periods when demand forecast is difficult to forecast (i.e. during grain drying season), or during peak day scenarios.

c) To demonstrate whether EPCOR's forward-purchased, fixed-price procurement strategy is novel or commonplace, on a best-efforts basis, please provide examples of other energy utilities who have implemented forward-purchased gas procurement strategies on a fixed-price basis in Canada or the USA. Please also explain how these examples are relevant to EPCOR.

EPCOR Response: EPCOR has not completed an industry-wide scan of other utilities' procurement practices. EPCOR's procurement practices and supply plans are prepared and executed based on Board guidance in alignment with customer priorities. Should the Board deem it appropriate to provide further guidance to EPCOR on the continuance of fixed priced contracts, EPCOR would not object.

d) In its initial response to Staff.8a, EPCOR quoted the OEB Staff report in which Staff had stated: "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." Please explain:

1) how a winter or annual fixed pricing strategy is similar or different from a summer fixed price strategy such as the one described by Board Staff and quoted by EPCOR in its previous response, and

   EPCOR Response: The winter and annual fixed pricing strategy are similar to the summer fixed priced strategy. The differences are the time of year of the purchase, as well as length of the contract as noted in Staff 10.a (summer: up to 5 months, winter: up to 4 months, annual strip: up to 12 months).

2) how a fixed-price procurement strategy for more than 50% of monthly demand would affect procurement flexibility and price volatility.

   EPCOR Response: To clarify, EPCOR's practice is not to exceed 50% of demand. A fixed priced strategy that exceeds 50% would increase price stability and reduce flexibility.

Follow up to South Bruce- Staff.12- Supply Option Analysis

Ref: 2023-2025 South Bruce GSP, Pg. 48-49

Table 4 provides the impact of demand and price shocks for each supply option and reveals that Option 4 (the chosen supply option) minimizes pricing volatility with the lowest price in a high-price environment and the highest price in a low-price environment. This calculation is based on the data provided in Appendix A (relevant excerpts provided below):

Table 1 - Scenario Analysis Prices

Supply Option	Base Scenario Price ($/GJ of demand)	High Price Scenario ($/GJ of demand)	Low Price Scenario ($/GJ of demand)	Average of High & Low Price Scenarios ($/GJ of demand)
Option 1	$4.72	$6.66	$4.00	$5.33
Option 2	$4.72	$6.57	$4.18	$5.38
Option 3	$4.72	$6.26	$4.11	$5.19
Option 4	$4.72	$6.13	$4.29	$5.21

The price increase relative to the Base Case in the High Price Scenario and the price decrease relative to the Base Case in the Low Price Scenario are provided in the table below, along with the ratio of price increase to price decrease.

Table 2 - Price Increase/Decrease vs. Base Case

Supply Option	Price Increase in High Price Scenario ($/GJ of demand)	Price Decrease in Low Price Scenario ($/GJ of demand)	Ratio of Price Increase to Decrease
Option 1	$1.94	$0.72	2.69
Option 2	$1.85	$0.54	3.43
Option 3	$1.54	$0.61	2.52
Option 4	$1.41	$0.43	3.28

The analysis in Tables 1 and 2 above would appear to indicate that, while Option 3 does not provide the absolute lowest volatility compared to Option 4, it provides a lower average price across the high and low scenarios and does a better job of capturing potential savings in the Low Price Scenario versus potential cost increases in the High Price Scenario.

Question(s):

a) Please explain if EPCOR agrees with this analysis and, if not, why not.

EPCOR Response: EPCOR agrees with this analysis.

b) If EPCOR agrees with this analysis, does it continue to support Option 4 as the preferred procurement plan and, if so, why?

EPCOR Response: EPCOR continues to support Option 4 as the preferred plan. Compared to Dawn fixed priced purchase, under current market conditions AECO purchases introduce more price volatility and basis risk into EPCOR's portfolio.

Follow up to Pollution Probe-1

EPCOR indicated that the facility owner is responsible for cleaning the RNG to pipeline quality gas which follows the "Renewable Natural Gas (RNG) Facilities Standard – 2019" standard.

Question(s):

a) Please provide who conducts and pays for the following activities:
   a. Processing the RNG

      EPCOR Response: The Facility Owner

   b. Cleaning the RNG

      EPCOR Response: The Facility Owner

   c. Transporting the RNG

      EPCOR Response: Not applicable. EPCOR is purchasing the gas for consumption within its Aylmer distribution system.

b) Who tests the RNG gas to ensure the natural gas meets the standard mentioned?
   a. How often does it get tested?

      EPCOR Response: Both EPCOR and the facility owner tests the RNG gas to ensure the natural gas meets the standard mentioned. The custody transfer station is equipped with a gas quality testing equipment that tests for gas quality continuously, and will automatically shut off flow into the Aylmer system when the gas quality do not meet contracted parameters. The facility owner also continuously tests gas quality at the gas upgrader upstream of the custody transfer station. In addition, during the commissioning process there are three rounds of 3rd party testing lab testing conducted by the facility owner. Finally, the facility owner will conduct a third party lab test of gas quality annually after commissioning.