Ontario Energy Board | Commission de l'énergie de l'Ontario

November 20, 2023

OEB Staff Report to the Ontario Energy Board

Review of 2023 Annual Update to EPCOR Natural Gas Limited Partnership's 2019-2024 Aylmer Natural Gas Supply Plan and new Three-Year Natural Gas Supply Plan for South Bruce (2023-2025)

EB-2023-0111

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1 INTRODUCTION AND SUMMARY

On May 16, 2023, the Ontario Energy Board (OEB) initiated a consultation to review EPCOR Natural Gas Limited Partnership's (EPCOR) annual update to the Aylmer five-year natural gas supply plan (GSP) and the three-year GSP for South Bruce 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]

EPCOR filed its annual update to its five-year Aylmer GSP (2023 GSP Update) and a new three-year South Bruce GSP on April 28, 2023 (2023-2025 GSP) (together, 2023 GSPs).

EPCOR Aylmer's initial five-year 2019-2024 GSP was approved as part of the settlement proposal in its latest cost of service proceeding.[2] This will be its fourth annual update to its Aylmer GSP.

EPCOR South Bruce's previous three-year GSP was filed in 2020 covering the years 2020 to 2022.[3]

This report sets out OEB staff's assessment of EPCOR's 2023 GSPs. In particular, as per the Gas Supply Framework, OEB staff assessed the extent to which:

- EPCOR's 2023 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 2023 GSPs include a description of how the framework criteria have been met.

- EPCOR's 2023 GSPs successfully balance the three OEB guiding principles in a way that is prudent and delivers value to customers.

[1] EB-2017-0129, October 25, 2018.
[2] EB-2018-0336
[3] EB-2020-0106

Pollution Probe was the only stakeholder that participated in this consultation. In its comments, Pollution Probe did not identify major issues with the 2023 GSPs. Pollution Probe's comments focused on: (a) the timing and scope of the 2023 GSPs; (b) Renewable Natural Gas (RNG); (c) Demand Side Management (DSM); and (d) Integrated Resource Planning (IRP).

OEB staff is generally satisfied with the 2023 GSPs 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 2023 GSPs 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 28, 2023, EPCOR filed its 2023 GSPs pursuant to the Gas Supply Framework. In the initiation letter dated May 16, 2023, the OEB set up a process to review the 2023 GSPs, including an invitation to participate, 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 9, 2023, the OEB issued its Decision on Cost Awards Eligibility and Procedural Order, allowing Pollution Probe to participate in the consultation and granting cost eligibility.

Pollution Probe and OEB staff filed questions on June 26, 2023, and June 27, 2023, respectively. EPCOR filed its responses on July 11, 2023.

On July 19, 2023, OEB staff filed a letter requesting the opportunity to file clarifying questions to EPCOR's responses. The OEB granted OEB staff's request and established deadlines for further questions by OEB staff and Pollution Probe and responses by EPCOR. Written comments by the stakeholder and reply comments were adjusted to accommodate the additional steps.

OEB staff filed clarifying questions on July 27, 2023. EPCOR provided its responses on August 11, 2023.

Pollution Probe submitted written comments on August 14, 2023. EPCOR submitted its written reply on September 1, 2023. EPCOR did not propose any changes to its 2023 GSPs arising from the questions and written comments.

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 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.[5] 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.[6] 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.[7] 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 fourth annual update to EPCOR Aylmer's five-year GSP.

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

[5] EB-2016-0137/38/39
[6] EB-2018-0336
[7] EB-2018-0336, Decision and Interim Rate Order, July 4, 2019, pp. 4-5.

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.[8]

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 created 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.

Table 1: Forecasted Annual Service Demand

Forecast Annual Customer Service Demand, by Rate Class

	2022 Actual	2022 Normalized	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
R1 Residential	18,758,836	18,633,571	18,779,614	19,275,421	19,776,619	20,281,194	20,789,326
R1 Industrial	2,367,680	2,399,540	2,259,047	2,358,149	2,461,008	2,567,756	2,678,530
R1 Commercial	6,146,717	6,979,306	6,048,327	6,278,022	6,516,256	6,763,341	7,019,600
R2 Seasonal	838,908	838,908	933,892	911,088	888,840	867,136	845,962
R3	1,551,993	1,554,954	1,219,400	1,324,601	1,285,943	1,374,744	1,638,793
R4	1,601,181	1,601,181	2,051,464	2,132,436	2,196,351	2,262,182	2,329,986
R5	585,954	585,954	643,974	643,974	643,974	643,974	643,974
R6	62,040,423	62,040,423	61,267,873	61,267,873	61,267,873	61,267,873	61,267,873
Total	93,891,693	94,633,837	93,203,592	94,191,565	95,036,865	96,028,200	97,214,044

[8] EB-2018-0336, Exhibit 2, Tab 3, Schedule 2.

The total customer count was forecasted by applying the geometric mean annual growth rate from 2011 to 2022 to the 2022 average customer count.

Table 2: Forecast of Total Customer Count

Forecast of Customer Connections

	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
R1 Residential	9,132	9,340	9,547	9,755	9,962	10,170
R1 Industrial	77	79	81	83	86	88
R1 Commercial	567	585	604	624	644	665
R2 Seasonal	52	50	49	48	47	46
R3	5	5	6	6	6	7
R4	41	43	44	45	47	48
R5	4	4	4	4	4	4
R6	1	1	1	1	1	1
Total	9,878	10,107	10,336	10,566	10,797	11,029

2.2.2 Supply Options

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

In the spring of 2023, EPCOR Aylmer expected to add another source of local supply to the distribution system through the introduction of Production D injected into the system by a new local RNG facility. This volume was previously expected by the fall of 2022 but commissioning of the RNG facility was delayed to Q2 2023 due to supply chain issues. The facility is expected to increase supply to the distribution system by approximately 3,000 m^3 to 13,500 m^3 per day, which will offset the decrease from other supply sources. EPCOR Aylmer will not retain the environmental attributes and 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. EPCOR finalized the supply contract with the RNG producer during the winter of 2022.

EPCOR confirmed, in its response to OEB staff questions, that RNG volumes started flowing in the summer of 2023.[9]

[9] EPCOR response to questions, July 11, 2023, Aylmer, Staff 2b

Table 3: Supply Sources- Forecast and Historical

Supply Source Breakdown – Forecast and Actual

Supply Source Breakdown-Forecast					
	Enbridge	Production A & B	Production C	Production D	Total
2027	64.8%	1.2%	22.8%	11.3%	100%
2026	63.3%	1.4%	23.6%	11.7%	100%
2025	62.0%	1.7%	24.3%	12.0%	100%
2024	60.7%	2.1%	24.9%	12.3%	100%
2023	64.8%	2.6%	25.5%	7.1%	100%

Supply Source Breakdown-Historical					
	Enbridge	Production A & B	Production C	Production D	Total
2022	70.3%	2.6%	27.1%	0%	100%
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%

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.

No changes were proposed to Enbridge's Contract Demand for SA1550 (for system gas customers) and SA25050 (for direct purchase customers). EPCOR plans to increase the Contract Demand with the Lakeview contract in 2023 to meet expected system gas peak day requirements.

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 and procuring supplies from local producers.

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 risk identified by EPCOR in the 2023 GSP Update is that the M9 Rate will not be offered by Enbridge in the future. Enbridge Gas in its 2024 Rebasing application[10] proposed to switch M9 customers to the proposed Rate E62. EPCOR has reviewed the differences between the two rates, M9 and the proposed E62, and found the rate structures to be similar and is not expected to have material impact to how EPCOR Aylmer manages gas supply.[11]

2.2.5 Public Policy Objectives

Renewable Natural Gas

EPCOR stated that it supported 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. In summer 2023, EPCOR Aylmer started receiving RNG into its distribution system. EPCOR Aylmer purchases the RNG as another source of local natural gas supply but does not take ownership of the environmental attributes generated from the production of the RNG.

EPCOR noted that 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 to ratepayers relative to the purchase of Enbridge Gas supply.

[10] EB-2022-0200
[11] EPCOR response to questions, July 11, 2023, Aylmer, Staff 4

EPCOR noted that one of the key learnings to date is that RNG projects tend to have relatively steady production volumes throughout the year, which presents a challenge to EPCOR Aylmer's system operations during the summer period when consumption is low.

Demand Side Management (DSM)

EPCOR stated that it plans to 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.

Community Expansion

EPCOR 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 pro-actively responded to those requests and included them as part of its 2023 demand forecast.

Minister of Energy Letter of Direction

On October 21, 2022, the Minister of Energy provided a letter of direction to the Chair of the OEB, which among other things said that the Minister was "looking to the OEB to ensure Ontario natural gas ratepayer interests are protected and that Ontario takes every opportunity to generate deeper retrofits, more natural gas savings and greater emissions reductions."

EPCOR stated that it continues to support the Minister's priorities and monitor the impacts on the GSP, including plans for DSM/retrofit rollout.

Federal Carbon Pricing Program

EPCOR 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 2024 FCPP proceeding.[12]

Integrated Resource Planning

EPCOR noted the 2023 GSP Update does not include potential impacts of future IRP projects.

[12] EB-2023-0274

Canada Green Homes Grant

Grant funding through the Canada Greener Homes Grant is being offered across the country to all eligible Canadians. EPCOR stated that it continues to monitor and assess the potential impact of the Canada Green Homes Act on future customer consumption and conversion decisions.

2.2.6 Current and Future Market Trends Analysis

EPCOR engaged a third-party consultant (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 developed a performance scorecard for the Aylmer service area 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 2022 GSP Update. However, to align with the South Bruce 2023-2025 GSP, EPCOR included a three-year average of all the measures in the Aylmer scorecard (as applicable) starting with the 2023 GSP Update.

2.3 EPCOR South Bruce Gas Supply Plan

As recommended in the 2022 GSP OEB staff report,[13] EPCOR filed its second three-year GSP for the South Bruce service area for the 2023-2025 period to align with the three-year GSP cycle that is applicable to South Bruce.

EPCOR South Bruce is a relatively new operation with little historical data; therefore, supply planning is done with limited historical data and consumption profiles based on customers' gas usage in their first few years of service. As a result, there continues to be a considerable focus 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.

[13] EB-2022-0141

EPCOR South Bruce's 2023-2025 GSP includes changes to demand forecast using latest available information and a change to the selected supply option relative to its previous three-year GSP (2020-2022).

2.3.1 Connection and Demand Forecast

EPCOR South Bruce is served from a single meter interconnect by 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.

Direct purchase arrangements have not been taken into consideration in the 2023-2025 GSP for general service customers as direct purchase options are not currently offered. On September 1, 2020, EPCOR received a three-year exemption pursuant to subsection 44(6) of the *Ontario Energy Board Act, 1998* (OEB Act) and Rule 1.5.1 of the Gas Distribution Access Rule (GDAR) exempting EPCOR from compliance with Rules 3 and 4 of GDAR[14] in relation to the offering of direct purchase programs. In February 2023, EPCOR filed a request to defer the offering of a direct purchase program to July 31, 2025, which was granted on May 25, 2023.[15]

Residential customers account for 75% of EPCOR South Bruce's general service demand profile and commercial customers account for 16%. Seasonal agricultural customers account for the remaining 9% 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.

In February 2022, EPCOR received conditional approval for Municipal Franchise Agreements with each of the Municipality of Brockton, the Municipality of West Grey, and the Township of Chatsworth, and Amendments to the Certificates of Public Convenience and Necessity for each of the Municipality of Brockton, the Municipality of West Grey, and the Township of Chatsworth.[16] On June 29, 2023, EPCOR filed a Leave to Construct application for the Brockton Community Expansion Project.[17] The 2023-2025 GSP does not consider the demand associated with the Brockton Community Expansion Project as EPCOR has not received leave to construct approval.

[14] EB-2020-0068
[15] EB-2020-0068, Decision and Order, May 25, 2023
[16] EB-2021-0269
[17] EB-2022-0246

Customer Connection Forecast

EPCOR observed that the pace of customer additions on the South Bruce system has been relatively consistent in the past two years (2021 and 2022). EPCOR has also received customer applications that are expected to drive the growth of system demand at a similar place into mid-2025. The 2022 actual customer connections are similar to the 2022 customer attachments forecasted in the 2022 GSP update for South Bruce.

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

Table 4: Year-End Customer Forecast Comparison

Year	2020 GSP (2020-2023) (EB-2020-0106)				2021 GSP Update (EB-2021-0146)				2022 GSP Update (EB-2022-0141)				2023 GSP (2023 to 2025) (EB-2023-0111)			
	Rate 1	Rate 6	Rate 11	**Total**	**Rate1**	**Rate 6**	**Rate 11**	**Total**	Rate 1	Rate 6	Rate 11	**Total**	Rate 1	Rate 6	Rate 11	**Total**
2020	2,249	34	2	**2,285**	179	-	1	**180**	179	-	1	**180**	179	-	1	**180**
2021	3,616	56	5	**3,677**	2,614	40	3	**2,657**	1847	7	1	**1,858**	1847	7	1	**1,858**
2022	4,248	78	5	**4,331**	3,703	56	6	**3,765**	3,112	21	6	**3,139**	3,388	21	5	**3,414**
2023	4,795	87	5	**4,887**	4,792	71	6	**4,869**	4,878	34	7	**4,919**	4,911	27	7	**4,945**
2024					5,039	91	6	**5,136**	5,829	34	7	**5,870**	5,604	32	7	**5,643**
2025									5,829	34	7	**5,870**	5,800	36	7	**5,843**

Demand Forecast

Since the 2022 GSP Update for South Bruce, certain aspects of customer demand have significantly deviated from both the assumptions made in the CIP as well as the original three-year GSP (2020-2022).

- There were significant deviations in the customer connection number and pace over the last three years, particularly for Rate 1 residential, Rate 1 commercial and Rate 6 large commercial customers.
- There were also significant deviations in average customer consumption, especially for residential customers.
- The consumption pattern for the Rate 11 grain dryer was significantly different than forecast.

EPCOR noted that actual consumption in 2022 did not deviate significantly from the consumption forecast in the 2022 GSP Update and the 2022-2025 GSP uses similar assumptions.

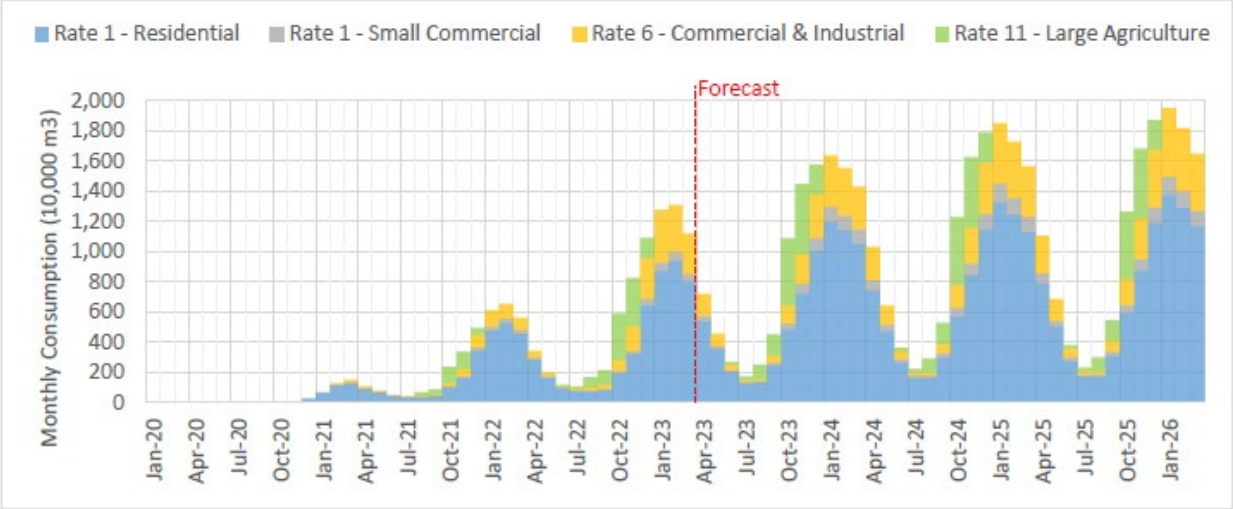


Figure 1: Forecast Monthly General Service Demand, by Customer Type

EPCOR noted that, currently, the demand forecast in the 2023-2026 GSP does not include potential impacts of future DSM programs. EPCOR noted that it plans to develop its DSM program for the Aylmer service territory prior to developing a DSM program for the South Bruce service territory.

Design Day Demand

EPCOR stated that it has procured sufficient transportation to meet customer demand within the planning horizon. EPCOR South Bruce's Contract Demand under the M17 contact is based on the expected capacity required to meet peak day conditions in EPCOR South Bruce's 2028 gas flow. The figure that follows 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 continues to follow the methodology used in the 2022 GSP Update.

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.

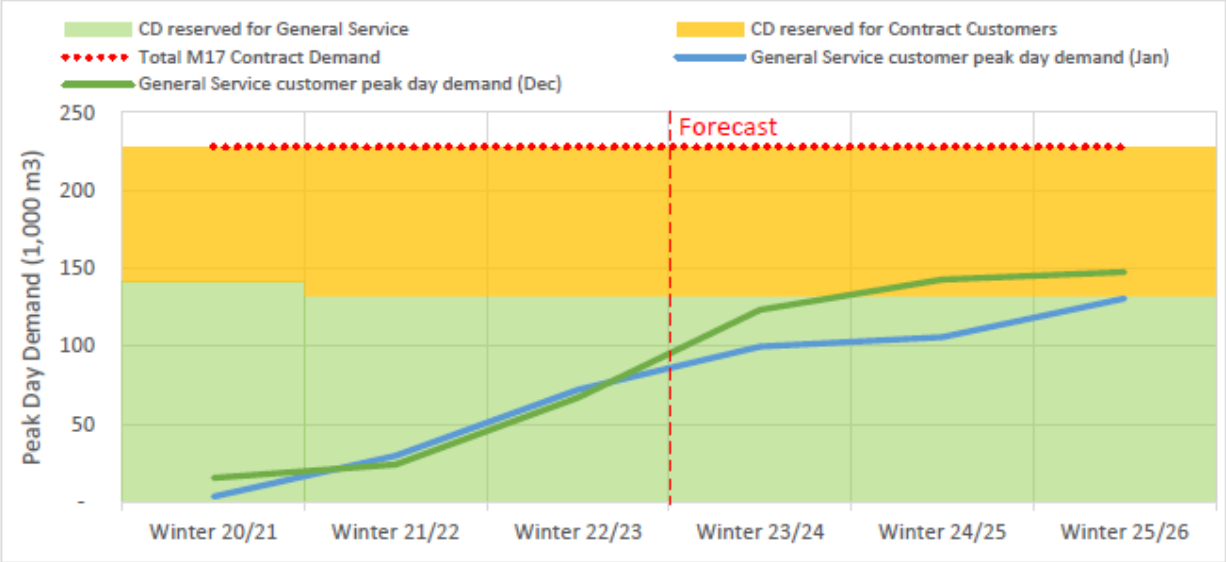


Figure 2: Forecast Average Day Consumption vs M17 Contract Demand

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 2023-2025 GSP. By 2026, January peak day demand for General Service customers is expected to be approximately 98.9% of the contract demand reserved for General Service customers. EPCOR noted that there is a risk by December 2024 that grain dryer consumption could push single day general service demand above the M17 capacity reserved for General Service customers, given the number of existing Rate 11 grain drying customers and forecasted additions in the next three years. However, ECPOR stated that this is low risk and it is not cost effective for EPCOR to contract for capacity for a relatively unlikely event.

EPCOR further noted that, currently, the Design Day Demand in the 2023-2025 GSP does not include potential impacts of future IRP projects as there are currently no plans to implement IRPs in South Bruce for the period covered by the 2023-2025 GSP.

2.3.2 Current Portfolio

Commodity Portfolio

EPCOR plans to procure all supplies at the Dawn Hub for South Bruce as per its consultant's (ECNG Energy Group) recommendation. EPCOR noted that its demand currently represents less than 0.1% of overall Eastern Canadian market demand. Dawn is expected to be a viable source of supply for EPCOR's base supply and balancing supply requirements for the following reasons:

- Dawn has excellent connectivity to the large and small basins of supply in North America
- The stable outlook for supply in Appalachia and Western Canadian Sedimentary Basin
- There is excess capacity to Dawn to access these supplies
- EPCOR's demand for supply will have no material impact on the Dawn market overall

Transportation Portfolio

EPCOR's M17 contract with Enbridge is the only Transportation Asset relevant to South Bruce. EPCOR has contracted 227,912 m^3 per day of capacity to deliver gas from Dawn to the Dornoch Interconnect, which will meet peak day demand in 2028.

Storage Portfolio

EPCOR has a 10-year seasonal storage service contract with Enbridge Gas that provides a maximum storage balance of 100,000 GJ, which includes no firm injections in September and October and no firm withdrawals in April and May. EPCOR has assessed that the 100,000 GJs of seasonal storage in combination with baseload and month-to-month firm supplies is sufficient to meet deliverability required within the planning horizon. The current contracted storage will cover approximately one-third of expected winter demand for the three winters (2023-2025) in the GSP planning horizon.

Daily Balancing

The M17 transportation contract includes a provision for daily balancing which is facilitated by a separate M17 Load Balancing Agreements (LBA) contracted service. The M17 LBA enables EPCOR to manage daily mismatches between supply and demand at the Dornoch Interconnection Point and eliminate the accumulated imbalance on the next gas day.

EPCOR also considered the pay-per-use HUB service offered by Enbridge Gas, which can be useful during low interruption risk periods of the year. For HUB injections, the low-risk periods are December through August. For HUB withdrawals the low-risk periods are May through January. EPCOR expects the HUB will likely be used on a short-term basis.

Unutilized Capacity

EPCOR 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 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 Custom Incentive Ratemaking application, it 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, any under recovery will accrue in the S&TVA.

2.3.3 Supply Option Analysis

Review of Procurement Execution – 2020-2022

EPCOR noted that three supply procurement options were considered and modeled in its initial three-year GSP (2020-2022) to meet the guiding principles of cost-effectiveness and security of supply. EPCOR elected to use "Option C", which reflected a mix of month-to-month index purchases and seasonal baseload purchases priced at AECO and Dawn. In the review of the 2020-2022 GSP, OEB staff agreed that Option C was an appropriate procurement option.[18]

EPCOR noted that a number of adjustments were made over the past three years due to delays in customer connections as well as lower average consumption compared to what was contemplated under the CIP. These adjustments include:

- A reduction in procurement volume compared to the CIP
- A shift away from purchasing gas at AECO
- A shift away from purchasing gas at Dawn Day Ahead Index

EPCOR noted that since 2020 the basis price differential between Dawn and AECO has increased. Therefore, buying AECO supply outweighs the benefits of providing price diversity, which was the purpose of including this source of supply in EPCOR's initial three-year GSP (2020-2022).[19]

[18] EB-2020-0106, OEB Staff Report to the Ontario Energy Board, December 14, 2020.
[19] EPCOR IR Response, July 11, 2023, Staff-2a

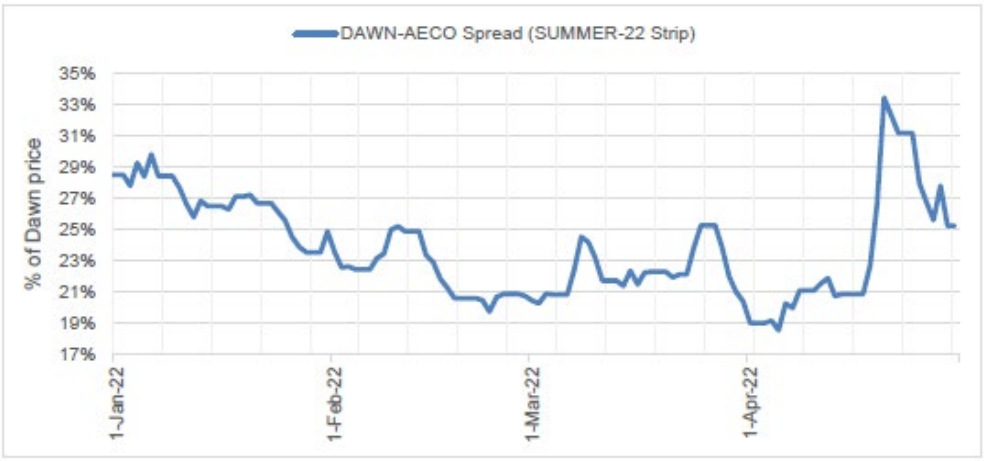


Figure 3: Price Difference of Dawn and AECO [20]

In comparing EPCOR's portfolio costs to the Dawn spot price, the portfolio costs track the spot price quite closely with the exception of this past winter.

Figure 4: Portfolio Commodity Rate compared against Dawn Market Prices

EPCOR stated that to incorporate AECO 5A index (AECO index) pricing into its portfolio, EPCOR would need to fix a portion of the price above the AECO index price, however, due to uncertainty in EPCOR's system demand, EPCOR deemed that fixing this notional transportation value introduced unnecessary risk to the portfolio.

Supply Options – 2023-2025

EPCOR worked with a consultant to build a commodity portfolio tracking model that tracks and forecasts demand, supply and resulting storage positions (net of fuel requirements), and potential triggers for balancing requirements due to daily supply and

[20] EPCOR IR Response, July 11, 2023, Staff-6b

demand mismatch. For the 2023-2025 GSP, EPCOR introduced 3 new supply options in addition to the original Option C.

- Option 1 (previously Option C): A mix of month-to-month index purchases and seasonal baseload purchases (mixed of AECO index and Dawn fixed price), with AECO index seasonal strip covering 50% of forecasted system gas and storage injection summer demand (May to September), and Dawn fixed priced seasonal strip covering 50% of forecasted total winter demand (December to March)

- Option 2: Same as Option 1, but summer seasonal strips are also purchased at Dawn fixed price

- Option 3: Same as Option 1, with additional annual baseload purchased at Dawn fixed price

- Option 4: Same as Option 3, but summer seasonal strips are also purchased at Dawn fixed price

Further details with respect to each supply option are provided below.

Option 1: Mix of month-to-month index purchases and seasonal baseload purchases (mix of AECO index and Dawn fixed price)

This option consists of month-to-month purchases within 90 days prior to the start of the month, with procurement volume based on a conservative average day demand forecast, taking into consideration storage withdrawal available during winter months, and injection requirements to fill storage during the summer months.

Planned procured volume for each month with up to 50% of each season's average consumption contracted prior to the start of the season at AECO index plus a fixed basis to Dawn:

1. 50% of average consumption between May and September contracted in March or April at AECO index plus a fixed basis to Dawn
2. 50% of average consumption between December to March priced using fixed priced at Dawn contracted in October or November each year

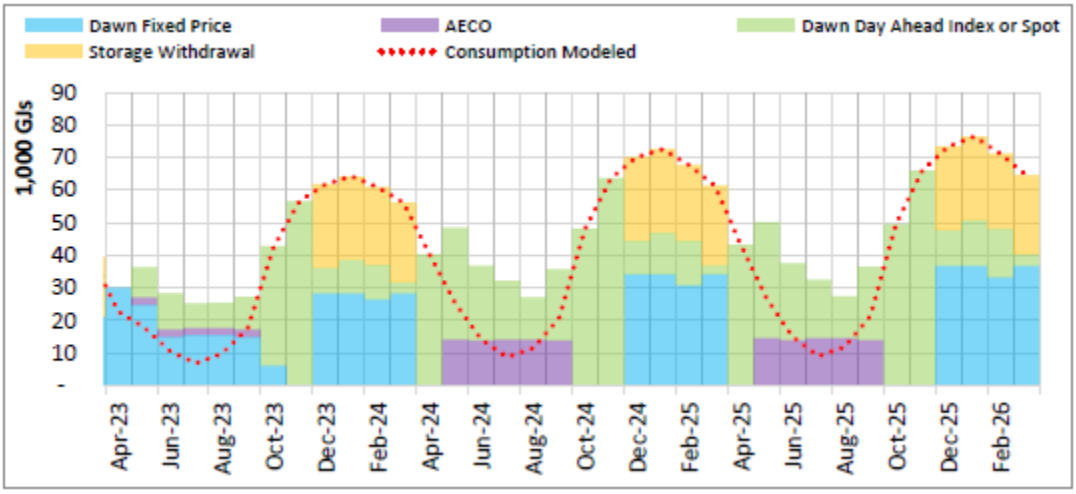


Figure 5: Option 1- Consumption vs. Delivery (GJ/day)

Option 1 provides price stability by procuring a portion of its winter supply at fixed price, which reduces the risk of market spikes. However, the AECO index in the summer introduces price risk as the weighted average cost of gas in storage can become less predictable given that storage gas prices for the upcoming winter are driven by both AECO and Dawn market dynamics for the preceding injection season. One way to mitigate the price risk is through layering fixed price purchase over the procurement window.

Option 2: Mix of month-to-month index purchases and seasonal baseload purchases (only Dawn fixed prices)

Similar to Option 1, except 50% of the average consumption between May and September based on the AECO index would be replaced by Dawn fixed price contracts.

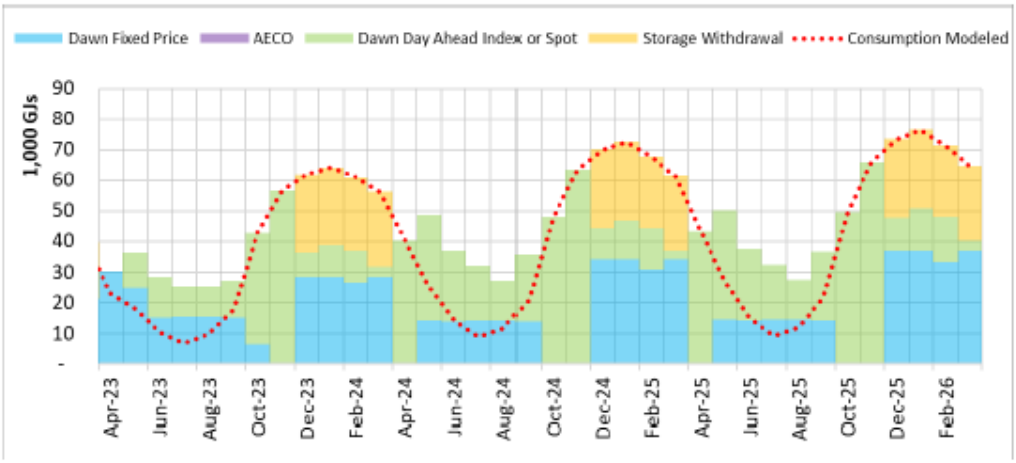


Figure 6: Option 2- Consumption vs. Delivery (GJ/day)

The risk associated with the AECO contracts as described in Option 1 will be replaced with the risk of Dawn fixed prices being higher than the Dawn Day Ahead pricing.

Option 3: Mix of month-to-month index purchases and seasonal baseload purchases (mix of AECO index and Dawn fixed prices) and additional annual baseload (Dawn fixed prices)

Similar to Option 1, however, Option 3 includes an annual fixed priced strip (April to March) at the lowest forecasted monthly consumption for the upcoming summer.

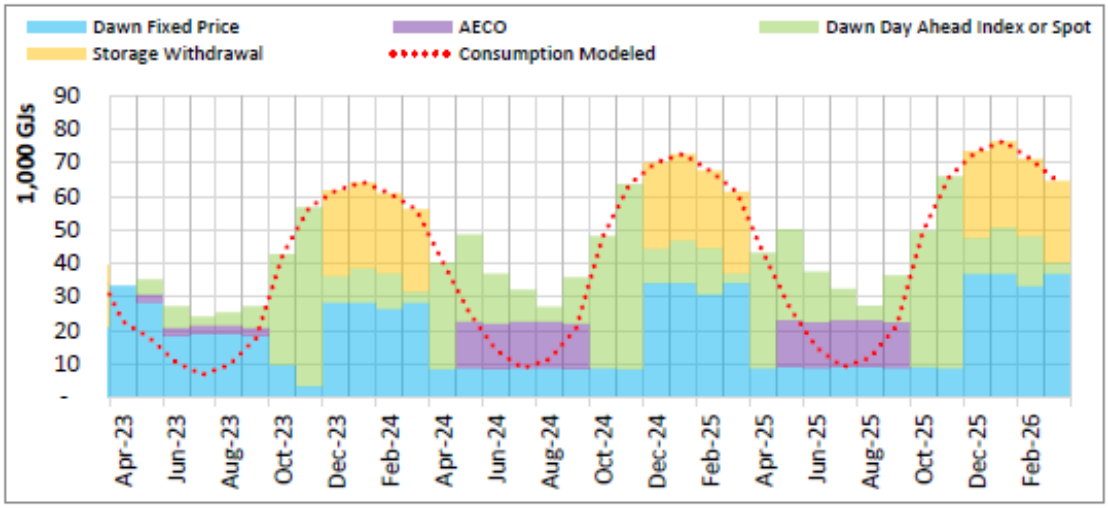


Figure 7: Option 3- Consumption vs. Delivery (GJ/day)

Option 3 has a similar risk and opportunities profile as Option 1 with slightly less flexibility in managing the potential for low summer demand with the introduction of the fixed price annual strip but maintains price diversity as both AECO and Dawn pricing are featured in this option.

Option 4: Mix of month-to-month index purchases and seasonal baseload purchases (Dawn fixed prices) and additional annual baseload (Dawn fixed prices)

Option 4 is similar to Option 3, however, the summer AECO index is replaced with Dawn fixed price contracts.

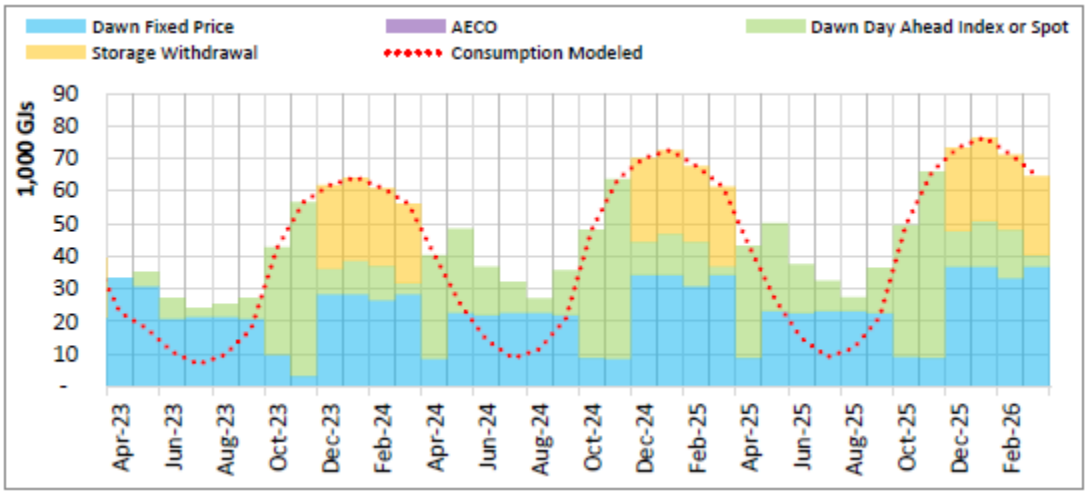


Figure 8: Option 4- Consumption vs. Delivery (GJ/day)

Option 4 has a similar risk and opportunities profile as Option 3 with more stable commodity prices by using fixed Dawn price contracts instead of AECO index for seasonal supply.

Costs and Benefits of Supply Options

Cost, Diversity, Reliability and Flexibility are the associated guiding principles used to evaluate a gas supply plan. EPCOR provided the following summary for each option in terms of reliability, flexibility, diversity and price stability. Note that Option 1 was set as the baseline for comparison purposes.[21]

Table 5: Supply Options Evaluation Summary

Supply Options	Reliability	Flexibility	Diversity	Price Stability
Option 1: 50% Summer AECO 5A+ baseload 50% Winter Dawn fixed baseload	–	–	–	–
Option 2: 50% Summer and Winter Dawn fixed baseload	–	–	↓	–
Option 3: Annual Dawn fixed baseload 50% Summer AECO 5A+ baseload 50% Winter Dawn fixed baseload	–	–	–	↑
Option 4: Annual Dawn fixed baseload 50% Summer & Winter Dawn fixed baseload	–	–	↓	↑↑

[21] EPCOR IR Response, July 11, 2023, Staff-11 a

EPCOR also provided an analysis of the impact that demand and price shocks can have on the four supply options.

Table 6: Impact of Demand and Price Shock on the Weighted Average Cost of Gas

Supply Options	WACOG Impact for each Scenario against Base Scenario			
	Demand Shocks		Price Shocks	
	Warm, less connections	Cold, more connections	Low price at planned demand volume	High price at planned demand volume
Option 1	-2%	2%	-15%	41%
Option 2	-2%	2%	-11%	39%
Option 3	-2%	2%	-13%	33%
Option 4	-2%	2%	-9%	30%

In addition, EPCOR provided the expected term length of the fixed price contracts that will be applied in each of the supply options (see table below).

Table 7: Length of Fixed Terms

Supply Options	Length of terms of fixed priced contracts
Option 1	Summer Strips: up to 5 months Winter Strips: up to 4 months
Option 2	Summer Strips: up to 5 months Winter Strips: up to 4 months
Option 3	Summer Strips: up to 5 months Winter Strips: up to 4 months Annual Strips: up to 12 months
Option 4	Summer Strips: up to 5 months Winter Strips: up to 4 months Annual Strips: up to 12 months

In its questions, OEB staff noted that Enbridge Gas does not purchase gas at fixed prices for terms greater than three months in advance of the transaction date. Enbridge Gas stopped purchasing gas on a fixed price basis for periods longer than three months at the same time that it stopped its risk management activities, as directed by the OEB

in previous decisions.[22] OEB staff asked EPCOR to explain why it is appropriate to rely on longer term fixed price contracts relative to those utilized by Enbridge Gas. In response, EPCOR stated that its GSP generally balances price stability with reliability of supply. EPCOR structures its supply options in a manner that is appropriate for a new utility which is different than the procurement strategies that may be appropriate for a mature utility.[23]

In response to OEB staff's questions regarding utilities in Canada or the US that have implemented fixed price procurement strategies, EPCOR responded that its procurement strategy is prepared and executed based on alignment with customer priorities.[24] EPCOR also stated that, "[s]hould the [OEB] deem it appropriate to provide further guidance to EPCOR on the continuance of fixed priced contracts, EPCOR would not object."[25]

EPCOR's Preferred Supply Option

Given the results of ECPOR's supply option analysis (including risk mitigation analysis), EPCOR selected Option 4 as its preferred option. EPCOR intends to procure annual baseload supply at Dawn based on the expected lowest month consumption for the planning year (April to March), procure up to 50% of summer demand (including storage injection requirements) using Dawn fixed price contracts, and up to 50% of expected winter demand at Dawn fixed priced. The remaining monthly demand will be procured with month-to-month purchases at prompt fixed prices, Dawn Day Ahead index, or spot price purchases, considering injection requirements in the summer months and withdrawal deliverability in the winter months.

EPCOR stated that Option 4 was selected due to the beneficial price risk management offered relative to the other three options. Option 4 also provides for a reasonable level of flexibility in terms of the ability to adjust supply to actual demand, which minimizes the risk of over contracting.

[22] EB-2022-0200, Enbridge 2024 Rebasing, Transcript Technical Conference, Vol. 7, March 30, 2023, Pg. 74-76
[23] EPCOR IR Response, July 11, 2023, Staff-1 b
[24] EPCOR Response to Additional Questions, August 11, 2023, South Bruce, Follow up to Staff-8 c
[25] ibid

2.3.4 Gas Supply Plan Execution

EPCOR maintains 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.

In Q1 of each calendar year, EPCOR's Energy Supply and Procurement Manager works with its consultant to develop a monthly procurement plan for the upcoming planning year (April to March). Prior to the start of each planning year and each season, EPCOR authorizes the procurement of supply to meet forecasted demand and storage requirements, at prices that reasonably track market conditions at the time of procurement.

2.3.5 Historical review

The following compares the planned and actual heating degree days, annual demand, commodity purchases and unutilized transportation capacity during 2022/2023.

Table 8: Actual vs Plan Annual Heating Degree Days

	Heating Degree Days (HDDs)		
	Planned	Actual	Variance
2020/2021	3,831	3,741	90
2021/2022	3,831	3,709	122
2022/2023	3,831	3,538	293

2022/2023: Heating degree days were much lower than planned due to warmer than expected temperatures, especially in January and February 2023.

Table 9: Actual vs Plan Annual Demand

	Annual Demand (TJ)		
	Planned	Actual	Variance
2020/2021	138	15	123
2021/2022	272	120	152
2022/2023	540	248	292

2022/2023: Actual per residential customer demand continued to be lower than what was modeled in the original CIP, which was the basis for the 2020-2022 GSP.

Table 10: Actual vs Plan Commodity Purchases

		Commodity Purchases (GJ)		
		Planned	Actual	Variance
2020/2021	Dawn	138	102	36
	AECO	0	0	0
2021/2022	Dawn	272	66	206
	AECO	0	0	0
2022/2023	Dawn	540	249	291
	AECO	0	0	0

2022/2023: Almost all system gas demand was met by market purchases made in that year.

Table 11: Actual vs Plan Unutilized Transportation Capacity

	Unutilized M17 Capacity (GJ)		
	Planned	Actual	Variance
2020/2021	4,308	4,941	633
2021/2022	3,874	4,021	147
2022/2023	2,284	2,543	259

2022/2023: The actual Unutilized M17 Capacity was 259 GJ lower than planned primarily due to slower than forecasted pace of conversion, as well as lower than anticipated average residential customer consumption.

2.3.6 Public Policy

Community Expansion

EPCOR noted that it received conditional Certificate of Public Convenience and Necessity approval for the area of Brockton and has filed an application for Leave to Construct approval of the Brockton Community Expansion Project.[26]

EPCOR stated that it is monitoring community expansion plans and energy management plans of communities within the South Bruce territory. EPCOR reviewed the following plans as part of the 2023-2025 GSP:

[26] EB-2022-0246

- Municipality of Kincardine Energy Conservation and Demand Management Plan: 2019-2024[27]
- Township of Huron-Kinloss – Climate Change and Energy Plan (2020)[28]
- The Corporation of the Municipality of Arran-Elderslie Conservation and Demand Management Plan: 2019-2024[29]
- Plan the Bruce: Bruce County Official Plan[30]

EPCOR stated that there were no notable updates that will impact the South Bruce gas demand forecast.

Minister of Energy Letter of Direction

EPCOR noted that it continues to support the Minister's priorities and monitor the impacts on its GSPs, including plans for DSM/retrofit rollout.

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 2024 FCPP proceeding.[31]

Demand Side Management

EPCOR plans to 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. EPCOR plans to consider a DSM program for its South Bruce service area after it completes its plan for the Aylmer service area.

Renewable Natural Gas

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

[27] https://www.kincardine.ca/en/municipal-office/resources/Documents/Kincardine-ECDMP-2019-2024-Final-Draft.pdf
[28] https://www.huronkinloss.com/en/townhall/resources/Documents/Huron-Kinloss-Climate-Change-and-Energy-Plan_REVISED-December-2020.pdf
[29] https://www.arran-elderslie.ca/en/municipal-services/resources/Documents/Conservation-and-Demand-Management-Plan-2019-2024.pdf
[30] https://www.planthebruce.ca/official-plan
[31] EB-2023-0274

Integrated Resource Planning

EPCOR's GSP does not include potential impacts of future IRP projects for its South Bruce service area.

Canada Green Homes Grant

EPCOR will continue to monitor and assess the potential impact of the Canada Green Homes Act on future customer consumption and conversion decisions.

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.

EPCOR has included a three-year average of all the measures in the South Bruce scorecard (as applicable), as EPCOR found that the three-year average added to Enbridge Gas's scorecard in its 2022 update served as a good metric to compare year-on-year variances for the duration of the GSP.

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 OEB also provided for OEB staff to file additional questions followed by EPCOR response to these additional 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.

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 2023 GSP Update for Aylmer and South Bruce's 2023-2025 GSP 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. Therefore, OEB staff is of the view that no component of the 2023 GSPs 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 2023 GSPs.

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

- Recommends EPCOR provide a more comprehensive list of major policy changes that would affect EPCOR's GSPs both in the long and short term in its 2024 update to the GSPs
- Recommends EPCOR provide a status update on the progress of its DSM plan in its next GSP update if EPCOR does not file its DSM plan in late 2023 or early 2024 (whether with its rebasing application or as a standalone application)
- Agrees with EPCOR that it should include a three-year average metric in the scorecards for both Aylmer and South Bruce

- Agrees that EPCOR's proposed gas supply procurement plan (Option 4) for South Bruce is reasonable

3.1 Timing and Scope

EPCOR Aylmer filed its five-year GSP for the period 2019-2024 in its cost-of-service proceeding.[32] The 2023 GSP Update is EPCOR's fourth annual update to its Aylmer GSP. EPCOR South Bruce provided its second three-year GSP (2023-2025) in the current consultation.

Pollution Probe noted that Enbridge Gas files an annual update, which is a five-year rolling plan updated to cover a five-year period each year it is filed. Pollution Probe noted that in the consultation to review EPCOR's 2022 GSPs,[33] it recommended that both the Aylmer and South Bruce GSPs be five-year rolling plans updated annually going forward. However, EPCOR suggested that aligning with this approach is not practical at this time. Pollution Probe submitted that EPCOR and OEB staff should consider when the right timing is to move to a common approach to provide sufficient time to make the transition.

Pollution Probe also recommended that the OEB update the annual GSP process to be more effective in providing direction to the gas utilities, including providing a list of major policy changes up front and how the plan was adjusted in response. Pollution Probe noted that in Enbridge Gas's rebasing proceeding, the pace of change to gas supply and related planning issue is increasing.[34]

OEB Staff Recommendations

In its Report to the OEB regarding EPCOR's 2022 GSPs, OEB staff stated that it would be premature for EPCOR to file a five-year plan for South Bruce considering its first customers were connected in late 2019. OEB staff agreed that another three-year cycle will allow EPCOR South Bruce to better understand its operations as it is forecasted to connect the majority of its customers by 2024. OEB staff also expected EPCOR South Bruce to file its next three-year GSP in 2023 for the 2023-2025 period.[35]

OEB staff notes that EPCOR followed the recommendation that was set out in OEB staff's previous report as referenced above and EPCOR may consider whether a five-

[32] EB-2018-0336
[33] EB-2022-0141
[34] EB-2022-0200
[35] EB-2022-0141, OEB Staff Report to the OEB on EPCOR's 2022 GSP Update, October 25, 2022, p. 24.

year plan is appropriate after the current three-year plan concludes (i.e., for the GSP starting in 2026).

OEB staff agrees with Pollution Probe that EPCOR should provide a more comprehensive list of major policy changes that would impact EPCOR's GSPs both in the long and short term. The provision of this information does not require a change to the Gas Supply Framework.

3.2 Demand Side Management

EPCOR stated that it would be filing a DSM proposal for 2025 with its Aylmer rebasing application (or as a standalone application).

Pollution Probe recommended that EPCOR provide a status update in its 2024 GSP to provide greater transparency on progress for the launch of DSM programs in 2025. Pollution Probe stated that it is expected that it will take EPCOR time to ramp up and delaying the sharing of these plans until 2025 will delay progress. Pollution Probe suggested EPCOR consider providing DSM incentives for the Greener Homes Grant Program as they are already approved by the OEB.[36]

OEB Staff Recommendations

OEB staff understands that EPCOR Aylmer's cost of service will be filed in late 2023 or early 2024 along with its DSM plan (or EPCOR may elect to file a standalone DSM application). As this filing will likely be made before the filing of the 2024 GSPs, OEB staff does not believe providing a DSM status update in EPCOR's 2024 GSP is necessary. Alternatively, if the DSM application (whether with the rebasing application or as a standalone application) is not filed prior to the next GSP update, OEB staff agrees that a status update would be appropriate.

OEB staff notes that Enbridge Gas's application for a multi-year DSM plan has been approved, which EPCOR should consider when designing its DSM program.[37]

3.3 Integrated Resource Planning

EPCOR's 2023 GSPs do not include potential impacts of future IRP projects.

Pollution Probe noted that EPCOR is an observing member of Enbridge Gas's IRP working group. Pollution Probe recommended that EPCOR accelerate its assessment of

[36] EB-2021-0002
[37] EB-2021-0002

the IRP Framework and options for implementation and information about the opportunities be included in the GSP updates.

OEB Staff Recommendations

As set out in the 2022 OEB staff report,[38] the provision of information regarding IRP alternatives to facility projects are not properly part of a GSP review. IRP alternatives are properly considered as part of leave to construct applications and in distribution system planning for rate applications. However, as also set out in the 2022 OEB staff report, OEB staff expects EPCOR to report, in future GSPs, on the demand and the gas supply portfolio impacts resulting from any future IRP projects that are eventually implemented.

3.4 Scorecards

EPCOR introduced a three-year average to its Aylmer and South Bruce performance scorecards, noting that Enbridge Gas added this to its 2022 GSP scorecard and it was a strong metric for the comparison of year-on-year variances.

Pollution Probe recommended that the GSPs and scorecard metrics be modernized to include future-focused metrics rather than the current retrospective reporting. Issues that should be considered include:

- Efforts to assess potential RNG supplies from Ontario and the related lifecycle emissions benefits that could be associated with such supplies
- Proactive planning considerations related to low carbon fuels and the related lifecycle emissions benefits that would be associated with such supplies
- Planning considerations related to the Energy Transition, Net Zero, consumer choice migration (e.g. to cold climate heat pumps or other non-gas alternatives) and policy drivers at all levels
- OEB consultation on lifecycle emission calculations that ensures defendable net lifecycle emissions are used in utility calculations, including for RNG and hydrogen benefit estimation. This would align with holistic Ontario consumer and Provincial benefit estimation and avoid misleading or incorrect information for Ontario consumers

[38] EB-2022-0141

OEB Staff Recommendations

OEB staff supports EPCOR's addition of the three-year average in its scorecards.

OEB staff agreed above with Pollution Probe's recommendation that EPCOR should provide a more comprehensive list of major policy changes that would impact EPCOR's GSPs both in the long and short term. This appears to be the same recommendation as set out in the third bullet above.

With respect to Pollution Probe's recommended reporting on RNG and other low-carbon supplies, EPCOR has already connected RNG to its Aylmer system and is already reporting on the lessons learned from that arrangement. OEB staff does not believe that any other RNG or other low carbon supply-related reporting is needed as part of the GSPs at this time.

3.6 Updated Supply Options - South Bruce

EPCOR provided supply option analysis (including risk mitigation analysis) for four supply options. The options varied where natural gas was being sourced and reflected different contracting strategies in terms of the use of fixed and index-based pricing.

EPCOR selected Option 4, which, as noted previously, includes the procurement of annual baseload supply at Dawn based on the expected lowest month consumption for the planning year (April to March), procurement of up to 50% of summer demand (including storage injection requirements) using Dawn fixed price contracts, and procurement of up to 50% of expected winter demand at Dawn fixed priced. The remaining monthly demand will be procured with month-to-month purchases at prompt fixed prices, Dawn Day Ahead index, or spot price purchases, considering injection requirements in the summer months and withdrawal deliverability in the winter months.

OEB staff notes that Enbridge Gas, in its 2024 rebasing proceeding, advised that it does not purchase gas at fixed prices for terms greater than three months in advance of the transaction date. Enbridge Gas stopped purchasing gas on a fixed price basis for periods longer than three months at the same time that it stopped its risk management activities as directed by the OEB in previous decisions.[39]

Pollution Probe made no comments on the topic of EPCOR's supply options for the South Bruce service area.

[39] EB-2022-0200, Transcript Technical Conference, Vol. 7, March 30, 2023, Pg. 74-76

OEB Staff Recommendations

OEB staff is of the view that EPCOR's proposed gas supply procurement plan for South Bruce is reasonable. More specifically, OEB staff is satisfied that EPCOR's planned procurement timing, location, and use of fixed-price contracts is reasonable.

EPCOR's planned procurement strategy will provide a diverse mix of procurement timing and fixed/index pricing through the layering of purchases: 12-month fixed-price purchases, fixed-price season purchases, Day Ahead index purchases and spot price purchases.

EPCOR's plan to purchase all of its natural gas supply at Dawn rather than a combination of Dawn and AECO supply is reasonable as Dawn is connected to a variety of basins of supply in North America and EPCOR's South Bruce demand is immaterial in the context of the North American natural gas market (and the liquidity at Dawn is more than sufficient to cover EPCOR's needs).

EPCOR's proposed utilization of fixed-price contracts is also reasonable. OEB staff notes that EPCOR was asked whether utilities in other jurisdictions rely on longer-term fixed prices contracts as part of their GSPs. EPCOR's response did not include any references to other jurisdictions.[40] Based on its own research, OEB staff notes that longer-term fixed price contracting has been adopted by many of EPCOR's industry peers. Similar industry practices include the following:

- The New York State Public Service Commission established a policy statement in 97-G-0600 directing gas distribution companies to reduce gas cost volatility stating, "they should consider all the available options for purchasing gas and assess the benefits of each approach. Options may include short and longer term (several months to a year) fixed price purchases, spot acquisitions, the use of financial hedges, and contracts which provide for flexibility in the amount of gas taken over the term of the agreement."[41]

- In 2012, the National Regulatory Research Institute completed a Survey of State Utility Commissions on Long-Term Gas Contracting and Hedging to determine the prevalence of state policies and practices as they relate to long-term gas contracting, hedging, and related matters. The survey identified three states, Colorado, Oklahoma, and Oregon that proactively encourage long-term gas contracting. The remainder of state commissions generally adopt a neutral policy on long-term contracts by neither outright restricting nor encouraging them but

[40] EPCOR IR Response, July 11, 2023, Staff-8
[41] New York Public Service Commission Statement of Policy Regarding Gas Purchasing Practices, 1998

> entertain long-term contracts if the utility can demonstrate that these contracts are in the public interest. The study noted that, absent commission guidance, some utilities may be reluctant to enter long-term contracts due to an unfavorable risk-reward imbalance regarding prudence review. Commission hindsight review is more likely when the market price of gas falls below the fixed contract price and the long-term contract contains rigid terms and conditions. Commission forward guidance can help ameliorate this concern and encourage fuel managers to minimize price volatility.[42]

OEB staff acknowledges that Enbridge Gas (and its predecessor utilities) does not contract for natural gas supply, on a fixed-price basis, for terms longer than three months.[43] Enbridge Gas made this determination on its own as part of its response to previous OEB findings regarding risk management activities.[44]

OEB staff believes that EPCOR's selected Option 4 (including the utilization of long-term fixed-price contracts) is suitable for its current situation for the reasons described above. More specifically, OEB staff is satisfied that EPCOR's planned procurement timing, location, and use of a mix of fixed and index pricing appropriately address the guiding principles as set out in the Gas Supply Framework.

[42] National Regulatory Research Institute Survey Responses of State Utility Commissions on Long-Term Gas Contracting and Hedging, 2012
[43] EB-2022-0200, Transcript Technical Conference, Vol. 7, March 30, 2023, Pg. 74-76
[44] The OEB's decisions in EB-2006-0034 and EB-2007-0606/0615 determined that the former Enbridge Gas Distribution's and the former Union Gas Limited's risk management activities (i.e., financial hedging) were not appropriate. OEB staff is of the view that the findings set out in these decisions do not amount to a prohibition against longer-term fixed price contracting by Ontario natural gas distributors as the noted findings do not state that longer-term fixed price contracting is not allowed.

APPENDIX A: EPCOR AYLMER PERFORMANCE SCORECARD

Appendix F – ENGLP Aylmer Performance Metrics Scorecard

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2020	2021	2022	3-yr Average
1. Cost Effectiveness	Policies & Procedures	Demonstrates consideration of alternate Enbridge rates	Annual rate review	C	C	C	n/a
	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%**	**Well gas: -5% Lake gas: -5%**	**Well gas: -5% Lake gas: -5%**
OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2020	2021	2022	3-yr Average
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%	100%	100%
			2. Enbridge Overrun Charges	$0	$0	$0	$0
	Coordination	Demonstrates ENGPL ability to invest in capital distribution required to meet design day demand	Monthly meetings between gas supply & engineering operations	4	12	12	N/A
	Communication	Ensure ongoing communications	Communication to ratepayers re material bill impacts	C	C	C	N/A
	Diversity	Demonstrate the diversity of the portfolio	1. % Firm local gas flow	95%	97%	98.82%	97.06%
			2. Local production as % of system gas	37.08%	37.01%	40.95%	38.35%
	Reliability	Demonstrate the reliability of the portfolio	1. Days failed to deliver to customers	0	0	0	0
			2.Days customer interrupted	0	0	0	0
OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2020	2021	2022	3-yr Average
3. Public Policy	Supporting Policy	Reports public policy in ENGLP supply plan	1.Community expansion	C	C	C	N/A
			2. FCC	C	C	C	N/A
			3. RNG	N/A	N/A	N/A	N/A
			4. DSM	N/A	N/A	N/A	N/A

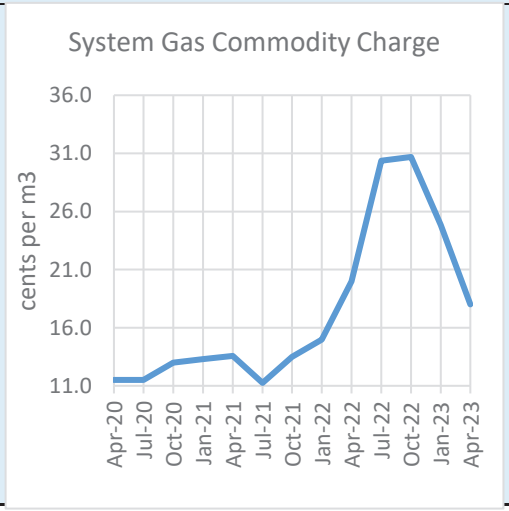
Definitions:

1. Years refers to calendar years (January 1st to December 31st)
2. 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

3. 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

4. Public Policy: The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate

APPENDIX B: EPCOR SOUTH BRUCE PERFORMANCE SCORECARD

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2020/21	2021/22	2022/23	3-yr Average
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	C	n/a
			Transacting counterparties have met appropriate credit requirements	100%	100%	100%	100%
	Price Effectiveness	Demonstrates diversity of supply terms within procurement plan through a layers approach to contracting	Distribution of procurement terms:				
			1. < 1 Month	18.7%	5.0%	11.0%	11.6%
			2. Monthly	81.3%	58.5%	48.9%	62.9%
			3. Seasonal	0%	36%	40.1%	25.5%
			4. Annual	0%	0%	0.0%	0.0%
		Illustrates Price Stability	5. Reference Price History				n/a

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2020/21	2021/22	2022/23	3-yr Average
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%	100%
	Storage	Demonstrates execution of storage inventory strategy	1. % of storage level Sept 30th	99%	99%	100%	99%
			2. % of storage level March 31st	70%	16%	13%	33%
	Coordination	Demonstrates ENGPL ability to invest in capital distribution required to meet design day demand	Monthly meetings between gas supply, engineering, operations	4	12	12	n/a
	Communication	Ensure ongoing communications	Communication to ratepayers re material bill impacts	C	C	C	n/a
	Diversity	Demonstrate the diversity of the portfolio	1. % of contract vol. per delivery point	Dawn: 100% AECO: 0%	Dawn: 100% AECO: 0%	Dawn: 100% AECO: 0%	Dawn: 100% AECO: 0%
			2. # of unique counterparties	3	3	3	3
	Reliability	Demonstrate the reliability of the portfolio	1. Days failed to deliver to customers	0	0	0	0
			2.Days customer interrupted (1)	0	0	0	0

OEB Guiding Principle	Performance Categories	Intent of Measures	Measures	2020	2021	2022	2023
3. Public Policy	Supporting Policy	Reports public policy in EPCOR supply plan	1.Community expansion (% customer converted/unlocked vs. CIP)	15.40%	49.58%	86.37%	50.45%
			2. FCC	C	C	C	n/a
			3. RNG	n/a	n/a	n/a	n/a
			4. DSM	n/a	n/a	n/a	n/a

Notes : C= Compliant

Definitions:

1. Years refers to planning years (April 1st to March 31st)
2. 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
3. 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
4. Public Policy: The gas supply plan will be developed to ensure that it supports and is aligned with public policy where appropriate