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

BY EMAIL

September 27, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: EPCOR Natural Gas Limited Partnership (ENGLP)
2025-2029 natural gas distribution rates and other charges for the Aylmer service territory
Ontario Energy Board (OEB) Staff Interrogatories
OEB File Number: EB-2024-0130

Please find attached OEB staff's interrogatories in the above referenced proceeding, pursuant to Procedural Order No. 1.

Please note, ENGLP is responsible for ensuring that all documents that it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*. ENGLP is reminded that its responses to interrogatories are due by **October 17, 2024.**

Yours truly,

Tina Zhu Digitally signed by Tina Zhu Date: 2024.09.27 15:29:28 -04'00'

Tina Zhu
Senior Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2024-0130

OEB Staff Interrogatories

EPCOR Natural Gas Limited Partnership (ENGLP)

2025-2029 natural gas distribution rates and other charges for the Aylmer service territory

EB-2024-0130

Staff-1

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 7

Preamble:

In the reference above, ENGLP states that its key planning assumptions are in alignment with public policy (including energy transition).

Question(s):

Please identify the relevant public policies, and how they have been incorporated into ENGLP's planning process and this application.

Staff-2

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 8
(2) Exhibit 1, Tab 1, Schedule 1, page 27-28

Preamble:

In the first reference above, ENGLP states that there are a number of examples of prudent consideration of energy transition in EPCOR's Utility System Plan (USP), including facilitating the connection of renewable natural gas (RNG) and the use of local production and existing gathering assets in response to customer connection requests rather than increase the demand on the transmission system.

In the second reference above, ENGLP states that the Aylmer distribution system is fed (with gas) by Enbridge (formerly Union Gas) gate stations and local gas wells.

In the second reference above, ENGLP also states it receives a supply of RNG from a facility in its service territory.

Question(s):

a) Please provide a list of the relevant project(s) and capital budget allocation in the USP, i.e. projects that are facilitating the connection of RNG and the use of local production and existing gathering assets in response to customer connection requests rather than increase the demand on the transmission system.

b) Please provide a rough percentage of conventional natural gas fed by Enbridge's transmission system vs. local gas wells.

c) Please comment on whether the gas sourced by local gas wells is comparable to gas sourced from Enbridge's system, in terms of overall costs, reliability and availability to meet peak demand.

d) Please provide a roadmap on ENGLP's plan to facilitate the connection of RNG, in terms of the timeline and capital investment need.

e) Please provide further information on whether and how ENGLP's system planning has incorporated energy efficiency and conservation considerations.

Staff-3

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 9

Preamble:

In the reference above, ENGLP states its planning assumptions include continued growth of load service requirement for each of the towns within the Aylmer distribution system at a rate of approximately 2% per annum.

Question(s):

a) Please clarify if the 2% growth assumption is for R1 - Residential rate class only, or it applies to any other rate class.

b) Please clarify if the 2% growth assumption is on individual customer consumption forecast or it is on a combination of customer count as well as overall customer load forecast, by providing calculation on how the 2% growth rate is being incorporated into the 2025-2028 throughput forecasting results.

Staff-4

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 11
(2) Exhibit 2, Tab 1, Schedule 1, page 33-36
(3) Exhibit 2, Tab 1, Schedule 1, page 37

Preamble:

In the first reference above, ENGLP states it has upgraded its Supervisory Control and Data Acquisition (SCADA) system over the previous five-year period and will continue to add SCADA points to improve on situational awareness, which reduces reliability risk.

In the second reference above, OEB staff notes the 24%, 48%, 58% and 87% lower than planned investment in SCADA in 2021-2024.

In the third reference above, ENGLP states that its operations and maintenance strategy is to minimize reactive and emergency-type work through efficient operations and an effective planned maintenance program, including predictive and preventative actions.

Question(s):

a) Please provide an overview of how the SCADA system currently monitors the Aylmer distribution territory.

b) Please explain the lower than planned investment in SCADA in 2021-2024.

c) Please provide a plan on how ENGLP will enhance SCADA monitoring over 2025-2029, and to align with ENGLP's operations and maintenance strategy.

d) Please comment on whether ENGLP's SCADA system monitoring is comparable to other natural gas distributors.

e) Please quantify what is the expected service reliability improvement over 2025-

2029 through additional SCADA investments.

Staff-5

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 14
(2) Exhibit 3, Tab 1, Schedule 2, Appendix A – Power Advisory Report, page 25 of 68
(3) Exhibit 3, Tab 1, Schedule 2, Appendix A – Power Advisory Report, page 27 of 68
(4) Exhibit 8, Tab 1, Schedule 3, page 43, 45, 50

Preamble:

In the first reference above, ENGLP proposes in this application to segregate the R1 rate class into two distinct rate classes: R1 – Residential and R1 – General Service.

In the second reference above, OEB staff notes that there are R1 – Residential customers' 2025 load forecast falls into Tier 2. OEB staff notes the Tier 2 threshold applies to monthly consumption over 1,000 m^3.

In the third reference above, ENGLP states that the R1 classes are billed different rates above and below the 1,000 m^3 threshold.

In the fourth reference above, OEB staff notes the proposed R1 – General Service rate schedule uses 5,000 m^3 per month threshold for the purpose of billing rate difference.

In the fourth reference above, OEB staff notes the proposed R2, R4 rate schedules use 1,000 m^3 per month as the threshold for billing rate difference.

Question(s):

a) Please clarify what the current and proposed threshold cut-offs (i.e. Tier 1, 2 and 3) are for R1 – Residential customers, and please confirm that ENGLP anticipates residential customers would fall into Tier 2 billing, i.e. consume more than 1,000m^3 per month.

b) Please confirm if the 1,000 m^3 per month threshold has been historically and currently applied to monthly R1 class consumption. Please provide how many R1

customers are above the threshold.

c) Please confirm if the 5,000 m^3 per month threshold as reflected on the proposed rate schedule is correct, and if so, what is the proposed effective date for this threshold change. Please comment if any customers will be re-classified to a new rate class due to the threshold change, i.e. between R1, R2 and R4.

d) Please clarify the threshold cut-offs used in bill impact calculation in this application, for those R1 customers being impacted by threshold change, i.e. being classified to a new threshold and/or rate class. If bill impact calculations in the application are not made on the basis of the proposed threshold change, please prepare bill impact using the proper threshold i.e. 1,000 m^3, 5,000 m^3 for those impacted customers.

e) Please confirm that the 1,000 m^3 per month threshold still applies to R2 and R4 classes.

Staff-6

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 15
(2) Exhibit 10, Tab 1, Schedule 1, page 4-5
(3) OEB Board Policy - A New Distribution Rate Design for Residential Electricity Customers

Preamble:

In the first reference above, ENGLP states it is proposing a five-year incentive rate-setting (IR) plan which for Rate 1 rate class (R1-Residential and R1-General Service), the fixed monthly charge would be increased annually by 15% (after the application of the price cap adjustment) and the volumetric charges would be correspondingly adjusted.

In the second reference above, ENGLP states that the shift to a fixed distribution revenue rate for residential customers follows the rate design principle the OEB has implemented for electricity distributions in Ontario. ENGLP also states that the proposal is aligned to address the risk of stranded assets during a time of energy transition. Customers who continue to rely on having access to natural gas will contribute to the on-going maintenance and operation of the natural gas distribution network. With the proposed increase in fixed revenue, residential customers will continue the transition towards a fully fixed distribution structure (i.e. 94% fixed in 2029). The expectation is that a 100% fixed

structure will be brought forward in ENGLP's next cost of service application.

In the third reference above, OEB staff notes the OEB Board Policy - A New Distribution Rate Design for Residential Electricity Customers is for distribution rate design for residential electricity customers.

Question(s):

a) Please provide reasons for the proposed 17.07% fixed charge increase in 2025, as well as the 2026-2029 annual increase of 15% on fixed monthly charge for R1-General Service customers, and please confirm if ENGLP's desired fixed-to-variable ratio on distribution rate structure for the R1-General Service customers will be at 25% / 75% eventually. If not, what is the desired fixed-to-variable ratio for distribution rates for R1-General Service customers?

b) Based on the proposed 17.07% fixed charge increase in 2025, as well as the 2026-2029 annual increase of 15% on fixed monthly charge, please provide the annual bill impact to R1-Residential and R1-General Service customers in 2026-2029.

c) Please provide evidence if a similar fixed monthly charge fee structure and implementation timeline is being adopted by other natural gas distributors.

d) Other than the proposed rate increase scenario (i.e., 94% fixed in 2029), please confirm if alternatives have been considered to spread out the implementation timeline over a longer period, to mitigate annual bill impact to R1-Residential customers.

e) Please provide a sensitivity analysis on what is the annual revenue requirement impact in 2025-2029 with:

    i. every one-percent increase on fixed charge;

    ii. every one-year delay on implementing the 15% annual fixed charge increase; and

    iii. for i. and ii, please consider the compounding effect on rates year-over-year, therefore, please layout the annual impact for each year of 2025-2029.

f) Please provide a rough percentage of the on-going maintenance and operation costs for residential customers that are considered fixed (i.e. insensitive to customers' gas demand change) versus variable (i.e. sensitive to customers' gas demand change), to further justify that the fully fixed distribution revenue structure matches the cost pattern of the on-going maintenance and operation needs for the system.

Staff-7

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 16

Preamble:

In the reference above, ENGLP notes the OEB's directive from the last cost of service proceeding (EB-2018-0336) that, ENGLP will request further information from customers in order to update its volume forecasting.

ENGLP states it does not yet have sufficient customer input data to reflect changes in efficiency over time in the throughput forecast.

Question(s):

a) Please confirm that no energy efficiency or conservation saving data has been collected from customers nor incorporated into the 2025-2028 throughput forecast.

b) Please provide more details on why insufficient customer data has been collected over the years:

   i. other than the customer survey, if ENGLP has explored other customer communication channels to gather their energy efficiency input; and,

   ii. in terms of the customer survey question design and survey facilitating strategy, if ENGLP has consulted with the survey provider on how to improve the survey participation rate and quality of responses to questions regarding energy efficiency.

c) Please provide a plan on how timely ENGLP will address the issue that its 2025-2028 throughput forecast model is missing energy efficiency inputs, and if ENGLP

will plan to update the model during 2025-2029 rate period.

Staff-8

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 17
(2) Exhibit 1, Tab 1, Schedule 1, page 22

Preamble:

In the first reference above, ENGLP provides a link to the current version of the Conditions of Service on its website. The OEB staff notes that on the webpage, ENGLP states that it reserves the right to modify these Conditions of Service at any time.

In the second reference above, ENGLP is requesting for approval of changes to the utility's Conditions of Service.

Question(s):

a) Please provide information on how often ENGLP reviews the Conditions of Service, and state when ENGLP last made changes to its Conditions of Service on its website.

b) Please clarify if ENGLP has historically always provided notification to OEB of the changes made to its Conditions of Service.

Staff-9

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 18

Preamble:

In the reference above, ENGLP states that it is a wholly-owned indirect subsidiary of EPCOR Utilities Inc. (EUI), the general partner of ENGLP is EPCOR Ontario Utilities Inc., and the sole limited partner is EPCOR Commercial Services Inc., which are both subsidiaries of EUI.

In the reference above, OEB staff notes the simplified EPCOR organization chart shows ENGLP is owned by:

i. the general partner, EPCOR Ontario Utilities Inc. (0.1%); and

ii. the limited partner, EPCOR Power Development Corp. (99.9%).

Question(s):

a) Please clarify who is the limited partner of ENGLP, whether it is EPCOR Commercial Services Inc. or EPCOR Power Development Corp., and its ownership percentage. Please provide an updated version of the simplified EPCOR organization chart as appropriate.

b) Please provide more details on the involvement of the general partner and the limited partner respectively, in ENGLP's business operations and decision-making process.

Staff-10

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 19
(2) Exhibit 4, Tab 1, Schedule 1, page 30

Preamble:

In the first reference above, ENGLP states it employs 15 people in its Aylmer operations and has maintained a consistent level of headcount in the last five years. Personnel includes the General Manager, 2 Operations Managers, 10 Gas Technicians, 1 Quality Assurance/Locator, 8 Finance & Administration staff (Billing, Collections, Customer Service and Dispatch) and supporting management.

The OEB staff notes the headcounts do not total to 15.

In the second reference above, OEB staff notes the 2020-2024 headcount level went up as shown below:

	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year
Total gross FTE	18.4	18.3	20.1	21.2	23.5
Operating and capital recoveries	(3.4)	(3.1)	(4.6)	(6.2)	(6.5)
Net FTE	15.0	15.2	15.5	15.0	17.0

Question(s):

a) Please reconcile the employee count to the appropriate number i.e., 15 and list each employee's job title.

b) Further to the 15 people mentioned in a), please clarify which ones are directly employed with ENGLP versus which ones are embedded and affiliate services employees.

c) Please explain the upward trend on net FTE in 2020-2024, and why this is considered as having maintained a consistent level of headcount in the last five years.

d) Please provide an FTE table similar to the above-provided table, for 2026-2029.

Staff-11

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 21
(2) Exhibit 8, Tab 1, Schedule 3 page 41-60, proposed Tariff Schedules
(3) Exhibit 8, Tab 1, Schedule 4, Appendix C – ENGLP Rate Model and Bill Impact Detail

Preamble:

In the first reference above, ENGLP states that it is requesting approval of distribution rates effective January 1, 2025, through applying the proposed rates as set out in the Tariff Schedule & Bill Impact model and Exhibit 8.

In the second reference above, OEB staff perform check on rates indicated on the proposed Tariff Schedules and note some discrepancies as compared to the Appendix

C – ENGLP Rate Model and Bill Impact Detail in the third reference above.

Question(s):

a) Please clarify why the monthly fixed charges indicated on the proposed Tariff Schedules are different than from the rate model. Please update all Tariff Schedules as appropriate:

i. R1 – Residential, $25 vs. $24;
ii. R1 – General Service, $24.5 vs. $23.5;
iii. R2, $25.43 vs. $24.43;
iv. R3, $244.35 vs. $243.35;
v. R4, $25.93 vs. $24.93;
vi. R5, $199.98 vs. $198.98; and,
vii. R6, $74,500.05 vs. $74,499.05.

b) Please provide backup calculations on the rate changes (see bolded figures below) as indicated on the proposed Tariff Schedules, from the current Tariff Schedules, for the following items:

i. R3, please provide the backup calculation for a monthly customer charge of $271.14 for combined customers as indicated on the Tariff Schedule.

ii. R3 - In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be **3.6623** cents per m^3 for firm gas and **6.3202** cents per m^3 for interruptible gas.

iii. R3 - The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the transition period). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of **6.4276** cents per m^3 and a gas supply commodity charge as set out in Schedule A, if applicable. Gas purchased under this

clause will not contribute to the minimum volume.

iv. R5 - In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas of 50,000 m^3. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this annual minimum shall be **8.1452** cents per m^3 for interruptible gas.

c) Once ENGLP has addressed all the changes, please update the proposed Tariff Schedules, Bill Impact model and other related calculations in Exhibit 8.

Staff-12

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 21
(2) Ontario Energy Board Filing Requirements For Natural Gas Rate Applications, February 16, 2017, page 30

Preamble:

In the first reference above, ENGLP states that it is requesting approval of the USP in this application.

In the second reference above, the natural gas rate application filing requirements state that the USP must be filed with the application.

Question(s):

Please confirm the wording “approval” in the proposed USP request, and please re-propose wording on the request regarding the USP as more appropriate.

Staff-13

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 21
(2) Exhibit 2, Tab 1, Schedule 1, page 37

Preamble:

In the first reference above, ENGLP states that it is requesting for approval of the

proposed customer connection policy in this application.

In the second reference above, ENGLP states that the customer connection policy is the first formal policy that ENGLP has prepared and submitted to the OEB.

Question(s):

a) Please clarify what are the key elements in the customer connection policy that ENGLP is seeking for OEB to approve.

b) For these key elements where ENGLP is seeking approval, please provide reference to the related public policy and legislation considerations that ENGLP intends to refer to, as it develops its customer connection policy.

c) Please clarify if ENGLP previously did not have a formal customer connection policy.

Staff-14

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 30
(2) Exhibit 10, Tab 1, Schedule 1, page 7

Preamble:

In the first reference above, ENGLP provides inflation-indexed 2020-year revenue requirement, stating that it is calculated by adjusting the inflation factors approved in ENGLP's Incentive Rate-setting Mechanism (IRM) filings in 2021-2024, and a forecasted 3.5% adjustment factor in 2025.

The OEB staff notes the approved 2021-2024 annual price cap adjustments (inflation factor minus stretch factor) are:

2021 factor: 2.2% - 0.4% = 1.8% (EB-2020-0234)
2022 factor: 3.3% - 0.4% = 2.9% (EB-2021-0215)
2023 factor: 3.3% - 0.4% = 2.9% (EB-2022-0183)
2024 factor: 4.8% - 0.4% = 4.4% (EB-2023-0160)

Using the above adjustment factors, OEB staff do not reach the same calculation result

as ENGLP provides.

In the first reference above, OEB staff notes the inflation-indexed 2020-year operations, maintenance and administrative (OM&A) related revenue requirement being $3,752,216, which shows a 15.2% unfavorable variance compared to the 2025 OM&A related revenue requirement at $4,321,958, as stated by ENGLP.

In the second reference above, ENGLP proposes to maintain a stretch factor of 0.4% for the calculation of the annual price cap adjustment over 2026-2029.

Question(s):

a) Please clarify the rationale and relevance of the inflation-indexed 2020-year revenue requirement calculation to the 2025 test year revenue requirement, given the rapid increases in return on capital and depreciation related revenue requirement from 2020 to 2025.

b) Please identify, except for inflation, what are the other cost drivers to OM&A that would cause the 15.2% unfavorable variance.

c) Please provide a rough percentage of the OM&A that is considered fixed (i.e. insensitive to demand and load growth) versus the OM&A that is considered variable (i.e. sensitive to demand and load growth) in 2025 test year forecast.

d) Please comment on if the stretch factor at 0.4% is still considered reasonable for 2026-2029, by looking back the 2021-2024 outcomes from the IRM filings, improvements achieved, as well as the expected productivity and efficiency improvement over the 2026-2029 period. Please provide if alternative stretch factor scenarios have been considered, and why the 0.4% is selected.

Staff-15

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 32
(2) Exhibit 3, Tab 1, Schedule 2, Appendix A – Power Advisory Report, Summarized Results, page 24 of 68
(3) ENGLP – Aylmer application for quarterly rate adjustment mechanism commencing July 1, 2024 (EB-2024-0195)

Preamble:

In the first reference above, ENGLP states that the consumption of the three R1 rate classes are forecasted using a base load and excess consumption methodology wherein average monthly consumption per customer is first calculated for each class. The amounts are then reduced by the base load consumption, which is considered the average consumption in the summer months of July and August. The remaining consumption is considered the weather-sensitive load (or "excess" load).

In the second reference above, ENGLP provides two tables which summarize Normal Consumption Forecast by Class and Customer (Count) Forecast for 2025-2028, respectively. Using the data from the tables, OEB staff computes the normal consumption forecast per residential customer for 2025-2028, results as below:

	2025 Forecast	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Normal forecast R1-Residential (M^3)	19,778,416	20,165,775	20,556,215	20,949,733
R1-Residential customer count forecast	9,578	9,708	9,838	9,968
Forecast consumption per R1-Residential customer (M^3)	2,065	2,077	2,089	2,102

In the third reference above, ENGLP forecasts the 2024-2025 average residential consumptions per customer is 1,780 M^3.

Question(s):

a) Please provide the annual base load and excess load respectively, for R1-Residential class forecast in 2025-2028.

b) Please clarify the difference between the OEB staff computed 2025 forecast consumption per R1-Residential customer at 2,065 M^3 and the ENGLP forecasted 2024-2025 average residential consumptions per customer at 1,780 M^3, and what is the reason.

c) Please clarify the 2025-2028 upward trend on forecast consumption per R1-Residential customer:

i. what underpins the upward trend year-over-year on per customer consumption; and

ii. if the energy efficiency and conservation considerations have been built into the forecast model. If not, please provide alternative forecast scenario(s) with such offsetting impact being built into the model.

d) If available, please provide the 2029 load forecast and customer count forecast for all rate classes.

Staff-16

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 31-32
(2) Exhibit 3, Tab 1, Schedule 2, Appendix A – Power Advisory Report page 55-64 of 68

Preamble:

In the first reference above, ENGLP states that the sales and energy forecast utilize actual data from January 2012 to December 2023.

In the first reference above, OEB staff notes the R2, R3, R4, R5 and R6 aggregate consumptions make up about 70% of the total system load, and there are roughly only 110 customers in these rate classes in total.

In the second reference above, OEB staff notes the load forecasts are developed as following:

- R1 – consumption is estimated using observations from January 2014 to December 2023.

- R2 – monthly consumption is forecasted using a three-year average of consumption per customer in each month.

- R3 – the forecast is based on customers' forecast volumes.

- R4, R5 – monthly consumption is forecasted using a three-year average of consumption per customer in each month, with adjustments and exclusion of

anomalies.

- R6 – the 2023-year actual consumption is used as forecast for future year consumption.

Question(s):

a) Please confirm the above load forecast methods as OEB staff noted. If not, please provide the load forecast method(s).

b) Please clarify which rate class(es)' forecast utilizes the actual data from January 2012 to December 2023.

c) Rather than using historical actual data to develop a forecast for R2, R4, R5 and R6 rate classes, has ENGLP explored the option to ask these approximately 110 customers to provide direct input on their consumption forecast, to increase load forecast accuracy?

d) For the R1 – Residential rate class load forecast, which ENGLP states that it uses observations from January 2014 to December 2023. Please clarify if adjustments have been considered for customer consumption changes over the years i.e. energy efficiency saving, changes on home appliances powered by natural gas vs. electricity, etc.

e) When was the last time ENGLP reviewed its weather normalization methodology and has it considered the climate change impact over the years and benchmarked to other utilities?

Staff-17

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 33
(2) Exhibit 1, Tab 1, Schedule 1, page 48

Preamble:

In the first reference above, ENGLP states that its USP documents the practices, policies and processes that are in place to ensure that decisions on capital investments and

maintenance plans support ENGLP's desired outcomes in a cost-effective manner and provides value to the customer.

In the second reference above, ENGLP states that in developing the forthcoming USP, ENGLP undertook a survey to gather feedback from customers in all rate classes which was a critical input to developing a prudent five-year capital investment and maintenance plan.

Question(s):

a) Please provide examples of the survey findings and/or results that have been used as input in the 2025-2029 USP.

b) Please explain further by providing examples of how ENGLP builds out its system in a cost-effective manner and provides value to the customer in the USP.

Staff-18

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 34
(2) Exhibit 2, Tab 1, Schedule 1, page 27

Preamble:

In the first reference above, ENGLP states that its 2025 test year rate base calculation includes a proposed working capital allowance, consistent with guidance provided to electricity distributors.

In the second reference above, ENGLP states that the proposed working capital allowance is calculated as 7.5% of cost of gas (non-distribution) and 7.5% of OM&A of the same year. This approach was agreed upon during the settlement of the Southern Bruce 10-year custom IR application (EB-2018-0264).

Question(s):

a) Please clarify what is considered as cost of gas (non-distribution) in the calculation, and please reconcile if this amount is different than the energy purchases expense of the same year.

b) The working capital allowance calculation approach agreed upon in the Southern Bruce 10-year custom IR application (EB-2018-0264) was approved given that EPCOR had no operating history and its proposed working capital during the rate stability period at 7.5% was consistent with the value EPCOR used in determining its revenue requirement during the Common Infrastructure Plan (CIP) process. Please explain why the same approach is appropriate for this application.

Staff-19

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 34-35
(2) Exhibit 2, Tab 1, Schedule 1, page 8-9
(3) Exhibit 1, Tab 1, Schedule 1, page 32, load forecast summery 2020-2025
(4) Exhibit 2, Tab 1, Schedule 1, page 3, 2020-2025 rate base summary
(5) Exhibit 4, Tab 2, Schedule 1, Consultant – Material and Supplies Inflation Report - Forecast Values of Escalators for 2022-25

Preamble:

In the first reference above, ENGLP states that it has a forecasted rate base of $26.627 million for the 2025 test year, which represents an increase of $10.467 million from the $16.160 million approved rate base in 2020. ENGLP is proposing a capital plan for the 2025 test year of $4.064 million, which represents a $2.724 million increase from the $1.340 million capital plan previously approved for 2020.

In the second reference above, ENGLP states that its 2020-2024 historical capital spending variance (i.e. actual spending in excess of the plan) is less driven by the scope of work being completed, but rather an increase in the standards to which work is completed. ENGLP states that it does not have the internal resources to meet upgraded construction standards and has had to contract out works.

In the third and fourth reference above, OEB staff notes the 2020-2025 rate base increases significantly outpace system load increases, as shown below:

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast
Rate base (in $M)	15.64	17.00	17.92	19.35	22.24	26.63
System load (in '000 m^3)	87,767	90,030	93,920	97,062	99,684	101,737

Question(s):

a) Other than the cost pressure due to outsourcing capital works at higher contractor prices, please clarify if there is any other contributing factor that results in 2020-2025 rate base increase significantly outpacing system load increases.

b) Please provide if there is any increased operational efficiency, freed-up internal resources, or related performance improvement gains ENGLP achieved in 2020-2024 due to outsourced capital works. If so, please quantify such benefits.

c) Since ENGLP has only committed to meet upgraded construction standards in 2020 and going forward, please provide if ENGLP has experienced and/or will anticipate additional cost pressure on operating and maintenance needs for the capital construction completed prior to 2020 at lower standards.

Staff-20

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 38

Preamble:

In the reference above, ENGLP states that the revenue to cost ratios for R1 - Residential, R1 - General Service, R3, R5, and R6 are within a range of plus or minus 20%. The revenue to cost ratio for Rate 2 rate is slightly below the threshold at 0.797 and the ratio for R4 is below the threshold at 0.781.

In the reference above, ENGLP states that its cost allocation study uses a methodology that is consistent with the last two cost allocation studies approved by the OEB for 2020 rates (EB-2018-0336) and 2011 rates (EB-2010-0018).

Question(s):

a) Please clarify if a range of plus or minus 20% for the revenue to cost ratio is appropriate for all customer classes.
b) Please provide if ENGLP will plan to conduct a new cost allocation study soon in the future, and when the most recent study was conducted.

c) Please clarify, for all rate classes, especially R2 and R4, if ENGLP has considered any revenue rebalancing strategies to move the revenue to cost ratio band to a narrower range to mitigate cross-subsidization.

Staff-21

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 39
(2) Exhibit 2, Tab 3, Schedule 1, page 257-282, customer engagement survey

Preamble:

In the first reference above, ENGLP presents a table with the bill impacts per rate class. OEB staff notes the bill impacts to R1 - Residential - bottom 10% as:

i. 12% change in delivery (distribution) charge
ii. 10% change in total bill

In the second reference above, OEB staff notes that affordability and reliability are both top concerns for customers from the 2024 survey. The report's detailed findings state that customers are generally unwilling to increase their monthly bills to prevent service interruptions as affordability remains a top concern.

Question(s):

a) Please clarify if ENGLP has developed any mitigation plan for customer classes and/or the bottom 10% group whose total annual bill increases are expected to exceed 10%:

i. if so, please provide a copy of the mitigation plan
ii. if not, please explain why.

b) Please clarify, for the R1 - Residential rate class, what is the customer consumption assumption in the bill impact calculation. Please provide the monthly as well as annual consumption assumption given the weather-sensitive nature in this customer class's consumption profile.
c) Please provide what is ENGLP's strategy to balance the affordability concern and maintain a high service reliability in 2025-2029. Please provide how ENGLP plans to communicate to its customers on this matter.

Staff-22

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 54-55

Preamble:

In the first reference above, ENGLP states that it notes that the utility has consistently performed well above the OEB's targets where provided.

In the second reference above, ENGLP provides the 2020-2023 scorecard results for Aylmer operation.

OEB staff notes the results for "Customer years" and "Cumulative volume" measures under the "Extending natural gas distribution to new communities" performance category are marked as "N/A" each year of 2020-2023.

Question(s):

a) Please clarify which measures have performed well above the OEB's targets.

b) Please provide if any of the performance measure target setting and result are benchmarked to the comparable utilities in the industry.

c) Please explain the "N/A" performance results each year of 2020-2023 for the measures in the results table.

d) Please provide the definition and calculation method for the performance measures below:

    i. total cost per customer per year; and

ii. total cost per km of distribution pipe per year.

Staff-23

Ref: (1) Exhibit 1, Tab 1, Schedule 1, page 56
(2) Exhibit 1, Tab 2, Schedule 1, 2020-2023 Audited Financial Statements
(3) Exhibit 1, Tab 2, Schedule 2, Financial Statement Reconciliation, 2021-2023

Preamble:

In the first reference above, ENGLP states that its 2020-2023 financial statements include both Aylmer and Southern Bruce financial data as both areas of operations comprise a singular limited partnership.

In the second and third reference above, OEB staff notes some discrepancies in the "Audited" column figures from the Financial Statement Reconciliation to the corresponding figures presented in the Audited Financial Statements, for 2021, 2022 and 2023.

Question(s):

a) Please clarify if the EPCOR financial reporting system has the capacity to run separate financial statements (i.e. balance sheet and income statement) for Aylmer operations only. If so, please provide a copy of the Aylmer operation financial statements for 2020-2023, along with the budget to actual variance reporting on income statement items for the same period.

b) In Exhibit 1, Tab 2, Schedule 2, Financial Statement Reconciliation, OEB staff notes three discrepancies in the "Audited" column, as compared to the figures presented in the Audited Financial Statements. Please review the following figures presented in the reconciliation for accuracy, and update the reconciliation for 2022 and 2023, as appropriate:

i. 2022 reconciliation - $2,402K is presented as other raw materials and operating charges;
ii. 2022 reconciliation - $1,921K is presented as other administrative expenses; and
iii. 2023 reconciliation - $2,375K is presented as other raw materials and operating charges.

c) Please provide 2020-year Financial Statement Reconciliation, similar to the 2021-2023 reconciliations.

Staff-24

Ref: (1) Exhibit 1, Tab 2, Schedule 3, 2024-2025 Forecasted Financial Statements – Aylmer
(2) Exhibit 1, Tab 1, Schedule 1, page 29

Preamble:

In the first reference above, ENGLP presents the 2025-year forecasted income statement for Aylmer.

OEB staff notes the Commercial Services income for 2025 is $8,077,000.

In the second reference above, ENGLP proposes a service revenue requirement for the 2025 test year of $8,048,058. With revenue offsetting of $108,388, the distribution revenue requirement is proposed as $7,939,670.

Question(s):

a) Please clarify the meaning of the $8,077,000 Commercial Services income and how it reconciles to 2025 test year revenue requirement.

b) Please clarify where the $108,388 revenue offsetting amount is being assembled in the forecasted income statement.

Staff-25

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 4
(2) Exhibit 2, Tab 1, Schedule 1, page 30

Preamble:

In the first reference above, ENGLP presents a table with the annual fixed asset balance between 2020 and 2025.

OEB staff notes:

i. the year-over-year change on capital contributions balance between 2021 and 2022 is $79,000 ($589,000 minus $510,000); and

ii. the IGPC Ethanol Inc. (IGPC) capital contribution balance stays as $376,000 from 2020 to 2025

In the second reference above, ENGLP presents a table with the annual capital expenditures between 2020 and 2029.

OEB staff notes the 2022-year capital contributions amount being $91,000.

Question(s):

a) Please clarify what is the 2022-year capital contributions amount received (from customers), whether it is $79,000 or $91,000. Accordingly, please update figures in all relevant fixed asset and amortization tables and continuity schedules in the application, as appropriate.

b) Please confirm if the $376,000 IGPC capital contribution balance is the gross contribution amount, which does not include accumulated capital contribution amortization over the years, or if it is the net contribution amount.

c) Further to b), please explain why the IGPC capital contribution has not been amortized between 2020 and 2025.

Staff-26

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 3
(2) Supporting appendixes in Excel format, under tab “2C_Fixed Asset Continuity”

Preamble:

In the first reference above, ENGLP presents a table with the 2020-2025 rate base.

OEB staff notes:

i. the 2020-year actual does not have any asset disposal amount; and

ii. the 2020-year actual has an asset depreciation amount of $981,000

In the second reference above, ENGLP presents fixed asset continuity schedule from 2020 to 2025.

OEB staff notes the 2020-year fixed asset continuity schedule shows a negative $151,841 depreciation expense adjustment from gain or loss on the retirement of assets (pool of like assets). The 2020-year asset depreciation amount (net of adjustment) is $828,953.

Question(s):

a) Please clarify if the 2020-year rate base includes fixed asset disposition or asset retirement:

   i. What is the gross fixed asset disposition (or retirement) amount; and

   ii. What is the accumulated depreciation amount being written off.

b) Please clarify, for the $151,841 negative adjustment on depreciation expense, if this is considered a gain on disposition (or retirement) of asset.

c) Further to b), please provide evidence of where the gain is being recorded in 2020, and please re-calculate the related tables and schedules, as well as the 2020-year financial result in the application, as appropriate.

Staff-27

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 3
(2) Exhibit 2, Tab 1, Schedule 1, page 4

Preamble:

In the first reference above, ENGLP presents the 2020 OEB-Approved Gross Asset Value ending balance as $33,162,000.

In the second reference above, ENGLP presents the 2020 OEB-Approved Gross Plant total as $33,230,000.

Question(s):

Please clarify why it shows two different figures under the two references, and which figure is correct. Please update table(s) as appropriate.

Staff-28

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 7-10

Preamble:

In the reference above, OEB staff note the 2020-2024 USP budgeted an average cost per service of $653 based historical averages for ENGLP's internal construction crew performing the service construction.

ENGLP states that it experienced multiple butt fuse failures on plastic mains in Southern Bruce, and an emergency leak on the steel IGPC pipeline. The investigation of these failures resulted in several corrective actions being implemented across ENGLP's gas pipeline construction program and an increase to standards of construction. ENGLP did not have the internal resources to construct to these upgraded standards and has had to contract out this new construction. The cost to per service in the 2025-2029 USP is $4,693, which is comparable to that for Enbridge Gas of $4,412.

Table 2.2.2-1
Capital Additions by Account (USoA)
Net of Contributions
($000's)

	Description	A USoA	B 2020 Decision	C 2025 Test Year	C Difference (C-B)
1	**Distribution Plant**				
2	Meters - Commercial	478	262.3	157.0	(105.3)
3	Meters - Residential	478	125.7	820.9	695.2
4	Regulators	474	73.0	255.7	182.7
5	Measuring & Regulating Equip	477	75.0	97.9	22.9
6	Mains - Metallic (IGPC)	475	-	300.0	300.0
7	Mains - Plastic	475	574.0	1,356.4	782.4
8	Services - Plastic	473	100.0	768.9	668.9
9	**Subtotal**		**1,210.0**	**3,756.8**	**2,546.8**
10	**General Plant**				
11	Land	480	-	-	-
12	Structures & Improvements	482	31.0	123.5	92.5
13	Furnishing / Office Equipment	483	-	-	-
14	Computer Equipment	490	10.0	57.5	47.5
15	Software - Acquired	491	26.0	10.0	(16.0)
16	Tools and Work Equipment	486	16.0	23.0	7.0
17	Communication Equipment	488	-	17.5	17.5
18	Vehicles - Transportation Equip	484	47.0	75.5	28.5
19	**Subtotal**		**130.0**	**307.1**	**177.1**
20	**Intangible Plant**				
21	Franchises	401	-	-	-
22	**Subtotal**		-	-	-
23	**Grand Total**		**1,340.0**	**4,063.9**	**2,723.9**

Question(s):

a) Please provide a discussion if there were historical butt fuse failures on plastic mains in the Aylmer territory?

i. If there were zero to few butt fuse failures in Aylmer, could the failures be attributed to environmental causes?

ii. Were internal crews employed by Aylmer used in South Bruce to butt fuse plastic pipe? If not, would it have been caused by lack of training?

iii. When was the failure found? During pressure testing or service?

b) What are the primary responsibilities of the internal construction crew now that construction responsibility is contracted out? Has this been reflected in the OM&A?

Staff-29

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 7

Preamble:

In the reference above, in the table 2.2.2-1, line 3 (Meters- Residential), the 2020 Decision approved $125.7K and in 2025 test year requested $820.9K. The variance associated to the meter replacement program is a timing variance to the previous USP. The majority of meters have reached their end of life in 2023-25 whereas the previous USP had the renewal spend being spread out between 2020-24.

Question(s):

a) Please explain what “renewal spend” is.

b) Please provide a plan on how many residential meters are being changed annually during the current rate term and the proposed rate term.

c) Please provide a per residential meter cost per year from 2020 to 2029.

Staff-30

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 8-9

Preamble:

In the reference above, ENGLP states that its 2020-2024 capital spending variance (i.e. actual spending in excess of the plan) is less driven by the scope of work being completed, but rather by an increase in the standards to which work is completed. ENGLP states that it does not have the internal resources to meet upgraded construction standards and has had to contract out works.

ENGLP also states that the other factors driving the capital overspending in 2020-2024 include the unplanned connection of several large customers, along with a meter replacement program based on the expiration of customer meters in accordance with Measurement Canada Standards.

Question(s):

Please breakdown, on an annual basis, how much capital overspending is related to changes on scope of work (e.g., unexpected new connections) versus how much capital overspending is related to use of contractor work at higher prices than planned to meet upgraded construction standards in 2020-2024.

Staff-31

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 9

Preamble:

In the reference above, ENGLP presents a table with its cost per service figures in 2020-2029, including actual and forecast figures.

ENGLP also states that its forecasted 2025-2029 cost per service of $4,693 is comparable to that of Enbridge Distribution of $4,412.2 (EB-2022-0200).

Question(s):

a) Please clarify the definition of cost per service, by providing the elements in the calculation.

b) Please clarify what services are included in the calculation, if it only includes the new connection service, or it also includes maintenance service on existing connection.

c) Please clarify, for cost incurred for service, when does ENGLP capitalize the cost versus expense the cost as OM&A.

d) Please explain the appropriateness and relevancy of benchmarking ENGLP Aylmer's cost per service figure to that of Enbridge. For the two utilities:

    i. if the proportion of service work being fulfilled by internal employees versus the proportion of service work being fulfilled by external contractors is comparable;

ii. if the customer composition (e.g. residential customer, small volume customer, large volume customer, etc.) is comparable;

iii. if the scope of service works being captured in the cost per service calculation is comparable; and

iv. if the contractor procurement process and construction standard are comparable.

Staff-32

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 9-10

Preamble:

In the reference above, ENGLP states that following the competitive bid process in 2021, via a negotiated request for proposal, ENGLP partnered with a new contractor. While this has led to increased service installation costs, ENGLP believes that the outcome of this transparent and robust tender process results in a more consistent and safe connection process, which is beneficial to customers.

ENGLP also states that the contractor chosen moving forward brought the following capabilities that ENGLP did not have:

- emergency response and repair capability on steel pipeline. ENGLP has 30 kms of steel pipeline feeding an industrial customer in Aylmer;
- construction of plastic mains and services in Aylmer from 6" to ½"; and
- engineering and design for natural gas construction.

Question(s):

a) Please clarify if ENGLP has added any internal capacities as related to the three points listed above, between 2021 and now.

b) Please provide, how frequent ENGLP's existing and potential customers have the need to:
   i. maintain and repair steel pipeline;
   ii. construct plastic mains from 6" to ½"; and
   iii. engage in engineering and design works for natural gas construction.

c) Further to b), please provide if ENGLP has done any benchmarking with comparable utilities on their organizational chart, if these capacities mentioned in b) would usually be fulfilled by internal employees or external contractors.

d) Please provide, during 2020-2024, if ENGLP had any construction cost increase mitigation strategy in place. If so, please provide the strategy.

e) Please provide, in 2025-2029, if ENGLP expects to use the same contractor for the same scope of works as it did in 2020-2024:

   i. if so, please clarify if the 2025-2029 USP has built in any cost increase (labor and material) anticipated by the contractor, and what is the main driver of the cost increase; and

   ii. if not, please provide what are the expected scope changes in 2025-2029 for use of contractor works.

Staff-33

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 17

Preamble:

In the reference above, ENGLP states that, compared to the 2021 capital spending, there is a $281K increase in 2022 for residential meters, for those purchased in 2022 to ensure inventory was on hand to replace in 2023. Meter life begins as soon as it is put on the shelf.

Question(s):

a) Please clarify when the $281K of meters would be considered in service and start to depreciate.

b) Please clarify if the $281K meter costs are included in the 2022 rate base calculation.

c) Please update the related calculations as appropriate.

Staff-34

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 21

Preamble:

In the reference above, as ENGLP explains capital spending variance between 2022 and 2023, it states that there is a $72K error in reclassification of assets being identified recently when preparing this application. These assets should have been classified as software, instead of franchises.

Question(s):

a) Please clarify if this error originally occurred in 2022. Please confirm if retrospective correction has been made on the asset continuity schedule for the error in 2022 and 2023.

b) Please update the related calculations as appropriate.

Staff-35

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 22-23
(2) Exhibit 2, Tab 3, Schedule 2, page 288

Preamble:

In the first reference above, ENGLP states that the $950K increase compared to 2023 actuals for Plastic Mains is due to a $1M system access project to increase gas flow to the new large agricultural customer by upgrading 2 km of pipeline from 2” to 6” and a $700K cost to build a 4” 2 km pipeline to secure additional gas for the new large agricultural customer full phase 1 loading.

In the second reference above, the proposed ENGLP’s Customer Contribution and Refund Policy states:

“where the use of a proposed facility is dominated by a single Large Volume Customer, the proposed facility shall be considered a dedicated facility for Contribution in Aid of Construction (CIAC) purposes, which requires that facility to pay the entirety of the CIAC,

if applicable. The dominant customer may be required to pay a contribution to result in a project Net Present Value (NPV) of zero or a profitability index (PI) of 1.0. The CIAC amounts are subject to added Harmonized Sales Tax (HST)".

Question(s):

a) Please confirm if the mains for the two mains project are dominated by its respective large volume customer.

b) Please provide the PI calculation of the two project plans for 2024 bridge year:

   i. was there a CIAC collected from these two large-volume customers; and,

   ii. please confirm if the revenue horizon is 20 years.

Staff-36

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 27
(2) Handbook to Utility Rate Applications, October 13, 2016, pg. vi

Preamble:

In the first reference above, ENGLP is proposing an allowance of 7.5% based on its non-distribution costs and distribution related OM&A expenses as allowed by the OEB for electricity distributors and as agreed upon during the settlement of the Southern Bruce 10-year custom IR application (EB-2018-0264).

In the second reference above, the Handbook to Utility Rate Applications states:

"For electricity distributors, the OEB currently allows for a working capital allowance of 7.5% of total operating expenses plus the cost of power. A distributor may propose an alternative which must be supported by a lead-lag study. Natural gas distributors, transmitters and OPG use utility-specific working capital allowances based on studies."

Question(s):

a) Please confirm that this is the first time ENGLP Aylmer is requesting a working capital allowance.

b) According to the Handbook, natural gas distributors use a utility specific working capital allowance based on a study. Has ENGLP completed a study for working capital allowance? If ENGLP has completed a study, please provide the study.

c) If ENGLP does not have a study, please discuss why ENGLP believes a working capital allowance of 7.5% is appropriate for ENGLP Aylmer as a natural gas distributor?

d) Please provide comparable natural gas distributors' working capital allowance.

Staff-37

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 28

Preamble:

In the reference above, table 2.4.1-1 shows:

Capitalized Overhead on Self-Constructed Assets ($000's)

	A	B	C
Capital Cost Type	2023 A	2024 Bridge	2025 Test
Capitalized Overheads	$183.6	$240.6	$287.9

Question(s):

a) Please provide the 2020-2023 historical, 2024 and 2025 capitalized overhead on self-constructed assets.

b) Please discuss if there is an upward trend for capitalized overheads from 2022-2025. If this is the trend, please provide rationale for this trend.

c) Please discuss why the capitalized overheads increased roughly 56% from 2023 to 2025.

Staff-38

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 30

Preamble:

In the reference above, ENGLP categorizes its capital expenditures into four categories, including System Access and System Renewal.

Question(s):

Please clarify, between System Access and System Renewal, where ENGLP would record capital expenditures related to adding capacity and/or redundancies for existing connections and/or customers.

Staff-39

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 35

Preamble:

In the reference above, ENGLP states that in 2023, the 221% variance between capital plan ($78K) and actual ($250K) for general plant includes that a hotel desk area was built, and a shower was installed.

Question(s):

a) Please clarify the purpose of these additions, and whether they are part of the distribution assets.

b) Please update the related calculations as appropriate.

Staff-40

Ref: (1) Exhibit 2, Tab 1, Schedule 1, page 39

Preamble:

In the reference above, ENGLP states that its Integrity Management Program contributes to extending the useful life of assets by identifying condition issues prior to occurrences of incidents. The weekly, monthly and annual inspection activities reduce the probability of pipeline failures and unplanned asset integrity issues. The program includes procedures to monitor for conditions that can lead to failures and includes a description of ENGLP's commitment to assess risks, identify risk reduction approaches and monitor results.

ENGLP states that a dashboard was created to monitor the progress of all inspection and maintenance activities, and to ensure they are completed annually.

ENGLP states that the activities were performed annually.

Question(s):

Are there plans to update the dashboard to include those activities that are completed weekly and/or monthly?

Staff-41

Ref: (1) Exhibit 2, Appendix 2C

Preamble:

In the reference above, ENGLP presents its fixed asset continuity schedule, which includes the net book value of its Total PP&E for Rate Base purposes after depreciation. A summary is listed as below:

Year	Net Book Value of PP&E for Rate Base purposes	Year over year change (%)
2020	$16,580,487	
2021	$17,420,192	5.1%
2022	$18,411,602	5.7%
2023	$20,295,945	10.2%
2024 Bridge	$24,181,455	19.1%
2025 Test	$26,924,586	11.3%

Question(s):

a) Please provide rationale for the drastic increase in Net Book Value of PP&E from 2023 to 2025.

b) Please provide the Net Book Value of PP&E including the year-over-year change (%) for the past 10 years and compare it with 2023 to 2025.

Staff-42

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 90 of 291

Preamble:

In the reference above, ENGLP states that it has contracted Cornerstone to perform a system integrity study and to evaluate and develop capital cost estimates for capital improvement projects that will enhance performance and capacity of the system. The ENGLP gas system is in need of both pressure and volumetric reinforcement in order to provide a stable and reliable source of natural gas for all of its current and anticipated customers through the year 2029. The Cornerstone study identifies requirements for system enhancement to meet load growth due to market penetration, population growth, or infrastructure expansion and identify projects that will provide the enhancements.

Question(s):

Please provide CV(s) of Cornerstone staff who consulted for EPCOR and provide rationale as to why Cornerstone was selected for the study and evaluation.

Staff-43

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 84 of 291

Preamble:

In the reference above, for investment benefit and risk assessment, ENGLP states that it identifies the relative priority of each asset management objective with respect to each other. Different investments will have different benefits and risks with respect to the asset management objectives and weighting the asset management objectives will aid in identifying those investments that best align with them from an overall benefit and risk perspective. The six objectives are each assigned a relative weight of 0 -1.0 with the total sum of the objectives equaling 1.0.

ENGLP provides the following objective weighting summary in Table 2:

Table 2 – Objective Weighting Summary

Objective	Weight
Safety	0.30
Reliability	0.20
Customer Service	0.20
Financial Integrity	0.15
Effective Integration	0.10
Environmental	0.05
Total	1.00

ENGLP states that it uses a Risk and Value scoring mechanism developed internally to classify and prioritize investments against these Asset Management objectives. Risk and Value assessments provide an initial triage to determine projects that can wait (be deferred to future budget periods) and those that need closer review for potential inclusion in the immediate planning period.

Question(s):

a) How is the weighting for each objective determined? (e.g., through survey, subject matter expert, management, etc.)

b) Could the weighting for the objective change? What is the process that would change the weighting or add an objective?

c) How often is the Risk and Value assessment for EPCOR Aylmer completed?

Staff-44

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 78 of 291
(2) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 88 of 291

Preamble:

In the first reference above, ENGLP states that as part of its planning process, ENGLP has aimed for a consistent capital budget envelope for the USP period that balances annual mandatory investments with non-mandatory through a project pacing and prioritization process. Individual capital investment category variation recognizes the specific impact of System Access work on the ability of ENGLP to do other work at the same time while keeping rates manageable. Similarly, non-mandatory work is prioritized, paced and managed to provide consistent yearly overall capital spends. While individual capital categories may vary from year to year, ENGLP's overall Capital spend has been kept relatively consistent over the USP plan period to provide a steady and predictable impact on rates.

In the second reference above, Table 3 is provided to show the cost of each investment category from 2025 to 2029:

Table 3: ENGLP Planned Capital Expenditures (Annual $ and % Spend) – 2025-2029

	Investment Category	A 2025 Test Year	B 2026 F 2	C 2022 F 3	D 2028 F 4	E 2029 F 5
1	System Access	1,855,650	2,257,465	1,593,180	1,675,060	1,750,610
2	System Renewal	1,456,150	1,563,620	908,520	926,190	563,290
3	System Service	450,050	39,950	405,030	408,540	50,050
4	General Plant	272,080	152,000	159,600	164,020	168,400
5	Total	**4,063,930**	**4,013,035**	**3,066,330**	**3,173,810**	**2,532,350**

	Investment Category	A 2025 Test Year	B 2026 F 2	C 2022 F 3	D 2028 F 4	E 2029 F 5
1	System Access	46%	56%	52%	53%	69%
2	System Renewal	36%	39%	30%	29%	22%
3	System Service	11%	1%	13%	13%	2%
4	General Plant	7%	4%	5%	5%	7%
5	Total	**100%**	**100%**	**100%**	**100%**	**100%**

Question(s):

a) ENGLP states that its “overall Capital spend has been kept relatively consistent over the USP plan period to provide a steady and predictable impact on rates.” Please comment on ENGLP capital spend over 2020-2024 and how it reconciles to the statement quoted above.

b) Please comment on why the capital spend from 2025 to 2029 drops even though ENGLP states that the overall capital spend is kept relatively consistent.

c) How are “mandatory work” and “non-mandatory work” delineated? If there is mandatory work each year, would it not be optimal to continue to complete the mandatory work of the following year when the current year's work is complete, and the capital spend allows for it?

d) Please confirm that Table 3 is the cost for each investment category net of contributions (CIAC).

Staff-45

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 92 of 291

Preamble:

In the reference above, ENGLP states that on average, the annual growth rate for each of the towns within the Aylmer distribution system was 2%. A town load represents consolidated loads of all the customers in corresponding town's district. Capital spending for non-town (rural) loads are assessed and analyzed on an individual basis. This involves analysis of whether new distribution mains or reinforcements to existing mains are required to service these loads.

ENGLP provides the following forecast of customer connections and annual customer service demand by rate class:

Table 4: ENGLP Forecast of Customer Connections

	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
R1 Residential	9,318	9,448	9,578	9,708	9,838	9,968	10,097
R1 Industrial	79	80	81	83	84	86	88
R1 Commercial	580	585	590	595	600	605	605
R2 Seasonal	51	50	50	50	50	50	50
R3	4	5	5	5	5	5	5
R4	43	45	46	48	49	51	51
R5	4	4	4	4	4	4	4
R6	1	1	1	1	1	1	1
Total	10,080	10,218	10,355	10,494	10,631	10,770	10,900

Table 5: ENGLP Annual Customer Service Demand by Rate Class

	2023 Actual	2023 Normalized	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
R1 Residential	7,466,767	19,043,524	19,394,143	19,778,416	20,165,775	20,556,215	20,949,733	21,368,727
R1 Industrial	3,013,707	2,654,845	2,579,897	2,686,373	2,795,837	2,908,361	3,024,023	3,144,965
R1 Commercial	5,823,050	5,659,391	6,119,454	6,193,869	6,268,637	6,343,760	6,419,235	6,483,427
R2 Seasonal	869,131	869,131	832,281	832,281	832,281	832,281	832,281	832,281
R3	1,335,618	1,420,006	3,943,038	4,518,036	4,495,600	4,475,300	4,456,801	4,456,801
R4	2,227,329	2,227,329	2,225,219	2,542,296	2,623,115	2,706,504	2,792,543	2,876,320
R5	980,160	980,160	647,586	647,586	647,586	647,586	647,586	647,586
R6	5,345,852	65,345,852	65,345,852	65,345,852	65,345,852	65,345,852	65,345,852	65,345,852
Total	97,061,614	98,200,239	101,087,469	102,544,707	103,174,682	103,815,859	104,468,054	105,155,980

Question(s):

a) OEB staff calculates the year-over-year customer connection increase, the average annual growth rate for R1-Residential is 1.35%, R1 - Industrial is 1.82% and R1 - Commercial is 0.71%. However, ENGLP assumes an average growth rate of 2% for each town in Aylmer. Please justify the average growth rate of 2%, please clarify where is the 2% average growth rate being used in the forecast?

b) Please confirm that the one addition of the R3 customer in 2023-24 will increase service demand by 2,523,032 m^3 (177% increase) between 2023 and 2024.

Staff-46

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 192-193 of 291
(2) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 223 of 291
(3) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 222 of 291

Preamble:

In the first reference above, ENGLP states that there are seven main metering and regulating stations throughout the system, one at each of the Enbridge custody transfer points: Nilestown Station, Harrietsville Station, Putnam Station, Brownsville Station, Bayham Station, Eden Station, and North Walsingham Station. In addition, Lagasco provides lake gas as a supply source through the Lakeview Station within the southern part of the distribution system. Smaller regulating and control stations are distributed throughout the system.

In the second reference above, ENGLP states that it conducts annual hydraulic simulations of the natural gas system using Cornerstone Energy Services. The ENGLP 2028 System Integrity simulations revealed potential gas supply shortcomings to meet prospective demand. Several options for increased delivery volume through Bayham, Dorchester and Lakeview stations, along with relevant piping upgrades, were analyzed and simulated.

In the third reference above, ENGLP provides the following load allocation for town loads per district regulator in the Aylmer distribution system:

Table 5: Load Allocations for town loads in Aylmer distribution system (2023, 2028)

	Town Loads (m3/hour)	
Towns	**2023 Estimate**	**2028 Estimate**
Aylmer East	902	984
Aylmer Beech St	1,430	1,560
Aylmer Roger-Talbot	385	420
Aylmer Bradley Creek	385	420
Aylmer Hacienda	385	420
Aylmer (Total)	3,488	3,805
Belmont (Total)	1,050	1,146
Brownsville - 3810	132	144
Brownsville - South	121	132
Brownsville (Total)	252	275
Nilestown (Total)	175	192
Port Burwell East	279	305
Port Burwell West	279	305
Port Burwell (Total)	560	610
Port Bruce 1st	132	144
Port Bruce 2nd	132	144
Port Bruce (Total)	264	288
Springfield (Total)	410	448
Straffordville (Total)	263	287
Vienna (Total)	263	287

Question(s):

a) Please confirm if the current distribution system can supply the current demand.

b) Please provide the maximum and current flow rate of each metering and regulating station in the Aylmer distribution.

c) Please confirm if Enbridge Gas and Lagasco are able to accommodate additional throughput at each custody transfer point if the corresponding metering and regulating stations are upgraded?

d) Please include in Table 6 above, the maximum flow rate of each district station in the Aylmer distribution, please add other stations if any.

e) Please provide a process on how projects are prioritized. Please use examples of Port Burwell Low Pressure Reinforcement (recent years experiencing low pressure) and Belmont (possible future low pressures if Jan 2028 peak flow and full consumption of interruptible customer occur).

Staff-47

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 99-100 of 291
(2) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 144-147 of 291

Preamble:

In the first reference above, ENGLP states that in 2016, NRG experienced a leak, and in October 2020, ENGLP experienced another leak on this section that needed to be cut out and replaced. As a result, ENGLP undertook pipeline pigging activities between the years 2020-2022 as part of its Integrity Management Program to examine areas of the pipeline that may be weakened, at risk of leak and have severe overall corrosion and integrity issues.

In 2022, a successful MFL tool run was completed that provided key integrity data about the pipeline. Overall, the MFL tool results determined that 76 metal loss/corrosion features (Internal and External) exist on the IGPC pipe. The majority of the features identified along

the 30 km stretch were minor (20-50% metal loss) in nature and from an integrity management perspective, it was assessed that the pipeline could be operated safely and reliably until further assessments and inspection activities take place. The results also confirmed that there are 16 minor and 1 major – 78% metal loss features on this 400 m section of pipe. In April 2024, ENGLP, working with its alliance partner, Aecon, executed on the cut out and replacement of the 78% metal loss feature.

In the second reference above, ENGLP states that the capital project placeholders in 2025 and 2026 include plans to conduct integrity digs on the other significant (>50% metal loss) features on the 400 m section of pipe. ENGLP operations and engineering will explore using less costly options to repair individual features, including the use of composite sleeves that can structurally reinforce or permanently restore external anomalies. Sleeve repairs can be done on metal loss features less than 80%.

Question(s):

a) Please provide how costs are allocated for repairs, integrity management activities (excluding pipeline pigging) and pipeline pigging activities relating to supplying IGPC.

    i. If costs associated with supplying IGPC are not allocated to IGPC / Rate 6 please provide rationale as to why other ratepayers should be contributing to assets that only supply IGPC.

b) What actions were completed to mitigate the risk of the 1 major feature between when the feature was found to when it was cut out and replaced?

    i. Does ENGLP have a policy and/or procedure on what to do with such features?

    ii. Please comment on if the pipeline is operating below 30% Specified Minimum Yield Strength (SMYS) for the feature found.

c) If sleeve repairs can be done on metal loss under 80% why was the original repair not completed using a sleeve instead of being cut out.

    i. What would have been the cost difference between cut out and sleeve repair?

d) Please confirm that when integrity digs are completed, if a feature is found will it be repaired in the same integrity dig? Has the repair cost been included in the funding year?

Staff-48

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 109-110 of 291

Preamble:

In the reference above, ENGLP states that the forecast for new main installations involves 2,500 metres of 2-inch pipe and approximately 500 metres of 4-inch pipe. Cost estimates include all materials, labor and equipment.

Question(s):

a) Please provide the addition of mains, by size, including cost by year for the last 5 years:

i. how does this compare with the current request; and

ii. please justify why 2,500 metres of 2-inch pipe and approximately. 500 metres of 4-inch pipe was used to add mains for a typical year.

Staff-49

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 113, 116, 119 of 291

Preamble:

In the reference above, ENGLP provides the funding requirements by year for each component of the distribution system: service connection, meter and regulator additions. ENGLP estimates the program cost for each component based on 175 new connections, of which 85 to 90 percent are residential customers and the remainder larger commercial customers.

OEB staff notes that the net cost total year-over-year for each component to be an increase of 2% to 22%, the largest cost increase of each component is between 2025 and 2026.

Question(s):

a) Please provide the assumed inflation rate.

b) Please explain why between 2025 and 2026 there is an increase of 10% for service connections and the remaining years (2026-2029) is between 4-6%.

c) Please explain why between 2025 and 2026 there is an increase of 18% for meters and the remaining years (2026-2029) is between 2-9%.

d) Please explain why between 2025 and 2026 there is an increase of 22% for regulators and the remaining years (2026-2029) is between 1-9%.

Staff-50

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 122-125 of 291

Preamble:

In the reference above, ENGLP states that the pipeline upgrade project will increase gas flow in early 2024 to 800 m^3/hr. Further, gas supply from nearby Maricann Station from Clearbeach Resource will increase gas flow to 1,700 m^3/hr to meet Phase 1 demand. Lastly, a placeholder ($500K) has been kept in 2025 to understand what further infrastructure upgrades and reinforcements will be required to reach Phase 2 demands (additional 1,700 m^3/hr from Phase 1).

Question(s):

a) Please confirm if the Maricann Station is an established station operated by ENGLP Aylmer.

b) Please confirm if there are pre-existing contracts in place with Clearbeach Resource to purchase gas from.

i. Are there additional contracts required with Clearbeach Resource to purchase the additional 900 m^3/hr.
ii. Have these new contracts been signed or amended?

c) Is the customer demand from Phase 1 executive to Phase 2 being built? In other words, if Phase 2 is not built would it affect the demand requirement from Phase 1?

d) Are there updates on what would be required for Phase 2?

i. Are there cost updates?

e) Please provide the PI calculation for this project (if the project is not the same as Staff 2.3). Please confirm if there are any contributions by the customer?

Staff-51

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 126-129 of 291

Preamble:

In the reference above, ENGLP states that CEM Engineering has applied for the development of a 5MW natural gas fired power plant to participate in the IESO's LT1 RFP process. The main fuel source would be grid gas from ENGLP.

Costs have been estimated based on historical experience, plus inflationary impacts. The IESO program currently plans to announce successful projects in May 2024. If successful, the power plant would be planned on a 2-year build-out with a commissioning time frame in May of 2026.

Question(s):

a) Please provide an update on IESO's announcement of successful projects.

b) Provide the PI calculation for this project.

c) Please confirm if the cost is estimated based on historical experience inclusive of the master service agreement rates with AECON.

Staff-52

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 138-140 of 291

Preamble:

In the reference above, ENGLP states that given the relatively high cost of re-verification (e.g. labor, shipping, verification by an accredited third-party meter shop) in comparison to the relatively low cost of residential meters, ENGLP currently replaces residential meters (sizes 250 and 425 SCFH) when the initial verification period expires.

Upon expiry of the approved verification period, the meter must be removed from service or re-verified directly or through a sampling program.

ENGLP provides its funding for meter replacements:

FUNDING BY YEAR						
	2025	2026	2027	2028	2029	TOTAL
Capital Expenditure ($)	$820,990	$799,260	$446,050	$437,450	$99,740	$2,603,490
External Contribution ($)						
Net Capital Cost TOTAL	$820,990	$799,260	$446,050	$437,450	$99,740	$2,603,490
Capital Addition (%)	100%	100%	100%	100%	100%	
Operating Expenditure ($)	0	0	0	0	0	0

This spending is generally discretionary, and projects may be added, deferred and/or reprioritized within the overall program, and approved program budget, as circumstances dictate.

Question(s):

a) Has ENGLP considered a sampling program? Would this theoretically decrease cost as not all meters of the same vintage will need to be verified.

b) Were there considerations to smooth out the spend on each year in the meter replacement program?

c) Please confirm the typical life residential meter without it being re-verified. And if it passes re-verification, how much does life extend by?

d) Please provide the numbers on meters that are replaced in Rate 1 - Residential, Rate 1 - Commercial and Rate 1 - Industrial from 2020-2023 and are expected to be replaced from 2024 to 2029.

Staff-53

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 151-154 of 291
(1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 234 of 291

Preamble:

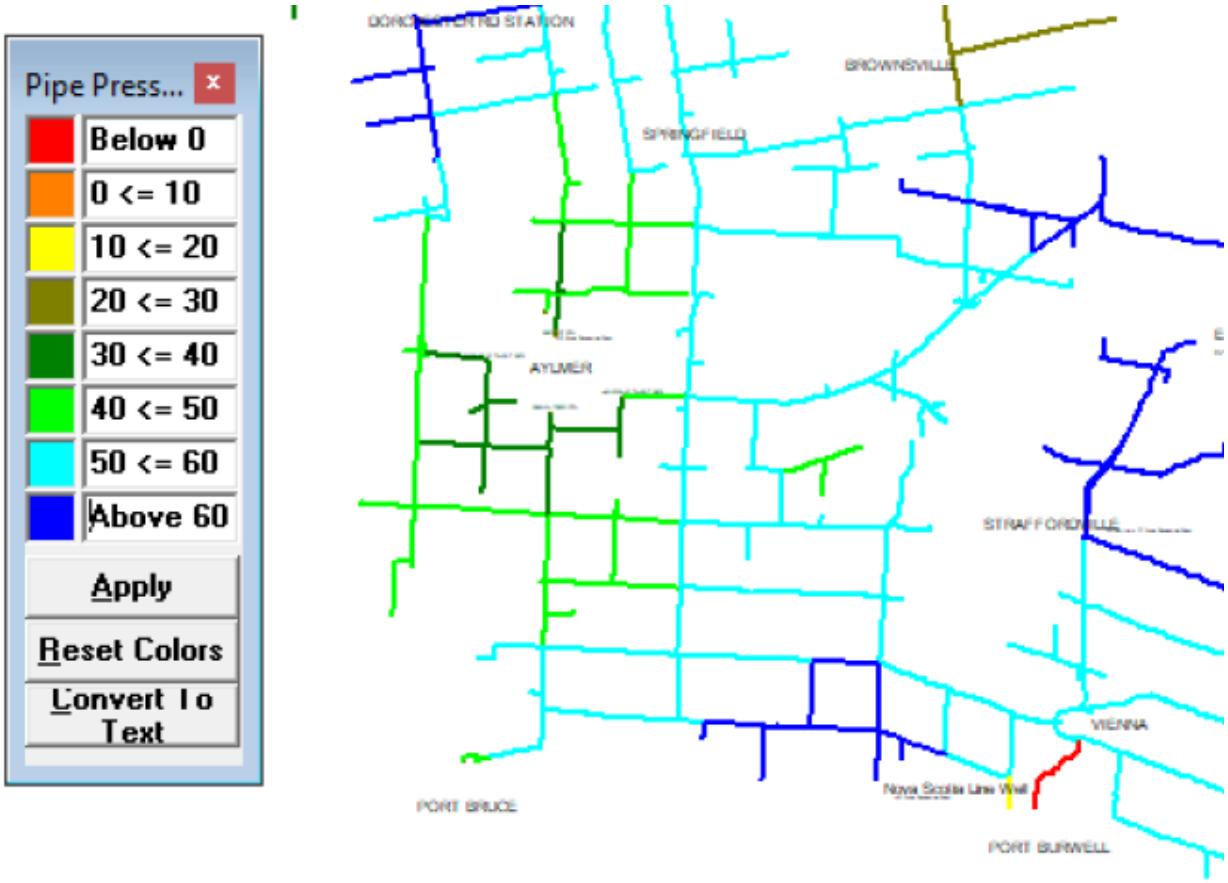
In the first reference above, ENGLP states that Port Burwell, a small community on the lakeshore, operates as a 30psig system. There are two 2-inch gas lines that feed the town. Both regulator stations are located in excess of 1km away from the town center. This run of relatively small pipe causes a substantial pressure to drop, in which gas reaching the town is around 10psig or less. That is a 20psi drop.

Cornerstone recommended a reinforcement option to alleviate low pressures in the area that involves:

a) relocating the current Port Burwell Teall Hill regulator station for 2.5 kms from its current location down south and

b) upgrading the existing 2.5 kms of 2-inch pipe to 4-inch that feeds Port Burwell along Plank Road.

In the second reference above, the following 2023 January Loading Case Pressure Distribution Map is provided:



Question(s):

a) How many customers are in Port Burwell?

   i. What are the forecasted customer connections in Port Burwell by 2028?

b) Are there any customers between the station and the community?

   i. Has EPCOR considered putting in smaller compressor units along the main to boost pressures?

c) Does the recommendation of relocating the Port Burwell Teall Hill regulator downstream, affect the operation pressure upstream of the regulator station (i.e. lower pressure is required as the downstream pipe was not designed and built for the upstream pressure)?

d) Please confirm if the two 2” pipelines on the map above are the ones highlighted in red (on top of Port Burwell) and yellow (next to Nova Scotia Line West).

    i. If the yellow line is not part of Port Burwell, has ENGLP considered connecting the Nova Scotia Line West community to Port Burwell community and increasing the pressure?

Staff-54

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 151-158 of 291

Preamble:

In the reference above, ENGLP states that Cornerstone performed system integrity simulations for two different load cases: January peak flows/loads and fall peak flows/load for 2023 and 2028 growth forecast. Simulation of the northern Belmont stream revealed healthy supply with no system pressure issues anticipated. Simulation of the southern stream suggests possible problems with the system pressure with the existing 3” pipe from the intersection of Yorke Line and Elgin Road toward Belmont South station. The 3” main going toward South Belmont along Yorke Street has insufficient pressure if the January 2028 peak flow were combined with all the interruptible customers’ full consumption. Same extreme conditions indicate possible pressure issue in the 4” main feeding the Aylmer Beach Street district regulator station.

The recommended option to improve pressures involves installing a new 4 kms 4-inch pipe along Wilson Road and north on Belmont Road to alleviate the congestion at central Aylmer district and low pressure in South Belmont.

Question(s):

a) How many customers are in Belmont?

    i. What are the forecasted customer connections in Belmont by 2028?

b) Why would ENGLP not utilize its interruptible provisions with interruptible customers to alleviate the system pressure issues?

c) Please provide historical usage where there was peak flow and all interruptible customers in full consumption.

Staff-55

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 183 of 291

Preamble:

In the reference above, ENGLP states that it intends to include a new storage building (1,500 Sq. ft) in its Aylmer distribution office. The new building is intended to provide storage space for PE pipe, 6" steel pipe and other equipment as necessary.

Question(s):

a) How is PE pipe, 6" Steel pipe and other equipment stored currently?

b) Would a reasonable alternative be to store it outside? If not, please explain.

c) How would it be operationally beneficial to have PE pipe, 6" steel pipe and other equipment on hand?

Staff-56

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 144 of 291

Preamble:

In the reference above, ENGLP proposes IGPC Pipeline Asset Management costs of $600K in 2025-2026. ENGLP states that it has considered an alternative replacement project at $1.5 million.

Question(s):

a) What is the main trade-off of this $600K option versus spending the entire amount i.e. $1.5 million to do the full replacement project?

b) Please confirm the $600K addition is allocated to IGPC's cost of service only, and it does not impact other rate classes' revenue requirements.

Staff-57

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 162 of 291

Preamble:

In the reference above, ENGLP proposes a $150K capital spending in 2025-2029 for General Plant - IT Hardware and OT Cyber Security Enhancement Program.

Question(s):

Please confirm that none of these programs are being covered in the Ontario affiliate shared services or corporate shared services agreement.

Staff-58

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 173 of 291

Preamble:

In the reference above, ENGLP proposes a $100K capital spending in 2025-2029 for Aylmer - General Plant Mobile Apps Program.

Question(s):

Please provide if any collaboration opportunity has been explored with other ENGLP service territories, subsidiaries or affiliates of the EPCOR parent corporation to develop and implement a joint app program.

Staff-59

Ref: (1) Exhibit 2, Tab 3, Schedule 1, ENGLP - Utility System Plan & Asset Management Plan, page 210 of 291

Preamble:

In the reference above, ENGLP states that it will implement an asset management framework consistent with ISO 55000 Standards for Asset Management and the more specific requirements of CSA Z662 Standard for Oil and Gas Pipeline Systems. The framework and asset management plans, founded on the principles of continuous improvement, will continue to evolve over time based on requirements and priorities.

Question(s):

a) Please confirm if ENGLP has done any external benchmarking to implement those standards.

b) Please describe the expected continuous improvements in 2025-2029 due to implementing these standards, and quantify where possible.

Staff-60

Ref: (1) Exhibit 3, Tab 1, Schedule 1, page 3

Preamble:

In the reference above, ENGLP is proposing in this application to segregate the R1 class into two distinct rate structures:

i. R1 - Residential
ii. R1 - General Service (Combined Commercial & Industrial)

Question(s):

a) Please clarify the distinction between the proposed two classes, i.e., whether it is based on a volume threshold or based on the nature of the customer.

b) Please provide the volume threshold tiers of the proposed two rate classes.

c) Please provide what is the consumption profile for a typical R1 - General Service customer.
d) Please clarify, for those R1 – General Service customers whose consumption is at

the higher-end (i.e. top 10-percentile), if there is any potential to re-classify them to another rate class.

Staff-61

Ref: (1) Exhibit 2, Tab 3, Schedule 2, page 283-291
(2) E.B.O. 188

Preamble:

In the first reference above, ENGLP provides a copy of its proposed New Connection Policy.

The second reference above includes the following:

"4.3.2 - The Board recognizes that Union and Centra have been applying a profitability index (P.I.) threshold of 0.8 for the collection of customer contributions for new community attachments. The Board also notes that the utilities proposed this level as the basis for determining the treatment of customers currently paying periodic contributions. In order to ensure fairness and equity in the application and design of contribution requirements, the Board finds that all projects must achieve a minimum threshold P.I. of 0.8 for inclusion in a utility's Rolling Project Portfolio."

Question(s):

Please discuss whether ENGLP's proposed New Connection Policy takes into consideration or references the excerpt from E.B.O 188 cited above.

Staff-62

Ref: (1) Exhibit 2, Tab 3, Schedule 2, page 283-291

Preamble:

In the reference above, ENGLP provides a copy of its proposed New Connections Policy. The policy defines a Large Volume Customer as any customer that has 1,000,000 British Thermal Unit (BTUs) or more of equipment per service.

Question(s):

Please provide ENGLP's conversion rate between BTU and:

i. gigajoule (GJ)
ii. cubic meter (m^3).

Staff-63

Ref: (1) Exhibit 2, Tab 3, Schedule 2, page 283-291

Preamble:

In the reference above, ENGLP provides a copy of its proposed New Connections Policy.

Question(s):

In the proposed New Connections Policy:

i. why did ENGLP decide not to use separate sections to distinguish treatment(s) for large volume customers and non-large volume customers throughout document; and

ii. Can ENLGP clarify the sentence in Section 4.5: "CIAC refunds are provided only for the specific piece of main put into service; no refunds are payable for customers added downstream of the specific piece of main". Please explain what is considered the "specific piece of main".

Staff-64

Ref: (1) Exhibit 2, Tab 3, Schedule 2, page 289

Preamble:

In the reference above, ENGLP provides a copy of its proposed New Connections Policy.

Section 5.0 System Expansion Portfolios – Accountability states that ENGLP, in its

discretion, evaluates all system expansion projects in a test year and ensures they are designed to achieve a portfolio PI of at least 1.1.

Question(s):

Please provide the rationale for a PI of at least 1.1.

Staff-65

Ref: (1) Exhibit 3, Tab 1, Schedule 1, page 4

Preamble:

In the reference above, ENGLP states that it engaged Power Advisory LLC to complete the 2025 test year load forecast.

Question(s):

Please describe Power Advisory LLC's experience and expertise in the field, and why ENGLP chose Power Advisory LLC over other service providers.

Staff-66

Ref: (1) Exhibit 3, Tab 1, Schedule 1, page 8-9

Preamble:

In the reference above, ENGLP states that the R4 and R5 volumes vary considerably from year to year so forecasts are based on average consumption in prior years.

In the reference above, ENGLP states that the consumptions of R4 and R5 are generally unpredictable.

Question(s):

a) Please clarify how many years' history is used to form the 2025-year forecast for R4 and R5, and please clarify if the variability from historical year to year has been adjusted to form the forecast.

b) Given that consumption in R4 and R5 classes is unpredictable, has ENGLP considered seeking R4 and R5 customers' direct inputs on consumption forecasts to build into ENGLP's load forecast model?

Staff-67

Ref: (1) Exhibit 3, Tab 1, Schedule 1, page 6
(2) Exhibit 3, Tab 1, Schedule 2, Appendix A – Power Advisory Report, page 24 of 68

Preamble:

In the first reference above, ENGLP presents the weather normalized throughout volume table, and the 2023 actual total usage (weather normalized) is presented as 91,086,285 m^3.

In the second reference report, ENGLP presents the Normal Forecast table, where the 2023 normalized total usage is presented as 98,170,143 m^3.

Question(s):

Please confirm the 2023-year weather normalized total usage, and update the related tables and calculations as appropriate.

Staff-68

Ref: (1) Exhibit 3, Tab 1, Schedule 1, page 8
(2) Exhibit 1, Tab 1, Schedule 1, page 32

Preamble:

In the first reference above, ENGLP presents the 2020 test year approved total customer count as 9,538 and the 2020-year actual total customer count as 9,514.

In the second reference above, ENGLP presents the 2020 test year approved total customer count is 9,676.

Question(s):

Please clarify the inconsistency between the two references and provide the correct 2020 approved and actual total customer count. Please update table(s) as appropriate.

Staff-69

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 13

Preamble:

In the reference above, ENGLP states that it has outsourced its capital construction of mains and services to a contractor through a competitive procurement process. This has enabled ENGLP to have resources to carry out the integrity management program tasks and has ensured contractors with the right competencies completed the capital work.

Question(s):

a) Please confirm if the integrity management program works are being fulfilled by internal resources i.e., employees, rather than external contractors.

b) Please comment on whether the continuous usage of contractor versus employee in ENGLP's capital work requirement is cost effective. Please provide the expected percentage of capital works to be fulfilled by external contractors out of the aggregate capital work requirement in ENGLP's Aylmer service area for 2025-2029.

c) Please provide examples to demonstrate if the 2020-2024 outsourced capital construction completed at higher standards will yield any benefit for ratepayers, i.e., operational and maintenance cost savings in 2025-2029.

d) What are the achieved efficiency and performance improvements due to outsource of capital construction works in 2020-2024?

Staff-70

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 21

Preamble:

In the reference above, OEB staff notes the significant increase in Employee Salaries and Ontario Affiliate Shared Services expense between 2020-2025, as shown below:

Expense Category	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge year	2025 Test year
Employee Salaries ($K)	1,216.0	1,286.4	1,463.6	1,580.5	1,631.3	1,811.7
Ontario Affiliate Shared Services ($K)	696.8	640.9	739.4	894.8	1,142.8	1,085.2

Question(s):

a) Please provide a breakdown to demonstrate how much of the expense increase is due to change in scope of affiliate shared services versus how much of the expense increase is due to inflationary pressure on related material and labor costs.

b) Please provide the top three cost drivers and how much of each cost driver contributes to the upward trend on employee salaries in 2020-2025.

c) Please explain if ENGLP has developed any strategy to mitigate the heighted cost pressure.

Staff-71

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 30

Preamble:

In the reference above, OEB staff notes the gross FTE increase between 2020 and 2025, from 18.4 to 24.6.

Question(s):

a) Please list the details on the FTE changes, by job title and/or job role responsibility.

b) Please list the reasons for adding each of the 6.2 FTEs in 2020-2025.

Staff-72

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 80

Preamble:

In the reference above, ENGLP provides the 2024 and 2025 corporate services allocation percentages based on EUI's budget.

Question(s):

Please provide the 2020, 2021, 2022 and 2023 actual EUI corporate services allocation percentages to ENGLP's Aylmer operation, in a format similar to that provided for 2024 and 2025.

Staff-73

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 86

Preamble:

In the reference above, ENGLP states that it reviews (on an annual basis) both the Ontario Affiliate Shared Services and the EUI Corporate Shared Services that it receives in order to ensure that the types and costs of services provided are appropriate and reasonable for ENGLP's Aylmer operations.

Question(s):

a) Please confirm how frequently the service agreement would be renewed and/or re-drafted.

b) Please confirm that ENGLP has full discretion to change the scope of services (i.e. type and frequency of service offerings, through the annual review process) to

optimize the Aylmer operation's need.

Staff-74

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 88

Preamble:

In the reference above, ENGLP states that $733k maintenance costs were spent in 2020 - 2023 for R6 – IGPC.

Question(s):

a) Please confirm what were the planned maintenance costs for IGPC in 2020-2023.

b) Please provide how ENGLP recover the above-planned IGPC maintenance costs.

Staff-75

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 90

Preamble:

In the reference above, ENGLP provides its policy on purchase of non-affiliate services.

Question(s):

a) From 2020-2029, please provide the annual operating and maintenance cost amount purchased as non-affiliate services.

b) Please provide the inflation assumption(s) on those non-affiliate service costs in 2025-2029.

Staff-76

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 44
(2) Exhibit 4, Tab 1, Schedule 1, page 91

Preamble:

In the first reference above, ENGLP states that the Ontario Affiliate Shared Services provide regulatory support, which includes the development and coordination of regulatory applications.

In the second reference above, ENGLP lists a total of $500K of one-time regulatory costs including forecast report, legal counsel and application preparation expenses.

Question(s):

a) Please confirm that none of the one-time regulatory costs ENGLP seeks to recover would already be included in the Ontario Affiliate Shared Services expense.

b) Of the $500K, how much is the actual spending versus how much is the forecasted spending?

Staff-77

Ref: (1) Exhibit 4, Tab 1, Schedule 1, page 96

Preamble:

In the reference above, ENGLP presents the 2025 Test Year Depreciation table, it shows the Contributions - Services Metal depreciation rate is at 2.83%.

Question(s):

Please identify what is related capital asset description in the depreciation table, and please provide the related capital asset's depreciation rate and/or its useful life estimate.

Staff-78

Ref: (1) Exhibit 5, Tab 1, Schedule 1, page 5
(1) Exhibit 2, Tab 1, Schedule 1, page 3

Preamble:

In the first reference above, ENGLP presents the 2024 mid-year rate base as: $24,181,455.

In the second reference above, ENGLP presents the 2024 mid-year rate base as: $22,239,000.

Question(s):

Please clarify the discrepancy between the two references, and update figure(s) in the table(s) as appropriate.

Staff-79

Ref: (1) Exhibit 5, Tab 1, Schedule 1, page 6
(2) Exhibit 5, Tab 1, Schedule 2
(2) Exhibit 5, Tab 1, Schedule 4

Preamble:

In the first reference above, ENGLP presents:

i. the promissory note with the start date on November 29, 2017 has a cost rate of 3.72% and;

ii. the promissory note with the start date on December 4, 2023 has a cost rate of 4.88%

In the second reference above, OEB staff notes the promissory note with the start date on November 29, 2017 has a cost rate of 3.83%.

In the third reference above, OEB staff notes the promissory note with the start date on December 4, 2023 has a cost rate of 5.04%.

Question(s):

Please clarify the discrepancy on cost rates between the three references, and update calculations in the table(s) as appropriate.

Staff-80

Ref: (1) Exhibit 5, Tab 1, Schedule 1, page 5
(2) Exhibit 5, Tab 1, Schedule 1, page 7

Preamble:

In the first reference above, ENGLP states that the cost of new long-term debt issuances at 4.58% is consistent with the OEB's Cost of Capital Parameters issued on October 31, 2023. If appropriate, ENGLP will update the cost of long-term debt to reflect future OEB-issued cost of capital parameters for cost-of-service rate applications with rates that have effective dates in 2025 prior to the issuance of the OEB's decision for this application.

In the second reference above, ENGLP uses cost rate at 4.58% as placeholder for promissory notes which will be issued in December 2024 and December 2025.

Question(s):

Please clarify whether the December 2024 promissory note cost rate will be updated to reflect the actual cost rate, or if it will be updated to reflect the future (i.e. 2025) OEB-issued cost of capital rate for long-term debt.

Staff-81

Ref: (1) Exhibit 5, Tab 1, Schedule 1, page 9
(2) Exhibit 2, Tab 1, Schedule 1, page 3

Preamble:

In the first reference above, ENGLP presents a table with its historical and forecasted capital structure. The 2020 test year total capitalization is shown as $16,032,489.

In the second reference, ENGLP presents the 2020-2025 rate base. The 2020 test year OEB-approved rate base is shown as $16,160,000.

OEB staff notes there is no capital structure deviation for the 2020 test year total capitalization calculation.

Question(s):

Please clarify the discrepancy in rate base between the two references, and update table(s) as appropriate.

Staff-82

Ref: (1) Exhibit 9, Tab 1, Schedule 1, page 9

Preamble:

In the reference above, ENGLP proposes to dispose the Unaccounted For Gas Variance Account (UFGVA) balance, which the account is to record the cost of gas for R1 to R5 that is associated with volumetric variances between the actual volume of Unaccounted for Gas (UFG) and the OEB-approved UFG forecast included in the determination of rates.

Question(s):

Please identify the possible reasons for recording significant volumetric variances, whether this is mainly attributable to a gas measurement and/or conversion issue or if it may indicate actual gas loss in the system i.e. leakage issue.

Staff-83

Ref: (1) EB-2024-0063, Notice, March 6, 2024
(2) EB-2024-0063, OEB Letter, April 22, 2024

Preamble:

On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity

distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, among others:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over a rate term)?

19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approved rate term, and if so, how?

Question(s)

a) Please confirm that ENGLP proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including what the OEB decides with respect to implementation. If this is not the case, please explain.

Staff-84

Ref: (1) EB-2024-0063, OEB Letter, July 26, 2024

Preamble:

On July 26, 2024, the OEB issued a Letter and Accounting Order regarding prescribed interest rates and the deemed short-term debt rate (DSTDR).

Question(s):

a) Please confirm whether ENGLP will use the 2025 DSTDR to be set in October 2024 on an interim basis.

b) Please confirm that the ENGLP will follow all other direction included in the OEB's Letter and Accounting Order issued on July 26, 2024, including the establishment of a new variance account for the DSTDR.