EPCOR Natural Gas Limited Partnership ("ENGLP")
2025 – 2029 Cost of Service
Aylmer Service Territory

Responses to OEB Staff Interrogatories

EB-2024-0130
October 17, 2024

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.

ENGLP Response: ENGLP has incorporated several public policy items into its planning process and this application.

Renewable Natural Gas (RNG)

ENGLP understands and supports the development of an RNG market and facilitates inclusion of RNG in its gas supply portfolio. ENGLP recognizes the importance of Greenhouse Gas (GHG) abatement across the province, as well as the role that ENGLP plays in supporting the achievement of GHG emission reduction targets.

In Q3 of 2023, ENGLP started receiving RNG into its distribution system. However, ENGLP is not purchasing the environmental attributes of this RNG gas, only the commodity. As such, ENGLP will purchase the RNG as another source of local supply, and will not take ownership of the environmental attributes generated from the production of RNG.

Even though ENGLP is not taking ownership of the environmental attributes resulting from the RNG production, this arrangement ultimately allows for development of RNG production within Ontario. It also provides ENGLP a learning opportunity on how to transact and procure RNG without significant cost impact to the rate base.

One of the key learnings to date is that RNG projects tend to have relatively steady production volumes throughout the year, which presents a challenge to system operations

during the summer period when overall gas consumption is low, especially for systems like Aylmer where it is not possible for the RNG to physically leave the system. This limits the size and the number of RNG projects to be considered and implemented in the Aylmer system.

Demand Side Management (DSM)

ENGLP's DSM efforts are expanded further in 2-PP-13 and in the 'Minister of Energy Letter of Direction' section below.

Community Expansion

ENGLP has been actively working to bring secure, reliable and affordable natural gas to unserved communities. A number of customers have requested service and ENGLP has pro-actively responded to those requests and they are considered as part ENGLP's load forecasts and system planning.

Minister of Energy Letter of Direction

On November 27, 2023, Todd Smith, then Minister of Energy, provided a letter of direction to Glenn O'Farrell, Acting Chair of the Ontario Energy Board. This letter highlighted the Minister's near-term priorities for the energy portfolio focusing on continuance of energy transition and the OEB modernization. These priorities include:

- Housing, Transportation and Job Creation;
- Facilitating Innovation within Ontario's Regulatory Framework;
- Distributed Energy Resources (DERs) and Future Utility Business Model;
- Electricity and Natural Gas Conservation;
- Distribution Sector Resiliency, Responsiveness, and Cost Efficiency; and,
- Electrification and Energy Transition Panel.

Specifically regarding conservation, the letter addressed the benefits and expectations of collaboration between Natural Gas and electricity distributors and operators in order to

provide customers a consistent view and experience, both for residential and non-residential offerings.

ENGLP has incorporated housing creation into its system planning to help ensure customers are able to connect to the natural gas distribution network.

ENGLP has also taken this information into consideration for DSM planning, engaging with Enbridge, the IESO and third-party vendors. While a DSM application has not been included as part of this filing, ENGLP is confident that a collaborative approach will be in the best interest of customers.

Integrated Resource Planning (IRP)

ENGLP's USP does not include potential impacts of future IRP projects as there are currently no plans to implement IRPs in Aylmer.

However, ENGLP has historically and continues to use local production as an alternative to upstream pipeline projects, while also adding levels of system redundancy.

Natural Gas Policy Statement

ENGLP notes that work is currently underway to release a Natural Gas Policy Statement from the Ministry of Energy, which is a recommendation of the Electrification and Energy Transition Panel's final report. However, as that has not been released at this time, it was not contemplated in the preparation of 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.

ENGLP Response: There are no relevant projects in the upcoming USP that facilitate the connection of RNG.

ENGLP will be sourcing gas supply from the nearby Maricann Station (owned and operated by Clearbeach Resources) to meet Phase 1 and 2 gas load demands of the Large Agricultural customer connection. Several other alternate options, including existing distribution system station capacity increases, pipeline additions and piping upgrades were considered; however, they were all expensive options and were not feasible to implement from both a cost and timing perspective.

Refer to 2-PP-4 for additional information on RNG.

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

ENGLP Response: Approximately 60% of natural gas of the Aylmer supply is fed by Enbridge's transmission system.

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.

ENGLP Response: Overall, local gas is comparable to Enbridge in terms of cost, reliability and availability.

- RNG has the same commodity and delivery rate as Enbridge QRAM rates.
- Lake Gas and Well gas have the same delivery price as Enbridge QRAM rates.
- Well Gas does not have a Contract Demand (CD), so a 5% discount from Enbridge QRAM rate is applied to the entire commodity charge.
- Lake Gas has 1,250 GJ/day CD in the contract, the consumption within the CD will apply 5% discount from Enbridge QRAM rate, and the consumption beyond contract CD (above 1,250 GJ/day) will apply to the Enbridge QRAM rates.

Gas sourced from local gas wells, (RNG, Well Gas and Lake Gas) is comparable to gas sourced from Enbridge's system. The commodity is priced on par or at a slight discount to Enbridge's QRAM rate and CD is priced at Enbridge's CD rate. Gas purchased on a "firm" basis is equally reliable to gas sourced from Enbridge as it has delivered at or beyond the contracted CD capacity consistently since coming on stream in "insert date."

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

ENGLP Response: ENGLP understands and supports the development of an RNG market and facilitates inclusion of RNG in its gas supply portfolio. In Q3 of 2023, ENGLP started receiving RNG into its distribution system. There are no prospective RNG projects in the current USP period; however, ENGLP is open to consider and assess any future RNG project requests (subject to size and scope).

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

ENGLP Response: ENGLP's system planning takes into account known changes to customer needs (i.e. large customer connections) along with forecast assumptions for load and connection growth based on historical trending. This would indirectly incorporate energy efficiency and conservation considerations based on customer usage patterns. This information is also used when considering reinforcement projects (i.e. is usage is decreasing, does the requirement for reinforcement remain).

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.

ENGLP Response: The 2% town growth assumption is for R1-Residential, R1-Commercial and R1-Industrial customer connections.

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.

ENGLP Response: The 2% town growth assumption is on a combination of customer count, as well as overall customer load forecast. R1-Residential, R1-Commercial and R1-Industrial customer connection forecast includes town loads as well as rural connections. Typical town customer connection growth is noted to be between 2.5 and 3% throughout the region. For system modeling purposes, ENGLP estimated the average annual growth rate (customer count and load forecast) for town loads to be 2% year by year. The remaining customer count growth are rural connections and generally lower than 2% year after year. Hence, the overall customer count and customer load forecast year after year for R1-Residential, R1-Commercial and R1-Industrial customers is lower than 2%.

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.

ENGLP Response: The SCADA system provides key regulation station pressures and gas flows. System pressure is critical to understanding the health of the system, and its ability to serve load. Historical SCADA is also an important element to validate the system model used to study future load growth and system needs.

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

ENGLP Response: The SCADA project undertaken in 2020 met most of the needs negating the need for materially more investment in 2021-2024. The forecasted spend in 2021-24 was to continue to add different points to the SCADA network, but this was not necessary at that time.

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.

ENGLP Response: As the system grows, ENGLP will invest in new SCADA points. An example is the large agricultural customer load connection. Given the size of this customer's load and its impact to the system, ENGLP will monitor the real time pressure during peak times to ensure the system remains reliable. If pressures drop too low, ENGLP may be able to rebalance the system or call on interruptible load to mitigate in both the short and long term.

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

ENGLP Response: ENGLP uses SCADA devices in the field at regulating stations that are common to natural gas distributors. The data consolidation system platform is an 'Ignition' platform used by EPCOR's electricity distributor.

e) Please quantify what is the expected service reliability improvement over 2025-2029 through additional SCADA investments.

ENGLP Response: SCADA is used to monitor real-time system status and avoid system outages. The data from SCADA is also used as system model input to ensure future system reliability. SCADA assists operations in preventing outages during peak usage. For example, SCADA provides this real-time status and sends alarms to ENGLP operations in the event that system pressures drop below a threshold.

ENGLP has implemented the Honeywell ERX 150 Pressure monitoring nodes in areas with known pressure issues throughout the system to give real time pressure values through our SCADA system to increase reaction time and reduce person hours required to check system pressures.

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.

ENGLP Response: The current approved R1 distribution rates include a monthly Tier 1 threshold of 1,000 m^3 with the remainder considered Tier 2.

The proposed distribution rates do not include a tiered structure for residential rates. ENGLP's load forecast has determined that 2,051 of the total 2,065 annual m^3 would be in the historical first tier, thus eliminating the need for a tiered approach.

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.

ENGLP Response: Confirmed.

The following table provides details of the number of customers above the 1,000 m^3 threshold in 2023.

	# Customers (Dec. 2023)	# Customers with at least one month over 1,000 m^3	# Months above 1,000 m^3	# Customers with 12 months above 1,000 m^3
Residential R1	9,407	366	499	0
Commercial R1	589	342	1,364	16
Industrial R1	80	73	387	10

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.

ENGLP Response: This value is incorrect. The label on the rate schedule was based on an unused scenario.

The tiers for R1-General Service are 0-1,000 m^3 and over 1,000 m^3, consistent with the currently approved R1 structure. An updated rate model and rate schedule has been included with this submission. There have been no impacts to the calculations as a result of this change, only the labels.

Customers will not be classified to a new rate class due to this change. ENGLP's rate structure is not predominately consumption driven, but instead based on the usage profile (i.e. seasonal) or business demands (i.e. contract) of the customers.

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.

ENGLP Response: The bill impacts compare the current approved rate structure with the proposed rate design. Refer to tab G1.1 R1-R Bill Impact. As noted in question c) above, the 5,000 threshold is inaccurate.

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

ENGLP Response: Confirmed. There have been no changes to the current R2 and R4 rate design structures.

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?

ENGLP Response: ENGLP determined that there was an inadvertent error in Table 10.1-2 Rate 1 Fixed Charge in the calculation of % Fixed Distribution and % Variable Distribution values for R1 General Services. The updated value for 2029 is 28% / 72%. An updated Table 10.1-2 is included below.

R1 - General Service	Current	2025	2026	2027	2028	2029
Distribution Fixed	$246	$282	$331	$388	$455	$534
Distribution Variable	$1,383	$1,473	$1,459	$1,438	$1,407	$1,365
Total	$1,629	$1,755	$1,790	$1,826	$1,862	$1,899
% Fixed Distribution	15%	16%	18%	21%	24%	28%
% Variable Distribution	85%	84%	82%	79%	76%	72%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%	15%
Increase in Distribution Revenue		8%	2%	2%	2%	2%
Increase above inflation (2%)		6%	0%	0%	0%	0%

The basis for the proposed increase in fixed charges for the new Rate 1 General Service class is the same as that for Residential customers; the business imperative to reduce volume and energy transition risk by transitioning to a healthier balance between the fixed nature of the costs to service these customers and the ratio of fixed monthly charges versus variable distribution charges.

If ENGLP's proposal is accepted, the fixed to variable ratio for Rate 1 General Service customers in 2029 would be 28% / 72%. ENGLP did not specifically target that ratio for 2029.Rather, it is proposing annual increases which are similar to that for R1 Residential to provide some mitigation of the impact on the most impacted segment of customers (the bottom 10% percentile).

In the case of the Rate 1 General Service customers, ENGLP does not currently have the objective of eliminating the variable distribution charge and increasing the fixed monthly charge to reflect the fixed nature of costs to service these customers as it does in regards to Rate 1 Residential customers. If ENGLP desired end state fixed-to-variable ratio on distribution revenue changes that will be reflected in the next rate filing.

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.

ENGLP Response: Please refer to the following tables. Note the excel backup has been added as tabs 'Staff6_IRR_Res' and 'Staff6_IRR_GS' in the updated rate model accompanying this submission.

Additional Assumptions:

- Total distribution revenue is escalated at a 2% threshold annually;
- Commodity and Transportation rates have been escalated at a 2% threshold annually;
- The Federal Carbon has been escalated using rates as per the *Greenhouse Gas Pollution Pricing Act* (S.C. 2018, c. 12, s. 186); and,
- Rate riders have been excluded from this analysis.

R1 - Residential - Average Usage	**2025**	**2026**	**2027**	**2028**	**2029**
Annual Volume	**2,065**	**2,065**	**2,065**	**2,065**	**2,065**
Fixed Distribution Charge	$24.00	$28.15	$33.02	$38.74	$45.44
Variable Distribution Charge ($/m3)	$0.11962	$0.10067	$0.07766	$0.04985	$0.01641
Distribution Fixed	$288	$338	$396	$465	$545
Distribution Variable	$247	$208	$160	$103	$34
Total Distribution Revenue	**$535**	**$546**	**$557**	**$568**	**$579**
Commodity Charge ($/m3)	$0.14813	$0.15109	$0.15411	$0.15719	$0.16034
Transportation Charge ($/m3)	$0.02916	$0.02974	$0.03034	$0.03095	$0.03156
Federal Carbon Charge ($/m3)	$0.18110	$0.20970	$0.23830	$0.26690	$0.29540
Commodity Charge	$306	$312	$318	$325	$331
Transportation Charge	$60	$61	$63	$64	$65
Federal Carbon Charge	$374	$433	$492	$551	$610
Total Bill	**$1,275**	**$1,352**	**$1,430**	**$1,507**	**$1,585**
YOY Bill Variance $		$77	$77	$78	$78

YOY Bill Variance %		6%	6%	5%	5%
% Fixed Distribution		62%	71%	82%	94%
% Variable Distribution		38%	29%	18%	6%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%
Change in Distribution Revenue		2%	2%	2%	2%

R1 - Residential - Bottom 10 Percentile	**2025**	**2026**	**2027**	**2028**	**2029**
Annual Volume	**608**	**608**	**608**	**608**	**608**
Fixed Distribution Charge	$24.00	$28.15	$33.02	$38.74	$45.44
Variable Distribution Charge ($/m3)	$0.11962	$0.10067	$0.07766	$0.04985	$0.01641
Distribution Fixed	$288	$338	$396	$465	$545
Distribution Variable	$73	$61	$47	$30	$10
Total Distribution Revenue	**$361**	**$399**	**$444**	**$495**	**$555**
Commodity Charge ($/m3)	$0.14813	$0.15109	$0.15411	$0.15719	$0.16034
Transportation Charge ($/m3)	$0.02916	$0.02974	$0.03034	$0.03095	$0.03156
Federal Carbon Charge ($/m3)	$0.18110	$0.20970	$0.23830	$0.26690	$0.29540
Commodity Charge	$90	$92	$94	$96	$98
Transportation Charge	$18	$18	$18	$19	$19
Federal Carbon Charge	$110	$128	$145	$162	$180
Total Bill	**$579**	**$637**	**$701**	**$772**	**$852**
YOY Bill Variance $		$58	$64	$71	$80
YOY Bill Variance %		10.0%	10.1%	10.2%	10.3%
% Fixed Distribution		85%	89%	94%	98%
% Variable Distribution		15%	11%	6%	2%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%
Change in Distribution Revenue		11%	11%	12%	12%

R1 - Residential - Top 10 Percentile	**2025**	**2026**	**2027**	**2028**	**2029**
Annual Volume	**4,599**	**4,599**	**4,599**	**4,599**	**4,599**
Fixed Distribution Charge	$24.00	$28.15	$33.02	$38.74	$45.44
Variable Distribution Charge ($/m3)	$0.11962	$0.10067	$0.07766	$0.04985	$0.01641
Distribution Fixed	$288	$338	$396	$465	$545
Distribution Variable	$550	$463	$357	$229	$75

Total Distribution Revenue	**$838**	**$801**	**$753**	**$694**	**$621**
Commodity Charge ($/m3)	$0.14813	$0.15109	$0.15411	$0.15719	$0.16034
Transportation Charge ($/m3)	$0.02916	$0.02974	$0.03034	$0.03095	$0.03156
Federal Carbon Charge ($/m3)	$0.18110	$0.20970	$0.23830	$0.26690	$0.29540
Commodity Charge	$681	$695	$709	$723	$737
Transportation Charge	$134	$137	$140	$142	$145
Federal Carbon Charge	$833	$964	$1,096	$1,227	$1,359
Total Bill	**$2,486**	**$2,597**	**$2,698**	**$2,787**	**$2,862**
YOY Bill Variance $		$111	$101	$89	$75
YOY Bill Variance %		4%	4%	3%	3%
% Fixed Distribution		42%	53%	67%	88%
% Variable Distribution		58%	47%	33%	12%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%
Change in Distribution Revenue		-4%	-6%	-8%	-11%

R1 - General Service - Average Usage	**2025**	**2026**	**2027**	**2028**	**2029**
Annual Volume - Tier 1	**5,300**	**5,300**	**5,300**	**5,300**	**5,300**
Annual Volume - Tier 2	**7,934**	**7,934**	**7,934**	**7,934**	**7,934**
Fixed Distribution Charge	$23.50	$27.57	$32.33	$37.93	$44.49
Variable Distribution Charge - Tier 1 ($/m3)	$0.12777	$0.12658	$0.12472	$0.12207	$0.11846
Variable Distribution Charge - Tier 2 ($/m3)	$0.10026	$0.09933	$0.09787	$0.09578	$0.09296
Distribution Fixed	$282	$331	$388	$455	$534
Distribution Variable	$1,473	$1,459	$1,438	$1,407	$1,365
Total Distribution Revenue	**$1,755**	**$1,790**	**$1,826**	**$1,862**	**$1,899**
Commodity Charge ($/m3)	$0.14813	$0.15109	$0.15411	$0.15719	$0.16034
Transportation Charge ($/m3)	$0.02916	$0.02974	$0.03034	$0.03095	$0.03156
Federal Carbon Charge ($/m3)	$0.18110	$0.20970	$0.23830	$0.26690	$0.29540
Commodity Charge	$1,960	$2,000	$2,040	$2,080	$2,122
Transportation Charge	$386	$394	$402	$410	$418
Federal Carbon Charge	$2,397	$2,775	$3,154	$3,532	$3,909
Total Bill	**$6,498**	**$6,958**	**$7,420**	**$7,884**	**$8,348**

YOY Bill Variance $		$461	$462	$464	$464
YOY Bill Variance %		7%	7%	6%	6%
% Fixed Distribution		18%	21%	24%	28%
% Variable Distribution		82%	79%	76%	72%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%
Change in Distribution Revenue		2%	2%	2%	2%

R1 - General Service - Bottom 10 Percentile	**2025**	**2026**	**2027**	**2028**	**2029**
Annual Volume - Tier 1	**491**	**491**	**491**	**491**	**491**
Annual Volume - Tier 2	**0**	**0**	**0**	**0**	**0**
Fixed Distribution Charge	$23.50	$27.57	$32.33	$37.93	$44.49
Variable Distribution Charge - Tier 1 ($/m3)	$0.12777	$0.12658	$0.12472	$0.12207	$0.11846
Variable Distribution Charge - Tier 2 ($/m3)	$0.10026	$0.09933	$0.09787	$0.09578	$0.09296
Distribution Fixed	$282	$331	$388	$455	$534
Distribution Variable	$63	$62	$61	$60	$58
Total Distribution Revenue	**$345**	**$393**	**$449**	**$515**	**$592**
Commodity Charge ($/m3)	$0.14813	$0.15109	$0.15411	$0.15719	$0.16034
Transportation Charge ($/m3)	$0.02916	$0.02974	$0.03034	$0.03095	$0.03156
Federal Carbon Charge ($/m3)	$0.18110	$0.20970	$0.23830	$0.26690	$0.29540
Commodity Charge	$73	$74	$76	$77	$79
Transportation Charge	$14	$15	$15	$15	$15
Federal Carbon Charge	$89	$103	$117	$131	$145
Total Bill	**$521**	**$585**	**$657**	**$738**	**$831**
YOY Bill Variance $		$64	$72	$82	$93
YOY Bill Variance %		12%	12%	12%	13%
% Fixed Distribution		84%	86%	88%	90%
% Variable Distribution		16%	14%	12%	10%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%
Change in Distribution Revenue		14%	14%	15%	15%

R1 - General Service - Top 10 Percentile	**2025**	**2026**	**2027**	**2028**	**2029**
Annual Volume - Tier 1	**12,000**	**12,000**	**12,000**	**12,000**	**12,000**
Annual Volume - Tier 2	**40,425**	**40,425**	**40,425**	**40,425**	**40,425**
Fixed Distribution Charge	$23.50	$27.57	$32.33	$37.93	$44.49
Variable Distribution Charge - Tier 1 ($/m3)	$0.12777	$0.12658	$0.12472	$0.12207	$0.11846

Variable Distribution Charge - Tier 2 ($/m3)	$0.10026	$0.09933	$0.09787	$0.09578	$0.09296
Distribution Fixed	$282	$331	$388	$455	$534
Distribution Variable	$5,586	$5,534	$5,453	$5,337	$5,179
Total Distribution Revenue	**$5,868**	**$5,865**	**$5,841**	**$5,792**	**$5,713**
Commodity Charge ($/m3)	$0.14813	$0.15109	$0.15411	$0.15719	$0.16034
Transportation Charge ($/m3)	$0.02916	$0.02974	$0.03034	$0.03095	$0.03156
Federal Carbon Charge ($/m3)	$0.18110	$0.20970	$0.23830	$0.26690	$0.29540
Commodity Charge	$7,766	$7,921	$8,079	$8,241	$8,406
Transportation Charge	$1,529	$1,559	$1,591	$1,622	$1,655
Federal Carbon Charge	$9,494	$10,994	$12,493	$13,992	$15,486
Total Bill	**$24,657**	**$26,339**	**$28,004**	**$29,647**	**$31,260**
YOY Bill Variance $		$1,682	$1,665	$1,644	$1,613
YOY Bill Variance %		7%	6%	6%	5%
% Fixed Distribution		6%	7%	8%	9%
% Variable Distribution		94%	93%	92%	91%
Increase in Fixed Revenue Percentage		15%	15%	15%	15%
Change in Distribution Revenue		0%	0%	-1%	-1%

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

ENGLP Response: Other than the current Enbridge Rate filing (EB-2022-0200) ENGLP is not aware of similar fixed monthly charge fee structures 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.

ENGLP Response: In developing the proposed fixed monthly charge rate increase for Residential Customer as included in this rate case, ENGLP did not target a fixed-to-variable ratio of 94% in 2029. Rather the utility worked to mitigate the annual bill

impact by proposing increases in the fixed monthly charge that resulted in overall increases of 10% or less to the most impacted customers (bottom 10 percentile). The resulting 94% fixed-to-variable ratio in 2029 is the result of multiple scenarios calculated to include this mitigation measure.

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.

ENGLP Response: The annual revenue requirement impact in 2025-2029 is as follows:

i. every one-percent increase on fixed charge;

The table below highlights the sensitivity for a one-percent increase in the fixed charge. This table compares 'no increases in fixed charge % (maintaining current ratios) and a 1% annual increase in fixed charge (ie. R1 – Residential increases from 50% in 2024 to 51% in 2025, 52% in 2026 etc.) Inflation is not considered.

Note, as per tab H1.1_IRM of the Rate Model Handbook, the 2024 (approved) fixed to variable rations are:

- R1 – Residential – 50% fixed/50% variable; and
- R1 – General Service – 15% fixed/85% variable

Table Staff 6ei – Sensitivity Analysis 1%

No increase in Fixed Charge %	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
R1 - Residential Variable	$2,562,176	$2,562,176	$2,562,176	$2,562,176	$2,562,176	$12,810,879
R1 - GS Variable	$999,591	$999,591	$999,591	$999,591	$999,591	$4,997,954
Sub-Total	$3,561,767	$3,561,767	$3,561,767	$3,561,767	$3,561,767	$17,808,833
1% Annual increase in Fixed charge	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
R1 - Residential Variable	$2,510,932	$2,459,689	$2,408,445	$2,357,202	$2,305,958	$12,042,226
R1 - GS Variable	$987,817	$976,043	$964,270	$952,496	$940,722	$4,821,348
Sub-Total	$3,498,749	$3,435,732	$3,372,715	$3,309,698	$3,246,680	$16,863,574
Total Revenue Requirement	$7,939,669	$7,939,669	$7,939,669	$7,939,669	$7,939,669	$39,698,345
Sensitivity	$63,017	$126,034	$189,052	$252,069	$315,086	$945,259
% of Revenue Requirement	0.79%	1.59%	2.38%	3.17%	3.97%	2.38%

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

The table below highlights the sensitivity for a year delay in the 15% escalation of the fixed charge. This table compares 'no increases in fixed charge % (maintaining current ratios) and a 15% annual increase in the fixed charge $ (ie. R1 – Residential increases from $268 in 2025 to $308 in 2026 etc.). Inflation is not considered

Table Staff 6eii – Sensitivity Analysis Delayed Implementation

No increase in Fixed Charge %	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
R1 - Residential Variable	$2,562,176	$2,562,176	$2,562,176	$2,562,176	$2,562,176	$12,810,879
R1 - GS Variable	$999,591	$999,591	$999,591	$999,591	$999,591	$4,997,954
Sub-Total	$3,561,767	$3,561,767	$3,561,767	$3,561,767	$3,561,767	$17,808,833
2026 Increase in 15% Fixed Charge	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
R1 - Residential Variable	$2,562,176	$2,177,849	$1,735,874	$1,227,602	$643,090	$8,346,592
R1 - GS Variable	$999,591	$1,019,583	$951,595	$1,060,774	$1,081,990	$5,113,533
Sub-Total	$3,561,767	$3,197,433	$2,687,469	$2,288,377	$1,725,080	$13,460,125
Total Revenue Requirement	$7,939,669	$7,939,669	$7,939,669	$7,939,669	$7,939,669	$39,698,345
Sensitivity	$0	$364,334	$874,298	$1,273,390	$1,836,687	$4,348,708
% of Revenue Requirement	0.0%	4.6%	11.0%	16.0%	23.1%	11.0%

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.

ENGLP Response: ENGLP considers 100% of its on-going maintenance and operational cost for residential customers as fixed and insensitive to customer gas demand change.

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.

ENGLP Response: Confirmed. ENGLP does not have a baseline or sufficient data to include such a reliable measure.

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,

ENGLP Response: ENGLP has not formally pursued other channels.

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.

ENGLP Response: ENGLP has not completed this analysis with the survey provider.

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.

ENGLP Response: The use of a survey to gather furnace efficiency was able to provide only limited results as customers were not familiar with this value, and may not have checked their furnace rooms while completing the survey.

ENGLP expects that more useful energy efficiency inputs would become available as part of a proposed DSM portfolio offering. ENGLP expects that this would eventually form part of the forecast used for the annual Gas Supply Plan. To clarify, the model would be updated as part of the annual Gas Supply Plan filing once inputs are available, but not part of a rates calculation load forecast, given that it is mainly used as the basis for calculating test year rates.

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.

ENGLP Response: The Conditions of Service document is reviewed before each Cost of Service filing and any time there is an update to the Gas Distribution Access Rule document or any other regulatory change necessitating review. Changes to the Conditions of Service were last completed January 1, 2020 when the most recently approved version came into effect (See EB-2018-0336).

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

ENGLP Response: The existing Conditions of Service document was submitted and approved in the previous ENGLP Rate Filing (EB-2018-0336) and has not been updated or changed since that time. In the event that changes would have been made to the Conditions of Service, ENGLP would have notified the OEB and Customers.

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

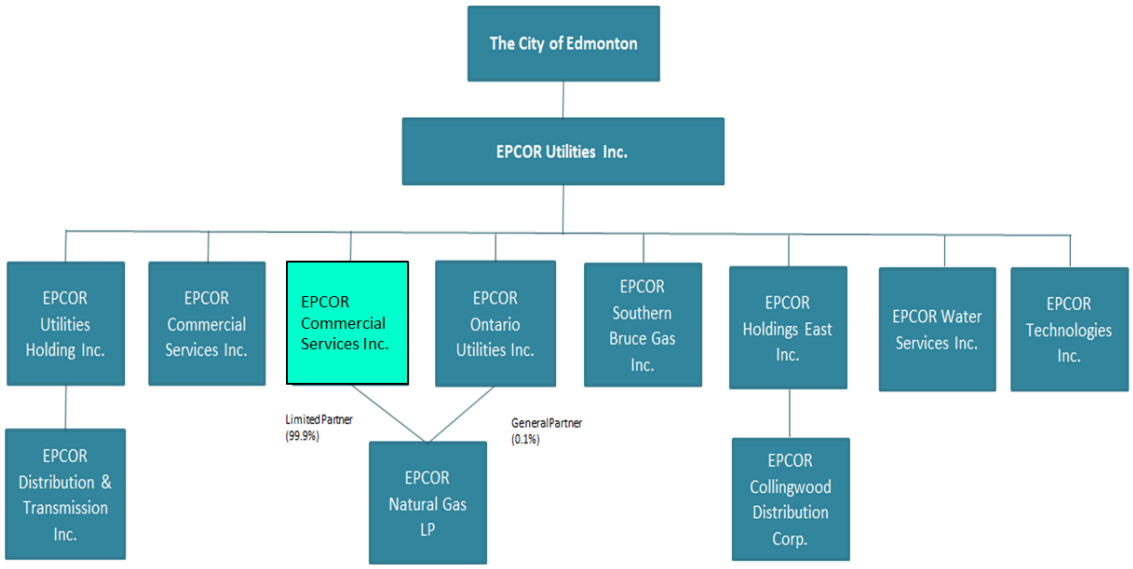
ii. the limited partner, EPCOR Power Development Corp. (99.9%).

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.

ENGLP Response: The general partner of EPCOR is EPCOR Ontario Utilities Inc. (0.1%), and the limited partner is EPCOR Commercial Services Inc. (99.9%).

Note the name of the limited partner changed from EPCOR Power Development Corp. to EPCOR Commercial Services Inc. in 2022.



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.

ENGLP Response: ENGLP was formed pursuant to a Limited Partnership Agreement, which provides that EPCOR Ontario Utilities Inc., as general partner, will control and have the full and exclusive power, authority and responsibility for the management and day-to-day operations of ENGLP. In accordance with the Limited Partnership Agreement, EPCOR Commercial Services Inc., as limited partner, has an economic interest in the partnership but does not control or otherwise play a role in the day-to-day operations and management of ENGLP.

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.

ENGLP Response:

ENGLP submits lines 4 to 14 of Exhibit 1, Tab 1, Schedule 1, Page 19 was inaccurate. To provide clarity, the net FTEs being requested in the application are reflected on Table 4.3.3.1-1 in Exhibit 4, Tab 1, Schedule 1, Page 30. ENGLP further explains FTEs in Staff-71 including providing a table outlining all FTEs by position.

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.

ENGLP Response: Please refer to Staff-71. In this response, ENGLP provides an overview of field, administrative, management and Ontario Affiliate Shared Services staff. The field, administrative and management staff would be considered as embedded (directly employed) within ENGLP.

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.

ENGLP Response: Please see the response to Staff-71.

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

ENGLP Response: ENGLP did not specifically forecast FTE requirements over the 2026-2029 timeframe. However, ENGLP does not expect material deviations in FTEs compared to its 2025 Test Period forecast.

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.

ENGLP Response: Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 (*Carbon Budget Accountability Act,* 2021) and the *Expansion of Natural Gas Distribution Systems*, O Reg 24/19, which accounts for the difference noted above. This is identified in a footnote included in the current/proposed rate order.

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.

ENGLP Response: The combined rate was calculated using a similar escalation percentage as to what is currently approved. (The combined fixed charge 111% of the Firm or Interruptible charge).

	Approved	Proposed
Firm or Interruptible	$225.94	$243.35
Combined	$250.83	$270.14
Variance	111.0%	111.0%

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.

ENGLP Response: The overrun rates were increased in alignment with the overall proposed increase for Rate 3 (7.70%). This approach is consistent with the treatment of these rates in ENGLP's IRM filings.

	Approved	Proposed	Variance
Maximum	5.8681	6.3202	7.7%
Minimum	3.4003	3.6623	7.7%

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.

ENGLP Response: This rate was increased in alignment with the overall proposed increase for Rate 3 (7.70%). This approach is consistent with the treatment of this rate in ENGLP's IRM filings.

	Current	Proposed	Variance
Monthly Demand Charge	5.9678	6.4276	7.7%

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.

ENGLP Response: This rate was increased in alignment with the overall proposed increase for Rate 5 (-7.30%). This approach is consistent with the treatment of this rate in ENGLP's IRM filings.

	Current	Proposed	Variance
Overrun	8.7866	8.1452	-7.3%

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

ENGLP Response: Based on the responses above, no updates are required.

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.

ENGLP Response: ENGLP believes that the wording and the request for approval of the USP are appropriate. ENGLP is seeking approval of the planned capital expenditures as a basis for the next five years. The filing requirements include many elements that must be filed with the application for which approval is requested.

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.

ENGLP Response: ENGLP is requesting approval of its connection policy in alignment with section 4.3.3 of the EBO 188 Guidelines where it is stated:

The Board directs the utilities to prepare and maintain a common set of Board-approved customer connection policies that shall, as a minimum, include:

i. the circumstances under which customers will be required to pay for all, or part, of their service line connection, including the specific criteria and the quantum of, or formula for calculating, the total or excess service line fees and other charges; and

ii. the circumstances where the use of a proposed facility will be dominated by one or more large volume customers for which the utilities will retain the option of collecting contributions in aid of construction. The contribution amounts will be consistent with the cost allocation for such mains and accordingly based on the peak day demand and the cost allocators used by each of the utilities.

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.

ENGLP Response: Refer to Staff 13a) above.

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

ENGLP Response: Confirmed. ENGLP used the E.B.O. 188 principles as the basis for connections, but it did not have a formal 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.

ENGLP Response: The purpose of the inflationary comparison is to show the difference between what the utility would have earned through existing rates and what they are asking for with new rates. On an annual basis within the rate term, all rates are escalated by an inflationary rate, providing a holistic increase to its revenue (and revenue requirement) not taking into consideration of the nuances within that envelope. A utility is then expected to operate within that structure in order to earn its return on equity. The purpose of the measure is to show where the utility would track regardless of rebasing highlighting that the amounts are reasonable.

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

ENGLP Response: Refer to Exhibit 4 (Section 4.3.2 at page 27):

ENGLP notes that inflation would be a major driver of increases from the 2020 Decision to the 2025 Test Period. The $1,113K increase would be ~49% related to inflation, ~51% to net new expenditures.

The $1,113K increase from the 2020 Decision to the 2025 Test Year was primarily due to:

- A $632K increase in Ontario Affiliate Shared Services costs. Please refer to Section 4.3.3.2 for further details on Ontario Affiliate Shared Services;
- A $476K increase in employee salary and benefits primarily due to the addition of 2.5 FTEs as explained in the Employee Staffing Section (4.3.3.1) and inflationary increases each year since 2020;
- A $208K increase in automotive, other maintenance, equipment, rent and utility expenses primarily due to under forecasting these expenditures in the 2020 Decision (comparing the summation of rows 10, 26, 28 in Table 4.3.2-2). Since the 2020 Decision, the price of vehicle fuel and vehicle maintenance costs have increased substantially;

- A $150K increase due to the EB-2018-0336 settlement agreement adjustment not reoccurring in the Test Year;
- A $141K increase in Corporate Shared Services costs. Refer to Section 4.3.3.2 for further details on Corporate Shared Services;
- An $85K increase in Telecom and IT costs primarily due to under forecasting these expenditures in the 2020 Decision and inflation;
- A $63K increase in Bad Debt expense primarily driven by an increase in the number of estimated uncollectible accounts; and,
- A $3K increase in other miscellaneous accounts that are each below the $50K threshold.

These items were partially offset by:

- A $388K increase in operational recoveries primarily due to ENGLP Aylmer providing additional support for ENGLP Southern Bruce as discussed above;
- A $184K increase in capital recoveries primarily due to an increase in management oversight of the capital program, which is included as part of the capital overhead pool, and inflation on underlying salaries that would be transferred to capital projects. For further information on the capital overhead rate, refer to Section 2.4.1; and,
- A $73K decrease in regulatory expenditures primarily due to lower one-time costs being included in the 2025 Test Year compared to the 2020 Decision. The 2020 Decision included one-time costs related to several filings, while the current filing only includes costs related to this application.

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.

ENGLP Response: The entirety of the OM&A would be considered fixed. Certain items such as bill print/postage etc. could be argued to be variable, but given that ENGLP has a stable customer base, which includes growth, there would not be a significant level of elasticity or fluctuation in these costs.

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.

ENGLP Response: ENGLP believes that 0.4% is reasonable as ENGLP has performed within its ROE dead band, earning an increase in ROE over the term:

	2020	**2021**	**2022**	**2023**
Actual ROE	5.42%	7.03%	7.60%	9.38%
Deemed ROE	8.98%	8.98%	8.98%	8.98%
Variance	-3.56%	-1.95%	-1.38%	0.40%

ENGLP did consider other options but without the same benchmarking options as electricity utilities, it becomes challenging to objectively set a different rate. For comparison, electricity distributors have the following cohort options:

Cohort	Stretch Factor
Cohort 1	0.00%
Cohort 2	0.15%
Cohort 3	0.30%
Cohort 4	0.45%
Cohort 5	0.60%

ENGLP notes that the rate of 0.4% is in between a Cohort 3 and Cohort 4 electricity LDC, which is below the mid-point. In the absence of formal benchmarking similar to the OEB's Pacific Economics Group report, ENGLP has agreed to a conservative stretch factor.

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.

ENGLP Response: Annual base and excess loads for the R1 Residential class are provided in the following table.

	Base Load	Excess Load	Total
2024	5,090,296	14,303,847	19,394,143
2025	5,293,743	14,484,672	19,778,416
2026	5,500,812	14,664,963	20,165,775
2027	5,711,502	14,844,713	20,556,215
2028	5,925,814	15,023,919	20,949,733

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.

ENGLP Response: The 1,780 m^3 figure from ENGLP's QRAM application (EB-2024-0195) is from ENGLP's 2020-2024 Cost of Service application (EB-2018-0336) filed in 2019 and does not reflect current average consumption for an R1 Residential customer.

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.

ENGLP Response:

i. The upward trend in consumption per customer reflects the forecasted continuation of increases in weather-normalized consumption per customer. Consumption per customer in the July and August off-peak months has increased since 2010 and has increased in each year from 2018 to 2023. Consumption per customer in these months underpins the base load consumption forecast and baseload consumption is forecast to increase in line with historic trends. The increase in baseload consumption per customer is slightly offset by lower weather-related consumption per customer as heating load is forecast to decline by approximately 0.18% per year in line with declining heating degree days.

ii. A forecast including energy efficiency and conservation is provided as *"ENGLP_EB-2024-0130_IRR Staff-15c_Load Forecast_with_DSM"* and the summary tables are provided below. ENGLP does not have DSM programs so a proxy for DSM has been estimated for the purposes of providing this response based on the proportion of 2020-2022 DSM savings per customer in Enbridge Gas Inc.'s 2024-2028 distribution rate application (EB-2022-0200 Phase 1).

The calculations of DSM for each rate class are provided in a new 'DSM' tab of the load forecast. The annual amount of DSM forecast in each year is adjusted by the half-year rule to account for the fact that projects are implemented throughout the year. The half-year rule is a simplified assumption of the amount of annual savings taking place in the implementation year and could be adjusted based on the characteristics of actual DSM programs. Figures provided in the DSM Forecast table below are cumulative such that the values equal half of estimated savings in the year plus all savings in previous years. The 'DSM Adjusted Forecast' is the Normal Forecast less the DSM forecast.

Normal Forecast

	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
R1 Residential	19,394,143	19,778,416	20,165,775	20,556,215	20,949,733
R1 Industrial	2,579,897	2,686,373	2,795,837	2,908,361	3,024,023
R1 Commercial	6,119,454	6,193,869	6,268,637	6,343,760	6,419,235
R2 Seasonal	832,281	832,281	832,281	832,281	832,281
R3	2,740,988	3,918,036	3,895,600	3,875,300	3,856,801
R4	2,023,938	2,334,616	2,408,833	2,485,410	2,564,421
R5	647,586	647,586	647,586	647,586	647,586
R6	65,345,852	65,345,852	65,345,852	65,345,852	65,345,852
Total	**99,684,138**	**101,737,027**	**102,360,400**	**102,994,765**	**103,639,931**

DSM Forecast

	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
R1 Residential	23,240	70,182	118,048	166,846	216,584
R1 Industrial	7,473	22,728	38,608	55,132	72,316
R1 Commercial	11,336	34,146	57,233	80,597	104,240
R2 Seasonal	1,542	4,625	7,709	10,792	13,876
R3	7,940	27,229	49,863	72,373	94,771
R4	5,863	18,488	32,229	46,406	61,034
R5	1,876	5,628	9,379	13,131	16,883
R6	189,288	567,864	946,440	1,325,016	1,703,592
Total	**248,558**	**750,891**	**1,259,509**	**1,770,293**	**2,283,295**

DSM Adjusted Forecast

	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
R1 Residential	19,370,902	19,708,234	20,047,727	20,389,369	20,733,149
R1 Industrial	2,572,423	2,663,645	2,757,228	2,853,230	2,951,706
R1 Commercial	6,108,118	6,159,722	6,211,404	6,263,163	6,314,995
R2 Seasonal	830,739	827,655	824,572	821,488	818,405
R3	2,733,048	3,890,807	3,845,737	3,802,927	3,762,031
R4	2,018,075	2,316,128	2,376,605	2,439,004	2,503,387
R5	645,710	641,958	638,206	634,455	630,703
R6	65,156,564	64,777,988	64,399,412	64,020,836	63,642,260
Total	**99,435,580**	**100,986,137**	**101,100,891**	**101,224,472**	**101,356,636**

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

ENGLP Response: The forecast to 2029 is provided as "*ENGLP_EB-2024-0130_IRR Staff-15d_Load Forecast_to_2029*" and the summary tables are provided below.

Normal Forecast

	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
R1 Residential	19,394,143	19,778,416	20,165,775	20,556,215	20,949,733	21,346,323
R1 Industrial	2,579,897	2,686,373	2,795,837	2,908,361	3,024,023	3,142,897
R1 Commercial	6,119,454	6,193,869	6,268,637	6,343,760	6,419,235	6,495,063
R2 Seasonal	832,281	832,281	832,281	832,281	832,281	832,281
R3	2,740,988	3,918,036	3,895,600	3,875,300	3,856,801	3,839,840
R4	2,023,938	2,334,616	2,408,833	2,485,410	2,564,421	2,645,944
R5	647,586	647,586	647,586	647,586	647,586	647,586
R6	65,345,852	65,345,852	65,345,852	65,345,852	65,345,852	65,345,852
Total	**99,684,138**	**101,737,027**	**102,360,400**	**102,994,765**	**103,639,931**	**104,295,785**

Customers

	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
R1 Industrial	79	80	81	83	84	86
R1 Commercial	580	585	590	595	600	605
R2 Seasonal	51	50	50	50	50	50
R3	5	5	5	5	5	5
R4	43	45	46	48	49	51
R5	4	4	4	4	4	4
R6	1	1	1	1	1	1
Total	***10,081***	**10,218**	**10,355**	**10,494**	**10,631**	**10,770**

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).

ENGLP Response: Confirmed. For clarity, adjustments are also made to the R3 and R4 forecasts for known new customers.

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

ENGLP Response: No rate classes use actual data from January 2012 to December 2013. The three R1 rate classes and the R3 rate class use 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?

ENGLP Response: ENGLP has not explored the option of asking the 110 customers for direct input on the consumption forecast. ENGLP communicates with its large customers and is informed of known major load changes. Changes in volumes from year-to-year are largely driven by crop yields and are generally unpredictable, even to the customer, more than a few months in advance.

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.

ENGLP Response: Adjustments are not specifically considered for energy efficiency savings or changes on home appliances. Trends in consumption are accounted for by applying a trend to base load consumption volumes.

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?

ENGLP Response: The “normal weather” heating degree days used in the load forecast are reevaluated annually when the forecast is prepared for ENGLP’s gas supply plan. A 5-year average, 5-year weighted average (weighting recent years higher than earlier years), 10-year average, 10-year trend, 10-year trend of 5-year averages, 10-year trend of 10-year averages, and average of the 20-year trend and 10-year average are evaluated each year. The evaluation considers the absolute difference between actual weather and normalized weather on annual and monthly bases, the variance and standard deviation of differences, and annual and monthly rankings of each method. The 10-year trend of 10-year averages is used in the load forecast as that method most closely aligns with actual weather. Though climate change is not specifically considered, the use of a trending weather methodology considers the impact of changing climate over time.

Refer to 3-CCC-13_2 for more relevant information regarding ENGLP’s load forecast methodology.

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.

ENGLP Response: Through customer engagement surveys, customers have advised that their priorities include affordability and reliability. ENGLP has developed a prudent five-year capital investment and maintenance plan related to demand growth, reinforcement and projects to enhance the safety and reliability of its assets.

ENGLP has facilitated the connection of RNG in its portfolio as well as the use of local production in response to customer connection requests rather than increase the demand on the transmission system. Further, ENGLP will monitor any energy transition policies and update its USP and customer communication outreach as necessary.

Data management and privacy is another important customer feedback element received and ENGLP will take the right steps to have the tools in place to stay ahead of threats and maintain compliance with the Ontario Cyber Security Framework. This

will include things like endpoint protection, OT protocol inspection, firewalls and other tools or assessments to detect and respond to threats. Our OT cyber security efforts have been combined amongst the Ontario business units to achieve cost savings and operational efficiencies for our combined ratepayers.

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.

ENGLP Response: From a system reliability and integrity perspective, ENGLP will deploy risk mitigation measures including:

- Inline inspection and pipeline pigging activities;
- Cathodic protection monitoring; including induced AC current ;
- Coating condition surveys ;
- Pipeline leak surveys;
- Annual inspection using industry recognized inspection standards/techniques and maintenance of all above-ground facilities;
- Repair and replacement programs, as required;
- Participation in utility locate and municipal co-ordination programs;
- Providing public and customer education and awareness campaigns to ‘Call before you Dig’;
- Providing physical marking of critical infrastructure; and
- Physically protecting exposed critical infrastructure with traffic berms and vehicle barriers.

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.

ENGLP Response: The cost of gas includes both the energy (commodity) purchases and the cost of transportation. The table below shows the three components included in the WCA cost of gas calculation.

Table Staff 18-1 – Cost of Gas Components ($000's)

	A **Category**	B **2025 Test Year**
1	Commodity Cost of Gas	$8,104
2	Transportation (R1-5)	$1,061
3	Transportation (R6)	$827
4	**Total**	**$9,992**

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.

ENGLP Response: The 7.5% is intended as a reasonable basis for both electricity distributors (in the absence of a stand-alone study) and has been accepted for ENGLP Southern Bruce. The deemed rate is also used for electricity customers to avoid smaller utilities having to procure and/or prepare a stand-along lead/lag study as many do not have the knowledge and capacity in-house to do so.

ENGLP believes that a 7.5% working capital allowance is a reasonable measure as ENGLP faces similar timing for both the recovery of costs via billing as an electricity distributor (i.e. similar billing cycles and required due dates), along with a similar monthly incurrence of both commodity (Enbridge/Local Supply vs. the IESO) and transportation costs (Enbridge transportation costs vs Hydro One transmission costs for electricity).

Refer to Staff-36 for additional relevant information on ENGLP's proposed working capital allowance.

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.

ENGLP Response: 2020-2025 was a period of inflation driven by many factors, including supply chain challenges, monetary policies around interest rates, global conflicts, labour wage increases. These factors also contributed to increased costs as compared to load growth, which was limited by all those same factors. ENGLP experienced a reduction in customer connections likely driven by reduced housing starts associated with higher interest rates.

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.

ENGLP Response: ENGLP contracted out the majority of its capital construction work during the years 2020-2024. This freed up internal resources to complete operational maintenance (such as polyvalve and line marker maintenance) that had been falling behind and third-party locates requests. Even with construction capital out-sourced, ENGLP has struggled to keep up to third-party locate requests in recent years, which explains why two more locate resources have been forecasted going forward.

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.

ENGLP Response: The upgraded construction standards were focused on improvements to the health, safety and environment (HSE) requirements both in the way assets were being constructed and the way contractors qualified for these projects. This reduces the risk to employees and contractors going forward when

constructing services and mains, but has no effect on the historic construction safety performance. ENGLP has also increased its quality assurance and control (QA/QC) program to reduce the risk of integrity issues going forward. It is a risk that assets constructed in the past under a lesser QA/QC program may have early integrity issues. ENGLP monitors this risk through its improved integrity management program.

Refer to 2-PP-10 for additional relevant information regarding historical capital investment.

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.

ENGLP Response: A range of plus or minus 20% is appropriate for all classes except the Residential class that has a range of plus or minus 15%. ENGLP has followed the OEB's guidance on revenue to cost ratios for electricity distributors which sets a range of plus or minus 15% for Residential and Large Use rate classes and a range of plus or minus 20% for other rate classes. This range is provided in the March 31, 2011 Report of the Board Review of Electricity Distribution Cost Allocation Policy and further refined in a June 12, 2015 letter Issuance of New Cost Allocation Policy for Street Lighting Rate Class. Please note that the range of reasonableness for each class is included in rows 24 and 25 of the 'Revenue Rebalancing' tab of the cost allocation model.

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.

ENGLP Response: ENGLP has conducted a cost allocation study as part of this Cost of Service application that is primarily based on the methodology used in its last

Cost of Service application (EB-2018-0336). ENGLP plans to review its cost allocation methodology and prepare a new cost allocation study ahead of its next Cost of Service application.

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.

ENGLP Response: As described in response to part a), ENGLP has adopted the OEB's range of reasonableness that is used by electricity distributors. Following the Board's policy, the revenue to cost ratios of classes within the range are considered reasonable so no further adjustments to move classes closer to unity are warranted.

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.

ENGLP Response: ENGLP has not developed a mitigation plan at this time as total applied for bill increases are not above the 10% threshold. Should this occur, ENGLP would provide a mitigation plan. An example of what could be included is an extension of the timing of the deferral account balances to 24 months instead of 12 months for both the UFGVA and PGTVA.

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.

ENGLP Response: R1 Residential consumption used in the bill impact calculation is 2,065 m^3. The bill impact calculation is done only on an annual basis, including 12 monthly bills and a full year of consumption.

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.

ENGLP Response:

Co-optimized planning is the key to reliability and affordability. Keeping customer costs affordable must be balanced with the need to invest capital to ensure safety and reliability.

ENGLP's commitments to sustainability, which includes "reasonable costs to customers", are reflected in our business plans, compensation systems, and financing, aligning our organization and people to deliver on our goals. These goals are part of ENGLP's public environmental, social, and governance (ESG) reporting and available to customers.

ENGLP will continue to work with, and communicate its capital plans, with large customers directly, as evidenced by ENGLP's 2023 capital process with IGPC, whereby ENGLP selected to repair, rather than replace, parts of their system in order to address affordability concerns.

ENGLP will continue to apply this lens to capital project throughout the planning process and to communicate quarterly to our residential and commercial customers.

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.

ENGLP Response: The preamble above is in reference to targets included as part of the OEB's RRR reporting, which include:

- Reconnection response time (# of days to reconnect a customer);
- Scheduled appointments met on time (appointments met within designated time period);
- Telephone calls answered on time (call answering service level);
- Customer Complaint Written Response (# of days to provide a written response);
- Billing accuracy;
- Abandon Rate (# of calls abandon rate); and,
- Time to reschedule missed appointments.

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

ENGLP Response: Performance measure target setting are not specifically benchmarked, beyond what is noted in part a) since ENGLP does not have a comparable peer group of Natural Gas distributors.

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

ENGLP Response: These items were inadvertently omitted from the original submission. An updated version of the scorecard can be found below:

Performance Categories	Measures	Description	2020	2021	2022	2023
Service Quality	Reconnection response time (# of days to reconnect a customer)	*# of reconnections completed within 2 business days/# of reconnections completed*	100%	100%	96%	100%
	Scheduled appointments met on time (appointments met within designated time period)	*# of appointments met within 4hrs of the scheduled date / # of appointments scheduled in the month*	100%	100%	100%	98%
	Telephone calls answered on time (call answering service level)	*# of calls answered within 30 seconds / # of calls received*	96%	89%	89%	92%
Customer Satisfaction	Customer Complaint Written Response (# of days to provide a written response)	*# of complaints requiring response within 10 days / # of complaints requiring a written response*	100%	100%	100%	100%
	Billing accuracy	*Number of manual checks done as per quality assurance program, for excessively high or low usage.*	189	159	197	227
	Abandon Rate (# of calls abandon rate)	*# of calls abandoned while waiting for a live agent / # of calls requesting to speak to a live agent*	4%	4%	3%	2%
	Time to reschedule missed appointments	*% of rescheduled work within 2 hours of the end of the original appointment time*	100%	100%	100%	100%
Safety, system reliability and asset management	Meter Reading Performance	*# of meters with no read for 4 consecutive months / # of active meters to be read*	0.00%	0.00%	0.01%	0.00%
	% of Emergency Calls Responded within One Hour	*# of emergency calls responded within 60 minutes / # of emergency calls*	97.5%	97.6%	98.5%	97.9%
	Damages	*Third party line breaks per 1,000 locate requests*	4.6	4.3	7	4.2
Extending natural gas distribution to new communities	New communities that have access to natural gas distribution system	*(# of communities serviced by system)*	6	7	7	7
	$/m3 cost to deliver natural gas	*Actual average $/m3*	$0.058	$0.058	$0.062	$0.060
	Customer years	*Average customer years*	9,514	9,712	9,878	10,080
	Cumulative volume	*Actual cumulative volume*	87,767,455	90,029,645	93,920,502	97,061,614
Financial Ratios	Current Ratio		0.50	1.20	0.83	0.71
	Debt Ratio		0.47	0.26	0.31	0.30
	Debt to Equity Ratio		1.58	1.58	1.68	1.49
	Interest Coverage		2.03	2.26	2.29	2.54
	Financial Statement Return on Assets		2%	2%	3%	3%
	Financial Statement Return on Equity		5.2%	6.9%	7.8%	8.4%
	Total Cost per Customer per year		$531	$536	$587	$580
	Total Cost per km of distribution pipe per year		$4,408	$4,540	$5,062	$5,105

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.

ENGLP Response:

i. Total cost per customer is derived using total operating cost (as per section 300 of the RRR reporting trial balance), excluding commodity divided by the number of customers in a given year.

	2020	2021	2022	2023
Total Cost per Customer per year	$531	$536	$587	$580
Operating Costs (less commodity)	$5,051,369	$5,202,945	$5,800,864	$5,850,332
Customers	9,514	9,712	9,878	10,080

ii. Total cost per KM is derived using total operating cost (as per section 300 of the RRR reporting trial balance), excluding commodity divided by the number of KM of distribution mains.

	2020	2021	2022	2023
Total Cost per Customer per year	$4,408	$4,540	$5,062	$5,105
Operating Costs (less commodity)	$5,051,369	$5,202,945	$5,800,864	$5,850,332
KM of Pipe	1,146	1,146	1,146	1,146

**note the scorecard as presented provides a cost based on a consistent KM range as there was limited information on historical distance of pipe.*

Refer to 9-PP-26 for additional relevant information regarding ENGLP's scorecard.

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.

ENGLP Response: The EPCOR financial reporting system is able to run separate financial statements for Aylmer operations only. The Financial Statement Reconciliation, 2021-2023 provided in Exhibit 1, Tab 2, Schedule 2 was prepared for Aylmer operations only, whereas the Audited Financial Statements provided in Exhibit 1, Tab 2, Schedule 1 were prepared and audited on a limited partnership basis. For 2020 Aylmer-only statements, see response to Staff-23 (c) below.

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.

ENGLP Response: Please refer to the updated schedules below where the noted discrepancies have been addressed.

Reconciliation between ENGLP's Ending 2022 Period Audited Financial Statements to Regulatory Financial Statements
($ thousands)

	Audited	Adjustments	Regulatory
Income Statement			
Energy Sales	9,126	51	9,177
Commercial Services	8,615	-400	8,215
Revenues	17,741	-349	17,392
Energy Purchases and System Access Fees	-10,175	997	-9,178
Other Raw Materials and Operating Charges	-2,448	156	-2,292
Staff Costs and Employee Benefits Expense	-1,320	-	-1,320
Depreciation and Amortization Expense	-1,146	199	-947
Other Administrative Expenses	-1.918	7	-1,911
Franchise Fees & Property Taxes	-615	-111	-726
Expenses	-17,622	1,248	-16,374
Operating income	119	899	1,018
Net Finance Expense	-438	-13	-451
(Loss)/income before tax	-319	886	567
Current Income Tax	-	-	-
Deferred Income Tax	-	-	-
(Loss)/profit for the year	-319	886	567

Reconciliation between ENGLP's Ending 2023 Period Audited Financial Statements to Regulatory Financial Statements ($ thousands)

	Audited	Adjustments	Regulatory
Income Statement			
Energy Sales	10,462	23	10,485
Commercial Services	8,371	58	8,429
Revenues	18,833	81	18,914
Energy Purchases and System Access Fees	-10,208	-277	-10,485
Other Raw Materials and Operating Charges	-2,332	190	-2,142
Staff Costs and Employee Benefits Expense	-1,353	-	-1,353
Depreciation and Amortization Expense	-1,274	225	-1,049
Other Administrative Expenses	-1,943	-3	-1,946
Franchise Fees & Property Taxes	-660	-32	-692
Expenses	-17,770	103	-17,667
Operating income	1,063	184	1,247
Net Finance Expense	-557	57	-500
(Loss)/income before tax	506	241	747
Current Income Tax	-	-	-
Deferred Income Tax	-	-	-
(Loss)/profit for the year	506	241	747

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

ENGLP Response: Please refer to the schedules below.

Reconciliation between ENGLP's Ending 2020 Period Audited Financial Statements to Regulatory Financial Statements
($ thousands)

	Audited	Adjustments	Regulatory
Income Statement			
Energy Sales	4,685	62	4,747
Commercial Services	6,908	-135	6,773
Revenues	11,593	-73	11,520
Energy Purchases and System Access Fees	-4,817	28	-4,789
Other Raw Materials and Operating Charges	-1,927	3	-1,924
Staff Costs and Employee Benefits Expense	-1,201	-	-1,201
Depreciation and Amortization Expense	-1,030	188	-842
Other Administrative Expenses	-1,474	41	-1,433
Franchise Fees & Property Taxes	-615	-	-615
Expenses	-11,064	260	-10,804
Operating income	529	187	716
Net Finance Expense	-382	16	-366
(Loss)/income before tax	147	203	350
Current Income Tax	-	-	-
Deferred Income Tax	-	-	-
(Loss)/profit for the year	147	203	350

Balance Sheet

	Audited	Adjustments	Regulatory
ASSETS			
Current assets			
Cash and cash equivalents	6	-	6
Trade and other receivables	1,951	1,138	3,089
Prepaid expenses	2	-	2
Inventories	150	-	150
Total current assets	2,109	1,138	3,247
Non-current assets			
Intangible assets	1,091	-488	603
Property, plant and equipment	22,522	-5,780	16,742
Goodwill	1,808	-1,808	-
Total non-current assets	25,421	-8,076	17,345
TOTAL ASSETS	27,530	-6,938	20,592
LIABILITIES AND EQUITY			
Trade and other payables	1,707	233	1,940
Loans and borrowings	1,985	1	1,986
Provision	55	-	55
Other current liabilities/Customer Deposits	253	-	253
Total current liabilities	4,000	234	4,234
Loans and borrowings	8,660	-	8,660
Deferred revenues	625	-7	618
Total non-current liabilities	9,285	-7	9,278
Total liabilities	13,285	227	13,512
Share capital	13,360	-7,749	5,611
Retained earnings	885	584	1,469
Total equity	14,245	-7,165	7,080
TOTAL LIABILITIES AND EQUITY	27,530	-6,938	20,592

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.

ENGLP Response: Amortization of contributions is classified as recognition of deferred revenue and, under IFRS, is included in revenue for financial reporting purposes. However, it is netted against depreciation for the purposes of calculating revenue requirement. The $8,077K shown as Commercial Services income includes $29K, which is the 2025 amortization on contributions, as reflected in Table 2.2.1-2 lines 26 and 27, which is the reconciling item between Commercial Services income and the 2025 test-year revenue requirement.

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

ENGLP Response: The $108,388 revenue offset reflects items classified as ‘other revenue’ for financial reporting purposes, and is not part of the distribution revenue requirement. These items are detailed in Table 3.4-1.

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.

ENGLP Response: The 2022-year capital contributions amount received should be $79K. Due to an inadvertent error, the contributions included for 2022 in Table 2.5-1 were overstated. Refer below for an updated Table 2.5-1.

($000's)	2020T	2020A	2021A	2022A	2023A	2024B	2025T	2026U	2027U	2028U	2029U
System Access	523	1,718	1,906	1,724	1,536	3,292	1,954	2,731	1,665	1,750	1,830
System Renewal	490	23	40	383	673	1,653	1,460	1,567	912	930	567
System Service	269	604	143	99	80	25	450	40	405	409	50
General Plant	130	120	135	291	250	147	272	152	160	164	168
Total Expenditure	**1,412**	**2,465**	**2,223**	**2,497**	**2,539**	**5,117**	**4,136**	**4,490**	**3,142**	**3,253**	**2,615**
Capital Contributions	72	131	224	79	173	72	72	477	75	79	83
Net	**1,340**	**2,333**	**1,999**	**2,418**	**2,366**	**5,045**	**4,064**	**4,013**	**3,066**	**3,174**	**2,532**

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.

ENGLP Response: Confirmed, gross contributions.

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

ENGLP Response: The IGPC capital contributions are amortized annually as shown in ENGLP_EB-2024-0130_Supporting Appendixes_20240718; 2C_Fixed Asset Continuity. For example, 2020 IGPC amortized contributions are shown as $3,877 in cell J14.

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.

ENGLP Response:

The 2020 disposal and associated accounting treatment was unique as it involved the Loss on Disposal of Meters Deferral Account ("LDMDA"). In EB-2021-0215, ENGLP applied for the disposal of the Loss on Disposal of Meters Deferral Account ("LDMDA"). On page 20-21 of the 2021application, ENGLP indicated the following:

> The Loss on Disposal of Meters Deferral Account ("LDMDA") is to record the loss on disposal of residential (AC-250) meters resulting from the change in the useful life in 2020 for its Aylmer operations. A change in depreciation rate is necessitated by the fact that a new residential meter has a seal life of ten years and the full replacement of the meter at the end of the seal life is more economical than refurbishment. The change in the depreciation rate for these meters from 3.62% to 10% in 2020 will result in a loss on disposal equal to the net book value of the meters that have been in service for ten years or more. EPCOR is proposing in this Application to dispose of the LDMDA balances as of December 31, 2020 and all associated carrying charges recorded up to the date of implementation of the proposed rate rider. The calculation of the projected total amount proposed for disposal is summarized in Table 8 below and further details of these balances are provided in the continuity schedule in Appendix D…The total projected disposition amount is a debit balance of $154,518 which EPCOR is proposing to recover from Rate 1 customers rate classes through the implementation of a twelve-month fixed-rate rate rider commencing on January 1, 2022 (consistent with the approved accounting order). The calculation of the proposed rate rider is shown in Table 9 below.

This proposal was approved by the OEB on December 15, 2021. The remaining net book value (NBV) for the applicable meters in 2020 of $151,841 was recorded as depreciation, effectively reducing NBV to zero. Due to an inadvertent error, the gross fixed asset cost and accumulated depreciation, associated with the applicable residential meters, remained in the filed asset continuity as of January 1, 2021 with a NBV of zero. The Gross property, plant & equipment (PPE) of $789,957 was offset by Accumulated Depreciation of $789,957. As such, although the Gross PPE and associated Accumulated Depreciation remains on the asset continuity, there is no impact on opening rate base for this application.

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

ENGLP Response: The adjustment to depreciation expense would not be considered a gain or a loss in 2020. The initial increase to depreciation (in order to reduce the NBV of the applicable meters to zero) was then entirely offset by moving this amount to the deferral account. Refer below for the accounting transactions that occurred as a result of this adjustment:

- Debit - Depreciation Expense $151,841
  - Credit – Accumulated Depreciation $151,841 (effectively reducing NBV of these assets to zero)
- Debit – LDMDA Deferral Account $151,841
  - Credit – Depreciation Expense $151,841

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.

ENGLP Response: Please refer to part a) and b) above. The loss that would have been associated with the accelerated depreciation was moved to the deferral account in 2020, removing any impact to depreciation or loss associated with this adjustment. ENGLP notes that the accounting treatment of this disposal would not impact opening rate base and the NBV for the impacted assets would equal zero for this application.

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.

ENGLP Response: Table 2.2.1-1 originally presented the data 'as applied' instead of 'as approved'. An update have been provided below of both Table 2.2.1-1 and Table 2.2.1-2.

Table Staff-27-1 (Revised Table 2.2.1-1)

Description	2020 OEB Approved	2020 A	2021 A	2022 A	2023 A	2024 Bridge Year	2025 Test Year
Distribution Plant	22,689	24,366	26,075	27,473	30,224	34,869	38,398
Distribution (IGPC)	6,456	6,573	6,573	6,821	6,821	7,121	7,421
General Plant	3,743	3,527	3,783	4,143	4,407	4,579	4,886
Intangible Plant	768	770	770	770	843	843	843
Subtotal	**33,746**	**35,237**	**37,201**	**39,208**	**42,295**	**47,412**	**51,548**
Contributions	(207)	(287)	(510)	(589)	(763)	(835)	(907)
Contributions (IGPC)	(376)	(376)	(376)	(376)	(376)	(376)	(376)
Grand Total	**33,162**	**34,574**	**36,315**	**38,243**	**41,156**	**46,201**	**50,265**

Table Staff-27-2 (Revised Table 2.2.1-2)

	Description	A USoA	B 2020 OEB Approved	C 2020 A	D 2021 A	E 2022 A	F 2023 A	G 2024 Bridge Year	H 2025 Test Year
1	**Distribution Plant**								
2	Meters - Commercial	478	1,206	1,708	1,838	1,920	1,926	2,086	2,243
3	Meters - Residential	478	1,173	1,763	1,823	2,165	2,623	3,448	4,269
4	Meters - IGPC	478	14	14	14	14	14	14	14
5	Regulators	474	81	591	666	739	808	1,113	1,369
6	Measuring & Regulating Equip	477	2,034	1,705	1,744	1,833	2,099	2,441	2,539
7	Measuring & Regulating Equip (IGPC)	477	-	576	576	576	576	576	576
8	Mains - Metallic (IGPC)	475	6,546	5,983	5,983	6,231	6,231	6,531	6,831
9	Mains - Plastic	475	13,931	13,767	14,600	14,940	16,153	18,334	19,715
10	Services - Plastic	473	4,250	4,832	5,402	5,876	6,615	7,446	8,263
11	**Subtotal**		**29,235**	**30,940**	**32,648**	**34,295**	**37,045**	**41,990**	**45,819**
12	**General Plant**								
13	Land	480	123	72	83	83	83	83	83
14	Structures & Improvements	482	762	700	700	700	783	783	906
15	Furnishing / Office Equipment	483	113	150	201	201	201	201	201
16	Computer Equipment	490	442	440	514	567	581	609	666
17	Software - Acquired	491	824	654	655	711	748	755	765
18	Tools and Work Equipment	486	778	755	771	841	894	918	941
19	Communication Equipment	488	231	246	311	311	313	326	343
20	Vehicles - Transportation Equip	484	471	477	516	697	771	873	949
21	Vehicle - Heavy Work Equip	485	-	33	33	33	33	33	33
22	**Subtotal**		**3,743**	**3,527**	**3,783**	**4,143**	**4,407**	**4,579**	**4,886**
23	**Intangible Plant**								
24	Franchises	401	768	770	770	770	843	843	843
25	**Subtotal**		**768**	**770**	**770**	**770**	**843**	**843**	**843**
26	**Contributions**	499	**(207)**	**(287)**	**(510)**	**(589)**	**(763)**	**(835)**	**(907)**
27	**Contributions (IGPC)**	499	**(376)**	**(376)**	**(376)**	**(376)**	**(376)**	**(376)**	**(376)**
28	**Grand Total**		**33,162**	**34,574**	**36,315**	**38,243**	**41,156**	**46,201**	**50,265**

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?

ENGLP Response:

(Refer to 2-PP-11 and Staff-31 for related information regarding ENGLP's cost per service).

ENGLP is not aware of any butt fuse failures in the Aylmer region since EPCOR has had ownership of the assets. The butt fuse failures that ENGLP experienced were in the South Bruce area. It was through this investigation that ENGLP acknowledged that it needed an upgraded QA/QC program, which included how contractors were screened, vetted and selected. A first part of any QA/QC program is ensuring the contractor can prove itself to be competent for the task. The failures experienced in the Southern Bruce highlighted that not enough resources were put into QA/QC, This includes upfront vetting of contractors, and ensuring enough resources are on-site during construction to provide supervision and the necessary division of labour to perform the tasks competently.

i. Environmental causes may have been a contributing factor in that butt fuses failures, but these same factors would also exist in the Aylmer region.

ii. Internal crews were not used in the South Bruce. ENGLP Aylmer did not resource main construction internally in recent times and therefore has not recently performed butt fusion work on mains. This work has been contracted out in

Aylmer for many years due to the equipment, resources and skills required. An internal crew has done simple service construction where road bore equipment was not required.

iii. The butt fuse failures in the South Bruce were discovered during 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?

ENGLP Response: The construction crew consisted of two FTEs: a lead hand and a helper. The construction crew completed only short services, which did not require drill bore equipment to go under roads or make drill shots. The lead hand became the contractor's QA/QC inspector. The construction helper became a locator to focus on third-party locate requests. This has been reflected in ENGLP's 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.

ENGLP Response: Renewal spend refers to the capital investment required to replace meters that have reached their defined end of life.

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

ENGLP Response:

Year 2020: Residential meter changes – 463

Year 2021: Residential meter changes – 428

Year 2022: Residential meter changes – 685

Year 2023: Residential meter changes – 1,055

Year 2024 Residential meter changes expected– 2,462

Year 2025: Residential meter changes planned – 1,954

Year 2026: Residential meter changes planned – 1,102

Year 2027: Residential meter changes planned - 780

Year 2028: Residential meter changes planned – 1,150

Year 2029: Residential meter changes planned - 110

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

ENGLP Response:

Year	Residential Cost Per Meter ($)
2020	Meter Size AC 250 – ($106) Meter Size AC 425 – ($297) Meter Size AC 630 – ($671)
2021	Meter Size AC 250 – ($106) Meter Size AC 425 – ($297) Meter Size AC 630 – ($671)
2022	Meter Size AC 250 – ($167) Meter Size AC 425 – ($485) Meter Size AC 630 – ($1,117)
2023	Meter Size AC 250 – ($207) Meter Size AC 425 – ($670) Meter Size AC 630 – ($1,117)
2024	Meter Size AC 250 – ($221) Meter Size AC 425 – ($725) Meter Size AC 630 – ($1,472)
2025 (Estimate)	Meter Size AC 250 – ($221) Meter Size AC 425 – ($725) Meter Size AC 630 – ($1,472)
2026 (Estimate)	Meter Size AC 250 – ($232) Meter Size AC 425 – ($761) Meter Size AC 630 – ($1,546)
2027 (Estimate)	Meter Size AC 250 – ($244) Meter Size AC 425 – ($799) Meter Size AC 630 – ($1,623)
2028 (Estimate)	Meter Size AC 250 – ($256) Meter Size AC 425 – ($840) Meter Size AC 630 – ($1,704)
2029 (Estimate)	Meter Size AC 250 – ($270) Meter Size AC 425 – ($882) Meter Size AC 630 – ($1,790)

Refer to 2-CCC-8 for more relevant information regarding ENGLP's meter replacement program.

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.

ENGLP Response: It is difficult to separate these costs definitively, because the new large customer connections were also completed by a contractor. Further, the system access categories includes costs for both mains and services. On a best-effort basis, ENGLP has prepared a table comparing the system access costs to forecast.

Table Staff-30 – System Access Assessment

	2020	2021	2022	2023	2024
Forecast	$737,000	$744,000	$760,000	$773,000	$790,000
Actuals	$1,718,000	$1,906,000	$1,736,000	$1,536,000	$1,995,221
New Large Customer costs	($354,752)	($309,331)	($90,913)	($0)	($1,245,884)
Net increased costs	$626,248	$852,669	$885,087	$763,000	($40,663)

** Actuals also include new meters for new customers. These were forecasted in system renewal in the previous USP*

Actual costs vs forecast are also impacted by the number of services completed, the length and size of services, the size and volume of mains installed in meters, and environmental factors surrounding each project. The net costs in the table above can be partly attributed to the use of contractors, but they are also influenced by all of the factors mentioned above.

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.

ENGLP Response:

(Please refer to Staff-28 & 2-PP-11 for additional relevant information regarding ENGLP's cost per service)

A cost buildup example validating the $4,694 estimate includes the following:

- Contractor Costs

Machinery Rates	
Excavator, 80 HP, CAT 311 or equal	$77
Trailer, Float, Equipment, 18 to 20 Tonne	$7.54
Truck, Single Axel, Dump	$42.66
Van, Fitter, 1 Tonne - Upfitted	$25.57
Truck, Stake/Dump, 5 Tonne	$45.92
Truck, Stake, 1.5 Ton	$30.61
Compressor, Air, 185 CFM	$23.08
Hydrovac,w/operators	Case by Case
5 hour minimum per service	x5
Total	**$1,260.20**
Labor Rates	
Foreman	$111.09
Non Welder Journeyman	$100.28
Operator	$95.28
Specialized Labourer x2	$87.07x2
Total	$480.79
5 hour minimum per service	x5
Total	**$2,403.95**
Total Labor and Equipment	**$3,664.15**

- Internal Labour (design, QC, meter set, meter turn-on) $526/service
- Material $494/service
- Total $4,684/service

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.

ENGLP Response: The calculation includes only new connection construction costs.

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

ENGLP Response: ENGLP capitalizes the cost of construction, which includes the equipment, labour and materials required to connect a customer.

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.

ENGLP Response:

ENGLP feels that it is appropriate to benchmark itself against Enbridge for a few reasons. Firstly, Enbridge is the only other gas distribution utility regulated by the Ontario Energy Board in Ontario. Secondly, the scope of work when it comes to services work is the same. Thirdly, ENGLP utilizes the same contractors that Enbridge uses in Ontario.

i. The construction scope carried out by the contractors in constructing a service is the same for Enbridge as it is for ENGLP. ENGLP utilized internal resources to perform site visits, QA/QC, and meter set and turn on activities. ENGLP understands that Enbridge may contract out those activities in some areas.

ii. ENGLP does have a different customer base than Enbridge, but the Enbridge cost was in reference to "the average cost to connect a home[1]" which would be a comparable measure

iii. ENGLP understands that the scope of service work is very comparable to that of Enbridge with its contractors. ENGLP utilizes the same contractors as that Enbridge uses in some areas on Ontario.

iv. ENGLP and Enbridge likely utilize similar competitive procurement processes. ENGLP has reformed its construction standards based on its work with contractors, who also do work with Enbridge, and thus, the utilities likely have comparable construction standards.

[1] EB-2022-0200 Decision and Order, December 21, 2023, Page 25

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.

ENGLP Response: ENGLP has re-assigned its construction lead position to be the QA/QC inspector of the construction of mains and services associated with the above scope. ENGLP has not added any FTEs.

ENGLP did not ever have the necessary resources to complete emergency repairs on steel pipelines and plastic greater than 2". The strategy achieved through the RFP was to procure competent resources to be in the area doing capital work (services and mains), that are then in turn available to provide emergency response on our assets in the event it was required.

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.

ENGLP Response:

i. ENGLP has had to perform one emergency repair on the 6" steel line, one planned cut out on the 6" steel line, 3 pipeline integrity gauge runs, and replace three sections of 6" steel line with inflection points utilizing the contractor during the previous USP period.
ii. All of ENGLP's main construction has been contracted out during the previous USP period.
iii. ENGLP has had to utilize engineering support from the contractor on all 6" steel scope listed in (i) above. The contractor's engineering support was also utilized to develop an in-line welding procedure that can be used to work on steel in the event ENGLP had to build a by-pass to repair a section of line without turning off the gas.

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.

ENGLP Response: ENGLP has not completed any formal benchmarking.

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

ENGLP Response: ENGLP carried out a competitive process to procure contract support through a master service agreement in order to ensure competitive pricing was achieved. To mitigate cost increases, ENGLP's contract included no increases for the first two years, and only inflationary increases on the third. ENGLP has also created a QA/QC program to reduce the risk of failure and/or costly rework required.

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.

ENGLP Response:

i. ENGLP anticipates using the same contractor in the years 2025-2026, after which it would expect to go to market with another RFP. ENGLP expects costs to increase associated with the contractors' labour costs, which is pervasive across the industry. ENGLP has included a factor for inflationary increases in the cost of capital construction to account for this.

ii. ENGLP does not anticipate any scope changes in 2025-2029.

Refer to 2-CCC-1 for additional relevant information regarding ENGLP's contractor RFP.

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.

ENGLP Response: The meter life starts (in service and start to depreciate) as soon as it has been sealed (i.e. soon as it is received and put on the shelf).

In 2022, ENGLP was dealing with procurement and supply chain issues and had to order meters to be kept in inventory for 2023 replacement. Stock was low and supplier hedging was taking place and there was close to a year of lead times to receive meters once ordered.

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

ENGLP Response: Yes, the $281K meter costs were included as additions in the 2022 rate base.

c) Please update the related calculations as appropriate.

ENGLP Response: Not applicable based on the above responses.

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.

ENGLP Response: The error occurred in 2023. The correction has not been made on the asset continuity or revenue requirement calculation as the difference was deemed immaterial and unfavourable to ENGLP. Refer to the table below for the quantification of the error:

	Applied for NBV (20 Year Service Life)	**Corrected NBV (10 Year Service Life)**	**Difference in NBV at end of 2023**
Asset 1	2,406	2,269	(137)
Asset 2	16,747	15,796	(951)
Asset 3	31,668	29,870	(1,798)
Asset 4	18,135	17,106	(1,029)
Asset 5	4,078	3,847	(231)
Total	**73,034**	**68,888**	**(4,146)**

b) Please update the related calculations as appropriate.

ENGLP Response: An updated calculation is not applicable due to the immateriality of error.

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.

ENGLP Response: Both the mains projects listed related to the same large agricultural customer connection.

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.

ENGLP Response: The combined PI calculation summary of the two mains projects related to the same large agricultural customer connection is below.

i. Confirmed, no contributions are required by the customer as a combined result of the two mains projects.

ii. Confirmed, the revenue horizon is 20 years.

	Cash Amount	Present Value
Distribution Revenue	$ 3,552,035.42	$ 2,211,702.24
Income Taxes	$ (941,289.39)	$ (586,101.09)
Total Revenue	**$ 2,610,746.03**	**$ 1,625,601.15**
Total Capital Cost	$ 1,871,769.04	$ 1,871,769.04
CCA Tax Shield on Capital	$ (358,960.15)	$ (246,268.54)
Total Expenditure	**$ 1,512,808.89**	**$ 1,625,500.50**
Net result (Cash Amount)	$ 1,097,937.14	
Net Result (Present Value)		**$ -**

Capital Cost Breakdown	
Mainline Installation Cost	$ 1,745,727.27
Material Cost	$ 126,041.77
Total Capital Costs	**$ 1,871,769.04**

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.

ENGLP Response: Confirmed

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.

ENGLP Response: ENGLP has not completed a formal 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?

ENGLP Response: Refer to Staff 18-b.

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

ENGLP Response: The only comparable value that ENGLP is aware of is the 7.5% value used for ENGLP Southern Bruce. ENGLP would not consider Enbridge to be a comparator in this case due to the difference in scale.

Refer to Staff-18 for additional relevant information on ENGLP's proposed 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.

ENGLP Response:

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

	A	B	C	D	E	F
Capital Cost Type	**2020 A**	**2021 A**	**2022 A**	**2023 A**	**2024 Bridge**	**2025 Test**
Capitalized Overheads	$133.0	$156.2	$120.0	$183.6	$240.6	$287.90
		17%	-23%	53%	31%	20%

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.

ENGLP Response: There is an upward trend from 2022-2025 for capital overhead. As the capital program at ENGLP matured in 2021 and 2022, it was noted that there were several employees whose work was necessary to deliver the capital program but whose time was not being captured in the capital overhead pool.

As such, an increase is seen from 2022 to 2023. The capital overhead pool was adjusted on a prospective basis in 2023 to reflect the support that these employees provide to the overall capital program rather than to specific projects. As these individuals cannot practically charge time directly to specific capital projects, a portion of their time that had previously been reported as operating expense was assigned to the capital overhead pool to capture of the cost of their support for the overall capital program. These positions include the Supervisor, Field Operation, GIS Specialist, GIS Manager, and the HSE Manager.

There were further increases to capital overhead in 2024 and 2025 due to a restructuring in the Finance group supporting ENGLP. This restructuring assigned dedicated Finance resources to support capital, allowing for these costs to be identified as capital and allocated to the capital overhead pool. In addition, it was also identified that the Supervisor, Field Operations and Manager, Construction Project Development would be spending an increased proportion of their time supporting the Aylmer capital program.

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

ENGLP Response: Please refer to b) above, which details the reasons for the increase 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.

ENGLP Response: Capital expenditures related to adding capacity and/or redundancies for existing connections and/or customers would be recorded under the System Access bucket.

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.

ENGLP Response: These additions would be part of the General Plant. The categorization of assets between Distribution Plant and General Plant can be found on Table 2.2.1-2 (Exhibit 2, Tab 1, Schedule 1, page 5). For example, the hotel desk area would be classified under USoA 482 – Structures & Improvements. The additions were completed in order to better accommodate hybrid work for internal staff, while providing shower facilities for operational staff to use. Both expenditures were deemed capital in nature.

b) Please update the related calculations as appropriate.

ENGLP Response: Updated calculations are not applicable as the additions were correctly classified under General Plant.

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?

ENGLP Response: Please refer to Page 225 of 291 in Exhibit 2 – USP Section 7.3 - Table 6, which summarizes ENGLP's inspection and maintenance program along with the frequency of the various activities completed. Weekly and monthly maintenance activities are completed, tracked and documented internally using excel spreadsheets.

At this time, there are no plans to update the dashboard for inspection/maintenance activities completed weekly and 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.

ENGLP Response: The increases in Net Book Value (NBV) are primarily driven by the planned changes in capital in 2024 and 2025. The 2024 CAPEX and comparison to USP is detailed in Exhibit 2, Tab 1, Schedule 1, Page 36 (2024 USP vs. Actual) and ENGLP's planned 2025 expenditure plan can be found in the USP (Section 5 of the USP, page 87/291 of Exhibit 2).

In addition to the above references, ENGLP also provides detailed tables and associated variance explanations for 2023 Actual vs. 2024 Bridge Capital Additions[2]

[2] Table 2.2.2-5 – Exhibit 2, Tab 1, Schedule 1, Page 22

& 2024 Bridge vs. 2025 Test Capital Additions[3] starting on page 22 of Exhibit 2, Tab 1, Schedule 1.

As described in both references above, a major contributor to the increase in capital is related to a new large agricultural customer being added to ENGLP's rate base in 2024 / 2025. Further details on this new customer can be found in the USP starting on Page 122 in Exhibit 2.

ENGLP has also provided the table below that compares 2023 NBV vs. 2024 NBV and 2024 NBV vs. 2025 NBV by asset category using the data provided in Exhibit 2, Appendix 2C. ENGLP notes that the increases will differ slightly when compared to the references above as those references focus on capital additions whereas NBV would also include accumulated depreciation on existing assets in rate base. With that stated, the main variance drivers for changes in capital additions from 2023 to 2025 would also be the primary reason for the increases in NBV.

OEB Account	Description	2023 NBV	2024 NBV	2025 NBV	2023 to 2024 Increase	2024 to 2025 Increase
488	Communication Equipment	106,349	107,216	112,463	867	5,247
490	Computer Equipment	74,566	57,814	82,711	(16,752)	24,897
499	Contributions - Mains - Metallic (IGPC)	(334,538)	(326,207)	(317,876)	8,331	8,331
499	Contributions - Mains Plastic	(273,313)	(290,760)	(307,629)	(17,447)	(16,869)
499	Contributions - Services Metal	(10,929)	(10,567)	(10,206)	361	361
499	Contributions - Services Plastic	(427,686)	(464,089)	(499,306)	(36,403)	(35,217)
401	Franchise & Consents	333,496	298,264	263,032	(35,232)	(35,232)
483	Furnishing / Office Equipment	77,954	70,180	62,406	(7,774)	(7,774)
480	Land	82,653	82,653	82,653	-	-
475	Mains - Metallic	-	-	-	-	-
475	Mains - Metallic (IGPC)	2,972,477	3,189,333	3,400,250	216,857	210,916
475	Mains - Plastic	9,125,033	10,973,501	11,981,591	1,848,468	1,008,090
477	Measuring & Regulating Equip	1,071,877	1,365,838	1,407,252	293,960	41,415
477	Measuring & Regulating Equip (IGPC)	451,565	430,478	409,391	(21,087)	(21,087)
478	Meters - Commercial	871,925	949,853	1,016,857	77,928	67,003
478	Meters - IGPC	-	-	-	-	-
478	Meters - Residential	1,117,661	1,721,237	2,248,405	603,577	527,167
474	Regulators	360,662	636,912	849,114	276,249	212,202
473	Services - Plastic	3,466,577	4,195,547	4,888,434	728,970	692,887
491	Software - Acquired	206,039	169,848	136,784	(36,192)	(33,064)
482	Structures & Improvements	442,414	430,082	540,093	(12,333)	110,012
486	Tools and Work Equipment	247,161	245,065	241,052	(2,095)	(4,013)
485	Vehicle - Heavy Work Equip	21,115	18,780	16,444	(2,335)	(2,335)
484	Vehicles - Transportation Equip	312,889	330,479	320,670	17,590	(9,808)
Net Book Value of PP&E for Rate Base Purposes		**20,295,945**	**24,181,455**	**26,924,586**	**3,885,510**	**2,743,131**

[3] Table 2.2.3-1 – Exhibit 2, Tab 1, Schedule 1, Page 25

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.

ENGLP Response: Refer below for the NBV of PP&E including the year-over-year change (%) for the past 10 years.

Year	Net Book Value of PP&E for Rate Base purposes	Year over year change (%)
2014	$13,045,001	
2015	$11,404,498	-12.6%
2016	$13,147,448	15.3%
2017	$13,047,958	-0.8%
2018	$14,192,781	8.8%
2019	$14,697,874	3.6%
2020	$16,580,487	12.8%
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%

ENGLP notes the 2014 to 2017 NBV was taken from EB-2018-0336, Exhibit 2, Tab 1, Schedule 1, Page 6 - Table 2.2.1-3. EPCOR did not acquire the utility from NRG until November 2017 and as such, the NBV reflected in the table above would represent what assets were reflected by the previous utility owner. Therefore, elements of the 2014-2017 historical data are less indicative of ENGLP performance from 2018-2025. Additionally, ENGLP was approved for a change in depreciation rates in EB-2018-0336[4] which could potentially impact the comparability of historical data.

[4] EB-2018-0336, Exhibit 4, Tab 1, Schedule 1, Page 57-65

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.

ENGLP Response: The CV(s) of Cornerstone Energy Services (Cornerstone) staff who consulted for EPCOR is provided as a separate attachment with this submission (ENGLP_EB-2024-0130_IRR_Staff-42_Cornerstone CV.)

Cornerstone performed hydraulic modeling and integrity studies for the Aylmer distribution system in ENGLP's previous filing (EB-2018-0336), and further in 2022 and 2023 as used in this filing. Cornerstone was selected for its expertise in hydraulic modeling and analyzation of the distribution system, along with their familiarity with the utility. Cornerstone is able to model to fit existing data records, evaluate the system's reliability (current customer peak usage), as well as forecast increases in gas demand for future years.

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.)

ENGLP Response: The weighting is assigned through a combination of customer input and feedback, operational experience and the operational plan.

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

ENGLP Response: The weighting could change if significant information is received that warrants a review. This could include feedback from customers, operational experiences or input during annual operational strategy planning. Should that weighting change, it would change for all projects at the same time to ensure a fair and consistent comparative evaluation.

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

ENGLP Response: The risk and value assessment is completed during the development of the five-year USP as part of the filing process. It is then reviewed annually during the budget process to ensure priorities have not changed and the measures remain reasonable.

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.

ENGLP Response: ENGLP seeks to plan the capital investments consistently. However, due to the significant system access investments required (~70% of the capital spent between the years 2020-2024 has been customer driven spend), this is often largely outside the control of ENGLP. The timing of customer connections is driven by the customer demand.

In addition, ~11% of the capital spend pertains to compliance on meter renewal which is also non-discretionary timing.

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.

ENGLP Response: Through its planning process, ENGLP has aimed for a consistent capital budget envelope for the 2025-2029 USP period. There is an increased number of meter replacements planned between 2025 and 2026 compared to the remaining years. This is a result of Measurement Canada's requirement, which ENGLP complies with for reverification periods (depending on meter type), and can be found in the link below. A large number of residential diaphragm meters are reaching their end of seal life (10 years) in 2025 and 2026.

https://ised-isde.canada.ca/site/measurement-canada/en/laws-and-requirements/g-18-reverification-periods-gas-meters-ancillary-devices-and-metering-installations#Section5.5

Further, in 2025, there are placeholders to complete the Port Burwell Low Pressure Reinforcement project and Phase 2 of the Large Agricultural customer load project. In 2026, there are plans to complete the 5MW Power Plant customer addition project.

The combination of meter replacements to be completed in 2025 and 2026 and large customer connection projects are the main reasons why the capital spend in 2025 and 2026 is higher than the remaining 2027-2029 USP period.

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?

ENGLP Response: ENGLP considers capital investments related to customer growth, system reinforcement projects to main system pressure and capacity as well as investments to enhance the safety and reliability of its assets as “mandatory” in nature. The main driver of mandatory work is System Access investments in order to provide new customers with access to natural gas service. Subject to resource availability and proper planning, ENGLP will complete System Access work of the following year in the current year’s schedule.

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

ENGLP Response: Yes, Table 3 includes 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?

ENGLP Response: R1-Residential, R1-Commercial and R1-Industrial customer connection forecast includes town loads and rural connections. Typical town customer connection growth is noted to be between 2.5 and 3% throughout the region. For system modeling purposes, ENGLP estimated the average annual growth rate for town loads to be 2% year by year. The remaining customer count growth are rural connections and lower than 2% year after year. Hence, the overall average annual growth rate for R1-Residential, R1-Commercial and R1-Industrial customer connections is lower than 2%.

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.

ENGLP Response: The addition of the one R3 customer in 2023-24 will increase service demand by 2,316,000 m^3 (163% increase). The remaining service demand increase is associated with other additional R3 customer loads.

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.

ENGLP Response: Confirmed. 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.

ENGLP Response: ENGLP does not currently have meters on any of the district stations or have the ability to track inlet and outlet pressures. The maximum flow rate for the station would vary depending on the inlet pressure. The current flow rate depicted in Table 5 above is from the modeling work completed by Cornerstone.

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?

ENGLP Response: Confirmed. Enbridge Gas and Lagasco are able to accommodate additional throughput at each custody transfer point.

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.

ENGLP Response: The table below summarizes the maximum flow rate of each district station in the Aylmer distribution system as part of our SA1550 with Enbridge:

Meter Site Location	Max. Hourly Volume
Eden	703
Brownsville	113
Putnam	2,342
Harrietsville	2,408
Belmont	1,071
Walsingham	1,170

Bayham	1,854
Nilestown	1,704
Lakeview	2,685

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).

ENGLP Response: Projects are prioritized using a risk and value scoring mechanism to classify and prioritize projects against asset management objectives of:

- Safety
- Reliability
- Customer Service
- Financial Integrity
- Effective Integration
- Environmental

The risk and value assessment is completed during the development of the five-year USP and reviewed annually during the internal budget process to ensure priorities have not changed and the measures remain reasonable.

The Port Burwell low-pressure reinforcement and South Belmont pipe addition are projects to address low pressures serving approximately 470 and 775 customers respectively. Both projects rank high on the top three elements of:

- Safety (*efforts to ensure assets are operated in a safe manner*);
- Reliability (*address asset condition issues in a timely manner to ensure the continued reliable supply of natural gas delivery*); and
- Customer Service (*ensuring asset management plans align with customer service expectations)*.

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.

ENGLP Response: Dedicated costs are allocated to IGPC 100% directly in the cost allocation model (OM&A and Capital Functionalization). Other ratepayers do not contribute to assets that solely supply 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.

ENGLP Response: Not applicable based on the above response.

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?

ENGLP Response: ENGLP conducted a baseline engineering assessment to evaluate the integrity of the last 300-400m section of the pipe. The engineering assessment was conducted to ensure that ENGLP could continue to safely and reliably operate the pipeline until April 2024, when the cut-out and replacement of the feature was planned during a coordinated shutdown with the customer. The mitigation measures implemented include:

- Increased the frequency of leak surveys (using sweep method) along this section of pipe to weekly;
- Explored options to reduce the operating pressure in the pipeline to reduce the impact radius of concern of a potential leak failure; and,
- Procured 6-inch steel as security pipe to enable operations to react quickly in the event of an emergency.

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

ENGLP Response: Reference to address metal loss features can be found in ENGLP's Operations, Maintenance & Emergency Manual. In particular, 'Section VI. Maintenance: Corrosion Control Procedures' refers to "Evaluation of imperfections" and repair methods to address metal loss features in steel pipeline systems.

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

ENGLP Response: The metal loss feature was addressed in April 2024. The pipeline is not operating below 30% Specified Minimum Yield Strength (SMYS).

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?

ENGLP Response: The Magnetic Flux Leakage (MFL) tool data determined that this particular feature had metal loss of 78%. There were safety concerns associated with working on steel pipe with potential metal loss feature close to 80%. As a result, it was determined the best path forward was to cut out and replace this section of pipe and conduct non-destructive examination (NDE) to determine the true metal loss of the feature. NDE of the metal loss feature conducted determined that the feature actually had metal loss of 84%.

i. The cost difference would have been a $130k +/- Contingency based on the following:
   - Estimate to cut out and replace single metal loss feature: $245K +/- Contingency; and
   - Estimate for single composite sleeve repair: $115K +/- Contingency

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?

ENGLP Response: During an integrity dig, if a feature is found to have metal loss of less than 80% it will be repaired during the same dig. The repair cost of the sleeve has been included in the overall cost estimate of the integrity digs.

However, if a feature is found to have metal loss greater than 80%, it will have to be cut out and replaced. The two integrity digs planned in 2025 and 2026 are for metal loss features less than 80% as determined by the MFL tool data.

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.

ENGLP Response:

i. The table below provides the length and size of main installations for each year during the 2020-2023 period. ENGLP was not able to compile the 2024 data as requested as this accounting process does not take place until year end.

Year	Size of Pipe		
	1 1/4" PE	2" PE	4" PE
2020	1,348	14,283	260
2021	500	5,900	7,294
2022	718	2,514	1,500
2023	45	1,614	2,027

**lengths are in meters*

ii. The forecast of 2,500 metres of 2-inch PE pipe and 500 metres of 4-inch PE

pipe is based on historical year-by-year organic growth of residential, commercial and agricultural customers and forms part of the Main Additions program annually. Large agricultural and Industrial connections and system reinforcements are treated as separate projects, which add to the length of main installations in a given 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.

ENGLP Response: The assumed inflation year-by-year inflation rate is 2.80%

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%.

ENGLP Response: ENGLP is currently in the process of renegotiating unit, labor and equipment rates for services installation with its' MSA construction partner. While negotiations are on-going, there is a proposed increase in the service connection rates for 2025 and 2026 being contemplated. In addition, there is a possibility of decreased service connection requests in future years due to higher interest rates and a corresponding reduction in local housing developments.

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%.

ENGLP Response: ENGLP continues to experience procurement and supply chain issues related to meters. The unit cost of all meter types has increased from previous years. As noted in part b) above, there is a possibility of decreased service connection requests in future years as a result of higher interest rates and a corresponding reduction in local housing developments.

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%.

ENGLP Response: ENGLP continues to experience procurement and supply chain issues related to regulators as the unit cost of regulators has increased from previous years. As noted in parts a) & b) above, there is a possibility of decreased service connection requests in future years as a result of higher interest rates and a corresponding reduction in local housing developments.

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.

ENGLP Response: The Maricann Station is owned and operated by Clearbeach Resources.

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.

ENGLP Response: Contractual framework under development between EPCOR and Clearbeach Resources include an Early Works Agreement, Gas Supply Agreement and Asset Acquisition Agreement.

ii. Have these new contracts been signed or amended?

ENGLP Response: The Early Works Agreement has been signed and the Asset Acquisition Agreement is being amended and will be signed once construction is complete.

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?

ENGLP Response: If Phase 2 is not built, it would not affect the demand requirement from Phase 1.

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

ENGLP Response: ENGLP received a re-forecast from the agricultural customer after the application was submitted. The customer initially requested 1,700 m^3/hr peak requirement for Phase 1 of their operations and 3,400 m^3/hr for Phase 2. Subsequently, in late June 2024, they provided an updated forecast with a reduced requirement - 1,300 m^3/hr for Phase 1 and 2,100 m^3/hr for Phase 2. Further, as per the most recent forecast provided, the Phase 1 timeline is for 2024, Phase 2 for 2028 and a potential Phase 3 for 2031.

The Clearbeach Resources gas supply solution is capable of providing 1,300 m^3/hr during peak requirements. The pipeline upgrade project completed in early 2024 currently provides 800 m^3/hr. The combination of both projects will satisfy both Phase 1 and Phase 2 load requirements (i.e. 800 m^3/hr is being provided by the pipeline upgrade project and 1,300 m^3/hr by the Clearbeach solution to get to 2,100 m^3/hr which is the Phase 2 requirement).

i. Are there cost updates?

ENGLP Response: The YTD spend on the completed pipeline upgrade project is $890,949. The estimated Clearbeach gas supply solution cost is $980,820. Both of these projects are to be completed in 2024.

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?

ENGLP Response: Summary of the PI calculation for this project is detailed below. ENGLP confirms that there are no contributions are required by the customer.

	Cash Amount	Present Value
Distribution Revenue	$ 3,552,035.42	$ 2,211,702.24
Income Taxes	$ (941,289.39)	$ (586,101.09)
Total Revenue	**$ 2,610,746.03**	**$ 1,625,601.15**
Total Capital Cost	$ 1,871,769.04	$ 1,871,769.04
CCA Tax Shield on Capital	$ (358,960.15)	$ (246,268.54)
Total Expenditure	**$ 1,512,808.89**	**$ 1,625,500.50**
Net result (Cash Amount)	$ 1,097,937.14	
Net Result (Present Value)		**$ -**

Capital Cost Breakdown	
Mainline Installation Cost	$ 1,745,727.27
Material Cost	$ 126,041.77
Total Capital Costs	**$ 1,871,769.04**

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.

ENGLP Response: ENGLP has been informed that the 5MW power plant project was successful in its bid submission as part of the IESO's LT1 RFP process.

b) Provide the PI calculation for this project.

ENGLP Response: The Summary of the PI calculation for this project is below. There is a contribution required from the customer to offset the revenue shortfall.

	Cash Amount		Present Value	
Distribution Revenue	$	1,465,021.57	$	978,605.14
Income Taxes	$	(388,230.72)	$	(259,330.36)
Total Revenue	**$**	**1,076,790.86**	**$**	**719,274.78**
Total Capital Cost	$	1,887,879.68	$	1,887,879.68
CCA Tax Shield on Capital	$	(308,461.12)	$	(223,800.07)
Total Expenditure	**$**	**1,579,418.56**	**$**	**1,664,079.61**
Net result (Cash Amount)	$	(502,627.71)		
Net Result (Present Value)			**$**	**(944,804.83)**

Capital Cost Breakdown		
Mainline Installation Cost	$	1,508,676.18
Material Cost	$	379,203.50
Total Capital Costs	**$**	**1,887,879.68**

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

ENGLP Response: The costs have been estimated based on the existing 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.

ENGLP Response: In 2011, Measurement Canada refined the rules for compliance sampling which has limited the chances of successful sampling and shortened the

lifespan of the refurbished meter. Combining this with increased costs of refurbishment and the decreased costs of new meters, the replacement of these meters became more economical than refurbishing existing meters. Accordingly, ENGLP decided to discontinue sampling and refurbishing f the residential meters, thereby changing the useful life of meters to the 10-year seal life.

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

ENGLP Response: As stated above in Staff-44, ENGLP has developed its USP taking into account capital investment smoothing where possible. In regards to the meter replacement programs, there are an increased number of meter replacements planned in 2025 and 2026 in order to meet Measurement Canada's requirements for reverification. A large number of residential diaphragm meters are reaching their end of seal life (10 years) in 2025 and 2026, which will not allow ENGLP to smooth out the investments equally in each year of the meter replacement program. The Measurement Canada standards can be found using the link below:

https://ised-isde.canada.ca/site/measurement-canada/en/laws-and-requirements/g-18-reverification-periods-gas-meters-ancillary-devices-and-metering-installations#Section5.5

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?

ENGLP Response: The typical life of residential meter without re-verification is 10 years. If the meter passes re-verification, a 2, 4 or 6-year extension on the seal date is possible, depending on meter type (as per Barchard Engineering, which is a Measurement Canada certified re-verification company).

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.

ENGLP Response: The table below provide a detailed export by meter type of meters replaced from 2020-2023 as well as meters that are expected to be replaced between 2024 and 2029.

Year	Total by Meter Type
2020	Meter Size AC 250 – 428 Meter Size AC 425 – 19 Meter Size AL 1,000 – 16 Meter Size 5M175 – 4
2021	Meter Size AC 250 – 301 Meter Size AC 425 – 90 Meter Size AC 630 – 4 Meter Size AL 800 – 15 Meter Size AL 1,000 – 18 Meter Size 3M175 – 8 Meter Size 5M175 – 6 Meter Size 7M175 – 4 Meter Size 16M175 – 4
2022	Meter Size AC 250 – 522 Meter Size AC 425 – 121 Meter Size AC 630 – 9 Meter Size AL 800 – 9 Meter Size AL 1,000 – 24 Meter Size 3M175 – 10 Meter Size 5M175 – 3 Meter Size 16M175 – 1
2023	Meter Size AC 250 – 1,043 Meter Size AC 425 – 4 Meter Size AC 630 – 2 Meter Size AL 800 – 1 Meter Size AL 1,000 –5 Meter Size 3M175 – 5 Meter Size 5M175 – 2 Meter Size 16M175 – 1

2024 (Expected)	Meter Size AC 250 – 2,228 Meter Size AC 425 – 221 Meter Size AC 630 – 8 Meter Size AL 750 – 2 Meter Size AL 800 – 3 Meter Size AL 1,000 – 2 Meter Size 3M175 – 1 Meter Size 5M175 – 4 Meter Size 11M175 – 3
2025 (Planned)	Meter Size AC 250 – 1,890 Meter Size AC 630 – 34 Meter Size AL 800 – 9 Meter Size 3M175 – 30 Meter Size 5M175 – 5 Meter Size 7M175 – 4 Meter Size 11M175 – 2
2026 (Planned)	Meter Size AC 250 – 750 Meter Size AC 425 – 350 Meter Size AL 800 – 110 Meter Size 3M175 – 20 Meter Size 5M175 – 5 Meter Size 7M175 – 4 Meter Size 11M175 – 1 Meter Size 16M175 – 1
2027 (Planned)	Meter Size AC 250 – 720 Meter Size AC 630 – 60 Meter Size 3M175 – 10 Meter Size 5M175 – 5 Meter Size 11M175 – 1
2028 (Planned)	Meter Size AC 250 – 1,150 Meter Size 3M175 – 10
2029 (Planned)	Meter Size AC 250 – 70 Meter Size AC 425 – 40 Meter Size 11M175 – 1

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:

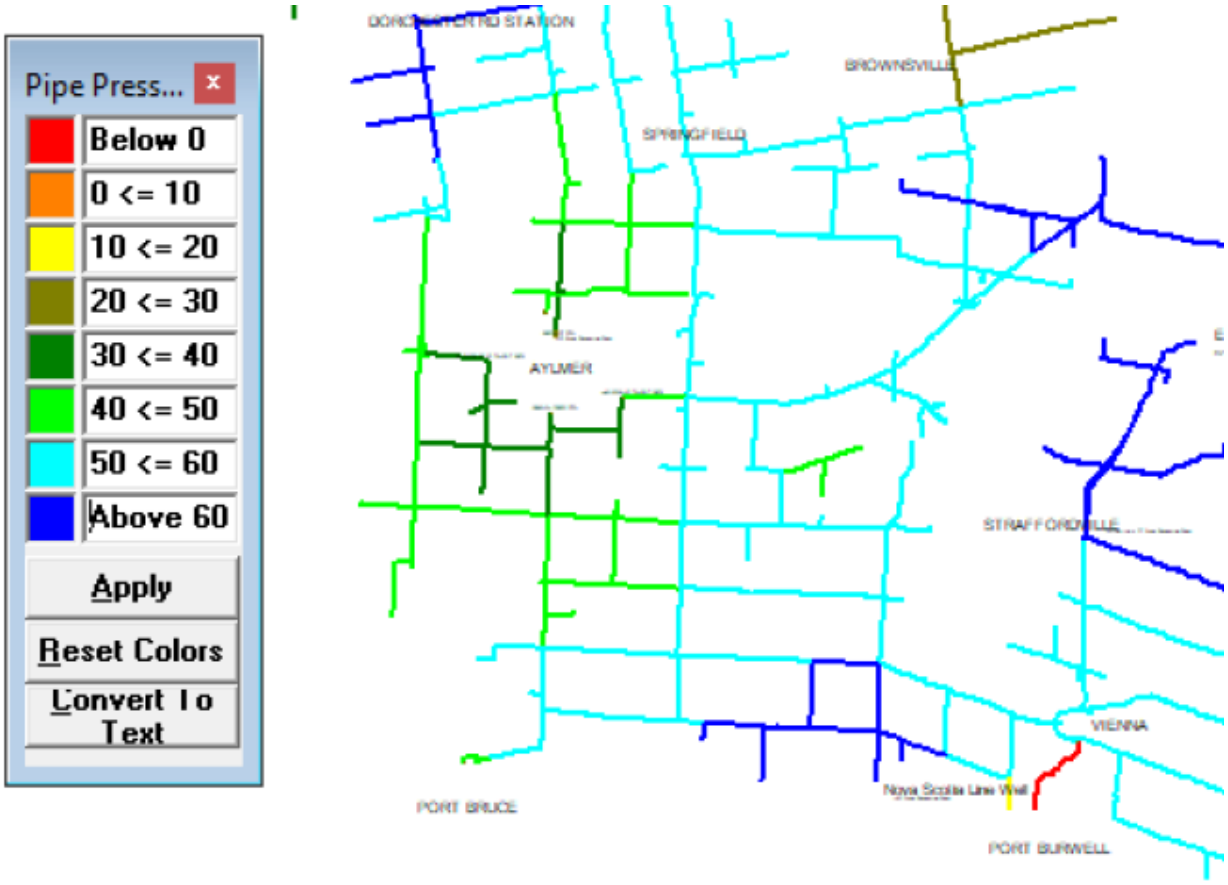
In the first reference above, ENGLP states that Port Burwell, a small community on the lakeshore, operates as a 30psig system. There are two 2-inch gas lines that feed the town. Both regulator stations are located in excess of 1km away from the town center. This run of relatively small pipe causes a 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?

ENGLP Response: There are approximately 470 customers in Port Burwell community.

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

ENGLP Response: Currently, ENGLP forecasts a 2% customer count growth per year per town in the Aylmer distribution system. The forecasted customer connections in Port Burwell by 2028 is 508.

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

ENGLP Response: There are currently 40 customers between the Port Burwell Teall Hill regulator station and the start of the Port Burwell community.

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

ENGLP Response: No, ENGLP did not consider putting in compressor units due to their high cost and operational issues.

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)?

ENGLP Response: The relocation of the Port Burwell Teall Hill regulator station downstream will affect the operation pressure of the pipe upstream of the station. To mitigate this, the existing 2-inch pipe will be abandoned and a new 4-inch PE pipe will be installed, which will be rated for the higher pressure (80psi).

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?

ENGLP Response: The two 2" pipelines on the map above is the one highlighted in red (on top of Port Burwell) and yellow (next to the Nova Scotia Line West).

ENGLP considered connecting the Nova Scotia Line West community to Port Burwell community and increasing the pressure; however the solution was not feasible. Both

communities would need to be connected through Orchard Line and the terrain there includes a large creek crossing, steep hills and potential private property. Further, a new regulating station would need to be added, which would increase the overall costs. This solution was determined to be both operationally challenging and not cost effective compared to the proposed solution.

For more information on the Port Burwell reinforcement, please refer to 2-CCC-9 & 2-PP-12b).

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?

ENGLP Response: There are currently 920 customers in Belmont forecasted to grow to approximately 995 by 2028.

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

ENGLP Response: There are currently two customers in an interruptible rate class in North Belmont and one customer in an interruptible rate class in South Belmont.

Utilizing interruptible provisions with this one customer will not alleviate the system pressure issues in the South.

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

ENGLP Response: The tables below summarize a) The total annual consumption (m^3) for all of Belmont, and b) the total annual consumption (m^3) for all interruptible customers in North and South Belmont.

Table a)

Year	Total Annual Consumption (m^3)
2020	2,566,450
2021	2,672,790
2022	2,836,405
2023	2,868,972
2024 Year to Date	1,884,134

Table b)

Customer 1: South Belmont	
Year	**Total Annual Consumption (m^3)**
2020	68,298
2021	75,723
2022	66,027
2023	143,545
2024 Year to Date	7,149

Customer 2: North Belmont	
Year	**Total Annual Consumption (m^3)**
2020	69,020
2021	54,824
2022	47,773
2023	71,595
2024 Year to Date	4,120

Customer 3: North Belmont	
Year	**Total Annual Consumption (m^3)**
2020	20,900
2021	25,183
2022	19,645
2023	29,922
2024 Year to Date	1,161

Historically, there was peak flow noted in November 2023 where the total annual consumption of Belmont was 511,901 m^3 and the consumption of the interruptible customers was 184,689 m^3

For more information on the South Belmont reinforcement, please refer to 2-PP-12c)..

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?

ENGLP Response: PE pipe, 6" steel pipe and other equipment are currently stored in the ENGLP Aylmer shop, which is reaching its storage capacity.

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

ENGLP Response: Weather elements, such as rain/snow, moisture, humidity etc. cause corrosion and can lead to pipe rusting. In addition, plastic pipe has to be protected from UV rays, necessitating the need for indoor storage. Overall, outdoor weather conditions do not make it suitable for storing pipe and other equipment outdoors.

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

ENGLP Response: PE pipe, 6" steel pipe and other equipment on hand act as emergency spares. Additionally, procuring these materials often involves long lead times, leading to safety risks if ENGLP is without these materials.

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?

ENGLP Response: In 2023, ENGLP estimated the cost of replacing the 400m section of pipe to be $1.5 million, which included all pre-engineering work. ENGLP's regulatory group assessed the estimated cost of this replacement work to determine the impact to dedicated IGPC rates. It was determined that the cost of this project was entirely disproportionate with the value of existing net book value of this pipeline, (approximately $3.5M after 14 years of depreciation). The impact of this project could lead to a potential 25% increase to existing rates paid by IGPC, and would also likely require an increased surety in order to cover the risk. The customer impacts of this cost was deemed unacceptable, which lead to ENGLP to further explore non-traditional solutions, ultimately deciding to replace the dedicated 400m section of the pipeline. In this process, ENGLP also considered alternative options (feature cut out and replacement, and sleeve repairs).

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.

ENGLP Response: Confirmed.

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.

ENGLP Response: Confirmed. This spend represents the infrastructure and labour required to implement or renew. The Ontario and Corporate shared services support in these areas refers to operational support.

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.

ENGLP Response: ENGLP's usage-to-date and planned development of mobile apps has benefited from collaboration with other EPCOR affiliates. For example, ENGLP is utilizing a "Working Alone" application for its gas technicians that was first developed by EPCOR's Distribution and Transmission electricity LDC in Edmonton.

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.

ENGLP Response: ENGLP has not completed any external benchmarking.

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

ENGLP Response: ENGLP will continue to employ applicable codes, standards and procedures to generate operational data related to performance, incidents, areas of risk, and changed conditions. This data will be used to amend integrity management procedures and accompanying documents as required.

ENGLP operations personnel continuously gather pipeline data for the as part of regular patrols and other operations activities. The data gathered include annual pipeline leak surveys, continuous monitoring of system pressure, temperature and flowrate data, annual maintenance survey of exposed facilities such as meter and pressure regulator stations, and regular functionality verification of cathodic protection systems.

In addition to the regular operations monitoring, ENGLP also ensures in-line inspection and cathodic protection surveys are conducted by third party specialized firms, within critical steel sections of its pipeline delivery system.

Reviews of processes and key documents are conducted with to ensure the following objectives are met:

- Reflect changes due to regulatory requirements;
- Change management related to pipeline reconfiguration;
- Incorporate better technologies or new developments in management practices;
- Refine approaches as driven by new learnings from operational data; and,
- Optimize cost of activities.

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.

ENGLP Response: The threshold is based on the nature of the customer.

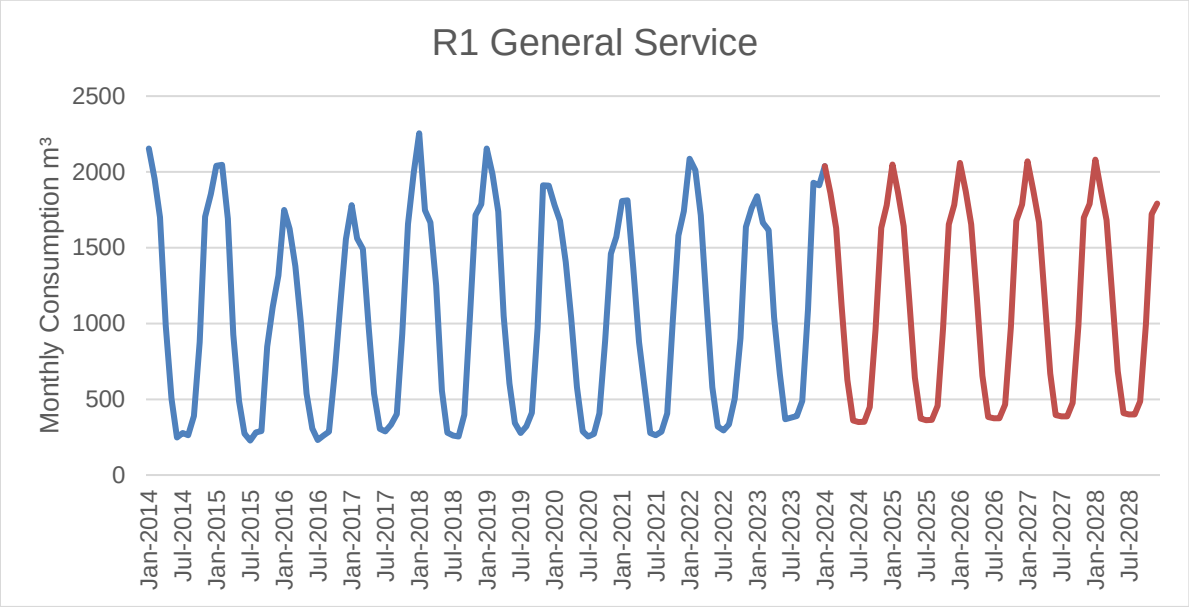
b) Please provide the volume threshold tiers of the proposed two rate classes.

ENGLP Response: The only change proposed is the removal of the tier structure for R1 Residential customers.

	R1 - Residential	R1 - General Service
Current	Tier 1 - 1000, Tier 2 >1,000	Tier 1 - 1000, Tier 2 >1,000
Proposed	No tiers	Tier 1 - 1000, Tier 2 >1,000

c) Please provide what is the consumption profile for a typical R1 - General Service customer.

ENGLP Response: The consumption profile for an average R1 General Service customer is provided in the following chart:



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.

ENGLP Response: There is the potential should customers wish to change their billing structure (i.e. seasonal or contract demand), at which time, it would be at the customer's discretion.

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.

ENGLP Response: Yes, although ENGLP uses a PI threshold of 1.0 and it does not have a Rolling Project Portfolio.

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).

ENGLP Response: For the purposes of customer classification during the initial intake, ENGLP would use the Canada Energy Regulator energy conversion tables as follows:

- 1 MMBtu = 1,000,000 Btu = 1.0551 GJ
- 1 MMBtu = 1,000,000 Btu = 28.3278 m^3

Source: https://apps.cer-rec.gc.ca/Conversion/conversion-tables.aspx

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

ENGLP Response: ENGLP did not separate the large volume and non-large volume customers because there are very few differences in how those Customer groups are considered. Any differences are immaterial such that separation is unnecessary.

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”.

ENGLP Response: Section 4.5 “specific piece of main” is referring to the section of main that was installed for that specific main extension project only.

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.

ENGLP Response: This is a typo and should read “at least 1.0”.

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.

ENGLP Response: The forecast was prepared by Mr. Andrew Blair, who moved from Elenchus to Power Advisory in July 2023. With Elenchus, Mr. Blair prepared ENGLP's throughput forecasts in its 2020-2024 rates application and each gas supply plan filing since that application. Additionally, he regularly prepares load forecasts for electricity LDC cost of service applications that have been approved by the OEB or accepted in settlement agreements. Power Advisory LLC was chosen as a continuance of the work previously completed by Elenchus with a consultant who is familiar in ENGLP's customer base and who has experience in multiple industries.

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.

ENGLP Response: The R4 forecast is based on three years (2021-2023) of average monthly consumption for the months January to October and two years (2021-2022) for the months of November and December. Additionally, loads of new R4 customers are added to the forecast beginning in 2024.

The R5 forecast is based on three years (2021-2023) of average monthly consumption for the months January to October and two years (2021-2022) for the months of November and December. Variability from year to year is not adjusted and is accounted for by using the three-year average.

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?

ENGLP Response: The unpredictability of R4 and R5 loads is due to the unpredictability of crop yields in each year. High crop yields can be predicted up to a few months before high volumes materialize, however, this cannot be predicted in the prior year when rates based on those volumes are established.

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.

ENGLP Response: The Power Advisory Report (page 24) is correct. An updated version of Table 3.2-2 can be found below.

Table Staff-67 (Updated Table 3.2-2)

Rate Class	2020T Approved	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Bridge	2025 Test
Rate 1 - Residential	17,043,677	17,634,113	18,312,844	18,631,763	19,043,524	19,394,143	19,778,416
Rate 1 - Commercial	4,851,704	5,511,640	5,659,391	6,722,916	6,683,620	6,119,454	6,193,869
Rate 1 - Industrial	1,743,215	2,213,080	2,654,845	2,421,872	2,874,546	2,579,897	2,686,373
Rate 2	1,280,413	784,724	829,096	839,041	869,131	832,281	832,281
Rate 3	1,721,684	1,384,060	1,420,006	1,552,971	1,389,910	2,740,988	3,918,036
Rate 4	1,149,006	1,534,283	1,793,580	1,601,474	2,227,329	2,023,938	2,334,616
Rate 5	685,748	554,438	791,530	585,954	980,160	647,586	647,586
Rate 6	59,243,876	59,599,950	65,376,687	62,040,423	65,345,852	65,345,852	65,345,852
Total Usage	**87,719,323**	**89,216,288**	**96,837,979**	**94,396,414**	**99,414,072**	**99,684,139**	**101,737,029**
YOY Variance		*1.71%*	*8.54%*	*-2.52%*	*5.32%*	*0.27%*	*2.06%*

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.

ENGLP Response: The correct count is 9,676. The table originally displayed in Exhibit 3, has been updated below.

Table Staff-68-1 (Update of Table 3.2-4)

Rate Class	Customers			Actual Volumes			Weather Normal Volumes		
	2020T Approved	2020 Actual	Diff.	2020T Approved	2020 Actual	Diff.	2020 Approved	2020 Normal	Diff.
Rate 1 - Residential	9,011	8,805	-2.29%	17,045,597	16,837,081	-1.20%	17,045,597	17,634,113	3.50%
Rate 1 - Commercial	498	535	7.43%	4,851,704	5,028,438	3.60%	4,851,704	5,348,179	10.20%
Rate 1 - Industrial	69	75	8.70%	1,743,215	2,067,358	18.60%	1,743,215	2,213,080	27.00%
Rate 2	49	48	-2.04%	1,280,413	784,724	-38.70%	1,280,413	784,724	-38.70%
Rate 3	6	6	0.00%	1,721,684	1,361,184	-20.90%	1,721,684	1,384,060	-19.60%
Rate 4	38	40	5.26%	1,149,006	1,534,283	33.50%	1,149,006	1,534,283	33.50%
Rate 5	4	4	0.00%	685,748	554,438	-19.10%	685,748	554,438	-19.10%
Rate 6	1	1	0.00%	59,243,876	59,599,950	0.60%	59,243,876	59,599,950	0.60%
Total	**9,676**	**9,514**	**-1.67%**	**87,721,243**	**87,767,455**	**0.10%**	**87,721,243**	**89,052,827**	**1.50%**

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.

ENGLP Response: ENGLP utilizes both internal and contracted resources to carry out its integrity management program.

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.

ENGLP Response: As a small utility, ENGLP does not have the same economies of scale as compared to a contractor when considering the purchase of equipment and training required to complete mains and services construction. In addition, if ENGLP hired the necessary FTEs to execute the capital construction scope on mains and services, there is not enough capital work to keep them busy year-round, which would only increase operational costs.

The percentage of work given to contractors would be ~60% of the planned capital spend in the next USP period. ENGLP employees will be mainly focused on operational tasks consisting of inspections, surveys, valve maintenance, station

maintenance, leak repairs, customer call outs, and locates. ENGLP employees will be involved in the capital program around setting meters, hanging meters and installing regulators. ENGLP employees are also planned to be involved in the meter replacement program supplemented by contractors as required.

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.

ENGLP Response: Through ensuring that the contractor has a sufficient training and competency program, ENGLP is reducing the risk of OM&A costs spent on leak repairs, such as service T leaks or pipeline fusion leaks on mains. When such unplanned events occur, they can be very expensive and cause unplanned downtime for a customer. A mechanical service T repair can be $3500-$4000 to repair, and if a bypass is required to keep downstream customers on gas, this cost will increase.

Please see PP-11 for a further explanation of how the use of a contractor compares with an internal cost buildup if ENGLP were to establish the same level of capability as a contractor.

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

ENGLP Response: As a result of outsourcing, ENGLP:

- Avoided the purchase of vehicles, trailers, drills and heavy equipment required to install mains and services.
- Did not have to hire the employees required to construct services and mains; and,
- Did not have to develop the internal training programs required to ensure competency of the workers carrying out the work.

Prior to EPCOR's acquisition of NRG, the former company had avoided making these purchases, and hiring the necessary resources to continue to construct internally indicating a strategy to use more contractors.

Through a competitive procurement process, ENGLP ensured it contracted with a competitive and competent service providers that could also provide emergency response on steel and plastic lines and engineering scope of services. ENGLP could not provide this internally without incurring the significant cost of hiring, training and sustaining the employees, and purchasing the necessary equipment.

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.

ENGLP Response: Line 22 on Table 4.3.3.1-1 from Exhibit 4, Tab 1, Schedule 1, Page 30 provides the total net compensation incurred by ENGLP on a historical basis and what is being requested for approval in the 2025 revenue requirement. ENGLP submits that when assessing salary increases for the 2025 Test Period, the net compensation should be the main focus as that net labour forecast is ultimately what will be recovered from ENGLP customers. Table 4.3.3.1-1 provides an oversight on the increase in net FTEs and dollars increases associated with those changes.

In regards to scope changes for Ontario affiliate shared services, ENGLP provides a detailed overview starting on Page 55 of Exhibit 4. Specifically, Table 4.3.3.2-3 shows the year-over-year change by service provided with the accompanying variance explanations being explained on pages 56 to 59.

To provide clarity on scope changes versus inflationary pressure, ENGLP will provide two tables. The first table will provide net salary increases related to inflation versus labour compliment changes and the second will provide Ontario affiliate shared services increases related to inflation versus scope**.**

Table 1 - Net Salary Increases Inflation vs. Labour Compliment Changes

		A	B	C	D	E	F	G
1	**Description**	**2020 A**	**2021 A**	**2022 A**	**2023 A**	**2024 Bridge Year**	**2025 Test Year**	**Reference**
2	Salaries - Mgmt & Non-Mgmt	1,077.6	1,102.0	1,284.8	1,408.7	1,514.4	1,685.3	Table 4.3.3.1-1, Line 16 (no OT included)
3	Benefits	338.7	370.0	386.2	435.7	398.7	445.2	Table 4.3.3.1-1, Line 17
4	Incentive Plan (STIP)	38.8	91.4	104.6	114.1	74.8	84.4	Table 4.3.3.1-1, Line 18
5	Capital Transfers	(283.8)	(318.6)	(246.2)	(302.8)	(372.2)	(404.3)	Table 4.3.3.1-1, Line 19 (no OT included)
6	Operating Transfers & Burden	(214.9)	(212.9)	(380.6)	(607.8)	(636.1)	(502.1)	Table 4.3.3.1-1, Line 20 (no OT included)
7	**Total Net Salary**	**956.4**	**1,031.9**	**1,148.7**	**1,048.0**	**979.7**	**1,308.6**	
8	Inflation Rate	0.00%	1.80%	2.90%	3.30%	4.50%	3.50%	Table 4.3.1-3, Line 2
9	Inflated 2020 Salary	956.4	973.6	1001.8	1034.9	1081.5	1119.3	A9*(1+B8) repeated for each column
10	**Inflationary increase since 2020**						**162.9**	F9-A9
11	**Net Labour Compliment increase since 2020**						**189.3**	F7-A7-F10

The net labour compliment increase of $189K would be primarily driven by the additional 2.5 FTEs being requested on Page 33 (starting on line 24) of Exhibit 4, Tab 1, Schedule 1.

Table 2 – Ontario Affiliate Shared Services Increases Inflation vs. Scope

		A	B	C	D	E	F	G
1	**Description**	**2020 A**	**2021 A**	**2022 A**	**2023 A**	**2024 Bridge Year**	**2025 Test Year**	**Reference**
2	Ontario Affiliate Shared Services Costs	696.8	640.9	739.4	894.8	1,142.8	1,085.2	Table 4.3.3.2-3
3	Inflation Rate	0.00%	1.80%	2.90%	3.30%	4.50%	3.50%	Table 4.3.1-3, Line 2
4	Inflated 2020 Costs	696.8	709.4	729.9	754.0	787.9	815.5	A4*(1+B3) repeated for each column
5	**Inflationary increase since 2020**						**118.7**	F4-A4
6	**Ontario Affiliate Shared Services Scope increase since 2020**						**269.7**	F2-A2-F5

The main drivers of the scope increases are described in detail starting on Page 57 of Exhibit 4, Tab 1, Schedule 1.

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.

ENGLP Response: The top three cost drivers of salary increases have been:

i. Inflationary increases (cost of living increases)
ii. Market comparators (wage grid correction)
iii. FTE additions

In part a) above, ENGLP provides the estimated inflation impacts and scope changes on both net salaries and Ontario Affiliate Shared service costs since 2020. Market comparators would not be possible to accurately estimate over a 5-year time-period due to variability by position over that time span.

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

ENGLP Response: ENGLP has achieved a few synergies with its associated affiliates in Ontario to spread out employee salary costs benefiting all utilities. An example is the manager of customer service position, which was once a full-time position in Aylmer. However, this position is now shared with ENGLP South Bruce and EPCOR Electricity Distribution Operation in Collingwood. Moreover, ENGLP shares IT, GIS, regulatory, engineering and management with its affiliates to offset the cost drivers of the salary expense as discussed in b) above.

Refer to 4-CCC-15 for additional relevant information regarding OM&A costs.

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.

ENGLP Response:

ENGLP submits the following FTE table that outlines each position by title and whether that position was added or removed from the FTE compliment throughout 2020-2025. Partial FTEs indicate that a certain position was left vacant for a portion of the applicable year. Additionally, ENGLP has noted the positions from the Ontario Affiliate Shared Services that allocate to ENGLP Aylmer on line 33 in the table below (broken out further from lines 37-47).

	Field Staff	**2020A**	**2021A**	**2022A**	**2023A**	**2024F**	**2025F**
2	Lead Hand	1	1	1	1	1	1
3	Gas tech	1	1	1	1	1	1
4	Gas tech	1	1	1			
5	Gas tech	1	1	1	1	1	1
6	Gas tech	1	0.9	1	1	1	1
7	QA/QC Inspector	1	1	1	1	1	1
8	Locator	1	1	1	0.4	1	1
9	Locator					1	1
10	Locator						1
11	HS&E Support						0.5
12							
13	**Administrative Staff**						
14	Dispatch	1	1	1	1	1	1
15	Customer Service Representative	1	1	1	1	1	1
16	Customer Service Representative	1	1	1	1	1	1
17	Admin	1	1	1	1	1	1
18	Billing	1	1	1	1	1	1
19	Collections	1	1	1	1	1	1
20							

21	**South Bruce Admin attached in Aylmer**						
22	Customer Service Representative			0.5	1	1	1
23	Customer Service Representative			0.5	1	1	1
24	Billing			0.5	1	1	1
25							
26	**Management**						
27	General Manager	1	1	1	1	1	1
28	Ops Manager			0.7	1	1	1
29	Administrative & Field Supervisor	0.7	0.4				
30	Field Project Coordinator	1	1	1	1	1	1
31							
32	Capital and Operational Recovery	-3.4	-3.1	-4.6	-6.2	-6.5	-5.3
33	Affiliate FTEs Charged to Aylmer	2.7	3.1	2.9	3.8	4.5	4.1
34							
35	**Total**	15	15.3	15.5	15	17	19.3
36							
37	**Ontario Affiliate FTEs charged partially to Aylmer**						
38	Management Oversight	0.5	0.4	0.5	0.4	0.3	0.3
39	Finance & Accounting	0.3	0.7	0.7	1.1	1.3	1.0
40	Regulatory	0.5	0.2	0.1	0.5	0.8	0.7
41	Customer Operations Management		0.3	0.3	0.3	0.3	0.3
42	Gas Procurement Support	0.3	0.4	0.4	0.4	0.6	0.6
43	Health, Safety & Environment	0.3	0.2	0.3	0.3	0.3	0.3
44	Human Resources	0.2	0.4	0.3	0.3	0.3	0.3
45	Public & Government Affairs					0.2	0.2
46	Operations Engineering	0.4	0.4	0.2	0.2	0.2	0.2
47	GIS Support	0.2	0.2	0.2	0.3	0.4	0.4

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

ENGLP Response:

When assessing FTE increases for the 2025 Test Period, ENGLP submits that the net FTE balance should be the main focus as that forecast is ultimately what will be recovered from ENGLP customers. As outlined in Table 4.3.3.1-1, ENGLP was previously approved 17.6 net FTEs compared to an applied for 2025 forecast of 19.3 net FTEs. This increase of 1.7 FTEs is primarily due to the new locator positions (2 net FTEs) requested in order to meet new locate legislation and the need for additional HS&E support (0.5 net FTEs). Further information on the need for these positions can be found in Exhibit 4, Tab 1, Schedule 1, Page 32-35.

In regards to the gross FTE increases since 2020, the 6.2 FTE increase would primarily be related to 3 positions (2 CSRs and 1 Billing Clerk) being transferred from South Bruce to Aylmer in 2022 (these positions are almost entirely recovered through operational charge outs to South Bruce), 2 locator positions, additional support provided by Ontario Affiliate Shared Services and the new shared HS&E position (0.5 being added in 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.

ENGLP Response:

		A 2020	B 2021	C 2022	D 2023
	Functional Cost Causation Allocator				
1	Headcount	16	16	18	18
2	CAD Headcount percentage	0.5%	0.6%	0.6%	0.7%
3	Headcount percentage	0.5%	0.5%	0.5%	0.6%
4	Assets	27.53	29.01	31.45	33.20
5	Assets percentage	0.2%	0.2%	0.2%	0.2%
6	PP&E	22.52	23.91	25.11	26.28
7	PP&E percentage	0.2%	0.2%	0.2%	0.2%
8	CapEx	2.31	2.00	2.51	2.28
9	CapEx percentage	0.3%	0.2%	0.2%	0.1%
10	Debt	8.66	11.16	11.16	12.16
11	Debt percentage	0.2%	0.2%	0.2%	0.2%
12	Revenues	6.78	7.44	7.55	8.61
13	Revenues percentage	0.3%	0.3%	0.3%	0.4%
14	Depreciation	Note 1	Note 1	Note 1	Note 1
15	Depreciation Percentage	0.3%	0.3%	0.3%	0.3%
16	Net Income	Note 1	Note 1	Note 1	Note 1
17	Net Income Percentage	0.0%	0.2%	0.0%	0.1%
18	Direct IS	0.00	0.00	0.07	0.06
19	CAD Direct IS percentage	0.0%	0.0%	0.7%	0.7%
20	Direct IS percentage	0.0%	0.0%	0.7%	0.6%

21	Invoice Lines	8,111	8,548	8,898	9,515
22	Invoice Lines percentage	1.8%	1.9%	2.1%	2.3%
23	AR Invoices	0	48	25	12
24	AR Invoices percentage	0.0%	0.6%	0.3%	0.2%
25	SCM Embedded Headcount	0	0	0	0
26	SCM Embedded Headcount percentage	0.0%	0.0%	0.0%	0.0%
27	PO Lines	338	377	377	306
28	PO Lines percentage	1.0%	1.0%	1.0%	1.3%
29	Acquisitions	0	0	0	0
30	Acquisitions percentage	0.0%	0.0%	0.0%	0.0%
31	**Treasurer - Corporate Finance Allocator**				
32	PP&E %	0.2%	0.2%	0.2%	0.2%
33	Calculation Weighting %	40.0%	40.0%	40.0%	40.0%
34	**Weighting - PPE**	**0.1%**	**0.1%**	**0.1%**	**0.1%**
35	CapEx %	0.3%	0.2%	0.2%	0.1%
36	Calculation Weighting %	30.0%	30.0%	30.0%	30.0%
37	**Weighting - Cap Ex**	**0.1%**	**0.1%**	**0.1%**	**0.0%**
38	Acquisitions %	0.0%	0.0%	0.0%	0.0%
39	Calculation Weighting %	30.0%	30.0%	30.0%	30.0%
40	**Weighting - Acquisitions**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
41	**Total - All Weightings - Treasurer Corporate Finance Allocation**	**0.2%**	**0.2%**	**0.1%**	**0.1%**
42	**Treasury Operations - Allocator**				
43	Weighting - Net Income + Depreciation	0.2%	0.2%	0.2%	0.2%
44	Calculation Weighting %	50.0%	50.0%	50.0%	50.0%
45	**Weighting - Net Inc + Depn**	**0.1%**	**0.1%**	**0.1%**	**0.1%**
46	Debt %	0.2%	0.2%	0.2%	0.2%
47	Calculation Weighting %	50.0%	50.0%	50.0%	50.0%
48	**Weighting - Debt**	**0.1%**	**0.1%**	**0.1%**	**0.1%**
49	**Total - NI & Depn + Debt - Treasury Operations Allocation**	**0.2%**	**0.2%**	**0.2%**	**0.2%**
50	**Composite Cost Causation Allocator**				
51	Revenues	0.3%	0.3%	0.3%	0.4%
52	Assets	0.2%	0.2%	0.2%	0.2%
53	Headcount	0.5%	0.5%	0.5%	0.6%
54	**Average - Composite Cost Causation Allocator**	**0.3%**	**0.4%**	**0.4%**	**0.4%**

Note 1: Forecast net income and depreciation will not be provided as EPCOR's policy, as established by its Board of Directors, does not permit
the disclosure of public forward looking net income or depreciation information.

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.

ENGLP Response: ENGLP's service level agreements typically have a 5-year term, but depending on the nature of the services, this may be shorter. As shared service agreements are based on an estimated cost and ultimately are trued up based on actual costs, some variances can be expected should the level of services required or the cost change. With that stated, both affiliate and corporate services are part of ENGLP's annual review process and are a consideration when setting internal budgets.

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.

ENGLP Response: ENGLP has discretion to adjust the scope of Ontario Affiliate Shared Services. These services are provided by EPCOR Affiliates (i.e., EPCOR Ontario Operations Management Inc.) and are adjusted as business needs change.

For example, beginning in 2020, GIS support was added to the suite of services provided to ENGLP in order to update ENGLP's internal mapping system[5].

ENGLP also has discretion to adjust the scope of corporate services (from EPCOR Utilities Inc.) in some cases. For example, ENGLP has opted out of certain global IT platforms as they are not affordable for the business as it already has an existing option (i.e., Utility Billing, Workforce Management, etc.)

In an effort to control costs, ENGLP reviews all affiliated services during its budgeting process to validate if the amounts are reasonable compared with what has been approved in its rate design and if they are consistent on an annual basis. In Exhibit 4, ENGLP has provided rationale for the services received and why they are not only beneficial for the utility, but also necessary.

[5] Further details on the need for GIS and the associated benefit from the services received is explained in Exhibit 4, Tab 1, Schedule 1, Page 48-49.

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.

ENGLP Response: In EB-2018-0336, Exhibit 4, Tab 1, Schedule 1, Page 32 ENGLP applied for the following O&M costs related to IGPC.

Table 4.3.3.2.1-1
Summary of IGPC Operating Expense
($)

	Cost Category	A 2019 Bridge Year	B 2020 Test Year
1	Depreciation Expense	311,066	131,805
2	Enbridge Gas Transportation Charges	-	-
3	Maintenance Costs – Transfer Stations	42,966	44,651
4	Maintenance Costs – Pipeline	33,589	35,021
5	Property Taxes	87,853	91,806
6	**Total**	**475,474**	**303,283**

Lines 3 and 4 relate to the planned maintenance costs for transfer stations and pipeline with a total forecast for the 2020 Test Period being $79,672. ENGLP would have received funding of $318,688 to support IGPC maintenance between 2020 and 2023 ($79,672 * 4). The additional dollars spent on IGPC-related maintenance would be unplanned as ENGLP was not receiving funding to offset the expenditures.

The main driver of the unplanned maintenance costs were related to the discovery of a leak in 2020. This drove ENGLP to initiate an unplanned integrity gauge (pig) run that took several years and associated costs to complete.

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

ENGLP Response: ENGLP incurred any costs beyond what is built into rates at the Shareholder's expense as they are an OM&A expense. There would not be a direct recovery.

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.

ENGLP Response: Refer to the table below for annual operating and maintenance costs purchased as non-affiliate services from 2020 to 2025. ENGLP took the total operating and maintenance expenses outlined in Table 4.3.2-2 and removed salary, benefits, operating & capital recoveries, Ontario affiliate services, corporate shared services, bad debts and LEAP. The remaining balance would be ENGLP's estimation of amounts purchased as non-affiliate services.

	2020A	2021A	2022A	2023A	2024 Bridge Year	2025 Test Year	Reference
Total Operating & Maintenance Expense	3,263.9	3,315.7	3,819.6	3,679.9	3,765.2	4,322.0	Table 4.3.2-2, row 31
Less:							
Employee Salaries	1,216.0	1,286.4	1,463.6	1,580.5	1,631.3	1,811.7	Table 4.3.2-2, row 1
Employee Benefits	338.7	370.0	386.2	435.7	398.7	445.2	Table 4.3.2-2, row 2
Capital Recoveries	(283.8)	(330.1)	(253.2)	(318.9)	(387.2)	(419.3)	Table 4.3.2-2, row 3
Operating Recoveries & Burden	(214.9)	(212.9)	(380.6)	(607.8)	(636.1)	(502.1)	Table 4.3.2-2, row 4
Ontario Affiliate Services	696.8	640.9	739.4	894.8	1,142.8	1,085.2	Table 4.3.2-2, row 5
Corporate Shared Services	340.8	369.5	531.3	529.2	547.6	580.2	Table 4.3.2-2, row 19
Bad Debts	11.0	44.0	60.1	88.0	92.4	97.1	Table 4.3.2-2, row 22
LEAP	-	-	-	-	10.1	10.1	Table 4.3.2-2, row 24
Annual O&M Cost Purchased as Non-Affiliate Services	1,159.4	1,147.9	1,272.9	1,078.3	965.5	1,213.9	

ENGLP is unable to provide 2026-2029 data as it has not forecasted non-affiliate costs beyond the test year and does not have inflationary assumptions beyond those set out in Exhibit 4.

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

ENGLP Response: As noted in part a) above, ENGLP is unable to provide 2026-2029 data as it has not forecast non-affiliate costs beyond the test year. Additionally, ENGLP does not have any inflationary assumptions beyond those set out in Exhibit 4. If necessary, ENGLP would use the 2025 Test Year and apply 2025 inflation rates.

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.

ENGLP Response: Confirmed.

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

ENGLP Response: Approximately $280K has been spent at the time of receipt of interrogatories.

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.

ENGLP Response: The capital asset description related to this contribution would be Services Plastic with a depreciation rate of 2.51%. Due to an inadvertent error, this contribution was categorized under the wrong contribution type in the table. Line 6 should have reflected Contributions – Services Plastic with a depreciation rate of 2.51%. Please refer below for an updated Table 4.4-3:

	2025 Test Year Depreciation									
	OEB Account	Description	2024 Opening PPE Balance	2024 Additions	2025 Additions	Depreciation Rate	Depreciation on Existing Rate Base	Depreciation on 2024 Additions	Depreciation on 2025 Additions	Total Depreciation
1			a	b	c	d	e	b*d=f	c*d*0.5= g (half year rule)	e+f+g=h
2	488	Communication Equipment	313,003	12,530	17,525	6.67%	10,857	836	584	12,278
3	490	Computer Equipment	581,101	27,530	57,525	25.00%	18,555	6,883	7,191	32,628
4	499	Contributions - Mains - Metallic (IGPC)	(376,288)	-	-	1.98%	(8,331)	-	-	(8,331)
5	499	Contributions - Mains Plastic	(292,496)	(25,000)	(25,000)	2.31%	(7,265)	(578)	(289)	(8,131)
6	499	Contributions - Services Plastic	(13,208)	-	-	2.51%	(361)	-	-	(361)
7	499	Contributions - Services Plastic	(457,030)	(47,250)	(47,250)	2.51%	(10,254)	(1,186)	(593)	(12,033)
8	401	Franchise & Consents	842,667	-	-	4.80%	35,232	-	-	35,232
9	483	Furnishing / Office Equipment	200,720	-	-	6.67%	7,774	-	-	7,774
10	480	Land	82,653	-	-	0.00%	-	-	-	-
11	475	Mains - Metallic (IGPC)	6,230,974	300,000	300,000	1.98%	80,174	5,940	2,970	89,084
12	475	Mains - Plastic	16,153,236	2,180,550	1,381,350	2.31%	306,935	50,371	15,955	373,260
13	477	Measuring & Regulating Equip	2,098,729	342,430	97,940	3.66%	42,200	12,533	1,792	56,525
14	477	Measuring & Regulating Equip (IGPC)	576,367	-	-	3.66%	21,087	-	-	21,087
15	478	Meters - Commercial	1,926,249	160,000	157,000	5.00%	78,072	8,000	3,925	89,997
16	478	Meters - IGPC	14,139	-	-	16.67%	-	-	-	-
17	478	Meters - Residential	2,623,113	824,640	820,860	10.00%	170,186	82,464	41,043	293,693
18	474	Regulators	807,746	305,750	255,740	5.00%	21,857	15,288	6,394	43,538
19	473	Services - Plastic	6,614,832	831,560	816,160	2.51%	92,158	20,872	10,243	123,273
20	491	Software - Acquired	748,287	6,400	10,000	10.00%	41,924	640	500	43,064
21	482	Structures & Improvements	782,562	-	123,530	1.92%	12,333	-	1,186	13,518
22	486	Tools and Work Equipment	894,279	23,400	23,030	6.67%	24,714	1,561	768	27,043
23	485	Vehicle - Heavy Work Equip	33,033	-	-	6.92%	2,335	-	-	2,335
24	484	Vehicles - Transportation Equip	771,093	102,400	75,520	16.60%	62,062	16,998	6,268	85,328
25	**Total**		**41,155,761**	**5,044,940**	**4,063,930**		**1,002,241**	**220,621**	**97,937**	**1,320,799**

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.

ENGLP Response: Table 5.2-1 (Exhibit 5, Tab 1, Schedule 1, page 5) was calculated using the 2024 year-end rate base as opposed to the intended 2024 mid-year rate base. A revised version of the table has been provided on the following page.

Table Staff 78-1 (Revised Table 5.2-1)

		A **2020T**	B **2020A**	C **2021A**	D **2022A**	E **2023A**	F **2024B**	G **2025T**
1	**Approved Capital Structure**							
2	Short-Term Debt	4%	4%	4%	4%	4%	4%	4%
3	Long-Term Debt	56%	56%	56%	56%	56%	56%	56%
4	Equity	40%	40%	40%	40%	40%	40%	40%
5	**Actual Capital Structure**							
6	Short-Term Debt	4%	11%	0%	5%	5%	4%	4%
7	Long-Term Debt	56%	50%	61%	57%	55%	56%	56%
8	Equity	40%	39%	39%	37%	40%	40%	40%
9	**Capitalization**							
10	Short-Term Debt	$646,400	$1,986,740	$2,642	$1,023,740	$996,360	$889,548	$1,065,062
11	Long-Term Debt	$9,049,600	$8,660,000	$11,160,000	$11,160,000	$12,160,000	$12,453,672	$14,910,872
12	Equity	$6,464,000	$6,727,669	$7,079,552	$7,273,352	8,841,476	$8,895,480	$10,650,623
13	**Total Capitalization**	**$16,160,000**	**$17,374,409**	**$18,242,193**	**$19,457,093**	**$21,997,836**	**$22,238,700**	**$26,626,558**
14	Realized ROE	8.98%	5.23%	6.90%	7.80%	8.45%	10.02%	9.21%
15	Cost of Debt	3.77%	3.22%	3.46%	3.61%	3.69%	3.92%	4.03%

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.

ENGLP Response: The differences between tables 5.1-6 & 5.1-7 are due to limitations of long-term affiliate debt issuances due to OEB policy[6]. ENGLP has used 5.1-6 (3.87%) as the value for its revenue requirement calculation as certain debt issuances (as noted in the question above) were issued at a higher value than the OEB-published long-term debt rates.

As stated in the 'Affiliate Debt – OEB Cost of Capital Proceeding' section, (Exhibit 5, Tab 1, Schedule 1, page 7), line 6, ENGLP's true cost of debt is 4.07%. The variances between

[6] EB-2009-0084 - Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, December 11, 2009

the values used in the revenue requirement calculation and ENGLP's actual long-term debt can be found on the table below.

Row	Start Date	Term (years)	Principal ($)	Rate (%) [2]	Interest ($) [1]	Actual Debt Rate	Variance between OEB deemed rate and actual
1	29-Nov-17	30	$ 8,660,000	**3.72%**	$ 322,152.00	**3.83%**	**0.11%**
2	15-Dec-21	30	$ 2,500,000	**3.41%**	$ 85,250.00	**3.41%**	**0.00%**
3	4-Dec-23	30	$ 1,000,000	**4.88%**	$ 48,800.00	**5.04%**	**0.16%**

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.

ENGLP Response: For the 2024 promissory note, ENGLP plans to use the OEB-deemed long-term debt rate for the 2024 fiscal year (4.58%)[7] or will update with the actual affiliate debt rate on the issuance should it be lower than OEB-deemed rate.

The 2025 issuance will be updated with the 2025 OEB-issued cost of capital rate (currently unavailable, expected to be released in Q4 2024).

[7] https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/cost-capital-parameter-updates

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.

ENGLP Response: Exhibit 5, Tab 1, Schedule 1, page 9 was incorrectly based on the EB-2018-0336 applied for rate base ($16,032,489)[8]. This has been corrected in the following table to match Exhibit 2, Tab 1, Schedule 1, page 3 and the approved rate base ($16,160,000).

[8] dec_interim rate order_EPCOR Rates_Phase I_20190704, page 25/75

Table Staff-81-1 *(Revised Table 5.2-1)*

		A **2020T**	B **2020A**	C **2021A**	D **2022A**	E **2023A**	F **2024B**	G **2025T**
1	**Approved Capital Structure**							
2	Short-Term Debt	4%	4%	4%	4%	4%	4%	4%
3	Long-Term Debt	56%	56%	56%	56%	56%	56%	56%
4	Equity	40%	40%	40%	40%	40%	40%	40%
5	**Actual Capital Structure**							
6	Short-Term Debt	4%	11%	0%	5%	5%	4%	4%
7	Long-Term Debt	56%	50%	61%	57%	55%	56%	56%
8	Equity	40%	39%	39%	37%	40%	40%	40%
9	**Capitalization**							
10	Short-Term Debt	$646,400	$1,986,740	$2,642	$1,023,740	$996,360	$967,258	$1,065,062
11	Long-Term Debt	$9,049,600	$8,660,000	$11,160,000	$11,160,000	$12,160,000	$13,541,615	$14,910,872
12	Equity	$6,464,000	$6,727,669	$7,079,552	$7,273,352	8,841,476	$9,672,582	$10,650,623
13	**Total Capitalization**	**$16,160,000**	**$17,374,409**	**$18,242,193**	**$19,457,093**	**$21,997,836**	**$24,181,455**	**$26,626,558**
14	Realized ROE	8.98%	5.23%	6.90%	7.80%	8.45%	9.21%	9.21%
15	Cost of Debt	3.77%	3.22%	3.46%	3.61%	3.69%	3.92%	4.03%

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.

ENGLP Response: ENGLP does not believe that the UFG is attributable to a leak issue.

ENGLP's operations team conducts annual leak surveys and has found no evidence of a material leakage issue.

Further, on a monthly basis, ENGLP's finance team tracks the UFG via the deferral account and summarizes each year by splitting the years through a June/July cut-off to ensure an accurate annual summary. If there are large balances of UFG accumulated, ENGLP shares this information with the operations team.

ENGLP reviews its billing/meter data in comparison with the invoices received from Enbridge to look for patterns and trends in the data. At this time, there has been no definitive conclusion on the UFG variances as data comparative fluctuates from month-to-month.

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.

ENGLP Response: Confirmed. However, should there be no EB-2024-0063 decision from the OEB in advance of the implementation date, ENGLP would use the 2025 cost of capital parameters as the basis for the calculation of the weighted average cost of capital.

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.

ENGLP Response: Confirmed.

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.

ENGLP Response: Confirmed.

EPCOR Natural Gas Limited Partnership ("ENGLP")
2025 – 2029 Cost of Service
Aylmer Service Territory

Responses to Pollution Probe Interrogatories

EB-2024-0130
October 17, 2024

2-PP-1

a) Please explain why the Asset Management Plan and Utility System Plan are distinctly separate documents and how they are related.

ENGLP Response: The Asset Management Plan and Utility System Plan are not distinctly separate documents. The Asset Management Plan is considered part of the Utility System Plan as per the filing requirements as noted on page 23:

"The natural gas utility must file an asset management plan as a component of the utility system plan."

As per the rate handbook at page 14:

"A DSP (or USP) must contain sufficient information to allow the OEB to assess whether and how a distributor has planned to deliver value to customers, how the plan supports the effective management of the assets, and how a distributor is seeking to control the costs and related rate impacts of proposed investments. The asset management plan underpinning the DSP should be directly linked to the proposed budget, to demonstrate that the proposed capital expenditures have been determined through the necessary optimization and prioritization process."

b) Please confirm that ENGLP is requesting OEB approval of its Utility System Plan, but not its Asset Management Plan. If not correct, please explain.

ENGLP Response: The Asset Management Plan is considered part of the Utility System Plan as per the filing requirements as noted on page 23:

"The natural gas utility must file an asset management plan as a component of the utility system plan."

Based on this, it is ENGLP's view that the request for approval of the Asset Management Plan is implicit within the request for Utility System Plan Approval.

2-PP-2

Reference: ENGLP has developed this Application under the priorities of:

[1/1/1, Page 7] Alignment with public policy (including Energy Transition)

a) Please provide the definition of Energy Transition ENGLP and what elements were included in development of this application.

ENGLP Response: The energy transition refers to the increased use of non-fossil fuel resources for the purposes of meeting energy needs. As a natural gas distributor, ENGLP is exposed to reduced customer usage of its assets. ENGLP considered the impact of the energy transition in the development of this capital plan. For example, ENGLP will continue to employ a much more tactical approach to repairing corrosion issues on this steel pipeline by cutting out and replacing small sections of pipe rather than renewing large sections of pipeline. This is a much more cost effective approach and takes into account potential impacts from the energy transition on the life of asset. In addition, ENGLP will continue to support the injection of Renewable Natural Gas into its system to offset the use of non-renewable natural gas from local wells and the Enbridge transmission system. Finally, when ENGLP forecasts its customer connections, it takes into account the recent trending in customer numbers, which would include the impact the energy transition is having on the customer choice.

b) What does ENGLP believe are the most relevant elements of the Energy Transition to current and future natural gas customers?

ENGLP Response: The most relevant elements to ENGLP's customers will be in determining when other fuel sources are competitive on cost and reliability against the use of natural gas considering the capital install and ongoing commodity costs. Increased carbon taxes will improve the economics of natural gas alternatives. From our customer survey in the development of this Application, ENGLP's customers do not see the energy transition as a top priority at this time, but ENGLP appreciates that this can change.

2-PP-3

Reference: Moving forward, EPCOR's Asset Management Plan must be prudent and ensure that it has accounted appropriately for the risk arising from the energy transition. [1/1/1, Page 8]

a) Please provide the process ENGLP uses to prudently account for the risks arising from the Energy Transition as it develops and updates it Utility System Plan and Asset Management Plan.

ENGLP Response: When evaluating system reinforcements or renewal projects, ENGLP will consider the life of the asset in accordance with the regulator's direction on revenue horizon. ENGLP performs a profitability assessment in accordance with E.B.O. 188 for any new large connections. This assessment takes into account the upfront capital required to execute the project against the revenue received over the life of the asset. The revenue is impacted by the overall consumption forecast. As the energy transition impacts this consumption forecast, the profitability of projects will decrease.

b) Please provide examples of Utility System Plan and Asset Management Plan changes directly due to ENGLP's prudent accounting for the risks arising from the Energy Transition.

ENGLP Response: ENGLP's planned pipeline integrity gauge runs along the 6" steel pipeline to IGPC and subsequent remediation are examples of managing the risk of the energy transition. Instead of renewing large sections of pipeline that are of concern to operations, ENGLP will instead carry out inspection and repairs more tactically. Additionally, for any new customer connections, the profitability index calculation will take into consideration any reduced consumption arising from the energy transition.

2-PP-4

Reference: There are a number of examples of such prudent consideration of energy transition in EPCOR's USP, including 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. EPCOR will continue to monitor any energy transition policy as outlined by the provincial government and associated regulation under the purview of the OEB and update its USP and customer communication outreach as necessary. [1/1/1, Page 8]

a) What data, information and other approaches (e.g. coordination, consultation, etc.) does ENGLP use to identify current and future RNG production opportunities in its franchise area? Is this proactive or passive approach?

ENGLP Response: ENGLP will strive to connect customers wanting to inject RNG into its system, and work to ensure fair and equitable access in accordance with government and regulatory policies and within system limitations (refer to 2-PP-4d).

b) What are the sources of RNG production that ENGLP believes are relevant for consideration in its franchise area (e.g. only landfill gas or others?).

ENGLP Response: In ENGLP's experience, the sources available within the Aylmer franchise area are manure from dairy cattle and food waste put through digesters to capture the methane. A second form of RNG called "power to gas" still has not demonstrated itself to be economically feasible based on customer/stakeholder input. If successful, this produces synthetic natural gas through the capture of carbon dioxide byproduct and combining this with hydrogen created from electrolysis.

c) What studies or other data does ENGLP use to assess the potential for growth of RNG production in its franchise area? Please provide copies of the studies or relate information sources.

ENGLP Response: ENGLP has not studied the potential growth of RNG; however, ENGLP's parent company, EPCOR Utilities Inc., has done feasibility studies on power to gas opportunities and RNG production from digesters. As these studies are

conducted through EPCOR's commercial entity, ENGLP is unable to release them as part of this proceeding.

d) Section 12.1 of the USP indicates that the location of some RNG production poses challenges in the summer when system flows are low. Has ENGLP looked at opportunities to target areas of the system that do not pose those issues? If no, why not. If yes, please provide details.

ENGLP Response: ENGLP has not looked at areas where RNG would have more system availability during the summer, as this assessment is better suited for potential providers of RNG. ENGLP welcomes the opportunity to collaborate with potential providers of RNG to advise on the areas of the system with the greatest capacity.

Refer to Staff-2 for additional information on RNG.

2-PP-5

Does EPCOR believe that carbon (i.e. GHG) reductions/emissions (including from RNG displacement of natural gas) should be calculated on a lifecycle basis or a different methodology? Please explain why.

ENGLP Response: ENGLP does not have a position on this matter.

2-PP-6

Reference: PollutionProbe_IR_AppendixA_EPCOR_2024-0139_Gas Supply Plan IRR_20240923 – PollutionProbe #5 Response

In the 2024 ENGLP Gas Supply Plan proceeding ENGLP confirmed that RNG generated in Ontario and being injected into the EPCOR system is being exported (actually or nominally) outside of Ontario to jurisdictions such as BC and the US.

Please confirm this response is still accurate.

ENGLP Response: Confirmed

2-PP-7

Reference: Exhibit 1, Tab 1, Schedule 1, Page 35

Table 1.5.3-2 shows that ENGLP is proposing a capital plan for the 2025 Test Year of $4.064M. This is a $2.724M increase from the $1.340M capital plan previously approved for 2020. Table 1.5.3-1 shows that rate base in the 2020 Test Year was $16,160 million, growing to $26,627 million for the 2025 Test Year, or a difference of $10,467 million over the previous IR rate term (2020-2024).

a) Please reconcile the $10,467 million increase in rate base over the previous term against the OEB approved capital plan over the same term. If the amounts do not reconcile, please explain.

ENGLP Response: ENGLP has provided the following response in an attempt to answer Pollution Probe's question, but notes that there are limitations to the data in part due to the time periods requested (comparing to the applied for 2025 Test Year). Additionally, the comparison table (Table 1.5.3-1) is comparing mid-year rate base.

The reconciliation requested would include a forecast with no associated approved comparators from the prior application (2025 values). As such, ENGLP submits that it is of greater benefit to provide a reconciliation from the 2020 Test Year (Decision) to the 2024 Bridge Year (current forecast). The 2020-2024 period includes both actuals/forecast and approved expenditures for comparison purposes.

The table below provides the comparison of the 2020 Test Year (Decision) to the 2024 Bridge Year in a similar format to 1.5.3-1 (Exhibit 1, Tab 1, Schedule 1, Page 35).

($000's)	**2020T Test**	**2024 Bridge Year**	**Variance $**
Opening Balance, January 1	$16,042	$20,296	$4,254
Closing Balance, December 31	$16,277	$24,181	$7,905
Net Fixed Assets (average)	$16,160	$22,239	**$6,079**
Working Capital Allowance	$0	$0	**$0**
Total Rate Base	**$16,160**	**$22,239**	**$6,079**

Reconciliation from 2020 Test Year to 2024 Bridge Year mid-year rate base:

2020 Approved Mid-year Rate Base	**$16,160**	
2021 Difference in Additions	284	(Actuals Additions $1,741 vs. Approved Additions $1,457)
2022 Difference in Additions	689	(Actuals Additions $1,928 vs. Approved Additions $1,239)
2023 Difference in Additions	1,653	(Actuals Additions $2,913 vs. Approved Additions $1,261)
2024 Difference in Additions	3,757	(Actuals Additions $5,045 vs. Approved Additions $1,288)
Total Difference in Additions 2021-2024	6,382	
Adjusted Mid-year Rate Base	$22,542	
Estimated Depreciation Difference	$(303)	
Adjusted Mid-year Rate Base	**$22,239**	Aligns with 2024 Bridge Year Forecast

Note – ENGLP had to estimate the approved 2021 to 2024 depreciation (based on the approved additions) as this expense was not directly approved by the OEB in EB-2018-0336.

b) Please provide an estimate of the finishing rate base expected at the end of 2029 and include it in a table comparing it to the 2020 and 2025 Test Year amounts.

ENGLP Response: Refer below for a table outlining the estimated finishing rate base expected at the end of 2029. ENGLP notes several assumptions were required when preparing this request.

		A	B	C	D	E	F
	Category	**2025T**	**2026F**	**2027F**	**2028F**	**2029F**	**Assumptions**
1	**Gross Asset Value**						
2	Opening Balance	$46,201	$50,265	$54,278	$57,344	$60,518	
3	Addition	$4,064	$4,013	$3,066	$3,174	$2,532	Additions from Supporting Appendixes 2B
4	Disposal	$0	$0	$0	$0	$0	
5	Closing Balance	$50,265	$54,278	$57,344	$60,518	$63,050	
6	**Accumulated Depreciation**						
7	Opening Balance	-$22,019	-$23,340	-$24,766	-$26,273	-$27,863	
8	Depreciation	-$1,321	-$1,426	-$1,507	-$1,590	-$1,657	2026-2029 Depreciation Estimated
9	Disposal	$0	$0	$0	$0	$0	
10	Closing Balance	-$23,340	-$24,766	-$26,273	-$27,863	-$29,520	
11	**Mid-year Net Asset Value**	**$25,553**	**$28,218**	**$30,291**	**$31,863**	**$33,092**	
12	Closing Net Asset Value	$26,925	$29,511	$31,071	$32,654	$33,530	
13	**Working Capital Allowance**						

14	Cost of Gas (Non-Distribution)	$9,992	$10,292	$10,600	$10,918	$11,246	Estimated using 3.0% inflation
15	OM&A	$4,322	$4,452	$4,585	$4,723	$4,864	Estimated using 3.0% inflation
16	Rate	7.5%	7.5%	7.5%	7.5%	7.5%	
17	**Total WCA**	**$1,074**	**$1,106**	**$1,139**	**$1,173**	**$1,208**	
18							
19	**Total Rate Base**	**$26,627**	**$29,324**	**$31,430**	**$33,036**	**$34,301**	

Refer below for a table similar to Table 1.5.3-1 with estimated finishing rate base expected at the end of 2029.

	2020T Test	**2025T Test**	**2029F Estimate**
Opening Balance, January 1	$16,042	$24,181	$32,654
Closing Balance, December 31	$16,277	$26,925	$33,530
Net Fixed Assets (average)	$16,160	$25,553	$33,092
Controllable Expenses	$3,359	$4,322	$4,864
Cost of Gas (Non-Distribution)	N/A	$9,992	$11,246
Working Capital Base	N/A	$14,314	$16,110
Working Capital Rate %	0.00%	7.50%	7.50%
Working Capital Allowance	$0	$1,074	$1,208
Total Rate Base	**$16,160**	**$26,627**	**$34,301**

c) Please confirm the amortization period that ENGLP intends to use for Capital investments over the proposed term. Is this value OEB approved?

ENGLP Response: Refer to ENGLP_EB-2024-0130_Supporting_ Appendixes_20240718, Table 2D_Service Life. Note that these values have not changed from the previously approved application.

d) Please provide ENGLP's best estimate of the rate base and Capital investment trajectory over the next 25 and 40 year period (average $ or % growth per year). Please explain how this aligns with the Energy Transition analysis undertaken by ENGLP. If documentation of that analysis exists, please provide a copy, otherwise confirm that it has not been documented.

ENGLP Response: ENGLP does not have the information to forecast rate base and capital investment over the next 25 and 40 years.

e) Please provide a summary of the Capital by major category proposed to be included in the 2025 Test Year that exceeds what was approved by the OEB during the 2020-2024 term. Please explain the variance and why the OEB should approve it for inclusion in rate base for 2025.

ENGLP Response:

(Refer to CCC-1 for additional relevant information)

Refer below for a summary of the Capital by major category proposed to be included in the 2025 Test Year that exceeds what was approved by the OEB during the 2020-2024 term.

Major Category	2020-2024 Approved Capital Additions	2020-2023A, 2024F Capital Additions	2025 Opening Rate Base Difference*
System Access	2,649.5	10,027.6	7,378.1
System Renewal	2,555.0	2,771.8	216.8
System Service	1,038.0	1,392.1	354.1
General Plant	682.0	978.3	296.3
Total Expenditures	**6,924.5**	**15,169.8**	**8,245.3**
Capital Contributions	340.0	679.7	339.7
Net Capital Expenditures	**6,584.5**	**14,490.0**	**7,905.5**

*ENGLP notes this balance differs from Table 2.2.2-2 (Exhibit 2, Tab 1, Schedule 1, Page 8). This difference is due to capital expenditures (CAPEX) being reflected on Table 2.2.2-2 versus capital additions being shown in the table above.

ENGLP submits that the OEB should approve all the additions to rate base. The largest driver of the increase has been due to customer driven work in mains and services additions. This is non-discretionary capital as ENGLP is obligated to connect customers wanting service.

To ensure the cost to connect customers remained competitive, ENGLP completed a competitive procurement process when selecting a contractor for mains and services work.

In Exhibit 2, Tab 1, Schedule 1, Section 2.5.4 – Page 32 to 36, ENGLP provides variance explanations between the previously filed USP and the expenditures incurred/forecast over the 2020-2024 period. To be helpful, ENGLP will paraphrase this Section below to further emphasize the reasons why the OEB should approve it for inclusion in rate base for 2025.

2022-2024 contractor change – ENGLP issued a competitive RFP to select a new vendor to complete a portion of its capital projects / programs. The utilization of this new vendor lead to increases in the costs of capital over the 2022-2024 period. The justification of this new vendor is further explained in 2-CCC-1 & Staff-32.

2020 Increases - Exhibit 2, Tab 1, Schedule 1, Page 32:

- Utilization of contractors for complex work (i.e., road bores), where ENGLP did not have the necessary specialized tools or expertise to complete the required task;
- Unplanned investment into the Village of Salford community expansion[1]; and,
- Upgrade of the SCADA system that was planned for 2019 but completed in 2020.

2021 Increases - Exhibit 2, Tab 1, Schedule 1, Page 33:

- Utilization of contractors for complex work (i.e., road bores) where ENGLP did not have the necessary specialized tools or expertise to complete the required task.
- Unplanned grain dryer customer connected[2];and
- Unplanned main extension to connect the Village of Salford[3].

2022 Increases - Exhibit 2, Tab 1, Schedule 1, Page 34:

[1] EB-2019-0232 – Decision & Order Application for a Certificate of Public Convenience and Necessity for the Township of South-West Oxford, January 16, 2020
[2] EB-2020-0232 – Decision & Order - Application for a new certificate of public convenience and necessity for the Township of South-West Oxford, February 11, 2021.
[3] IBID.

- Utilization of contractors for complex work (i.e., road bores) where ENGLP did not have the necessary specialized tools or expertise to complete the required task;
- New contractor mentioned above, started to be utilized in 2022; and,
- Renovations completed on the ENGLP building to accommodate additional staff and improve the functionality of the facility. In addition, there was an acquisition of one forklift and two 4-wheel drive trucks to 24 replace service vans in order to improve employee safety.

2023 Increases - Exhibit 2, Tab 1, Schedule 1, Page 35:

- New contractor mentioned above was utilized for required project deliverables;
- Unplanned grain dryer connection (2.2km of 4-inch plastic);
- Change out of customer meters as they reached the 10-year end of life assigned by Measurement Canada. 1,300 meters were replaced in 2023;
- The addition of a vehicle security gate installed in the ENGLP yard;
- Hotel desk area was built in the ENGLP office to facilitate hybrid work;
- Shower was installed in the ENGLP office for operations staff;
- Green Button was implemented; and,
- A service van was replaced with a 4-wheel drive truck to improve employee safety.

2024 Increases - Exhibit 2, Tab 1, Schedule 1, Page 36:

- New contractor mentioned above was utilized for required project deliverables;
- Unplanned upgrade of 2Km of pipeline from 2” to 6” to feed a new large agricultural customer, the associated construction of 2km of 4” pipeline to secure additional gas for the new large agricultural customer, and the unplanned construction of 400m of 4” pipeline to a farm; and
- 2,500 meters are expected to be replaced in 2024. The USP system renewal estimates in 2024 did not represent the requirement for 2,500 meters because

the original meter replacement forecast was spread over 5 years, whereas the actuals have been clustered in the years 2023, 2024 and in 2025; and,

- Purchase of a 4-wheel drive truck to replace a service van, and the purchase of a trailer to haul material.

2-PP-8

Reference: Exhibit 1 Tab 1 Schedule 1 Page 39

a) Please explain why Interruptible Peaking rates are increasing if interruptible customers are not driving peak system design or demand.

ENGLP Response: ENGLP is proposing delivery rate decreases for the Interruptible Peaking (Rate 5) rate class. Total Rate 5 bills are increasing due to increased transportation costs, including the rate rider associated with the Purchased Gas Transportation Variance Account (PGTVA).

b) Has ENGLP conducted analysis to determine the maximum use of interruptible rates to manage Capital costs and peak demand? If no, why not. If yes, please provide a copy.

ENGLP Response: ENGLP conducts annual hydraulic modeling of peak demands and integrity studies of its distribution system through Cornerstone. This analysis does not include determining the maximum use of interruptible rates to manage peak demand.

2-PP-9

What Integrated Resource Planning (IRP) alternatives has ENGLP consider when developing and implementing it Capital plan (USP and AMP)? Please provide details on how this analysis is integrated into the process.

ENGLP Response: From a supply side solution, ENGLP has considered Compressed Natural Gas (CNG) as an alternate when developing its capital plan to meet system peak needs. Given the size of some of the reinforcement projects planned and majority of capital spend being system access driven, it is not economically feasible to implement IRP efficiently to meet system demand (peaks).

From a demand side solution, ENGLP continues to implement interruptions to certain rate customer rate classes, if and when required, during any periods of low system pressures or temporary loss of natural gas supply based on high usage caused by weather conditions.

2-PP-10

Reference: ENGLP's capital spend has varied from its USP filed in 2019 as per the table below (2.2.2-1). This deviation was less driven by the scope of work being completed, but rather an increase in the standards to which work is completed. [2/1/1, Page 8]

a) Please provide details on the increased standards noted above indicating when they are proposed to be effective.

ENGLP Response: ENGLP undertook a competitive RFP process to select a vendor who could provide construction services, emergency support, and engineering services. ENGLP does not have any internal emergency response repair capability on steel or plastic assets 2" or larger. The strategy was to guarantee a volume of work to a vendor in return for a guaranteed response time to emergencies. Having scope of work in the area ensures resources are available for emergency response. This RFP was issued in accordance with an increased set of health, safety and environment (HSE) standards. It was through this process that the existing contractors either did not bid or did not qualify to these standards. The following lists the HSE questions that were a part of the RFP. The selected proponent was able to meet these standards.

1. Proponent HSE Assessment

The Proponent will be required to adhere to all applicable provincial and federal legislation and regulations governing the Work Site and all applicable EPCOR policies and requirements for Proponents including, but not limited to, Health, Safety and Environment Policies and Requirements. It is the responsibility of the Proponent to review all associated legislation, policies and requirements prior to submitting a Reply.

By submitting a Reply, the Proponent acknowledges that it is fully aware of and will comply with all policies and requirements located at the URL address found below and referenced within the Contract.

PART A - Health Safety & Environment Pre-Screen Questions

1	Has your company achieved a Certificate of Recognition (COR/SECOR) or equivalent through a certifying partner? • If yes, please include a copy of your COR Certificate or equivalent • If yes, please submit the last 3 years of COR Audit Action Plans What frequency does your company use an external auditor?	☐ Yes ☐ Copies Provided	☐ No	
2	Please check the box that reflects your company's Total Recordable Injury Frequency over the last three calendar years: <u>TOTAL RECORDABLE INJURIES x 200,000</u> TOTAL EMPLOYEE HOURS WORKED • List your company 2018, 2019 and 2020 annual TRIF rate	☐ <3.5	☐ >3.5	☐ >8
3	Does your company have current WCB/WSIB coverage in all the provinces in which you operate? • If yes, please include copies of all Premium Rate Statements. • If awarded the Contract, you will be required to provide a WCB/WSIB clearance letter if you have operations in BC, Alberta, Saskatchewan, and/or Ontario (as applicable to this scope of work).	☐ Yes ☐ Copies Provided	☐ No	
4	Does your company currently have a surcharge on your provincial WCB/WSIB account in BC, Alberta, Saskatchewan and/or Ontario?	☐ Yes	☐ No	
5	Does your company have a documented spill response procedure?	☐	☐	

		Yes	No	
6	Has your company incurred a fatality or in-patient hospitalization of a worker under your control (employee or contractor) in the last three years? If yes, please provide details.	☐ Yes	☐ No	
7	Has your company received or been subject to warning letters, legal proceedings, prosecutions, or fines in the last three years for environmental incidents and/or non-compliance?	☐ Yes	☐ No	
8	Has your company had any OH&S stop work orders and/or fines within the last three years? • If yes, please describe details on process improvement strategies and action plans as a direct result of orders and/or fines.	☐ Yes	☐ No	
9	Has your company had any OH&S orders as a result of an inspection and/or investigation? • If yes, please provide details.	☐ Yes	☐ No	
10	Does your company have an alcohol and drug policy?	☐ Yes	☐ No	
11	Is your company's alcohol and drug policy compliant with EPCOR's Alcohol and Drug Requirements for Contractors and Contract Workers? • EPCOR's Alcohol and Drug Requirements for Contractors Standard is located at: • https://www.epcor.com/about/working-with-epcor/contractors-suppliers/Pages/alchohol-drug-	☐ Yes	☐ No	

	standard.aspx Describe your company's process for conducting post incident alcohol and drug test, including criteria used in making this decision. • Describe how the decision for post incident alcohol and drug testing, and results, are communicated to the client.			

PART B - Health, Safety & Environment Evaluation			
		Response	**Comments**
1	Submit your company's Health and Safety Policy Statement	☐ Copy Provided	
2	Does your company have a training matrix (identifying HSE-related courses) indicating the minimum training required for each position? • If yes, please provide a copy of the training matrix by position. and a matrix for your current workforce • Which health and safety courses are delivered by an accredited training vendor? • Describe how HSE training is validated for contractors/subcontractors.	☐ Yes ☐ No ☐ Copy Provided	
3	Does your company perform documented competency assessments for all workers that perform field work? • If yes, list the tasks that require a competency assessment as they relate to the scope of work. • If yes, submit a completed competency assessment for a task related to the scope of work	☐ Yes ☐ No	
4	Does your company have an Incident Management Procedure? • Which reference do you use to classify incidents?	☐ Yes ☐ No	

	• What criteria is used to determine when a full investigation is required following an incident or a near miss? • What methodology is used to determine the root causes of the incident? • When an investigation is complete, how are corrective/preventive actions tracked, shared, and audited for completion and sustainability? • Describe your communication plan for keeping the client informed of near misses, hazard ID's, incidents, inspection results, etc.		
5	Will your company be hiring subcontractors to complete any part of this scope of work? If yes, does your company prequalify contractors before assigning them to the scope of work? • Please attach a completed assessment that demonstrates a prequalification evaluation for similar scope of work (include evaluation criteria such as: thresholds, minimum requirements, ratings, etc.) from the last 6 months. • Within that evaluation, what documents are requested prior to the start of work?	☐ Yes ☐ No ☐ Yes ☐ No ☐ Copy Provided	
6	Does your company have a hazard assessment program for the tasks associated with the scope of work? • If yes, please list critical tasks and describe the method used to evaluate hazards and required controls. • Please include a copy of your risk matrix.	☐ Yes ☐ No	
7	Does your company have safe work procedures for this scope of work?	☐ Yes ☐ No	

	• If yes, please provide three (3) specific procedures or codes of practice relevant to this scope of Work.	☐ Copies Provided	
8	Does your company have a health and safety resource professional to support with all functions of your HSE Management Program? [Professional is defined as: External HSE consultant, employee with a formal OHS education (certificate, diploma, degree) and/or certificate/designation (CRSP, CRST, CSP, CHSC, NCSO).] • Provide the name of the Full-Time Equivalent (FTE) for this role and list their job-specific responsibilities as they relate to the scope of work. • Submit the resume and qualifications.	☐ Yes ☐ No ☐ Copy Provided	
9	Has your company implemented any corporate Health and Safety initiatives (beyond legislated requirements) in the last three years? • If yes, please describe your accomplishments.	☐ Yes ☐ No	
10	Does your Company hold any Health, Safety or Environmental Certifications or Accreditations (i.e.: ISO, OHSAS, etc.), in addition to COR? (NOTE: This does not include third-party contractor registries, such as Avetta, ISN, CQNetwork, etc.) • If yes, please list and provide certificate(s).	☐ Yes ☐ No ☐ Copy Provided	
11	Describe how you will comply with EPCOR's Covid-19 screening for contractors requirements: • EPCOR's MS20-STD11 – COVID-19 Screening for Contractors Standard is located at: https://www.epcor.com/about/working-with-epcor/contractors-suppliers/Documents/ms20-std11-Covid19%20for%20Contractors.pdf		
12	Describe which of EPCOR's 7 Life Saving Rules are applicable to the scope of Work. If any of the EPCOR Life Saving Rules are violated, describe the actions to be taken.		

PART C – Constructor Assessment *To be completed by Constructors only. Please provide the following:*	
1	Provide the system or process that will be used to ensure compliance with applicable OHS legislation as it pertains to Constructor obligations: • site delineation and control plan; • shared facilities (i.e., washrooms, lunch areas, meeting areas, trailers, parking, laydown areas, etc.), if applicable; • worksite orientation; • the process used to track controlled products at the worksite; • worksite coordination, including a plan to monitor health and safety *during in-progress work*
2	The process used by your company to manage subcontractors *during in-progress work*. Include the following: • plan to establish/track work site orientations, training records, safety meetings, inspections, and corrective/preventive actions
3	Three (3) projects where your company has acted as constructor for health and safety. Provide references with respect to these projects. If this information is included elsewhere in the Response form, you may refer to that section here.

b) Please indicate if the increased standards require retroactive application (i.e. to existing assets) or only prospective application for new assets once the standard is in place.

ENGLP Response: These HSE standards in carrying out work cannot be retroactively applied to existing assets. The implementation of these HSE standards and expectations improve employee and public safety going forward.

c) The examples provided by ENGLP (e.g. multiple butt fuse failures on plastic mains in Southern Bruce, and an emergency leak on the steel IGPC pipeline) appear to be related to construction crew quality and/or poor Quality Assurance (QA) during construction. Please explain why those deficiencies can't be resolved more cost effectively through improved QA/Inspection.

ENGLP Response: ENGLP has implemented a more robust QA/QC program to reduce the risk of failures, such as the butt fuse failure moving forward. However, one of the most important factors in ensuring good workmanship is ensuring the contractor has a good training and competency program, and that they have a good subcontractor qualification process that mirrors ENGLP's process. The RFP process was a method to ensure that ENGLP's contractor had a robust training program and that their fusers were deemed competent following industry standards, such as the McElroy certification process.

Refer to Staff-19 for additional relevant information regarding historical capital investment.

2-PP-11

Reference: Table 2.2.2-3 [2/1/1, Page 9]

Please provide details on the specific elements driving the cost per service from $653/service to the new estimate of $4,693/service.

ENGLP Response:

(Refer to Staff-28 and Staff-31 for related information regarding ENGLP's cost per service).

The $653 figure in the reference was calculated by taking the average annual services connection total forecast in the previous USP, and dividing that by the average annual forecasted customers over the five year period. The average annual services forecast cost was $164,000. The average annual customer connections forecasted was 251.

A different way of building at that number can be found in looking at project estimates made during the development of project charters for 2019 which would have informed the USP from 2020-2024. The following assumptions were used at that time:

- Materials (pipe, riser, fittings) $210/service
- Labour (2xFTE@4.5hrs) $543/service
- Contingency (5% - applied to internal projects) $38/service
- Contributions ($175/service)
- **Total** **$616/service**

The only piece of equipment considered in the estimate was a drill at $1000/service. This was assumed to be only required for a small number of services, but would explain why the average ($653) would be higher than the above build up.

Not incorporated in the cost build up above was the equipment and vehicles required to be onsite. The labor also only assumes a 2-person internal crew, which ENGLP subsequently determined is not adequate to ensure the range of skills necessary to

complete an install are onsite, supervise and implement employee safety and quality of workmanship programs.

Additionally, the internal labour above includes only the construction activity and excludes the tasks of the initial site visit/design, QA/QC, supervision, meter setting, and meter turn on. This is included below in the contractor build up example.

A cost buildup example in 2025 using a contractor for a similar service not requiring a drill is estimated below along with our internal labour and material assumptions:

- Contractor Costs

Machinery Rates	
Excavator, 80 HP, CAT 311 or equal	$77
Trailer, Float, Equipment, 18 to 20 Tonne	$7.54
Truck, Single Axel, Dump	$42.66
Van, Fitter, 1 Tonne - Upfitted	$25.57
Truck, Stake/Dump, 5 Tonne	$45.92
Truck, Stake, 1.5 Ton	$30.61
Compressor, Air, 185 CFM	$23.08
Hydrovac,w/operators	Case by Case
5 hour minimum per service	x5
Total	**$1,260.20**
Labor Rates	
Foreman	$111.09
Non Welder Journeyman	$100.28
Operator	$95.28
Specialized Labourer x2	$87.07x2
Total	$480.79
5 hour minimum per service	x5
Total	**$2,403.95**
Total Labor and Equipment	**$3,664.15**

- Internal Labour $526/service
- Material $494/service
- Total $4,684/service

To make the comparison between internal vs contractor more applicable, the internal cost build up should be adjusted to include: a 5 hour install period vs 4.5; the internal labour necessary to complete site visits, meter sets and turn-ons ($526); missing equipment at

assumed market rates (taken from contractor at $1,260), inflated materials costs since 2020 ($494); and internal construction labour at 5 FTEs vs the assumed 2 FTEs.

- Internal Labour $543*(5/4.5)*(5/2) = $1,508 + $526 = $2,034
- Material $494/service
- Equipment $1,260/service (taken from contractor costs)
- 5% Contingency $189

- Total $3,977/service

If ENGLP were to purchase all the necessary equipment and hire the resources required to complete the services construction (assumed at 175/year), it could only keep these resources allocated to capital for (175 services * 5 hours) 875 hours. Under the assumption of 2,080 chargeable working hours per resource in a year, 1,205 hours would be remaining and as a result expensed as an operational cost. This leads to the conclusion that ENGLP cannot compete with the cost of utilizing a contractor for this work.

2-PP-12

Reference: USP Table 7: Planned Large Customer Additions and System Reinforcement Projects

a) Does ENGLP have contracts in place to lock in the forecasted demand and Contribution in Aide of Construction (if PI<1.0) for the projects related to the large agricultural customer and 5MW power plant? If yes, please provide a copy. If no, please provide details on how the OEB would be able to review those details prior to approving the projects as part of the USP.

ENGLP Response: ENGLP has an executed Large Volume Distribution Contract in place with the large agricultural customer as well the Contribution in Aide of Construction (PI) calculation. ENGLP has the Contribution in Aide of Construction (PI) calculation for the 5MW power plant connection.

b) Has ENGLP assessed Integrated Resource Planning alternatives for the Port Burwell Low Pressure Reinforcement? If yes, please provide a copy of the assessment. If no, why not?

ENGLP Response: From a supply side solution, ENGLP considered Compressed Natural Gas (CNG) as an alternate for this reinforcement project to meet system peak needs. Given the size and scope of the project, it was not economically feasible to implement IRP efficiently to meet system peak demand needs.

For more information on the Port Burwell reinforcement, please refer to Staff 53 & 2-CCC-9.

c) Has ENGLP assessed Integrated Resource Planning alternatives for the South Belmont Pipe Addition project? If yes, please provide a copy of the assessment. If no, why not?

ENGLP Response: From a supply side solution, ENGLP considered Compressed Natural Gas (CNG) as an alternate for this reinforcement project to meet system peak needs. Given the size and scope of the project, it was not economically feasible to implement IRP efficiently to meet system peak demand needs.

For more information on the South Belmont reinforcement, please refer to Staff 54.

2-PP-13

a) Please provide a copy of all previous ENGLP commitments and OEB directions to ENGLP related to IRP.

ENGLP Response:

Natural Gas Rate Application Filing Requirement References: None

Integrated Resource Planning Framework for Enbridge Gas Page 3: The IRP Framework has been established for Enbridge Gas; however, it should also be used as a resource to guide EPCOR Natural Gas Limited Partnership when it examines infrastructure investments and potential alternatives.

ENGLP is unaware of any commitments related to IRP that have been made.

b) Please provide a copy of all previous ENGLP commitments and OEB directions to ENGLP related to DSM.

ENGLP Response:

The following references are included in the Natural Gas Rate Application Filing Requirements:

Page 22: A description of how the needs of customers and overall system planning policy objectives are being reflected, including obligations stemming from Ontario Government policy including the facilitation of a cap and trade framework, relevant greenhouse gas (GHG) legislation, Demand Side Management (DSM) programs and consideration of the OEB's statutory objectives, as applicable.

Page 24: All economic assumptions and data sources used in the preparation of the volume and customer count forecast, including expansions and the impact of any DSM, cap and trade or other GHG reduction-related activities, must be identified and included in this section.

Page 25: The applicant must provide a description of how DSM, cap and trade or any other GHG reduction-related activities affect throughput forecasts in each year of the rate-setting plan.

Page 26: Natural gas utilities are expected to include detailed information of all approvals for DSM funding from prior proceedings as part of any rate application. Information related to annual budget amounts (including rate class allocation) and the total amount to be recovered through rates to support prior DSM approvals must be clearly described.

Natural Gas Conservation Stakeholder Advisory Group (EB-2022-0295) -Call for Nominations for Non-Utility Members and Utility Representatives Page 2: Representatives from EPCOR Natural Gas Limited Partnership and the Independent Electricity System Operator may also participate.

On its own initiative, ENGLP has investigated the feasibility of a DSM offering to customers (such as a pilot or limited rollout of programs). A detailed summary of ENGLPS's recent DSM activity can be found in ENGLP Responses to OEB Staff IR's – Staff 5 – Demand Side Management[4].

ENGLP is not aware of other OEB direction given regarding DSM.

[4] EPCOR_2024-0139_Gas Supply Plan IRR_20240815, August 15, 2024, Page 11

2-PP-14

Reference: In order for a DSM program offering to be successful, ENGLP would require several additional resources to prepare an application, launch, fulfill and meet the reporting obligations, which would lead to higher costs for customers if all of these roles were to be filled internally. [USP - 12.2 Demand Side Management]

a) Please confirm that the primary reason ENGLP did not include DSM programs in this application is that ENGLP was not able to advance collaboration and delivery with Enbridge and IESO. If incorrect, please provide the other reasons.

ENGLP Response: Confirmed. That was the primary reason.

b) Has ENGLP conducted an assessment of the incremental (internal staff and/or contractor) resources to deliver DSM compared to the net benefits to ratepayers from DSM programs? If yes, please provide a copy of the analysis. If no, why not?

ENGLP Response: ENGLP has completed a comparison of the costs per customer relative to Enbridge gas[5] . Due to the commercially sensitive nature of this analysis, it has been filed confidentially with this submission as attachment ENGLP_EB-2024-0130_IRR_2-PP-14_Confidential.

[5] in Staff 5 of the EPCOR_2024-0139_Gas Supply Plan IRR_20240815, August 15, 2024, Page 12

2-PP-15

Reference: PollutionProbe_IR_AppendixA_EPCOR_2024-0139_Gas Supply Plan IRR_20240923 - Staff.5 Response

EPCOR received four responses with preliminary prices ranging from $75K to a time and materials proposal. Each offering proposed a variety of services and specialties, which included some, but not all of the following components that would be required in order to develop and deliver a DSM portfolio:

a) Development and start up.

b) Promotion

c) Delivery

d) Evaluation, Measurement and Verification (EM&V)

e) Administration

Please provide a copy of the four DSM responses received.

ENGLP Response: Due to the commercially sensitive nature of these proposals, they have been filed confidentially with these responses as attachment ENGLP_EB-2024-0130_IRR_2-PP-15_Confidential.

2-PP-16

Reference: PollutionProbe_IR_AppendixA_EPCOR_2024-0139_Gas Supply Plan IRR_20240923 – Attachment Staff 5-1

a) Attachment Staff 5-1 includes a DSM delivery proposal dated October 2023 which would have enabled programs to be included in this 2025-2029 Cost of Service application. Please explain why this proposal was not pursued in alignment with a 2025 DSM program launch for ENGLP.

ENGLP Response: ENGLP was informed that Enbridge did not have the capacity to pursue this collaboration further at this time.

b) Did ENGLP compare the costs and value of the Enbridge proposal against the other four contractor proposals received in 2021? If no, why not. If yes, please provide a copy of the analysis and outcomes.

ENGLP Response: A formal analysis was not completed, but the scope of the Enbridge proposal (from DSM application to final reporting) was far beyond the scope of other proposals received, leaving it as the most practical and affordable choice overall.

2-PP-17

a) Please provide a summary of the intended DSM collaboration with IESO. For example, did ENGLP explore IESO delivery on behalf of ENGLP or was it simply to do joint marketing of gas and electric DSM programs.

ENGLP Response: ENGLP staff engaged with the IESO in April 2024 to discuss a single window approach for residential and income-eligible natural gas and electricity energy efficiency programs collaboration in response to the Minister of Energy's letter of direction. ENGLP was told that the IESO was not in a position to assist at this time.

b) Please provide the responses from IESO related to DSM collaboration.

ENGLP Response: Refer to Part a). There is no additional information to provide.

2-PP-18

Reference: PollutionProbe_IR_AppendixA_EPCOR_2024-0139_Gas Supply Plan IRR_20240923 – PollutionProbe #6c Response

Please explain why ENGLP would not consider a DSM Variance Account in its Rebasing application to provide flexibility and the ability to initiate DSM during the new term. **EPCOR RESPONSE:** It is our understanding it would be included in the DSM application along with several other related variance accounts.

The current 2025-2029 Cost of Service application includes all variance account requests pertaining to the 2025-2029 rate period. Is this proceeding what ENGLP was referring to above. If it is another proceeding, please indicate which one.

ENGLP Response: The reference was in regards to a stand-alone DSM application.

2-PP-19

Please indicate what policy and related municipal energy and emission plans ENGLP has assesses and how those outcomes have been included in the 2025-2029 plan.

ENGLP Response: In the 2025-2029 plan, ENGLP reviewed input from 5-year plans provided by the Town of Aylmer, County of Elgin and Township of Malahide. The plans included population and growth projections, land use conflicts, and preservation of environmental stewardship. ENGLP used these plans as input into its capital planning process.

2-PP-20

If an IRP alternative was available (e.g. cold climate air source heat pump) in the ENGLP franchise area that was more costs effective than traditional gas pipelines, would ENGLP be open to delivering that customer solution.

ENGLP Response: ENGLP would be open to the idea of delivering such a solution potentially as part of an approved framework (DSM/IRP or similar), which would include cost recovery. Without further details, it is not possible to conclusively answer this question or expand further.

a) What would ENGLP need in place to pursue those cost-effective opportunities during the 2025-2029 rate term, that are not already in place?

ENGLP Response: Please see the above answer to a).

4-PP-21

Reference: Table 1.5.4-1 Proposed 2025 Test Year OM&A Expenditures and 2020 Board Approved

a) The top 3 increases in O&M are Affiliate Services, Bad Debt and Other at an increase of 139.3%, 183.8% and 168,6%, respectively. Please explain the details of why these categories are significantly higher than all others. Please also provide a breakdown of what is included in each of these categories.

ENGLP Response:

- **Affiliate Services ("Ontario Affiliate Shared Services")** – ENGLP explains the increase of 139.3% in detail on Pages 58-59 in Exhibit 4, Tab 1, Schedule 1. A detailed breakdown of what is included under this category can be found on Table 4.3.3.2-3 in Exhibit 4, Tab 1, Schedule 1 (Page 55).
- **Bad Debt** – ENGLP has been experiencing increased bad debt costs year over year since 2020. ENGLP believes that this is primarily driven by the increase in cost of living since 2020 in Ontario, leading to ENGLP customers paying their utility bill later than previously forecast in the 2020 Test Period. Between 2020 and 2021, bad debt expenses increased 301%; between 2021 and 2022 – 37% and between 2022 and 2023 – 46%. ENGLP utilized 2023 Actuals ($88K) and inflated it 5% in both 2024 & 2025. These small incremental increases are well below the three year average actually experienced by ENGLP since 2020 (average of 128%[6]). As noted in Table 4.3.2-1, bad debts would include the write-off of estimated uncollectible accounts.
- **Other** – Table 1.5.4-1 is a summarized table of Table 4.3.2-2 (Page 21 in Exhibit 4, Tab 1, Schedule 1). The Other category is comprised of the following expense categories included in Table 4.3.2-2: Equipment; Rent & Utilities; Telecom & IT Costs; Office & Postage; Advertising; Automotive & Other Maintenance; Dues & Fees; Travel & Entertainment; Training; Insurance; Donations; Finance Costs; Bank Fees; Other; LEAP and Disallowed costs (2020 Board Approved only). A

[6] 301% + 37% + 46% / 3

detailed variance explanation between the 2020 Board Approved (Decision) to the 2025 Test Year increases for OM&A can be found on Page 27 in Exhibit 4, Tab 1, Schedule 1. Specifically, lines 11-14, 15-16 and 19-20 would be the primary drivers of the increases for the Other category.

b) ENGLP indicates that Inflation is responsible for $500k of the $1.1 million increase, but the categories with the highest increases do not appear to be driven by inflation. Please reproduce Table 1.5.4-1 including a column that indicates how much of the $500k in inflation increases relate to each category.

ENGLP Response: The first table below illustrates the 2020T OM&A amount by inflation landing at the $543K variance (*rounded to $500K above).* 2020T Inflation is calculated using the 2020T test year amounts escalated by the inflationary factors approved in ENGLP's IRM filings, along with a 3.5% 2025 forecast value.

Driver	2020T	2020T Inflation	Variance ($)	Variance (%)
Staffing Costs	$1,432,123	$1,674,498	$242,375	17%
Affiliate Services	$453,505	$530,257	$76,752	17%
Corporate Shared Services	$439,217	$513,551	$74,334	17%
Audit Fees	$31,334	$36,637	$5,303	17%
Contractors and Consultants	$315,035	$368,352	$53,317	17%
Regulatory Costs	$211,852	$247,706	$35,854	17%
Legal Fees	$34,468	$40,301	$5,833	17%
Bad Debts	$34,200	$39,988	$5,788	17%
Other	$257,368	$300,925	$43,557	17%
Total	**$3,209,102**	**$3,752,216**	**$543,114**	**17%**

The second table below compares the 2020T inflated value to the applied for 2025T.

Driver	2020T Inflation	2025T	Variance ($)	Variance (%)
Staffing Costs	$1,674,498	$1,335,560	($338,938)	-20%
Affiliate Services	$530,257	$1,085,178	$554,921	105%
Corporate Shared Services	$513,551	$580,203	$66,652	13%
Audit Fees	$36,637	$28,161	($8,476)	-23%
Contractors and Consultants	$368,352	$329,701	($38,651)	-10%

Regulatory Costs	$247,706	$139,000	($108,706)	-44%
Legal Fees	$40,301	$35,735	($4,566)	-11%
Bad Debts	$39,988	$97,066	$57,078	143%
Other	$300,925	$691,354	$390,428	130%
Total	**$3,752,216**	**$4,321,958**	**$569,742**	**15%**

c) ENGLP indicates that a driver of cost increases is due to FTEs, but the Staffing category in Table 1.5.4-1 indicate a decrease in staffing costs by 6.7%. Please reconcile.

ENGLP Response: ENGLP's FTEs would be included in both the Staffing Costs (embedded ENGLP staff) and Affiliate Services (Ontario Affiliate Shared Services) categories. As such, when assessing salary and benefit changes, both categories would need to be considered. ENGLP describes salary and benefits changes in further detail in Staff-70.

d) Please explain why the Bad Debt provision has increased so much. Please also indicate if this is based on a projection or actual data and analysis. If it is due to data and analysis, please provide a copy of those materials or reports.

ENGLP Response: Refer to part a) above for details on the reason for increases between the 2025 Test Year OM&A Expenditures and 2020 Board Approved. The 2024 and 2025 forecast would be based on a projection. As noted in part a) above, ENGLP escalated 2023 actuals. ENGLP calculates the expected credit loss ("ECL") allowance on accounts receivable using a provision matrix approach, which is based on the ENGLP's historical credit loss experience and current economic conditions (including forward-looking information) for accounts receivables to estimate the lifetime ECL allowance. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is due or past due. Further information on this can be found in the audited financial statements (PDF Page 133 of Exhibit 1).

5-PP-22

Reference: PollutionProbe_IR_AppendixB_DSMaccounts_20240923

Appendix B includes the most recent OEB approved Demand Side Management (DSM) Variance Account and Lost Revenue Adjustment Mechanism (LRAM) Variance Account for Enbridge. Please provide a copy with any wording edits ENGLP believes would be required if the OEB were to establish these accounts for ENGLP.

ENGLP Response: ENGLP believes that only minor updates would be required to this accounting order to fit a DSM program (Name/Account number). Of note, as part of the process working with Enbridge Gas on a DSM offering, ENGLP and Enbridge were planning a review of all required accounting setups (including deferral accounts). This review has not yet taken place, so ENGLP does not have a complete picture of all of the regulatory accounting and DVA setups required for an optimal setup.

5-PP-23

Reference: PollutionProbe_IR_AppendixC_IRPaccounts_20240923

Appendix C includes the most recent OEB approved IRP accounts for Enbridge. Please provide a copy with any wording edits ENGLP believes would be required if the OEB were to establish these accounts for ENGLP.

ENGLP Response: ENGLP believes that only minor updates would be required to this accounting order to fit an IRP program (Name/Account number). If ENGLP were to file an IRP proposal, final versions of these accounting orders would be included after a fulsome review of the required accounting and financial tracking and reporting.

5-PP-24

Reference: Exhibit 4 Tab 1 Schedule 1, Section 4.2 - UFG

a) Has ENGLP done any benchmarking to determine if its unaccounted for gas is in a reasonable or best practice range? If not, why not. If yes, please provide a copy of the report or analysis.

ENGLP Response: This analysis has not been completed as ENGLP does not have a peer group to benchmark against.

b) What plan and activities does ENGLP have included in its 2025-2029 plan to reduce unaccounted for gas?

ENGLP Response: Please refer to OEB Staff-82.

8-PP-25

Reference: ENGLP proposes the inclusion of an Incremental Capital Module ("**ICM**") in its Price Cap IR Plan to address the treatment of capital investment needs that arise during the Price Cap IR Term. [10/1/1, Page 8]

a) Please explain what value ICM is in the Price Cap IR Plan since any ICM would relate to a Capital project not currently in the Utility System Plan and Asset Management Plan.

ENGLP Response: The ICM is "intended to address the treatment of capital investment needs that arise during the rate-setting plan which are incremental to a materiality threshold. The materiality threshold represented a distributor's financial capacities underpinned by existing rates, including growth"[7].

The ICM is included in the Application in the event of such a required investment.

b) Would ENGLP need to update and file a revised USP and/or AMP for OEB review and approval if the case were to arise that an ICM project is identified?

ENGLP Response: ENGLP understands that it would be required to demonstrate need, prudence and materiality, but would not be required to file a revised USP/AMP as part of the process.

c) Based on ENGLP's application, what is the materiality threshold amount for an ICM project?

ENGLP Response: A preliminary calculation results in a materiality threshold of approximately $1.9M. Refer to CCC-22 for additional information along with attachment ENGLP_EB-2024-0130_IRR_CCC-22_ICM Threshold_20241017 for a detailed calculation.

[7] Board_ACM_ICM_Report_20140918, Page 4.

d) What other requirements/criteria would ENGLP need to satisfy in order to bring forward an ICM project application.

ENGLP Response: ENGLP anticipates that it would need to follow the guidelines for electricity distributors (Section 3.3.2.1[8]), which state:

- An analysis demonstrating that the materiality threshold test has been met and that the amounts will have a significant influence on the operation of the distributor.
- Justification that the amounts to be incurred will be prudent. This means that the distributor's decision to incur the amounts represents the most cost-effective option (but not necessarily the least initial cost) for ratepayers.
- Justification that amounts being sought are directly related to the cause, which must be clearly outside of the base upon which current rates were derived.
- Evidence that the incremental revenue requested will not be recovered through other means (e.g., it is not, in full or in part, included in base rates or being funded by customer contributions in aid of construction, or by the expansion of service to include new customers and other load growth). The applicant is required to quantify all incremental revenues associated with the completion of the proposed project.
- Details by project for the proposed capital-spending plan for the expected in-service year.
- A description of the proposed capital projects and expected in-service dates.
- Calculation of the revenue requirement (i.e., the cost of capital, depreciation, and PILs) associated with each proposed incremental capital project.

[8] Board's Filing Requirements for Electricity Distribution Rate Applications – 2024 Edition for 2025 Rate Applications, Chapter 3 Incentive Rate-setting Applications dated June 18, 2024, Section 3.3.2.1.

- A description of the actions the distributor would take in the event that the OEB does not approve the application.

- Calculation of a rate rider to recover the incremental revenue from each applicable customer class. The distributor must identify and provide a rationale for its proposed rider design, whether variable, fixed or a combination of fixed and variable riders. As discussed in section 3.2.3, any new rate rider for the residential class must be applied on a fixed basis.

- For each project with an expected capital cost of $2 million or more, excluding general plant investments: documentation of the consideration of non-wires solutions (NWSs) to meet the identified system need that will be addressed by the project(s) as articulated in the OEB's Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework) to assess the economic feasibility of NWSs. Should an NWS be the preferred solution, distributors using any rate-setting methodology may request funding under the NWS Guidelines.

9-PP-26

Reference: Table 1.7-1 ENGLP Aylmer – 2020-2023 Scorecard [1/1/1, Page 55]

a) The Scorecard provided does not include any targets. Please provide the basis for not including targets on the scorecard.

ENGLP Response: As noted in Staff-22, the following measures includes targets as part of the OEB's RRR reporting:

- Reconnection response time (# of days to reconnect a customer);
- Scheduled appointments met on time (appointments met within designated time period);
- Telephone calls answered on time (call answering service level);
- Customer Complaint Written Response (# of days to provide a written response);
- Billing accuracy;
- Abandon Rate (# of calls abandon rate); and,
- Time to reschedule missed appointments.

b) The Scorecard does not include any metrics related to public policy objectives (one of the four key elements per Section 1 of the USP, an O&M consideration and overall application considerations). If the OEB were to deem that such scorecard metrics were appropriate, please provide 2-3 metrics that ENGLP would suggest are appropriate.

ENGLP Response: ENGLP would be open to further discussion should the OEB deem that such a measure would be appropriate, but it does not have any suggestions given the broad nature of the question. For comparison, an electricity distributor's scorecard does not have mention of commodity-based measures.

If ENGLP did not include DSM, IRP and RNG metrics in the response to part b, please explain why those should not be considered.

ENGLP Response: A scorecard should be designed to demonstrate performance in comparison to an application, and USP. Since there is no specific inclusion of DSM, IRP or RNG as part of this application from a capital investment standpoint, it does not make sense to include them in the scorecard.

c) ENGLP has not proposed an incentive mechanism pertaining to delivery excellence (e.g. compared to scorecard performance). Please explain why given that this is common for utility incentive regulation.

ENGLP Response: ENGLP has not proposed an incentive mechanism given the limitations of benchmarking data in comparison to an electricity LDC. Refer to Staff-14, specifically part (d) for further explanation.

EPCOR Natural Gas Limited Partnership ("ENGLP")
2025 – 2029 Cost of Service
Aylmer Service Territory

Responses to Consumers Council of Canada Interrogatories

EB-2024-0130
October 17, 2024

2-CCC-1
Ref: Ex. 2/1/1/pp. 8, 9, 17, 22

a) [p.8] ENGLP overspent its capital budget between 2020-2024 relative to the 2019 USP by $7.58 million (or $14.1 million actual capital spend relative to $6.6 million proposed in the USP). ENGLP stated that the variance was less driven by scope of work but rather an increase in the standards to which work was completed. Please discuss whether prior to 2022/2023 (when there was a contractor change) the work completed was not in accordance with industry standards.

ENGLP Response:

The contractors being utilized prior to the RFP were relatively unknown, and were being used by the former company prior to EPCOR's acquisition of NRG. As a result of lessons learned through operations, ENGLP reviewed its selection process and increased the HSE requirements to ensure contractors and subcontractors were safely carrying out the work in accordance with industry standards. ENGLP is unable to say if the contractors used prior to this change fully met these requirements, as these requirements were not scored as part of the selection process until ENGLP issued the RFP in 2021.

When the RFP was issued the existing contractors either did not bid or did not qualify to these standards. Examples of industry safety standards that were not met from an existing contractor in their bid include:

- No documented training matrices for their employees;
- No competency framework for their employees;
- No incident management procedure; and
- No subcontractor qualification process.

b) [p.9] With respect to the negotiated RFP process, please provide the number of bidders in the process and describe the basis upon which the proponent was selected. Please also discuss whether the significant increase in service costs (Table 2.2.2-3) is related to the hiring of a new contractor.

ENGLP Response: There were five bidders to the process. One was not approved as the bid package was incomplete in the safety section. The proponent's bids were evaluated based on five sections: (1) HSE (20%); (2) contract price (35%); (3) service delivery (25%); (4) Innovation and value add (10%); (5) and acceptance to EPCOR Terms &Conditions (10%). Between the proponents that scored highest on HSE, their contract pricing was very similar, indicating that meeting these standards comes with increased cost.

In table 2.2.2-3, the service cost is calculated by taking the total investment either forecasted or actually spent on services, divided by the number of services either forecasted or actually installed. This is an average cost.

There are several factors that can impact the actual cost including the length of service, the size of service, the time it takes to install a service, and the equipment required. Another drivers is the cost of labor. The USP forecast assumed the majority of services would be completed internally by a 2 person crew. However, ENGLP subsequently determined it did not have the adequate resources to ensure the range of skills necessary to complete an install are onsite, supervise and implement employee safety and quality of workmanship programs.

ENGLP utilised contractors from 2020-2024, and after the RFP in 2022, ENGLP utilised a contractor whose labour compliment on site was 5. In PP-11, there is an assessment to show how an internal cost build up would have compared against the contractor cost if ENGLP had decided to build the appropriate in-house capability.

Refer to Staff-32 for additional relevant information regarding ENGLP's contractor RFP.

c) [p.17] Please explain the statement that the meter life begins as soon as it is put on the shelf. Is ENGLP placing meter assets in rate base at the time of delivery?

ENGLP Response: A meter's life begins when it is placed on the shelf in inventory as defined by Measurement Canada, and further detailed below in 2-CCC-8. Meters would be included in rate base in the year when they are put into service.

d) [p.22] Please provide 2024 year-to-date actual capital additions by category in the same format as Table 2.2.2-5.

ENGLP Response: ENGLP completes it capitalization process in December of each year. This process takes the existing construction work in progress (Capital expenditures) (**CAPEX**) for individual projects and splits them by asset category (i.e., Meters – Commercial). Until ENGLP completes this process, the only data readily available would be CAPEX by project. To aid the CCC, ENGLP has provided the September year-to-date CAPEX by project in the table below.

Project	September 2024 YTD CAPEX ($000's)	2024 CAPEX per USP[1] ($000's)
General Plant	$195	$147
System Access	$2,290	$3,292
System Renewal	$779	$1,653
System Service	$14	$25
Total CAPEX	**$3,278**	**$5,117**
Capital Contributions	$20	$72
Net CAPEX	**$3,258**	**$5,045**

**Historical actuals by project can be found in ENGLP_EB-2024-0130_Supporting Appendixes_20240718; 2B_Capital Expenditures*

[1] Figures from Exhibit 2, Tab 1, Schedule 1, Page 36, Row 1

2-CCC-2
Ref: Ex. 2/3/1/PDF P. 88

Please confirm that the total 2025-2029 proposed capital budget is $16.85 million, and the average is $3.37 million annually. Please explain how a test year capital budget of $4.06 million, which is 20% higher than the average, reflects an appropriate pacing for the capital program.

ENGLP Response: ENGLP confirms that the 2025-29 capital budget is planned at $16.85M. Any deviation from the average in any one year is due to customer-driven work for which ENGLP does not control the timing. For example, the costs to connect the Large Agricultural Customer load or the 5MW power plant would drive the annual capital program above the average.

2-CCC-3
Ref: Ex. 2/3/1/PDF P. 109-110

a) [p. 109] Please provide the costs of the historical main addition program for the years 2020-2024 on the same basis as shown in this table (i.e., does not include costs associated with large one-off connections similar to the new agricultural customer).

ENGLP Response: Refer to the tables below for the costs of the historical mains program for the years 2020-2023 (actuals) and the 2024 Bridge Year forecast on the same basis as shown in the reference provided:

Historical Mains Program Capital Additions by Year					
	2020	**2021**	**2022**	**2023**	**2024 Bridge Year****
Capital Expenditure (Non-IGPC)	1,239,921	832,979	283,561	1,213,393	557,550
External Contributions (Non-IGPC)	(25,101)	(135,807)	-	(8,599)	(25,000)
Net Capital Costs Total	**1,214,820**	**697,172**	**283,561**	**1,204,793**	**532,550**

Historical Mains Program Capital Additions by Year (IGPC)					
	2020	**2021**	**2022**	**2023**	**2024 Bridge Year**
Capital Expenditure (IGPC)	618	-	248,130	-	300,000
External Contributions (IGPC)	(41,807)	-	-	-	-
Net Capital Costs Total	**(41,190)**	**-**	**248,130**	**-**	**300,000**

**The above data includes main additions & replacements from both System Renewal and System Access.*

***The amount included in the 2024 Bridge Year does not include costs associated with large one-off connections, similar to the new large agricultural customer.*

b) [p. 109] Please provide the capital contributions for 2020-2024 on the same basis as shown in this table.

ENGLP Response: Please refer to part a) above.

c) [p. 109] Please provide the length and size of main installations for each year during the 2020-2024 period.

ENGLP Response: The table below provides the length and size of main installations for each year during the 2020-2023 period. The 2024 information is not available until January as it is an annual year-end function.

Year	Size of Pipe		
	1 1/4" PE	2" PE	4" PE
2020	1,348	14,283	260
2021	500	5,900	7,294
2022	718	2,514	1,500
2023	45	1,614	2,027

**lengths are in meters*

d) [p. 109] Please explain the forecast installation of 2,500 metres of 2 inch and 500 metres of 4-inch pipe annually. On what basis was that forecast made and confirm that this forecast is the basis for the 2025-2029 costs of the main addition program?

ENGLP Response: The forecast of 2,500 metres of 2-inch PE pipe and 500 metres of 4-inch PE pipe is based on historical year-by-year organic growth of residential, commercial and agricultural customers and forms part of the Main Additions program annually. Large agricultural and Industrial connections as well as system reinforcement projects are treated as separate projects, which adds to the length of main installations in a given year.

e) [p. 109] Please explain how the forecast capital contributions were calculated.

ENGLP Response: Capital contributions are calculated using the profitability index (PI) as detailed in E.B.O. 188. This calculation considers the upfront capital costs against the revenue over the life of the asset, and a contribution is required

from the customer until the PI reaches a value of 1.0. For budgetary purposes, the contribution is forecasted based on historical trends.

2-CCC-4
Ref: Ex. 2/3/1/PDF P. 113-115

a) [p. 113] Please provide the costs of the historical service connection addition program for the years 2020-2024 on the same basis as shown in this table.

ENGLP Response: Refer to the table below for the costs of the historical service connection program for the years 2020-2023 (actuals) and 2024 Bridge Year forecast on the same basis as shown in the reference provided.

Historical Service Connection Program Capital Additions by Year					
	2020	**2021**	**2022**	**2023**	**2024 Bridge Year**
Capital Expenditure	535,031	570,464	473,315	739,081	831,560
External Contributions	(64,425)	(88,110)	(23,070)	(164,672)	(47,250)
Net Capital Costs Total	**470,606**	**482,354**	**450,245**	**574,410**	**784,310**

**The above data includes service connection additions & replacements from both System Renewal and System Access.*

b) [p. 113] Please provide the capital contributions for 2020-2024 on the same basis as shown in this table.

ENGLP Response: Please refer to part a) above.

c) [p. 113] Please provide the number of new service connections by customer type for each year of the 2020-2024 period.

ENGLP Response:

Year	Rate 1	Rate 2	Rate 3	Rate 4	Rate 5
2020	277	2	0	2	0
2021	204	1	0	4	0
2022	166	1	0	1	0
2023	115	0	1	0	0
2024 (YTD)	60	1	0	0	0
2024 (Forecast)	90	1	0	0	0

**The 2024 is value is as of the time of submission.*

d) [p. 113] Please explain the forecast of 175 new service installations with 85-90% being residential. On what basis was that forecast made and provide the number of annual installations by customer type that underpin the 2025-2029 costs of the service connection addition program.

ENGLP Response: The forecast is based on historical averages of customer connections informed by known proposed developments. This trend has been dropping and can be explained by the rise in interest rates and a drop in housing developments. As interest rates drop, and government policies supporting housing starts come into effect, this number will be influenced. Impacts of the energy transition may also put downward pressure on customer connections.

e) [p. 113] Please explain how the forecast capital contributions were calculated.

ENGLP Response: The forecast capital contributions were calculated based on historical trends for USP and budgetary purposes. They are updated as projects are developed and run through the PI calculation in accordance with E.B.O. 188.

2-CCC-5

Ref: Ex. 2/3/1/PDF P. 122-125
Ex. 2/3/2 (New Connection Policy)

a) [p. 122] Please provide a status update on the Large Agricultural Customer Phase 1 and 2 Load Project. Specifically, please discuss whether the first part of Phase 1 to reach 800 m3/hour is complete and the expected timing for completing the second part of Phase 1 to reach 1,700 m3/hour.

ENGLP Response: ENGLP completed the pipeline upgrade project required to provide the Large Agricultural Customer with 800 m^3/hour peak load requirements in early 2024.

ENGLP received a re-forecast from the agricultural customer after this Application was submitted. The customer initially requested 1,700m^3/hr peak requirement for Phase 1 of their operations and 3,400m^3/hr for Phase 2. Subsequently, in late June 2024, they provided an updated forecast with a reduction to their requirement - 1,300m^3/hr for Phase 1 and 2,100m^3/hr for Phase 2. Further, as per the most recent forecast provided, the Phase 1 timeline is for 2024, Phase 2 is 2028 and a potential Phase 3 for 2031.

The Clearbeach Resource (Clearbeach) gas supply solution is capable of providing 1,300 m^3/hr during peak requirements. The pipeline upgrade project completed in early 2024 currently provides 800m^3/hr. The combination of both projects will satisfy both Phase 1 and Phase 2 load requirements (i.e. 800m^3/hr is being provided by the pipeline upgrade project and 1,300m^3/hr by the Clearbeach solution to get to 2,100m^3/hr, which is the Phase 2 requirement).

b) [p. 122] With respect to Phase 2 of the project, please provide any updates regarding the $500k placeholder that ENGLP believes it will need in 2025.

ENGLP Response: The YTD spend on the completed pipeline upgrade project is $890,949. The estimated Clearbeach gas supply solution cost is $980,820. Both the upgrade and Clearbeach solution will be completed in 2024. The Large

Agricultural Customer has communicated there are plans for future expansion although specific timing remains unknown.

c) [p. 122] Please discuss the price difference for the project based on the winter rates described relative to if ENGLP had waited for summer construction.

ENGLP Response: The price difference between winter and summer rates for 2km of 6" plastic main was approximately $360K. The timing was customer-driven, and the price was run through the PI calculator per E.B.O. 188, resulting in no contribution required by the customer.

d) [p. 123] Please explain the statement that the project was not contemplated in the original ENGLP Cost of Service filing and was subject to E.B.O. 188 calculations. Does this mean that at a certain point in time ENGLP was not applying the E.B.O 188 economic test? If so, please explain.

ENGLP Response: The statement means that this project was not contemplated in the 2020-2024 ENGLP Cost of Service filing and USP, as ENGLP was not approached from this prospective agricultural customer until 2023.

It does not mean that at a certain point in time ENGLP was not applying the E.B.O 188 economic test.

e) [p. 123] Please file the detailed E.B.O. 188-related NPV calculations that shows that the PI for the Agricultural Customer Phase 1 and 2 Load Project is greater than 1.0.

ENGLP Response: Refer to Staff-50e).

f) [Ex.2/3/2/p. 5] Please discuss, in the context of EPCOR's new customer connection policy, whether the proposed facilities related to the Large Agricultural Customer Phase 1 and 2 Load Project would be considered a "dedicated facility" in accordance with Paragraph 4.3 of the new connection policy.

ENGLP Response: The Large Agricultural Customer Phase 1 and 2 Load Project is dominated by a single Large Volume Customer and is accordingly considered a dedicated facility for CIAC purposes in accordance with the New Connection Policy.

g) [Ex.2/3/2/p. 4] Please advise whether ENGLP historically has performed and currently performs the E.B.O. 188 test for all distribution expansion projects.

ENGLP Response: ENGLP has and currently performs the E.B.O. 188 test for all distribution expansion projects.

h) [Ex.2/3/2/p. 6] Please explain the statement that the, "utility, 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."

ENGLP Response: This is a typo and should read "at least 1.0".

i) For the 2025-2029 USP, please list the projects that are considered system expansion projects that are subject to E.B.O. 188 and EPCOR's new connection policy.

ENGLP Response: For the 2025-2029 USP, there are three system expansion projects currently contemplated subject to E.B.O. 188 and EPCOR's New Connection Policy. The three projects include: a) Large Agricultural Customer Phase 1 and 2 Load; b) 5MW Power Plant Customer Addition; and c) South Belmont Pipeline Addition Project.

2-CCC-6
Ref: Ex. 2/3/1/PDF P. 130

[p. 130] Please provide the costs of the historical main replacement program for the years 2020-2024 on the same basis as shown in this table.

ENGLP Response: ENGLP historically did not segregate its data between main additions (System Access) and main replacements (System Renewal). Instead, the capitalization / structure of the data was organized by the size of the main added to rate base (i.e., 4-inch plastic main). As such, ENGLP is unable to provide this data separately but has provided a combined view of all main related capital additions as shown in 2-CCC-3 (a) above.

2-CCC-7
Ref: Ex. 2/3/1/PDF P. 133

a) [p. 133] Please provide the costs of the historical service replacement program for the years 2020-2024 on the same basis as shown in this table.

ENGLP Response: ENGLP historically did not segregate its data between service additions (System Access) and service replacements (System Renewal). The capitalization / structure of the data was organized by the size of the service connection added to rate base (i.e., 2-inch plastic). As such, ENGLP is unable to provide this data separately but has provided a combined view of all service connection related additions in 2-CCC-4 (a) above.

b) [p. 133] Please provide the capital contributions for the 2020-2024 period on the same basis as shown in this table.

ENGLP Response: Refer to part a) above.

c) [p. 133] Please explain how the forecast capital contributions were calculated.

ENGLP Response: The forecast capital contributions were calculated based on historical trends and data. Until a project is known and designed, it is hard to forecast exact contribution levels.

2-CCC-8
Ref: Ex. 2/3/1/PDF P. 138
Ex. 2/1/1/ p. 19, 22

a) [p. 138] Please confirm that the meter replacement program includes both the replacement of residential and commercial meters.

ENGLP Response: The meter replacement program includes the replacement of residential, commercial and industrial meters.

b) [Ex.2/1/1/p. 19] Please further discuss the introduction of the residential meter renewal program that started in 2023. Please explain the basis for the program including a discussion of the age of the meters being replaced and the Measurement Canada requirements that ENGLP has referred to (and file those Measurement Canada requirements). Specifically, please provide the total cost of the program by year, the total number of meters to be replaced by year, the date when the program starts and ends, the cost per meter, and how ENGLP considered pacing (and rationale supporting the pace selected).

ENGLP Response: ENGLP has been replacing residential meters prior to 2023. The statement is a typo and should read: "the increase in spend compared to 2022A for residential meters is due to an increase in residential meters replaced in 2023 as per Measurement Canada requirements."

ENGLP, as a Natural Gas Distributor, is required to inspect all components of the customer owner gas systems they are supplying under section 16 of the Ontario Regulation, *Gaseous Fuels*, O Reg 212/01, which is governed by the Technical Standards & Safety Authority (TSSA). Under section 9 of the *Electricity and Gas Inspection Act*, RSC, 1985, c E-4), ENGLP is required by Measurement Canada to ensure that any meter for the use, or for the purpose of obtaining a basis of a charge must be verified and sealed. The Measurement Canada requirement that ENGLP refers to for reverification periods (depending on meter type) can be found in the link below:

https://ised-isde.canada.ca/site/measurement-canada/en/laws-and-requirements/g-18-reverification-periods-gas-meters-ancillary-devices-and-metering-installations#Section5.5

ENGLP administration tracks and schedules the change-out date through Utility Management Solutions, and depending on meter manufacturer and model, the seal life may vary. The majority of residential meters are Diaphragm that have an initial verification period of 10 years. G.I Meter Exchange tasks are done to ensure compliance with both of the above requirements.

The residential meter replacement program begins in January and ends in December of a given calendar year. The table below summarizes the total number of meters to be replaced by year, the cost per meter, and the residential meter replacement program cost by year. An assumed 5% inflation has been included in the per unit cost for each meter year by year.

Year	Total by Meter Type (and Cost Per Meter ($))	Meter Cost ($)
2025 (Planned)	Meter Size AC 250 – 1,890 ($221) Meter Size AC 425 – 30 ($725) Meter Size AC 630 – 34 ($1,472)	$489,488
2026 (Planned)	Meter Size AC 250 – 750 ($232) Meter Size AC 425 – 350 ($761) Meter Size AC 630 – 2 ($1,546)	$443,440
2027 (Planned)	Meter Size AC 250 – 720 ($244) Meter Size AC 630 – 60 ($1,623)	$273,060
2028 (Planned)	Meter Size AC 250 – 1,150 ($256)	$294,400
2029 (Planned)	Meter Size AC 250 – 70 ($270) Meter Size AC 425 – 40 ($882)	$54,180

**Please note the total residential meter program cost above does not include total internal labour costs, capital overhead and contingency.*

c) [p. 138-139] With respect to the residential meter renewal program, please provide a comparison of the cost of a sampling program to reverify meters relative to the proposed plan to simply replace all residential meters at the end of the initial verification period. Please also discuss whether ENGLP has done any sampling to see whether the residential meters would be re-verified.

ENGLP Response: In 2019, ENGLP decided not to sample to re-verify residential meters and instead replaced the residential meters at the end of the initial verification period. This decision was made since ENGLP would need to develop a quality assurance program to send the meters for sampling, which has an associated cost. Moreover, there is no capital recovery if a failure is detected and in such instances, the meter would need to be changed regardless, which can ultimately cost more than a replacement. Further, if the meter passes the verification, it can only get a 2, 4 or 6-year extension on the seal date depending on meter type. Overall, from a cost and resourcing perspective, ENGLP decided not to sample residential meters and instead replace them at the end of the initial verification period.

d) [Ex.2/1/1/p. 22] Please further discuss the introduction of the commercial meter renewal program that started in 2024. Please explain the basis for the program including a discussion of the age of the meters and the Measurement Canada requirements that ENGLP has referred to (and file those Measurement Canada requirements). Specifically, please provide the total cost of the program, the total numbers of meters to be replaced by year, the date when the program starts and ends, the cost per meter, how ENGLP considered pacing (and rationale supporting the pace selected).

ENGLP Response: ENGLP has been replacing commercial meters prior to 2024. The statement is a typo and should read: “the increase in spend compared to 2023A for commercial meters is due to an increase in commercial meters replaced/planned to be replaced in 2024 as per Measurement Canada requirements.”

ENGLP, as a Natural Gas Distributor, is required to inspect all components of the customer owner gas systems they are supplying under section 16 of the Ontario Regulation, *Gaseous Fuels*, O Reg 212/01, which is governed by the Technical Standards & Safety Authority (TSSA). Under section 9 of the *Electricity and Gas Inspection Act*, RSC, 1985, c E-4), ENGLP is required by Measurement Canada to ensure that any meter for the use, or for the purpose of obtaining a basis of a charge must be verified and sealed. The Measurement Canada requirement that ENGLP refers to for reverification periods (depending on meter type) can be found in the link below:

https://ised-isde.canada.ca/site/measurement-canada/en/laws-and-requirements/g-18-reverification-periods-gas-meters-ancillary-devices-and-metering-installations#Section5.5

ENGLP administration tracks and schedules the change-out date through UMS, and depending on meter manufacturer and model, the seal life may vary. Majority of commercial meters are Rotary and some Diaphragm that have an initial verification period of 10 years. G.I Meter Exchange tasks are done to ensure compliance with both of the above requirements.

The commercial meter replacement program starts in January until December of a given calendar year. The below table summarizes the total number of meters to be replaced by year, the cost per meter, and the commercial meter replacement program cost by year. An assumed 5% inflation has been included in the per unit cost for each meter year by year.

Year	Total by Meter Type (and Cost Per Meter ($))	Meter Cost ($)
2025 (Planned)	Meter Size 3M175 – 30 ($2,100) Meter Size 5M175 – 5 ($2,905) Meter Size 7M175 – 4 ($3,550) Meter Size 11M175 – 2 ($4,717) Planned Meter Refurbishments – 300 ($42)	$113,760

2026 (Planned)	Meter Size 3M175 – 20 ($2,205) Meter Size 5M175 – 5 ($3,050) Meter Size 7M175 – 4 ($3,728) Meter Size 11M175 – 1 ($4,953) Meter Size 16M175 – 1 ($6,738) Planned Meter Refurbishments – 300 ($44)	$99,155
2027 (Planned)	Meter Size 3M175 – 10 ($2,315) Meter Size 5M175 – 5 ($3,202) Meter Size 11M175 – 1 ($5,200) Planned Meter Refurbishments – 350 ($46)	$60,460
2028 (Planned)	Meter Size 3M175 – 10 ($2,430) Planned Meter Refurbishments – 500 ($48)	$48,300
2029 (Planned)	Meter Size 11M175 – 1 ($5,733) Planned Meter Refurbishments – 125 ($50)	$11,983

**Please note the total commercial meter program cost above does not include total internal labour costs, capital overhead and contingency.*

e) [p. 138-139] With respect to the commercial meter renewal program, please explain whether the costs for this program are related to replacements or re-verification. Please provide a breakdown of the commercial meter program costs between replacements and re-verifications.

ENGLP Response: The costs are related to replacements and refurbishments. The majority of commercial meters are refurbished to keep costs low. Please refer to the Table above in d) for a cost breakdown of meter replacement vs. refurbishments by year.

Refer to Staff-29 for more relevant information regarding ENGLP's meter replacement program.

2-CCC-9
Ref: Ex. 2/3/1/PDF P. 153

[p. 153] Please explain why the Port Burwell project was not completed in 2024 if the pressure issue was so severe.

ENGLP Response: As per CSA Z662:19 Code (Code), in 2023, ENGLP needed to conduct an engineering assessment to accept an increase of current pipeline MOP of 30psig, to an upgraded MOP of 80psig. This assessment ensures the pipeline can handle the increase of pressure by compiling pipeline documentation to verify pipe rating, potentially pressure testing 3 kms of pipe (including disconnecting ~40 customers for 24 hours and reconnecting) as well as verifying all customer regulators are properly rated. Due to the age of the pipeline and after considering the requirements for an engineering assessment, it was determined the best path forward is to complete the project in 2025 (i.e. abandon the existing 2-inch PE pipe and install a new 4-inch PE pipe, which will be rated for the higher pressure (80psi)). ENGLP Operations will continue to track pressures in the area and respond to any emergencies through this upcoming winter period.

For more information on the Port Burwell reinforcement, please refer to Staff-53 & 2-PP-12b).

2-CCC-10
Ref: Ex. 2/3/1/PDF P. 160

[p. 160] For each of the trucks listed in the table, please provide the kms traveled and further explain why 5-6 years is the appropriate age to replace a truck?

ENGLP Response: The table below lists the Vehicle number and the kilometers traveled (to date):

Replacement Year	Vehicle Number	Kms Traveled
2025	Truck #04	142,641
2026	Truck #15	109,133
2027	Truck #18	52,450
2028	Truck #17	54,160
2029	Truck #110	64,532

In ENGLP, trucks are driven approximately 35,000-40,000 kms on average per year. This is a rough estimate based on monthly truck inspections. The 5-6 year age provides an appropriate timeframe for the trucks to be traded in after their mileage reaches close to the 200,000 km mark. This is considered the appropriate economic end of life for these units and they are accordingly traded in for new ones. Further, the repair and maintenance costs of the units once they reach this threshold remain quite high, along with the reliability of safe continued operation. On an annual basis, condition assessments of the vehicles are completed to determine the need for a trade-in. A vehicle is not traded in if the vehicle is not close to the threshold of kms traveled and other factors, including age, engine hours, etc. are deemed suitable.

2-CCC-11
Ref: Ex. 2/3/1/PDF P. 162

a) [p.162] Please provide a breakdown of the IT costs between regular hardware replacement and costs associated with cyber security

ENGLP Response: At this time, ENGLP does not have a detailed breakdown between hardware required for lifecycle replacement and hardware required for cyber security. The project is an estimate on what will be required in this space to meet the needs of the business based on historic spend. In many cases, a hardware replacement can also serve to meet upgraded cyber security requirements.

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b) [p. 162] Please provide the hardware replacement costs for 2020-2024 on the same basis as provided in the table.

ENGLP Response: Refer to the table below for the costs of the historical IT Hardware & OT Cyber Security Program for the years 2020-2023 (actuals) and 2024 Bridge Year forecast on the same basis as shown in the reference provided.

Historical IT Hardware & OT Cyber Security Program Capital Additions by Year					
	2020	**2021**	**2022**	**2023**	**2024 Bridge Year**
Capital Expenditure	14,897	7,994	23,604	13,830	12,840
External Contributions	-	-	-	-	-
Net Capital Costs Total	**14,897**	**7,994**	**23,604**	**13,830**	**12,840**

2-CCC-12
Ref: Ex. 2/3/1/PDF P. 175

[p. 175] Please further discuss the mobile app development program. Specifically, please explain who is developing the apps and what apps are expected to be developed? Are there off the shelf solutions that ENGLP can simply purchase?

ENGLP Response: Mobile apps are applications that our field technicians put onto their phones to aid in the safe execution of their work. An example is the "Working Alone" app that is used to track when a technician is assigned a job, and provides for automatic check-ins and escalations in the event the technician does not check in. These applications are built in-house to EPCOR by ENGLP's parent IT department. This is done in order to reduce the cost of development, and to be able to share costs among EPCOR's various operational affiliates. ENGLP would use off-the-shelf applications if they met the needs and were more cost effective.

3-CCC-13
Ref: Ex. 3/1/1/p. 15
Ex. 2/1/1/p. 30

a) [p. 15] Please advise which customer types (e.g., residential, commercial, etc.) the installation of service lateral fee applies. If it applies to different customer types, are different charges applied?

ENGLP Response: The service lateral fee applies to residential and commercial customer types and the charges are the same.

b) [p. 15] Please provide historical service lateral installation costs to support the baseline $100 fee.

ENGLP Response: Unfortunately, ENGLP does not have the historic records to support the $100 fee. It remained at this level for the past 10 years. ENGLP believes the treatment of this small contribution in regards to the larger overall cost is based on a similar concept as the electricity basic connection allowance. The $100 was not intended to be a punitive contribution which would not allow certain lower income customers to connect to natural gas in the absence of a larger up-front contribution.

c) [p. 15] Please explain how ENGLP plans to determine the service lateral connection fee. More specifically, is the new language intended to imply that ENGLP can charge more than $100 for the first 20 meters and will apply additional charges for installations beyond 20 meters?

ENGLP Response: For residential connections, ENGLP will charge $100 for the first 20 meters and will apply additional charges for installations beyond 20 meters. The intent of this is similar to a basic connection allowance/definition for an electricity distributor. For non-residential customers, the purpose of the wording is to allow for the collection of additional contributions for customers for projects that require more complicated connections and costly implementation. In some cases,

these costs would apply whether or not they service is beyond 20 meters. While some of these projects are subject to E.B.O. 188 treatment as an expansion, others are within the existing distribution network but would still require a contribution using a similar PI calculation method should projected revenues not be sufficient to recover incremental capital amounts.

d) [Ex.2/1/1/p. 30] Assuming the new language is intended to reflect an increase in customer contributions towards service connections, please explain why total capital contributions associated with customer connections appear to be held at $72k for the 2025 test year, which is the same as the 2020 test year and below every other year for which actual information is provided.

ENGLP Response: The mechanics used for the USP assume that connections lengths and costs are consistent with historical trending and would not require additional contributions. The purpose of the changes in wording is meant to mitigate costs for existing ratepayers in the event that connection costs are beyond what is recovered in rates.

3-CCC-13 2
Ref: Ex. 3/1/2/pp. 34, 38-39

a) [p.34, 38] With respect to the treatment of new customers in each of Rates 3 and 4, please explain why different approaches were used to forecast consumption and provide rationale for each approach.

ENGLP Response: Different approaches to adding new customers are used for Rate 3 and Rate 4 because the overall approaches to those classes are different. The approach for Rate 3 calculates total class consumption so the additional consumption of the new customer is added to the forecast of existing customers. The approach for Rate 4 calculates average consumption per customer so the additional consumption of new customers is added by adjusting average consumption per customer.

b) [p. 39] For Rate 4, the 2025 load forecast per customer is lower than 2023 actuals inclusive of the addition of a larger than average customer in 2024. Please further explain why the consumption forecast for 2025 is reasonable.

ENGLP Response: Rate 4 consumption per customer was higher in 2023 than any other year. In particular, consumption in November 2023 was higher than any other month since 2012 due to anomalously high crop yields. The 2025 forecast of consumption per customer is a 3-year average, excluding the high volumes in November and December 2023 for the November and December forecasts. Combined November and December 2023 consumption per customer was 13,311 m^3 higher than average November 2021/22 and December 2021/22 consumption per customer, which outweighs the incremental consumption caused by the new customer. Additionally, only half of forecast consumption from the new customers is added in 2024, with the remaining half added in 2025.

c) [p. 34] Please confirm that the 3,000,000 m3 of additional volumes for Rate 3 in 2025 reflects both the Phase 1 and Phase 2 projects related to the new agricultural customer.

ENGLP Response: Confirmed.

d) [p. 34] Please explain why the per customer volumes for the 4 existing customers in Rate 3 falls from 347,477 m3 in 2023 (actual) to 229,509 m3 in 2025.

ENGLP Response: Consumption per Rate 3 customer is forecast to decline as consumption per customer has historically declined. In 2023 total consumption, and consumption per customer, is 25.5% lower than it was in 2014.

Refer to Staff-16 for more relevant information regarding ENGLP's load forecast methodology.

4-CCC-14
Ref: Ex. 4/1/1/p. 21

a) [p. 21] Please provide 2024 year-to-date actual expenses using the same categories as set out in Table 4.3.2-2.

ENGLP Response: Refer below for a table, which provides 2024 year-to-date (September 2024) actual expenses using the same categories as set out in Table 4.3.2-2. Please note that these year-to-date actuals are based on IFRS actuals as those are readily available using ENGLP's ERP system.

	A **USoA - General**	B **Expense Category**	C **2024 YTD**
1	301 - Operating Expenses	Employee Salaries	1,210.9
2		Employee Benefits	362.3
3		Capital Recoveries	(290.4)
4		Operating Recoveries & Burden	(438.2)
5		Ontario Affiliate Shared Services	701.3
6		Contractors and Consultants	125.1
7		Regulatory	21.9
8		Legal	30.8
9		Audit Fees	24.3
10		Equipment, Rent & Utilities	29.5
11		Telecom & IT Costs	95.4
12		Office & Postage	89.0
13		Advertising	12.6
14		Dues & Fees	33.5
15		Travel & Entertainment	12.3
16		Training	24.9
17		Insurance	29.4
18		Donations	-
19		Corporate Shared Services	463.8
20		Finance Costs	10.6
21		Bad Debts	44.7
22		Other	18.7
23	**Total USoA 301**		**2,612.2**
24	302 - Maintenance Expenses	Automotive & Other Maintenance	103.7
25	**Total USoA 302**		**103.7**
26	313 - Non-Gas Operating Expense	Equipment, Rent & Utilities	46.1
27	**Total USoA 302**		**46.1**
28	**Total Operating & Maintenance Expense**		**2,761.9**

b) [p. 21] Please explain the significant reduction between 2024 bridge and 2025 forecast in operating recoveries and burden.

ENGLP Response: ENGLP Southern Bruce required temporary support from our Aylmer operations team to deal with a surge of project activity with a prioritization of connecting customers in a timely manner. This was done on a temporary basis, and with an assessment that ENGLP Aylmer could manage a short-term shortfall in operations leadership. However, this was not a sustainable approach over the long term, thus reducing the operational recovery between 2024 and 2025 between Aylmer to South Bruce.

c) [p. 21] The increased contractor and consultant costs between 2024 bridge and 2025 forecast appear to be related to new training-related costs. Please confirm that these are training opportunities that do not need to be repeated each year.

ENGLP Response: Not confirmed. ENGLP expects these costs to be recurring over the rate term. The development of training and procedures is ongoing as part of continuous improvement as noted in Exhibit 4, Tab 1, Schedule 1, Page 26.

4-CCC-15
Ref: Ex. 4/1/1/pp. 30, 33, 34-35, 44, 54

a) [p. 30] Please provide the current number of net FTEs employed by ENGLP using the same categories as Table 4.3.3.1-1 (Lines 11-14). Please advise whether the locator that was planned to be hired in 2024 has actually been hired.

ENGLP Response: Net FTEs are derived by taking the total available hours in a working year (i.e., 2080 hours) and comparing that to the amount of time spent supporting operating work, capital work or time charged to affiliates. In 2024, the amount of time spent on operating, capital or supporting affiliates could vary in Q4 by FTE. As such, ENGLP is unable to accurately estimate the current FTE compliment in 2024. ENGLP has provided the September YTD actuals for salary and associated labour recoveries in 4-CCC-14 above.

ENGLP is currently utilizing an external contractor to support the additional locate requests. The in-house locator position has not been hired in 2024.

b) [p. 33] Please advise whether the costs of the management support FTE that was allocated to ENGLP Southern Bruce and is now proposed to be allocated back to Aylmer is already being recovered in Southern Bruce rates. Please provide evidence references from the ENGLP Southern Bruce rates proceeding supporting the company's position on this matter.

ENGLP Response: The management support shared resource FTE was not contemplated in SB rates. The Southern Bruce rates case contemplated sharing of resources, specifically the General Manager and Administrative Manager. EB-2018-0264, Exhibit 4, Tab 1, Schedule 1 (Page 16/65) states:

In addition, EPCOR's Southern Bruce system will receive management and support services from EPCOR's Aylmer natural gas distribution system or other EUI entities equivalent to nearly two FTE staff in an average operating year. The provision of the services in this manner allows the two utilities to share employees and achieve economies of scale, benefiting both utilities. These services are

provided on a fully loaded cost recovery basis. The management and support functions to be shared with EPCOR's Aylmer system include:

i. General Manager; and
ii. Administrative Manager.

c) [p. 34] Please provide further details, or the analysis itself, if available, regarding ENGLP's cost/benefit analysis of completing locate work in-house versus using a contractor.

ENGLP Response: ENGLP found that the costs of completing locates in-house vs. the use of a contractor to be very comparable. The benefits to doing locates in-house were more qualitative, as ENGLP found that it was better able to record asset details in the GIS, meet the required timelines, and provide greater accuracy when it performed locates in-house.

d) [p. 35] Given that ENGLP Aylmer already has HS&E support allocated to it through shared services, please provide further rationale supporting the need for an incremental 0.5FTE. Please advise whether the additional HS&E support has already been hired.

ENGLP Response: ENGLP requires additional HSE support to ensure the programs it has developed around integrity management, contractor management and employee training are being effectively implemented. ENGLP has invested significant time and resources to develop these programs, and needs the additional expert HSE support to sustain them. This resource would be split with the Southern Bruce operation.

The additional HS&E support has not been hired in 2024. As noted in Exhibit 4, Tab 1, Schedule 1, Page 33, Line 27, the HS&E advisor position is expected to be added in 2025.

e) [p. 54] For the service categories in Table 4.3.3.2-2 that are allocated based on an allocator other than direct costs, please provide the underlying calculations.

ENGLP Response: Refer to Table 1 & Table 2 below for the service categories in Table 4.3.3.2-2 that are allocated based on an allocator other than direct costs.

Table 1 - Cost Drivers

	Driver Inputs	A Aylmer	B Ontario (other sites)	C Total
1	Headcount	18	57	75
2	Assets	38,045,417	315,718,899	353,764,316
3	Revenues	9,827,164	29,690,333	39,517,497
4	Customers	10,418	28,525	38,943
5	Head Office Salaries	558,928	1,741,209	2,300,137

Table 2 - Allocation Calculations

	Methodology	A Formula (Derived using Table 1)	B Allocation Percentage
1	ON Composite - Revenue, Assets, Headcount	(A1/C1*33.33%)+(A2/C2*33.33%)+(A3/C3*33.33%)	20%
2	Functional Cost Causation – Head Office Salaries	A5/C5	24%
3	Functional Cost Causation – Customer Count	A4/C4	27%
4	Functional Cost Causation – Headcount	A1/C1	24%

f) [p.53-54] Please further explain the head office salary allocator. As part of the response, please provide a formula to illustrate the calculation.

ENGLP Response: The head office allocator is applied to all head office related shared costs as described in Exhibit 4. This allocator is calculated by determining the proportion of total head office salary costs that have been allocated to the ENGLP Aylmer operations.

An illustrative example of how the Head Office Salaries allocator is calculated is shown in the table below; in this example there are two employees that are employed in the head office, one that supports the Customer Operations Management function and one that supports Human Resources. The total salaries and benefit costs that have been allocated to ENGLP Aylmer is comprised of the allocated costs for Employee 1 and Employee 2, collectively $36k out of their total salary and benefits of $140k. The head office salaries allocator percentage is calculated by dividing $36k by $140k to arrive at 25.7%.

	Employee 1 – Customer Operations Management	Employee 2 – Human Resources	Total
Salary and Benefits	$80k	$60k	$140k
Allocator	Customer Count	Head Count	
Allocator % - Aylmer	27%	24%	
Allocator % - Other Ontario Operations	73%	76%	
Allocated Salary to Aylmer	$21.6k	$14.4k	$36k
Allocated Salary to Other Ontario Operations	$58.4k	$45.6k	$104k
Head Office Salaries Allocator % - Aylmer			25.7% ($36k/$140k)
Head Office Salaries Allocator % - Other Ontario Operations			74.3% ($104k/140k)

g) [p. 44] With respect to the allocation of 0.7 FTE for regulatory support for 2025, please explain the basis for that allocation given that the cost of service application for Aylmer will be concluded and there are two other Ontario rate regulated distributors to which the costs should be split.

ENGLP Response: The basis for the allocation is direct charge, as noted on table 4.3.3.2-2. The 0.7 FTE does take into account the three Ontario rate regulated distributors as it is projected based on a 1/3rd split for two people. This is a reduction from the costs from the 2024 bridge year, which includes additional effort required for this cost of service filing (Ex 4, table 4.3.3.2-3, cells F4 & G4).

Refer to Staff-70 for additional relevant information regarding OM&A costs.

4-CCC-16
Ref: Ex. 4/1/1/p. 94

Please provide the depreciation rate schedule from EB-2018-0336 that is comparable to Table 4.4-1.

ENGLP Response: Please see below for a table comparable to Table 4.4-1 from EB-2018-0336[2].

Table 4.4-2
Depreciation Rates

	A		B	C	D	E
	Current Asset Description	**Proposed 2020 Test Year Asset Description**	**2011 OEB Approved**	**2018 F**	**2019 Bridge**	**2020 Proposed**
1	Land	Land	0.00%	0.00%	0.00%	0.00%
2	Buildings	Structures & Improvements - General Plant	2.22%	2.22%	2.22%	1.92%
3		Structures & Improvements – Distribution Plant				2.22%
4		Structures & Improvements – Transmission Plant				2.03%
5	Furniture & Fixtures	Furnishing / Office Equipment	6.75%	6.75%	6.75%	6.67%
6	Computer Hardware	Computer Equipment	33.33%	33.33%	33.33%	25.00%
7	Computer Software	Software - Acquired	20.00%	20.00%	20.00%	10.00%
8	Machinery & Equipment	Tools and Work Equipment	9.22%	9.22%	9.22%	6.67%
9	Communication Equipment	Communication Equipment	7.73%	7.73%	7.73%	6.67%
10	Automotive	Vehicles - Transportation Equipment	16.60%	16.60%	16.60%	16.60%
11		Vehicle - Heavy Work Equipment				6.92%
12	Meters	Meters - Residential	3.62%	3.62%	3.62%	10.00%
13		Meters - Commercial				5.00%
14		Meter – IGPC				16.67%
15	Regulators	Regulators	3.67%	3.67%	3.67%	5.00%
16		Regulator and Meter Installations				2.80%
17		Measuring and Regulating Equipment				3.66%
18	Plastic Mains	Mains - Plastic (Distribution Plant)	3.24%	3.24%	3.24%	2.31%
19	Steel Mains	Mains - Metallic (Distribution Plant)	13.45%	13.45%	13.45%	2.83%
20	Ethanol Pipeline - IGPC Project	Mains - Metallic IGPC (Transmission Plant)	5.00%	5.00%	5.00%	1.98%
21	Plastic Services	Plastic Service Lines (net of contributions)	3.33%	3.33%	3.33%	2.51%
22	Franchises and Consents	Franchises and Consents	4.80%	4.80%	4.80%	4.80%
23	Franchises – Aylmer & Appeal	Franchises – Aylmer & Appeal	5.00%	5.00%	5.00%	5.00%

[2] EB-2018-0336, Exhibit 4, Tab 1, Schedule 1, Page 59, Table 4.4-2

5-CCC-17
Ref: Ex. 5/1/1/p. 7-8

Please explain the proration calculation regarding 2025 principal in Tables 5.1-6 and 5.1-7.

ENGLP Response: The 2025 principal and interest amounts have both been prorated to more accurately reflect the cost of debt that ENGLP is expected to incur annually. The proration of only the interest portion of the 2025 issuance understates ENGLP's true cost of debt due to the timing of the issuance (December 1).

The table below shows what ENGLP's cost of long-term debt would be over the 5-year proposed rate term ($2,926,027). This takes into account the December 1, 2025 issuance (1 month of debt) and an additional four years of interest (12 months of debt each year):

	2025	2026	2027	2028	2029	Total
Test Year	$551,619	$551,619	$551,619	$551,619	$551,619	$2,758,093
Actual	$551,619	$593,602	$593,602	$593,602	$593,602	$2,926,027
Variance	$0	$41,983	$41,983	$41,983	$41,983	$167,933

By prorating only the interest paid ('Test Year') line above, ENGLP is not able to recover its cost of debt, as these amounts are long-term and do not run off over the rate term and would only recover $2,758,093 for a shortfall of $167,933. Note that this also does not take into account additional debt issuances within the IR term, which would only increase the shortfall.

As a result, ENGLP has provided both the principle and interest portions of the long-term debt calculation.

7-CCC-18
Ref: Ex. 7/1/1/Cost Allocation Study

Please provide the cost allocation study from EB-2018-0336.

ENGLP Response: The EB-2018-0336 cost allocation study can be found on the OEB's RESS portal:

https://www.rds.oeb.ca/CMWebDrawer/Record?q=CaseNumber%3DEB-2018-0336&sortBy=recRegisteredOn-&pageLength=400

Refer to:

ENGLP_Cost of Service APPL_Exh 7_20190131
ENGLP_2020 Financial Model Protected_20190131 (Exhibit 7)

7-CCC-19
Ref: Ex. 7/1/1/p. 10

a) Please advise whether in EB-2018-0336, Rate R1 was considered one rate class and costs were allocated to the class as a single class (as opposed to there being different allocations to the three categories of customers in the class). If this is not correct, please explain.

ENGLP Response: In EB-2018-0336 Rate R1 was considered three separate classes. The results were presented separately for each R1 class and as the combined R1 class.

b) Please confirm that in the current proceeding that the R1 Residential and R1 General Service rate classes are now allocated costs separately using different allocators for each class. If this is not correct, please explain.

ENGLP Response: The three Rate R1 classes are allocated costs separately. Results are presented separately for the three R1 classes and results for the R1 General Service class, representing the sum of R1 Commercial and R1 Industrial, are also provided.

7-CCC-20

Ref: Ex. 7/1/1/Cost Allocation Study
Ex. 2/3/1/PDF p. 122

With respect to the large agricultural customer load project, with a total project cost of approximately $2.3 million (or nearly 10% of 2025 rate base), please illustrate, referencing the cost allocation study, how the costs of this project were allocated. Please also provide support for the proposed allocation in the context that the entirety of the project cost appears to benefit a single Rate 3 customer.

ENGLP Response: The 2025 revenue requirement impact of the project is $170,653, which comprises depreciation expense of $47,056 plus $123,596 of return on rate base and income taxes.

Costs are primarily within account 475 Mains – Plastic, and smaller amounts are included in 477 Measuring & Regulating Equipment and 478 Meters – Commercial. Mains are classified 66.5% Demand-related (excluding R6) and 33.5% customer-related in the 'Classification' tab of the Cost Allocation model. The demand-related portion is allocated to rate classes based on average CP/NCP demand and customer-related portion is allocated based on customer count. The R3 rate class receives 13.4% of demand-related costs and 0.05% of customer-related costs ('Allocators' tab). Measuring & Regulating Equipment is classified as 50% delivery commodity and 50% delivery demand in the 'Classification' tab. Delivery commodity is allocated by CP (16.9% to Rate 3) and delivery demand is allocated by average CP/NCP (13.4% to Rate 3). Commercial meters are allocated to commercial customers (1.35% to Rate 3). The table below summarizes the portion of these costs allocated to the R3 class and the portion driven by the new R3 customer.

Component	Revenue Requirement	Class Share	R3 Revenue Requirement	Customer Share	Customer Rev Req.
Depreciation					
Mains Demand	$237,137	13.40%	$31,767	77%	$24,324
Mains Customer	$119,299	0.05%	$58	20%	$12
Measuring & Reg Commodity	$29,219	10.69%	$3,124	77%	$2,392
Measuring & Reg Demand	$29,219	13.40%	$3,914	77%	$2,997
Meters Customer	$89,997	1.35%	$1,216	20%	$243
Return on Rate Base					
Mains Demand	$474,747	13.40%	$63,597	77%	$48,696
Mains Customer	$238,836	0.05%	$115	20%	$23
Measuring & Reg Commodity	$44,845	10.69%	$4,794	77%	$3,671
Measuring & Reg Demand	$44,845	13.40%	$6,007	77%	$4,600
Meters Customer	$62,774	1.35%	$848	20%	$170
Total	**$1,370,916**		**$115,441**		**$87,127**

Including the loads of the new customer cause approximately $87k of the revenue requirement related to the specific project costs to be allocated to Rate 3. This amount does not include the shares of all other costs that are allocated to the Rate 3 class due to the new customer's loads. A summary of overall costs allocated to Rate 3 due to the new customer's loads is provided in the table below. The allocation of costs can be considered reasonable given the allocation of overall utility costs to Rate 3 caused by the new customer.

	R3 Revenue Requirement	Customer Share	Customer Revenue Requirement
Load-related Rate Base	$1,264,173	76.6%	$967,964
Customer-related Rate Base	$24,529	20.0%	$4,906
Total Rate Base	**$1,288,702**	**75.5%**	**$972,870**

Return on Rate Base	$88,120	75.5%	$66,524
Load-related Depreciation	$48,252	76.6%	$36,946
Customer-related Depreciation	$8,433	20.0%	$1,687
Load-related OM&A	$162,413	76.6%	$124,358
Customer-related OM&A	$8,508	20.0%	$1,702
Total Revenue Requirement	**$315,727**		**$231,216**

8-CCC-21
Ref: Ex. 8/1/1/pp. 6-8

a) [p. 6] Please advise whether it is ENGLP's intent to move the residential rate class to fully fixed rates. If so, please confirm that the transition will be completed in the next rate term.

ENGLP Response: ENGLP intends to move the residential rate class to full fixed rates. Subject to OEB approval, ENGLP intends to complete the transition to fully fixed residential rates in the next rate term.

b) [p. 6] Please advise whether ENGLP has previous OEB approval to move the residential rate class to fully fixed rates. Please provide the relevant excerpts from the EB-2018-0336 proceeding (including the settlement agreement and/or decision that address the move to fully fixed rates for residential customers).

ENGLP Response: The concept of an annual increase in the fixed monthly charge for individual rate classes in order to better reflect the fixed nature of delivery costs was introduced and approved in EB-2018-0336. In that filing, ENGLP proposed to:

"Increasing the fixed monthly charge for customers in Rate 1 – General Services, Rate 2 – Seasonal Service, Rate 3 – Special Large Volume Contract Rate, and Rate 5 – Interruptible Peaking Contract Rate to better reflect the fixed cost of servicing those customers.[3]"

This included increasing the fixed monthly charge for Rate 1 customers by $1.00/month in each of the annual IRM filings[4]. The annual increases in the fixed monthly charge for Rate 1 customers was agreed to in the Settlement Agreement and approved in the subsequent Decision and Interim Rate Order[5].

[3] EB-2018-0336, ENGLP Rate Application, January 31, 2019, Exhibit 8 Tab 1, Schedule 1, Section 5, Page 2 of 11
[4] Ibid, Section 9 - Proposed Changes in Rate Design, Page 5 of 11
[5] EB-2018-0336 Decision and Interim Rate Order, July 4, 2019 Appendix A Settlement Proposal Dated June 10, 2019, Issue 7 Cost Allocation and Rate Design pages 23 – 26.

In addition, effective October 1, 2018, a fully fixed rate was implemented for Rate Class 6[6], at which time certain amendments to the rate schedule for Rate 6 (EB-2018-0235) were implemented to reflect the change in rate structure.

c) [p. 8] Please further explain the decision to separate Rate 1 into two rate classes (Rate 1 Residential and Rate 1 General Service). As part of the response, please discuss why EPCOR elected to create two classes instead of three classes (with the addition of a third new class for non-contract Industrial customers that appear to consume approximately 3 times as much gas as commercial customers in Rate 1 General Service).

ENGLP Response: ENGLP's proposal to separate Rate 1 into two rate classes is supported by the need to increase the fixed monthly charge for Residential customers in order to address the transition of this type of customer to an improved balance between the level of fixed monthly charges and the fixed nature of the cost to service these customers.

As detailed in Table 8.0.2-1, if Residential customers were not separated from Commercial and Industrial customers, it would have created an imbalance where the tariff for Residential customers would increase while the tariff for Commercial and Industrial customers would decrease. This imbalance is driven by the need to simultaneously reduce the variable delivery charge to compensate for the increase in the fixed charge. As the average annual usage for a Residential customer (2,065m^3) is approximately 5 times (or 20%) of the average annual usage of a Commercial customer at 10,498m^3 and approximately 16 times (or 6.3%) of an average Industrial customer at 33,165m^3 any reduction in the variable delivery charge is going to impact these three types of customers differently. As the target is to have a revenue to cost ratio of approximately one for Rate 1 customers, without separating the rate class, Residential customers would have subsidized Commercial and Industrial customers. With the proposed separation of rate

[6] EB-2018-0235 Decision and Order, December 6, 2018, pg. 9; and Settlement Proposal, November 21, 2018, pg. 18.

classes, the fixed monthly charge for the proposed Rate 1 General Service can be increased, and the variable distribution charge can be reduced, without resulting in a similar cross subsidization effect given the lessor consumption difference between the customers in that class.

10-CCC-22
Ref: Ex. 10/1/1/pp. 4-9

a) [p. 4-5] Please explain ENGLP's proposal to increase the fixed charge for the new Rate 1 General Service class by 15% (after inflation) each year of the IR term. More specifically, what is the basis for this continued move towards fixed charges now that the class does not include residential customers?

ENGLP Response: The basis for the proposed increase in fixed charges for the new Rate 1 General Service class is the same as that for Residential customers: To balance the business imperative of reducing volume and energy transition risk. This is achieved by transitioning to a more representative balance between the fixed nature of the costs to service these customers and ratio of fixed monthly charges versus variable distribution revenue.

b) [p. 6-7] Please confirm that the proposed inflation factor methodology, productivity factor and stretch factor are unchanged from the previously approved IRM for the 2021 to 2024 period.

ENGLP Response: Confirmed.

c) [p. 6-7] Please provide an excerpt from the settlement agreement and/or OEB decision where the 0.4 stretch factor was first approved for ENGLP Aylmer.

ENGLP Response: ENGLP_REV_Settlement Proposal_20190605 Page 32/115

d) [p. 8] Please explain the Y-factor for participating in generic and other OEB hearings that impact the utility. Is this referencing the existing Regulatory Expense Deferral Account? How are the costs eligible to be recorded in the account differentiated from the regulatory costs proposed to be included in base rates?

ENGLP Response: This is in reference to the existing REDA account. The difference between regulatory rate base costs is that the provisions of REDA allow ENGLP to participate in hearings that it would otherwise not have the capacity to do so. As one of only two regulated natural gas utilities in Ontario, ENGLP does not have the same opportunities as Enbridge or electricity utilities to find economies of scale or similar interests in generic and other hearings.

e) [p.9] Please provide an illustrative example of the ICM threshold value for a year in ENGLP's IR term (e.g., 2026, 2027, etc.). Please discuss the type of project that could not be predicted now that may require ICM treatment during the IR term.

ENGLP Response: ENGLP has projected a materiality threshold of approximately $1.9M based on the applied for revenue requirement. Refer to excel attachment ENGLP_EB-2024-0130_IRR_CCC-22_ICM Threshold_20241017 for a spreadsheet using the OEB's ICM model as a basis for calculation. While the provision of an ICM is largely for unknown projects by nature, an example of a potential ICM project could be a large station or pipeline required to accommodate incremental growth.

Refer to PP-25 for additional information regarding the ENGLP's proposed ICM.

10-CCC-23
Ref: Ex. 10/1/1/p. 11
Ex. 1/1/1/p. 45

a) Please provide ENGLP Aylmer's actual ROE compared to the deemed ROE for each year 2020-2023.

ENGLP Response: Please refer to the table below.

	2020	2021	2022	2023
Regulatory Net Income	$347,694	$488,387	$567,337	$746,798
Regulated Equity				
Opening Ratebase	14,697,874	16,580,487	17,420,192	18,411,602
Closing Ratebase	16,580,487	17,420,192	18,411,602	20,295,945
Mid-Year Ratebase	15,639,181	17,000,340	17,915,897	19,353,774
Equity Component	40%	40%	40%	40%
	6,255,672	6,800,136	7,166,359	7,741,509
Actual ROE	5.56%	7.18%	7.92%	9.65%
Deemed ROE	8.98%	8.98%	8.98%	8.98%
Variance	-3.42%	-1.80%	-1.06%	0.67%

b) [Ex. 1/1/1/p. 45] Please explain the purpose of the language that was originally included in the ESMDA Accounting Order regarding ENGLP's Affiliate and Corporate Shared Services costs that has now been deleted. Please provide a reference to the EB-2018-0336 Settlement Agreement and/or decision where this language was originally approved. Please also discuss why this language is no longer applicable to the ESMDA.

ENGLP Response: ENGLP did not originally propose an earnings sharing mechanism in its previous application[7]. The earnings sharing mechanism (and

[7] EB-2018-0336 ENGLP_IRR_STAFF_20190501_Question 10-Staff 81.

related deferral account) was approved as part of the EB-2018-0336 Settlement Agreement.[8]

The language was approved in EB-2018-0336 Decision and Interim Rate Order, July 4, 2019, Page 6.

The language is no longer applicable as its acceptance was an agreed upon condition of the Settlement Agreement and was related to that specific settlement conference and ultimately agreement. ENGLP has brought forward what it believes to be a prudent and reasonable cost of service, which does not require the same parameters and conditions as per the EB-2018-0336 accounting order.

[8] EB-2018-0336 ENGLP_REV_Settlement Proposal_20190605, Page 32/115.