

February 27, 2024

Sent by EMAIL, RESS e-filing

Ms. Nancy Marconi
Registrar
Ontario Energy Board
27-2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2024-0099 & EB-2024-0100: Quarterly Rate Adjustment Mechanism (“QRAM”) Notice of Commodity-Related Price Decrease Estimate - April 2024

The purpose of this letter is to inform the Ontario Energy Board (“OEB”) of the estimated change in the commodity portion of an average residential customer’s bill that is expected when EPCOR Natural Gas Limited Partnership (“ENGLP”) files its April 1, 2024 QRAM application.

Based on preliminary estimates, ENGLP forecasts that the gas commodity portion of the bill will decrease by 25% or more for general service customers in Aylmer and Southern Bruce.

Aylmer

Based on preliminary estimates provided by Enbridge Gas Inc. in the letter received February 23, 2024¹, there is a possibility the commodity bill decrease will be more than 25% for an average residential customer since the system gas rates are dependent upon the rates set by Enbridge for the Union South rate zone. Annual bill impact is expected to decrease by less than 10%.

Southern Bruce

Based on market pricing trends since the preliminary estimates were prepared, ENGLP Southern Bruce expects that it is likely the commodity bill decrease will be 25% or more when the April 1, 2024 QRAM is prepared. The total annual bill impact for an average residential customer is not expected to decrease by more than 10%. ENGLP is not expecting to file a rate mitigation plan at this time.

¹ EB-2024-0093, EGI_Ltr_Estimate of April_2024 QRAM_20240223_signed

Should the commodity bill decrease be greater than 25%, and the total annual bill impact decrease by more than 10%, for an average residential customer, ENGLP's April 1, 2024 QRAM application will include a plan to mitigate the increase to an acceptable level.

Background

In its QRAM Review Decision (EB-2014-0199), dated August 14, 2014, the OEB determined that it:

...will require Enbridge, NRG and Union, one month in advance of the normal QRAM filing date, to complete a preliminary estimate of the change in the commodity portion of a typical residential system supply customer's bill that arises from the forecasted reference price (based on the most current 21-day strip available at the time) for the next quarter and the forecasted PGVA balances to be cleared. A gas distributor that anticipates an increase or decrease of 25% or more on the commodity portion of a typical residential system supply customer's bill (which includes all commodity related rate riders) must file a letter with the Board describing the anticipated increase or decrease and the cost drivers underpinning the anticipated change. The letter must include information regarding the 21-day strip used and the forecasted PGVA balances that the distributor expects to clear.

Cost Drivers of the Commodity Bill Impacts

Aylmer

As noted in the Enbridge letter of February 23, 2024:

Of the estimated bill impact for a typical residential customer, the cost drivers are:

1. Decreases related to the market price of natural gas, and
2. Decreases related to the Purchase Gas Variance Accounts (PGVA) riders.

1. Decreases related to the market price of natural gas

- The price used to set the gas commodity rate is forecast for April 1, 2024 to March 31, 2025 and is expected to decrease between \$0.137/GJ and \$0.484/GJ from the prices approved by the OEB in the January 2024 QRAM.

2. Decreases related to the Purchase Gas Variance Accounts (PGVA) riders.

The projected April 2024 PGVA riders are less than the combined April 2022, July 2022 and April 2023 PGVA riders that expire March 31, 2024.

Southern Bruce

Of the estimated bill impact for a typical residential customer, the primary cost driver is a decrease related to the market price of natural gas.

1. Decreases related to the market price of natural gas

- The price used to set the gas commodity rate is forecast for April 1, 2024 to March 31, 2025 and is expected to decrease between \$0.7644/GJ and \$1.2644/GJ from the prices approved by the Board in the January 2024 QRAM.

ENGLP expects to file its April 1, 2024 QRAM applications for Southern Bruce on March 8, 2024, and its April 1, 2024 QRAM applications for Aylmer on March 11, 2024.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

Tim Hesselink, CPA
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