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

EB-2022-0200

Enbridge Gas Inc.

Application to change its natural gas rates and other charges beginning January 1, 2024

DECISION ON ISSUES LIST & EXPERT EVIDENCE AND PROCEDURAL ORDER NO. 2
January 27, 2023

This is a decision by the Ontario Energy Board (OEB) approving an issues list to define the structure and scope of this proceeding. The OEB has also made determinations on intervenor proposals to file expert evidence in the proceeding.

Enbridge Gas Inc. (Enbridge Gas) filed an application with the OEB under section 36 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15 (Schedule B) (OEB Act), seeking approval for changes to the rates that Enbridge Gas charges for natural gas distribution, transportation and storage, beginning January 1, 2024. Enbridge Gas has also applied for approval of an incentive rate-setting mechanism for the years 2025 to 2028. This is the first cost of service application filed by Enbridge Gas after its amalgamation.[1]

ISSUES LIST

The OEB issued Procedural Order No. 1 on December 16, 2022, that outlined a schedule for the proceeding and provided a draft issues list. Among other things, the Procedural Order provided for an issues conference to consider the draft issues list, the assignment of issues to phases of the proceeding, as well as the timing to consider Phase 2 issues.

An Issues Conference was held on January 9, 2023 with the objective of discussing the draft issues list and agreeing to a proposed issues list for the OEB's consideration. Enbridge Gas and intervenors agreed to most of the issues and the assignment of the issues to each phase of the proceeding. There were two proposed storage-related issues and a proposed issue relating the quality of data and methodologies for which consensus was not achieved.

[1] EB-2017-0306/0307, The OEB approved the amalgamation of Enbridge Gas Distribution (EGD) and Union Gas Limited (Union Gas) to form Enbridge Gas Inc., effective January 1, 2019 (MAADs Decision).

OEB staff filed a marked-up copy of the draft issues list on January 13, 2023 that reflected the issues for which there was agreement and the issues that were disputed. For issues and phasing related matters that remained unresolved, parties could file written submission on these matters by January 16, 2023.

Parties filed their submissions by January 16, 2023. OEB staff filed a submission on one narrow issue, and noted that it did not take a position on any of the other issues or the phasing.

OEB Findings on Issues List

The OEB accepts the changes and additions to the issues list and the phasing of the proceeding as proposed by the parties with the following exceptions.

1. The parties proposed the addition of "allocation of risk" to issue 3. The OEB accepts the addition with the following change: "allocation <u>and mitigation</u> of risk". This change is made to ensure that the issue allows for a comprehensive evaluation of risk.

Therefore, issue 3 now reads, has Enbridge Gas appropriately considered energy transition and integrated resource planning in relation to such things as:

a) load forecast
b) deemed capital structure
c) depreciation rates
d) forecast capital expenditures
e) allocation <u>and mitigation</u> of risk

to determine new rates that will be effective January 1, 2024, considering relevant government policies and legislation?

2. The parties proposed the addition of issue 19 relating to the 2024 Gas Supply Plan. The OEB accepts this addition with the following change to clarify the issue:

   With respect to the Gas Supply Plan,
   a) Is the proposal for implementation of the 2024 Gas Supply Plan <u>after the OEB's decision on matters relating to the 2024 Gas Supply Plan is issued</u>, and for reflecting cost variances in gas cost deferral and variance accounts, with recovery being subject to prudence review, appropriate?

3. Parties proposed to address the incentive rate-setting mechanism issues as part of Phase 1 rather than Phase 2 of the proceeding. The OEB prefers to deal with the

issue in Phase 2. The timeline to establish rates for 2024 is tight. Any rate adjustment mechanism approved by the OEB will not be required to establish rates for 2024, but rather will be required to establish rates for 2025. The OEB is of the view that this can be accomplished in time to do so as part of Phase 2. To the extent that an incentive rate-setting mechanism is relevant to the allocation of risk between the utility and its customers, determining the appropriate elements and term of an incentive rate-setting mechanism in Phase 2 will not limit the ability of parties to address the issue of risk allocation and mitigation in Phase 1.

The OEB does not want to unduly compress its evaluation of the incentive rate-setting mechanism issue, nor does it want to compromise its goal of setting 2024 rates in time for January 1, 2024.

4. As part of its application, Enbridge Gas has requested an exemption for 2024 from four service quality requirements (SQR) included in the Gas Distribution Access Rule (GDAR). As the request relates to 2024, the OEB has moved this issue from Phase 2 to Phase 1, as issue 40.

5. Parties proposed the addition of the following issue:

Should the OEB Commissioners make a recommendation, as proposed, to the Chief Executive Officer of the OEB for a review of GDAR's SQR measures based on customer experience and expectations, and current industry and technical standards? (Issue 59)

OEB staff noted that under the OEB Act the power to create or amend natural gas rules (such as the GDAR) rests with the OEB's Chief Executive Officer. OEB staff submitted that while proposed issue 59 is not asking the OEB to create or amend a natural gas rule in this proceeding, it questioned whether undertaking an analysis of the potential desirability of a policy change to the GDAR as a rule of general application to natural gas distributors (including but not limited to Enbridge Gas) with a view to making a recommendation is appropriate when considered in that context.

Industrial Gas Users Association (IGUA) and Vulnerable Energy Consumers Coalition (VECC) disagreed with OEB staff's position on this issue. IGUA submitted that to the extent Enbridge Gas's evidence in respect of its ability to meet the subject SQRs suggests that a broader review is appropriate, it sees no reason why the Hearing Panel in this matter should not consider making such a suggestion to the OEB's Chief Executive Officer. IGUA further submitted that doing otherwise would be contrary to regulatory efficiency, effectiveness and accessibility. VECC agreed with the submissions of IGUA.

Enbridge Gas simply noted that the request described in proposed issue 59 is included in the application and pre-filed evidence of this proceeding.

The OEB does not approve the inclusion of this issue. The OEB finds that considering Enbridge Gas's performance scorecard under issue 58 and the 2024 partial exemption from GDAR under issue 40 is sufficient for the purposes of this proceeding.

The OEB will consider the entire proposed performance scorecard while recognizing that certain elements are required by GDAR. The OEB agrees with OEB staff that it is neither appropriate nor necessary to add the proposed issue. The OEB may grant exemptions as provided for under section 1.5 of GDAR and Enbridge Gas has included an exemption request in this proceeding, which is addressed under issue 40. Determination of whether to consider and make an amendment to a rule is assigned to the Chief Executive Officer under sections 44 and 45 of the OEB Act. Furthermore, GDAR applies to all gas distributors and the OEB does not intend to expand the scope of an Enbridge Gas rates proceeding to consider whether to recommend a review of GDAR. To the extent that parties believe there is good reason to review GDAR, it is open to them to ask the Chief Executive Officer to carry out such a review under the process provided in the OEB Act.

With respect to the issues on which consensus was not reached, the OEB's findings are set out below.

1. Ms. Valastro requested the following be added to the issues list:

> Ensure that 'data' or 'methodology' used to justify business costs such as storage or open questions regarding energy transition is satisfactory or acceptable in quality or quantity of informational input. In other words, models are only as good as the information that is fed into them. If research is limited or too narrow that will influence the outcome of a model.

Enbridge Gas submitted that it does not believe that an additional issue is needed. Enbridge Gas noted that questions about quality or sufficiency of data and methodologies can be pursued as appropriate under the issues already included in the proposed issues list.

The OEB agrees that the evidence used to justify business costs must be reliable. However, there is no need to add a separate issue since the evidence, including models, relating to all approved issues will be tested during the course of this proceeding. Parties will have the opportunity to test the data and methodologies used to support Enbridge Gas's proposed costs.

2. The inclusion of the following two storage related issues is opposed by Enbridge Gas and supported by several intervenors:

    - Should the cap on cost-based storage service for in-franchise customers established in the NGEIR decision remain at 199.4 PJ?
    - Is the purchase of storage service at market-based rates by Enbridge Gas from Enbridge Gas for in-franchise customers appropriate?

Enbridge Gas submitted that the proposed issue (i.e., the cap on cost-based storage) should be excluded. Enbridge Gas submitted that the cap on cost-based storage had already been addressed and answered by the OEB in the Natural Gas Electricity Interface Review (NGEIR) Decision and it is not appropriate or necessary to revisit the issue in this proceeding. Enbridge Gas cited the NGEIR Decision wherein the OEB determined that there should be a cap of 100 PJ on the amount of Union Gas's existing storage space that is reserved for in-franchise customers at cost-based rates, plus 99.4 PJ of in-franchise storage of Enbridge Gas Distribution (EGD) that existed at the time of the NGEIR decision (which together comprise the current 199.4 PJ cap).[2]

Enbridge Gas further referred to findings of the review panel that heard motions on the NGEIR Decision. The Review Decision clarified that "the purpose of the 100 PJ cap is to establish a permanent allocation between utility and non-utility storage".[3] Enbridge Gas also noted that the decision addressed the question of whether some "remedy" is required in the event that Union Gas's in-franchise customers require more than 100 PJ of storage. The Review Decision noted that no remedy was required and once the 100 PJ limit was exceeded, incremental in-franchise storage requirements would be met through the purchase of market-based storage. Enbridge Gas concluded that the NGEIR Decision had fixed the amount of cost-based storage available for Enbridge Gas customers on a permanent basis.

Enbridge Gas further noted that it (and the former Union Gas and EGD) had relied on the findings from the NGEIR proceeding for many years to develop new storage for the benefit of the market and re-opening the previous "permanent" determination of how much cost-based storage should be available for in-franchise customers would not be fair or reasonable.

The School Energy Coalition (SEC) argued that an OEB panel cannot bind future panels and the OEB could reconsider issues when circumstances change, such as this application which is the first rebasing application post the amalgamation of EGD and

[2] Natural Gas Electricity Interface Review (NGEIR) Decision with Reasons, EB-2005-0551, November 7, 2006.
[3] Enbridge Gas, Submission on Issues List, page 3.

Union Gas. The Federation of Rental-housing Providers of Ontario (FRPO), Canadian Manufacturers and Exporters (CME) and VECC made similar arguments and noted that the amalgamation of EGD and Union Gas was a material change that warrants reconsideration of the cap on cost-based storage. CME added that the OEB could determine that the total amount of cost-based storage available is no longer reasonable post amalgamation, which has essentially doubled the number of customers required to share the cost-based storage.

SEC observed that the OEB in the MAADs Decision noted that storage issues were outside the scope of that proceeding. However, the OEB did not determine that it would be out of scope for any other future proceeding as a result of NGEIR.

With respect to purchasing market-based storage, Enbridge Gas submitted the description of the issue should be narrowed to address only the procurement process for the purchase of market-based storage by Enbridge Gas and not review whether it was appropriate for Enbridge Gas to purchase market-based storage services from itself.

Enbridge Gas noted that storage requirements for its in-franchise customers exceed the amount of cost-based storage that is available and therefore, it must obtain some storage from the market to serve its customers. Enbridge Gas submitted that it would not be in the best interest of its ratepayers to preclude the option of purchasing market-priced storage from itself and that ratepayers are best served by having the utility have full latitude to consider all available options to determine the most appropriate solutions.

SEC submitted that the proposed issue regarding the appropriateness of purchasing market-based storage is inherently tied to the issue of the cap on cost-based storage, and therefore it should not be unduly narrowed to only include the appropriateness of the proposed market-based storage procurement process.

CME submitted that the premise of the allocation of cost-based versus market-based storage has shifted, and as a result, the entire practice of purchasing market-based storage for in-franchise customers use should be in scope and reviewed by the OEB as part of this proceeding.

SEC recommended that if both issues are included in the final issues list, the OEB should require Enbridge Gas to file supplementary evidence before the commencement of Phase 2 of the proceeding, to allow for a fulsome examination. VECC supported SEC's recommendation of filing supplementary evidence.

The OEB has determined that the issues should remain on the issues list. Enbridge Gas provided a summary of the outcome of the NGEIR proceedings to support its position that the OEB's NGEIR decision is permanent.[4] However, the circumstances that existed at the time of that decision have changed sufficiently since the amalgamation of Union Gas and EGD that resulted from the OEB's MAADs Decision.[5] At the time of the NGEIR proceeding, Enbridge Gas Distribution and Union Gas were separate utilities and amalgamation was not contemplated. Considering the changed circumstances resulting from amalgamation, it is appropriate to examine the two issues as part of this proceeding. These issues will be addressed in Phase 2.

If Enbridge Gas wishes to file supplementary evidence on these two issues, it should advise the OEB by February 17, 2023 of its intent. This will allow the OEB to consider the procedural schedule for Phase 2.

Implications of Phase 2 Issues on 2024 Rates

The OEB recognizes that the disposition of some Phase 2 issues may have an impact on 2024 rates. Therefore, the Phase 1 decision will address the need to make 2024 rates interim pending the Phase 2 decision.

The OEB expects Phase 1 interrogatories to be limited to Phase 1 issues. Green Energy Coalition (GEC) has requested that interrogatories on issues 52 and 53 in Phase 2 be permitted as part of Phase 1 interrogatories to the extent that they are relevant to the energy transition topic that underpins Phase 1 issues. The OEB agrees to GEC's request.

Intervenor Evidence Proposals

In Procedural Order No. 1, the OEB directed intervenors to inform the OEB of their intention to file evidence and explain the nature of the proposed evidence. Intervenors were required to file a letter with the OEB describing the nature of the evidence, whether the evidence will be commissioned jointly with other intervenors, and the estimated cost. Accordingly, a number of intervenors expressed their intent to file evidence.

GEC and Environmental Defence proposed to jointly commission evidence by Chris Neme of Energy Futures Group. The proposed evidence would examine whether Enbridge Gas has appropriately accounted for the ongoing energy transition driven by decarbonization in relation to Enbridge Gas's proposed capital spending and other approvals. The cost of the expert report is estimated between $55,000 to $75,000 plus 40% for additional steps that may be required.

[4] EB-2005-0551, NGIER Decision and EB-2006-0322/0338/0340 Motions to Review the NGEIR Decision
[5] EB-2017-0306/0307

IGUA has proposed to sponsor three discrete subjects of expert evidence:

1. Enbridge Gas's proposed harmonized depreciation policy (by Dustin Madsen, Emyrdia Consulting)
2. Cost of Capital as it pertains to assessing the business risk to Enbridge Gas arising from energy transition considerations (by Asa Hopkins, Synapse Energy Economics Inc.)
3. Application of the "fair return standard" to Enbridge Gas's proposed change in equity thickness (by Sean Cleary, Professor of Finance at Smith School of Business, Queen's University)

The cost of each of the studies is estimated at $100,000. In addition, IGUA informed the OEB that it has retained the service of Robert Knecht to provide support in evaluating Enbridge Gas's proposed cost allocation model. IGUA has estimated the cost of the expert at $66,000. IGUA is not proposing to sponsor expert evidence on the topic of cost allocation at this time.

The Building Owners and Managers Association (BOMA) has proposed to commission expert evidence from Ian Jarvis of Enerlife Consulting Inc. The proposed evidence would focus on the natural gas demand forecast for commercial buildings and significant changes to the load profile from accelerated demand side management initiatives and electrification. The cost of the expert report is estimated at $30,000 plus 40% for additional steps (interrogatory responses, technical conference, hearings, etc.).

FRPO has retained the service of John Rosenkranz on North Side Energy LLC. The expert evidence would provide a detailed assessment of the Dawn-Parkway capacity turnback risk and recommend specific cost allocation measures that could be implemented to avoid undue cost implications. FRPO did not provide a cost estimate but noted that it could involve up to 100 hours of consulting services (preparation of interrogatories, written evidence, interrogatory responses and oral testimony).

The OEB finds that the proposed intervenor evidence is relevant to the issues to be addressed in this proceeding. The submissions demonstrate that intervenors have made efforts to coordinate with one another and with OEB staff. The OEB encourages continuing communication to avoid the duplication of opinion evidence among the various experts retained. This is a large and complex application and effective participation will require that intervenors, including individual intervenors, focus on material issues and collaborate with other intervenors who have similar positions.

With respect to FRPO's proposed evidence, the OEB is of the view that much of the evidence relating to the turnback risk on the Dawn-Parkway System can be elicited through the discovery process in the normal course and the proposed budget (estimate of hours) seems higher than necessary. While the OEB approves the evidence proposal, it cautions FRPO that recovery of the cost of the proposed evidence will be subject to the usual prudence review.

Having reviewed the proposals for evidence from BOMA, IGUA, GEC and ED, the OEB is of the view that the additional perspectives will be of assistance but reminds intervenors that recovery of the costs for this evidence will be dependent on the extent to which it falls within the scope of the proceeding, assists the panel in its consideration of the issues, and is of a reasonable cost.

Settlement Conference Dates

In Procedural Order No. 1, the OEB established that a settlement conference would be held from May 9 to May 17, 2023. The OEB notes that the 2023 CAMPUT Conference is scheduled for May 7 to May 10. The OEB finds that it is appropriate to delay the start of the settlement conference until after the 2023 CAMPUT Conference to avoid potential scheduling conflicts. The settlement conference will be rescheduled for **May 11 to May 19, 2023**.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The approved issues list is attached to this Decision and Procedural Order as Schedule B. Schedule A includes the marked-up version of the approved issues list compared to the proposed issues list that resulted from the Issues Conference.
2. A settlement conference will be convened on **May 11, 2023**, starting at 9:30 a.m. If necessary, the settlement conference will continue to **May 19, 2023**. Further information on how to participate will be communicated to parties closer to the date.
3. **No later than May 19, 2023**, OEB staff shall file a letter informing the OEB of the status of the settlement discussions including whether a tentative agreement has been reached or if the parties propose to continue the settlement discussions.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Please quote file number, **EB-2022-0200** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the OEB's online filing portal.

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found at the File documents online page on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet set up an account, or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the File documents online page of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the Practice Direction on Cost Awards.

All communications should be directed to the attention of the Registrar at the address below and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Khalil Viraney at Khalil.Viraney@oeb.ca and OEB Counsel, Michael Millar at Michael.Millar@oeb.ca and Ian Richler at Ian.Richler@oeb.ca.

Email: registrar@oeb.ca
Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, **January 27, 2023**

ONTARIO ENERGY BOARD

Nancy Marconi

Digitally signed by Nancy Marconi
Date: 2023.01.27 16:27:51 -05'00'

Nancy Marconi
Registrar

Schedule A

Enbridge Gas Inc.

EB-2022-0200

Red-Line Issues List

Red Line~~Draft~~ Issues List

1. Phase 1

A. Overall

1) Are the proposed rates and service charges just and reasonable?

2) Have the customer benefits identified in the amalgamation proceeding EB-2017-0306/0307 been realized having regard to the ~~5~~five year deferred rebasing term that was approved?

3) Has Enbridge Gas appropriately considered energy transition and integrated resource planning in relation to such things as:
   a) load forecast
   b) deemed capital structure
   c) depreciation rates
   d) forecast capital expenditures
   e) allocation and mitigation of risk

   to determine new rates that will be effective January 1, 2024, considering relevant government policies and legislation?

4) Has Enbridge Gas appropriately considered the unique rights and concerns of Indigenous customers and rights holders in its application?

5) Has Enbridge Gas identified and responded appropriately to all relevant OEB directions and commitments made from previous proceedings?

B. Rate Base (Exhibit 2)

6) Is the 2024 proposed rate base appropriate?

7) Is the forecast of 2024 capital expenditures underpinned by the Asset Management Plan, and in-service additions appropriate?

8) Are the proposed harmonized indirect overhead capitalization methodology and proposed 2024 overhead amounts appropriate?

C. Load Forecast and Revenue Forecast (Exhibit 3)

9) Is the 2024 volume forecast by rate class and resulting revenue forecast appropriate? Is the 2024 storage and transportation revenue and upstream transportation optimization forecast appropriate?

10) Is the 2024 other revenue forecast appropriate?

11) Are the proposals for harmonized load forecasting methodologies (heating degree days, average use, weather normalization, heat value, customer additions) and the 2024 Test Year results from those methodologies appropriate?

D. Operating Expenses (Exhibit 4)

12) Are the proposed 2024 Test Year operating and maintenance expenses appropriate?

13) Are the 2024 proposed compensation related costs (including, FTEs, wages, salaries, benefits, incentives, overtime, pension and OPEB costs) appropriate?

14) Are the 2024 proposed shared services and corporate services costs appropriate, including the proposed Centralized Functions Cost Allocation Methodology (CFCAM)?

15) Are the proposed harmonized depreciation rates and the 2024 Test Year depreciation expense appropriate?

16) Are the proposed 2024 Site Restoration Costs appropriate, and should the OEB establish a segregated fund for the Site Restoration Costs?

17) Are the proposed 2024 income and property tax expenses appropriate?

18) In relation to the 2024 Test Year gas cost forecast,
    a) Is the 2024 gas supply cost, including the forecast of gas, transportation and storage costs, appropriate?
    b) Is the proposal for a common reference price methodology to set gas costs appropriate?
    c) Is the proposed harmonized approach to determining gas costs (design day,

operational contingency space, unaccounted for gas, Parkway Delivery Obligation) appropriate?

d) Is the 2024 Test Year forecast volumes of unaccounted for gas appropriate?

e) Is the proposal for an updated harmonized Parkway Delivery Obligation (PDO) Framework, and the recovery of costs, appropriate?

f) Is the 2024 Test Year Parkway Delivery Commitment Incentive (PDCI) Forecast appropriate?

19) With respect to the Gas Supply Plan,

a) Is the proposal for implementation of the 2024 Gas Supply Plan after the OEB's decision on matters relating to the 2024 Gas Supply Plan is issued, ~~approval is obtained,~~ and for reflecting cost variances[1] in gas cost deferral and variance accounts, with recovery being subject to prudence review, appropriate?

~~a)~~b) Is the proposal to extend the deadline for filing the next 5-Year Gas Supply Plan by an additional year appropriate?

E. Cost of Capital (Exhibit 5)

20) Is the proposed 2024 Capital Structure, including return on equity, appropriate?

21) Is the proposed 2024 cost of debt and equity components of the capital structure appropriate?

22) Is the proposed phase-in of increases to equity thickness over the 2024 to 2028 term appropriate?

F. Revenue Deficiency/Sufficiency (Exhibit 6)

23) Is the proposed 2024 Test Year Revenue Deficiency calculated correctly?

[1] Exhibit 4, Tab 2, Schedule 1, para. 6

G. Cost Allocation (Exhibit 7)

24) Is the 2024 Cost Allocation Study including the methodologies and judgements used and the proposed application of that study to the current rate class design, appropriate?

H. Rate Design (Exhibit 8)

25) Is the proposal to set 2024 rates using current rate classes and an updated harmonized cost allocation study appropriate?

26) Is the proposed rate design proposal for the gas supply commodity charge and gas supply transportation charges appropriate?

27) Is the proposed rate implementation and mitigation plan for 2024 rates appropriate?

28) Are the proposed changes to the terms and conditions applicable on January 1, 2024, to existing rate classes appropriate?

29) Are the proposed miscellaneous service charges, including Rider G and Rider M, appropriate?

30) Are the proposed Direct Purchase Administration Charge (DPAC) and Distributor Consolidated Billing (DCB) charges appropriate?

I. Deferral & Variance Accounts (Exhibit 9)

31) Is the proposal for harmonization of certain existing deferral and variance accounts appropriate?

32) Is the proposal to close and continue certain deferral and variance accounts and establish new ones appropriate?

33) Is the proposal to dispose of the forecast balances in certain deferral and variance accounts appropriate?

J. Other

34) Is the proposed regulatory treatment of the Natural Gas Vehicle Program appropriate?

35) Is the proposed regulatory treatment of the Distributor Consolidated Billing Program appropriate?

36) Is the proposal for the extension of the existing financial terms of the Open Billing Access Program for ten months until October 31, 2024 appropriate?

37) Is it appropriate to have an earnings sharing mechanism for 2024?

38) How should Dawn Parkway capacity turnback risk be dealt with?

39) Is the proposed harmonized methodology for determining the amount of storage space and deliverability required to serve in franchise customers appropriate, and is the proposed allocation of storage space and deliverability among customers appropriate?

40) Should the OEB grant Enbridge Gas's request for a partial exemption for 2024 from the Call Answering Service Level, Time to Reschedule a Missed Appointment and Meter Reading Performance Measurement targets set out in GDAR?

K. Rate Implementation

~~40)~~41) How should the OEB implement the approved 2024 rates relevant to this proceeding if they cannot be implemented on or before January 1, 2024?

2. Phase 2

A. Incentive Rate Setting Mechanism (Exhibit 10)

~~41)~~42) Are the proposed Price Cap Incentive Rate-Setting Mechanism, Annual Rate Adjustment Formula, and term appropriate?

~~42)~~43) Are the proposed elements of Enbridge Gas's Price Cap Incentive Rate-Setting Mechanism appropriate?

~~43)~~44) Is the proposed approach to incremental capital funding appropriate?

~~44)~~45) Is the proposed earnings sharing mechanism appropriate?

~~45)~~46) Is Enbridge Gas's proposal for annual proceedings for clearance of deferral and variance accounts and presentation of utility results (and any ESM amounts) and scorecard results appropriate?

B. Storage~~[2]~~

~~46)~~47) Should the cap on cost-based storage service for in-franchise customers established in the NGEIR decision remain at 199.4 PJ?

~~47)~~48) Is the ~~procurement process for~~ purchase of storage service at market-based rates by Enbridge Gas from Enbridge Gas for in-franchise customers appropriate?

~~48)~~49) Is the proposal to add 10 PJ of market-based storage at a cost not currently included in the 2024 Test Year gas cost forecast appropriate?

~~49)~~50) Is the allocation of capital assets and costs between utility and non-utility (unregulated) storage operations appropriate?

~~50)~~51) How should the determinations made for the Phase 2 Storage issues be addressed and implemented, including any required changes to 2024 costs and revenues, the Gas Supply Plan and gas supply deferral and variance accounts?

~~[2] Initially approved (Phase 1) 2024 rates should be declared interim pending the completion of the Phase 2 storage issues.~~

C. Technology Fund & Voluntary RNG Program~~[3]~~

~~51)~~52) Are the specific proposed parameters for an Energy Transition Technology Fund and associated rate rider appropriate?

~~52)~~53) Are the specific proposals to amend the Voluntary RNG Program and to procure low-carbon energy as part of the gas supply commodity portfolio, appropriate?

D. Harmonized Rate Classes

~~53)~~54) Is the proposed design of harmonized rate classes appropriate, including:

a. Rate design for the general service rate classes.
b. Rate design for the in-franchise contract rate classes.
c. Rate design for the ex-franchise rate classes.

~~54)~~55) Are the proposed harmonized rates and related charges, based on the 2024 Test Year Cost Allocation Study, just and reasonable?

~~55)~~56) Is the proposed implementation and mitigation plan for harmonized rate classes appropriate?

~~56)~~57) Are the proposed changes to services and related charges, and the terms and conditions, applicable post 2024 appropriate?

D. Other

~~57)~~58) Are the proposed scorecard Performance Metrics and Measurement targets for the amalgamated utility appropriate?

~~58)1) Should the OEB grant Enbridge Gas's request for a partial exemption from the Call Answering Service Level, Time to Reschedule a Missed Appointment and Meter~~

~~[3] Including issues 51 and 52 in Phase 2 does not restrict parties from asking interrogatories and pursuing further inquiry and/or argument regarding the proposed Energy Transition Technology Fund, voluntary RNG program, and the proposal to procure low-carbon energy as part of the gas supply commodity portfolio in Phase 1 where relevant to the Phase 1 issues, including whether Enbridge Gas has appropriately considered energy transition in relation to the relief it seeks.~~

~~Reading Performance Measurement targets set out in GDAR?~~

59) ~~Should the OEB Commissioners make a recommendation, as proposed, to the Chief Executive Officer of the OEB for a review of GDAR's SQR measures based on customer experience and expectations, and current industry and technical standards?~~

Schedule B

Enbridge Gas Inc.

EB-2022-0200

Approved Issues List

Issues List

1. Phase 1

A. Overall

1) Are the proposed rates and service charges just and reasonable?

2) Have the customer benefits identified in the amalgamation proceeding EB-2017-0306/0307 been realized having regard to the five-year deferred rebasing term that was approved?

3) Has Enbridge Gas appropriately considered energy transition and integrated resource planning in relation to such things as:
   a) load forecast
   b) deemed capital structure
   c) depreciation rates
   d) forecast capital expenditures
   e) allocation and mitigation of risk

   to determine new rates that will be effective January 1, 2024, considering relevant government policies and legislation?

4) Has Enbridge Gas appropriately considered the unique rights and concerns of Indigenous customers and rights holders in its application?

5) Has Enbridge Gas identified and responded appropriately to all relevant OEB directions and commitments made from previous proceedings?

B. Rate Base (Exhibit 2)

6) Is the 2024 proposed rate base appropriate?

7) Is the forecast of 2024 capital expenditures underpinned by the Asset Management Plan, and in-service additions appropriate?

8) Are the proposed harmonized indirect overhead capitalization methodology and proposed 2024 overhead amounts appropriate?

C. Load Forecast and Revenue Forecast (Exhibit 3)

9) Is the 2024 volume forecast by rate class and resulting revenue forecast appropriate? Is the 2024 storage and transportation revenue and upstream transportation optimization forecast appropriate?

10) Is the 2024 other revenue forecast appropriate?

11) Are the proposals for harmonized load forecasting methodologies (heating degree days, average use, weather normalization, heat value, customer additions) and the 2024 Test Year results from those methodologies appropriate?

D. Operating Expenses (Exhibit 4)

12) Are the proposed 2024 Test Year operating and maintenance expenses appropriate?

13) Are the 2024 proposed compensation related costs (including, FTEs, wages, salaries, benefits, incentives, overtime, pension and OPEB costs) appropriate?

14) Are the 2024 proposed shared services and corporate services costs appropriate, including the proposed Centralized Functions Cost Allocation Methodology (CFCAM)?

15) Are the proposed harmonized depreciation rates and the 2024 Test Year depreciation expense appropriate?

16) Are the proposed 2024 Site Restoration Costs appropriate, and should the OEB establish a segregated fund for the Site Restoration Costs?

17) Are the proposed 2024 income and property tax expenses appropriate?

18) In relation to the 2024 Test Year gas cost forecast,
    a) Is the 2024 gas supply cost, including the forecast of gas, transportation and storage costs, appropriate?
    b) Is the proposal for a common reference price methodology to set gas costs appropriate?

c) Is the proposed harmonized approach to determining gas costs (design day, operational contingency space, unaccounted for gas, Parkway Delivery Obligation) appropriate?
d) Is the 2024 Test Year forecast volumes of unaccounted for gas appropriate?
e) Is the proposal for an updated harmonized Parkway Delivery Obligation (PDO) Framework, and the recovery of costs, appropriate?
f) Is the 2024 Test Year Parkway Delivery Commitment Incentive (PDCI) Forecast appropriate?

19) With respect to the Gas Supply Plan,
a) Is the proposal for implementation of the 2024 Gas Supply Plan <u>after the OEB's decision on matters relating to the 2024 Gas Supply Plan is issued</u>, and for reflecting cost variances[1] in gas cost deferral and variance accounts, with recovery being subject to prudence review, appropriate?
b) Is the proposal to extend the deadline for filing the next 5-Year Gas Supply Plan by an additional year appropriate?

E. Cost of Capital (Exhibit 5)

20) Is the proposed 2024 Capital Structure, including return on equity, appropriate?

21) Is the proposed 2024 cost of debt and equity components of the capital structure appropriate?

22) Is the proposed phase-in of increases to equity thickness over the 2024 to 2028 term appropriate?

F. Revenue Deficiency/Sufficiency (Exhibit 6)

23) Is the proposed 2024 Test Year Revenue Deficiency calculated correctly?

[1] Exhibit 4, Tab 2, Schedule 1, para. 6

G. Cost Allocation (Exhibit 7)

24) Is the 2024 Cost Allocation Study including the methodologies and judgements used and the proposed application of that study to the current rate class design, appropriate?

H. Rate Design (Exhibit 8)

25) Is the proposal to set 2024 rates using current rate classes and an updated harmonized cost allocation study appropriate?

26) Is the proposed rate design proposal for the gas supply commodity charge and gas supply transportation charges appropriate?

27) Is the proposed rate implementation and mitigation plan for 2024 rates appropriate?

28) Are the proposed changes to the terms and conditions applicable on January 1, 2024, to existing rate classes appropriate?

29) Are the proposed miscellaneous service charges, including Rider G and Rider M, appropriate?

30) Are the proposed Direct Purchase Administration Charge (DPAC) and Distributor Consolidated Billing (DCB) charges appropriate?

I. Deferral & Variance Accounts (Exhibit 9)

31) Is the proposal for harmonization of certain existing deferral and variance accounts appropriate?

32) Is the proposal to close and continue certain deferral and variance accounts and establish new ones appropriate?

33) Is the proposal to dispose of the forecast balances in certain deferral and variance accounts appropriate?

J. Other

34) Is the proposed regulatory treatment of the Natural Gas Vehicle Program appropriate?

35) Is the proposed regulatory treatment of the Distributor Consolidated Billing Program appropriate?

36) Is the proposal for the extension of the existing financial terms of the Open Billing Access Program for ten months until October 31, 2024 appropriate?

37) Is it appropriate to have an earnings sharing mechanism for 2024?

38) How should Dawn Parkway capacity turnback risk be dealt with?

39) Is the proposed harmonized methodology for determining the amount of storage space and deliverability required to serve in franchise customers appropriate, and is the proposed allocation of storage space and deliverability among customers appropriate?

40) Should the OEB grant Enbridge Gas's request for a partial exemption for 2024 from the Call Answering Service Level, Time to Reschedule a Missed Appointment and Meter Reading Performance Measurement targets set out in GDAR?

K. Rate Implementation

41) How should the OEB implement the approved 2024 rates relevant to this proceeding if they cannot be implemented on or before January 1, 2024?

2. Phase 2

A. Incentive Rate Setting Mechanism (Exhibit 10)

42) Are the proposed Price Cap Incentive Rate-Setting Mechanism, Annual Rate Adjustment Formula, and term appropriate?

43) Are the proposed elements of Enbridge Gas's Price Cap Incentive Rate-Setting Mechanism appropriate?

44) Is the proposed approach to incremental capital funding appropriate?

45) Is the proposed earnings sharing mechanism appropriate?

46) Is Enbridge Gas's proposal for annual proceedings for clearance of deferral and variance accounts and presentation of utility results (and any ESM amounts) and scorecard results appropriate?

B. Storage

47) Should the cap on cost-based storage service for in-franchise customers established in the NGEIR decision remain at 199.4 PJ?

48) Is the purchase of storage service at market-based rates by Enbridge Gas from Enbridge Gas for in-franchise customers appropriate?

49) Is the proposal to add 10 PJ of market-based storage at a cost not currently included in the 2024 Test Year gas cost forecast appropriate?

50) Is the allocation of capital assets and costs between utility and non-utility (unregulated) storage operations appropriate?

51) How should the determinations made for the Phase 2 Storage issues be addressed and implemented, including any required changes to 2024 costs and revenues, the Gas Supply Plan and gas supply deferral and variance accounts?

C. Technology Fund & Voluntary RNG Program

52) Are the specific proposed parameters for an Energy Transition Technology Fund and associated rate rider appropriate?

53) Are the specific proposals to amend the Voluntary RNG Program and to procure low-carbon energy as part of the gas supply commodity portfolio, appropriate?

D. Harmonized Rate Classes

54) Is the proposed design of harmonized rate classes appropriate, including:
    a. Rate design for the general service rate classes.
    b. Rate design for the in-franchise contract rate classes.
    c. Rate design for the ex-franchise rate classes.

55) Are the proposed harmonized rates and related charges, based on the 2024 Test Year Cost Allocation Study, just and reasonable?

56) Is the proposed implementation and mitigation plan for harmonized rate classes appropriate?

57) Are the proposed changes to services and related charges, and the terms and conditions, applicable post 2024 appropriate?

D. Other

58) Are the proposed scorecard Performance Metrics and Measurement targets for the amalgamated utility appropriate?