Enbridge Gas Compendium

EB-2023-0143 - Request for Generic Variance Account Compendium of Supporting Evidence

Tab 1	EB-2022-0200 – 2024 Rebasing Application - Evidence – Updated: 2023-03-08, Exhibit 9, Tab 1, Schedule 3, pp. 8 – 11. (Miscellaneous Service Charges)
Tab 2	EB-2022-0200 – 2024 Rebasing Application -Evidence – Filed: 2022-11-30, Exhibit 8, Tab 3, Schedule 1, pp. 13 – 21.
Tab 3	EB-2022-0200 – 2024 Rebasing Application – Interrogatory Responses • Exhibit I.4.4-STAFF-122 • Exhibit I.9.1-CCC-102 • Exhibit I.9.1-OGVG-12 • Exhibit I.9.1-SEC-228
Tab 4	EB-2022-0200 – 2024 Rebasing Application -Technical Conference - Day 3 Transcript pp. 206 – 212, March 24, 2023. (Panel 11 - SQRs, DVAs (non-gas), service charges)
Tab 5	EB-2022-0200 – 2024 Rebasing Application - Technical Conference – Day 7 Transcript pp. 95 – 98, March 30, 2023. (Panel 6 - O&M costs, Corporate Cost Allocation)
Tab 6	EB-2022-0200 – 2024 Rebasing Application -Technical Conference Hearing Exhibit KT3.4.
Tab 7	EB-2022-0200 – 2024 Rebasing Application -Technical Conference Undertaking – JT3.38.
Tab 8	EB-2022-0200 – 2024 Rebasing Application - Settlement Proposal Filed: 2023-06-28, Exhibit O1, Tab 1, Schedule 1, pp. 1, 4, 51-52, 55-57.
Tab 9	EB-2022-0200 – 2024 Rebasing Application - Enbridge Gas Letter - Withdrawal of Requests for Locate Delivery Charge & Locate Delivery Services VA (May 24, 2023).

TAB 1

ESTABLISHMENT OF NEW DEFERRAL AND VARIANCE ACCOUNTS

JASON VINAGRE, MANAGER REGULATORY ACCOUNTING
RYAN SMALL, TECHNICAL MANAGER REGULATORY ACCOUNTING

1. The purpose of this evidence is to request OEB approval to establish new deferral and variance accounts (D&VAs). The request for each account is supported by how the Company has met the OEB eligibility requirements for new D&VA requests.

2. Enbridge Gas proposes to establish the following new variance accounts, effective January 1, 2024.
    1. Energy Transition Technology Fund Variance Account (Account No. 179-321)
    2. Rate Harmonization Variance Account (Account No. 179-322)
    3. Dawn Parkway Surplus Capacity Deferral Account (Account No. 179-323)
    4. Locate Delivery Services Variance Account (Account No. 179-324)
    5. Open Bill Extension Deferral Account (Account No. 179-325)
    6. Enhanced Distribution Integrity Management Program Deferral Account (Account No. 179-326)
    7. Post-Retirement True-Up Variance Account (Account No. 179-328) /u

3. The Filing Requirements for Natural Gas Rate Applications (Filing Requirements) require a new D&VA request be accompanied by evidence on how the following eligibility criteria will be met[1]:
    a) Causation – the forecasted expense must be clearly outside the base upon which rates were derived;

[1] Filing Requirements for Natural Gas Rate Applications, February 16, 2017, p.38.

b) Materiality – the forecasted amounts must exceed the OEB-defined materiality threshold[2] and have a significant influence on the operation of the distributor, otherwise they must be expensed in the normal course and addressed through organizational productivity improvements; and,
c) Prudence – the nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition. In terms of the quantum, this means that the applicant must provide evidence demonstrating as to why the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers.

4. The proposed Accounting Orders for the new D&VAs are provided at Exhibit 9, Tab 1, Schedule 1, Attachment 3.

1. Energy Transition Technology Fund Variance Account (Account No. 179-321)

5. Enbridge Gas proposes to establish the Energy Transition Technology Fund (ETTF) Variance Account as a tracking account over the IR term. In order to achieve provincial and federal greenhouse gas (GHG) reduction targets, Enbridge Gas is exploring and pursuing multiple energy transition-related initiatives that will reduce GHG emissions from Enbridge Gas's own operations as well as from buildings, industry, and transportation. A description of these initiatives is provided at Exhibit 1, Tab 10, Schedule 1. As part of its proposed initiatives, Enbridge Gas is requesting approval of the ETTF, which is intended to support research, development, and commercialization of low carbon technologies. A description of the proposed ETTF is provided at Exhibit 1, Tab 10, Schedule 7.

[2] The materiality threshold is set at $1 million for a utility with a revenue requirement of more than $200 million, as defined in the Filing Requirements for Natural Gas Rate Applications, February 16, 2017, p.38.

6. Enbridge Gas is proposing to collect $5 million forecasted annually over the IR term, which will accumulate in the proposed ETTF Variance Account. As ETTF expenses are incurred, the accumulated balance in the variance account will be drawn down. Enbridge Gas proposes to review the balance in the variance account at the next rebasing application.

7. Enbridge Gas proposes to collect the ETTF through a rate rider, as provided at Exhibit 8, Tab 1, Schedule 1. Collecting the ETTF through a rate rider, as opposed to base rates, provides transparency, as the actual amount collected for the ETTF will be earmarked for the ETTF, underscoring the importance of having a dedicated, continuous, reliable funding stream for technology research and innovation, and giving ratepayers confidence that this is an on-going priority for Enbridge Gas. It also removes the amounts collected for the ETTF from escalation[3] during the IR term. There are no associated costs in the budget underpinning the forecast revenue requirement. As a result, the $5 million forecasted to be collected for the ETTF is incremental to the proposed 2024 revenue deficiency.

8. Enbridge Gas has assessed the causation, materiality, and prudence of the ETTF Variance Account:
    a) Causation – All costs that Enbridge Gas intends to record in the proposed ETTF Variance Account are outside of the base upon which rates are derived. The Company is proposing a rate rider to collect the required funding for GHG reduction initiatives.
    b) Materiality – Enbridge Gas's forecasted spend exceeds the $1 million materiality threshold for the establishment of new accounts. The Company is

[3] Enbridge Gas is proposing annual rate adjustments using a Price Cap Index during the 2025 to 2028 IR term.

proposing $5 million annually in ETTF funding, for a total of $25 million forecasted to be collected over the IR term, which will be tracked in the variance account. These funds are intended to support customers and the Company through a period of significant Energy Transition over time.

c) Prudence – Enbridge Gas's proposed fund for energy transition technology development is critical to address the challenge of climate change and energy transition policies in Ontario and Canada, to satisfy customers' feedback on energy transition, and to deliver the Company's overall energy transition plan. Please see Exhibit 1, Tab 10, Schedule 7 for greater detail on the purpose and scope of the proposed ETTF.

<u>2. Rate Harmonization Variance Account (Account No. 179-322)</u>

9. Enbridge Gas proposes to establish the Rate Harmonization Variance Account (RHVA) to record material differences to forecast revenues that are attributable to customers switching rate classes as a result of the implementation of the rate harmonization plan. Implementation of the rate harmonization plan is currently planned for 2025 for general service customers and for 2026 for contract service customers. Please see Exhibit 7, Tab 1 for the harmonized cost allocation and Exhibit 8, Tab 2 for the rate harmonization plan.

10. The cost allocation and rate design process to support the rate harmonization plan is underpinned by a harmonized customer forecast. Enbridge Gas prepared the harmonized customer forecast by placing customers into harmonized rate classes based on the customer's current parameters and service option. For example, a firm bundled contract rate customer is placed in the corresponding firm bundled contract rate class for purposes of deriving the harmonized customer forecast. The mapping of current rate classes to proposed rate classes is provided at Exhibit 8, Tab 2, Schedule 1, Attachment 1. This approach ensured that there was no

judgment by the Company on what service option a customer may elect upon rate harmonization.

11. Enbridge Gas recognizes that customers have options to switch rate classes and/or change their service options upon implementation of the rate harmonization plan. The rate harmonization plan offers customers choice, which increases the potential for rate class switching. As such, Enbridge Gas is proposing to establish the RHVA to be utilized from 2025 to 2028 to mitigate the uncertainty of customer choice on the forecast revenue upon the implementation of the rate harmonization plan. The proposed RHVA will record the material differences (in excess of $1 million in aggregate) to forecast revenue due to the implementation of the rate harmonization plan.

12. Rate harmonization is proposed to be implemented during the IR term, during which time Enbridge Gas's rates will be set through the proposed Price Cap mechanism. The Company is unable to adjust the volume forecast through the IR term to account for rate class switching until the Company's next rebasing in 2029. Enbridge Gas considered reflecting potential customer switching in the harmonized customer forecast but decided against this approach due to its subjective nature. Any changes to the customer forecast would require judgement, without prior customer experience or customer feedback on which to base the forecast. The Company recognized that if customer switching was reflected in the harmonized customer forecast and the customer switching did not materialize, the Company could earn more revenue or less revenue than the forecast used to set 2024 base rates. In lieu of adjusting the customer forecast, the Company is requesting the RHVA.

13. Enbridge Gas will record differences in forecast revenue in the RHVA based on customers that switch rate classes or change service options during the IR term.

The forecast revenue difference will be calculated based on the difference in the applicable monthly rates and charges applied to the customer parameters included in the 2024 Test Year Forecast. Differences in forecast revenue resulting from the addition or loss of customers during the IR term will not be recorded in the RHVA.

14. Enbridge Gas has assessed the causation, materiality, and prudence of the RHVA:
    a) Causation – The revenue variances in the proposed variance account are due to customers electing a different service option upon implementation of the rate harmonization plan than the assumption used to prepare the harmonized customer forecast. As such, the revenue variance is outside the base upon which the harmonized rates were derived.
    b) Materiality – The materiality of the revenue variance is unknown at this time but could materialize to an amount that would have a significant influence on the operation of the Company. Enbridge Gas recognizes the $1 million materiality threshold for the establishment of new accounts and proposes to record in the RHVA the total revenue variance that exceeds the materiality threshold on a cumulative basis during the IR term.
    c) Prudence – Any balance arising in the RHVA will be because of customer choice and outside the control of the Company. Enbridge Gas will provide detailed support for any amounts requested for clearance from the RHVA as part of the annual D&VA disposition proceedings.

<u>3. Dawn Parkway Surplus Capacity Deferral Account (Account No. 179-323)</u>

15. Enbridge Gas proposes to establish the Dawn Parkway Surplus Capacity Deferral Account (DPSCDA) to record actual revenue generated from the sale of all or a portion of the 89 TJ/d Dawn Parkway System surplus capacity forecast for the Winter 2023/2024. The Dawn Parkway System continuity, including the forecast surplus capacity, is provided at Exhibit 2, Tab 7, Schedule 1.

16. The full cost of the Dawn Parkway System is included in the 2024 Test Year revenue requirement. The Dawn Parkway System costs are recovered through the proposed rates for 2024 which are derived based on demands that are less than the full Dawn Parkway System capacity by 89 TJ/d. Enbridge Gas recognizes the surplus Dawn Parkway System capacity can have value if contracted for during the IR term. As a result, Enbridge Gas proposes to refund through the DPSCDA any revenue generated from the sale of the surplus capacity up to the 89 TJ/d per year. Based on the 2023 Rate M12 Dawn to Parkway demand rate, the maximum annual revenue that could be realized from the sale of the long-term firm surplus capacity is approximately $4 million[4] per year.

17. As part of Union's 2017 Dawn Parkway project[5], there was forecast surplus capacity of 30,393 GJ/d following construction of the project. Parties to the Settlement Agreement agreed that Union would include revenue associated with the sale of the surplus capacity in the associated deferral account.[6] Enbridge Gas proposes similar treatment for the Dawn Parkway System surplus capacity that is forecast as part of this Application.

18. The Dawn Parkway System surplus capacity of 89 TJ/d will be deemed to be sold long-term, in part or in whole, in any year if the Dawn Parkway System position for the forecast winter is in a surplus position of less 89 TJ/d. The new Dawn Parkway System contracted amounts will first be allocated to replace any turnback received during the year before it is allocated as a sale of the 89 TJ/d excess capacity from this Application. If any of the 89 TJ/d Dawn Parkway System surplus capacity is not sold on a long-term basis, Enbridge Gas will allocate a proportionate share of the

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[4] Calculated at the 2023 Rate M12 Dawn to Parkway rate of $3.760/GJ/m x 89,000 GJ x 12 months.
[5] EB-2015-0200.
[6] EB-2015-0200, 2017 Dawn Parkway Project Settlement Proposal, November 13, 2015, p.8.

short-term transportation revenue generated through the sale of any remaining amount of the 89 TJ/d not deemed to be sold long-term to the DPSCDA.[7] Long-term and short-term revenue generated from the Dawn Parkway System capacity included in the DPSCDA cannot exceed 89 TJ/d on average for the year.

19. Enbridge Gas has assessed the causation, materiality, and prudence of the DPSCDA:
    a) Causation – The revenue that Enbridge Gas intends to record as a credit balance in the proposed DPSCDA is outside of the revenue forecast for the 2024 Test Year while the full costs of the Dawn Parkway System are in base rates.
    b) Materiality – The forecast revenue from the sale of the total amount of long-term firm surplus capacity can be up to $4 million per year which exceeds the $1 million materiality threshold for the establishment of new accounts.
    c) Prudence – The DPSCDA is designed to record as a credit balance revenue from the sale of up to 89 TJ/d forecast surplus capacity on the Dawn Parkway System. Any credit balance in the DPSCDA will result in a refund to the benefit of customers. Enbridge Gas will provide detailed support for the DPSCDA balance as part of the annual D&VA disposition proceedings.

4. Locate Delivery Services Variance Account (Account No. 179-324)

20. Enbridge Gas proposes to establish the Locate Delivery Services Variance Account (LDSVA) in response to Bill 93, the Getting Ontario Connected Act, which was recently passed into law on April 14, 2022[8]. The new regulations are expected to

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[7] The inclusion of a proportionate share of short-term transportation revenue is consistent with the OEB Findings for the 2017 Dawn Parkway project deferral account at EB-2018-0105, Decision and Order, page 9.
[8] Bill 93, Getting Ontario Connected Act, 2022, amends Bill 8, the Ontario Underground Infrastructure Notification System Act, 2012 and Bill 257, the Building Broadband Faster Act, 2021.

cause significant changes to locate delivery services in Ontario. These changes are currently in development and as such, the locate delivery services costs included in the 2024 Test Year Forecast may not reflect the actual costs that will be incurred.

21. Enbridge Gas incurs costs to provide locate delivery services to its customers, as requested from customers, third-party contractors and other utilities. Enbridge Gas encourages customers to request locates prior to starting any ground disturbance activity in support of regulations[9] designed to preserve the safety of people, property, and the environment. Enbridge Gas has a duty to respond to locate requests that may affect underground infrastructure owned or operated by Enbridge Gas.

22. Enbridge Gas also anticipates it will incur costs from other utilities for locate delivery services provided to Enbridge Gas. The Company is required by law[10] to request locate services prior to starting any ground disturbance activity for its own operations. In response to Bill 93, other utilities are expected to start charging for locate delivery services and as a result, Enbridge Gas is expecting to incur incremental costs to request locate services from other third-party providers and other utilities for its own operations.

23. The 2024 Test Year Forecast includes $51 million of operating and maintenance /u
costs for external services to be incurred by Enbridge Gas to provide locate delivery services to customers and for receiving locate delivery services from other third-party providers and other utilities required for Enbridge Gas's own operations. These costs exclude $7.5 million of internal company resources that provide /u

[9] Ontario Underground Infrastructure Notification System Act, 2012 and the Canadian Energy Regulator Pipeline Damage Prevention Regulations – Obligations of Pipeline Companies.
[10] Ibid.

administrative support for the field locate process to respond to locate requests. Enbridge Gas expects the external costs for locate delivery services, including both the provision and receipt of required locate delivery services, to materially increase from the amounts included in the 2024 Test Year Forecast.

24. To help manage the incremental costs of locate delivery services, Enbridge Gas is proposing to introduce a new locate delivery service charge per locate request from third-party contractors and other utilities that require a field locate. The charge will not apply if Enbridge Gas receives a locate delivery request and there is no Enbridge Gas underground infrastructure within the area of the ground disturbance activity. A description of the proposed service charge is provided at Exhibit 8, Tab 3, Schedule 1.

25. To protect ratepayers and the Company from the cost uncertainty resulting from changes to locate service delivery and receipt requirements, Enbridge Gas is proposing to establish the LDSVA. The LDSVA will ensure that ratepayers only pay for, and Enbridge Gas only recovers, its actual incurred external costs for locates required to be delivered and received.

26. Enbridge Gas proposes that the LDSVA record the variance between the actual external costs for locate delivery services, and the external locate delivery costs included in base rates of $51 million. External locate delivery costs includes both the external costs to provide locate delivery services and receive locate delivery services for Enbridge Gas's own operations. The cost variance in the LDSVA will be offset by the revenue collected through the new locate delivery service charge applicable to third-party contractors and other utilities who request locate services from Enbridge Gas.

27. Enbridge Gas has assessed the causation, materiality, and prudence of the LDSVA:

a) Causation – Enbridge Gas has included a total of $51 million in the 2024 Test Year Forecast for external costs charged to Enbridge Gas for locate delivery services upon request from customers[11], third-party contractors and other utilities. Any amounts recorded in the LDSVA will reflect the actual costs incurred for the locate delivery services compared to the amounts included in rates, and as such, are outside the base 2024 Test Year Forecast. Enbridge Gas has also not included forecast revenue associated with the proposed new locate delivery service charge for third-party contractors. Any amounts collected from this charge will offset the cost variance in the LDSVA.

b) Materiality – Given the recent developing changes to the locate delivery services in Ontario, it's anticipated that the variance between the actual costs for locate delivery services, net of revenues, and the amount included in rates will exceed the $1 million materiality threshold for the establishment of new D&VAs.

c) Prudence – The costs to provide delivery locate services are reasonably incurred, as Enbridge Gas is required by law[12] to provide locate delivery services and request locate delivery services for its own operations to support preserving the safety of people, property, and the environment. Enbridge Gas will provide detailed support for the LDSVA balance as part of the annual D&VA disposition proceedings.

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[11] Occupants of residential and/or private property.

[12] Ontario Underground Infrastructure Notification System Act, 2012 and the Canadian Energy Regulator Pipeline Damage Prevention Regulations – Obligations of Pipeline Companies.

5. Open Bill Extension Deferral Account (Account No. 179-325) /u

28. Enbridge Gas proposes to establish the Open Bill Extension Deferral Account to record 100 percent of the net revenues for Open Bill services over a 10-month extension period from January 1, 2024, to October 31, 2024. A description of the Open Bill Access (OBA) Program is provided at Exhibit 1, Tab 14, Schedule 4. The Open Bill Extension Deferral Account is proposed to be in place for 2024, as the Open Bill Program will be wound down as of October 31, 2024.

29. The OBA Program provides other companies that sell energy-related products and services the ability to include their charges on Enbridge Gas's bill. Enbridge Gas made the decision to wind down the OBA Program effective October 31, 2024. The end date determination resulted from a consultation process with third-party billers (Billers) who use the OBA Program. Based on input and feedback from Billers, Enbridge Gas created a Transition Plan allowing for an optional 10-month extension to the original conclusion date of the program from December 31, 2023, to October 31, 2024.

30. As part of this Application, Enbridge Gas is proposing to extend the existing financial terms of the OBA Program for the extension period, with the only exception being that all of net revenues will be credited to ratepayers. If approved, the net revenue amounts applicable to the proposed account will be determined in accordance with the OEB-approved OBA Settlement Proposal[13] dated October 15, 2009, with updated Fees and Costs as determined in the 2014 OBA proceeding and adjusted each subsequent year[14].

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[13] EB-2009-0043, OEB Decision, December 2, 2009.
[14] EB-2013-0099.

31. The existing Enbridge Gas OEB-approved Open Bill Revenue Variance Account (Account No. 179-48_) tracks the variance in the ratepayer share of Open Bill service net revenues, determined in accordance with OBA Program parameters, as compared to the amount included in rates. The new account will apply to the extension period, during which all net revenues will be credited to ratepayers. The Company is requesting the discontinuance of the existing Open Bill Revenue Variance Account effective January 1, 2024, in Exhibit 9, Tab 1, Schedule 4.

32. Enbridge Gas has assessed the causation, materiality, and prudence of the Open Bill Extension Deferral Account:
    a) Causation – There are no net revenues related to Open Bill services built into the 2024 Test Year Forecast. Any amounts recorded in the Open Bill Extension Deferral Account will reflect 100 percent of the net revenues earned for the Open Bill services, determined in accordance with the current OEB-approved approach. The account will not record any costs associated with winding down the OBA Program.
    b) Materiality – It's anticipated that net revenue for the extension period will result in an estimated ratepayer benefit that exceeds the $1 million materiality threshold for the establishment of new D&VA.
    c) Prudence – The OBA Program has been offered in its current form since the OEB's OBA[15] Decision, whereby revenues, net of costs, have been reviewed and approved by the OEB as part of annual D&VA disposition proceedings. The costs for the 10-month extension in this Account are consistent with the current OBA Program and will not include any expenses resulting from winding down the program. Enbridge Gas will provide detailed support for

[15] EB-2009-0043, OEB Decision, December 2, 2009.

the Open Bill Extension Deferral Account balance as part of the 2024 D&VA disposition proceeding.

6. Enhanced Distribution Integrity Management Program Deferral Account (Account No. 179-326) /u

33. Enbridge Gas proposes to establish the Enhanced Distribution Integrity Management Program (Enhanced DIMP) Deferral Account to record general administrative costs, as well as operating and maintenance and ongoing integrity inspection-related costs incurred to implement and execute the Enhanced DIMP. The Enhanced DIMP proposed by Enbridge Gas is in response to the OEB's St. Laurent Ottawa North Replacement Project Decision.[16] Further details on the Enhanced DIMP are provided at Exhibit 1, Tab 13, Schedule 3. The program will apply to a subset of distribution assets that are approaching end of life[17], and will ensure Enbridge Gas can thoroughly assess the condition of distribution pipeline assets to allow appropriate action to be taken, whether that is maintenance work or replacement of the pipe.

34. The costs included in the proposed deferral account will be amounts incurred to assess the primary risk for pipeline assets within the distribution system and to identify and prioritize assets that are approaching end of life to determine whether they need to be replaced. The program is intended to provide a substantive rigorous review of the condition of the assets to identify specific areas that could be subject to proactive mitigation to extend the life of the asset. Such solutions may be implemented to delay or avoid costly and time-consuming pipeline replacement projects. Should the review validate that the pipeline is approaching end of life, the

[16] EB-2020-0293, St. Laurent Ottawa North Replacement Project Decision, Section 3.1, page 16.
[17] The program will be limited to pipeline assets that are operating at pressures above 700 kPa, Nominal Pipe Size (NPS) of 6 or greater, over 1 kilometer in length, and greater than 50 years old.

Enhanced DIMP will allow the Company to further substantiate the necessity of its proposed leave-to-construct applications for reinforcement and integrity projects.

35. Enbridge Gas has assessed the causation, materiality, and prudence of the Enhanced DIMP Deferral Account:
    a) Causation – There are no expenses related to the program included in the 2024 Test Year Forecast. Any amounts recorded in the Enhanced DIMP Deferral Account will reflect the costs incurred to administer, implement, and execute the program.
    b) Materiality – It's anticipated that costs incurred will result in an estimated ratepayer expense of approximately $10 million annually, which includes the costs for inspections of Enhanced DIMP pipelines and additional resources to support the program. As such, the anticipated costs exceed the $1 million materiality threshold for the establishment of new D&VA.
    c) Prudence – The costs to execute the program are reasonably incurred, and will only contain the approved general administration, operations and maintenance, and inspection costs from the program. Enbridge Gas will provide detailed support for the Enhanced DIMP Deferral Account balance as part of the annual D&VA disposition proceedings.

<u>7. Post-Retirement True-Up Variance Account (Account No. 179-328)</u> /u

36. Enbridge Gas proposes to establish the Post-Retirement True-Up Variance Account (PTUVA) to record the difference between the revenue requirement impact of actual pension and other post-employment benefits (OPEB) costs and the revenue requirement impact of pension and OPEB costs included in rates.

37. The economic volatility experienced throughout 2022 resulted in significant /u
fluctuations in projected pension costs. Volatility and uncertainty in elements that

ultimately impact pension costs, such as inflation and interest rates, could persist through 2023 (and possibly beyond). To mitigate the risk of material changes in pension costs, Enbridge Gas is proposing to establish the PTUVA to protect both ratepayers and Enbridge Gas from revenue requirement variances between actual and forecast pension and OPEB accrual and cash-based amounts. The variance account would ensure Enbridge Gas recovers no more or less than the revenue requirement impact of actual pension and OPEB related amounts during each year.

38. Enbridge Gas has assessed the causation, materiality, and prudence of the proposed PTUVA: /u

    a) Causation – Any variances recorded in the proposed variance account will reflect the difference between the actual and 2024 Test Year Forecast pension and OPEB related revenue requirement. As such, this revenue requirement variance is outside the base upon which rates are derived.
    b) Materiality – Given the volatility and uncertainty in economic and market conditions, it is anticipated that the difference between the actual pension and OPEB revenue requirement and the 2024 Test Year forecast amount included in rates will exceed the $1 million materiality threshold for establishment of new D&VAs.
    c) Prudence – The proposed variance account ensures Enbridge Gas recovers no more and no less than the revenue requirement impact of actual pension and OPEB related amounts during the year.

TAB 2

MISCELLANEOUS SERVICE CHARGES

JEREMY GETSON, MANAGER ATTACHMENT SERVICES
JOSEPH DIMEO, SUPERVISOR COLLECTIONS
MICHAEL MCGIVERY, MANAGER DISTRIBUTION PROTECTION
IAN MACPHERSON, DIRECTOR DISTRIBUTION IN-FRANCHISE SALES

1. The purpose of this evidence is to request OEB approval of changes to miscellaneous service charges, effective January 1, 2024. Based on a review of the existing charges for the EGD and Union rate zones, Enbridge Gas is proposing to harmonize, eliminate, and establish new service charges to reflect the operations and services of the combined utility.

2. The miscellaneous service charges recover costs incurred by the utility for specific customer services, damage investigations and repair services. Recovering costs through miscellaneous service charges aligns cost incurrence with recovery based on the service provided. The other revenue generated from miscellaneous service charges offsets the costs incurred, thereby reducing the base delivery rates paid by all customers. The forecast revenue associated with these charges is provided at Exhibit 3, Tab 5, Schedule 1, with exception to the cut off at main charge and extra length charge (ELC), which are accounted for as a reduction to capital as detailed below.

3. The miscellaneous service charges form Rider G in the rate handbook, which is provided at Exhibit 8, Tab 2, Schedule 7, Attachment 1.

4. This evidence is organized as follows:
    1. Service Charges
    2. Damage Cost Recovery Charges

3. Custom Charges
4. Eliminated Charges

<u>1. Service Charges</u>

5. The purpose of service charges is to recover costs of specific service work performed by the utility for a customer. Recovering costs from the customer requiring the services alleviates the cost on all ratepayers as the nature of these costs relate to specific customer services. The cost of these services is incurred by the Company as O&M and/or capital expenditures, which is offset by the revenue generated from the specific service charges.

6. Enbridge Gas intends to harmonize all service charges for a simplified and consistent approach across all of Enbridge Gas's service areas. The service charges are set at fixed amounts as the cost per occurrence is generally consistent, this also simplifies the billing and collection of revenue.

7. To calculate each of the service charges, Enbridge Gas included the rate paid by the Utility for work provided by third-party contractors. The charges also include additional overhead costs such as planning and dispatch, supervision, and administration costs.

8. Most of the service charges were not reviewed in the 2013 Cost of Service proceeding for either EGD or Union, with the exception to the ELC which was updated as part of Union's 2013 Cost of Service. Given the length of time since the last review, the service charges no longer reflect the costs incurred by Enbridge Gas to provide the service.

9. The proposed charges are based on the 2024 Test Year. Enbridge Gas is proposing to apply the Price Cap Index (PCI) to the 2024 service charges[1] annually, consistent with other 2024 base rates. A description of the PCI calculation is provided at Exhibit 10.

10. The proposed charges are applicable to general service and contract customers, except for the ELC. The ELC is applicable to residential customers as described below.

11. Table 1 shows a summary of the current approved EGD and Union service charges and the proposed service charges. In addition to the service charges below, Enbridge Gas also charges custom amounts for damage response, damage remediation and ad-hoc customer requested services detailed in Section 3.

[1] With exception to the non-sufficient funds (NSF) charge and third-party costs since these charges are directly passed on to the customer.

Table 1
Summary of Current Approved and Proposed Service Charges

Line No.	Particulars ($)	Current Approved Charges EGD	Current Approved Charges Union	Proposed Charges
		(a)	(b)	(c)
1	New Account	25	35/38 (1)	25
2	Non-Sufficient Funds	20	20	20
3	Construction Heat Activation	70	-	120
4	Safety Inspection	70	-	120
5	Meter Unlock	70	35-65 (2)	120
6	Meter Dispute Test (3)	Varies	Varies	195
7	Extra Length Charge (per metre)	32	45	122
8	Locate Delivery Service	-	-	200

Notes:
(1) $35 for residential customers and $38 for non-residential customers in the Union rate zones.
(2) $35 for residential customers and $38 for non-residential for seasonal and $65 for non-payment for residential and non-residential customers in the Union rate zones.
(3) $105 for residential customers in the EGD rate zone and $50 for residential customers in the Union rate zones. Enbridge Gas charges non-residential customers in all rate zones a custom rate.

1.1. New Account

12. The new account charge is applied to customers when a new account is activated with Enbridge Gas. The new account charge is a one-time set up charge applicable to new accounts set up in new or existing premises, if a change in ownership or occupancy occurs.

13. Enbridge Gas currently charges for new account activation in the EGD and Union rate zones. In the EGD rate zone, Enbridge Gas charges a new account charge of $25 for residential and non-residential customers. In the Union rate zones, Enbridge Gas charges a connection charge of $35 for residential customers and $38 for non-residential.

14. Enbridge Gas is proposing to apply a new account charge of $25 for all customers to recognize that support is required to facilitate the process of activating new accounts. The $25 charge is based on 2024 Test Year Forecast costs and covers the administration costs incurred for the initial set up of a customer account which includes call centre resources used to update customer information and to activate billing information. In certain instances, a site visit may be required at the premise.

1.2. Non-Sufficient Funds (NSF) Charge

15. NSF charges occur when customers who pay their bills through automatic withdrawal or by cheque do not have sufficient funds in their account to cover the amount owed on their invoice. The NSF charge recovers the amount Enbridge Gas is charged from the financial institution. The costs incurred by Enbridge Gas are directly passed through to the customers.

16. Enbridge Gas is not proposing to change the NSF charge. Enbridge Gas currently charges $20 per NSF occurrence in the EGD and Union rate zones and proposes to continue passing that charge to the customer.

1.3. Construction Heat Activation

17. Construction heat activation is the temporary use of natural gas for buildings under construction, which is generally requested by builders and installers before the building is occupied and before a safety inspection is completed.

18. The construction heat activation service charge is intended to recover the cost incurred per occurrence (site visit) for construction heat meter activation when the request is not made through the online application portal. If the request for construction heat activation is completed through the online application portal, then the meter will be turned on at the time it is installed, and a separate site visit is not

required. The service fee applies to the builder or installer that requests the service for both residential and non-residential services.

19. Enbridge Gas recovers the cost to provide the activation service through a service charge because the costs are only incurred if the online application portal is not used to make the request.

20. Enbridge Gas currently charges $70 for the construction heat activation services in the EGD rate zone for residential and non-residential customers and does not charge for this service in the Union rate zones.

21. Enbridge Gas is proposing to increase the charge to $120 per occurrence for construction heat activation services. This charge includes services for both residential and non-residential customers located in all Enbridge Gas service areas. The proposed charge is based on 2024 Test Year Forecast costs and includes third-party contractor charges to provide this service plus incremental overhead costs. The proposed charge is greater than the current charge in the EGD rate zone for construction heat activation services, as the previous charges have not been updated in over 10 years and no longer reflect the cost to provide the service.

1.4. Safety Inspection

22. A safety inspection occurs when gas is first introduced at a premise or when gas is reintroduced at a premise.

23. When gas is first introduced and appliances are activated for the first time, an initial safety inspection[2] is required for all new homes and businesses. The intention of

[2] Referred to as an initial putting into use inspection, per Technical Standards and Safety Act, 2020. Ontario Regulation 212/01 Gaseous Fuels.

the inspection is to check for compliance with all applicable policies, standards, and procedures. A premise cannot be occupied until the inspection has been completed. There is no charge for the initial safety inspection. If the initial safety inspection is deemed unacceptable and subsequent inspections are required, a charge will occur for each inspection. Subsequent visits would result in a safety inspection charge to recover incremental costs incurred resulting from the customer's non-compliance in ensuring a safe premise.

24. When gas is reintroduced at a premise, a safety inspection must be performed to review the condition of appliances and to check for compliance with all applicable policies, standards, and procedures. Reintroducing gas typically occurs after a service disruption or when work is completed at the premise. All safety inspections related to reintroducing gas at the premise will be subject to a safety inspection charge unless the service disruption or the work is initiated by Enbridge Gas.

25. Enbridge Gas currently charges $70 for safety inspection services (previously called inspection or inspection reject) for residential and non-residential customers in the EGD rate zones and does not charge for the service in the Union rate zones.

26. Enbridge Gas is proposing to increase the charges to $120 for safety inspection services per occurrence. These charges include services for both residential and non-residential customers located in all Enbridge Gas service areas. The proposed charge is based on 2024 Test Year Forecast costs, including third-party contractor charges to provide the service plus incremental overhead costs.

27. The proposed charges are increasing compared to the current charges in the EGD rate zone, as the current charges have not been updated in over 10 years and no longer reflect the cost to provide the service.

1.5. Meter Unlock

28. The meter unlock service is the action of turning the meter on after deactivation to reconnect the customer to gas service. This service requires sending a gas technician to the premise. In addition to turning the meter on, the gas technician will also perform a safety inspection of the premise prior to reactivation of gas service.

29. The meter unlock service charge is intended to recover the cost incurred per occurrence (site visit) for a meter unlock service. The meter unlock charge is applicable to existing[3] residential and non-residential customers. Enbridge Gas applies the charge to customers requesting the meter unlock service for seasonal use or due to nonpayment of regular monthly bills.

30. Enbridge Gas currently charges for meter unlock services in the EGD and Union rate zones. In the EGD rate zone, Enbridge Gas charges $70 to unlock meters for seasonal for non-residential customers and for pool heaters for residential customers and does not charge for non-payment. In the Union rate zones, Enbridge Gas charges $35 for residential customers and $38 for non-residential customers for seasonal and $65 for non-payment for both residential and non-residential customers.

31. Enbridge Gas is proposing to increase the charge to $120 for meter unlock service per occurrence to reflect the costs to provide the service, including third-party contractor charges and overhead costs. This charge is applicable for all meter unlock services for residential and non-residential customers located in all Enbridge Gas service areas, including seasonal and non-payment customers. The proposed charge is based on 2024 Test Year Forecast of costs, including third-party contractor charges to provide the service plus incremental overhead costs.

[3] New customers are charged a new account charge as described in Section 1.1.

1.6. Meter Dispute Test

32. A meter dispute test occurs when a customer disputes the accuracy of a meter. Enbridge Gas exchanges the meter with a replacement meter and sends the disputed meter to Measurement Canada for an independent performance test.

33. The meter dispute test charge is intended to recover the cost per occurrence for each meter dispute test conducted for both residential and non-residential customers. The service charge is only applied if Measurement Canada determines the meter is performing correctly.

34. Enbridge Gas currently charges for the meter dispute test services in the EGD and Union rate zones. In the EGD rate zone, Enbridge Gas charges $105 to complete a meter dispute test for residential customers and charges a custom amount based on the costs to provide the service for non-residential customers. In the Union rate zones, Enbridge Gas charges $50 to complete a meter dispute test for residential customers and charges a custom amount based on the costs to provide the service for non-residential customers.

35. Enbridge Gas is proposing to charge $195 for meter dispute test services per occurrence. This charge is applicable for services for both residential and non-residential customers located in all Enbridge Gas service areas. The proposed charge is based on 2024 Test Year Forecast costs and includes third-party contractor charges to provide this service plus incremental overhead costs.

36. Enbridge Gas is proposing to set a common charge for both residential and non-residential customers, as there is no material difference in the work required by the Company to provide the service for non-residential customers. A common service charge based on a set amount also provides more price certainty for non-residential

customers, should they request this service. The proposed charge is greater than the current charges in the EGD and Union rate zones for meter dispute test services for residential customers because the previous charges have not been updated in over 10 years and no longer reflect the cost to provide the service. The proposed charge may be lower than the current custom charge for some non-residential customers depending on specific customer circumstances.

1.7. ELC[4]

37. Enbridge Gas uses the extra length rule to assess feasibility of residential infill[5] customers. Currently, the rule assumes standard residential services are economically feasible to a threshold length of 20 metres for the EGD rate zone and 30 metres for the Union rate zones. Customers pay an ELC when the service length exceeds these thresholds. The current approved ELC is $32 per additional metre for the EGD rate zone and $45 per additional metre for the Union rate zones. Despite increases in construction costs, these ELC rates have remained constant for many years and require updating to reflect the latest marginal cost per metre. The ELC collected is accounted for as a reduction to capital investment or a credit to assets.

38. Enbridge Gas is proposing a harmonized service length threshold of 20 metres and an updated ELC of $122 per additional metre that will apply consistently across all franchise areas. Service length threshold and ELC have been determined in consideration of various factors including results from the customer engagement and internal data analysis as described below. The customer engagement showed that customers had varying preferences when considering the options presented (of

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[4] Charge was previously called street service alteration on Rider G.
[5] Residential infills are existing homes which are converting from other fuel types to natural gas to meet their energy needs.

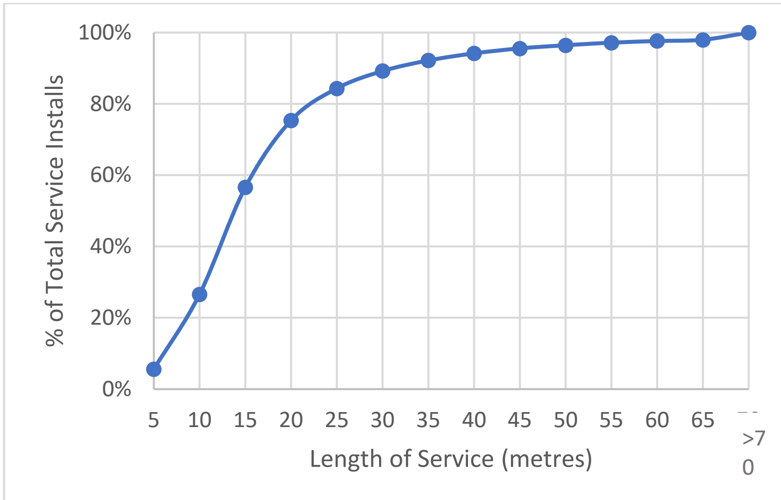
a shorter or longer length for the service length threshold and associated ELC), with no strong preference for one option. Approximately one third of customers (32%) indicated a preference of 15 metres with a lower ELC, a combined 35% indicated a preference of 20 metres (22%) or 25 metres (13%) with a higher ELC, and the remaining 32% had no preference or indicated don’t know. Further details can be found in the customer engagement report provided at Exhibit 1, Tab 6, Schedule 1, Attachment 1, pages 279-280.

Proposed Service Length Threshold

39. Enbridge Gas is proposing that residential infill customers be provided with the first 20 metres of service at no cost. The length of the service will be measured from the customer’s property line to the location where the gas meter is installed. Service lengths beyond the threshold length of 20 metres will be subject to the ELC.

40. The proposed service length threshold is based on data from residential infill services installed between 2018 to 2020. Based on this data, it was determined that the distribution revenue from a typical residential customer can support the average cost of services below 20 metres. As shown in Figure 1, approximately 75% of residential services are less than or equal to 20 metres. As such, the proposed service length threshold will result in the Company attaching most infill services with no accompanying ELC. This anticipated outcome will support continued efficiencies in the infill service attachment process while also ensuring no undue cross-subsidization.

Figure 1: Residential Service Length by % of Total Service Installs, 2018 to 2020

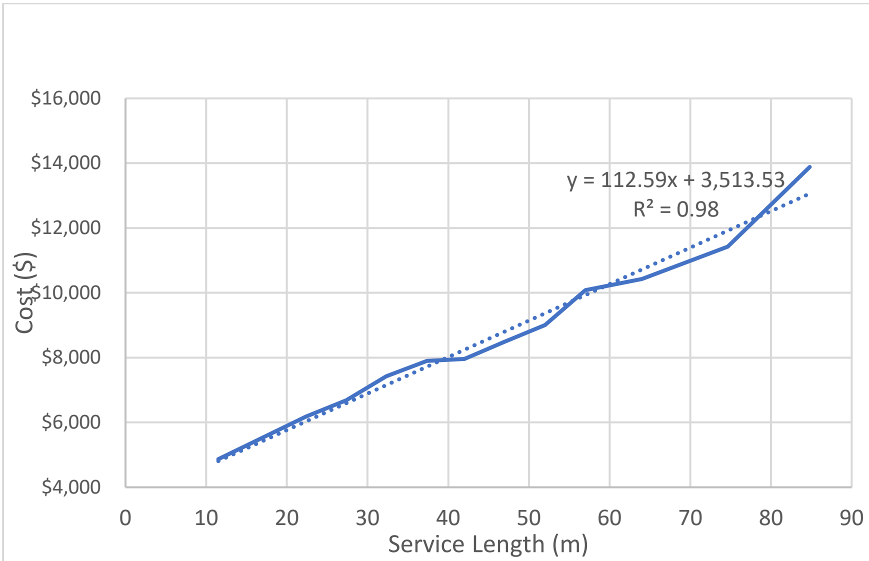


Proposed ELC

41. Enbridge Gas is proposing an ELC of $122 per metre in excess of the 20-metre service length threshold. The ELC of $122 per metre in 2024 has been calculated based on the actual cost of $113 per metre established for 2020, as described in this section of evidence, escalated for annual inflation of 2%.

42. The ELC of $113 per metre (for 2020 prior to inflation), represents the marginal cost per metre and was determined through a linear regression of historical service costs vs. service length, as shown in Figure 2. The regression analysis was conducted using actual service lengths and costs over the 3-year period from 2018 to 2020, across all rate zones. The equation of the regression trend line (y=113x + 3514) in Figure 2 indicates two cost components; 1) the slope of the line that is $113 represents the marginal (or variable) cost per metre and 2) fixed cost is $3,514. The regression results indicate a strong correlation between cost and length, as evident from a high R-squared (0.98) value.

Figure 2: Average Service Cost, 2018 to 2020



43. The proposed cost per metre for ELC is higher compared to the current EGD and Union ELC because the charges have not been updated in over 10 years. Since then, construction costs have increased due to various factors including inflation, enhancement in safety standards, extensive use of trenchless technology, sewer safety and cross bore mitigation requirements, and additional costs related to municipal permit fee and restoration requirements.

1.8. Locate Delivery Service Charge

44. Enbridge Gas currently provides locate delivery services upon request from customers[6], third-party contractors and other utilities at no extra charge.

45. Bill 93, the Getting Ontario Connected Act, 2022[7], was recently passed into law on April 14, 2022. Bill 93 imposes significant changes to how locates are delivered in

[6] Occupants of residential and/or private property.
[7] Bill 93, Getting Ontario Connected Act, 2022, April 14, 2022. https://www.ola.org/sites/default/files/node-files/bill/document/pdf/2022/2022-04/b093ra_e.pdf

Ontario. Bill 93 amends Bill 8, the Ontario Underground Infrastructure Notification System Act, 2012[8] and Bill 257, the Building Broadband Faster Act, 2021[9].

46. As an outcome of Bill 93, Enbridge Gas:
    a) Will experience increased regulatory requirements related to the timelines for completing locate requests;
    b) Expects that the number of locate delivery requests will increase;
    c) Will become subject to administrative penalties for non-compliance in the event the Company cannot meet the timelines for completion of locate requests;
    d) Expects that the cost per locate will increase due to the need for incremental resources to meet the timelines to complete field locates; and
    e) Expects other utilities to charge for locate delivery services, increasing the Company's costs.

47. In response, Enbridge Gas is proposing to introduce a new charge of $200 per locate request from third-party contractors and other utilities that require a field locate. The charge will not apply if Enbridge Gas receives a locate delivery request and there is no Enbridge Gas underground infrastructure within the area of the ground disturbance activity. The intent of the charge is to ensure that the costs to provide the locate delivery services to third-party contractors and other utilities are recovered from the third-party contractors and other utilities requesting the service and not borne by customers.

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[8] Bill 8, Ontario Underground Infrastructure Notification System Act, 2012, June 19, 2012. https://www.ola.org/sites/default/files/node-files/bill/document/pdf/2012/2012-06/bill---text-40-1-en-b008ra.pdf
[9] Bill 257, Supporting Broadband and Infrastructure Expansion Act, April 12, 2021. Bill 257, Supporting Broadband and Infrastructure Expansion Act, 2021 - Legislative Assembly of Ontario (ola.org)

48. Enbridge Gas is not proposing a service charge for locate requests from customers involving ground disturbance activities at their residential and/or private properties, as these costs will continue to be recuperated through delivery rates. Projects completed by customers involving ground disturbance activities at residential and/or private properties are typically small in scale and cost (i.e. basic personal property landscaping), relative to third-party contractor projects. Additionally, having a charge for locate services for projects completed at residential and private properties by customers may deter these customers from requesting locates, which poses a safety and operational risk. By not charging these customers for locate requests, Enbridge Gas will continue to encourage these customers to request locates prior to starting any ground disturbance in support of preserving the safety of people, property, and the environment.

49. Given that the new regulations are expected to cause significant changes to the locate delivery services, Enbridge Gas is proposing a new locate delivery service variance account to protect customers and the Company from the cost uncertainty in 2024 and beyond, as provided in Exhibit 9, Tab 1, Schedule 3. Enbridge Gas has not included revenue from the locate delivery service charge in the 2024 Test Year Forecast. Any amounts collected will be recorded in the proposed variance account.

Background

50. Enbridge Gas has a duty to respond to locate requests made with regard to proposed ground disturbance activity that may affect underground infrastructure owned or operated by Enbridge Gas, as per the Ontario Underground Infrastructure

Notification System Act, 2012[10] and the Canadian Energy Regulator Pipeline Damage Prevention Regulations – Obligations of Pipeline Companies[11].

51. As a result of these regulations, Enbridge Gas has received an average of 1,135,000 locate requests annually for the period of 2019 to 2021 with 70% to 80% of annual requests being placed by third-party contractors and other utilities. The remainder of requests each year are placed by customers for private properties and Enbridge Gas.

52. In response to each locate request, Enbridge Gas provides:
    a) A written statement outlining that none of Enbridge Gas's underground infrastructure are within the area of the ground disturbance activity, or
    b) A field locate, which is composed of:
        i. Markings on the ground of the location of Enbridge Gas underground infrastructure using electromagnetic locating equipment; and
        ii. A written document containing information in regard to the location of Enbridge Gas underground infrastructure.

53. As part of the response to certain locate requests, Enbridge Gas will require administrative and/or in-field safety controls to prevent damage of Enbridge Gas assets in alignment with the goal of preserving the safety of people, property, and the environment.

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[10] Government of Ontario. (2022, April, 14). Ontario Underground Infrastructure Notification System Act, 2012, S.O. 2012, c. 4. https://www.ontario.ca/laws/statute/12o04
[11] Government of Canada. (2020, March, 16). Canadian Energy Regulator Pipeline Damage Prevention Regulations – Obligations of Pipeline Companies (SOR/2016-133). https://laws-lois.justice.gc.ca/eng/regulations/SOR-2016-133/index.html

54. Safety controls on locates are based on various categories and features of underground infrastructure that may be directly within the proposed excavation area and/or the nearby vicinity. Examples of safety controls include Enbridge Gas:
    a) Completing reviews of additional records;
    b) Requiring that third-party contractors and other utilities obtain permits from Enbridge Gas;
    c) Providing in-field observation of the third-party contractor's and other utilities' excavation; and/or
    d) Completing periodic leak surveys of underground infrastructure.

55. Since the applicable locate regulations under the Ontario Underground Infrastructure Notification System Act came into effect in 2012, Enbridge Gas has borne all costs related to delivering locates to third-party contractors and other utilities as operating expenses, including the completion of safety controls and all associated internal management staff. Rationale for this approach has primarily been to remove barriers to third-party contractors and other utilities, for requesting locates to help prevent Enbridge Gas asset damages by third-party contractors and other utilities until the excavation community within Ontario has matured to the point of achieving compliance with regulations, which requires excavators to obtain utility locates before excavating.

56. Bill 93 increases the emphasis on utilities to meet compliance requirements for locate delivery which is subsequently necessitating significant investment and enhancements to be implemented by Enbridge Gas.

Proposed Locate Delivery Charge

57. In response to Bill 93, Enbridge Gas is proposing that the OEB approve a new service charge of $200 for each locate request received from third-party contractors and other utilities that require a field locate by an Enbridge Gas resource.

58. The rationale for charging third-party contractors and other utilities for Enbridge Gas's services related to their locate requests is to;
    a) Ensure costs are recovered from third-party contractors and other utilities requesting the service and not borne by Enbridge Gas customers; and
    b) Help offset the significant incremental costs Enbridge Gas will incur to comply with the new regulations.

59. Table 2 shows a summary of the proposed charges for Enbridge Gas's completion of each locate request from third-party contractors and other utilities. The proposed charge is designed to recover Enbridge Gas's costs of providing the locate delivery service.

Table 2
Proposed Locate Delivery Service Charge Per Locate Request

Line No.	Particulars ($)	Proposed Charge
		(a)
1	Field Locate Delivery	160
2	Locate Delivery Administration	10
3	Field Locate Safety Controls	30
4	Total Proposed Charge Per Locate Request	200

Field Locate Delivery

60. When a locate request is made for a field locate, an Enbridge Gas second party representative (locator) must be dispatched to the third-party contractor's or other utilities' proposed ground disturbance location. The locator will then mark the ground with the location of Enbridge Gas underground infrastructure using electromagnetic locating equipment and develop documents containing information

in regard to the location of Enbridge Gas underground infrastructure as per provincial industry standardized and approved utility locate practices.

61. As locate requests by third-party contractors and other utilities have grown more complex and extensive over recent years and the emphasis on utilities to meet compliance requirements of five business days for locate delivery have increased, resources for completing field locates have become strained. As a result of limited resources, Enbridge Gas is facing significant challenges including increased workload on each locator, difficulty hiring locators and difficulty retaining locators. To address these challenges, Enbridge Gas is working with industry stakeholders to increase compensation to locate service providers. The increase in compensation also recognizes the level of liability on the part of locators in delivering locate services.

62. As a result of these efforts, the average cost per locate is expected to rise to approximately $160 per locate starting in 2023, up from approximately $65. The majority of the increase will be passed directly to the frontline personnel resources completing field locates. This will better align the compensation within the utility locate industry to that of skilled construction industry labour and is expected to improve resourcing.

63. In addition, field locate delivery includes notification charges by the provincially mandated regional utility one call service provider, which is included in the assumptions arriving at the average annual cost per locate of approximately $160.

Locate Delivery Administration

64. In order to support Enbridge Gas's end-to-end field locate processes related to responding to third-party contractor and other utilities' locate requests for ground

disturbance, Enbridge Gas maintains a dedicated full-time department of managerial and clerical administrative employees. This department is staffed by over 40 employees with up to an additional ten contractors that are retained on a seasonally variable basis.

65. Administrative employee support field locate processes through multiple means including:
    a) Services to manually review locate requests to determine when field locates are not required as Enbridge Gas assets are not in the locate area;
    b) Assisting locators through in-office and/or in-field services;
    c) Completing quality management reviews;
    d) Reviewing industry performance metrics and addressing industry trends;
    e) Coordinating with locators on workload forecasts and prioritization;
    f) Coordinating with third-party contractors and other utilities to manage requests; and
    g) Ensuring quality and accuracy of locates through quality control program.

66. Collectively all permanent and contract managerial and clerical administrative employees, in addition to associated administrative non-personnel operating expenses has an average administrative cost per locate of approximately $10.

Field Locate Safety Controls

67. Various resources, processes and procedures are required to maintain safety controls on locates based on various categories and features of underground infrastructure within the proposed excavation area.

68. For each locate request requiring additional safety controls, a combination of Enbridge Gas internal labour resources and Enbridge Gas contractor resources will

be engaged in advance and during the ground disturbance activities of third-party contractors and other utilities. These resources are required to ensure that the third-party contractors and other utilities are following all of Enbridge Gas's ground disturbance requirements and maintaining appropriate physical separation from Enbridge Gas assets.

69. Based on the average resource requirements of each locate requiring safety controls, the average cost per locate is approximately $30.

2. Damage Cost Recovery Charges

70. The purpose of damage cost recovery charges is to recover costs incurred by the Utility to remediate assets damaged by third-party activities. Enbridge Gas is requesting approval of changes to the damage cost recovery charges for at fault damages to Enbridge Gas assets by external parties. Enbridge Gas has existing processes in the EGD and Union rate zones to recover costs associated with damages. Remediation costs for each damage are initially incurred by Enbridge Gas as expenses, which are offset by charging the party at fault once all remediation work is complete.

71. Damages to Enbridge Gas assets caused by third-party activities pose an ongoing risk to the safe and reliable delivery of natural gas in the province. Damages not only cause network service disruptions to customers whose lives and livelihoods depend on the delivery of natural gas, but also:

   a) Pose health and safety risks to property and lives in the surrounding area, especially in the rare instance of an ignition;
   b) Pose a risk of environmental damage in the form of hydrocarbons entering the atmosphere due to fugitive emissions; and

c) Undermine scheduled operations to maintain the integrity of Enbridge Gas's assets by unexpectedly diverting resources on an emergency priority basis.

72. Significant efforts are undertaken by Enbridge Gas to help prevent damages, but despite these efforts, there are approximately two to three thousand damages to Enbridge Gas assets every year caused by third-party activities, which are primarily due to ground disturbances. Examples of these preventative efforts include programs pertaining to; locate delivery, pipeline patrols to detect and intervene upon unauthorized third-party activities, educating third parties about safe excavation practices and requirements, and proactive engagements of excavators at sites posing heightened risks of damages.

73. Enbridge Gas responds to each damage on an emergency priority and does not cease operations until the situation is made safe, and the damage is fully remediated. As part of responding to these damages on an emergency priority basis, Enbridge Gas requires the involvement of multiple company and contracted resources.

74. The proposed damage charges are based on negotiated rates between Enbridge Gas and contracted service and/or material providers involved in damage response. The charges have been identified based on commonly encountered categories of costs associated with the remediation of damages. The cost recovery amounts collected for at fault damages is recorded as other revenue.

75. Table 3 shows a summary of the current approved damage charges for the EGD and Union rate zones compared to the Enbridge Gas proposed charges. A description of each charge is provided below. The combination of charges for each damage as invoiced are unique to each damage based on the required

remediation. In addition to the damage cost recovery charges identified below, Enbridge Gas also has custom charges for a variety of services where the work and the associated costs are not consistent, as detailed in Section 3.

Table 3
Summary of Current Approved and Proposed Damage Cost Recovery Charges (1)

Line No.	Particulars ($)	Current Charges EGD	Current Charges Union	Proposed Charge
		(a)	(b)	(c)
1	Emergency crew response (2)	-	-	290
2	Damage investigation	420	-	550
3	Loss of containment (gas loss)	Flat rates or specific calculation based on duration and pipe size	$0.10/ standard cubic metre of gas lost	No charge, flat rates or specific calculation based on duration and pipe size

Notes:
(1) Actual damage charge recoveries can be subject to litigation and dispute processes, including court orders and settlements.
(2) New charge proposed.

2.1. Emergency Crew Response

76. Emergency crew response work accounts for the redirecting of resources from active field sites of planned Enbridge Gas work to an incident of active damage. The emergency crew response charge is applicable to all damages.

77. Enbridge Gas is proposing a new charge of $290 per damage for emergency crew response to recover the incremental costs incurred by Enbridge Gas to demobilize and remobilize resources from active field sites, which includes stopping work, securing the work site and travelling to the new site under an emergency priority. Once the damage has been remediated, the resources need to be remobilized,

which includes travelling back to the original work site and resuming previously halted work.

2.2. Damage Investigation

78. Damage investigation accounts for the resources dispatched to analyze the damage and determine the root cause. The damage investigation charge is applicable to all damages.

79. Enbridge Gas currently charges $420 per damage in the EGD rate zone and does not charge for this service in the Union rate zones.

80. Enbridge Gas is proposing to charge $550 for all damage investigations. The proposed charge of $550 per damage is based on the existing average total cost of contract resources dispatched to analyze the damage in addition to the cost of one hour of an Enbridge Gas internal resource. The function of the Enbridge Gas resource for this activity is to conduct an audit of the contractor’s results in addition to completing all necessary investigation submissions and correspondence with regulators and the excavator involved in the damage.

2.3. Loss of Containment (Gas Loss)

81. Loss of containment accounts for the value of natural gas fugitive emissions lost to the atmosphere caused by the damage.

82. Enbridge Gas currently charges a flat rate or a custom charge per damage based on the loss of containment duration and pipe size in the EGD rate zone. Enbridge Gas charges a variable charge of $\$0.10/m^3$ of gas lost in the Union rate zones.

83. Enbridge Gas is proposing to charge for loss of containment based on the pipeline diameter (in nominal pipe size (NPS)), operating pressure class and time duration of the fugitive emissions, similar to the approach used in the EGD rate zone. The determination of the proposed charge mechanism is outlined in Table 4.

Table 4
Summary of Damage Loss of Containment (Gas Loss) Cost Recoveries Charge

Line No.	Loss of Containment Duration	0 to 15 minutes	16 to 45 minutes	46 to 180 minutes	Over 180 minutes
		(a)	(b)	(c)	(d)
1	NPS 1/2 IP NPS 1/2 HPPE	No charges	Flat rate	Flat rate	Specific calculation
2	NPS 1/2 MP	No charges	No charges	Flat rate	Specific calculation
3	NPS 1 LP NPS 1- 1/4 LP NPS 3/8 LP NPS 3/8 MP NPS 3/8 IP	No charges	No charges	No charges	Specific calculation
4	NPS 2 LP	No charges	No charges	Specific calculation	Specific calculation
5	All other pipeline assets	Specific calculation	Specific calculation	Specific calculation	Specific calculation

Abbreviation
HPPE Higher Pressure Polyethylene
IP Intermediate Pressure
LP Low Pressure
MP Medium Pressure

84. In some cases, there are no charges depending on the pipe diameter and the pressure. There is insufficient loss of containment or damages to require a charge.

85. In certain cases, the specific calculation is based on the rate of release and duration of release under the conditions of the distribution system at the time of damage, using modelling software. The amount calculated to be released is applied to the reference price for each respective rate zone.

86. In some instances, a flat rate charge will be applied. The applicable flat rate charges vary based on operating pressure and time duration of fugitive emissions, as provided at Table 5.

Table 5
Summary of Proposed Damage Loss of Containment (Gas Loss) Flat Rate Charges

Line No.	Pressure Category (1)	16 to 30 minutes	31 to 45 minutes	46 to 60 minutes	61 to 75 minutes	76 to 90 minutes	91 to 105 minutes	106 to 180 minutes
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	MP	$0.00	$0.00	$10.00	$15.00	$20.00	$25.00	$25.00
2	IP	$10.00	$20.00	$30.00	$40.00	$50.00	$60.00	$70.00
3	HPPE	$15.00	$35.00	$50.00	$70.00	$90.00	$105.00	$125.00

Note:
(1) Not applicable when the pipeline asset has an excess flow valve upstream of the damage location.

87. These flat rate charges are not applicable when the pipeline asset has an excess flow valve upstream of the damage location as the excess flow valve halts any escape of gas when the mechanism is triggered by the conditions of a release.

3. Custom Charges

88. Custom charges recover the costs incurred per occurrence for a variety of services where the work and the associated costs are not consistent. The costs to provide the service can vary and the set charges described in Section 1 and Section 2 of this evidence would not be appropriate for these services. Custom charges are applicable in certain instances of damage response, damage remediation and ad-hoc customer requested services.

89. A custom charge is determined on a case-by-case basis and could include internal labour (regular and/or overtime), third-party invoices, and/or materials. Custom

charges are based on costs incurred by Enbridge Gas and passed through to the customer.

90. Listed below are examples where Enbridge Gas would apply a custom charge as a result of varying costs associated with the service provided:
    a) Fitter first response accounts for the certified gas fitter resources dispatched as a primary responder to a damage. The proposed charge is calculated as the total fitter time multiplied by the applicable regular work hour labour, overtime labour, and/or contractor labour charges, as applicable;
    b) Damage re-light accounts for resources associated with returning service to customer appliances following a damage repair. Enbridge Gas is proposing a custom charge for damage relight that is calculated as the total fitter time multiplied by the applicable regular labour, overtime labour, and/or contractor labour charges, as applicable; and
    c) Service line alterations account for changes and moves of an existing service line or a meter without adding new services. The alterations typically vary in length and the custom charge is based on the length of the move.

91. Enbridge Gas currently uses custom charges to recover costs associated with labour, overtime, materials and third-party invoices to provide customer specific services in both the EGD and Union rate zones.

92. Table 6 details the various components to calculate custom charges.

Table 6
Summary of Current and Proposed Custom Charges

Line No.	Particulars ($)	Current Charges EGD	Current Charges Union	Proposed Charges
		(a)	(b)	(c)
1	Regular Labour (per hour)	140	137 (1)	178
2	Overtime Labour (per hour)	175	188 (1)	223
3	Third Party Invoices	Third-party invoice costs	Third-party invoice costs	Third-party invoice costs
4	Materials	Material costs	Material costs	Material costs

Note:
(1) The regular and overtime labour charges are updated on an annual basis in the Union rate zones, these rates are based on the 2022 year. The charges could also vary based on the work performed.

3.1. Regular Labour

93. The regular labour charge is used to derive custom charges for Enbridge Gas when internal company resources are used during regular work hours to provide services such as damage response, damage remediation, street service alterations and other ad-hoc customer requested services.

94. Enbridge Gas currently charges for labour during regular work hours in the EGD and Union rate zones. In the EGD rate zone, Enbridge Gas currently charges $140 per hour as found in Rider G of the handbook. The regular labour charge was last updated in 2009. In the Union rate zones, the regular labour charge is $137 per hour, and is updated on an annual basis.

95. Enbridge Gas is proposing to set the regular labour charge during regular work hours at $178 to reflect the costs for labour. For any time spent on premise that is below the full hour, the full hourly rate will apply. To calculate the regular labour

charge, Enbridge Gas included the average cost for unionized employees, including salary, pension and benefit costs. This rate also includes overhead costs such as planning and dispatch, supervision, fleet, and administration costs.

3.2. Overtime Labour

96. The overtime labour charge is used to derive custom charges for Enbridge Gas internal labour resources for overtime work hours required to provide services such as damage response, damage remediation, street service alterations and other ad-hoc customer requested services.

97. Enbridge Gas currently charges hourly for overtime labour in the EGD and Union rate zones. For any time spent on premise that is below the full hour, the full hourly rate will apply. In the EGD rate zone, Enbridge Gas charges $175 per overtime labour hour which is 1.25 times the regular labour charge. In the Union rate zones, Enbridge Gas charges $188 per hour.

98. Enbridge Gas is proposing to set the hourly overtime labour charge at 1.25 times the regular work hours labour rate ($178 x 1.25 totalling $223 per hour) for any services rendered by Enbridge Gas internal labour resources working outside of regular work hours. The overtime premium of 1.25 times the regular labour charge is based on the fully loaded cost of the employee (i.e. base pay, overtime rates and policies, etc.) according to current policies for associated internal labour resources working under overtime conditions.

3.3. Third-Party Invoices

99. Enbridge Gas is proposing to continue to charge the cost invoiced by the third-party for the specific services that are being custom billed. This approach is consistent with the current recovery of third-party charges in the EGD and Union rate zones.

3.4. Materials

100. Enbridge Gas is proposing to continue to charge a materials charge to account for the value of materials used for any work recovered through a custom charge to recover the cost of materials.

101. Damages to pipelines smaller than NPS 4 are proposed to have a material cost of $35 applied that is based on the average of historical damages for damages to pipes smaller than NPS 4. Damages to pipelines NPS 4 and greater are proposed to have a material cost specific to the damage’s repair cost applied.

4. Eliminated Charges

102. Enbridge Gas proposes to simplify administrative processes by reducing the number of service charges and including the service charges that are frequently used and easy for customers to understand. The eliminated charges collected in other revenue in 2021 are minimal, with less than $0.05 million cumulative impact for all the eliminated services. Eliminating cut off at main charges, which are not a part of other revenue, results in an increase to rate base of approximately $5 million.

103. Although the service charge is eliminated, Enbridge Gas will continue to offer the service to the customer where required without charge. The eliminated service charges are provided at Table 7. A description of each eliminated service is provided below.

Table 7
Summary of Service Charges - Eliminated

Line No.	Particulars ($)	Current Charges EGD (a)	Current Charges Union (b)
1	Lawyer Letter Handling	15	-
2	Request for Service Call Information	30	-
3	Duplicate Bills (Manual processing)	-	15
4	Detailed Billing Analysis/Statement of Account	10	Varies (1)
5	Valve Lock	135-280	-
6	Removal of Meter	280	-
7	Meter Lock	70	22 (seasonal)
8	Meter in/out	280	-
9	Cut off at Main (Residential)	1,300	-
10	Cut off at Main (Non-Residential)	Custom	-
11	Damage Meter Charge	380	-

Note:
(1) Charge varies depending on request.

4.1. Lawyer Letter Handling Charge

104. The lawyer letter handling charge was intended to be applied to customers in the EGD rate zone when their lawyer's office requested historical information related to their gas bill. In practice, Enbridge Gas does not charge for these requests in the EGD rate zone and there is no comparable charge in the Union rate zone.

105. Enbridge Gas is proposing to eliminate this charge as the charge is not used. Customers have access to self-serve options to retrieve historical information and customers who are not able to access self-serve options will receive historical information free of charge.

4.2. Request for Service Call Information

106. The request for service call information charge was intended to be applied to customers in the EGD rate zone who requested a summary of their service call results. In practice, Enbridge Gas does not charge for these requests in the EGD rate zone and there is no comparable charge in the Union rate zone.

107. Enbridge Gas is proposing to eliminate the request for service call information charge as the charge is not used. Customers will continue to be able to request a summary of their service call results free of charge.

4.3. Duplicate Bills

108. The duplicate bills charge was intended to be applied to customers in the Union rate zones when they requested a duplicate copy of their bill. In practice, Enbridge Gas does not charge for these requests in the Union rate zone and does not have a comparable charge in the EGD rate zone.

109. Enbridge Gas is proposing to eliminate the duplicate bills charge as the charge is not used. Customers have access to self-serve options to retrieve their bills and customers who are not able to access self-serve options will receive a copy of their bill free of charge.

4.4. Detailed Billing Analysis/Statement of Account

110. The detailed billing analysis/statement of account charges were intended to be applied to customers in the Union rate zones when they requested a detailed analysis of their account. In practice, Enbridge Gas does not charge for these requests in the Union rate zone and does not have a comparable charge in the EGD rate zone.

111. Enbridge Gas is proposing to eliminate this charge as the charge is not used. Customers have access to self-serve options to retrieve their historical information and customers who are not able to access self-serve options, or who have questions about the information available, will receive their account information and support free of charge.

4.5. Valve Lock Charge – Field Investigator/Construction & Maintenance

112. The valve lock occurs when the service is shut off from the street by closing the valve.

113. Enbridge Gas currently charges $135 for the field investigator and $280 for construction & maintenance for the valve lock service in the EGD rate zone and does not charge for this service in the Union rate zones.

114. Enbridge Gas is proposing to eliminate this service charge as the valve lock service is rarely a customer requested service and the amounts collected from this service charge are immaterial.

4.6. Removal of Meter

115. Removal of meter occurs when the physical meter is removed from the premise. Enbridge Gas charges a service fee of $280 for the removal of meter in the EGD rate zone and does not charge for the service in Union rate zones.

116. Enbridge Gas is proposing to eliminate this service charge as the service is rarely used and the amounts collected from this service are immaterial.

4.7. Meter Lock

117. The meter lock service is the action of turning the meter off so that gas is not flowing at the premise.

118. Enbridge Gas is proposing to remove reference to the meter lock charge, as under the Gas Distribution Access Rule (GDAR), utilities are not to apply any charges when disconnecting a customer for non-payment. In compliance with GDAR, Enbridge Gas currently does not charge for meter lock for non-payment in both the EGD and Union rate zones.

4.8. Meter in/out

119. The meter in/out charge is intended to recover costs of relocating the meter from the inside to the outside of the customer premise per customer request.

120. Enbridge Gas charges a service fee of $280 for the meter in/out in the EGD rate zone and does not charge for the service in the Union rate zones.

121. Enbridge Gas is proposing to eliminate this service charge as the service is rarely used and the amounts collected from this service are immaterial.

4.9. Cut Off at Main

122. The cut off at main service occurs when a customer requests that their service line be cut off at the main line for safety purposes. Generally, this service is provided when a customer is completing a demolition or renovation or switching to another energy source.

123. Enbridge Gas's cut off at main charge is $1,300 for residential customers or a custom charge amount based on the cost to provide the service for certain residential and non-residential in the EGD rate zone. Enbridge Gas does not charge for the service in Union rate zones.

124. Enbridge Gas is proposing to no longer charge for this service to promote operational safety and maintain safety standards of the Enbridge Gas distribution system. Having a prohibitive charge for this service can deter customers from requesting the service leading to abandoned natural gas lines and meters, which poses a safety and operational risk.

125. Enbridge Gas also asked respondents for feedback on the cut off at main charge as part of the customer engagement. The question asked whether the homeowner should be charged based on the full cost to provide the service, charged based on a partial cost to provide the service, or receive no charge for the service. The responses were mixed, with no strong preference for any scenario presented. The responses were 33% of respondents supporting not charging for cut off at main and 30% of respondents supporting fully charging for the service. The remaining respondents supported a partial charge, did not have an opinion, or didn't know. Further details can be found in the customer engagement report provided at Exhibit 1, Tab 6, Schedule 1, Attachment 1, pages 263-264.

126. For these reasons, Enbridge Gas is proposing to adopt the approach used in the Union rate zones and no longer charge for the service.

<u>4.10. Damaged Meter</u>

127. The damaged meter charge is intended to recover costs for damage of a meter at a customer premise.

128. Enbridge Gas charges a service fee of $380 for the damaged meter in the EGD rate zone and does not charge for the service in the Union rate zones.

129. Enbridge Gas is proposing to eliminate this service charge as the service is rarely used and the amounts collected from this service are immaterial.

TAB 3

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Exhibit 4, Tab 4, Schedule 2, p. 33

Question(s):

At the above reference, it is stated when discussing Operations costs increases for the 2022 Estimate versus 2021 Actuals that:

> Further pressure on the cost of locates is driven by the introduction of Bill 93 which was passed into law on April 14, 2022. The new regulations mandate absolute liability compliance for 5 day and 10 day locate deliveries depending on the scope of the excavation project.

Please provide Enbridge Gas's forecasts of the cost impacts of Bill 93 for the 2023 to 2024 period.

Response:

Enbridge Gas has included a conservative amount in the 2023 and 2024 forecast for locate cost increases. The forecast takes into account inflation, cost pressures from various sources, and early estimates from 2022 of the impacts related to Bill 93. The locate forecast for external locate costs was determined based on historical locate request volumes and the average cost of delivering a locate plus inflationary increases. Internal locate costs were determined by the full time equivalent (FTE) resources required to manage and support the execution of the locate delivery process including year-over-year wage increases. Please see Table 1 for locate cost forecast for the 2023 Bridge Year and 2024 Test Year[1] relative to 2022. A portion of the anticipated cost increase expected is included in this forecast with a significant level of cost uncertainty related to Bill 93 still remaining.

[1] Enbridge Gas filed a correction to the 2024 locate costs described at Exhibit 4, Tab 4, Schedule 2 and Exhibit 9, Tab 1, Schedule 3 on March 8, 2023. The 2024 locate costs had previously been stated as $51.1 million, including $45 million for operating and maintenance costs for external services and $6.1 million for internal company resources that provide administrative support.

Table 1
Locate Cost Forecasts

Line No.	Particulars ($ millions)	2022 Actuals	2023 Bridge Year	2024 Test Year (1)
		(a)	(b)	(c)
1	External Costs	39.9	48.2	51.1
2	Internal Costs	6.5	7.1	7.5
3	Total	46.4	55.3	58.6
4	Change from Prior Year	-	8.9	3.3

Note:
(1) Exhibit 4, Tab 4, Schedule 2, paragraph 85 and Exhibit 9, Tab 1, Schedule 3, paragraph 23, updated March 8, 2023.

Given the cost uncertainty, Enbridge Gas is proposing a new Locate Delivery Service Variance Account (LDSVA) to record the variance between the external locate costs of $51.1 million and the actual external costs for locate delivery services. This will include the costs for Enbridge Gas to deliver locate services, but also the costs incurred by Enbridge Gas to request a locate for the provision of its own services, as it is expected that other third parties will also initiate a fee for locate services. Enbridge Gas has also proposed to record the revenue collected (net of bad debt costs) from the proposed service charge in the LDSVA as an offset to the increased costs.

Enbridge Gas forecasts that the cost impacts of Bill 93 for the 2023 to 2024 period includes but is not limited to onboarding additional locate resources with robust training, office resources for new reporting requirements by Ontario One Call, increased quality assurance activities and contractor management and oversight. Prior to 2023 there were no actual cost impacts from Bill 93 as the regulations do not come into effect until April 1, 2023.

Enbridge Gas expects external costs for locate services to materially increase from the forecast in response to increased locate delivery compliance requirements as a result of Bill 93 legislation. These costs are currently expected to increase by $20 million to $45 million but may vary based on evolving industry factors as well as any third-party charges that may be incurred should others choose to charge for locates as well. These new cost pressures as a direct result of Bill 93 compliance requirements are difficult to definitively quantify as they are subject to multiple external factors with high levels of variability. Dramatically increased efforts to compete, market, attract, and retain new quality locator resources despite Ontario’s current labour challenges are a critical requirement of Enbridge Gas and its service providers as result of Bill 93 legislation.

Enbridge Gas forecasts an annual incremental cost impact primarily as a result of Enbridge Gas service providers onboarding and retaining 500 or more new contractor locators at a fully loaded annual rate in the approximate range of $50,000 to $80,000 per locator. Internal FTEs will be onboarded as necessary for the management and oversight of contractors to ensure the safety and compliance of contractor service deliveries. This number is not yet known.

In response to anticipated cost increases, Enbridge Gas's proposed new locate delivery service charge is intended to cover the costs associated with delivering locates to third party contractors. While there may be bad debt associated with collecting the new service charge, the charge is intended to protect Enbridge Gas customers from subsidizing the cost of locates associated with other utilities' and municipalities' excavation projects. The proposed service charge will not be applied to Enbridge Gas customers requiring locates for their private property.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Consumers Council of Canada (CCC)

Interrogatory

Reference:

Ex. 9/T1/S3/p. 9

Question(s):

EGI is proposing to establish the Locate Delivery Services Variance Account in response to Bill 93, the Getting Ontario Connected Act, which was recently passed.

a) Does EGI intend to record the revenue received from the proposed service charge in that account?

b) How did EGI determine its forecast of external locate delivery costs of $45 million which is included in base rates?

c) How was the $6.1 million derived?

d) Where are these costs set out in the O&M schedules?

e) Why does EGI expect that the external costs for locate services to materially increase from the forecast?

Response:

a) Yes, the revenue is proposed to be recovered in the Locate Delivery Service Variance Account.

b-e) Please see response at Exhibit I.4.4-STAFF-122.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers (OGVG)

Interrogatory

Reference:

Exhibit 9 Tab 1 Schedule 3 Page 10

Question(s):

Enbridge Gas proposes that the LDSVA record the variance between the actual external costs for locate delivery services, and the external locate delivery costs included in base rates of $45 million. External locate delivery costs includes both the external costs to provide locate delivery services and receive locate delivery services for Enbridge Gas's own operations. The cost variance in the LDSVA will be offset by the revenue collected through the new locate delivery service charge applicable to third-party contractors and other utilities who request locate services from Enbridge Gas.

a) Please explain any objections that EGI may have with a proposal that would escalate the proposed $45 million annual threshold in accordance with any escalator applied to EGI's rates during any approved IRM term before EGI's next rebasing application?

Response:

a) Enbridge Gas would not object to a proposal that would escalate the proposed $51 million annual threshold (updated March 8, 2023) in accordance with any price cap escalator applied to Enbridge Gas's rates during the IRM term.

ENBRIDGE GAS INC.

Answer to Interrogatory from
School Energy Coalition (SEC)

Interrogatory

Reference:

9-1-3, p.8-11

Question(s):

With respect to the proposed Locate Delivery Services Variance Account:

a) Please explain how the $45M locate cost budget that included base rates was determined.

b) Is Enbridge forecasting any revenue through the proposed new locate delivery service charge as part of Other Revenue? If so, how much?

Response:

a) Please see response at Exhibit I.4.4-STAFF-122.

b) No, Enbridge Gas has not forecasted any revenue for the proposed new locate delivery service charge as part of Other Revenue. Collected revenue related to this charge will be recorded in the proposed Locate Delivery Services Variance Account effective January 1, 2024. Please see Exhibit 9, Tab 1, Schedule 3, updated March 8, 2023.

TAB 4

ONTARIO ENERGY BOARD

FILE NO.:	**EB-2022-0200**	**Enbridge Gas Inc.**

VOLUME: **Technical Conference**

DATE: **March 24, 2023**

MR. STEVENS: Sorry, just to finish my thoughts, as you know, there is no proposal by Enbridge in the context of this application for AMI.

MR. JARVIS: Understood. And I apologize for not expressing that interest. It is a very strong interest in the commercial sector which is using gas meter data and gas interval data extensively for diagnostics and for helping them move down the net zero path, so, yes, I -- we will consider dropping you a note, David, about what we might like to inquire of panel 5, if that makes sense.

MR. STEVENS: Thank you.

MR. JARVIS: And that's my questions.

EXAMINATION BY MR. MILLAR:

MR. MILLAR: Thank you, Mr. Jarvis. We're really rolling now, and last and perhaps least, the OEB Staff.

I'm going to introduce myself as the questioner.

Good afternoon, panel. I hope to be quite quick on this. I just have a couple of questions about your proposed new locates charge. And just to frame the issue, it might be helpful to pull up Exhibit 8, tab 3, Schedule 1, page 13. As that's coming up, I can probably start with the question. There we go. Thank you.

If we could go to page 13 of tab 3, Schedule 1. You could scroll down to the bottom of that page, please. Thank you very much.

Okay. So just to frame this, as part of the application Enbridge is proposing to create -- it's a new charge for locates; is that correct?

MR. McGIVERY: Michael McGivery. That's correct.

MR. MILLAR: Okay. And the charge is proposed to be $200, but it is only going to be for third-party contractors and utilities; in other words, your existing customers won't have to pay a charge; is that correct?

MR. McGIVERY: That's correct.

MR. MILLAR: And currently, before this charge comes into place, assuming it does, there is no specific charge for locates; is that right?

MR. McGIVERY: Currently there is no specific charge for locates.

MR. MILLAR: Okay, but the costs for that are all -- they are kind of worked into your existing O&M budget; is that right? It's not that Enbridge is doing this as charity work; it is just that it is included in distribution rates through O&M, I assume?

MR. McGIVERY: That's correct.

MR. MILLAR: So the costs are currently being recovered from rate-payers, just not part of a discrete charge?

MR. McGIVERY: That's correct.

MR. MILLAR: And you are seeking approval for this new charge so that you can recover at least some of those costs directly through this charge; is that right?

MR. McGIVERY: I'd like to clarify that.

We are seeking this charge to recover the incremental costs above and beyond what we propose in rates.

MR. MILLAR: Okay, so there will still be -- some of it will be recovered through your O&M budget, but you are predicting certain incremental costs, and I think you talk about that.

You'll see paragraph 45 in front of you and 46.

This relates to, I think it's the Getting Ontario Connected Act; you are familiar with that?

MR. McGIVERY: Yes, I am.

MR. MILLAR: And you are predicting that that will lead to some incremental costs with respect to locates?

MR. McGIVERY: That's correct.

MR. MILLAR: And you are proposing to recover those costs through this new charge?

MR. McGIVERY: That's correct.

MR. MILLAR: Okay. And do you have a sense -- one of the -- you have some bullet items, if we just scroll down a little bit in paragraph 46, there -- there you go. You see (b), you expect a number of locates requests will increase.

I'm sorry if there is some background noise here. There is construction at my neighbour's, so I'll try and speak loudly and clearly.

With respect to these new requests, do you have a sense as to who those are going to likely to come from? And I guess, to put it more specifically, do you expect these are going to be related to broadband work from the telecoms, or is it broader than that, or what can you tell me about that?

MR. McGIVERY: It is hard to quantify with contracts, just due to the recent legislation, the regulations being published as of February, which take effect April 1st, but we believe there will be materiality and significant locate requests coming from all sectors of the industry.

MR. MILLAR: And, sorry, which industry?

MR. McGIVERY: All industries.

So the legislation now mandates that anyone who is known to be digging without a locate can receive a monetary penalty, which wasn't -- which does not exist previously.

MR. MILLAR: Okay, so these could be from -- to be clear, these could be from telecoms, they could be from other utilities, they could be from any number of folks?

MR. McGIVERY: That's correct, municipalities, builders, telecoms.

MR. MILLAR: And you don't have a particular breakdown as to who you are most likely to get these requests from?

MR. McGIVERY: No, that would be very difficult to quantify at this time, as this would be 2023, 2024 will become the base year for this new legislation.

MR. MILLAR: Right. Thank you. We circulated in advance, and I believe Ms. Montfortin has it ready, a news release that OEB Staff happened upon with respect to the new locates charge.

Could I ask to have that pulled up, please? There we go.

Okay. And there is not much to this. It is really just to frame the question.

I see if you scroll down a little ways you will see "what is changing?" and it says there effective May 1st

Enbridge intends to start imposing this new charge.

My observation would be that, barring a miracle or I guess a time machine, you are not likely to have final approval through this proceeding for a discharge or any other by May 1st.

So I'm wondering if you can help me here.

Is this charge you intend to propose before this proceeding ends?

MR. McGIVERY: That communication went out, as you can see on the screen. Since then we've sent out an additional communication letting industry know that this charge is on pause.

However, the spirit of the communication as we continue to consult with industry on this charge is to look and treat the locate, the incremental locate delivery, due to Bill 93, very similar as our damage cost recovery due to requested work on behalf of other utilities, similarly, as we recoup already in our current rate case per our structure and framework to protect the rate-payers.

MR. MILLAR: Okay, understood.

But just to follow-up on my question: Am I correct that you are not -- and David, if you want to chime in, that's fine as well, but am I correct that you are not proposing to actually charge the fee until you have OEB approval?

MR. McGIVERY: I cannot --

MR. STEVENS: I can speak to that briefly, and I'm sure Mike will have something to add.

That may turn out to be the case, Michael.

Enbridge took the view that it is appropriate to let people know about this charge and to -- and to ask for approval here.

It's not entirely clear that approval is needed to make a charge to non-customers, which is what's happening here.

This is a charge to third parties and, as Michael indicated, these aren't charges to Enbridge's customers.

That being said, I think it's probably academic, as Enbridge has determined that it's going to suspend the charge of this amount, and that won't be starting on May 1st, 2023.

MR. MILLAR: David, could I ask for the company's position on whether or not OEB approval is required for this charge? And if you need to think about that and come back, that's fine.

I just -- I'd like to understand if this is a request under section 36 of the Act or if it is not?

MR. STEVENS: I think it's probably best to come back in writing.

I -- certainly from Enbridge's perspective it is important to have things in writing [audio dropout] took place, and that, I think, lies behind some of this request, but we'll confirm in writing Enbridge's position on approval of the charge.

MR. MILLAR: Okay, thank you. I'll mark that as JT3.38.

UNDERTAKING NO. JT3.38: TO CONFIRM IN WRITING ENBRIDGE'S POSITION ON APPROVAL OF THE CHARGE.

MR. MILLAR: And David, to the extent that you can, I'm hoping the answer is more than -- well, it's either yes or if it's no just some explanation as to why it's not covered under section 36.

And again, I'm not seeking to disagree here. I just think it would assist Staff so we don't have to return to this cross-examination to understand if it's not part of section 36. If you don't need approval, why not.

MR. STEVENS: Understood.

MR. MILLAR: Okay. And I -- I'm sorry, I should have marked as an exhibit, I don't think it is actually on the record, this news release, so I propose to mark that as KT3.4.

EXHIBIT NO. KT3.4: NEWS RELEASE.

MR. MILLAR: And witnesses, I'm sorry, Mr. Parkes, I believe, has one follow-up question.

That conclude me, and you'll be happy to hear after Mr. Parkes we're done, so I'll pass it to you, Mr. Parkes.

EXAMINATION BY MR. PARKES:

MR. PARKES: Thanks very much, Mr. Millar. The last question of the day, big honour.

I had a question on the IRP deferral accounts.

If we could turn to I9.1, Staff 248. Thank you.

So Enbridge has proposed to keep the IRP operating costs and capital costs deferral accounts with the definitions that were approved in the IRP proceeding

TAB 5

ONTARIO ENERGY BOARD

FILE NO.: **EB-2022-0200** **Enbridge Gas Inc.**

VOLUME: **Technical Conference**

DATE: **March 30, 2023**

MS. SCOTT: Okay, I'll leave it there then, thank you.

The next one, which you don't need to pull up, is SEC-175 because it again refers to Staff-122.

This is related to this issue of the increase in the locates costs and Bill 93. So if you could just move to -- there is a table on the next page.

So external cost and internal cost. I'm just trying to make sure I understand this. So this is the cost for Enbridge to do locates for other utilities who request them. And does this also include the cost of other utilities if they charge doing locates for Enbridge?

MS. BURNHAM: Jennifer Burnham. Yes, that is correct. These would be the costs for us to provide locates to other municipalities, utilities, contractors, the general public who request locates. As well, if we have internal costs for those locates, or have to pay for locates which I don't -- I'd have to check right now. I don't believe we paid for locates anywhere, these would be the costs incorporated into that.

MS. SCOTT: That was my next question, is do you pay -- is anybody currently charging for locates and your understanding --

MS. BURNHAM: Subject to check I don't believe we are paying for locates in Ontario right now.

MS. SCOTT: So as I understand it for 2024 built in -- based on Bill 93 the costs are going to go up because you have to respond quicker, sort of, in a nutshell; is that correct?

MS. BURNHAM: Whole cost drivers right now, so one is the costs of our contractors are increasing so that would be in the external cost bucket and part that's driven by, you know, staffing challenges they have had, attracting talent, hiring and training, but then also the increased number staff that they have to have to deliver to the new compliance measures that are coming out as part of Bill 93.

MS. SCOTT: And you are proposing introducing a $200 fee for locates; is that correct?

MS. BURNHAM: Yes, that is a proposal that is currently on the table.

MS. SCOTT: And that will cover both external and internal costs for the particular -- for the locates?

MS. BURNHAM: It would -- I believe it's the -- yes, it's the cost for us to deliver those locates. It's what it is planned to cost.

A portion, and it is on the best efforts of what we understand today. Obviously there is a lot of unknowns related to the impact of Bill 93, but that was the recommended amount to start with, to determine what we believe we know today is the cost of the locates -- to deliver those locates.

MS. SCOTT: So I guess I'm -- it seems to me there's built in budget in the revenue requirement, and you're also asking for this new charge, and I'm not sure how those two interact. So maybe you can explain that.

MR. HEALEY: Colin Healey. Just to add to that, the time of when this information was put together, it was still in infancy or early days of understanding the impact of Bill 93. So there is minimal base rate there in to these numbers as a result of Bill 93, purely as a result of the timing of when the rate base was filed.

MS. SCOTT: Yes. And I was going to actually ask you that, because my understanding is that you've had almost a year now of experience with Bill 93, have you?

MS. BURNHAM: Jen Burnham. I believe it is just coming into effect starting in April and they're still working things out.

MS. SCOTT: Oh, it's this year that it's -- okay.

MS. BURNHAM: Yes. There was a notice today. April 1st is when the compliance measures start, this year.

MS. SCOTT: Oh, okay. So the bill was enacted a year ago; it's just kind of coming into effect now. Okay, so you don't have any experience. Okay, so that -- so you are saying a minimum amount built into rates and you've chosen the figure of -- the idea of $200, not really knowing if that's going to cover your costs. Would that be correct?

MS. BURNHAM: Yes. I would say -- I mean, what we have in this table here are the costs to deliver the locates for what we experience and the increased costs that we've seen over time. The $200 charge is our estimate right now. I think that's why there were some treatment recommendations on how we treat that. I know this panel -- it was spoken about in another panel -- I think panel 11 -- a bit, but, yes, this is what we have proposed right now.

MR. KITCHEN: Ms. Scott, it is Mark Kitchen of

Enbridge. Just to -- I think this might be a bit helpful, too, is that the locate charge will only be charged to third-party contractors. It will not be charged to Enbridge Gas customers.

MS. SCOTT: Oh, that is helpful, yes. I was under the understanding that everybody was paying for it. Okay, thank you. I appreciate that. And I will -- look, I'm sorry if it was discussed under another panel. I haven't been listening to all of the days, so I will go back to panel 11 and look at that, too. So thank you.

SEC-176 is the next one, and this is where we asked about the as-a-service model.

MR. HOU: Ms. Scott, Edward Hou. Yes, the description of the as-a-service model. Is that correct? I just want to clarify the question?

MS. SCOTT: Well, I haven't asked it yet.

MR. HOU: Sorry, yes.

MS. SCOTT: Yes. So as I understand it, I guess -- well, there are two parts to what I would like to ask. One is about -- I think we originally asked if there was a business case for this and we were told, no, that there wasn't one. And I was just trying to get a better idea. Part of SEC-176 says that, since that time, as technology solutions reached end of life, the only option is as a service, as traditional on-premise solutions are not readily available or cost effective.

And I guess I will ask again: Was there no analysis done to show that they were no longer cost effective?

TAB 6

ENBRIDGE

Distribution Protection

Damage Prevention

News

Summary

On April 14, 2022, the Getting Ontario Connected Act was passed into law, and resulted in major changes to the Ontario Underground Infrastructure Notification System Act which governs how underground facilities are located in Ontario. The legislative changes aim to remove barriers to timely locate delivery, improve and streamline compliance, and enhance Ontario One Call's powers.

Historically, Enbridge Gas has completed gas facility locates at no direct charge to locate requestors. As a result of these legislative changes, Enbridge Gas has made significant investments in associated operational improvements.

To ensure that our gas distribution service customers are protected from incurring the costs of services rendered to other parties, Enbridge Gas will be implementing a new locate delivery charge. This charge will be applied directly to third-party contractors and other utilities who make these locate request.

What is Changing?

Effective May 1, 2023, Enbridge Gas (including its Ontario based affiliates), will begin to directly charge third-party contractors and other utilities for their utility locates. Enbridge Gas will apply a charge of $200 CAD (plus applicable taxes) per locate request where a field locate (paperwork and ground markings) is completed by Enbridge Gas.

Locates requested by property owners for a property where they or their tenant reside, will not be subject to this charge.

Questions?

Please see the Charging for Locates FAQ for more details.

Please email locate.charges@enbridge.com if you have any additional questions.

Regards,
Enbridge Gas

Frequently Asked Questions

1. **Under what circumstances will requestors be charged for locates?**
   Enbridge Gas will charge third-party contractors and other utilities for each utility locate request that Enbridge Gas responds to where a field locate (paperwork and ground markings) is completed. Locates requested by property owners, for a property where they or their tenant reside, will not be subject to a direct charge. However third-party contractors and other utilities who request a locate for work at a property on behalf of the property owner or their tenant, will be subject to this charge upon completion of the locate paperwork and ground markings.
   Third-party contractors and other utilities using a third-party dedicated locator approved to locate Enbridge Gas assets (including those of its Ontario based affiliates) will be charged by the dedicated locator and not Enbridge Gas.

2. **What happens if I receive a clearance for Enbridge Gas on my locate request?**
   Enbridge Gas does not charge for locate requests where there are no Enbridge Gas assets in the locate area and a clearance is issued.
   Excavators should request locates for as precise an area as possible relative to their work plan to increase the potential that a clearance can be issued.

3. **Will I be charged for remarks and relocates?**
   Enbridge Gas will charge for remark/relocate requests where a field locate (paperwork and ground markings) is completed.
   Excavators should plan their work start date based on the timelines of their locate request to reduce the potential that their locates will expire before they start work.
   Excavators should follow all third-party requirements associated with preserving and maintaining locate markings to reduce the potential that the locates will require remarks.

4. **Are homeowners or tenants charged for locates?**
   Locates requested by a property owner, for a property where they or a tenant reside, will not be subject to a direct charge, however third-party excavation contractors and other utilities will be subject to a charge.

5. **Can a homeowner undertaking work on their property request a locate for their contractor to avoid incurring charges?**
   No. It is the responsibility of the excavator undertaking the ground disturbance to request the locates.

6. **What forms of payment are accepted?**
   Enbridge Gas accepts credit card payments (through an individual link generated

when the charge is issued) or payments by cheque made payable to Enbridge Gas, Accounts Payable.
Enbridge Gas does not accept cash payments.

7. **Can I add the charge to my gas bill?**
   We are not offering the ability to add locate delivery charges onto our natural gas bills.

8. **I am a customer of Enbridge Gas, does that mean I still need to pay for a locate?**
   Enbridge Gas customers that request locates for work on their own property where they or their tenant reside, will not be charged. Enbridge Gas customers who operate as excavators or are requesting locates for work outside of their own residential property will be subject to the locate charge.

9. **Who do I contact for disputes about my locate charge?**
   For any disputes related to your Enbridge Gas locate charge you can email locate.charges@enbridge.com.

10. **When are my locate charge payments due?**
    Invoices for locate charges will be issued on a monthly basis with payment required within 45 calendar days from the invoice date.

11. **Do I still need to pay for the locate if it wasn't delivered within five (5) business days?**
    Yes. Upon placing your locate request through Ontario One Call for which Enbridge Gas is required to locate its underground assets, you will be charged whenever a field locate (paperwork and ground markings) is completed.
    Enbridge Gas makes every practicable effort to respond to locate requests within five (5) business days. The charge is required to cover the cost of our locate services.
    To support timely completion of locate request responses, Enbridge Gas suggests that excavators:
    - Request locates for as precise of an area as possible relative to their work plan to increase the potential that a clearance can be issued and/or a field completion can be issued as fast as possible.
    - Only place locate requests for work that they reasonably plan to start in the near future so as to prevent excess / unnecessary requests and reduce the potential that their locates will expire before starting work.

12. **What alternatives do I have to paying Enbridge Gas for locating its assets?**
    It is a legal requirement in Ontario that prior to any ground disturbance, the excavator must obtain a valid locate response from all affected infrastructure owners impacted by the ground disturbance activities.

As an alternative, a project owner can apply with Ontario One Call to use a dedicated locator authorized to locate the assets of the infrastructure owner in accordance with regulations. The cost of a dedicated locator will be borne by the project owner in accordance with the Ontario One Call legislation.

13. **Why is Enbridge Gas making the decision to charge for locates?**
    The cost to deliver locates has increased significantly, and we are proactively working to recover costs for providing locate services directly from third-party contractors and other utilities who make these locate requests.

14. **What are you going to do with the money that you receive for locates?**
    We are collecting money for line locates to offset our own costs. Enbridge Gas does not earn a profit on the money received for locates.

15. **What is the cost of the locates?**
    $200.00 CAD (plus applicable taxes) per completed field locate (ground markings and paperwork) will be charged.

16. **How did you arrive at a $200 fee – how can I be assured this is reasonable?**
    Enbridge Gas completed a detailed analysis of the costs associated with completing a standard locate, including field locate delivery, locate delivery administration and field locate safety controls.

17. **Now that you are charging for locates, will you commit to a five-day turnaround?**
    Enbridge Gas makes every practicable effort to respond to locate requests within five (5) business days.
    To support timely completion of locate request responses, Enbridge Gas suggests that excavators:
    - Request locates for as precise of an area as possible relative to their work plan to increase the potential that a clearance can be issued and/or a field completion can be issued as fast as possible.
    - Excavators should plan their work start date based on the timelines of their locate request to reduce the potential that their locates will expire before they start work.

18. **Why are you charging professional excavators and not residential property owners – is this fair?**
    With the changes in the legislation, Enbridge Gas is now looking to allocate the costs of delivering locates directly to third-party excavation contractors and other utilities who make these locate request.

19. **Have you assessed the risk that this additional cost will dissuade contractors from obtaining locates?**
    Yes. Regardless of whether or not there is a charge for obtaining locates, it is a legal requirement under the Ontario Underground Infrastructure Notification System Act that all parties obtain a valid locate prior to conducting any ground disturbance activities in Ontario.

    Any excavator that commences ground disturbance activities without a valid locate may be subject to a $10,000 penalty. Any excavator that continues ground disturbance activities past the expiry date of a valid locate may be subject to a $8,000 penalty.

20. **How can I learn more about the Getting Connected Ontario Act?**
    Information on the Getting Connected Ontario Act is available online:
    - Ontario Underground Infrastructure Notification System Act, 2012, S.O. 2012, c. 4
    - Dedicated Locator – Ontario One Call

TAB 7

ENBRIDGE GAS INC.

Answer to Undertaking from
Ontario Energy Board Staff (STAFF)

Undertaking

Tr: 212

To confirm in writing Enbridge's position on approval of the charge.

Response:

The OEB has broad authority to establish and approve charges from regulated utilities, and that authority has been exercised to approve charges to customers (account service charges, for example) and to non-customers (labour charges applicable to address damages by any party to the Company's facilities). Enbridge Gas's view, however, is that it is permissive rather than mandatory for the OEB to review and approve charges applicable to non-customers.

In this case, if Enbridge Gas's proposed locate delivery service charge were to be applicable to Enbridge Gas's own customers, then this would be something that would have to be approved by the OEB and included in Rider G. However, Enbridge Gas does not believe that OEB approval is required where these charges are levied to third-party contractors and other utilities (non-customers).

Two important points of context should be added.

First, even though Enbridge Gas is not required to obtain OEB approval for a locate delivery service charge to non-customers, the review and approval of the charge is helpful from Enbridge Gas's perspective. The revenue from the locate delivery service charge is intended to offset the additional costs to be incurred by Enbridge Gas that are not included in rates. It is in the joint interest of Enbridge Gas and ratepayers that such costs are indeed recovered, and that they are recovered from the parties causing the costs to be incurred (non-ratepayers). OEB approval of the locates charge will assist Enbridge Gas in maximizing the recoverability of its costs. Being able to tell third-party contractors and other utilities that the charge is reviewed and approved by the utility's regulator increases the likelihood that third parties will pay when invoiced. Additionally, where Enbridge Gas's invoices/charges are challenged in a legal proceeding (likely Small Claims Court), OEB approval of the charges is a helpful fact in support of recovery.

Second, as noted during the Technical Conference (TC Tr. Vol 3. 209-212), Enbridge Gas has suspended the charging of the new locate delivery service charge that was planned for May 1, 2023. As such, it may be the case that the charge will not actually be implemented before January 1, 2024, by which time the requested approval in this Application will have been determined. Please see Attachment 1 for a copy of the communication issued by Enbridge Gas on March 23, 2023 confirming that the Company will not be starting to levy the new locates charge on May 1, 2023.

On day 7 of the Technical Conference (TC Tr Vol 7, 95), the Company gave a response, subject to check, to whether any parties are currently charging Enbridge Gas for locates. There are a few municipalities that are charging for locates in Ontario. These are very few compared to the number of locates provided.

ENBRIDGE

Distribution Protection

Damage Prevention

Update

Enbridge Gas would like to provide notice of our decision to put the implementation of the locate delivery charge on pause. We will use this time to continue our industry consultations and Enbridge will provide additional information once we have confirmed our approach.

Enbridge remains committed to the safe and timely delivery of locates.

For any additional inquiries please contact us at locate.charges@enbridge.com

Regards,

Enbridge Gas

TAB 8

PARTIAL SETTLEMENT PROPOSAL

Enbridge Gas Inc. Application for approval of 2024 Rates

June 28, 2023

Parkway to Dawn toll to reflect that customers now deliver primarily to Dawn.

Supporting Parties: APPrO, BOMA, CME, CCC, EP, ED, FRPO, GEC, IGUA, Kitchener, LPMA, OGVG, OPI, PP, QMA, SEC, SNNG, VECC.

Evidence: The evidence in relation to this issue includes, but is not limited to, the following:

8.4.1	Service Harmonization
8.4.1.1	Service Harmonization Mapping
8.4.2	Distribution
8.4.3	Bundled Service
8.4.4	Semi-Unbundled Service
8.4.5	Unbundled Service
8.4.6	Ex-franchise Services
8.4.7	Interruptible Service Study
8.4.7.1	Interruptible Rates Study – Rate Comparison
8.5.1	Terms & Conditions of Service Harmonization
8.5.1.1	Terms & Conditions of Service Harmonization – Conditions of Service
8.5.1.2	Terms & Conditions of Service Harmonization – Contract Comparison
8.5.1.3	Terms & Conditions of Service Harmonization – Summary of Changes to Ex-franchise GT & Cs – Combined
8.5.1.4	Terms & Conditions of Service Harmonization – Summary of Changes to Ex franchise GT & Cs – Harmonized
8.5.1.5	Terms & Conditions of Service Harmonization – Ex franchise combined GT & Cs
8.5.1.6	Terms & Conditions of Service Harmonization – Ex franchise harmonized GT & Cs
Exhibit I.8.4	Exhibit 8, Tab 4 Interrogatories
Exhibit I.8.5	Exhibit 8, Tab 5 Interrogatories
8 TC Tr. 23 - 117	Technical Conference Panel 10
JT8.4 - JT8.16	Panel 10 Undertakings

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

Partial Settlement

Subject to the following qualifications and changes, Parties accept that the proposed miscellaneous service charges as filed by Enbridge Gas are appropriate:

- Meter dispute test charge – Parties have agreed that the common Enbridge Gas charge for meter dispute requests should be $100 (halfway between the current charges in the EGD and Union rate zones).

- Late Payment Penalty charge – For the purposes of settlement, Parties accept the proposal to continue a late payment charge of 1.5% per month (19.56% per annum). Not all Parties agree that the late payment fee of 19.56% per annum is cost based or a reasonable charge. However, all Parties agree that the fee was established on a generic basis by the OEB and if reviewed should be reviewed on a generic basis which would include electricity distribution utilities.

- Extra length charge – There is no settlement on the appropriate charges for individual customer connections, including charges for individual service lines and meters.

As advised in Enbridge Gas's letter dated May 24, 2023, Enbridge Gas is requesting a Locate Delivery Services Variance Account on a generic basis along with numerous large distributors (gas and electric). In its May 24, 2023 letter, Enbridge Gas indicated that if the requested generic deferral account is not approved and/or circumstances change such that an approved service fee for locates requests becomes necessary for Enbridge Gas, then the Company may choose to pursue that request at a later date. In a letter dated June 14, 2023, the OEB requested more information from the requesting utilities (including Enbridge Gas) before making a determination about whether to approve the requested generic account. Enbridge Gas reserves the right, therefore, to seek approval of a locate delivery charge as part of Phase 2.

Supporting Parties: APPrO, BOMA, CME, CCC, EP, ED, FRPO, GEC, IGUA, Kitchener, LPMA, OGVG, PP, QMA, SEC, SNNG, VECC.

Evidence: The evidence in relation to this issue includes, but is not limited to, the following:

8.3.1	Miscellaneous Service Charges
8.2.7.1	Combined Rate Handbook
Exhibit I.8.2	Exhibit 8, Tab 2 Interrogatories
Exhibit I.8.3	Exhibit 8, Tab 3 Interrogatories
8 TC Tr. 23 - 117	Technical Conference Panel 10
JT8.4 - JT8.16	Panel 10 Undertakings

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

Complete Settlement

Parties agree that the proposed DPAC and DCB charges are appropriate.

Supporting Parties: APPrO, BOMA, CME, CCC, EP, ED, FRPO, GEC, IGUA, Kitchener, LPMA, OGVG, PP, QMA, SEC, SNNG, VECC.

Evidence: The evidence in relation to this issue includes, but is not limited to, the following:

applicable parameters will be different, as described above.

The draft Accounting Orders for the agreed deferral and variance accounts are provided at Exhibit O, Tab 1, Schedule 2.

Supporting Parties: APPrO, BOMA, CME, CCC, EP, ED, FRPO, GEC, IGUA, Kitchener, LPMA, OGVG, PP, QMA, SEC, SNNG, VECC.

Evidence: The evidence in relation to this issue includes, but is not limited to, the following:

9.1.1	Deferral and Variance Account Overview
9.1.1.1	Deferral and Variance Account – Description of Existing Deferral Accounts
9.1.1.2	Deferral and Variance Overview – Summary of Proposals for Deferral and Variance Accounts
9.1.1.3	Deferral and Variance Accounts – Proposed Accounting Orders
9.1.1.4	Proposed Deferral and Variance Accounts
9.1.2	Harmonization and Other Proposed Changes
Exhibit I.9.1	Exhibit 9, Tab 1 Interrogatories
Exhibit I.9.2	Exhibit 9, Tab 2 Interrogatories
3 TC Tr. 164 - 216	Technical Conference Panel 11
JT3.26 - JT3.38	Panel 11 Undertakings

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

Partial Settlement

Parties agree to the following in relation to the new variance accounts proposed by Enbridge Gas:

- Energy Transition Technology Fund Variance Account – to be addressed in Phase 2.

- Rate Harmonization Variance Account – to be addressed in Phase 3.

- Dawn Parkway Surplus Capacity Deferral Account – Parties agree to the creation of a Dawn Parkway Surplus Capacity Deferral Account as proposed, subject to one change. In the event that Enbridge Gas uses surplus Dawn Parkway capacity (forecast at 89 TJ in 2024) to reduce the Parkway Delivery Obligation, then the PDCI costs will be reduced, which will be captured in the Parkway Delivery Obligation Variance Account.

- Open Bill Extension Deferral Account – Parties agree to the creation of this account as proposed.

- Enhanced Distribution Integrity Management Program Variance Account – as described in Issue 12, Parties agree instead to the creation of a new Distribution Integrity Management Program (DIMP) Costs Variance Account. The account will record variances in Enbridge Gas spending each year on the DIMP and EDIMP programs. Parties agree that $12.5 million is included in the 2024 O&M budget for these programs, and that variances will be recovered from or credited to ratepayers on an annual basis from 2024 until Enbridge Gas next rebases. Enbridge Gas will provide annual reporting on actual DIMP/EDIMP spending, setting out the work done (and associated costs), listing the projects/facilities where work was done, describing what facilities work was deferred or avoided or otherwise impacted as a result and discussing the cost/benefit analysis of the DIMP/EDIMP work done during the past year.

- The Post-Retirement True-Up Variance Account will be established as described in Issue 13 above, such that it includes a $10 million deadband for variances from the forecast revenue requirement impact of pension and OPEB costs (accrual and cash-based amounts) embedded in rates ($8.3 million credit in 2024 revenue requirement). Parties agree that where the variance in the revenue requirement of actual pension and OPEB costs (accrual and cash-based amounts) is greater than $10 million compared to the amount embedded in rates in any year from 2024 until Enbridge Gas next rebases, Enbridge Gas may recover (or credit) the actual amount outside of the $10 million deadband from (or to) ratepayers. Other than the addition of a deadband, the Post-Retirement True-Up Variance Account will operate in the manner described in the Enbridge Gas March 8, 2023 update[10].

Additionally, Parties agree that Enbridge Gas will create a new Clean Fuel Regulation (CFR) Credits Deferral Account that will record the revenues obtained by Enbridge Gas from the sale of CFR credits for the benefit of ratepayers. Enbridge Gas will be permitted to also record offsetting credit formation, certification and transaction administration costs in the account. The administration costs eligible for recording and recovery include the following:

- Incremental staffing costs;
- Consulting costs, including but not limited to preparation of monitoring reports and third-party verification of credits;
- Legal costs, including but not limited to preparing contracts for procurement or sale of credits, understanding of the regulation; and
- Other costs such as training/conferences and market monitoring subscriptions (needed to stay abreast of market).

[10] Exhibit 9, Tab 1, Schedule 1, Attachment 3, p.37, Updated March 8, 2023.

As set out at Issue 4, the Parties agree that Enbridge Gas will create a new Indigenous Working Group Deferral Account (IWGDA).

As set out in Issue 9, there is no agreement about whether Enbridge Gas should create a Volume Variance Account.

As part of the OEB's consideration of the unsettled issues in Phase 1, Parties are free to request the establishment of a new deferral and/or variance account, insofar as the proposed account relates to an unsettled (or unsettled components of a partially settled issue) and would not be contrary to a settled issue (or settled component of a partially settled issue).

As advised in Enbridge Gas's letter dated May 24, 2023, Enbridge Gas is no longer seeking a Locate Delivery Services Variance Account as this is being requested on a generic basis by numerous large distributors (gas and electric). In a letter dated June 14, 2023, the OEB requested more information from the requesting utilities (including Enbridge Gas) before making a determination about whether to approve the requested generic account. As stated in the Enbridge Gas letter: "[i]n the event that the OEB declines to address the request for a locates cost variance account on a generic basis, or in a way that takes into account Enbridge Gas's circumstances (which include very significant underground infrastructure), then Enbridge Gas reserves the right to request that this item be re-introduced and determined in Phase 2 of this proceeding".

Supporting Parties: APPrO, BOMA, CME, CCC, EP, ED, FRPO, GEC, IGUA, Kitchener, LPMA, OGVG, PP, QMA, SEC, SNNG, VECC.

Evidence: The evidence in relation to this issue includes, but is not limited to, the following:

9.1.3	Establishment of New Deferral and Variance Accounts
9.1.4	Deferral and Variance Account Closures
Exhibit I.9.1	Exhibit 9, Tab 1 Interrogatories
3 TC Tr. 164 - 216	Technical Conference Panel 11
JT3.26 - JT3.38	Panel 11 Undertakings

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

Partial Settlement

With the following two exceptions, Parties agree to the clearance of deferral and variance accounts as proposed by Enbridge Gas.

- Parties do not agree to the clearance of the 2019-2023 balances in the TVDA

TAB 9

AIRD BERLIS

David Stevens
Direct: 416.865.7783
E-mail: dstevens@airdberlis.com

May 24, 2023

BY EMAIL AND FILED VIA RESS

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: Enbridge Gas Inc. ("Enbridge Gas")
EB-2022-0200 – 2024 Rates Application
Withdrawal of Requests for Locate Delivery Charge & Locate Delivery Services VA

We represent Enbridge Gas.

We write to advise the Ontario Energy Board (OEB) and parties that Enbridge Gas is withdrawing its requests for approval of a Locate Delivery Charge[1] and a Locate Delivery Service Variance Account (LDSVA)[2] from the 2024 Rates Application. Instead, the creation of a new locates cost variance account is being pursued on a generic basis, through a joint request with several other large Ontario local distribution companies (LDCs). In the event that the OEB declines to grant the requested relief through that generic process, then Enbridge Gas reserves the right to request that these items be re-introduced and determined in Phase 2 of this proceeding.

In prefiled evidence in this case, Enbridge Gas explained the implications of Bill 93 (*Getting Ontario Connected Act, 2022*), the pertinent provisions of which came into force on April 1, 2023. Among other things, Bill 93 included amendments to the *Ontario Underground Infrastructure Notification System Act, 2012* (the Act) requiring underground infrastructure owners like LDCs to complete locate requests within five days, failing which the LDC is subject to administrative monetary penalties (AMPs) under the Act. This absolute time limit and the penalties for failure to perform at that standard without exception are new legislative requirements.

The cost implications of the new requirements from Bill 93 will impact most or all LDCs in Ontario. These costs are new, and are not included in the base rates / revenue requirement for LDCs. On May 11, 2023, Enbridge Gas and a group of other large LDCs[3] wrote to the OEB to request that the OEB establish generic, sector-wide variance accounts for LDCs to track the incremental costs of locates in 2023 and future years arising from the implementation Bill 93. The LDCs have requested that all incremental costs resulting from the legislation incurred on or after January 1, 2023 be eligible for the variance account. A copy of the May 11, 2023 letter is attached.

[1] Exhibit 8, Tab 3, Schedule 1, starting at page 13.
[2] Exhibit 9, Tab 1, Schedule 3, starting at page 8.
[3] Enbridge Gas, Alectra Utilities, Elexicon Energy, Hydro One, Hydro Ottawa, Oakville Hydro and Toronto Hydro.

We understand that the OEB will be considering the request set out in the May 11, 2023 letter, and may do so on a generic sector-wide basis. As a result, Enbridge Gas is withdrawing its request for the LDSVA in this 2024 rates proceeding.

Enbridge Gas's plans to introduce new service fees for locates requests have met significant resistance. Enbridge Gas has determined that that it will not charge third parties for locates requests at this time. Therefore, Enbridge Gas is also withdrawing its request for approval of a new Locate Delivery Charge in the 2024 rates proceeding.

In the event that the OEB declines to address the request for a locates cost variance account on a generic basis, or in a way that takes into account Enbridge Gas's circumstances (which include very significant underground infrastructure), then Enbridge Gas reserves the right to request that this item be re-introduced and determined in Phase 2 of this proceeding. Similarly, should circumstances change such that an approved service fee for locates requests becomes necessary for Enbridge Gas, then the Company may choose to pursue that request at a later date.

Please let us know if you have questions about this letter.

Yours truly,

AIRD & BERLIS LLP

David Stevens
DS/
c: All parties registered in EB-2022-0200

May 11, 2023

BY EMAIL

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: Bill 93 (*Getting Ontario Connected Act, 2022*)
<u>Request for Variance Account for Incremental Costs for Locates</u>

We are a group comprised of many of Ontario's large local distribution companies (LDCs).

We write to request that the Ontario Energy Board (OEB) establish generic, sector-wide variance accounts for LDCs to track the incremental costs of locates in 2023 and future years arising from the implementation of recent Provincial legislation: Bill 93 (*Getting Ontario Connected Act, 2022*). The pertinent provisions of the legislation came into force on April 1, 2023. Some LDCs began incurring significant incremental costs in advance of April 1, 2023 in order to meet the new performance standard. Accordingly, we request that all incremental costs resulting from the legislation incurred on or after January 1, 2023 be eligible for the variance account.

This new legislation impacts all of our organizations, and indeed all LDCs in Ontario. Accordingly, and in the interest of regulatory efficiency, our group is making this request through a single letter rather than a series of very similar, individual requests.

Further details regarding this request are provided below.

Bill 93, *Getting Ontario Connected Act, 2022* received Royal Assent on April 14, 2022. Among other things, Bill 93 included amendments to the *Ontario Underground Infrastructure Notification System Act, 2012* (the Act) that are intended to improve the processes and requirements related to determining the location of underground infrastructure, enabling construction activities in the province to be completed faster and more efficiently, without compromising safety.

The amendments to the Act arising from Bill 93 require LDCs to complete locate requests within five days, failing which the LDC is subject to administrative monetary penalties (AMPs) under the Act. This absolute time limit and the penalties for failure to perform at that standard without exception are new legislative requirements. While our organizations continue to support Ontario's intent to modernize the locate industry and remain committed to helping deliver capital investment in the province, including for priority broadband, transit and housing projects, the new expectations will lead to substantial incremental costs.

As a result of legislative and regulatory changes impacting the Act, infrastructure owners, including our organizations, are now making significant incremental investments to fund operational improvements, including hiring and training more locators with the competitive wages required to attract new workers, procuring equipment and vehicles, and improving IT infrastructure. Our preliminary estimates indicate that annual locates costs are likely to increase significantly and by 100% or more, in some cases. While some LDCs have more underground infrastructure than others, the new locates requirements are common to all of us. The costs of these new requirements are not included in our approved rates (or base revenue requirement) because the requirements did not exist and were not contemplated when rates were set on a cost of service basis. The incremental costs are unknown, but are expected to be material (expressed in terms of the OEB's materiality thresholds).

All underground infrastructure owners, including utilities, are required to comply with the Act and its regulations. In order to recover these compliance-related costs, some organizations have proposed to introduce new service fees for certain locate requestors. These plans have been met with significant resistance. Through this letter, our organizations are requesting a variance account, which, subject to the discretion of the OEB, would maintain the status quo of ratepayer cost responsibility for locates costs.

The OEB's Filing Requirements for gas and electricity distributors include similar expectations where a new variance account is requested.[1] Where an applicant seeks an accounting order to establish a new variance account, the request must be accompanied by evidence of how the following eligibility criteria will be met:

- Causation – The forecasted expense must be clearly outside of the base upon which rates were derived.
- Materiality – The forecasted amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they must be expensed in the normal course and addressed through organizational productivity improvements.
- Prudence – The nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition.

Each of these criteria are met here.

- Causation – No LDC's current rates (or the base upon which those rates are set) include the Bill 93 related locates costs. The costs related to locates recovered through each LDC's existing rates reflect the previous, less costly, legal framework.
- Materiality – Preliminary estimates of the variance between the actual costs for locate delivery services, and the amount included in rates will exceed the materiality threshold for the establishment of new deferral and variance accounts.[2]
- Prudence – The costs to provide legislatively mandated locate services according to a legislated standard are reasonably incurred.

[1] See Filing Requirements Natural Gas Rate Applications, section 2.9.2, page 38; and Filing Requirements for Electricity Distribution Applications, section 2.9.2, page 66.

[2] For the organizations making this request, the materiality threshold is as follows: 0.5% of revenue requirement for a utility with a revenue requirement greater than $10 million and less than or equal to $200 million; and $1 million for a utility with a revenue requirement of more than $200 million.

Draft accounting orders for the requested locates delivery services costs variance account for electricity LDCs and for Enbridge Gas can be provided as required. Each LDC will provide detailed support for the account balance as part of their appropriate deferral account disposition proceeding where clearance is requested.

For electricity LDCs, we request that the new variance account be effective starting on January 1, 2023, and continue until electricity LDCs rebase, at which point future incremental locates costs will be incorporated into revenue requirement. We request that LDCs be eligible to seek disposition of the variance account in according with standard OEB rules.

The context for the request by Enbridge Gas is slightly different, because Enbridge Gas has already made a request for a locates charge and a deferral account for 2024 to track the difference between actual costs and the revenue collected through the proposed locate charge within its ongoing 2024 Rates/Rebasing Application (EB-2022-0200).[3] As set out in this letter application, Enbridge Gas is now seeking the establishment of a variance account starting January 1, 2023 for incremental locates services costs. Enbridge Gas intends to make a request in its rebasing case, asking that the OEB remove its proposal for a locates charge and the locates deferral account from the current phase 1 of the rebasing proceeding.

Should you have any questions, please contact Mark Kitchen at 416-495-5499 or via email at EGIRegulatoryProceedings@enbridge.com.

Sincerely,

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[3] The Enbridge Gas request for a Locate Delivery Service Variance Account is set out at Exhibit 9, Tab 1, Schedule 3, page 8 of the EB-2022-0200 filing.