EB-2022-0200

ONTARIO ENERGY BOARD

Enbridge Gas Inc.
2024 Rebasing Application

POLLUTION PROBE SUBMISSION

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1. Background

Enbridge Gas Inc. (Enbridge) filed an application with the Ontario Energy Board (OEB) under section 36 of the Ontario Energy Board Act, 1998 seeking approval for changes to the rates that it charges for natural gas distribution, transportation and storage, beginning January 1, 2024. Enbridge Gas has also applied for approval of an incentive rate-making mechanism for the years 2025 to 2028. This is collectively referred to as Enbridge's Rebasing Proceeding.

The settlement process resulted in a Settlement Agreement which was ultimately accepted by the OEB[1]. The financial outcome of the settlement agreement is an approximate $90 million reduction to the revenue deficiency resulting from Enbridge Gas's application. This represents an approximate 30% reduction to the total revenue deficiency of $298.3 million as set out in Enbridge Gas's June 16, 2023 Capital Update. The section in this document that provides a summary per the Phase 1 Issues List includes notes where each issue includes elements that were resolved for 2024 in the Settlement Agreement.

Clearance, in part or whole, of the issues included in the Settlement Agreement also enabled the time spent in the oral hearing for Phase 1 to focus on other substantive issues including Capital, Energy Transition, Integrated Resource Planning.

In accordance with OEB direction, the following is the written submission of Pollution Probe related to Phase 1 of this Rebasing Proceeding. Pollution Probe has included more detail on specific issues and less in others in an attempted to limit duplication on certain issues where other stakeholders are providing increased level of detail in alignment with the position and recommendations of Pollution Probe.

2. Introduction

This has been a very large and complex proceeding and Pollution Probe would like to acknowledge the efficient level of coordination across stakeholders. Pollution Probe would also like to recognize the strong success of the hybrid hearing model applied in Phase 1 by the OEB. It represents modern best practice and regulatory innovation which provided appropriate flexibility while unlocking the benefits that the oral hearing process brings, particularly for such a large and important proceeding. Pollution Probe encourages the OEB to leverage this approach for the future.

This document includes a section (Section 7) that covers each issue in the Phase 1 Issues List in order to ensure a complete package. In some cases the relevant information is related to multiple issues and/or the broader context of the proceeding

[1] dec_Settlement Proposal_EGI 2024 Rebasing_20230817

(e.g. Energy Transition). To be helpful, Pollution Probe has addressed these topics separately and therefore it is requested that this document form a complete package to inform the OEB in its deliberations.

In Enbridge's original application, there were some requests (e.g. OEB approval of certain studies, policies, methodologies, forecasts, etc.) that are not covered in the Phase 1 Issues List. It is not typical for the OEB to approve these types of documents unless there is a specific need. Enbridge has historically relied on various internal policies, guidelines, studies, etc. For example, the Asset Management Plan (AMP) or Utility System Plan (USP) provides Enbridge's context for what projects may be undertaken by Enbridge, but the OEB is not actually approving the document or the specific lists of projects it contains[2]. Other documents like the Draft IRP Guide[3] created by Enbridge can have a more significant impact on mitigating capital expenditures through Integrated Resource Planning (IRP), but Enbridge has not brought it forward for OEB for specific review and approval. The responsibility is on Enbridge to ensure compliance with OEB direction and to demonstrate that they are implementing in a prudent manner. In some cases certain documents may underpin assumptions related to issues on the Issues List. The OEB Decision for issues in this proceeding should stand on its own and it will be important that there is not confusion that anything outside the specific decision is indirectly OEB approved by default. This is particularly important given the magnitude of changes to Enbridge's evidence over the proceeding.

This Rebasing proceeding forms the cornerstone of how Enbridge will operate over the next five years (if the OEB approves a 5 year period in Phase 2) and beyond (particularly as it relates to issues like amortization, stranded asset risk, etc. which has impacts much longer than the Rebasing term). Therefore, this is the appropriate proceeding for the OEB to ensure that the right clear direction is in place to mitigate issues (e.g. lack of proper IRP implementation) and set expectation for how Enbridge must operate in its capacity as a rate payer funded regulated monopoly in Ontario. This includes ensuring that rate payer funding is used prudently in the provision of objective, unbiased and best available information to Ontario energy consumers on energy choices and relevant technologies (e.g. heat pumps). Ontario consumers expect objective, transparent, unbiased and comprehensive information from their monopoly utility and when that does not occur, there is a more direct role for the OEB to play.

This proceeding not only sets natural gas rates that impact energy consumers across Ontario, but it also represents a critical pivot point or paradigm shift in Ontario's Energy Transition and our Net Zero future. If we get the next 5 years wrong, the damage done to Ontario energy consumers, our communities and our Net Zero future will be

[2] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 50 lines 2-13
[3] Exhibit JT5.36,

irreversible. Decisions made here will have impacts much past 2024, 2028 and in fact past 2050, especially in relation to Capital assets that are proposed to be recovered by Enbridge from rate payers out to the 2080's or longer.

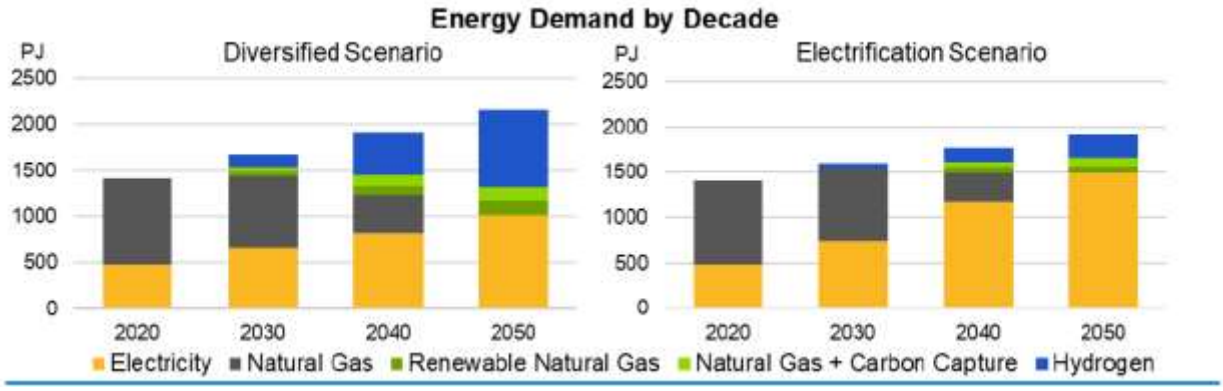
Enbridge indicates that it is taking the appropriate measured and clear-eyed steps to evaluate and respond to Energy Transition in a way that is mindful of current Government of Ontario policy and maintains the gas distribution system as a reliable and cost-effective source of energy[4]. Enbridge did allocate significant resources and rate payer funds as it planned its Rebasing application over the past 5 years, including over $3.6 million[5] in external consulting prior to the commencement of the Rebasing proceeding in fall 2022. However, Enbridge's inputs, analysis, reports and application were biased on outcomes to maximize gas utility Capital spending and as a result did not adequately consider risks, objective information or external stakeholder feedback which would have provided a more objective, realistic and credible application. It is reasonable given the size and scope of the application to have expected Enbridge to have done better job to demonstrate how the proposed actions over this Rebasing period (and beyond) align with the Energy Transition, Stranded Asset risks and other key issues. Shying away from ambiguity is understandable, but ignoring reality is irrational and not a recipe for success[6]. Regardless of the policy landscape, the Energy Transition is a real influence already occurring and the OEB current Mandate[7] includes proactively dealing with the Energy Transition issues that have been abundantly relevant throughout this proceeding. It has been clear that the Energy Transition has been in effect for some time and Enbridge has shown no tangible efforts to take action[8] in the interest of Ontario energy consumers. Stakeholders expected Enbridge to bring forward an actual plan to manage Energy Transition issues in this application, but it did not[9]. A promise of action tomorrow is always a day away and is no substitute for action (or at least a credible plan) today.

Enbridge indicates that it does not foresee a risk of Stranded Assets in the near term[10]. Enbridge may not see much risk for its shareholders under a status quo approach, but ratepayers are in a different position. Loading rate payers with Stranded Asset risk for the next 40-65 years as assets are depreciated is certainly not a Safe Bet or appropriate.

[4] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 17.
[5] Exhibit I.1.2-CCC-3, Attachment 1.
[6] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 99 lines 20-25.
[7] OEB letter-of-direction-from-the-Minister-of-Energy-20221021
[8] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 125 line 26 – page 126 line 26.
[9] Exhibit M8 Page 53-54.
[10] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 23.

The Guidehouse Pathways to Net Zero for Ontario Report (Guidehouse Report) was populated with biased[11] assumptions in collaboration with Enbridge (directly or via the Posterity Energy Transition Scenario Analysis Report[12]). The Diversified Scenario is the gas infrastructure friendly scenario preferred by Enbridge. Additional discussion related to the Guidehouse Report is included below in Section 4 on key issues related to this analysis. Even using the Guidehouse Report results without the additional adjustments indicates that there are no Ontario customers on natural gas by 2050, with the potential exception of a few large industrial customers, if they are able to capture the CO_2 emissions and find pipelines and geological storage nearby to permanently store the emissions. As you can see, the Diversified Scenario per Figure 1 below also requires Ontario to use more energy in the future to achieve the same level of end use energy for Ontario's consumers and businesses. This is because the Diversified Scenario is less efficient[13] for Ontario.

Figure 1: Pathways to Net Zero Emissions for Ontario [14]



3. Myths vs. Reality

Below is a summary of Myths vs. Reality for several key issues considered in Phase 1 of the proceeding. Although many of these issues may have broader application beyond 2024, they also directly related to the 2024 issues in Phase 1 of this proceeding.

[11] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 5, Page 24 line 10 – page 25 line 12.
[12] E.g. Final Transcript EB-2023-0200 TC2 March 23 2023, Page 181 line 13- page 183 line 12. and JT2.16. Even though the Posterity ETSA analysis is not Net Zero and does not go to 2050, Guidehouse extrapolated the same assumption form Enbridge out to 2050.
[13] For example converting energy to hydrogen causes significant loses due to conversion, transportation and storage. When the adjustments identified in Section 4 below are made the Diversified Scenario is even less efficient and more costly.
[14] EB-2022-0200 Exhibit 1.10.5.2_Pathways to Net-Zero Emissions for Ontario_BLACKLINE_20230421

Myth or Issue	Reality
This proceeding is just about the years 2024-2028 without any consideration of the impacts to rate payers after 2028.	False. The impacts of 2024 and the following period has long term-impacts, especially for capital which could have lasting consequences out to 2080s or longer (2024+15 = 2039, 2024 + 40 = 2064, 2024 + 65 = 2089). These dates are decades past when customers are expected to be off natural gas per the Guidehouse Scenarios. Surely, by the 2080's nobody expects homes and businesses to still be putting in natural gas equipment. Alternatives using the gas infrastructure are speculative at this time as outlined in Section 4.
This proceeding should consider what other stakeholders such as electricity providers need to do to meet consumer needs, before Enbridge takes tangible action to mitigate risks related to the gas system.	Incorrect. Enbridge has been very persistent that this proceeding has a fixed scope. However, when it comes to making changes in the 2024-2028 period for the gas utility the scope is conveniently expanded to include what others should do. This proceeding is about what Enbridge needs to do in the 2024-2028 timeframe, including what changes Enbridge should be making to effectively address the Energy Transition and IRP. Deflecting outside the scope of the proceeding is a tactic to avoid taking responsibility and action now[15].
The energy transition is something to think about later in the future.	False, it is already under way and the Rebasing period is in the heart of the transition period which continues to accelerate. Tomorrow is too late[16].
The OEB has no authority to consider Energy Transition or Climate Change related issues in this Rebasing proceeding.	Incorrect. The OEB considers these relevant public interest issues in its proceedings. Enbridge has relied on this for applications (e.g. RNG voluntary program, Markham H2 project, etc.). Mandate letters have reinforced the role of the OEB to consider these issues. Ignoring these issues would certainly not be in the public interest. To the extent that Pollution Probe and other parties have suggested that additional emphasis could be included in the OEB mandate, it is not to suggest that the OEB can't already consider these issues, but to avoid the very confusion that Enbridge appears to be having in this proceeding[17].
Enbridge Gas's Energy Transition Plan and Safe Bets are prudent, as they ensure continued progress towards a net-zero future despite current uncertainty[18].	Enbridge failed to provide a credible Energy Transition plan, objective evidence or proper consideration of Energy Transition in its application. The criteria defined as Enbridge Safe Bets appear to be subjectively constructed in support of increased capital spending and shareholder returns rather than objective or replicable analysis. Assumptions supporting the Guidehouse Net Zero report were incomplete, incorrect, biases[19] and could better be classified as False Hopes, rather than Safe Bets. Even after 2 major revisions and $140 billion of assumption adjustments, the analysis remains inadequate. The evidence before the OEB indicates that the proposed plan is not prudent and that the Diversified Scenario is neither Net Zero[20] nor least cost[21].
Increased gas infrastructure is required because of the Government of Ontario call for an additional 1.5 million homes to be built, according to its More Homes Built Faster Act, 2022	It is more important than ever that new construction use modern technologies that align with Net Zero. Non-gas technologies already exist to provide heating and cooling on peak at a lower cost than a gas furnace and air conditioning. Enbridge's evidence shows that modern efficient home construction requires only 23% of the historical energy to heat on a peak day[22]. Installing a gas furnace actually decreases the efficiency of the home system because the benefits of modern technologies (e.g. ccASHP) are lost when the system shuts down to switch to gas heating. See section 4.7 for additional details.
Gas is the only option for the future because the electricity grid can't handle Ontario's future energy needs.	Even Enbridge's most gas infrastructure friendly scenario (Diversified Scenario) has all customers off natural gas by 2050, except a small number of large industrial customers if they are able to install carbon capture and find local geologic sequestration. The fast evolution of renewables, DERs, and electrification resources is responding quicker than gas technologies due to their decarbonization alignment.

[15] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 125 line 26 – page 126 line 26

[16] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 99 lines 20-25.

[17] E.g. EGI_Ltr_2024 Rebasing_20230524

[18] EGI_ARG in Chief_2024 Rebasing_20230818, page 39.

[19] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 5, Page 24 line 10 – page 25 line 12

[20] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.

[21] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.

[22] Exhibit J11.5 - NRCan / Canmet ASHP Sizing and Selection Guide, Section 3.1 (2.4 kW/10.7kW = 23%)

Myth or Issue	Reality
Enbridge and the OEB should wait to take action until the Ontario Governmental mandates Enbridge through more detailed policy requirements.	Incorrect. The suggestion of this undermines the OEB regulatory independence and ignores the expectation that there is responsibility on the Applicant to demonstrate due diligence in considering current reality in its application. It is expected that the Applicant will do the appropriate preparation to prove to the OEB that their request is prudent, reasonable and in the public interest. Enbridge has always had the ability to take proactive action[23] and has been encouraged at all level to do so, including through OEB Decisions[24]. Unfortunately, gas planning (including DSM/IRP) remains siloed[25]. Current direction from the OEB to Enbridge has been insufficient to achieve the results expected[26]. More is needed. See Sections 4, 6 and 7 for more details.
Enbridge Gas's system provides unmatched resiliency and reliability due to its significant underground assets and energy storage capacity[27].	Enbridge suggested that consumers would be willing to pay $50 per month for a gas service as insurance, even if it was not used. There was no evidence filed to support this assertion and based on the concerted efforts to reduce consumers energy bills, having an additional $600 per year cost when there are cheaper options is not practical. It was determined that gas brings no value without electricity to drive the gas equipment[28]. Current technology including DERs promoted by the OEB provide greater resilience and can also serve as a broader system resource with little to no emissions.
Net Zero RNG or Hydrogen will save the day.	RNG and clean hydrogen may have a role to play. Based on the evidence, there is no basis for the RNG and hydrogen estimates included in the Guidehouse modeling. Although RNG and hydrogen were treated as Net Zero in the Diversified Scenario, this is actually not reality. RNG can play a limited role if it is properly assessed from a full lifecycle emissions perspective. Counting on it to save the day in any material way is fantasy when considering the evidence. Even the highest estimates of RNG production capacity are very small (see Section 4.5) and the demand from outside Ontario means that virtually none of it remains in Ontario. In many cases the environmental attributes are stripped away resulting in no decarbonization benefit. Enbridge has indicated that it does not know whether its system can accommodate hydrogen[29]. This is the purpose of the hydrogen study.
The Diversified Scenario is more cost-effective than the Electrification Scenario.	Incorrect. Based on the evidence in the case the Diversified Scenario is the costliest option[30].
The Diversified Scenario is Net Zero.	Incorrect. Guidehouse agreed that emissions due to several assumptions (e.g. RNG[31], CCUS, etc.) were not included in the Diversified Scenario modeling, which results in the model not being Net Zero. This was also confirmed by other experts[32].
The Diversified Scenario is more efficient than the Electrification Scenario.	Incorrect. Guidehouse analysis (Figure 1 above) shows that total energy required under the Diversified Scenario is much greater than that of the Electrification Scenario. This is because the mix in the Diversified Scenario is less efficient and requires more energy to perform the same function.

[23] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 125 line 26 – page 126 line 26

[24] Including working with municipalities on delivery of their fuel-agnostic community energy and emission plans. In fact, the expectation of greater coordination was outlined in the EB-2020-0293 OEB Decision when the St. Laurent pipeline was rejected by the OEB. The problems persist per the issues outlined in CityofOttawa_LtrComment_EGI 2024 Rebasing_20230721.

[25] Including development of key reports such as the Guidehouse Net Zero Report for Ontario which was done with no coordination or partnership with key stakeholders in Ontario.

[26] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 125 line 26 – page 126 line 26

[27] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 83.

[28] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 65 line 20-26.

[29] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 106 lines 5-9.

[30] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.

[31] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 17 line 5 – page 19 line 8.

[32] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.

Myth or Issue	Reality
Don't worry, future natural gas technology will come along that is more efficient.	Decisions and action between 2024-2028 are based on current information. Alternatives (e.g. electric ccASHP) are more efficient than gas heating (see Section 4.7) and can also provide air conditioning while reducing gas and electric peak demand. Global efforts are on these technologies and it is not practical to assume that at some point in the future gas-fired equipment will become more efficient than the alternatives.
The evidence in this case is that these appliances still require some other heat source on cold days, and that their efficiency declines at lower temperatures.[33]	The evidence indicates that a ccASHP can provide the heat required on a peak day for an inefficient pre-1980 home (see Section 4.7). The electric coil is available for both back-up and supplementary heat if required. Newer more efficient homes require even less heating energy. This shows the value of a coordinated effort to ensure best available information is used and shared.
There is evidence to show that hybrid heating, with gas furnaces to supplement ccASHPs on cold days, is a promising solution for the purposes of resilience and moderating peak electricity system impacts.	Incorrect. A ccASHP (with electric back-up) is more cost-effective and efficient than the natural gas equivalent or Hybrid Heating. A ccASHP can also perform down to peak degree day conditions. In fact, recent CanmetEnergy information indicates that ccASHPs requires approximately 60% less energy than natural gas in the Ontario market[34]. Hybrid Heating would only result in a 1% reduction in emissions[35]. See Section 4.7 for more details.
Moving to ccASHPs are less effective than hybrid gas systems and have a large electricity demand at peak temperatures. This is an example of how coordinated planning benefits consumers is hybrid heating.	Incorrect. A problem with a hybrid gas system is that if the control is set to a minimum temperature (e.g. -10 degrees), the control shuts down the ccASHP and the full heating load is performed by gas. An electric ccASHP provides supplementary heat (if needed) after the heat pump, which retains the benefits of the heat pump and decreases incremental energy needed to heat the house[36]. Current ccASHP technology can provide the full heating for Ontario homes and have an electric back-up coil. Installing hybrid heating is more costly, inefficient and results in higher GHG emissions[37].
Spending more on gas system capital is the most cost-effective way to achieve Net Zero.	Incorrect. The Diversified Scenario does not actually achieve Net Zero[38] and is a more costly option[39]. Maintaining or increasing Capital expenditures on the gas system is less efficient than alternative options (including IRP alternatives) and will result in significant Stranded Asset risks for the long term. Certainly not a Safe Bet.
To the extent that the risks of assets being unused grows over time, then regulatory mechanisms can be applied at a later date, including different depreciation or rate treatment. At this time, however, there is insufficient information to make fundamental changes[40].	Enbridge suggested that their risk profile was higher due to the Energy Transition. Even though this is not true for the 2024-2028 period, the Energy Transition will continue to accelerate into the future. Assets installed today may not be fully depreciated until the 2080's or longer and the Diversified Scenario illustrates that rate payers will have exited the system long before 2050. Now is the time to mitigate the risks through decreased Capital spending and decreased amortization periods. Back-ending this change would result in a larger impact to a shrinking number of gas rate payers.

[33] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 173.
[34] J11.5 footnote reference to CanmetEnergy report (Cold-Climate Air Source Heat Pumps: Assessing Cost-Effectiveness, Energy Savings and Greenhouse Gas Emission Reduction in Canadian Homes. Link: https://ftp.maps.canada.ca/pub/nrcan_rncan/publications/STPublications_PublicationsST/329/329701/gid_329701.pdf), Figure 6.
[35] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 3, Page 8 line 13-24.
[36] J11.5 footnote reference to CanmetEnergy report (Cold-Climate Air Source Heat Pumps: Assessing Cost-Effectiveness, Energy Savings and Greenhouse Gas Emission Reduction in Canadian Homes. Link: https://ftp.maps.canada.ca/pub/nrcan_rncan/publications/STPublications_PublicationsST/329/329701/gid_329701.pdf), Page 18.
[37] J18.7 and J11.5 (including NRcan report footnotes)
[38] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.
[39] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.
[40] E GI_ARG in Chief_2024 Rebasing_20230818, Page 8.

Myth or Issue	Reality
Enbridge should not carry the risk of stranded assets because that is the way the regulatory compact works.	Incorrect. The regulatory compact does not indicate that rate payers should carry the risk of Stranded Assets. Even Enbridge agreed that risks does not automatically flow to rate payers instead of Enbridge[41]. Aligning the risk of stranded assets with Enbridge is the most effective way to ensure better decision making on capital spending. Currently Enbridge does no risk assessment related to stranded assets in its Capital planning process[42]. The OEB in this proceeding is not approving any specific Capital projects[43], only a Capital envelope. Enbridge alone will be making the decisions on which Capital investments in 2024 and beyond
The OEB is approving specific projects as part of this Rebasing proceeding and therefore the OEB is selecting the Capital investments Enbridge makes.	Incorrect. Enbridge has not committed to any specific projects its AMP and USP. Enbridge will decide what to spend the capital and O&M envelopes on following the OEB Decision[44]. The OEB will only approve a Capital envelope.
Enbridge Gas should not be at risk for assets added to serve new customers, where the Company follows OEB-approved customer attachment policies (which are being reviewed in this case). AIC page 8	Incorrect. If the OEB approves the customer attachment policies in this proceeding, it is not approving specific projects. This also does not over-ride any responsibility Enbridge has when it chooses and makes capital investments. If Enbridge comes forward with a specific project request to the OEB, that is the appropriate time to request Enbridge relief from the risks created by the project.
The AMP process including Copperleaf is an objective process determining what investments should be prioritized.	Incorrect. The factors going into the Copperleaf NPV scores are based on Enbridge employee and management input. Two of the three categories (mandatory & compliance) in the Capital planning process override the Copperleaf score[45] and even the smallest category 'value driven' projects are based on weighting determined by Enbridge employees. The process is focused on human decision making rather than objective prioritization.
Enbridge Gas has also incorporated the IRP framework into the AMP process to, where possible, defer or avoid new infrastructure. This supports Enbridge Gas in managing the uncertainty related to energy transition.[46]	Enbridge has failed to adequately adopt or integrate the OEB's IRP Decision and IRP Framework into its capital planning and project approval process. The OEB IRP Technical Working Group feedback consistently demonstrates a lack of Enbridge engagement collaboration, action and more importantly, outcomes. Details are included in Section 6.
Enbridge needs the capital envelope it has requested.	Incorrect. The most current status quo trajectory of 2023 spending is approximately 25% lower than the requested 2024 capital envelope requested, including no adequate consideration of Energy Transition, Stranded Assets, or projects remove due to actual IRP alternatives.
Enbridge Gas's proposed capital budget recognizes the continued need to meet the demands of new customers while providing safe, reliable, and resilient service to approximately 3.8 million existing residential, industrial, and commercial customers.	Incorrect. A small part of the proposed capital budget relates to maintaining service to existing customers. A significant portion of the capital budget is expansion to gas assets without any consideration of the risks they will create or prudent alternatives (including IRP). The AMP includes a significant number of projects and related costs which Enbridge has agreed are no longer valid. No projects have been removed as a result of OEB required IRP assessments. The Enbridge Capital proposal is approximately 25% higher than status quo spending at a time when Capital spending should be decreasing to reduce future Stranded Assets.

[41] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 3, Page 131 line 1 – line 20.
[42] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 111 lines 6- page 112 line 15.
[43] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 50 lines 2-13
[44] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 50 lines 2-13 and Page 50 lines 2-13.
[45] Final Transcript EB-2022-0200 TC5 March 28 2023, Page 124 line 24 – page 126 line 13 and JT5.34
[46] EGI_ARG in Chief_2024 Rebasing_20230818, page 37.

4. Energy Transition

The Energy Transition is not new and should not have been a surprise to Enbridge when preparing its Rebasing application. It has been clear through the proceeding that Enbridge was hoping to avoid defending its application and any current actions in relation to what is required to align with the Energy Transition that is already under way. In fact, Enbridge attempted to limit consideration of Energy Transition and IRP related issues throughout the proceeding[47]. Of course, it is impossible to consider Enbridge's Rebasing application without consideration of these very real and pertinent issues that affect not only the 2024-2028 period, but have rippling impacts for as long as the assets remain in rate base.

Enbridge highlights a paragraph of Dr. Hopkins evidence as an indication that it has considered Energy Transition issues, more specifically "*The most important actions that EGI has taken to date are to commission the studies from Posterity Group and Guidehouse submitted in this proceeding*."[48]. Partnering and coordinating across industry stakeholders on the Guidehouse Study and Energy Transition Planning is the single greatest opportunity Enbridge had to advance integrated energy planning pertaining to its application, and Enbridge failed to do so. Saying there is an interest in working across the industry and doing it are two separate things.

The Guidehouse and Posterity work conducted before and during the proceeding should have provided a good foundation for stakeholders to consider Energy Transition issues. Unfortunately, it did not achieve that objective as outlined by the issues highlighted in Section 4.2 of this document. The myopic and biased[49] analysis resulted in significant gaps, hurting the credibility and applicability of the analysis and reports, resulting in Enbridge to commission two additional report versions. Based solely on the revisions commissioned by Enbridge, there was a $140 billion gap identified and residual adjustments not corrected indicate that the Diversified Scenario is neither Net Zero[50] or the least cost[51] option based on the evidence before the OEB.

During the proceeding it became abundantly clear that the Posterity Group and Guidehouse analysis and reports pertaining to Net Zero, Energy Transition and relevance of gas-related capital assets for the future were unreliable as a source of evidence to guide Capital investments in this proceeding. Even Enbridge started to

[4747] For example, Enbridge tried to take a narrow view of the relevance for Energy Transition and IRP issues as outlined in its letter - EGILtr_Clarification_SettlementConf_Letter_EGI Rebasing_20230524
[48] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 96 and Exhibit M8, pages 54-55.
[49] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 5, Page 24 line 10 – page 25 line 12.
[50] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.
[51] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.

distance itself from the Guidehouse Net Zero Report once it became clear that it was not a sound foundation to support status quo or increase capital spending over the Rebasing period. For example, once the magnitude of the modeling and report errors were known, Enbridge indicated that "*Enbridge Gas never expected that its own pathways report would be determinative of any OEB decisions in this case*"[52]. Even if the Posterity and Guidehouse analysis and reports had been more objective and reliable, they are no substitute for the more specific and detailed plan that was expected from Enbridge in this significant Rebasing application. An intention to consider these relevant issues in the future is insufficient to support a request for the 2024-2028 approvals now.

A few examples of the significant issues, biases, gaps, and incorrect assumptions in these reports are highlighted in this submission. Ultimately, the Guidehouse Report was found to show that the Enbridge Diversified Scenario was neither Net Zero[53] nor the most cost-effective option[54]. When adjusting for the biases, gaps and errors in the Guidehouse Net Zero report, the outcome indicates that mitigating future natural gas Capital spending in favour of more cost-effective, future-proof alternatives is the best path.

4.1 Safe Bets vs. False Hopes

Enbridge has developed the term "Safe Bets" for use in its application. Enbridge used the Guidehouse analysis and report as a foundation to support the development of its Energy Transition Plan, including the Safe Bet actions, driving the proposed investments in hydrogen and RNG[55]. At a fundamental level developing Enbridge's Safe Bets based on a Diversified Scenario trajectory that is faulty, automatically raises concern for the Safe Bets. Many of the Safe Bets require a different reality (e.g. gas technology to outpace alternatives, surplus renewable electricity to produce hydrogen, etc.) or for the regulatory structure to change (e.g. the OEB to become the regulator for hydrogen rather than TSSA)[56].

Hoping that future technology will develop that places natural gas on a competitive footing against renewable and electric options that already exist today is a False Hope. Development of efficient natural gas equivalents is behind leading electric technologies (e.g. see Section 4.7) and the focus for future innovation and improvements globally is favouring renewable and electric technologies. RNG potential (even at the highest

[52] EGI_Ltr_2024 Rebasing_20230404
[53] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.
[54] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.
[55] I.1.10-PP-17b
[56] Per K1.3 Enbridge presentation summary of Guidehouse Report.

estimate) would only serve a small sliver of current Ontario load and essentially all RNG is already going to markets outside Ontario (see Section 4.5). Enbridge confirmed that it is not aware if hydrogen is an option and it has proposed a hydrogen study[57] which will be available near the end of the Rebasing term. There is only one limited hydrogen blending pilot currently in place (Markham LCEP Phase 1) with a limited number of customers and targeted blending of 2%. It is not yet clear if this pilot project will be successful or not. Enbridge was unable to file the project report required by the OEB because it is too early to report on the outcomes[58]. Available results indicate that the hydrogen blending from the Markham projects is below the lowest range of GHG emission reductions forecasted to the OEB with a blending rate of only approximately 1.1%[59], half of that expected.

Enbridge provided a 'Summary of Energy Transition Related Rebasing Proposals' and Enbridge's related 'Safe Bets' per the table below[60]. Pollution Probe has included comments and recommendations related to the Safe Bets listed. Additional comments related to specific items may also addressed in other sections specific to those topics.

Enbridge claims that the Safe Bet proposals, if approved, will drive continued GHG emissions reductions over the rebasing period, without over investing in a particular pathway prior to the Ontario government defining its future energy transition plans[61].

Enbridge 'Safe Bet'	Enbridge Initiative	Pollution Probe Comment
Maximizing Energy Efficiency	DSM	The OEB has confirmed that Enbridge's commitment on DSM is significantly below what is needed in Ontario. The OEB has ordered Enbridge to file a more appropriate plan during the Rebasing term[62]. More effective partnering with stakeholders (e.g. IESO, municipalities, etc.) will also be important to increase results.
Investing in Renewable Natural Gas (RNG)	Voluntary RNG Program	The voluntary RNG program has had limited success and it has been recommended through the last several rounds of Gas Supply Plan annual reviews that Enbridge update its metrics. Current results sit at essentially 0%. Enbridge does not have a current RNG strategy[63] and a more comprehensive plan (ideally in partnership with Epcor and other key stakeholders) is required, but was not filed by Enbridge in this proceeding. Enbridge has incorrectly assumed that RNG is Net Zero in the Guidehouse Report and is not conducting proper lifecycle analysis for RNG[64].

[57] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 106 lines 5-9.
[58] Exhibit I.2.5-PP-34c
[59] Exhibit I.2.5-PP-34 a & b
[60] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 96 and Exhibit M8, page 40.
[61] K1.3 Enbridge Gas Presentation - Overview of Enbridge Gas's Energy Transition Plan, slide 7.
[62] EB-2021-0002 Decision
[63] J4.3 and JT3.4
[64] J4.1

Enbridge 'Safe Bet'	Enbridge Initiative	Pollution Probe Comment
RNG upgrading		This is a reactive measure responding to RNG proposals from RNG producers. No information or evidence was file in this proceeding on how Enbridge is proactively enabling incremental RNG development in Ontario. The Phase 2 issue related to purchasing RNG is a much different issue.
Working Decarbonizing the Industrial and Transportation Sectors	Industrial fuel switching	No examples were provided in the application of achieving net lifecycle emissions reductions from fuel switching. Enbridge has not been using lifecycle emission calculations[65] required to determine if there is any actual decarbonization occurring and has made assumptions that over-estimate reductions due to RNG and natural gas[66].
Carbon Capture and Sequestration (CCS)		Enbridge's assessment and evidence on CCS in Ontario is theoretical based on assuming large customers will have economical access to CCS and related geology at some point in the future. The customer cost related to CCS were not included in the Guidehouse modeling[67] and neither was proper lifecycle emissions analysis or energy/cost impacts due to parasitic losses from CCS. There was no evidence put forward to support this as a likely credible scenario to retain gas customers in a Net Zero scenario.
Natural Gas Vehicle (NGV) Program		NGV is not a relevant decarbonization program when considering modern options and lifecycle emissions. See Issue 34 in Section 7 for more details.
Integrating Gas and Electric System Planning	Optimizing energy system planning	Enbridge has been encouraged to partner on integrated planning by the OEB and stakeholders for over a decade, including enhanced program collaboration and partnerships[68]. Unfortunately, no tangible results have actually occurred or been highlighted in this proceeding. The Guidehouse and other reports commissioned for this proceeding by Enbridge were done in a silo without consultation or partnering, which impacted the costs, quality, objectiveness and credibility of the modeling and results of these reports. Essentially no gas IRP has been undertaken by Enbridge, but Enbridge indicates that it believes the OEB is happy with Enbridge's IRP performance[69]. More direction is required from the OEB to fix this lack of action and results.
Supporting Consumer Choice and the Energy Transition Journey	Hydrogen Blending Grid Study (HBGS)	The proposed HBGS has not been scoped prior to heading into the proceeding[70] which makes the project estimate of $15.5 million[71] questionable. Enbridge indicated that the study will not be available until approximately 2027. No tangible actions have been highlighted in Enbridge's plan to support customer choice and energy transition choices now or during the Rebasing term.
Low Carbon Energy Project (LCEP) Phase 2		The benefits of the LCEP Phase 2 project are unknown and will be assessed as part of a future Leave to Construct application. The results from the Phase 1 project were not available for this proceeding and preliminary results are below the range of benefits forecasted to the

[65] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 87 and J4.1
[66] J4.2
[67] JT2.16, JT9.23, Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, pages 34-36.
[68] DSM Directives, Decisions, IRP Decision & Framework, OEB RPPAG Report, etc.
[69] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, pages 59-60.
[70] J15.4
[71] J13.13

Enbridge 'Safe Bet'	Enbridge Initiative	Pollution Probe Comment
		OEB[72]. The LCEP Phase 2 proposal should be considered on hold until better information is available to the OEB.
Energy Transition Technology Fund (ETTF)		Not in place and for consideration under Phase 2. Enbridge had the opportunity to take action prior to this proceeding and has not highlighted any outcomes in this proceeding.
Maintaining the Gas System – via Integrated Resource Planning (IRP) and Scope 1 & 2 emissions reductions focus		Maintaining the gas system is a Status Quo Enbridge activity. There were no specific IRP initiatives highlighted in the Rebasing proceeding that would decrease Capital or O&M costs. Given the transition away from gas as highlighted in the Guidehouse Study, it would be more cost effective to systematically decommission parts of the gas system where possible. This would also help reduce costs related to Stranded Assets.

4.2 Guidehouse Report & Net Zero

The Guidehouse Report was initially undertaken in 2021 to understand if, and how, net-zero could be achieved in Ontario's energy system via two different pathways, and the impacts on costs, reliability and resiliency[73]. There was no stakeholdering, partnering or peer review during the Guidehouse analysis, report development, or the related Posterity analysis that feed in part into the Guidehouse Report[74]. Similarly, there was no peer review and no stakeholders were consulted or included in the two Guidehouse report revisions. Inputs and analysis was done iteratively with Enbridge and Enbridge provided many of the inputs to be used in the analysis and resulting report. The analysis and report is biased[75] toward the Diversified Scenario favoured by Enbridge. Once the initial Guidehouse Report was filed on October 31, 2022 there were a significant amount of errors and gaps identified by stakeholders[76]. Multiple report updates were filed with the OEB as outlined below[77].

- Guidehouse Report (version 1) filed October 31, 2022
- Guidehouse Report (version 2) filed March 17, 2023
- Guidehouse Report (version 3) filed April 21, 2023

These report updates resulted in multiple changes including a relative increase in the Diversified Scenario costs by $140 billion. This represents a 77% error rate[78] based on the Guidehouse adjustments and when considering the other residual adjustment

[72] Exhibit I.2.5-PP-34
[73] K1.3 Enbridge Gas Presentation - Overview of Enbridge Gas's Energy Transition Plan, slide 3.
[74] I.1.10-PP-17d
[75] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 5, Page 24 line 10 – page 25 line 12.
[76] A summary of some issues is included in the Energy Futures Group, but additional issues were identified through various parts of the process defined by the OEB. This submission is not meant to be an exhaustive list of the residual issues, but simply highlights a few significant residual gaps as exemplars.
[77] Edits to Reports summary for April 21 Update in letter - EGI_SUB_Guidehouse_2024 Rebasing_20230405
[78] $140 billion in adjustments / $180 billion initial net benefit estimate = 77% error.

required the error rate is greater than 100%. Not a reliable or objective foundation to premise Enbridge's proposed Safe Bets and Capital plan on. In fact the, the Diversified Scenario is not actually Net Zero[79] or the least expensive scenario[80]. This means that the primary foundation to provide reassurance that Enbridge Capital assets installed today will not end up stranded by 2050 is not actually present. What would have potentially supported a cap on new Capital asset amortization at 25 years (to 2050), will need to be below 25 years or in alignment with the 15 year recommendation provided by Mr. Neme of Energy Futures Group[81], which is within the replacement estimate of 18 years for gas furnaces already installed[82].

The initial Guidehouse Report version (not including additional revisions) cost rate payers $320,260 and the underlying Posterity Energy Transition Scenario Analysis cost $297,850, totaling a cost to ratepayers of $618,110[83]. This is not value for money to rate payers and the quality and costs could have been improved if Enbridge had engaged other key stakeholders in development of the Guidehouse Report and related analysis[84]. If Enbridge had done report scoping, analysis and drafting through an open, collaborative process including OEB Staff, IESO, Intervenors and other relevant stakeholders it would have led to a more useful, objective and credible analysis and report. Enbridge would not have been able to control the inputs to the same extent, but the results would be more credible and valid.

Partnering and coordinating across industry stakeholders on the Guidehouse Study and Energy Transition Planning is the single greatest opportunity Enbridge had to advance integrated energy planning pertaining to its application, and Enbridge failed to do so. Saying there is an interest in working across the industry and doing it are two separate things.

Pollution Probe recommends that the OEB require Enbridge to provide notice in advance of beginning a significant study like this to all relevant stakeholders and consider a more formal process to ensure that all relevant stakeholders are included in a meaningful manner. This could be done for the proposed Hydrogen Study. For some specific studies, it may be more appropriate for the OEB to lead the study itself to avoid

[79] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.
[80] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.
[81] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 94 lines 14-26.
[82] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 43 lines 18 – 27; and Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 18 lines 9-15.
[83] Exhibit I.1.2-CCC-3 Attachment 1
[84] I.1.10-PP-17d

bias[85], similar to what was done in partnership with IESO for the DSM Potential Study. This resulted in a more cost-effective, objective and credible product.

As mentioned, Pollution Probe does not intend to replicate the large amount of issues related to Enbridge's Net Zero and scenario evidence. However, below is a short sample of issues pertaining to the assumptions, analysis and findings of the Guidehouse Report.

Examples of Issues Related to Enbridge Net Zero Analysis and Reports	
Issue	Comment
Diversified Scenario is not Net Zero	Based on the evidence in the case the Diversified Scenario is the most costly option[86].
Diversified Scenario is not least cost	Guidehouse agreed that emissions due to several assumptions (e.g. RNG[87], CCUS, etc.) were not included in the Diversified Scenario modeling, which results in the model not being Net Zero. This was also confirmed by other experts[88].
Diversified Scenario inputs for electricity needed for hydrogen was Net Zero	Enbridge indicates that full clean electricity is not practical, but Guidehouse assumes that zero emission electricity is used for H2 production in the Diversified Scenario[89].
Assumed RNG is Net Zero and did not include the costs to abate the real emissions from RNG.	Guidehouse used landfill RNG as a proxy and assumed Net Zero emissions, even though Enbridge had information indicating it is not Net Zero[90]. Guidehouse confirmed that ot did not include any costs to abate RNG lifecycle emissions[91].
Costs missing from Diversified Scenario related to hydrogen distribution and transmission costs.	Gas distribution costs related to hydrogen blending not included by Guidehouse, even though Enbridge has proposed hydrogen blending[92]. Assuming zero is incorrect and a proxy from the Markham blending project could have been used. Guidehouse did not include costs related to hydrogen transmission even though its model assumes transmission of hydrogen[93].

[85] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 5 page 59.
[86] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 144 lines 8-22 and page 168 line 10 – page 170 line 4.
[87] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 17 line 5 – page 19 line 8.
[88] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.
[89] JT9.14
[90] K3.4, Page 36 and J4.1
[91] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 17 line 5 – page 19 line 8.
[92] Exhibit I.1.10-PP-16b
[93] Exhibit I.1.10-GEC-20

Examples of Issues Related to Enbridge Net Zero Analysis and Reports	
Issue	Comment
CCUS costs, energy use and emissions.	CCUS analysis did not include customer costs or incremental energy for parasitic losses due to carbon capture[94].
Extrapolation of inputs that were not Net Zero.	Guidehouse simply took Enbridge inputs which were not Net Zero and extrapolated them to 2050[95].
Other Errors	$140 billion of errors per Guidehouse summary for report iterations commissioned by Enbridge.

4.3 Hydrogen

Enbridge has confirmed that the purpose of the Hydrogen Study will be to assess whether parts of Enbridge's gas grid (including fitting, regulators, meters, etc.) are compatible with hydrogen[96]. The possibility and extent to what the study results will provide in 2027 is unknown and speculative at this time. In addition, it is unclear what regulatory authority the OEB has in relation to hydrogen today or in the future. The Technical Standards and Safety Authority (TSSA) is Ontario's provincial regulator for hydrogen. The TSSA regulates other fuels such as propane and oil that are market commodities like hydrogen. The OEB role in regulating utilities directly relates to the fact that those utilities are monopoly providers of electricity or natural gas. Hydrogen is not a regulated monopoly activity at this time and it is unclear what jurisdiction the OEB has, if any.

For purposes of this proceeding, it is only possible to deal with the facts that exist today which does not include the Diversified Scenario of migrating gas assets to hydrogen[97]. Beyond the infrastructure uncertainties, there are a lot of other technical and safety issues that there no solution for at present. One example is the ability make a hydrogen flame visible to align with current safety protocols for natural gas[98]. If in the future evidence exists to support a different assumption, it can be considered at that time, along with the implications and related costs. A reasonable approach it to operate today and for this Rebasing period as if gas Capital infrastructure is not able to be converted to hydrogen.

Both blending and pure hydrogen pose a challenge given that the volumetric energy density for hydrogen is only 1/3rd of natural gas. Enbridge would need to build three

[94] JT9.23
[95] Final Transcript EB-2023-0200 TC2 March 23 2023, Page 86 lines 9-18
[96] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 106 lines 5-9.
[97] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 106 lines 5-9.
[98] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 1, Page 133 lines 2-19.

times the existing system capacity to deliver the same energy through its pipelines. Obviously, that is not a cheap or safe bet. There are physical limits to system changes (e.g. pressure elevations) that could be considered to flow more hydrogen, but tripling the capacity for all transmission and distribution pipelines is not realistic. Enbridge declined to even suggest how much energy it would really take to compress hydrogen by that amount based on the practical physical limits[99]. Compressing a gas is not a linear equation. Each sequential amount of compression requires more incremental energy and eventually a physical limit is reached (likely that of the pipeline or fitting).

Enbridge has proposed a Hydrogen Engineering Assessment Study at an estimated costs of over $15.5 million, $5.8 million from 2024 alone[100]. Should Enbridge proceed with the proposed Hydrogen Study, it is recommended that it not be approved as Capital unless otherwise deemed by the OEB based on adequate information on the study is complete.

Enbridge indicates that it is successfully conducting hydrogen blending today, providing an approximately 2% blend with the natural gas system to approximately 3,600 customers in Markham as part of the LCEP approved by the OEB in October 2020[101]. However, it is not clear if this Pilot project is successful or not. Enbridge was unable to file the project report required by the OEB because it is too early to report on the outcomes[102]. Available results indicate that the hydrogen blending from the Markham projects is below the lowest range of GHG emission reductions forecasted to the OEB with a blending rate of only approximately 1.1%[103].

It is recommended that Enbridge not proceed with the Phase 2 hydrogen blending project until the results of the first project are available. The OEB gave special approval on a Pilot basis for the Phase project in Markham and it is unclear how the OEB would handle additional hydrogen projects in the future.

Enbridge claims that blending 20% hydrogen would save 2.3 MtCO2e from end-user emissions. This is base on an assumption that the hydrogen is net Zero Emissions which is not an assumption based on reality. Even the cleanest hydrogen from renewable hydro electrolysis is not Net Zero and the analysis put forward by Environmental Defense's expert suggested that hydrogen included in the Guidehouse model could lead to a net increase in GHG emissions. Regardless, Enbridge confirmed

[99] JT18.3
[100] Updated: 2023-03-08 - Capital Update Exhibit 2, Tab 1, Schedule 1, Page 50 and Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 13, Page 31.
[101] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 148.
[102] Exhibit I.2.5-PP-34c
[103] Exhibit I.2.5-PP-34 a & b

that it will not be in a position to confirm which parts of its system (if any) will be suitable for hydrogen until at least 2027 following the Hydrogen study completion[104].

4.4 CCS

Enbridge highlighted Carbon Capture and Storage (CCS)[105] as a viable option in the Diversified Model. Currently there is no capacity in Ontario to deliver on the Guidehouse assumptions and as noted, the Posterity CCS modeling was simply done based on volume estimates provided to them by Enbridge[106]. The CCUS analysis did not include customer costs or incremental energy for parasitic losses due to carbon capture.

Enbridge did not indicate that an CCS would be occurring during this Rebasing term and it is similar to hydrogen in that there are too many unknowns to assume that it will occur in the manner suggested in the Guidehouse Report. In some respects CCS is more difficult than hydrogen in that it required capture at a customer site, transportation and then permanent geological storage. None of which currently exists for Enbridge customers.

4.5 RNG

There is an issue in Phase 2 of the proceeding related to RNG that will consider Enbridge's proposal on the RNG program and inclusion of mandatory blending for RNG. Given that those will be dealt with in Phase 2, Pollution Probe has not specifically addressed those challenges here. However, in Phase 1 Enbridge uses RNG in addition to other non-natural gas substitutes to underpin prudence for a significant Capital envelope starting in 2024 given that natural gas will not remain viable for proposed amortization period for those assets.

Enbridge suggests that RNG for could go from essential 0 PJ today to 224 PJ in the future[107]. The feasible potential for all of Canada is only 155PJ/year if it was all developed[108] and Guidehouse modeling assumed that 171PJ/year is available to Ontario alone in the Diversified Scenario. Clearly problematic math to balance the model and support a bias toward gas Capital spending.

Enbridge confirmed that the RNG produced in Ontario is going to other jurisdiction such as the US or BC. In many cases the environmental attributes from RNG (if any) are stripped away and sold, resulting in methane with no relative emissions benefit to

[104] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 106 lines 5-9.
[105] A subset of CCUS which is carbon capture utilization and storage.
[106] JT9.23
[107] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 2, Page 95.
[108] K2.1 GEC_Compendium_20230711, Page 24 – Torchlight Renewable Natural Gas (Biomethane) Feedstock Potential in Canada, Final Report, funded by Natural Resources Canada, March 2020, p. 56.

natural gas. RNG or any related environmental attributed are currently in short supply and expected to continue to be so in the future based on RNG study estimates. It is a False Hope, not a Safe Bet to assume that the RNG forecasted in the Guidehouse analysis will appear and even more unreasonable to assume it would all end up in Ontario.

Guidehouse used landfill gas as the proxy for the Guidehouse analysis and report. Landfill gas may be one of the least costs sources of RNG, but it is limit in supply and not Net Zero emissions[109]. Guidehouse indicated that RNG in its modeling was assumed to come from landfill[110] and it applied a 0g/MJ or Zero Emission estimate to the RNG included in the Guidehouse modelling at the request of Enbridge. This is clearly incorrect even based on Enbridge's own information[111].

As noted by Mr. Neme: "So ultimately, to understand what your emissions profile is, you need to understand what this mix would look like in the profile that you use for your analysis. And then the costs that you use for estimating the cost of RNG need to reflect that profile. This is one of the concerns that I expressed in my report, that Guidehouse assumed that the cost of landfill gas, which is one of the least expensive sources of RNG, was a proxy for the cost of all RNG. That's just not true."[112].

4.6 Lifecycle Emissions

Enbridge is not using best practice, or even proper emissions accounting when it claims reductions against natural gas for hydrogen, RNG or other calculations. In the case of RNG, the Guidehouse Report assumed the RNG in its model was Net Zero, when in fact it is not[113].

Enbridge has also posted public information related to RNG projects that over-estimate the emissions benefits for Ontario consumers. For example, a recent RNG project assumed that landfill RNG was Net Zero and compared it against gasoline to calculate the emissions benefit estimate[114].

Enbridge is also not using actual net emissions reporting for its Markham hydrogen project which provides a very misleading understanding on the net emission reductions being achieved by that project[115]. Enbridge has assumed that the hydrogen it is injecting

[109] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Pages 81-83 and K3.4 PollutionProbe_HearingCompendium_20230714, Page 46.
[110] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 2, Page 62 line 20- page 63 line 1.
[111] Enbridge slide on emissions related to RNG - K3.4 PollutionProbe_HearingCompendium_20230714, Page 46.
[112] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Pages 81-82.
[113] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 17 line 5 – page 19 line 8.
[114] J4.2
[115] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 3, Page 206 lines 3-27.

into the gas system is Net Zero and even if the hydrogen was produced at off-peak times, that is not true. What is more surprising is that Enbridge is not actually tracking the lifecycle emissions related to the hydrogen it is injecting into the gas system[116]. If Enbridge were to inject blue hydrogen in accordance with the Guidehouse Report, it could result in a net increase in emissions, not a decrease.

This is a chronic issue that requires a solution across the broad range of emission estimation in comparison the natural gas. Best practice for regulators like the OEB is to require lifecycle emissions analysis, including for reporting and regulatory approvals[117].

Pollution Probe recommends that the OEB undertake guidance on the use of lifecycle emissions and require Enbridge to use best available practices and proper lifecycle emission calculations for regulatory purposes, including when comparing alternatives against natural gas. It is unacceptable to charge Ontario consumers more with a false illusion that net emissions are being reduced in line with Net Zero, when they are clearly not.

4.7 Air Source Heat Pumps

Enbridge has placed significant effort on highlighting natural gas and related Capital infrastructure as the best options, which has created a visible bias in its evidence and testimony throughout the proceeding. Certain important information that should have been part of the original application was only placed on the record by Enbridge after repeated requests from stakeholders and the OEB[118]. A more balanced, objective and unbiased approach would have been more credible in supporting the application and requests that Enbridge has made in this proceeding.

Enbridge highlighted[119] testimony from Mr.Neme with the intent of suggesting that natural gas is still an option, which it is for existing customers. But the paragraph below highlights really well the Energy Transition as it relates to 2024-2028.

MR. NEME: Well, no. I would encourage anybody who has a gas furnace and who is interested and willing, to rip it out and put in an all-electric heat pump with an electric-resistance backup; hopefully at the same time that you have upgraded the efficiency of your building envelope, if you haven't already. But I don't object to customers who may not quite want to go that far and want to go the hybrid route, and I also don't object to programs that the utilities can run that promote both, both the all-electric option and the hybrid option. Just recognizing that the most important thing is that we really get going, without locking ourselves into one definitive answer.

[116] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 3, Page 207 lines 7 – page 208 line 6.
[117] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 85 line 11 – page 87 line 8.
[118] Examples include J18.5, J18.4, J18.3.
[119] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 91.

Based on transparent, objective, consumer-friendly information, many consumers are moving to all-electric heat pump with an electric-resistance backup. There are those that may stick will gas in the short term and when they consider a renovation or furnace replacement next, more will move to that option or other more cost-effective options available at the time. This is an evolution that has already started. The case is even more compelling for new houses where the costs of additional gas infrastructure can be avoided.

What happens for 2024 and the subsequent period of this Rebasing term is a primary focus for this proceeding. However, a larger problem exists in that the information being provided to current and prospective customers is also biased in favour of natural gas in a manner that is misleading[120]. Enbridge indicated that:

"Enbridge Gas served new or upgraded natural gas service requests from customers on the understanding that these customers are sufficiently informed about the available energy and technology solutions and that they have chosen the alternative that best suits their needs."[121]

Without change, Ontario energy consumers will not be well served over the Rebasing period. One of the roles of the OEB is to mitigate monopoly utility practices and ensure that the broader public interest is served. Provide objective information on all energy options and let consumers make the right choice.

One specific area where this problem was visible over the course of the proceeding is in relation to electric air source heat pumps (ASHPs) and more specifically electric cold climate air source heat pumps (ccASHPs). Enbridge is a large organization with significant resources and is expected to work on best available information in its dealings with the OEB, consumers and stakeholders in general. This is even more true since Enbridge is delivering the Greener Homes Grant program in Ontario which is specifically meant to reduce energy and emissions from energy use, including ASHPs. Enbridge has excluded information related to ccASHP from marketing materials and bill inserts, even though it is some of the most relevant information for consumers when making energy choices today and in the future. Enbridge suggested that it has limited information related to non-gas alternatives and that its information suggested that ccASHP would not operate below -15 degrees Celsius for current equipment[122]. Evidence during the proceeding confirmed that was not correct[123] and eventually

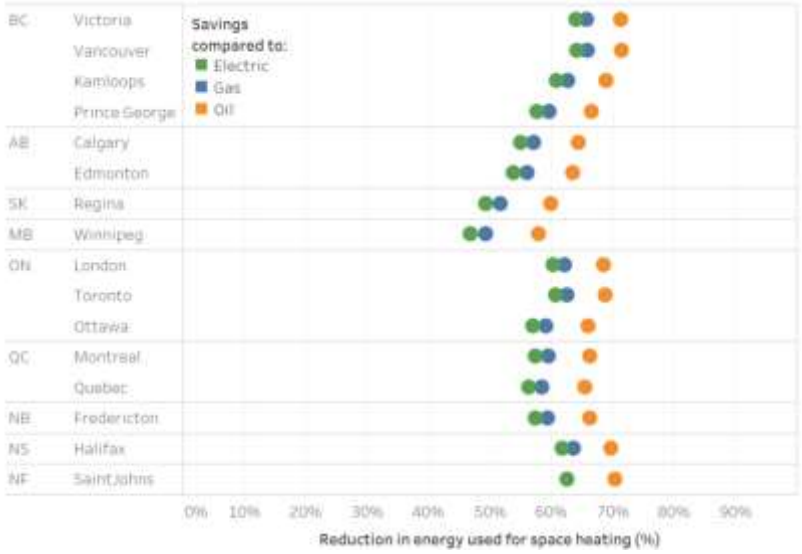
[120] E.g. K2.1 GEC_Compendium_20230711, Page 37
[121] EB-2022-0200 2.6-Staff-81, part (c)
[122] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 74 lines 16-28.
[123] For example, testimony and evidence of Mr. Neme, plus a summary in J18.7

Enbridge shared information it had supporting that ccASHP can operate at -30 degrees Celsius[124] and that they are the most efficient option.

On the last day of the hearing Enbridge agreed to share information it has related to ccASHPs and one of the references indicates that "NRCan maintains a database of eligible equipment for air source heat pumps (ASHP) including ccASHPs, which contains thousands of active options"[125]. This information was validated by Energy Futures Group which indicated that "There are numerous cold climate air source heat pumps that can produce a significant amount of heat at -30° C, at efficiency levels that are twice that of a new gas furnace even at those low temperatures. In fact, a search of the Northeast Energy Efficiency Partnerships' cold climate air source heat pump database" indicates "1742 models with a "Lowest Cataloged Temperature (Outdoor Dry Bulb °F)" of -22° F or lower (- 22° F is equivalent to -30° C)"[126].

The evidence provided by Enbridge indicates that ccASHPs are significantly more efficient than natural gas heating in Ontario. The CanmetENERGY cold-climate air source heat pump (ccASHP) Report filed by Enbridge indicates in CanmetENERGY Figure 1 below, that for Ontario jurisdictions a ccASHP is approximately 50% to 70% more efficient than natural gas, oil or resistance (i.e. baseboard) electric.

CanmetENERGY Figure 1: Energy Savings (percentage) for a ccASHP compared to natural gas, oil and baseboard electric[127].



[124] Exhibit J11.5, in particular NRCan database and reports in footnotes 1 and 3.
[125] J11.5
[126] J18.7
[127] Source: https://ftp.maps.canada.ca/pub/nrcan_rncan/publications/STPublications_PublicationsST/329/329701/gid_329701.pdf from Enbridge per EB-2022-0200 Exhibit J11.5 footnote 3.

Current best available information indicates that ccASHP are able to provide adequate heating in Ontario[128] and can supplement from the back-up electric heating coil, as required. The electric ccASHP system places the electric coil after the ccASHP to provide supplemental heating (if required) while maintaining the benefits of the ccASHP[129]. These benefits disappear for a Hybrid Heating solution using a gas furnace since the controls switch entirely over to the gas furnace and do not leverage the benefits of the ccASHP. As confirmed by Enbridge, hybrid heating would only result in a 1% decrease in emissions[130].

Enbridge is not providing the best available objective information to consumers and has taken significant steps to complicate what should be an easy comparison to provide. Even the response to the OEB's request in J11.5 is misleading. In that analysis Enbridge selects a 10kW electric heating element which is sized to provide 100% of a home's heat on a peak day without any heat from the ccASHP. As noted above, the electric coil is only a backup and is designed to provide supplemental heat after the ccASHP, not to shut the ccASHP off and operate as full resistance heating. Enbridge indicates that "The impact of a number of electric conversions, such as the 100,000 consumers noted in the transcript, at an assumed 10 kW per consumer would be in the order of 1,000 MW of incremental winter demand for space heating alone."[131]. This calculation is incorrect and misleading. It ould require all ccASHPs to fail concurrently and move to the back-up heating coil.

The most recent Canmet ENERGY report[132] filed by Enbridge indicates that the total heating load a pre-1980 house without DSM upgrades would assume a total peak heating load of 10.7 kW. The Post-1980s homes are as low as 2.4 kW total peak heating load. This is total energy for heating on a peak day. Although available models of ccASHP can operate during a peak day, even if an ASHP was selected with a lower output, it would only be the difference in energy required from the supplemental electric heating coil, which would still be significantly lower than the Enbridge assumptions used to respond to the question from the OEB.

Enbridge indicates that "… for new construction, an all-electric heating system will require incremental electricity generation capacity from the grid necessitating grid

[128] J18.6 Tale 2 indicated that the historical peak day does not even reach the threshold of a ccASHP and the auxiliary coil is available to provide supplementary heating should a new peak day below -30 occur.
[129] Source: https://ftp.maps.canada.ca/pub/nrcan_rncan/publications/STPublications_PublicationsST/329/329701/gid_329701.pdf footnote from Enbridge per EB-2022-0200 Exhibit J11.5, Page 17
[130] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 3, Page 8 line 13-24.
[131] J11.5 Page 8.
[132] Source: https://ftp.maps.canada.ca/pub/nrcan_rncan/publications/STPublications_PublicationsST/329/329701/gid_329701.pdf footnote from Enbridge per EB-2022-0200 Exhibit J11.5, Page 6.

system planners to take the winter peak design conditions into consideration."[133]. Meeting the heating needs of new homes via ccASHP does not require any additional infrastructure planning, since it is already built into the status quo basic service connections provided[134]. If the 1.5 million incremental Ontario homes mentioned are built in an efficient manner with ccASHPs, there would be little incremental electricity demand due to heating and the peak load (which occurs in the summer) would be reduced, leading to overall lower consumer costs.

By providing free gas services to the builders, Enbridge locks in that Ontario ratepayers will pay for over the next 40 years. This is a significant cross-subsidy that leads to inefficient decision making. Pollution Probe is aware that other stakeholders intend to cover that topic in greater detail and may suggest a suitable charge be put in place to avoid those cross-subsidies.

The OEB must find a way to ensure that Ontario energy consumers receive objective, unbiased, best available information to support their energy choices. This proceeding has specifically highlighted the value of sharing objective information and dispelling myths. Enbridge has a disincentive to provide non-gas information and has suggested that it is not the role of Enbridge to provide information on non-gas options to consumers. By using rate payer funds to only promote natural gas, it creates a bias. Some options for consideration include:

- Place a moratorium on Enbridge using rate payer funding to promote natural gas, RNG or hydrogen over other fuels and technologies until Enbridge submits to the OEB updated communications materials that provide an objective, current and unbiased comparison of alternative against natural gas.
- Set up an OEB Committee to review Enbridge marketing of natural gas, RNG or hydrogen in relation to other fuels and technologies (for existing and proaspective customers)
- The OEB can undertake an initiative to identify best available information for Enbridge to use in its promotion of fuel and technology options to current and prospective customers.

Putting information into a simple format that enables consumers to understand it easily is important. An example of annual savings for a heat pump again the natural gas alternative is summarized below.

[133] J11.6
[134] The OEB has set a 200 amp service as the basic service to accommodate electrification.

Cost element	Estimated Annual
Average ASHP Savings over Natural Gas in Ontario[135]	$840
Avoided Enbridge Customer Charge (estimated at $50/month[136] plus including HST)	$678
Average savings over separate air conditioning unit.	TBC
Total Annual Savings	$1440 + TBC

The OEB could also consider certain subjects related to ccASHPs and other modern technologies for inclusion in the scope of OEB initiatives such as FEI, RPPAG or DER Connections.

5. EBO 188

As requested in Procedural Order No. 6, below are issues and recommendations related to EBO 188, which was released in 1998 and will need an comprehensive review and overhaul at some point. EBO 188 has been adjusted by the OEB through a patchwork of Decision over many decades since it was first established and it is quite appropriate to make additional changes through this proceeding to deal with pertinent and urgent issues that cannot wait. Maintaining the current application of the E.B.O. 188 rules will cause waste, unfair cross-subsidy and is not in alignment with what is required to assess projects properly for the Energy Transition already underway.

Given that EBO 134 is a similar OEB framework for transmission lines with no direct service connections, there may be certain recommendation which would be applicable to both EBO 188 and EBO 134, when a more fulsome review is undertaken.

There are several challenges with current implementation of EBO 188. Based on real performance there has been a wide variation in recent expansion projects actual results compared to what was put in evidence before the OEB to support approval for the projects. For example, the Profitability Index of most recent expansion projects significantly varies from the EBO 188 requirement of 1.0 minimum to as low as 0.47[137]. Enbridge also confirmed that Energy Transition, declining average use and other factors affecting customers will decrease the economics of a project below what is expected[138].

[135] Objective third part calculator estimate of ASHP savings compared to natural gas in Ontario – EB-2022-0200 K2.2, Page 251.
[136] EB-2022-0200 Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 2, page 22 lines 13-14.
[137] EB-2022-0200 Exhibit JT3.16 Table 1.
[138] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 10, Page 182 lines 13 - 21 and Page 183 lines 16-21

It is no longer a safe bet that Ontario consumers will automatically switch to natural gas if given the chance. The risks related to expansion projects that only meet a PI=1.0 is significantly greater than decades ago when many projects typically had a PI of 2 or greater, helping to mitigate some of these risks. Times have changed.

Based on the current approach, Enbridge is over-estimating benefits and under-estimating costs in expansion projects. This includes a gas-biased survey and forecast that favours natural gas by comparing it to old inefficient options rather than objective information on current options[139]. Rate payers will be left with the consequences, which further supports ensuring that the risks related to under-performance or stranded assets remains with Enbridge. Only Enbridge can ensure the proper level of engagement and surveying is conducted to more accurately reflect likely attachment rates.

As noted under Issue 5 under Section 6 of this document, Pollution Probe recommends that the OEB require a copy of the Greener Homes Grant program information and related DSM incentive information be provided to prospective customers including community expansion projects as part of the outreach materials during project planning. This will ensure that consumers are better informed on energy efficiency options and incentives when considering major energy retrofits. If the EBO 188 requirements are opened up in a more holistic manner in the future, it will be important to include requirements to provide consumers and businesses accurate and timely information on the full range of energy efficiency incentives available regardless of fuel.

Pollution Probe recommends shortening the revenue horizon for economic feasibility assessment from 40 years to 15 years in Enbridge's customer connection policy. This aligns with the proposed actual capital amortization limit proposed by Pollution Probe to align with Energy Transition and mitigate risks related to stranded assets. It also aligns with the recommendations in the Energy Futures Group report.

Enbridge has also expressed concerned that EBO 188 currently requires Enbridge to offer only natural gas to any consumer[140], even where IRP alternatives are more beneficial and cost-effective[141]. Pollution Probe believes that this is being misapplied and Pollution Probe recommends that the OEB remove that unintended perceived barrier to IRP and clarify that IRP alternatives are deemed equivalent to providing natural gas.

[139] K2.1 GEC_Compendium_20230711, Page 37. The same material is used for existing and prospective customers.
[140] Including expansion projects where there may not be a specific documented request from those in the community, so survey results are used as a proxy by Enbridge.
[141] Exhibit I.2.6-STAFF-81c

6. Integrated Resource Planning

Enbridge suggests that it is incorporating IRP and appropriate demand assumptions to lower the risk of oversized or unnecessary assets being added[142]. Facts clearly suggest the opposite. Even since before the OEB IRP Decision and IRP Framework were issued in 2021, there has been consistent OEB direction that Enbridge must consider alternatives to additional capital pipelines[143]. Typically, the OEB does not include specific wording in Leave to Construct Decisions unless it is intended to drive an action. Although, there has been essentially no IRP results or meaningful analysis, Enbridge indicates that it believes the OEB is happy with Enbridge's IRP performance[144].

The OEB has repeatedly highlighted in Leave to Construct Decisions the expectation for Enbridge to undertake timely in-depth quantitative and qualitative analysis of alternatives that specifically include IRP impacts[145]. Enbridge has often claimed that the projects submitted for Leave to Construct approval are exempt from IRP consideration since Enbridge submitted the project within 3 years of when the project is needed[146]. The OEB has rejected this approach with an expectation that Enbridge should not assume an exemption. In EB-2020-0293, the OEB further indicated that "…for future leave to construct applications, the OEB encourages Enbridge Gas to undertake in-depth quantitative and qualitative analyses of alternatives that specifically include the impacts of IRP, DSM programs and de-carbonization efforts"[147].

Pollution Probe notes that there is unanimous stakeholder concern that Enbridge is not executing in compliance with the OEB's IRP Decision and related IRP Framework[148]. It is no secret that in general stakeholders, including the OEB's IRP Technical Working Group (TWG). do not believe that Enbridge has responded appropriately since 2021 on all elements of IRP[149].

Even the only IRP project (Kingston) that Enbridge has ever put forward for consideration was not shared or coordinated through the OEB's IRP TWG as required[150]. Enbridge is not implementing the OEB IRP Decision and related IRP

[142] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 22.
[143] E.g. K3.4 PollutionProbe_HearingCompendium_20230714, Pages 224 & 166. K7.2 PollutionProbe_HearingCompendiumPart2_20230720, Pages 9 & 7.
[144] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, pages 59-60.
[145] Example in K3.4 PollutionProbe_HearingCompendium_20230714, Page 193. Applicable to most Leave to Construct applications since the OEB IRP Decision in 2021.
[146] Example from St. Laurent LtC - K3.4 PollutionProbe_HearingCompendium_20230714, Page 189.
[147] K3.4 PollutionProbe_HearingCompendium_20230714, Page 193.
[148] K7.2 PollutionProbe_HearingCompendiumPart2_20230720, Page 6. Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 102 lines 8-18.
[149] K3.4 PollutionProbe_HearingCompendium_20230714, Pages 150-158, Pages 120-128. EGI_Reply_City of Ottawa_Comment_20230727.
[150] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 102 lines 14-18.

Framework as intended. Enbridge will continue to use a planning approach biased toward Capital project implementation over the OEB's intended consideration and implementation of IRP alternatives. Enbridge has been able to allocate an incredible amount of funds and resources over the past few years to support its positions in this Rebasing proceeding, but has shown no meaningful progress or tangible outcomes for IRP over the same period. Expect the same over the Rebasing period unless the OEB put stronger controls in place. Some examples of corrective actions the OEB could take are noted below.

Pollution Probe recommends that the OEB consider options to ensure that the OEB IRP TWG is included proactively in advance of Enbridge decisions on all activity where IRP can be considered. Currently, Enbridge is not working with the OEB IRP TWG in the manner intended.

Pollution Probe recommends that the OEB require Enbridge to undertake a consolidated review by the OEB IRP TWG of all proposed projects requiring Leave to Construct approval and that Enbridge must file the consolidated OEB IRP TWG comments with all Leave to Construct applications. This is very similar in nature to the Ontario Pipeline Coordination Committee reviews process to review other aspects of a proposed project prior to the application is completed and file. The OEB IRP TWG review should occur prior to the final project solution being chosen and no less than 90 days prior submitting a Leave to Construct application in order to allow time for IRP alternatives to be thoroughly assessed.

Enbridge has not integrated IRP with the Capital planning process as required by the OEB. Application of IRP to the AMP filed in this proceeding was a superficial exercise, rather than meaningfully integrated with the Capital planning process. Enbridge suggest that it will consider IRP analysis and alternatives for the Capital projects after the OEB has approved the Capital envelope. However, zero [emphasis-added] IRP solutions were put forward in lieu of specific Capital projects in the AMP. If Enbridge delivers on its promise, more[151] of the projects in the AMP will no longer be required and even less Capital will be required.

Enbridge is putting forward one actual IRP alternative from the previous term. When compared to the 3246 projects listed in the Updated AMP[152], this represents 0.0003% of the capital projects in the AMP. Even using the 2,278[153] projects that went through the IRP screening process by Enbridge, one IRP alternative implemented merely represents 0.0004%. If Enbridge is going to make progress on IRP over the Rebasing

[151] In addition to the project already confirmed as removed per the Capital Section in this submission.
[152] Exhibit J12.2
[153] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 46 line 7.

period, the ratio of IRP alternatives implemented vs. traditional pipeline projects needs to increase. The OEB should set an expectation that starting in 2024 the number of IRP alternatives implemented as a percent of gas carrying projects in the AMP planned for that year should increase towards 5% or greater over the Rebasing term[154]. If Enbridge does not meet that target, it will need to explain why in its next rebasing application. The OEB could also consider a moratorium on Leave to Construct applications until Enbridge demonstrated alignment with the IRP Decision and related IRP Framework, but that may be difficult to implement. The key message is that Enbridge needs to show greater IRP results.

There are sections in Enbridge's Draft IRP Guide[155] that do not look accurate and there has been no review conducted of this critical document. Also, the Draft Guide excludes IRP consideration for any capital spending related to hydrogen[156]. Enbridge should complete the Enbridge IRP Guide[157] in collaboration with the OEB IRP TWG and post a copy each year on the current document on Enbridge's IRP website, plus the OEB's website providing public documentation for the OEB IRP TWG. Each calendar year Enbridge should submit a copy of the updated draft IRP Guidelines to the OEB IRP TWG prior to finalizing annual updates. The annual OEB IRP TWG Report should include a summary of improvements made and any areas where OEB IRP TWG comments/edits were not accepted by Enbridge.

Require Enbridge to post on its public IRP website details of all AMP projects by region that are an option for IRP alternatives, even if the assessment is not fully complete. This will provide the transparency intended when the OEB ordered Enbridge to create the website and enable stakeholders to participate before Enbridge rules our IRP alternatives for the project. Similarly, require Enbridge to include information related to all AMP projects by region that are an option for IRP alternatives in the Regional Stakeholder Sessions[158].

Require posting of stakeholder feedback on the Enbridge IRP website within 30 days of receiving it. Currently, no feedback received since 2021 has been posted on the Enbridge IRP website.

Pollution Probe also requests that the OEB enable electric IRP solutions to be included in the options for IRP, particularly implementation of electric ccASHPs. Instead of duplicating channels for delivery of these solutions, Enbridge should consider targeted

[154][154] The OEB could consider setting the target based on the dollar value of Capital in each year rather than the projects to avoid Enbridge selecting small projects for IRP when larger projects bring greater IRP benefits.
[155] Exhibit JT5.36, Attachment 2
[156] Exhibit JT5.36, Attachment 2, Page 5
[157] Exhibit JT5.36, Attachment 2, Page 5
[158] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 53 line 1-21

incentives in partnership with municipalities, IESO, local contractors, equipment manufacturers and other relevant stakeholders. A siloed delivery approach by Enbridge is less efficient than enabling partners through incentives and other support (e.g. municipal funding to roll out DSM and IRP to consumers in alignment with their community energy and emission plans).

Pollution Probe assumes that electric IRP options are already a viable option for the IRP Pilots that the OEB has ordered Enbridge to undertake. The purpose of those pilots is to test innovative IRP options that are not already well understood so that they can be fully leveraged to achieve IRP objectives.

7. Submission by Issue per Phase 1 Issues List

The following includes the Issues List for Phase 1 of the proceeding and submissions per issue. Where issues raised in the application or proceeding that do not neatly fit under a specific issue, they have been addressed elsewhere as appropriate. Certain issues relate to common topics (e.g. Energy Transition, capital efficiency, prudent planning, rate payer risks, etc.) and in those cases it is important to consider the broader submission.

Enbridge had also implicitly or explicitly requested OEB approval of certain policies, guidelines or other things in its original application. The scope and nature of the application did not enable all those elements to be adequately reviewed during the proceeding, particularly if they did not relate to a specific issue outlined in the Issue List. This specific phase of the proceeding relates to Phase 1 issues on the Issues List.

There has also been significant evidence changes over the course of the proceeding and it is not possible to look at the original Enbridge filing to assess what is still relevant. In fact, Enbridge has indicated that updated evidence such as the Capital Update changes some of the previous evidence filed, but that Enbridge did not go back and change the evidence to true it up. Also some of the original requests appear to have changed as a result of the settlement agreement (for example Variance accounts). Pollution Probe requested (Day 18 Tr ref) that to the extent that Enbridge is requesting anything not specifically outlined or visibly covered in the Issues List, that Enbridge restate the request it is making in its. Otherwise, it is not possible to imply that an OEB Decision implicitly approves anything buried in the previous evidence that is not specifically noted in the Decision. The areas incremental to the issues specifically covered in the issues list are covered in a separate section below.

Also, the Settlement Agreement refers to a Phase 3 related to certain issues. This may be a separate Phase to this proceeding or a separate proceeding to be determined by the OEB.

Overall

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

There was no settlement of this issue, as it cannot be determined until other outstanding issues are determined.

Certain elements related to 2024 rate and service charges were settled in part of whole through the Settlement Agreement accepted by the OEB. Pollution Probe was a participant and signatory of the Settlement Agreement and therefore accepts those items as just and reasonable. However, in Pollution Probe's view and as outlined in these submissions, Enbridge's proposal on residual issue on the Phase 1 Issues List would not result in just and reasonable rates. Pollution Probe recommends a series of adjustments as outlined in this document.

Pollution Probe notes, that although it supports harmonization across the legacy Enbridge Gas and Union Gas utilities, it does not support moving to a harmonized methodology that is substandard and not in the public interest. In some cases Enbridge did not pick between existing OEB approved methodologies, but created a new approach that has not been the subject of previous OEB consideration.

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

There was no settlement of this issue. The customer benefits produced over the five-year deferral period were small in comparison to expectation and the range provided. Although Enbridge indicates that it has achieved $86 million of sustained efficiencies, O&M costs have consistently increased from 2018 to 2024. The Rebasing application further undermines the persistence of expected customer benefits and results in decreased efficiency and high ratepayer costs when the merger was positioned as an opportunity to produce greater efficiency and customer benefits.

An increased funding request is predictable (to increase shareholder earnings), but not reasonable (for rate payers or expected permanent efficiencies). Finding a low amount of phantom efficiencies in one area and then making higher increases elsewhere while ignoring the need for overall utility efficiency defeats the overall purpose of incentive regulation and merger benefits. This issue is relevant beyond 2024, but for Phase 1 given that O&M is an OEB approved settled issue, the OEB's lever for consideration of achieving sustainable efficiencies from the merger is via Rate Base and Capital Expenditures issues, in particular Integration Capital.

3) Has Enbridge Gas appropriately considered energy transition and integrated resource planning in relation to such things as:

a) load forecast

b) deemed capital structure

c) depreciation rates

d) forecast capital expenditures

e) allocation and mitigation of risk to determine new rates that will be effective January 1, 2024, considering relevant government policies and legislation?

There was no settlement of this issue. Enbridge's evidence specifically promoted increased capital expenditures and expansion of gas system assets in alignment with shareholder benefits over rate payer benefits. There was no tangible offset in the Enbridge evidence to balance the Enbridge shareholder and management interest against the reality of the Energy Transition and the public interest.

Issues related to Energy Transition (Section 4), IRP (Section 6) and Safe Bets (Section 4.1) have been covered in the sections above sections in this submission and information in that section should be considered in relation to this issue. Enbridge did not appropriately consider Energy Transition and IRP in any element of its application, included those listed under Issue 3.

Both the scenarios outlined in the Guidehouse Net Zero Report indicated that natural gas will essentially cease to be distributed to typical customers[159] by 2050. However, the Enbridge load forecast, depreciation rate proposal and proposed capital expenditures ignore the gradual move away from fossil fuels and in fact propose an approach that is opposite to all reasonable Energy Transition. Ontario consumers will not stop using natural gas over the 2024 – 2028 timeframe, however and expenditures and assets implemented over this period with longer term impacts carry significant risks that Enbridge has not considered in its request.

Enbridge requested approval of a change to the deemed equity thickness of its capital structure. Enbridge proposed that the deemed equity thickness increase from its current value of 36% to 42% by 2028. Pollution Probe suggests that there is no basis for increased equity thickness over the proposed Rebasing period. Pollution Probe is aware that other parties intend to cover the evidentiary record on deemed capital structure in detail. However, Enbridge has not demonstrated that the risk it faces over the Rebasing

[159] Except for some potential large industrial customers if they are able to find an economic ways to capture the resulting emissions locally and transport it to geological formations that would need to be developed.

period is materially increasing Enbridge's capital-related risks. This position was reinforced by the independent expert evidence provided by Dr. Hopkins. In fact, Enbridge's larger body of evidence is suggesting that it would be status quo or even a higher degree of gas infrastructure related spending over the Rebasing term for Enbridge. It is very surprising the Enbridge has not integrated Energy Transition and Stranded Asset risk management into its Capital planning process[160].

On a similar theme, Enbridge is actually proposing longer amortization periods than those currently used by the legacy utilities. This is counter to recognizing risks related to the Energy Transition, particularly given that there is no process at Enbridge to mitigate risks related to stranded assets. This impact would not be felt materially over the 2024-2028 period. However, the depreciation rates determined in this proceeding will have impacts to the 2080's or longer if Enbridge's proposed approach is adopted. It is clear that a decrease in amortization period decreased the long-term rate payer risks related to under-utilized and stranded assets. The evidence of Mr. Neme indicates that a 15 year period is reasonable and inline with the time period related to consumer choice towards more efficient non-gas energy systems[161] that are already available today, but will become very relevant to Enbridge's customers as they consider replacing existing gas equipment.

As noted earlier, the Diversified Scenario that Enbridge is relying on is not actually Net Zero[162] or the least expensive scenario. This means that the primary foundation to provide reassurance that Enbridge Capital assets installed today will not end up stranded by 2050 is not valid. The evidence indicates that OEB can't trust the underlying biased assumptions in the Diversified Scenario, which results in greater inherent risk related to Stranded Assets than Enbridge would like parties to believe. What would have supported a cap on new Capital asset amortization at 25 years or greater, will need to be below 25 years or in alignment with the 15 year recommendation provided by Mr. Neme of Energy Futures Group, which is within the replacement window of existing gas furnaces[163].

The real challenge is that any capital assets Enbridge commissions between 2024-2028 will be amortized and recovered from rate payers over a period much greater than the Rebasing period. The longer the amortization period, the higher the risk of assets becoming stranded. Enbridge confirmed that it does not conduct any assessment during it AMP process to consider and apply risks related to stranded assets. This seems very

[160] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, Page 111 lines 6- page 112 line 15. Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 14, pages 112-115.
[161] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 94 lines 14-26.
[162] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, page 75.
[163] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 43 lines 18 – 27; and Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 18 lines 9-15.

imprudent given the size of those potential risks and especially if Enbridge expects that rate payers rather than Enbridge should carry those risks. If Enbridge carries those risks, it would certainly become part of AMP and project planning in short order.

Enbridge has been preparing its application, including commissioning of consultant reports in support of its position over the past five years. Enbridge filed its application in two parts in fall 2022, including the consultant reports it had commissioned. The OEB laid out a transparent logical process for discovery and testing of the evidence in the proceeding. Throughout the proceeding there have been significant updates to Enbridge evidence that have fundamentally changed certain requests (e.g. Capital Update) and related supporting evidence (e.g. Guidehouse analysis and reports). The OEB has recognized this challenge and build in certain adjustments to the process in an attempt to review the significant evidence changes (e.g. additional Technical Conference time to review the updated Energy Transition evidence). The major capital update very late in the process provides a challenge.

Pollution Probe recommends that the amortization period for utility capital be truncated at a maximum of 15 years for all new capital commissioned stating in 2024. Enbridge confirmed that this can be done for new Capital installed starting in 2024[164]. Pollution Probe also recommends that Enbridge retain the risk for stranded assets, which would provide Enbridge an incentive to build prudent risk management processes into its capital planning processes. Enbridge has argued that the regulatory compact requires that rate payers should carry the risks related to Stranded Assets rather than Enbridge. This is not a correct interpretation, give that several factors need to be in place in order to recover costs from rate payers. This included ensuring that Enbridge made prudent decisions and that there is the ability to collect costs related to Stranded Assets in the future, despite a shrinking number of customers[165]. Prudent action would require to include a risk assessment related to Stranded Assets in its Capital planning (e.g. AMP) process, which it currently does not. Also, in this proceeding Enbridge has not requested any specific Capital project approvals and reserves the rights make all Capital spending decisions in its sole discretion[166]. The OEB is not approving any specific Capital spending.

Aligning the risk of stranded assets with Enbridge is the most effective way to align better decision making on capital spending. Currently Enbridge does no risk assessment related to stranded assets since it believes rate payers carry that risk. The OEB in this proceeding is not approving any specific Capital projects, only a Capital envelope. Enbridge alone will be making the decisions on which Capital investments in

[164] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 74 lines 5-14.
[165] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 3, Page 131 line 1 – line 20.
[166] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 50 lines 2-13 and Page 50 lines 2-13.

2024 and beyond. If there is a special case which requires OEB approval of a project, Enbridge has the ability to request different treatment if appropriate.

These recommendations have the added benefit of removing barriers for proper IRP which is an OEB expectation, but has not been undertaken in a meaningful manner by Enbridge. A change is needed to align with the Energy Transition and to reduce the risks that continue to mount on the shoulders of rate payers. Although this reduces risks for rate payers, it does not really transfer those risks to Enbridge given that Enbridge has the ability to avoid the risks in the first place.

Increased Capital spending, particularly in relation to traditional Capital spending is also counter to the evidence on the record in the proceeding. The OEB has noted previously the inherent bias for Enbridge (an investor owned utility) to increase Capital investment and this was highlighted again by parties in this proceeding.

Enbridge Capital spend to June 2023 is only $601.8 million[167], where the 2024 Capital ask is $1,470.3 million, or 22% above the current 2023 trend on an annualized basis. This does not include any consideration about proposer IRP or Energy Transition issues. In addition, there are 387 projects[168] included in Enbridge AMP that will not actually occurs as proposed in the AMP and still more other projects targeted in Enbridge's Capital plan that should not be Capital at all. For example the Hydrogen Engineering Assessment Study at an estimated costs of over $15.5 million, $5.8 million from 2024 alone[169]. The Hydrogen Study has no scoping document developed170 and will not be completed available by 2027.

A 25% decrease in Enbridge's 2024 Capital request would only provide a 3% adjustment for Energy Transition, IRP and other efficiency considerations compared to the 2023 trajectory. The proposed 2024 capital expenditures should be reduced from $1,470.3 million to $1,102.7 million. Adjustment factors may also need to be considered in Phase 2 for years following 2024.

Furthermore, the OEB should decline rate treatment for the Panhandle Regional Expansion Project (PREP) and exclude it from this Rebasing application. There is no basis for inclusion of any rate treatment for PREP in this proceeding and Enbridge can make a more informed application should the OEB grant Leave to Construct approval for this contentious and expensive project. Any future rate impacts due to PREP will certainly be different than what Enbridge has proposed[171] and a OEB approval of any

[167] Updated: 2023-03-08 - Capital Update Exhibit 2, Tab 1, Schedule 1, Page 5
[168] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 109 lines 12-24.
[169] Updated: 2023-03-08 - Capital Update Exhibit 2, Tab 1, Schedule 1, Page 50 and Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 13, Page 31.
[170] J18.4
[171] Including contribution for the large customers identified by Enbridge as driving the project need.

rate treatment for PREP in this proceeding will certainly lead to an impression that the OEB supports the project prior to actually assessing it through the Leave to Construct proceeding.

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

This issue was completely settled via the Settlement Agreement filed and accepted by the OEB.

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

IRP

As noted in the Section 6 under IRP, Pollution Probe notes that there is unanimous stakeholder concern that Enbridge is not executing in compliance with the OEB's IRP Decision and related IRP Framework[172]. It is no secret that in general stakeholders, including the OEB's IRP Technical Working Group (TWG). do not believe that Enbridge has responded appropriately since 2021 on all elements of IRP[173].

Even the only IRP project (Kingston) that Enbridge has ever put forward for consideration was not even shared or coordinated through the OEB's IRP TWG as required[174]. Enbridge is not implementing the OEB IRP Decision and related IRP Framework as intended. Enbridge will continue to use a planning approach biased toward Capital project implementation over the OEB's intended consideration and implementation of IRP alternatives. Enbridge has been able to allocate an incredible amount of funds and resources over the past few years to support its positions in this Rebasing proceeding, but has shown no meaningful progress or tangible outcomes for IRP over the same period. Expect the same over the Rebasing period unless the OEB put stronger controls in place. Some examples of corrective actions the OEB could take are noted below.

Pollution Probe recommends that the OEB consider options to ensure that the OEB IRP TWG is included proactively in advance of Enbridge decisions on all activity where IRP can be considered. Currently, Enbridge is not working with the OEB IRP TWG in the manner intended.

[172] K7.2 PollutionProbe_HearingCompendiumPart2_20230720, Page 6. Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 102 lines 8-18.
[173] K3.4 PollutionProbe_HearingCompendium_20230714, Pages 150-158, Pages 120-128. EGI_Reply_City of Ottawa_Comment_20230727.
[174] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 102 lines 14-18.

Pollution Probe recommends that the OEB require Enbridge to undertake a consolidated review by the OEB IRP TWG of all proposed projects requiring Leave to Construct approval and that Enbridge must file the consolidated OEB IRP TWG comments with all Leave to Construct applications. This is very similar in nature to the Ontario Pipeline Coordination Committee reviews process to review other aspects of a proposed project prior to the application is completed and file. The OEB IRP TWG review should occur prior to the final project solution being chosen and no less than 90 days prior submitting a Leave to Construct application in order to allow time for IRP alternatives to be thoroughly assessed.

Enbridge has not integrated IRP with the Capital planning process as required by the OEB. Application of IRP to the AMP filed in this proceeding was a superficial exercise, rather than meaningfully integrated with the Capital planning process. Enbridge suggest that it will consider IRP analysis and alternatives for the Capital projects after the OEB has approved the Capital envelope. However, zero [emphasis-added] IRP solutions were put forward in lieu of specific Capital projects in the AMP. If Enbridge delivers on its promise, more[175] of the projects in the AMP will no longer be required and even less Capital will be required.

Enbridge is putting forward one actual IRP alternative. When compared to the 3246 projects listed in the Updated AMP[176], this represents 0.0003% of the capital projects in the AMP. Even using the 2,278[177] projects that went through the IRP screening process by Enbridge, one IRP alternative implemented merely represents 0.0004%. If Enbridge is going to make progress on IRP over the Rebasing period, the ratio of IRP alternatives implemented vs. traditional pipeline projects needs to increase. The OEB should set an expectation that starting in 2024 the number of IRP alternatives implemented as a percent of gas carrying projects in the AMP planned for that year should increase towards 5% or greater over the Rebasing term[178]. If Enbridge does not meet that target, it will need to explain why in its next rebasing application. The OEB could also consider a moratorium on Leave to Construct applications until Enbridge demonstrated alignment with the IRP Decision and related IRP Framework, but that may be difficult to implement. The key message is that Enbridge needs to show greater IRP results.

There are sections in Enbridge's Draft IRP Guide[179] that do not look accurate and there has been no review conducted of this critical document. Also, the Draft Guide excludes

[175] In addition to the project already confirmed as removed per the Capital Section in this submission.
[176] Exhibit J12.2
[177] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 46 line 7.
[178][178] The OEB could consider setting the target based on the dollar value of Capital in each year rather than the projects to avoid Enbridge selecting small projects for IRP when larger projects bring greater IRP benefits.
[179] Exhibit JT5.36, Attachment 2

IRP consideration for any capital spending related to hydrogen[180]. Enbridge should complete the Enbridge IRP Guide[181] in collaboration with the OEB IRP TWG and post a copy each year on the current document on Enbridge's IRP website, plus the OEB's website providing public documentation for the OEB IRP TWG. Each calendar year Enbridge should submit a copy of the updated draft IRP Guidelines to the OEB IRP TWG prior to finalizing annual updates. The annual OEB IRP TWG Report should include a summary of improvements made and any areas where OEB IRP TWG comments/edits were not accepted by Enbridge.

Require Enbridge to post on its public IRP website details of all AMP projects by region that are an option for IRP alternatives, even if the assessment is not fully complete. This will provide the transparency intended when the OEB ordered Enbridge to create the website and enable stakeholders to participate before Enbridge rules our IRP alternatives for the project. Similarly, require Enbridge to include information related to all AMP projects by region that are an option for IRP alternatives in the Regional Stakeholder Sessions[182].

Require posting of stakeholder feedback on the Enbridge IRP website within 30 days of receiving it. Currently, no feedback received since 2021 has been posted on the Enbridge IRP website.

DSM

For the most part the elements in this proceeding related to DSM (e.g. variance accounts, O&M, etc.) are simple pass throughs based on the most recent OEB DSM Decision[183]. However, DSM relates to the 2024-2028 period and directly impacts services to customers over that period, including effective promotion of DSM to existing and potential customers.

Durning the proceeding there was confusion on whether Enbridge is implementing DSM in conjunction with the Greener Homes Grant program, in alignment with OEB direction from the DSM Decision[184]. In the response to J7.1 Enbridge indicated that the portion of the NRCan agreement[185] discussed was not part of the formal legal contract for delivering the Greener Homes Grant program. Enbridge provided a copy of marketing material[186] that indicates that the enhanced incentive is available to consumers that

[180] Exhibit JT5.36, Attachment 2, Page 5
[181] Exhibit JT5.36, Attachment 2, Page 5
[182] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 53 line 1-21
[183] EB-2021-0002
[184] EB-2021-0002.. Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 7 Page 8 line 26 – page 11 line 18.
[185] K7.2 PollutionProbe_HearingCompendiumPart2_20230720 Pages 4-5 included a portion of the NRCan agreement filed by Enbridge in compliance with the EB-2021-0002 Decision.
[186] J7.1 Page 2.

have natural gas space heating prior to the retrofit, even if they cease to be a natural gas customer following their retrofits (i.e. leave the gas system). Pollution Probe believes that Enbridge has been trying to follow the requirements from the OEB in the DSM Decision. However, to provide better clarity to consumers, recommends the following changes:

- Modify the training and marketing material to ensure that is a natural gas customer (i.e. active Enbridge service to supply natural gas for any purpose and not just natural gas space heating) are eligible for the enhanced incentives.
- Modify consumer facing materials to include more clear wording such as “the enhanced incentive is available even if a current gas customer uses the incentive toward a retrofit to move off of natural gas”.
- Require a copy of the Greener Homes Grant program information and related DSM incentive information be provided to prospective customers including community expansion projects as part of the outreach materials during project planning. This will ensure that consumers are better informed on energy efficiency options and incentives when considering major energy retrofits.

B. Rate Base (Exhibit 2)

6) Is the 2024 proposed rate base appropriate?

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Parties accepted the methodology presented by Enbridge for the determination of working capital and rate base. Final forecast 2024 working capital amounts and rate base could be determined until other unresolved issues are determined. No items related to 2024 capital budget and associated rate base were settled.

There was a partial settlement on the 2024 opening rate base. The unsettled aspects related to 2024 opening rate base are:

(i) the inclusion of Enbridge Gas’s integration capital costs from the deferred rebasing term in opening rate base for 2024; and
(ii) additions to 2024 opening rate base resulting from 2023 changes.

Parties agreed that Enbridge will not include any amounts in 2024 opening rate base for the Dawn to Corunna project (approved in EB-2022-0086). Instead, the determination of the allowed recovery for, and method for recovery of, Dawn to Corunna project costs will be made in Phase 2 of this proceeding, including the issue of how much (if any) of the value of the project should be allocated to Enbridge Gas’s non-utility operations.

Parties also agreed that the acceptance of overhead capitalized amounts in Incremental Capital Module (ICM) projects being included in 2024 opening rate base is without prejudice to the rights of Parties to argue in the future, including in Phase 2 of this proceeding when the proposed IRM plan is reviewed and in any future Leave to Construct (LTC) proceedings, that overhead capital amounts should not be included, in whole or in part, in ICM amounts. In making such arguments, Parties are free to refer to and rely on any information and evidence on previous ICM projects, notwithstanding their acceptance of those amounts in 2024 opening rate base.

There was no agreement on appropriate treatment of the Natural Gas Vehicles (NGV) Program (Issue 34), and if different treatment of the NGV Program is ordered than proposed by Enbridge Gas, then corresponding changes may be necessary to 2024 opening rate base.

Enbridge indicates that with the amalgamation of Enbridge Gas Distribution (EGD) and Union Gas (Union) in 2019, Enbridge Gas embarked on an ambitious path to rationalize the organization, reduce duplication, and harmonize systems and policies over the five-year deferred rebasing term. Enbridge suggested that it generated significant permanent savings of $86 million, which are now being flowed to ratepayers through rates now and beyond. Enbridge Gas submitted that in keeping with the OEB's well-established benefits follow costs and beneficiary pays principles, the OEB should permit recovery of any undepreciated integration capital costs which generated those savings[187].

There are two issues related to the argument Enbridge has put forth. Firstly, the integration savings are at the lowest end of those expected from the merger. Secondly, the integration savings are not permanent benefits to rate payers as promised. This is the first Rebasing application following the merger and the funding request[188] not only overshadows the $86 million of integration savings from the merger period, but reverses it in the opposite direction (i.e. increased cost to rate payers for the future following the merger) resulting in no permanent benefits for rate payers. This approach is predictable (to increase shareholder earnings), but not reasonable (for rate payers who expected permanent efficiencies in the form of net savings). Finding a low amount of phantom efficiencies in one area and then making higher increases elsewhere while ignoring the

[187] EGI_ARG in Chief_2024 Rebasing_20230818. Paragraph 27.
[188] For example the net revenue deficiency (after efficiencies are included) is $186.3 million, not including Panhandle Regional Expansion Project.
per EGI_ARG in Chief_2024 Rebasing_20230818, Paragraph 31.

need for overall utility efficiency defeats the overall purpose of incentive regulation and merger benefits.

Over the deferred rebasing term, Enbridge expects to incur approximately $252.2 million in capital expenditures related to integration efforts. Given the negligible or non-existent level of sustainable efficiencies that that resulted from the merger period, it is hard to justify why rate payers would pay additional costs related to integration capital. Pollution Probe recommends that the Integration Capital not be recovered from customers given that it did not result in the permanent efficiencies expected. The OEB could consider the recommendation put forward by OEB Staff, that Enbridge should be permitted to include 50% of the net book value of integration capital to 2024 opening rate base. However, this would require that a stretch[189] efficiency amount built into the Rebasing term to provide rate payers permanent efficiencies that were not delivered over the previous period.

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

As noted under Issue 3 Pollution Probe recommends that Enbridge's proposed 2024 capital expenditures should be reduced from $1,470.3 million to $1,102.7 million. There is a strong basis to reduce it further when considering Energy Transition, IRP and other issues and the OEB may choose to do so now and/or consider adjustment factors in Phase 2 to reduce Capital for years following 2024.This approach would provide time for Enbridge to improve the efficiency and effectiveness of its Capital planning process in the manner outlined in this submission.

Pollution Probe is aware that other parties are planning to highlight the evidence and rational showing that Enbridge's in-service additions are over stated. Pollution Probe agrees, particularly given that Enbridge has not credibly considered the non-gas options available to Ontario energy consumers that are more cost effective than attaching to the natural gas system (e.g. see ccASHP details in Section 4.7). Once facts started to be presented during the hearing Enbridge changed its approach from an initial denial that non-gas alternatives are more cost-effective, to a position that consumers would be willing to pay $50 per month for a gas service as insurance for reliability purposes. This argument is conjecture not supported by evidence or even a sound rationale given the number of cost-effective alternatives available today. Additionally, gas heating is not an option if electricity is not available. Although existing customers with functioning equipment served by natural gas are not likely to leave the system wholesale between 2024 and 2028, some will and new additions will be impacted the most over that period.

[189] Reasonable amounts above and beyond the adjustments already outlined in these submissions. If they are not truly incremental stretch efficiencies, it would be double counting the same reduction twice.

As confirmed in the proceeding, Enbridge is not requesting specific approval for any specific Capital assets[190]. The AMP is a collection of potential projects which may or may not be undertaken at Enbridge's sole discretion.

The AMP process is largely arbitrary and based on Enbridge staff and management decisions. The factors going into the Copperleaf NPV scores are based on Enbridge employee and management input. Two of the three categories in the Capital planning process override the Copperleaf score[191]. The process is focused on human decision making rather than objective prioritization.

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

There was no settlement of this issue.

Pollution Probe recommends that the OEB not approve capitalization of indirect overheads. This would also remove the potential for double-counting overheads funded from rate payers, once through base rates and then again through approval of capital projects with indirect overheads added again. Another example is Enbridge's proposed treatment of PREP which Pollution Probe recommends that the OEB exclude from consideration in this proceeding given that the project scope/costs continue to change and the Leave to Construct proceeding is still underway. The PREP project alone has $68 million of incremental funds listed as indirect overheads[192].

Capital overheads are already at 25% and proposed to grow to 30% during the Rebasing term based on Enbridge's proposal[193]. This is an alarming increase, when efficient practice is to reduce overheads through tracking and accounting treatment such as activity-based costing. Allowing overheads to be layered onto Capital without proper controls is a recipe for disaster.

Indirect overhead Capitalization is a large amount of additional capital without a specific connection to any capital assets[194]. Accounting treatment does not allow costs to be capitalized unless there is a special approval from the regulator to the contrary[195]. Accounting standards do not allow indirect overheads to be capitalized unless there is a specific regulatory decision that enables that to happen.

[190] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 12, Page 50 lines 2-13 and Page 50 lines 2-13.
[191] Final Transcript EB-2022-0200 TC5 March 28 2023, Page 124 line 24 – page 126 line 13 and JT5.34
[192] J16.2
[193] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 15, Page 160 lines 1-23.
[194] Exhibit I.1.1-SEC-74
[195] Exhibit I.2.4-PP-30 and REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 16, Page 22 lines 5-13 and Page 23 line 12-15.

Pollution Probe recommends that the OEB not provide special approval for Enbridge to capitalize indirect overheads. To the extent that Enbridge is able to track overheads in a manner consistent with accounting standards, Enbridge will be able to move a portion of what are considered indirect overheads, over to become direct project costs or direct overheads. As explained elsewhere in this submission, this will also remove the inherent bias to overload indirect overheads to increase Capital and will actually drive efficiencies since Enridge earnings will directly increase as its indirect overheads decrease. In addition, the avoidance of bloating Capital with unrelated costs will reduce risks related to Stranded Assets since the amounts capitalized will be lower.

The OEB should not increase the 2024 O&M envelope by the correspondence amount related to the $310 million of capitalized overheads proposed by Enbridge. The amount should include an adjustment related to costs which could be capitalized when Enbridge starts to track these costs more accurately[196] and in alignment with accounting standard. In addition, it should include a reduction related to the expected decrease in capital work expected, plus an efficiency factor related to improving indirect overheads. Based on the adjustment proposed to the Capital budget for 2024, the amount related to indirect overheads should also be reduced by a similar factor.

C. Load Forecast and Revenue Forecast (Exhibit 3)

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

For the sole purpose of setting rates for 2024, Parties agreed to Enbridge's as filed volumes forecast and revenues at existing rates, revenue forecasts for storage and transportation (S&T), upstream transportation revenue and optimization revenue, subject to two exceptions as noted in the Settlement Agreement.

There was no agreement as to whether it is appropriate for the OEB to approve a Volume Variance Account as requested by Enbridge. Please see Issue 31 in Section 7 for information related to that account.

10) Is the 2024 other revenue forecast appropriate?

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

[196] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 16, Page 33 line 17-28.

For the purposes of setting rates for 2024, Parties agree to Enbridge Gas's as-filed other revenue forecast, subject to two exceptions. There was no agreement as to whether and/or how amounts related to proceeds from Enbridge dispositions of property in 2024 and subsequent years should be included in other revenue forecast or otherwise credited to ratepayers. There was no agreement on appropriate treatment of the NGV Program (Issue 34), and if different treatment of the NGV Program is ordered than proposed by Enbridge, then corresponding changes may be necessary to the other revenue forecast.

Please refer to SEC argument for issues and proposals related to disposition of property.

Please refer to Issue 34, Section 7 for information related to the NGV Program.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Per Issue 9, Parties have agreed upon the 2024 Test Year results from the forecasting methodologies, not the broader issue of whether the methodologies are generally appropriate (e.g., for capital planning, and cost allocation). Parties agree that a determination on the methodologies is not necessary in order to set the volume forecast and resulting revenue forecast underpinning 2024 rates. For greater certainty, the Parties have not agreed that the harmonized load forecasting methodologies (heating degree days, average use, weather normalization, heat value, customer additions) are appropriate more broadly, including for capital planning and cost allocation purposes, and they retain the right to challenge those methodologies where relevant to unsettled issues in Phase 1 of this proceeding.

Pollution Probe believes that the customer additions forecast is over-estimated for the reasons outlined in Section 4. Enbridge has oly accounted for a 5% impacts over 10 years due to Energy Transition[197]. Enbridge has not adequately considered the impact of the Energy Transition and Pollution Probe expects actual additions to under-perform the estimate.

Pollution Probe believes that the average use forecast is over-estimated for the reasons outlined in Section 4. Enbridge has not adequately considered the impact of the Energy

[197] J14.2

Transition and Pollution Probe expects average use to decline, particularly if Enbridge provides a significantly more aggressive DSM plan as directed by the OEB.

Cost allocation will be addressed in Phase 3 of the proceeding.

D. Operating Expenses (Exhibit 4)

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Parties agreed to an overall 2024 O&M budget envelope resulting in a gross O&M budget of $1,113 million, or a Net O&M Budget envelope of $821 million, both exclusive of DSM.

Capitalized overhead is consequently reduced to $292 million, which represents a $18 million reduction from the as-filed amount. The net O&M budget, after $292 of overhead capitalization, is $821 million ("Net O&M Budget").

The Parties agreed to variance account treatment for two aspects of the O&M budget – (i) DIMP and EDIMP costs (combined as a single Integrity account); and (ii) pension and OPEB costs. The Parties agreed to a DIMP Variance Account that will track Enbridge Gas spending each year on the DIMP and EDIMP programs (on a combined basis). Pollution Probe does not differentiate between DIMP and EDIMP given that Integrity Management activities are the responsibility of Enbridge regardless of what sub-labels Enbridge management chooses to separate them into.

Enbridge has interpreted that the St. Laurent (EB-2020-0293) Decision mandated Enbridge to undertake a different class of Integrity Management compared to the typical approach required by CSA requirements. The OEB simply highlighted that Enbridge did not do an appropriate integrity assessment and alternate options consideration (i.e. proper IRP) to justify the project. The OEB specifically noted:

"The OEB finds that the need for the Project and the alternatives to the Project have not been appropriately assessed. Enbridge Gas has not demonstrated that the pipeline integrity is compromised, and that pipeline replacement is required at this time. The OEB urges Enbridge Gas to thoroughly examine other alternatives such as the development and implementation of an in-line inspection and maintenance program using available modern technology, and propose appropriate action based on its findings as part of its next rebasing application.[198]"

[198] EB-202-0293 Decision Page 3

It is Enbridge's responsibility to prioritize and efficiently conduct integrity analysis and option analysis within the capital and O&M envelopes that the OEB provides. Nothing in the OEB Decision mandated a different category of integrity management or justification of increased capital or O&M envelopes. [EGI is using this to justify another application?]

There is no agreement on appropriate treatment of the NGV Program (Issue 34), and if different treatment of the NGV Program is ordered than proposed by Enbridge Gas, then corresponding changes may be necessary to O&M.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

As part of the settlement of the overall net and gross O&M budget amounts, Parties agreed that there is no remaining issue to be determined in relation to 2024 proposed compensation related costs for O&M purposes. As the Parties have agreed to an overall adjustment to O&M, there is no specific agreement to the proposed 2024 compensation related costs, but all Parties accept the total O&M amounts noted in Issue 12.

Parties agreed to a Post-Retirement True-Up Variance Account that will track the revenue requirement impact of pension and OPEB costs (accrual and cash-based amounts) each year. Parties agree that ($1.6 million) of pension and OPEB accrual costs are included in the 2024 O&M budget, as well as a $16.9 million tax deduction for cash contributions, resulting in a total 2024 revenue requirement impact of $8.3 million credit. Parties agreed that where the variance in the revenue requirement impact 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 the next rebasing, Enbridge Gas may recover (or will credit) the actual amount outside of the $10 million dead band from (or to) ratepayers.

Pollution Probe has no further submissions on this issue.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

As part of the settlement of the overall net and gross O&M budget amounts, Parties agreed that there is no remaining issue to be determined in relation to 2024 proposed shared services and corporate services costs. As the Parties have agreed to an overall

adjustment to O&M, there is no specific agreement to the proposed CFCAM, but Parties accept the total O&M amounts noted in Issue 12.

Pollution Probe has no further submissions on this issue.

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

There was no settlement of this issue.

Enbridge indicates that its proposal reflects a more accurate depreciation and salvage methodology from what is currently in place for EGD and Union. Enbridge suggest that the proposed level of depreciation expense also strikes a balance between addressing energy transition and considering ratepayer impacts[199]. Pollution Probe disagrees.

The new proposed depreciation rates do not adopt either previous OEB approved approach and do not consider current and future significant issues, includinh the Energy Transition and Stranded Assets. Pollution Probe recommends that the amortization period for utility capital be truncated at a maximum of 15 years for all new capital commissioned stating in 2024. Please refer to Issue 3 in Section 7 for additional details.

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

There was no settlement of this issue.

Pollution Probe is aware that other stakeholder intend to provide a summary of the record on Site Restoration Costs and outline options for the OEB. As noted in this submission, Pollution Probe is concerned with the deferral of costs and risks into the future that are known or out to be known. Building up a large liability for rate payers into the future, particularly when there is likely to be a decreasing number of rate payers left to cover these costs, is a problematic situation[200]. Pollution Probe encourages costs to be estimated and collected earlier, rather than deferring them to asset end of life.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Parties accepted Enbridge's proposed methodology for determining 2024 income and property taxes.

[199] EGI_ARG in Chief_2024 Rebasing_20230818, paragraph 28.
[200] REVISED Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 18, Page 83 lines 3-10.

Pollution Probe has no additional submissions on this issue.

18) In relation to the 2024 Test Year gas cost forecast,

a) Is the 2024 gas supply cost, including the forecast of gas, transportation and storage costs, appropriate?

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Parties agreed to the as-filed 2024 gas supply cost, subject to the determination of load balancing costs including storage. The Parties agreed that it would be appropriate for the outstanding issue to be determined in Phase 2 of this proceeding, along with other issues related to gas storage. Parties agree that until a determination is made in Phase 2, Enbridge will maintain its current levels of market-based storage (without prejudice to the positions that Parties may take in Phase 2).

b) Is the proposal for a common reference price methodology to set gas costs appropriate?

This issue has a complete settlement via the Settlement Agreement filed and accepted by the OEB.

c) Is the proposed harmonized approach to determining gas costs (design day, operational contingency space, unaccounted for gas, Parkway Delivery Obligation) appropriate?

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

For the purposes of determining gas supply costs for 2024 and subsequent years during the upcoming IRM term, Parties agreed to a modified version of the Enbridge Gas proposal for design day and design hour. The modification is that wind-adjusted temperature values used to determine design criteria and the design day demands for the Gas Supply Plan will be set on the basis of the coldest day in 30 years (using the gas years 1993/1994 to 2022/2023), to be fixed until Enbridge’s next rebasing case.

Parties further agreed that the question of how much operational contingency space Enbridge Gas should maintain, and the timing over which it should be maintained, is a storage-related issue that is appropriately determined in Phase 2 of this proceeding. Parties agree that until a determination is made in Phase 2, Enbridge Gas will include the cost consequences of its approved operational contingency amount of 9.5 PJ for Union as opposed its applied-for amount of 15.6 PJ of storage. This is without prejudice to the positions that Parties may take in Phase 2.

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

This issue has a complete settlement via the Settlement Agreement filed and accepted by the OEB.

In relation to fugitive emissions, which are a component of UFG, Enbridge Gas has agreed to investigate and determine an appropriate way to accurately measure fugitive emissions, including consideration of top-down measurements (i.e. by aircraft, satellite, and/or towers), with the goals of: (a) confirming the volume of fugitive emissions, (b) determining if recent UFG increases could be due to fugitive emissions, and (c) attempting to locate specific fugitive sources that can be mitigated. This would include all kinds of assets (transmission, rural & urban distribution, and storage). Enbridge will file a robust investigation plan for consideration and determination in the 2023 deferral and variance account proceeding, which filing shall include justification of the planned approach including, without limitation, whether it will include aerial (i.e. top-down) investigation.

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

This issue has a complete settlement via the Settlement Agreement filed and accepted by the OEB.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

There was no agreement as to the treatment of 2019-2023 PDO/PDCI costs that have been recovered from ratepayers.

Pollution Probe is aware that other parties intend to make submissions on this issue and Pollution Probe does not have any additional submissions related to this issue.

19) With respect to the Gas Supply Plan,

a) Is the proposal for implementation of the 2024 Gas Supply Plan after the OEB's decision on matters relating to the 2024 Gas Supply Plan is issued, and for reflecting cost variances1 in gas cost deferral and variance accounts, with recovery being subject to prudence review, appropriate?

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

This issue was settled via the Settlement Agreement filed and accepted by the OEB.

Parties agree with Enbridge's proposal for implementation of the 2024 Gas Supply Plan after the OEB's decision on relevant matters is issued, and for reflecting cost variances in gas cost deferral and variance accounts. Parties further agreed that it is appropriate for Enbridge to defer the filing of its next five-year gas supply plan for one year.

E. Cost of Capital (Exhibit 5)

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

There was no settlement of this issue.

Pollution Probe suggests that there is no basis for a change to Enbridge's Capital Structure over the proposed Rebasing period. For additional details, please see Section 7, Issues 3 and 22.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Parties agreed to the as-filed debt rates and the use of the OEB's formula to set ROE. The actual ROE to be used will be as reflected in the OEB's 2024 Cost of Capital Parameters letter, expected to be issued in October 2023.

Pollution Probe has no further submissions on this issue.

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

There was no settlement of this issue.

Enbridge is proposing to increase its equity ratio from a level of 36 to 42 percent, which will be phased in over the next 5 years. Enbridge suggests that this proposal reflects changes in business, financial, and regulatory risk since it was last addressed by the OEB for EGD and Union.

There is an interesting paradox in Enbridge's application which suggests that status quo (or increased) Capital utility spending is appropriate for the Rebasing term, but somehow the Energy Transition Risks over the same period will increase materially enough drive the need for an increased equity thickness. These both can't be correct and Pollution Probe suggest that neither is actually correct. The risk related to stranded

assets is minimal compared to overall rate base for the period 2024-2028. Changes to Capital treatment for all new Capital starting in 2024 will help mitigate long term (i.e. post 2028) risks related to the Energy Transition and Stranded Assets.

Pollution Probe is aware that other parties intend to include additional support for this concept in their submission and Pollution Probe is not intending to duplicate it in its submission. For additional details, please see Section 7, Issues 3 and 22.

F. Revenue Deficiency/Sufficiency (Exhibit 6)

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

There was no settlement of this issue, as it cannot be determined and validated until other outstanding issues are determined.

G. Cost Allocation (Exhibit 7)

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

Residual cost allocation issues will be addressed in Phase 3 of the proceeding.

H. Rate Design (Exhibit 8)

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

Per the OEB approved Settlement Agreement, there was complete resolution for Purposes of Phase 1 (i.e. 2024 purposes only)

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

Per the OEB approved Settlement Agreement, there was complete resolution for Purposes of Phase 1 (i.e. 2024 purposes only)

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

Per the OEB approved Settlement Agreement, there was complete resolution for Purposes of Phase 1 (i.e. 2024 purposes only)

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

This issue related to Phase 1 was settled via the Settlement Agreement, per the outline below and as formalized in the Settlement Agreement.

See Issue 24. Most of this issue is proposed to be resolved in Phase 3 of the proceeding. Parties agree that the following items can be implemented in 2024, before Phase 3 of the proceeding:

- Parties agreed that Enbridge Gas will make the proposed changes to the 2024 Rate Handbook and Conditions of Service to the extent that such changes are independent of the proposed harmonized rates and services that are now being addressed in Phase 3. No changes will be made to the 2024 Rate Handbook or Conditions of Service that relate to customer connections policy until after the OEB decision in Phase 1 of this proceeding (and any such changes must be consistent with the Phase 1 decision).
- Parties agreed that Enbridge Gas can implement the proposed changes to interruptible rates that would permit negotiated interruptible rates as part of an IRP Plan.
- Parties agreed that Enbridge Gas will eliminate certain rate classes and services that are not being used as outlined by the list in the Settlement Agreement.
- Additionally, Parties agreed that the pricing for the Union balancing service will be amended to remove the name change service charge and to remove the Parkway to Dawn toll to reflect that customers now deliver primarily to Dawn.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Subject to the following qualifications and changes, Parties accepted 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.

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

This issue was settled via the Settlement Agreement filed and accepted by the OEB.

I. Deferral & Variance Accounts (Exhibit 9)

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

Parties agreed to the continuation, establishment and closure of deferral and variance accounts as proposed by Enbridge, with several exceptions.

Parties agreed that certain harmonized gas supply accounts will not be established before harmonized rates are considered and determined Phase 3 of this proceeding. The impacted harmonized accounts are the following:

- Purchased Gas Variance Account
- Third Party Transportation Variance Account
- Load Balancing Variance Account
- Inventory Reevaluation Variance Account
- Market-Based Storage Variance Account

Parties agreed modifications will be made to several existing and proposed deferral and variance accounts:

- The IRP Operating Cost and IRP Capital Cost Deferral Accounts will be modified to recognize off setting amounts in the account balances to reflect avoided capital cost impacts related to facilities projects that are delayed, avoided or downsized by IRP.
- The Tax Variance Deferral Account (TVDA) will be modified to stipulate that 100% of any impacts from tax rule changes, or the availability and use of tax credits (or similar mechanisms) specifically directed at energy transition activities, will be recorded in the account. The question of whether the impacts of any tax credit (or similar mechanisms) changes specifically directed at the energy

transition will be shared 50/50 or credited/debited entirely to ratepayers will be determined at the time that the amounts in the account are cleared.
- The Greenhouse gas Emissions Administration Costs Deferral Account will be renamed as the Carbon Charges Bad Debt Deferral Account, and the scope will be limited to recording the bad debt cost associated with carbon charges, for Enbridge Gas to later seek to recover from ratepayers.
- Updated UFG accounts will be created, as outlined in the Settlement Agreement.

Volume Variance Account (VOLUVAR)

Enbridge proposes a new volume variance account that would adjust for a comprehensive range of factors affecting average use. This includes weather and actual volumes against those forecasted. This essentially removes all risk from Enbridge related to average use, reducing Enbridge's revenue risk profile in comparison to status quo. Pollution Probe believes that if the OEB accepts this proposal (as proposed by Enbridge or adjusted per other stakeholders proposal), that there are key conditions that should be included. These are:

- Provide the breakdown of VOLUVAR annual account balances due to DSM and also continue to include the calculations in the DSM audit process related to variance between volume estimates and actuals. Require the result of the DSM audit included in the VOLUVAR clearance request.
- Provide a detailed analysis of the volume variance and factors behind the variance related to the Energy Transition for the annual clearance of the VOLUVAR account. This should also include variances related to declining customer use, fuel switching and building code or related regulatory changes from Enbridge's base forecast.
- For the next rebasing term, Enbridge should include a consolidation of the factors impacting the VOLUVAR account (including DSM, average use, fuel switching, building code changes, etc.) and explain how those factors are addressed in the volume forecast for the next term.

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB. Details of the accounts accepted, removed or modified is included in the Settlement Agreement. There are also certain accounts which are deferred to Phase 2 of this proceeding, such as Energy Transition Technology Fund Variance Account

The Settlement Agreement related to accounts in Phase 1 includes the Enhanced Distribution Integrity Management Program Variance Account where Parties agreed

instead to the creation of a new Distribution Integrity Management Program (DIMP) Costs Variance Account. The account will record variances in Enbridge spending each year on the DIMP and EDIMP programs as a combined account. Parties agreed 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 will provide annual reporting on actual combined 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.

Enbridge has used the terms DIMP and e-DIMP separately, but in Pollution Probe's view Integrity Management is one single issue that Enbridge is responsible for assessing and prioritizing under the funding envelope provided by the OEB. The OEB does not micromanage Enbridge's CSA requirements as the system operator, nor should it. This is not new and has been the case preceding this proceeding.

It appears that Enbridge has misconstrued the OEB's St. Laurent Decision as a requirement to do e-DIMP[201] as a separate effort to enable Enbridge to proceed with the St. Laurent project (included again in Enbridge's AMP) that was previously declined by the OEB. In the EB-2020-0293 Decision, the OEB merely identified an inconsistency in Enbridge Integrity Management approach and urged Enbridge to consider other options than a new large capital pipeline. This issue is not specific to the St. Laurent project and is applicable across the system, particularly in light of IRP requirements established in 2021. This project remains contentious for the very same reasons the OEB rejected the project[202]. Furthermore, the assessment of IRP alternatives in alignment with the City of Ottawa community energy plan does not appear to be proceeding within expectations[203]. Phases of the St. Laurent project are in the AMP, but Enbridge confirmed it has not completed IRP or Integrity Management analysis of the existing project this time[204].

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

This issue was partially settled via the Settlement Agreement filed and accepted by the OEB.

[201] Exhibit 1, Tab 13, Schedule 3.
[202] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 13, Page 7.
[203] CityofOttawa_LtrComment_EGI 2024 Rebasing_20230721
[204] Final Transcript EB-2022-0200 TC5 March 28 2023, Page 138-139. JT5.36.

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

- Parties did not agree to the clearance of the 2019-2023 balances in the TVDA which relate to accelerated CCA costs for integration projects (forecast at approximately $5 million).
- Parties do not agree to the clearance of the balance in the Accounting Policy Changes Deferral Account (APCDA).

Parties agreed that any clearances of 2019-2023 balances of deferral and variance accounts should be apportioned to the EGD and Union rate zones as appropriate, and effected using the methodologies and allocators, applicable to the account balance, in place during the deferred rebasing term.

Pollution Probe does not have any incremental submissions related to this issue.

J. Other

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

There was no settlement of this issue. This issue was not covered during the oral hearing process and the OEB directed Parties to make submissions on this issue in writing. Treatment of the NGV Program may be necessary adjustments to Rate Base (Issue 6), the other revenue forecast (Issue 10), and O&M (Issue 12).

Enbridge Gas Distribution and Union Gas initiated their respective NGV programs in the mid-1980s in response to market forces and opportunities in place at the time. Over four decades have past and as outlined during the hearing, none of the drivers in place at the time the NGV programs were established, remain at this time. NGV is incompatible with the Energy Transition and is not a credible decarbonization option considered by consumers and businesses today. Pollution Probe recommends that this program be wound down as a regulated activity over the Rebasing term.

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

Complete settlement per the Settlement Agreement.

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

Complete settlement per the Settlement Agreement.

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

There was no settlement of this issue.

Pollution Probe recommends that the OEB approve an Earning Sharing Mechanism ("ESM") in alignment with the existing mechanism. This will protect rate payers and reduce the possibility 'gaming' in 2024.

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

There was no settlement of this issue.

Pollution Probe is aware that other stakeholders are planning to summarize the record before the OEB on this issue. Pollution is supportive of leveraging IRP options to the extent possible. Enhancing and leveraging IRP will also have the added benefit of helping Enbridge mature its internal IRP competencies.

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

There was complete resolution for the Purposes of Phase 1. Parties have agreed that the determination of the proposed harmonized methodology for determining the amount of storage space and deliverability required to serve in franchise customers, and the proposed allocation of storage space and deliverability among customers is appropriately determined in Phase 2 of this proceeding when other storage and utility/non-utility cost allocation issues are being addressed.

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

There was no settlement of this issue.

Pollution Probe recommends that the OEB reject Enbridge's request for a partial exemption from certain Service Quality Requirements ("SQR") as a result of its inability since the merger to meet the required targets. It is not in the public interest to remove requirements for metrics designed to ensure adequate performance when performance drops below the benchmark. Adopting that approach would dilute performance rather than ensuring that performance is maintained or improved.

K. Rate Implementation

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

There was no settlement of this issue.

Enbridge requested OEB approval for interim 2024 rates based on the OEB's Phase 1 decision, to be effective January 1, 2024, irrespective of the timing of the implementation date of the Rate Order.

Enbridge required major evidence update during the proceeding as noted. This included major updates to foundational consultant reports, a major Capital Update, as well as response to significant issues that should have been addressed in Enbridge's initial application (e.g. Energy Transition). However, based on the current Procedural Order and trajectory of Phase 1 of this proceeding, it is expected that an OEB Decision will likely be issued close enough to January 1, 2024 to enable the OEB to make it applicable as of January 1, 2024.

8. Other Issues

Submission of issue not covered by the Phase 1 Issues List.

8.1 Approval of various Enbridge reports, studies, internal policies, guidelines, etc.

In Enbridge's original application, there were some requests (e.g. OEB approval of certain studies, policies, methodologies, forecasts, etc. that are not covered (directly or indirectly) in the Phase 1 Issues List. It is not typical for the OEB to approve these documents unless there is a specific need. Enbridge has historically relied on various internal policies, guidelines, studies, etc. For example, the Asset Management Plan (AMP) may provide Enbridge's context for what projects may be undertaken by Enbridge, but the OEB does not actually approve the document of the specific lists of projects it contains. Other documents like the Draft IRP Guide[205] created by Enbridge can have a more significant impact on capital expenditures over time, but Enbridge has not brought it forward for OEB review and approval. The responsibility is on Enbridge to ensure compliance and to demonstrate that they are implementing in a prudent manner. In some cases certain documents may underpin assumptions related to issues on the Issues List. The OEB decision for issues in this proceeding should stand on its own and it will be important that there is not an inference that anything outside the specific decision is indirectly OEB approved by default.

[205] Exhibit JT5.36,

9. Summary of Recommendation

Below is a summary of recommendations.

- Pollution Probe recommends that the OEB require Enbridge to provide notice in advance of beginning a significant study like this to all relevant stakeholders and consider a more formal process to ensure that all relevant stakeholders are included in a meaningful manner. This could be done for the proposed Hydrogen Study. For some specific studies, it may be more appropriate for the OEB to lead the study itself to avoid bias[206], similar to what was done in partnership with IESO for the DSM Potential Study. This resulted in a more cost-effective, objective and credible product.
- It is recommended that Enbridge not proceed with the Phase 2 hydrogen blending project until the results of the first project are available. The OEB gave special approval on a Pilot basis for the Phase project in Markham and it is unclear how the OEB would handle additional hydrogen projects in the future.
- Pollution Probe recommends that the OEB undertake guidance on the use of lifecycle emissions and require Enbridge to use best available practices and proper lifecycle emission calculations for regulatory purposes, including when comparing alternatives against natural gas.
- Some options for consideration to improve providing objective e consumer information include:
    - Place a moratorium on Enbridge using rate payer funding to promote natural gas, RNG or hydrogen over other fuels and technologies until Enbridge submits to the OEB updated communications materials that provide an objective, current and unbiased comparison of alternative against natural gas.
    - Set up an OEB Committee to review Enbridge marketing of natural gas, RNG or hydrogen in relation to other fuels and technologies (for existing and prospective customers)
    - The OEB can undertake an initiative to identify best available information for Enbridge to use in its promotion of fuel and technology options to current and prospective customers.
- The OEB could also consider certain subjects related to ccASHPs and other modern technologies for inclusion in the scope of OEB initiatives such as FEI, RPPAG or DER Connections.
- Pollution Probe recommends shortening the revenue horizon for economic feasibility assessment from 40 years to 15 years in Enbridge's customer connection policy. This aligns with the proposed actual capital amortization limit proposed by Pollution

[206] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 5 page 59.

Probe to align with Energy Transition and mitigate risks related to stranded assets. It also aligns with the recommendations in the Energy Futures Group report.

- Pollution Probe recommends that the OEB remove that unintended perceived barrier to IRP and clarify that IRP alternatives are deemed equivalent to providing natural gas.
- Pollution Probe recommends that the OEB consider options to ensure that the OEB IRP TWG is included proactively in advance of Enbridge decisions on all activity where IRP can be considered. Currently, Enbridge is not working with the OEB IRP TWG in the manner intended.
- Pollution Probe recommends that the OEB require Enbridge to undertake a consolidated review by the OEB IRP TWG of all proposed projects requiring Leave to Construct approval and that Enbridge must file the consolidated OEB IRP TWG comments with all Leave to Construct applications. This is very similar in nature to the Ontario Pipeline Coordination Committee reviews process to review other aspects of a proposed project prior to the application is completed and file. The OEB IRP TWG review should occur prior to the final project solution being chosen and no less than 90 days prior submitting a Leave to Construct application in order to allow time for IRP alternatives to be thoroughly assessed.
- Require Enbridge to post on its public IRP website details of all AMP projects by region that are an option for IRP alternatives, even if the assessment is not fully complete. This will provide the transparency intended when the OEB ordered Enbridge to create the website and enable stakeholders to participate before Enbridge rules our IRP alternatives for the project. Similarly, require Enbridge to include information related to all AMP projects by region that are an option for IRP alternatives in the Regional Stakeholder Sessions.
- Require posting of stakeholder feedback on the Enbridge IRP website within 30 days of receiving it. Currently, no feedback received since 2021 has been posted on the Enbridge IRP website.
- Enbridge should complete the Enbridge IRP Guide[207] in collaboration with the OEB IRP TWG and post a copy each year on the current document on Enbridge's IRP website, plus the OEB's website providing public documentation for the OEB IRP TWG. Each calendar year Enbridge should submit a copy of the updated draft IRP Guidelines to the OEB IRP TWG prior to finalizing annual updates. The annual OEB IRP TWG Report should include a summary of improvements made and any areas where OEB IRP TWG comments/edits were not accepted by Enbridge.
- Pollution Probe also recommends that the OEB enable electric IRP solutions to be included in the options for IRP, particularly implementation of electric ccASHPs.

[207] Exhibit JT5.36, Attachment 2, Page 5

- Pollution Probe recommends that the amortization period for utility capital be truncated at a maximum of 15 years for all new capital commissioned stating in 2024.
- Pollution Probe also recommends that Enbridge retain the risk for stranded assets, which would provide Enbridge an incentive to build prudent risk management processes into its capital planning processes.
- The proposed 2024 capital expenditures should be reduced from $1,470.3 million to $1,102.7 million. Adjustment factors may also need to be considered in Phase 2 for years following 2024.
- Create an OEB Committee to provide review and input into the proposed Hydrogen Study. Should the Hydrogen Study proceed it should not be Capitalized unless the OEB approves that treatment once the final report is available.
- Reduce the capital envelope for the relevant years by the amount estimated for any capital projects should they be rejected by the OEB (e.g. in an LtC). A reduction in Enbridge planned spending due to rejected projects should flow as a benefit to rate payers and not be reallocated in the year(s) it was forecasted to be capitalized.
- Decline rate treatment for the Panhandle Regional Expansion Project (PREP) and exclude it from this Rebasing application. There is no basis for inclusion of any rate treatment for PREP in this proceeding and Enbridge can make a more informed application should the OEB grant Leave to Construct approval for this contentious and expensive project.
- Recommended improvement on energy efficiency options:
    - Modify the training and marketing material to ensure that is a natural gas customer (i.e. active Enbridge service to supply natural gas for any purpose and not just natural gas space heating) are eligible for the enhanced incentives.
    - Modify consumer facing materials to include more clear wording such as “the enhanced incentive is available even if a current gas customer uses the incentive toward a retrofit to move off of natural gas”.
    - Require a copy of the Greener Homes Grant program information and related DSM incentive information be provided to prospective customers including community expansion projects as part of the outreach materials during project planning. This will ensure that consumers are better informed on energy efficiency options and incentives when considering major energy retrofits.
- For any expansion projects, Enbridge should provide more robust information including questions clearly identifying whether customers would consider to leave the natural gas system for other non-gas technologies in the future if they were more economical options available. An estimate for lost customers should also be more appropriately accounted for in the PI calculation.

- Pollution Probe recommends that the Integration Capital not be recovered from customers given that it did not result in the permanent efficiencies expected. The OEB could consider the recommendation put forward by OEB Staff, that Enbridge should be permitted to include 50% of the net book value of integration capital to 2024 opening rate base. However, this would require that a stretch[208] efficiency amount built into the Rebasing term to provide rate payers permanent efficiencies that were not delivered over the previous period.
- Pollution Probe recommends that the OEB not provide special approval for Enbridge to capitalize indirect overheads. To the extent that Enbridge is able to track overheads in a manner consistent with accounting standards, Enbridge will be able to move a portion of what are considered indirect overheads, over to become direct project costs or direct overheads. Any adjustment to O&M would need to reflect the corresponding 25% reduction in Capital, plus required efficiency stretch factors.
- Pollution Probe suggests that there is no basis for a change to Enbridge's Capital Structure over the proposed Rebasing period.
- If the OEB approves the VOLUVAR account, consider the following:
    - Provide the breakdown of VOLUVAR annual account balances due to DSM and also continue to include the calculations in the DSM audit process related to variance between volume estimates and actuals. Require the result of the DSM audit included in the VOLUVAR clearance request.
    - Provide a detailed analysis of the volume variance and factors behind the variance related to the Energy Transition for the annual clearance of the VOLUVAR account. This should also include variances related to declining customer use, fuel switching and building code or related regulatory changes from Enbridge's base forecast.
    - For the next rebasing term, Enbridge should include a consolidation of the factors impacting the VOLUVAR account (including DSM, average use, fuel switching, building code changes, etc.) and explain how those factors are addressed in the volume forecast for the next term.
- Pollution Probe recommends that the NGV program be wound down as a regulated activity over the Rebasing term.
- Pollution Probe recommends that the OEB approve an Earning Sharing Mechanism ("ESM") in alignment with the existing mechanism.
- Pollution Probe recommends that the OEB reject Enbridge's request for a partial exemption from certain Service Quality Requirements ("SQR")

[208] Reasonable amounts above and beyond the adjustments already outlined in these submissions. If they are not truly incremental stretch efficiencies, it would be double counting the same reduction twice.