



**Vanessa Innis**  
Program Director  
Strategic Regulatory Applications –  
Rebasing  
Regulatory Affairs

tel 416-495-5499  
EGIRegulatoryProceedings@enbridge.com

**Enbridge Gas Inc.**  
P. O. Box 2001  
50 Keil Drive North  
Chatham, ON N7M 5M1

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**VIA RESS AND EMAIL**

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas, or the Company)**  
**EB-2022-0200 – 2024 Rebasing – Response to Intervenor Comments**

Enbridge Gas filed its 2024 Rates Application and the majority of its supporting evidence on October 31, 2022 and the balance of its evidence on November 30, 2022. In this Application, Enbridge Gas requests approval of rates for the sale, distribution, transmission, and storage of gas commencing January 1, 2024. Enbridge Gas also applied for approval of an incentive rate-making mechanism (IRM) for the years from 2025 to 2028.

On December 21, 2023, the OEB issued its Decision and Order on Phase 1 of the 2024 Rates Application (Decision) and directed Enbridge Gas to file a Draft Rate Order, including a proposed Rate Handbook, reflecting the OEB's findings in the Decision. Enbridge Gas filed its Draft Rate Order on February 16, 2024 and received comments from intervenors and OEB staff on March 1, 2024. Procedural Order No. 7 directed Enbridge Gas to file any reply by March 15, 2024.

Through this letter, and the associated attachments, Enbridge Gas sets out its response to the requests, comments and positions of other parties about the Draft Rate Order.

In a separate letter also being sent today, Enbridge Gas is filing an updated Draft Rate Order that reflects the most recent rate changes from the April 2024 QRAM (EB-2024-0093). The originally filed Draft Rate Order was based on January 1, 2024 rates as approved in the January 2024 QRAM (EB-2023-0330) updated for the Decision and required an update to reflect the April 2024 QRAM changes prior to implementation of interim 2024 rates on May 1, 2024. The updated Draft Rate Order also reflects two corrections and incorporates one other change resulting from the intervenor comments on the Draft Rate Order (described below).

## **Response to Comments on Draft Rate Order**

On March 1, 2024, OEB staff and six intervenors<sup>1</sup> filed comments on the Draft Rate Order. The comments did not raise fundamental concerns but included a number of items requiring supporting information and/or explanations. In the subsections below, Enbridge Gas addresses each of the topics raised by other parties.

### **a. Capital Budget – Allocation of \$250 million Reduction**

Within the Draft Rate Order, Enbridge Gas provided information and calculations showing how the Company has implemented the OEB's directions to reduce the capital envelope by \$250 million, and to expense \$50 million of capitalized overheads as O&M for 2024.<sup>2</sup>

SEC asserted that a proper interpretation of the OEB's Decision is that all of the capital cost reductions should come from the Company's system renewal budget and asked the OEB to "clarify its intent".<sup>3</sup> ED indicated that Enbridge Gas has correctly interpreted the \$250 million capital reduction as applying to the entire capital envelope such that Enbridge Gas has flexibility within that envelope.<sup>4</sup>

On March 8, 2024, the OEB issued a letter "confirming that the \$250 million reduction to the 2024 capital budget applies to the entire 2024 capital envelope."<sup>5</sup>

### **b. Capital Budget Updates – Impact on Rate Base and Revenue Requirement**

Within the Draft Rate Order, Enbridge Gas provided information and calculations showing how the Company has implemented the OEB's directions to reduce the capital envelope by \$250 million, and to expense \$50 million of capitalized overheads as O&M for 2024.<sup>6</sup> Parties made a number of information requests in response.

Below, Enbridge Gas sets out responses to each of these requests.

#### **(i) How does a reduction in capital expenditures increase revenue requirement?**

OEB staff requested that Enbridge Gas provide details about why a reduction of \$250 million in capital expenditures results in an increase to revenue requirement.<sup>7</sup>

Enbridge Gas notes that the reduction of \$250 million to the 2024 Test Year capital budget was implemented in a manner that profiled in-service reductions on a monthly basis in the same manner as the original in-service additions. The result is a reduction

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<sup>1</sup> The intervenors who filed submissions are Canadian Manufacturers and Exporters (CME), Environmental Defence (ED), Industrial Gas Users Association (IGUA), London Property Management Association (LPMA), School Energy Coalition (SEC) and Vulnerable Energy Consumer Coalition (VECC).

<sup>2</sup> Draft Rate Order Overview, pp. 4-5 and associated Schedules.

<sup>3</sup> SEC Submission, pp. 1-2; see also LPMA Submission, p. 1.

<sup>4</sup> ED Submission, p. 1.

<sup>5</sup> <https://www.rds.oeb.ca/CMWebDrawer/Record/843160/File/document>.

<sup>6</sup> Draft Rate Order Overview, pp. 4-5 and associated Schedules.

<sup>7</sup> OEB staff Submission, p. 3.

to rate base of \$75 million representing the reduction to Enbridge Gas's Average Investment for revenue requirement purposes. The in-service capital reduction results in a reduction to required return on investment and a reduction to depreciation expense which are both more than offset by the removal of the favourable tax implications of accelerated CCA deductions on \$250 million of in-service capital.

Please see Table 1 and Table 2 for the details and breakdown of the revenue requirement calculation.

Table 1  
Rate Base Calculation - \$250 million Capital Expenditure Reduction

(\$ millions)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average of Monthly Averages
Monthly In-service reduction	4%	3%	7%	2%	3%	5%	7%	3%	13%	12%	8%	35%	100%	
Reduction-Monthly (millions)	9	7	17	5	7	12	18	7	33	29	20	86	250	
Reduction-Cumulative	9	15	33	38	45	57	75	82	114	143	163	250		75

Table 2  
Revenue Requirement Impact Calculation – Reduction to In-Service Capital

Line No.	Particulars (\$ millions)	2024 (a)	
	<u>Rate Base Investment Impact</u>		
1	Capital Expenditures	(250.0)	
2	Cumulative Capital Expenditures	(250.0)	
3	Average Investment	(75.0)	
	<u>Revenue Requirement Impact Calculation:</u>		
4	Depreciation Expense (1)	(5.0)	
5	Required Return (2)	<u>(4.4)</u>	
6	Total Operating Expense and Return		(9.4)
	<u>Income Taxes:</u>		
7	Income Taxes - Equity Return (3)	(0.8)	
8	Income Taxes - Utility Timing Differences (4)	<u>15.0</u>	
9	Total Income Taxes		<u>14.2</u>
10	Total Revenue Requirement Impact		<u>4.8</u>

Notes:

- (1) Depreciation expense at 2024 OEB-approved depreciation rates.
- (2) The required return assumes a capital structure of 62% long-term debt at 4.17% and 38% common equity at the 2023 OEB formula return of 8.66%. The annual required return calculation is as follows:  
Average Investment (row 3) \* 62% \* 4.17% plus Average Investment (row 3) \* 38% \* 8.66%
- (3) Taxes related to the equity component of the return at a tax rate of 26.5%.
- (4) Taxes related to utility timing differences reflecting that the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

(ii) Impact of overhead capitalization reduction on rate base

IGUA requested that Enbridge Gas provide details about why the reduction of \$50 million in overhead capitalization results in a reduction of only \$14 million in rate base.<sup>8</sup>

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<sup>8</sup> IGUA Submission, pp. 4-5.

The rate base impact of the \$50 million reduction in gross overheads is an average of monthly averages calculation where the gross reductions to in-service capital are profiled monthly in the same manner as the amounts were initially included in rate base. The result of the profile is that rate base for the 2024 Test Year is reduced by \$14 million. Please see Table 3 for the profile and calculation of the rate base decrease.

Table 3  
Rate Base Calculation – Overhead Capitalization Reduction

(\$ millions)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average of Monthly Averages
Monthly In-service Reduction	4%	3%	7%	2%	3%	5%	7%	3%	13%	12%	8%	35%	100%	
Reduction-Monthly	2	1	3	1	1	2	4	1	7	6	4	17	50	
Reduction-Cumulative	2	3	7	8	9	11	15	16	23	29	33	50		14

(iii) Detailed schedules

SEC requested that Enbridge Gas provide detailed schedules to show the implementation of the 2024 capital expenditures reduction, including adjustments and details about how this translates into in-service capital, so other parties can review and comment.<sup>9</sup>

Attachments 1 to 5 provide updates to several Exhibit 2, Tab 2 schedules, as listed below, that provide the continuity of changes (from Capital Update to the DRO) in 2024 Gross Property, Plant & Equipment (PPE) and associated Accumulated Depreciation:

- Attachment 1 - Exhibit 2, Tab 2, Schedule 1, pages 3-4 – Updated for Draft Rate Order
- Attachment 2 - Exhibit 2, Tab 2, Schedule 1, page 8, Tables 3-4 – Updated for Draft Rate Order
- Attachment 3 - Exhibit 2, Tab 2, Schedule 1, Attachment 1, pages 3-4 – Updated for Draft Rate Order
- Attachment 4 - Exhibit 2, Tab 2, Schedule 1, Attachment 2, page 6 – Updated for Draft Rate Order
- Attachment 5 - Exhibit 2, Tab 2, Schedule 1, Attachment 8 – Updated for Draft Rate Order

A summary of the changes in Gross PPE and Accumulated Depreciation between the Settlement and Draft Rate Order is provided in Table 4.

<sup>9</sup> SEC Submission, p. 2; see also LPMA Submission, p. 1.

Table 4  
Comparison of Gross PPE and Accumulated Depreciation

<u>Particulars (\$ millions)</u>	<u>2024 DRO</u>	<u>2024 Settlement</u>	<u>Variance</u>
Gross Plant - Opening 2024	23,813.9	24,024.1	(210.2)
In-service Additions	973.1	1,274.3	(301.2)
Retirements	(125.9)	(176.3)	50.4
Adjustments	(37.5)	(60.6)	23.1
Gross Plant - Closing 2024	24,623.6	25,061.5	(437.8)
A/D - Opening 2024	(8,612.8)	(8,710.1)	97.4
Depreciation	(695.0)	(866.2)	171.2
Retirements	180.3	228.7	(48.4)
Adjustments	6.1	6.1	0.0
A/D - Closing 2024	(9,121.3)	(9,341.5)	220.2
Net Book Value	15,502.3	15,720.0	(217.6)

### **c. Integration Capital**

In the Draft Rate Order, Enbridge Gas explained that the write-off of integration capital amounts from opening rate base was \$91 million rather than \$119 million, because that was the full remaining undepreciated value in the impacted plant accounts.<sup>10</sup>

Several parties objected to Enbridge Gas's adjustment to the undepreciated value of the integration capital assets.<sup>11</sup> These parties suggest that this is a last-minute adjustment that should not be allowed. OEB staff submits that this change should only be permitted if Enbridge Gas provides evidence to establish the amount and explain why the evidence could not have been provided earlier.<sup>12</sup>

As set out below, Enbridge Gas maintains that its approach is proper and should be approved. As a first point, Enbridge Gas would like to emphasize that the undepreciated integration capital balance of \$119 million was written off and is not included in the opening balance of 2024 Test Year rate base. Enbridge Gas maintains that the \$119 million is the most appropriate estimated net book value of the integration assets as it represents the total forecasted costs depreciated at OEB-approved rates. The amount is an estimate as it is not possible to isolate the net book values of individual assets under group depreciation.

However, the write-off resulted in a negative net book value in a computer software plant account in the EGD rate zone. This means that the assets in the computer software plant account were already fully expensed through depreciation. An adjustment of \$28 million was required to correct the negative net book value in the

<sup>10</sup> Draft Rate Order Overview, pp. 3-4.

<sup>11</sup> SEC Submission, p. 3; IGUA Submission, p. 4; VECC Submission, pp. 1-2; LPMA Submission, p. 1; and CME Submission, p. 1.

<sup>12</sup> OEB staff Submission, pp. 2-3.

computer software plant account (i.e., bring the balance to zero), resulting in a net rate base reduction of \$91 million at the time of the write-off.<sup>13</sup>

Please see Attachment 6 for a continuity schedule showing the impact of the integration capital write-off on the associated plant accounts:

- Columns (d), (e) and (f), illustrate how each of the plant accounts has been adjusted to remove the integration capital assets, totaling to the disallowed amount of \$119 million in line 8, column (f).
- Line 1, column (i) illustrates the negative net book value of \$28 million after the write-off and removal of integration assets from the related plant account.
- To correct the negative balance in the plant account, an adjustment of \$28 million was reflected in columns (k) and (l), and updated in Exhibit 2, Tab 2, Schedule 1, Attachment 8, pages 4 and 9.

A negative plant balance in any account does not comply with the Uniform System of Accounts (USoA) for Class A Gas Utilities, as there is no anticipated cost of retirement/net salvage value. The USoA states the following:

*If a primary account is fully depreciated (i.e., when the plant balance is equal to the corresponding accumulated depreciation plus or minus the estimated net salvage) further accumulation of depreciation on that plant account should cease.*<sup>14</sup>

To comply with the guidance in the USoA, which prohibits depreciation from being recorded once the plant balance is equal to the corresponding accumulated depreciation balance,<sup>15</sup> a \$28 million adjustment to accumulated depreciation was required to bring the balance of the account to zero.

Also, a negative plant balance would imply there is an amount to be credited to ratepayers within rate base (i.e., an additional liability and cost to Enbridge Gas above the write-off of integration capital assets). There should not be a credit (or liability) because, Enbridge Gas has already recognized the costs giving rise to the \$28 million surplus accumulated depreciation balance through past depreciation expense. Leaving a negative plant balance (or credit) in rate base would effectively require Enbridge Gas to write-down assets from rate base that have not been disallowed.

The surplus accumulated depreciation balance within the EGD software plant account was discussed in evidence<sup>16</sup> and, in the absence of integration capital being disallowed, would have been mitigated by implementing lower depreciation rates which would have slowed depreciation prospectively, and a positive net book value would have been maintained.

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<sup>13</sup> -\$91 million = -\$119 million + \$28 million.

<sup>14</sup> Ontario Energy Board Uniform System of Accounts for Class A Gas Utilities Part I April 1, 1996, Section 7. Plant Accounting Instructions, Part 5 Depreciation, Subpart B.

<sup>15</sup> Net salvage is not estimated or recorded on software assets.

<sup>16</sup> Exhibit 4, Tab 5, Schedule 1, pp. 6-7.

Parties might suggest that Enbridge Gas could apply the negative plant balance against other assets. Transferring (or netting) the negative plant balance to (or against) other plant accounts (e.g., software plant accounts in the Union rate zone) would not be in compliance with U.S. GAAP because the EGD and Union rate zones were applying different depreciation methodologies and rates and were subject to separate regulatory approvals. This would also not be appropriate as it would reduce balances for assets that were not related to integration capital.

Contrary to what parties have suggested, Enbridge Gas is not inappropriately attempting to reduce the impact of the Decision. In fact, the revenue requirement impact of the removal of the integration capital is larger than forecast. As demonstrated in Table 5, the Draft Rate Order reduced rate base by \$91 million which resulted in a \$34 million reduction to the 2024 revenue requirement. In contrast, calculating the revenue requirement on a stand-alone basis, in alignment with how the \$119 million net book value was originally estimated, would have resulted in only a \$28 million reduction to the 2024 revenue requirement.<sup>17</sup>

As seen in Table 5, the main driver of the additional \$6 million reduction in revenue requirement is lower depreciation expense. The removal of integration assets has reduced certain software plant balances to zero. Since no new assets are permitted to be added to these plant accounts after January 1, 2024<sup>18</sup>, depreciation on these pools will no longer be recorded.

Table 5  
2024 Revenue Requirement – Impact of Writing off Integration Capital

(\$ millions)	Stand-alone basis per Exhibit JT1.12	Per Draft Rate Order
Rate base reduction	(119)	(91)
Depreciation	(15)	(20)
Interest Expense	(3)	(2)
Return on Equity	(5)	(4)
Income tax	(5)	(7)
Revenue Requirement reduction	(28)	(34)

Finally, Enbridge Gas disagrees with the characterization from parties that it was inappropriate to raise the impacts of other adjustments on the integration capital write-off at this late stage. Throughout this proceeding Enbridge Gas believed and still believes that the undepreciated integration capital balance of \$119 million should be recoverable from ratepayers and should be included in rate base. It was only once Enbridge Gas received a decision ordering disallowance of this balance that it conducted the detailed analysis to understand the full consequences of the write-off, including the impacts of the surplus accumulated depreciation balance. The impact of the \$28 million adjustment to accumulated depreciation does not negatively impact ratepayers and in fact has provided an incremental reduction to 2024 revenue

<sup>17</sup> Exhibit JT1.12.

<sup>18</sup> Exhibit 4, Tab 5, Schedule 1, pp. 6-7



requirement when compared to the isolated impact of the specific integration asset write-off.

In summary, Enbridge Gas maintains that it has correctly reflected the disallowance of integration capital in the Draft Rate Order based on the following:

- Enbridge Gas has not re-valued the integration capital. The net book value of the integration capital is still estimated to be \$119 million.
- Processing a write-down of \$119 million resulted in negative plant balances which needed to be corrected because they were not in compliance with either the USoA or U.S. GAAP, necessitating a rate base adjustment of \$28 million.
- The revenue requirement reduction (benefit to customers) resulting from the write-off reflected in the Draft Rate Order (\$34 million) is higher than the original estimate calculated on a stand-alone basis (\$28 million).
- There was no intent to mislead or misstate any facts.
- Requiring Enbridge Gas to remove \$119 million from rate base for integration capital, with the confirmation that there is no further integration capital in rate base is punitive. Doing so would effectively require Enbridge Gas to write-down assets from rate base that have not been disallowed, because the maximum amount that Enbridge Gas can remove from rate base is \$91 million, after adjusting for the surplus accumulated depreciation.

#### **d. Regulated O&M Adjustment**

In the Draft Rate Order, Enbridge Gas reflected the impacts of the agreed \$50 million reduction in the 2024 O&M budget from the Settlement Proposal. Enbridge Gas explained that the allocation of the reduction resulted in an increase to revenue requirement of \$900,000 as compared to what was shown in the Settlement Proposal, because of allocation of the O&M reduction between regulated and unregulated.<sup>19</sup>

In their Submissions, several parties objected to this adjustment, stating that the entire \$50 million reduction, and all associated revenue deficiency impacts, should be directed to the regulated operations.<sup>20</sup> As such, the \$900,000 increase to revenue requirement should be reversed.

Operating costs are allocated to the unregulated storage business based on the harmonized unregulated storage cost allocation methodology, which will be examined in Phase 2 of this proceeding. However, Enbridge Gas acknowledges the comments and accepts that a reduction of the full \$50 million in net O&M was agreed to in the Settlement.

Having considered the positions of other parties, Enbridge Gas will remove the \$900,000 adjustment (addition) to revenue deficiency that had been reflected. This has been implemented within the updated Draft Rate Order being filed under separate cover.

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<sup>19</sup> Draft Rate Order Overview, p. 2.

<sup>20</sup> SEC Submission, pp. 3-4; IGUA Submission, p. 4; and LPMA Submission, p. 2.

**e. DSM**

In the Draft Rate Order, Enbridge Gas set out the allocation of DSM budget costs by rate class and also implemented the uniform residential DSM rates as required by the OEB.<sup>21</sup>

OEB staff submitted that Enbridge Gas's approach to calculating DSM rates is appropriate. OEB staff requested that Enbridge Gas provide the supporting calculations used to derive the forecast 2024 DSM budget spend by rate class, including the supporting calculations for the escalation methodology used to increase the 2023 DSM budget as approved by the OEB.<sup>22</sup>

Please see Attachment 7 for a description of the 2024 DSM budget by rate class and supporting calculations.

**f. Site Restoration Costs Variance Account**

In the Draft Rate Order, Enbridge Gas set out its planned approach to reflect the OEB's findings and directions in the Decision to start using site restoration amounts collected to fund a site restoration cost liability. The OEB indicated this could be done by way of a tracking account. Enbridge Gas has proposed a Site Restoration Costs Variance Account (SRCVA) to record and track the amount of site restoration costs collected through depreciation in rates as well as actual spending on site restoration. Enbridge Gas proposes that the fund will not be brought forward for disposition since the funds are to be used for future decommissioning and site restoration. Enbridge Gas proposes to place the balance of the SRCVA in an interest-bearing bank account for the duration of the incentive regulation term. Enbridge Gas will seek to ensure that the best interest rate is obtained.<sup>23</sup>

OEB staff and intervenors generally agree that Enbridge Gas has properly reflected the OEB's intent from the Decision in the planned approach for the SRCVA. Three discrete items were noted for response from Enbridge Gas and/or the OEB.

(i) There is no double-recovery

In the Draft Rate Order, the Company indicated that a debit balance in the SRCVA would reflect an offset to the pre-2024 site restoration costs liability, of approximately \$1.6 billion, currently reflected in accumulated depreciation.

OEB staff expressed concern that Enbridge Gas's proposal may result in a double recovery of site restoration costs and requested that Enbridge Gas explain why its proposal is reasonable and does not result in double recovery of site restoration costs.

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<sup>21</sup> Draft Rate Order, pp. 9-10 and Schedule 22.

<sup>22</sup> OEB staff Submission, p. 4.

<sup>23</sup> Draft Rate Order Overview, pp. 6-7 and 15-18.

Enbridge Gas would like to clarify that its proposal in the Draft Rate Order was not to actually debit accumulated depreciation in the event of a debit balance in the SRCVA. The balance in the SRCVA would only be combined with the \$1.6 billion balance included in accumulated depreciation upon approval from the OEB. Rather, Enbridge Gas was noting that the balance in the SRCVA (debit or credit) and the \$1.6 billion in accumulated depreciation should be considered in aggregate for the purposes of determining the net salvage component of depreciation rates in future depreciation studies.

Enbridge Gas agrees that it has historically collected amounts for site restoration costs (negative net salvage), in advance over the life of assets, that have been included in accumulated depreciation and have reduced rate base. To date, \$1.6 billion has been collected in excess of incurred negative net salvage costs, which is reflected in accumulated depreciation (i.e., over-depreciated by \$1.6 billion). The \$1.6 billion has been used to pay down the cost of the underlying assets (i.e., reducing financing requirements, or the cost of capital component of revenue requirement) and customers have benefited from lower revenue requirement as a result.

However, the advance collection of site restoration costs over the life of assets provides for, and is expected to be offset by, the actual costs of retirement. As such, the debiting of costs of retirement to accumulated depreciation, which on their own increase rate base, is what has always been done and what is intended to occur. The debit to accumulated depreciation offsets the over-depreciation that occurred over the life of the asset and simply stops/removes the carrying charge benefit that was provided by the advance collection, it does not result in a double recovery.

(ii) There is no imminent need to implement a different investment strategy

Some intervenors argue that Enbridge Gas should be required to make a proposal for a different investment strategy for the funds in the SRCVA as soon as possible, potentially as early as the 2025 rate adjustment case<sup>24</sup> or Phase 2 of this proceeding<sup>25</sup>. SEC argues that balances in the account should attract interest at the higher of 5% or the actual bank rate in the interim.

Enbridge Gas disagrees with ED and IGUA's suggestions that the OEB should direct Enbridge Gas to bring forward an Investment Policy for review earlier than the next rebasing application.

Enbridge Gas's view is that a well thought out and sound Investment Policy is critical to mitigating the risk of having insufficient funds available for future abandonment activities when they are required. Developing a diversified portfolio of investments to generate returns over time and meet expected obligations as they come due is in the best interest of both the Company and customers. The investment horizon is long, and Enbridge Gas believes taking time now to establish the right investment strategy and governance, to deliver on this future obligation, will benefit all stakeholders.

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<sup>24</sup> IGUA Submission, pp. 2-3; SEC Submission, p. 4; and LPMA Submission, p. 2.

<sup>25</sup> ED Submission, pp. 1-2.

In paragraph 50 of the Overview filed for the Draft Rate Order, Enbridge Gas outlined a non-comprehensive list of the key steps that are required to be performed before an Investment Policy can be submitted for review. Some of the steps would require inputs from studies that Enbridge Gas has been directed to undertake by next rebasing in the Phase 1 Decision. For example, the results of the net salvage study and the next depreciation study would inform an asset liability study. The accelerated timelines proposed by ED and IGUA would limit Enbridge Gas's ability to develop a well-informed investment strategy that appropriately considers the investment goals, objectives, strategies, risk tolerances, time horizons, expected liability obligations and funding amounts collected from customers, over the life of the portfolio.

The Company would also like to highlight the importance of maintaining liquidity in the near-term, which may be required to fund periodic shortfalls in amounts collected from customers compared to actual amounts spent, before a sizeable balance is accumulated. For example, the forecasted net balance of funds available to invest by the end of 2024 is approximately \$36 million.<sup>26</sup> The annual net amount available for investment could vary from year-to-year based on actual site restoration activity. Enbridge Gas's proposal to invest the funds in an interest-bearing bank account is an appropriate interim step to maintain liquidity and to avoid the potential risk of investment losses from implementing a hasty or unsound investment strategy. OEB staff submitted that an interest-bearing bank account is appropriate as an interim investment strategy until the OEB reviews and approves an investment policy.<sup>27</sup>

Enbridge Gas disagrees with SEC's proposal to set the interest rate at the higher end of the actual bank rate or 5%. Enbridge Gas outlined in paragraph 47 of the Overview filed with the Draft Rate Order that it will contact multiple Canadian financial institutions to ensure the bank account has the best rate available. There is no evidence in this proceeding to support a rate of 5% in the interim. Arbitrarily selecting an interest rate unfairly burdens Enbridge Gas, as the Company has no control over the interest rates set by Canadian financial institutions. SEC's proposal also fails to recognize that interest rates are determined by short term demand and supply of funds in financial markets and are therefore expected to fluctuate over time.

### (iii) Enbridge Gas requires interim approval of the SRCVA methodology

SEC submits that while it supports the creation of the SRCVA, it urges the OEB not to approve any specific methodology of how certain calculations and entries are made until there is a full review process.<sup>28</sup>

Enbridge Gas is not clear about SEC's particular concern. The Company hopes that the above discussion has helped clarify the activity that will be captured in the SRCVA and supports approval of the accounting order as proposed. The Company notes that the

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<sup>26</sup> Excludes the Dawn to Corunna Project. The forecasted net balance of funds available to invest by the end of 2024 including the Dawn to Corunna Project is approximately \$27 million.

<sup>27</sup> OEB staff Submission, p. 7.

<sup>28</sup> SEC Submission, p. 4; see also LPMA Submission, p. 2.

accounting order provides a description of the activity to be captured in the account but does not provide detailed calculations for the determination of those amounts. The Company anticipates that details, or support, for the appropriateness of amounts recorded in the account will be provided as necessary during subsequent reviews of the account balance, where appropriate (such as at rebasing, as part of the establishment of future net salvage depreciation rates, or as part of addressing the long-term treatment of net salvage/site restoration requirements).

In order to reflect the OEB's direction, and to establish the SRCVA regulatory account as part of Enbridge Gas's corporate financial statements, an accounting order specifying the activity to be captured is required. Enbridge Gas requests approval of the SRCVA accounting order as proposed.

#### **g. Depreciation**

In the Draft Rate Order, Enbridge Gas set out the recalculation of depreciation expenses to reflect the findings in the Decision.<sup>29</sup>

No party identified specific concerns with the calculations presented by Enbridge Gas. In order to enable full validation of the revised depreciation expenses, IGUA requested that Concentric provide a reconciliation of the Draft Rate Order tables to Concentric's initial tables, identifying changes in capital amounts and depreciation rates.<sup>30</sup>

Enbridge Gas submits that in order to provide the requested reconciliation, the Capital Update tables are the appropriate starting point. The initial tables provided by Concentric are based on plant in-service balances as of December 21, 2021. To demonstrate the impact of changes in capital amounts, the starting point would need to include the 2024 forecast from the Capital Update.

Please see Attachment 8 for a continuity of the impacts and the variance at each iteration based on comparing the Capital Update to:

- Settlement Agreement impacts which includes the reduction in indirect O&M overheads and the removal of Dawn to Corunna
- Revised depreciation rates based on the Phase 1 Decision
- Impact of removing integration assets
- Impact of reduction in capital budget amounts

#### **h. Disposition of Property Deferral Account**

In the Draft Rate Order, Enbridge Gas proposed the details for the methodology for the new account that was ordered in the Decision. The Company's proposal is that the ratepayer share (50%) of the gains/losses from the disposition of non-depreciable land would be recorded in this new Disposition of Property Deferral Account (DPDA). Enbridge Gas proposes that 100% of the net proceeds from the disposition of depreciable buildings would benefit ratepayers and be recorded as a credit to the

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<sup>29</sup> Rate Order Overview, pp. 5-6 and Schedule 12.

<sup>30</sup> IGUA Submission, p. 2; see also SEC Submission, p. 3 and LPMA Submission, p. 1.

SRCVA. This is an update to the historical approach where the proceeds from the disposition of depreciable buildings have been credited to accumulated depreciation, consistent with the treatment of proceeds received on the retirement of other depreciable assets.<sup>31</sup>

OEB staff submits that the recording of impacts related to the disposition of depreciable buildings should follow the historical approach (credit to accumulated depreciation). OEB staff submits that mixing costs and proceeds of depreciable assets in the SRCVA will increase the complexity of the account and distort its intended purpose.<sup>32</sup>

SEC and LPMA submit that more detail would need to be known before concluding that it is appropriate to record the impacts of the disposition of depreciable buildings in the SRCVA. In the meantime, SEC and LPMA submit that these impacts should be recorded in the DPDA.<sup>33</sup>

Enbridge Gas disagrees with OEB staff's position that net proceeds from the disposition of depreciable buildings should continue to be charged to accumulated depreciation (consistent with past practice) as opposed to charged to the proposed SRCVA. In response to the OEB's Phase 1 Decision, the SRCVA is proposed to capture net salvage activity (net amounts collected versus net amounts incurred) for 2024 and beyond, instead of accumulated depreciation, such that any surplus in net recoveries over amounts incurred can be set aside to fund future net salvage liabilities. In conjunction with that proposal, the treatment of net salvage amounts (proceeds net of cost) realized on the disposition of depreciable buildings should be consistent with the treatment of net salvage amounts realized on disposition or retirement of all other depreciable assets. There is no reason for depreciable building net salvage amounts to differ. The consistent treatment of building net salvage amounts also creates a delineation between net salvage activity up to 2024 versus 2024 onwards, which could aid or provide clarity to the future review of net salvage amounts. Recording both pre-2024 and 2024 onward building net salvage amounts in accumulated depreciation obscures that delineation. Finally, proceeds that are credited to the SRCVA continue to benefit ratepayers as they will increase the quantum of any funds to be set aside to fund future net salvage liabilities.

While Enbridge Gas disagrees with OEB staff's position for the reasons noted above, should the OEB not agree, Enbridge Gas believes OEB staff's position to follow historical treatment is more appropriate than intervenor submissions suggesting that net proceeds from depreciable building dispositions be recorded in the DPDA.

With regards to comments received from SEC and LPMA that suggest that net proceeds on the disposition of depreciable buildings should be recorded in the DPDA, possibly for disposition, as opposed to the SRCVA, the Company disagrees and has the following comments.

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<sup>31</sup> Draft Rate Order Overview, pp. 21-23.

<sup>32</sup> OEB staff Submission, p. 7.

<sup>33</sup> SEC Submission, pp. 4-5. See also LPMA Submission, p. 2.

First, there is no reason for treatment to differ from the treatment of other depreciable assets. The SRCVA is proposed to capture all 2024 and prospective net salvage amounts recovered or credited through rates as well as all actual costs and proceeds incurred.

Second, net proceeds should not be disposed of through the DPDA because the proceeds may be needed to offset the undepreciated portion of a building upon disposition during its expected life, or to offset anticipated proceeds that were reflected and credited to ratepayers through prior net salvage depreciation rates. As a result of returning proceeds through the DPDA, it could mean that a positive net book value for a building could be left in rate base that needs to be subsequently recovered. It would not make sense to refund in whole or in part proceeds that would subsequently need to be recovered through depreciation rates charged on the remaining depreciable building asset pool.

#### **i. Approvals Requested**

In the cover letter accompanying the Draft Rate Order, Enbridge Gas explained that it requires an OEB decision by April 12, 2024 in order to implement rates for May 1, 2024. Enbridge Gas also noted that it will have to update the Draft Rate Order to take account of the rate changes that will be approved with its April 2024 QRAM Application.<sup>34</sup>

OEB staff indicated support for the May 1, 2024 implementation date, and asked Enbridge Gas to provide the timeline for filing an updated Draft Rate Order and comments on whether Enbridge Gas is requesting an OEB Decision on the Draft Rate Order for the original filing and for the updated Draft Rate Order.<sup>35</sup>

As noted earlier, Enbridge Gas is filing an updated Draft Rate Order today, reflecting the April 2024 QRAM impacts and the correction to Rider E and the removal of the \$900,000 adjustment originally made in relation to the O&M budget reduction. If the OEB does not require any further changes as a result of the comment process, then the updated Draft Rate Order can be approved and implemented on May 1, 2024. As already noted, Enbridge Gas requires this approval by April 12, 2024.

If, after reviewing the submissions of all parties, the OEB determines that additional changes to the Draft Rate Order are required, then Enbridge Gas will require a decision and direction earlier than April 12, 2024 in order to effect implementation on May 1, 2024. The time required will depend on the magnitude of the changes required.

Should you have any questions, please let us know.

Sincerely,

[Original Signed By]

Vanessa Innis  
Program Director, Strategic Regulatory Applications – Rebasing

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<sup>34</sup> Enbridge Gas letter dated February 16, 2024.

<sup>35</sup> OEB staff Submission, pp. 1-2.

### Index of Attachments

Attachment 1 - Exhibit 2, Tab 2, Schedule 1, pages 3-4 - Updated for Draft Rate Order (DRO)

Attachment 2 - Exhibit 2, Tab 2, Schedule 1, page 8, Tables 3 and 4 - Updated for DRO

Attachment 3 - Exhibit 2, Tab 2, Schedule 1, Attachment 1, pages 3-4 - Updated for DRO

Attachment 4 - Exhibit 2, Tab 2, Schedule 1, Attachment 2, page 6 - Updated for DRO

Attachment 5 - Exhibit 2, Tab 2, Schedule 1, Attachment 8 - Updated for DRO

Attachment 6 - Integration Capital Write-off Continuity Schedule

Attachment 7 - 2024 DSM Budget by Rate Class and Supporting Calculations

Attachment 8 - Depreciation Continuity



Table 1  
Utility Property, Plant & Equipment - Continuity of Gross Assets

Line No.	Particulars (\$ millions)	Utility	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>
										Updated to				
			Actual	Actual	Actual	Actual	Updated	Updated	Remove D2C	remove D2C	Settlement Adjustments	Updated for Settlement	DRO Adjustments	Updated for DRO
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Opening Gross Property, Plant and Equipment	EGI	19,467.7	20,402.8	21,259.9	22,221.4	23,402.3	24,643.7	(317.5)	24,326.2	(60.8)	24,265.4	(217.5)	24,047.9
2	Opening Balance Adjustments (1)	EGI	0.0	0.0	0.0	11.7	0.0	(241.3)	0.0	(241.3)	0.0	(241.3)	7.3	(234.0)
3	In-service Additions	EGI	1,056.2	1,023.4	1,211.7	1,379.3	1,428.1	1,300.9	(15.6)	1,285.3	(11.0)	1,274.3	(301.2)	973.1
4	Retirements and Disposals	EGI	(121.0)	(166.2)	(250.2)	(210.1)	(170.8)	(176.3)	0.0	(176.3)	0.0	(176.3)	50.4	(125.9)
5	Adjustments and Other	EGI	0.0	0.0	0.1	0.0	(15.9)	(15.3)	(15.9)	(31.2)	(29.5)	(60.7)	23.1	(37.6)
6	Closing Property, Plant and Equipment	EGI	20,402.8	21,259.9	22,221.4	23,402.3	24,643.7	25,511.6	(349.0)	25,162.6	(101.3)	25,061.3	(437.9)	24,623.4
7	Average of Monthly Averages	EGI	19,765.5	20,582.1	21,539.8	22,585.9	23,716.5	24,736.3	(338.4)	24,397.9	(93.3)	24,304.6	(263.0)	24,041.6
8	Variance of Gross PPE to Prior Year			857.1	961.5	1,180.9	1,241.4	868.0						
9	Variance of Avg of Monthly Avg to Prior Year			816.6	957.7	1,046.1	1,130.6	1,019.8						

Note:  
(1) Includes asset harmonization and unregulated cost allocation adjustments.

Table 2  
Utility Property, Plant & Equipment - Continuity of Accumulated Depreciation

Line No.	Particulars (\$ millions)	Utility	2019	2020	2021	2022	2023	2024	2024	2024	2024	2024	2024	2024
			Actual	Actual	Actual	Actual	Updated	Updated	Remove D2C	Updated to remove D2C	Settlement Adjustments	Updated for Settlement	DRO Adjustments	Updated for DRO
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Opening Accumulated Depreciation	EGI	(6,960.9)	(7,393.0)	(7,799.7)	(8,126.9)	(8,507.3)	(8,956.4)	(7.2)	(8,963.6)	18.9	(8,944.7)	103.2	(8,841.5)
2	Opening Balance Adjustments (1)	EGI	0.0	0.0	0.0	0.0	0.0	234.6	0.0	234.6	0.0	234.6	(5.9)	228.7
3	Depreciation	EGI	(605.6)	(618.3)	(639.0)	(653.6)	(718.3)	(878.0)	8.0	(870.0)	3.8	(866.2)	171.2	(695.0)
4	Retirements and Disposals	EGI	120.9	161.3	250.2	209.1	169.5	174.4	0.0	174.4	0.0	174.4	(50.4)	124.0
5	Costs net of Proceeds	EGI	52.6	50.2	61.4	64.1	97.1	61.1	(5.1)	56.0	(1.7)	54.3	1.9	56.2
6	Adjustments and Other	EGI	0.0	0.0	0.1	0.0	2.7	(0.5)	0.9	0.4	5.7	6.1	0.0	6.1
7	Closing Accumulated Depreciation	EGI	(7,393.0)	(7,799.7)	(8,126.9)	(8,507.3)	(8,956.4)	(9,364.7)	(3.4)	(9,368.1)	26.7	(9,341.4)	220.0	(9,121.4)
8	Average of Monthly Averages	EGI	(7,188.7)	(7,571.2)	(8,005.9)	(8,320.1)	(8,769.2)	(9,081.0)	(4.6)	(9,085.6)	25.8	(9,059.8)	175.3	(8,884.5)
9	Variance of Accumualted Depreciation to Prior Year			(406.7)	(327.2)	(380.4)	(449.0)	(408.3)						
10	Variance of Avg of Monthly Avg to Prior Year			(382.5)	(434.7)	(314.2)	(449.1)	(311.9)						

Note:  
(1) Includes asset harmonization and unregulated cost allocation adjustments.

Table 3  
2024 Test Year Utility Property, Plant and Equipment  
Gross Assets

Line No.	Particulars (\$ millions)	Opening Gross Property, Plant and Equipment (a)	Asset Harmonization Adjustments (b)	Unregulated Cost Allocation Adjustments (c)	Restated Opening Gross Property, Plant and Equipment (d) = (a+b+c)
1	Distribution Plant	17,613.6	(938.1)	0.0	16,675.5
2	Transmission Plant	4,159.4	651.7	0.0	4,811.1
3	Storage Plant	1,485.4	28.6	0.0	1,513.9
4	General Plant	786.2	33.4	(10.0)	810.0
5	Other Plant	3.3	0.0	0.0	3.3
6	Total	24,047.9	(224.0)	(10.0)	23,813.9

Table 4  
2024 Test Year Utility Property, Plant and Equipment  
Accumulated Depreciation

Line No.	Particulars (\$ millions)	Opening Accumulated Depreciation (a)	Asset Harmonization Adjustments (b)	Unregulated Cost Allocation Adjustments (c)	Restated Opening Accumulated Depreciation (d) = (a+b+c)
1	Distribution Plant	(6,402.4)	377.4	0.0	(6,025.0)
2	Transmission Plant	(1,410.0)	(223.3)	0.0	(1,633.3)
3	Storage Plant	(575.3)	13.0	0.0	(562.3)
4	General Plant	(450.7)	56.9	4.7	(389.1)
5	Other Plant	(3.1)	0.0	0.0	(3.1)
6	Total	(8,841.5)	224.0	4.7	(8,612.8)

Gross Property, Plant and Equipment Summary - Average of Monthly Averages

Line No.	Particulars (\$ millions)	Utility	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
			Actual (a)	Actual (b)	Actual (c)	Estimate (d)	Bridge Year (e)	Test Year (f)
1	Distribution Plant	EGD(1)	8,923.5	9,209.1	9,643.2	10,261.1	10,746.3	
2	Underground Storage Plant	EGD	436.1	442.2	485.6	568.0	597.4	
3	General Plant	EGD	616.9	657.9	675.7	599.5	663.3	
4	Other Plant	EGD	1.7	1.7	1.7	1.7	1.7	
5	Total		<u>9,978.2</u>	<u>10,310.8</u>	<u>10,806.2</u>	<u>11,430.3</u>	<u>12,008.6</u>	
6	Distribution Plant - South Operations	Union(2)	3,154.2	3,332.6	3,540.8	3,797.6	4,031.5	
7	Distribution Plant - Northern/Eastern Operations	Union	1,940.9	2,049.0	2,134.6	2,243.1	2,381.1	
8	Transmission Plant	Union	3,491.7	3,636.8	3,767.4	3,916.6	4,107.2	
9	Underground Storage Plant	Union	803.9	812.3	819.7	809.8	843.8	
10	Local Storage Plant	Union	31.9	32.3	32.0	34.3	37.7	
11	Intangible Plant	Union	1.7	1.7	1.7	1.7	1.7	
12	General Plant	Union	363.0	406.5	437.5	430.0	468.6	
13	Total		<u>9,787.3</u>	<u>10,271.2</u>	<u>10,733.6</u>	<u>11,233.0</u>	<u>11,871.6</u>	
14	Distribution Plant	EGI	14,018.5	14,590.7	15,318.6	16,301.8	17,158.9	16,863.7
15	Transmission Plant	EGI	3,491.7	3,636.8	3,767.4	3,916.6	4,107.2	4,826.8
16	Storage Plant	EGI	1,272.0	1,286.8	1,337.3	1,412.1	1,478.9	1,526.9
17	General Plant	EGI	980.0	1,064.4	1,113.1	1,029.5	1,131.9	820.8
18	Other Plant	EGI	3.3	3.3	3.3	3.3	3.3	3.3
19	Total		<u>19,765.5</u>	<u>20,582.1</u>	<u>21,539.8</u>	<u>22,663.3</u>	<u>23,880.2</u>	<u>24,041.6</u>

Notes:

- (1) EGD rate zone.
- (2) Union rate zones.

Accumulated Depreciation Summary - Average of Monthly Averages

Line No.	Particulars (\$ millions)	Utility	2019 Actual (a)	2020 Actual (b)	2021 Actual (c)	2022 Estimate (d)	2023 Bridge Year (e)	2024 Test Year (f)
1	Distribution Plant	EGD(1)	(2,866.4)	(2,933.5)	(3,071.5)	(3,456.7)	(3,644.5)	
2	Underground Storage Plant	EGD	(137.4)	(142.9)	(148.5)	(157.2)	(164.5)	
3	General Plant	EGD	(439.1)	(480.3)	(504.9)	(428.2)	(486.2)	
4	Other Plant	EGD	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)	
5	Total		<u>(3,444.2)</u>	<u>(3,558.1)</u>	<u>(3,726.3)</u>	<u>(4,043.6)</u>	<u>(4,296.6)</u>	
6	Distribution Plant - South Operations	Union(2)	(1,370.3)	(1,441.1)	(1,515.5)	(1,590.2)	(1,660.8)	
7	Distribution Plant - Northern/Eastern Operations	Union	(870.5)	(923.8)	(980.1)	(1,037.3)	(1,094.8)	
8	Transmission Plant	Union	(1,023.1)	(1,104.4)	(1,188.6)	(1,276.1)	(1,364.9)	
9	Underground Storage Plant	Union	(298.2)	(316.8)	(335.4)	(349.6)	(362.4)	
10	Local Storage Plant	Union	(15.8)	(16.8)	(17.8)	(18.7)	(19.9)	
11	Intangible Plant	Union	(1.1)	(1.2)	(1.3)	(1.5)	(1.5)	
12	General Plant	Union	(165.6)	(209.0)	(240.9)	(199.9)	(226.8)	
13	Total		<u>(3,744.5)</u>	<u>(4,013.1)</u>	<u>(4,279.6)</u>	<u>(4,473.4)</u>	<u>(4,730.9)</u>	
14	Distribution Plant	EGI	(5,107.1)	(5,298.4)	(5,567.2)	(6,084.2)	(6,400.0)	(6,220.7)
15	Transmission Plant	EGI	(1,023.1)	(1,104.4)	(1,188.6)	(1,276.1)	(1,364.9)	(1,675.2)
16	Storage Plant	EGI	(451.3)	(476.6)	(501.6)	(525.6)	(546.7)	(576.6)
17	General Plant	EGI	(604.7)	(689.3)	(745.8)	(628.2)	(713.1)	(409.0)
18	Other Plant	EGI	(2.5)	(2.6)	(2.7)	(2.9)	(2.9)	(3.1)
19	Total		<u>(7,188.7)</u>	<u>(7,571.2)</u>	<u>(8,005.9)</u>	<u>(8,517.0)</u>	<u>(9,027.6)</u>	<u>(8,884.6)</u>

Notes:

- (1) EGD rate zone.
- (2) Union rate zones.

2024 Test Year Net Utility Property, Plant and Equipment - EGI - Average of Monthly Averages

Line No.	Particulars (\$ millions)	<u>2024</u> <u>Test Year</u>		
		Gross Property, Plant and Equipment (a)	Accumulated Depreciation (b)	Net Property, Plant and Equipment (c) = (a+b)
1	Distribution Plant	16,863.7	(6,220.7)	10,643.1
2	Transmission Plant	4,826.8	(1,675.2)	3,151.6
3	Storage Plant	1,526.9	(576.6)	950.3
4	General Plant	820.8	(409.0)	411.8
5	Other Plant	3.3	(3.1)	0.3
6	Total	24,041.6	(8,884.6)	15,157.0

Utility Gross Distribution Plant - EGI - Year End Balances and Average of Monthly Averages  
2024 Test Year

		Dec. 2023			Dec. 2024			Dec. 2024		Average of Monthly Averages
Line No.	Particulars (\$ millions)	Opening Balance	Transfers	Restated Opening Balance	Additions	Retirements	Closing Balance	Regulatory Adjustment	Utility Balance	
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (c + d + e)	(g)	(h) = (f + g)	
1	Renewable Natural Gas	10.9	(1.2)	9.7	41.9	0.0	51.6	0.0	51.6	21.9
2	Land	102.6	(0.0)	102.6	0.8	(0.6)	102.8	(0.1)	102.7	102.5
3	Land rights	87.3	(19.9)	67.4	0.8	0.0	68.2	(0.2)	68.1	67.5
4	Structures and improvements	445.4	(123.2)	322.2	9.5	0.0	331.7	(0.3)	331.4	324.7
5	Services - metallic	4,143.4	(3,479.0)	664.4	25.5	(0.8)	689.0	0.0	689.0	672.1
6	Services - plastic	1,610.4	3,298.2	4,908.6	216.5	(9.2)	5,115.9	2.6	5,118.5	4,976.5
7	Regulators	162.3	342.7	505.0	56.7	(13.1)	548.5	0.0	548.5	518.0
8	House regulators & meter installations	141.8	20.5	162.3	7.8	(0.1)	170.0	0.0	170.0	164.4
9	Mains - metallic	6,991.9	(3,262.7)	3,729.2	146.4	(21.0)	3,854.7	(27.3)	3,827.4	3,742.5
10	Mains - plastic	1,050.3	2,801.6	3,851.9	154.2	(10.9)	3,995.3	(8.6)	3,986.6	3,892.6
11	Mans - envision	0.0	181.3	181.3	0.0	0.0	181.3	0.0	181.3	181.3
12	NGV station compressors	7.5	4.8	12.4	2.0	0.0	14.4	0.0	14.4	13.0
13	Measuring & regulating equipment	984.5	26.1	1,010.6	35.0	(4.6)	1,041.1	(1.5)	1,039.5	1,018.2
14	Meters	1,148.2	(0.3)	1,147.9	101.4	(31.8)	1,217.5	(0.3)	1,217.2	1,168.5
15	Regulatory Overheads	727.0	(727.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	Total	17,613.6	(938.1)	16,675.5	798.3	(92.0)	17,381.8	(35.7)	17,346.1	16,863.7

Utility Transmission Plant - EGI - Year End Balances and Average of Monthly Averages

2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	<u>Dec. 2024</u>		<u>Dec. 2024</u>	
		Opening Balance	Transfers				Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (c + d + e)	(g)	(h) = (f + g)	(i)
1	Land	85.5	(0.5)	85.1	0.2	(1.2)	84.1	0.0	84.1	84.8
2	Land rights	69.2	19.8	89.0	5.4	0.0	94.3	0.0	94.3	90.4
3	Structures & improvements	168.3	12.4	180.8	0.0	(0.0)	180.8	0.0	180.8	180.8
4	Mains	2,116.0	824.2	2,940.2	29.3	(2.0)	2,967.5	0.0	2,967.5	2,947.6
5	Compressor equipment	966.0	71.2	1,037.3	0.1	0.0	1,037.4	0.0	1,037.4	1,037.3
6	Measuring & regulating equipment	445.6	33.3	478.8	26.1	(0.0)	504.9	0.0	504.9	485.9
7	Line Pack Gas	7.2	(7.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Regulatory Overheads	301.5	(301.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Total	4,159.4	651.7	4,811.1	61.1	(3.2)	4,869.0	0.0	4,869.0	4,826.8



Utility Storage Plant - EGI - Year End Balances and Average of Monthly Averages  
2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	<u>Dec. 2024</u>		<u>Dec. 2024</u>	Average of Monthly Averages
		Opening Balance	Transfers				Closing Balance	Regulatory Adjustment	Utility Balance	
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (c + d + e)	(g)	(h) = (f + g)	(i)
	<u>Underground Storage Plant</u>									
1	Land	11.5	5.8	17.2	0.1	0.0	17.3	(1.0)	16.3	16.2
2	Land rights	80.9	(6.2)	74.8	0.0	0.0	74.8	0.0	74.8	74.8
3	Structures and improvements	108.3	3.1	111.3	1.1	(0.3)	112.1	(0.1)	112.0	111.5
4	Wells	143.8	2.1	145.9	5.7	(0.8)	150.8	0.0	150.8	147.1
5	Well equipment	16.2	0.0	16.2	0.0	(0.3)	15.9	0.0	15.9	16.1
6	Field Lines	191.5	23.7	215.3	23.2	0.0	238.5	0.0	238.5	222.1
7	Compressor equipment	722.8	18.9	741.7	0.2	(1.0)	740.9	(0.5)	740.4	741.0
8	Measuring and regulating equipment	74.6	4.4	79.0	15.5	(0.9)	93.6	0.0	93.6	83.3
9	Base pressure gas	68.5	7.2	75.6	0.0	(0.1)	75.5	0.0	75.5	75.6
10	Regulatory Overheads	30.4	(30.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Sub-Total	1,448.4	28.6	1,477.0	45.8	(3.6)	1,519.3	(1.5)	1,517.8	1,487.8
	<u>Local Storage Plant</u>									
12	Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Structures and improvements	6.0	0.9	6.9	8.3	0.0	15.2	0.0	15.2	9.1
14	Gas holders - storage	6.3	0.9	7.2	0.0	0.0	7.2	0.0	7.2	7.2
15	Gas holders - equipment	20.0	2.7	22.8	0.0	0.0	22.8	0.0	22.8	22.8
16	Regulatory Overheads	4.6	(4.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	Sub-Total	36.9	(0.0)	36.9	8.3	0.0	45.2	0.0	45.2	39.2
18	EGI Total	1,485.4	28.6	1,513.9	54.2	(3.6)	1,564.6	(1.5)	1,563.0	1,526.9

Utility General Plant - EGI - Year End Balances and Average of Monthly Averages

2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	<u>Dec. 2024</u>		<u>Dec. 2024</u>	
		Opening Balance	Transfers				Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (c + d + e)	(g)	(h) = (f + g)	(i)
1	Investment in leased assets	16.3	0.0	16.3	0.0	0.0	16.3	0.0	16.3	16.3
2	Land	0.5	0.0	0.5	0.0	0.0	0.5	0.0	0.5	0.5
3	Structures and improvements	96.7	162.7	259.4	0.6	(4.4)	255.7	(0.2)	255.5	259.3
4	Office furniture and equipment	46.8	(0.8)	46.0	0.5	(1.2)	45.3	0.0	45.3	43.2
5	Transportation equipment	139.3	(1.6)	137.7	11.0	(6.8)	141.9	(0.1)	141.9	139.0
6	NGV conversion kits	3.2	0.5	3.7	0.1	0.0	3.8	0.0	3.8	3.7
7	Heavy work equipment	51.3	(0.6)	50.8	2.9	(1.0)	52.7	0.0	52.7	51.4
8	Tools and work equipment	86.3	(1.5)	84.8	5.2	(4.3)	85.7	0.0	85.7	85.1
9	NGV rental equipment	13.1	(1.0)	12.0	0.0	0.0	12.0	0.0	12.0	12.0
10	Communication structures & equip.	9.0	(0.0)	9.0	0.1	(1.6)	7.4	0.0	7.4	8.5
11	Computer equipment	12.5	17.4	29.9	11.2	(7.9)	33.2	0.0	33.2	31.2
12	Software Aquired/Developed	154.9	(60.2)	94.7	28.0	0.0	122.7	0.0	122.7	105.3
13	WAMS	67.9	(2.6)	65.3	0.0	0.0	65.3	0.0	65.3	65.3
14	Regulatory Overheads	88.4	(88.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Total	786.2	23.8	810.0	59.6	(27.2)	842.4	(0.3)	842.2	820.8

Utility Other Plant -EGI - Year End Balances and Average of Monthly Averages  
2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	<u>Dec. 2024</u>		<u>Dec. 2024</u>	
		Opening Balance	Transfers				Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f) = (c + d + e)	(g)	(h) = (f + g)	(i)
1	Inactive services	1.7	0.0	1.7	0.0	0.0	1.7	0.0	1.7	1.7
2	Franchises and consents	1.2	0.0	1.2	0.0	0.0	1.2	0.0	1.2	1.2
3	Other intangible plant	0.5	0.0	0.5	0.0	0.0	0.5	0.0	0.5	0.5
4	Total	3.3	0.0	3.3	0.0	0.0	3.3	0.0	3.3	3.3

Utility Distribution Plant - EGI - Continuity of Accumulated Depreciation Year End Balances and Average of Monthly Averages  
2024 Test Year

		Dec. 2023						Dec. 2024			
Line No.	Particulars (\$ millions)	Opening Balance	Transfers	Restated Opening Balance	Additions	Retirements	Costs Net of Proceeds	Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f)	(g) = (c + d + e + f)	(h)	(i) = (g + h)	(j)
1	Renewable Natural Gas	(0.2)	(0.0)	(0.2)	(1.0)	0.0	0.0	(1.2)	0.0	(1.2)	(0.6)
2	Land rights	(15.7)	1.6	(14.1)	(1.1)	0.0	0.0	(15.2)	0.0	(15.2)	(14.7)
3	Structures and improvements	(146.2)	49.2	(97.0)	(13.7)	0.0	0.0	(110.7)	0.3	(110.4)	(103.5)
4	Services - metallic	(1,417.4)	1,141.6	(275.8)	(24.1)	0.8	4.7	(294.4)	0.0	(294.4)	(285.2)
5	Services - plastic	(717.8)	(1,097.3)	(1,815.0)	(134.6)	9.2	25.3	(1,915.2)	(0.0)	(1,915.2)	(1,866.4)
6	Regulators	(61.1)	15.2	(45.9)	(48.3)	13.1	2.2	(78.8)	0.0	(78.8)	(64.4)
7	House regulators & meter installations	(57.3)	(3.4)	(60.8)	(4.8)	0.1	0.0	(65.5)	0.0	(65.5)	(63.1)
8	Mains - metallic	(2,472.6)	1,051.5	(1,421.1)	(84.7)	21.0	10.9	(1,473.9)	4.8	(1,469.1)	(1,446.4)
9	Mains - plastic	(460.9)	(823.6)	(1,284.5)	(55.8)	10.9	0.2	(1,329.2)	(0.3)	(1,329.6)	(1,308.9)
10	Mans - envision	0.0	(69.2)	(69.2)	(16.5)	0.0	6.1	(79.6)	0.0	(79.6)	(74.4)
11	NGV station compressors	(4.2)	(2.0)	(6.2)	(0.4)	0.0	0.0	(6.7)	0.0	(6.7)	(6.4)
12	Measuring & regulating equipment	(378.5)	(6.1)	(384.6)	(25.2)	4.6	1.4	(403.8)	0.7	(403.2)	(394.3)
13	Meters	(550.6)	0.1	(550.5)	(105.0)	31.8	0.1	(623.6)	0.1	(623.6)	(592.3)
14	Regulatory Overheads	(119.8)	119.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Total	(6,402.4)	377.4	(6,025.0)	(515.3)	91.4	50.8	(6,398.0)	5.5	(6,392.5)	(6,220.7)

Utility Transmission Plant - EGI - Continuity of Accumulated Depreciation Year End Balances and Average of Monthly Averages  
2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	Costs Net of Proceeds	<u>Dec. 2024</u>		<u>Dec. 2024</u>	
		Opening Balance	Transfers					Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f)	(g) = (c + d + e + f)	(h)	(i) = (g + h)	(j)
1	Land rights	(21.7)	(1.6)	(23.2)	(1.4)	0.0	0.0	(24.7)	0.0	(24.7)	(24.0)
2	Structures & improvements	(53.5)	(1.8)	(55.3)	(3.5)	0.0	0.0	(58.7)	0.0	(58.7)	(57.0)
3	Mains	(771.7)	(245.8)	(1,017.4)	(35.6)	2.0	0.1	(1,051.0)	0.0	(1,051.0)	(1,034.6)
4	Compressor equipment	(385.9)	(10.0)	(395.8)	(32.8)	0.0	0.0	(428.6)	0.0	(428.6)	(412.2)
5	Measuring & regulating equipment	(136.5)	(5.1)	(141.6)	(11.8)	0.0	0.0	(153.3)	0.0	(153.3)	(147.4)
6	Regulatory Overheads	(40.8)	40.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Total	(1,410.0)	(223.4)	(1,633.4)	(85.0)	2.0	0.1	(1,716.3)	0.0	(1,716.3)	(1,675.2)

Utility Storage Plant - EGI - Continuity of Accumulated Depreciation Year End Balances and Average of Monthly Averages  
2024 Test Year

		Dec. 2023			Dec. 2024			Dec. 2024			
Line No.	Particulars (\$ millions)	Opening Balance	Transfers	Restated Opening Balance	Additions	Retirements	Costs Net of Proceeds	Regulatory Adjustment	Utility Balance	Average of Monthly Averages	
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f)	(g) = (c + d + e + f)	(h)	(i) = (g + h)	(j)
<u>Underground Storage Plant</u>											
1	Land rights	(48.2)	0.0	(48.2)	(1.1)	0.0	0.0	(49.2)	0.0	(49.2)	(48.7)
2	Structures and improvements	(50.4)	(0.6)	(51.0)	(3.6)	0.3	0.8	(53.5)	0.1	(53.4)	(52.2)
3	Wells	(54.1)	(0.4)	(54.5)	(4.5)	0.8	0.0	(58.2)	0.0	(58.2)	(56.5)
4	Well equipment	(10.0)	0.0	(10.0)	(0.2)	0.3	0.0	(9.9)	0.0	(9.9)	(10.0)
5	Field Lines	(71.0)	11.9	(59.0)	(4.9)	0.0	0.0	(63.9)	0.0	(63.9)	(61.5)
6	Compressor equipment	(260.2)	(3.8)	(264.0)	(18.0)	1.0	1.7	(279.3)	0.3	(279.0)	(271.6)
7	Measuring and regulating equipment	(55.7)	0.3	(55.4)	(1.4)	0.9	0.0	(55.8)	0.0	(55.8)	(55.8)
8	Regulatory Overheads	(5.6)	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Sub-Total	(555.2)	13.0	(542.2)	(33.6)	3.4	2.5	(569.9)	0.4	(569.5)	(556.3)
<u>Local Storage Plant</u>											
10	Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Structures and improvements	(2.7)	(0.2)	(2.9)	(0.2)	0.0	0.0	(3.0)	0.0	(3.0)	(3.0)
12	Gas holders - storage	(4.2)	(0.1)	(4.3)	(0.1)	0.0	0.0	(4.4)	0.0	(4.4)	(4.4)
13	Gas holders - equipment	(12.4)	(0.4)	(12.9)	(0.2)	0.0	0.0	(13.1)	0.0	(13.1)	(13.0)
14	Regulatory Overheads	(0.7)	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Sub-Total	(20.0)	(0.0)	(20.1)	(0.5)	0.0	0.0	(20.5)	0.0	(20.5)	(20.3)
16	Total	(575.3)	13.0	(562.3)	(34.1)	3.4	2.6	(590.4)	0.4	(590.0)	(576.6)

Utility General Plant - EGI - Continuity of Accumulated Depreciation Year End Balances and Average of Monthly Averages  
2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	Costs Net of Proceeds	<u>Dec. 2024</u>		<u>Dec. 2024</u>	
		Opening Balance	Transfers					Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f)	(g) = (c + d + e + f)	(h)	(i) = (g + h)	(j)
1	Investment in leased assets	(0.9)	0.0	(0.9)	(0.6)	0.0	0.0	(1.4)	0.0	(1.4)	(1.2)
2	Structures & improvements	(20.9)	(57.0)	(77.9)	(17.3)	4.4	2.7	(88.1)	0.2	(87.9)	(83.5)
3	Office furniture and equipment	(22.1)	(2.1)	(24.2)	(1.9)	1.2	0.0	(24.9)	0.0	(24.9)	(25.8)
4	Transportation equipment	(115.9)	2.2	(113.7)	(5.3)	6.8	0.0	(112.1)	0.1	(112.1)	(114.3)
5	NGV conversion kits	(0.4)	(0.5)	(1.0)	(0.1)	0.0	0.0	(1.1)	0.0	(1.1)	(1.0)
6	Heavy work equipment	(16.2)	0.2	(16.0)	(3.3)	1.0	0.0	(18.3)	0.0	(18.3)	(17.3)
7	Tools and work equipment	(26.8)	0.7	(26.2)	(10.1)	4.3	0.0	(32.0)	0.0	(32.0)	(29.9)
8	NGV rental equipment	(6.4)	2.5	(3.9)	(0.6)	0.0	0.0	(4.5)	0.0	(4.5)	(4.2)
9	Communication structures & equip.	(3.9)	0.0	(3.9)	(2.0)	1.6	0.0	(4.2)	0.0	(4.2)	(4.6)
10	Computer equipment	(5.5)	(8.3)	(13.8)	(5.2)	7.9	0.0	(11.1)	0.0	(11.1)	(13.8)
11	Software Aquired/Developed	(146.8)	86.3	(60.5)	(7.3)	0.0	0.0	(67.8)	0.0	(67.8)	(62.6)
12	WAMS	(48.9)	1.6	(47.2)	(7.0)	0.0	0.0	(54.2)	0.0	(54.2)	(50.7)
13	Regulatory Overheads	(36.1)	36.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Total	(450.7)	61.6	(389.1)	(60.6)	27.2	2.7	(419.8)	0.3	(419.6)	(409.0)

Utility Other Plant - EGI - Continuity of Accumulated Depreciation Year End Balances and Average of Monthly Averages  
2024 Test Year

Line No.	Particulars (\$ millions)	<u>Dec. 2023</u>		Restated Opening Balance	Additions	Retirements	Costs Net of Proceeds	<u>Dec. 2024</u>		<u>Dec. 2024</u>	
		Opening Balance	Transfers					Closing Balance	Regulatory Adjustment	Utility Balance	Average of Monthly Averages
		(a)	(b)	(c) = (a + b)	(d)	(e)	(f)	(g) = (c + d + e + f)	(h)	(i) = (g + h)	(j)
1	Inactive services	(1.5)	0.0	(1.5)	0.0	0.0	0.0	(1.5)	0.0	(1.5)	(1.5)
2	Franchises and consents	(1.1)	0.0	(1.1)	0.0	0.0	0.0	(1.1)	0.0	(1.1)	(1.1)
3	Other intangible plant	(0.5)	0.0	(0.5)	0.0	0.0	0.0	(0.5)	0.0	(0.5)	(0.5)
4	Total	(3.1)	0.0	(3.1)	0.0	0.0	0.0	(3.1)	0.0	(3.1)	(3.1)



EGI - Write-off of Integration Capital  
2024 Test Year Continuity

			Prior to Write-off		Write-off			After Write-off			After Write-off Subsequent Adjustment			
Line No.	Particulars (\$ millions)	Rate Zone	Jan. 1 2024 Utility Balance - Gross Investment Prior to Write-off (1)	Jan. 1 2024 Utility Balance - Accumulated Depreciation Prior to Write-off (2)	Rate Base Grouping Net Book Value Prior To Write-Off	Integration Capital Write-Off - Gross Investment (3)	Integration Capital Write-Off - Accumulated Depreciation (3)	Integration Capital Write-Off - Net Book Value (3)	Gross Investment - After Write-Off	Accumulated Depreciation - After Write-Off	Net Book Value - After Write-Off (4)	Gross Investment - After Subsequent Adjustment (5)	Accumulated Depreciation - After Subsequent Adjustment (5)	Net Book Value - After Subsequent Adjustment
			(a)	(b)	(c) = (a - b)	(d)	(e)	(f) = (d - e)	(g)	(h)	(i) = (g - h)	(j)	(k)	(l) = (j - k)
General Plant Assets														
1	Software Acquired	EGD	94.0	(81.5)	12.5	(55.4)	14.9	(40.5)	38.6	(66.6)	(28.0)	38.6	(38.6)	0.0
2	Software Developed	EGD	37.2	(18.4)	18.8	(37.2)	18.4	(18.8)	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)
3	CiS	EGD	12.0	(10.0)	2.0	(12.0)	10.0	(2.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
4	Computer software 10 Year	Union	108.5	(45.6)	62.9	(52.4)	23.7	(28.7)	56.1	(21.9)	34.2	56.1	(21.9)	34.2
5	Computer software 4 year	Union	29.7	(2.4)	27.3	(29.7)	2.4	(27.3)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
6	Subtotal - Computer Software	EGD/Unior	281.3	(157.9)	123.4	(186.7)	69.4	(117.3)	94.7	(88.5)	6.1	94.7	(60.5)	34.2
7	Structures	EGD/Unior	261.3	(77.9)	183.4	(1.9)	0.1	(1.8)	259.4	(77.8)	181.6	259.4	(77.8)	181.6
8	Total		542.6	(235.8)	306.8	(188.6)	69.5	(119.1)	354.1	(166.3)	187.7	354.1	(138.3)	215.8

Notes:

- (1) Line 6 and 7 as referenced in Capital Update Exhibit 2, Tab 2, Schedule 1, Attachment 8, p.1.
- (2) Line 6 and 7 as referenced in Capital Update Exhibit 2, Tab 2, Schedule 1, Attachment 8, p.4.
- (3) Line 8 as referenced in Exhibit 1, Tab 9, Schedule 1, Attachment 1, p.4, line 29.
- (4) Line 1 residual \$28 million represents the remaining negative net book value related to non-integration assets in this pool and is adjusted subsequent to the write-off of integration assets.
- (5) Line 6 and 7 are included in an updated Exhibit 2, Tab 2, Schedule 1, Attachment 8, pp. 4 & 9 provided at Attachment 5.

## 2024 DSM BUDGET

1. To derive the 2024 DSM budget, Enbridge Gas increased the 2023 DSM budget by inflation plus an additional 3% for all program related costs, in accordance with the 2022 to 2027 DSM Plan Decision and Order<sup>1</sup>. The funds associated with the 3% increase were not applied uniformly to all programs/offerings and were instead distributed to the programs where additional metrics or activities were required to support the target achievement. The 2024 DSM budget was updated for the annual inflation factor of 6.8% in the Application, which is based on the percentage change from the 2021 to the 2022 annual average Consumer Price Index<sup>2</sup>. Please see Table 1 for derivation of the 2024 DSM budget.

Table 1  
Derivation of 2024 DSM Budget

Line No.	Particulars (\$ millions)	2023 DSM Budget <sup>3</sup> (a)	Policy Growth (b) = (a*0.03)	Inflation (c) = (a*0.068)	2024 DSM Budget (d) = (a + b + c)
1	Program Budget	148.9	4.5	10.1	163.5
2	Portfolio Budget	18.4	-	1.2	19.6
3	Total	167.2	4.5	11.4	183.1

2. Table 2 provides the 2024 DSM Budget by rate class for each component of the DSM budget. To derive the allocation of the 2024 DSM Budget to rate classes, Enbridge Gas used the cost allocation methodology described at Exhibit 7, Tab 1, Schedule 2, pages 22-23. A description of the cost allocation for each component of the DSM budget is as follows:
  - The DSM program costs and administration costs specific to each DSM program, excluding the low-income DSM program, are allocated to in-franchise rate classes based on the forecast customer participation in each program by rate class (Table 2, columns (a) and (b)).

<sup>1</sup> EB-2021-0002, Natural Gas Demand Side Management Plan OEB Decision and Order, Nov 15, 2022, p. 2.

<sup>2</sup> Statistics Canada. (2023 Jan 17). Consumer Price Index: Annual review, 2022. <https://www150.statcan.gc.ca/n1/daily-quotidien/230117/dq230117b-eng.htm>.

<sup>3</sup> EB-2021-0002, Natural Gas Demand Side Management Plan OEB Decision and Order, Nov 15, 2022, Schedule A.

- Low-income DSM program costs and administration costs for the low-income DSM program are allocated to in-franchise rate classes in proportion to forecast delivery revenues (Table 2, columns (c) and (d)).
  - DSM administration costs that support the DSM portfolio that cannot be attributed to an individual DSM program are allocated in the same proportion as the allocation of total DSM program costs by rate class, with a portion of the costs also attributed to low income (Table 2, columns (f) and (g)).
3. In accordance with the Settlement Proposal<sup>4</sup>, Enbridge Gas has also made an adjustment to the 2024 DSM budget cost allocation to implement uniform residential DSM unit rates, as shown at Table 2, column (j). This adjustment recognizes that the revenues collected from implementing the uniform DSM unit rates for residential rate classes is different than the cost allocation methodology described above. Please see Rate Order, Working Papers, Schedule 22, page 5 for the derivation of the uniform residential DSM rates.

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<sup>4</sup> Exhibit O1, Tab 1, Schedule 1, August 17, 2023, p.48.

Table 2  
2024 DSM Budget by Rate Class

		DSM Program Costs					DSM Portfolio Admin Costs						
Line No.	Particulars (\$000s)	Program Costs - excluding Low Income	Program Admin - excluding Low Income	Low Income Program	Low Income Program Admin	Total Program Costs	Low Income Portion of Portfolio	Portfolio	Total Portfolio Costs	Total	Uniform Rate Adjustment	2024 DSM Budget	
		(a)	(b)	(c)	(d)	(e) = sum (a:d)	(f)	(g)	(h) = (f + g)	(i) = (e + h)	(j) = (k-i)	(1)	
												(k)	
	<u>EGD Rate Zone</u>												
1	Rate 1	49,116	1,307	10,329	709	61,460	1,342	6,589	7,931	69,391	(451)	68,940	
2	Rate 6	20,128	3,636	4,154	285	28,203	540	2,700	3,240	31,444	-	31,444	
3	Rate 9	-	-	-	-	-	-	-	-	-	-	-	
4	Rate 100	193	53	-	-	246	-	26	26	272	-	272	
5	Rate 110	1,533	405	210	14	2,163	27	206	233	2,396	-	2,396	
6	Rate 115	686	194	62	4	946	8	92	100	1,046	-	1,046	
7	Rate 125	-	-	146	10	156	19	-	19	175	-	175	
8	Rate 135	680	194	12	1	887	2	91	93	980	-	980	
9	Rate 145	244	42	-	-	287	-	33	33	319	-	319	
10	Rate 170	274	56	0	0	330	0	37	37	367	-	367	
11	Rate 200	-	-	35	2	38	5	-	5	42	-	42	
12	Total EGD Rate Zone	72,856	5,886	14,949	1,026	94,716	1,942	9,774	11,716	106,433	(451)	105,982	
	<u>Union South Rate Zone</u>												
13	Rate M1	32640	1224	5340	366	39571	694	4049	4743	44313	(4,996)	39,317	
14	Rate M2	4715	883	727	50	6375	94	585	679	7055	-	7,055	
15	Rate M4	3785	1041	189	13	5028	25	469	494	5522	-	5,522	
16	Rate M5	175	48	132	9	363	17	22	39	402	-	402	
17	Rate M7	2950	795	65	4	3814	8	366	374	4188	-	4,188	
18	Rate M9	0	0	15	1	16	2	0	2	18	-	18	
19	Rate T1	571	145	149	10	875	19	71	90	965	-	965	
20	Rate T2	2191	186	742	51	3170	96	272	368	3538	-	3,538	
21	Rate T3	0	0	93	6	99	12	0	12	112	-	112	
22	Total Union South Rate Zone	47,027	4,323	7,450	511	59,311	968	5,833	6,801	66,113	(4,996)	61,116	
	<u>Union North Rate Zone</u>												
23	Rate R01	3222	180	2321	159	5883	302	400	701	6584	5,447	12,031	
24	Rate R10	986	156	325	22	1489	42	122	164	1654	-	1,654	
25	Rate R20	765	203	210	14	1192	27	95	122	1314	-	1,314	
26	Rate R25	0	0	66	5	70	9	0	9	79	-	79	
27	Rate R100	533	45	218	15	811	28	66	94	905	-	905	
28	Total Union North Rate Zone	5,505	585	3,141	215	9,446	408	683	1,091	10,537	5,447	15,984	
29	Total	125,388	10,794	25,540	1,752	163,473	3,318	16,290	19,608	183,082	(0)	183,082	

Note:  
(1) Rate Order, Working Papers, Schedule 22.

ENBRIDGE GAS INC. DEPRECIATION PROVISION COMPARISON

Asset Account	Concentric Recommended Life and Curve	EGI Proposal - Capital Update (1) CDNS 3.75% (a)	EGI Proposal - Settlement Agreement (2) CDNS 3.75% (b)	Capital Update vs Settlement Agreement Variance (c) = (b - a)	Phase 1 Decision Recommended Life and Curve	OEB Decision Rates Applied (3) Traditional (d)	Settlement vs Decision Rates Variance (e) = (d - b)	Decision Rates excl. Integration (4) Traditional (f)	Decision Rates vs Integration Removal Variance (g) = (f - d)	Decision Rates excl. Integration & Cap Reductions Traditional (h)	Decision excl. Integration vs Decision excl. Integration and Cap Reductions Variance (i) = (h - f)
442.00	40-S5	121,037	119,559	(1,478)	40-S5	117,403	(2,156)	117,403	0	156,640	39,237
443.01	45-R4	70,295	69,431	(864)	45-R4	64,566	(4,865)	64,566	0	64,566	0
443.02	55-R4	245,157	242,145	(3,012)	55-R4	226,054	(16,091)	226,054	0	226,054	0
451.00	55-R4	1,103,268	1,103,268	0	55-R4	1,070,580	(32,688)	1,070,580	0	1,070,580	0
452.00	45-R3	3,164,111	3,169,628	5,517	45-R3	2,983,542	(186,086)	2,983,542	0	2,981,657	(1,885)
453.00	45-R2.5	5,806,931	5,810,457	3,526	45-R2.5	6,076,852	266,395	5,937,846	0	5,937,846	(139,006)
454.00	40-R2	215,265	215,171	(94)	40-R2	164,845	(50,326)	164,845	0	161,892	(2,952)
455.00	55-R3	9,857,986	5,742,848	(4,115,138)	55-R3	5,518,777	(224,071)	5,518,777	0	5,447,432	(71,345)
456.00	40-R4	21,390,221	21,390,742	522	44-R4	17,849,149	(3,541,594)	17,849,149	0	17,827,110	(22,039)
457.00	35-R3	5,389,636	2,187,964	(3,201,672)	40-R2.5	1,701,687	(486,276)	1,701,687	0	1,693,672	(8,015)
461.00	60-R4	1,558,436	1,555,872	(2,564)	60-R4	1,454,692	(101,180)	1,454,692	0	1,449,051	(5,641)
462.00	50-S4	3,442,222	3,434,594	(7,628)	50-S4	3,573,780	139,186	3,573,780	0	3,573,715	(64)
463.00	55-S4	160,119	159,791	(328)	55-S4	168,403	8,612	168,403	0	168,401	(2)
464.00	30-L0.5	180,907	180,590	(317)	50-S4	75,791	(104,799)	75,791	0	75,791	0
465.00	60-R4	52,439,913	52,256,192	(183,721)	70-R4	41,521,607	(10,734,585)	41,521,607	0	41,418,895	(102,712)
466.00	30-R4	38,709,127	38,618,498	(90,629)	30-R4	34,267,008	(4,351,490)	34,267,008	0	34,266,370	(638)
467.00	40-R4	15,204,608	15,054,404	(150,204)	40-R4	12,984,762	(2,069,642)	12,984,762	0	12,858,551	(126,211)
471.00	60-R4	1,221,703	1,220,454	(1,250)	60-R4	1,133,899	(86,554)	1,133,899	0	1,132,085	(1,814)
472.00	40-S0.5	5,945,106	5,938,924	(6,182)	40-S0.5	5,353,819	(585,106)	5,353,819	0	5,353,819	0
472.31	40-S0.5	1,516,289	1,513,399	(2,890)	40-S0.5	1,347,662	(165,737)	1,347,662	0	1,347,662	0
472.32	40-S0.5	1,125,018	1,122,873	(2,145)	40-S0.5	1,002,250	(120,623)	1,002,250	0	1,002,250	0
472.33	40-S0.5	2,684,144	2,679,028	(5,116)	40-S0.5	2,665,176	(13,852)	2,665,176	0	2,665,176	0
472.34	40-S0.5	798,633	797,111	(1,522)	40-S0.5	711,194	(85,917)	711,194	0	711,194	0
472.35	40-S0.5	2,569,080	2,564,184	(4,896)	40-S0.5	2,545,308	(18,876)	2,545,308	0	2,545,308	0
473.01	40-S0.5	29,969,149	29,935,692	(33,458)	45-S1	25,142,108	(4,793,584)	25,142,108	0	25,017,533	(124,575)
473.02	55-S3	136,735,162	136,597,189	(137,973)	55-S3	143,679,530	7,082,341	143,679,530	0	142,867,465	(812,066)
474.00	25-SQ	46,298,774	46,257,911	(40,863)	25-SQ	46,264,091	6,179	46,264,091	0	46,071,884	(192,207)
475.00	25-SQ	10,469,399	10,469,399	0	25-SQ	10,469,399	0	10,469,399	0	10,469,399	0
475.21	55-R3	129,657,949	127,896,715	(1,761,234)	61-R3	91,190,795	(36,705,920)	91,190,795	0	90,877,053	(313,742)
475.30	60-R4	107,007,350	106,589,131	(418,219)	65-R3	76,298,046	(30,291,084)	76,298,046	0	75,909,415	(388,631)
476.00	17-S2.5	482,255	481,673	(582)	17-S2.5	428,703	(52,971)	428,703	0	432,135	3,432
477.00	40-R2	22,352,065	22,216,070	(135,995)	40-R2	19,140,096	(3,075,974)	19,140,096	0	18,989,161	(150,935)
477.01	35-R3	14,156,539	14,140,278	(16,262)	35-R3	12,298,833	(1,841,445)	12,298,833	0	12,241,008	(57,825)
478.00	15-S2.5	119,877,761	119,843,266	(34,496)	15-S2.5	104,640,753	(15,202,513)	104,640,753	0	104,896,364	255,612
482.00	40-R1.5	302,463	301,836	(627)	40-R1.5	211,441	(90,395)	211,441	0	211,053	(388)
482.01	40-R1.5	5,780,346	5,780,087	(259)	40-R1.5	5,592,730	(187,357)	5,592,730	0	5,592,730	0
482.04	40-R1.5	-	-	0	40-R1.5	-	0	0	0	0	0
482.05	40-R1.5	1,562,381	1,562,381	0	40-R1.5	1,404,042	(158,339)	1,404,042	0	1,404,042	0
482.51	40-R1.5	4,945,676	4,922,024	(23,652)	40-R1.5	4,238,569	(683,455)	4,238,569	0	4,238,569	0
482.52	40-R1.5	3,164,180	3,149,048	(15,132)	40-R1.5	3,114,436	(34,612)	3,114,436	0	3,114,436	0
483.00	15-SQ	1,732,767	1,732,745	(22)	15-SQ	1,889,205	156,460	1,889,205	0	1,896,630	7,424
484.00	12-L2.5	6,708,608	6,707,505	(1,103)	12-L2.5	5,439,791	(1,267,714)	5,439,791	0	5,373,696	(66,095)
485.00	17-L1.5	4,305,666	4,305,035	(631)	17-L1.5	3,287,869	(1,017,165)	3,287,869	0	3,256,374	(31,495)
486.00	15-SQ	10,258,875	10,256,847	(2,028)	15-SQ	10,256,847	(0)	10,256,847	0	10,144,573	(112,275)
487.70	15-SQ	250,902	250,902	(0)	15-SQ	250,902	0	250,902	0	250,902	0
487.80	20-SQ	352,999	352,999	(0)	20-SQ	357,020	4,020	357,020	0	357,020	0
488.00	10-SQ	2,088,746	2,087,727	(1,019)	10-SQ	2,087,727	0	2,087,727	0	1,953,194	(134,533)
490.00	4-SQ	3,990,450	3,981,923	(8,528)	4-SQ	4,208,366	226,443	4,208,366	0	4,208,366	0
490.00 (Post 2023)	4-SQ	1,958,107	1,950,065	(8,042)	4-SQ	1,950,065	(0)	1,950,065	0	1,034,803	(915,262)
490.30	10-SQ	-	-	0	10-SQ	-	0	0	0	0	0
491.01	4-SQ	10,638,821	10,594,292	(44,529)	4-SQ	10,765,495	171,202	(208,429)	(10,973,924)	(0)	208,429
491.01 (Post 2023)	4-SQ	2,158,742	2,143,865	(14,877)	4-SQ	2,143,865	(0)	2,143,865	0	1,044,804	(1,099,062)
491.02	4-SQ	3,730,251	3,716,631	(13,620)	4-SQ	3,810,281	93,650	0	(3,810,281)	0	0
491.02 (Post 2023)	4-SQ	2,520,837	2,507,292	(13,545)	4-SQ	2,507,292	0	2,507,292	0	1,578,843	(928,449)
491.03	10-SQ	9,922,379	9,801,008	(121,371)	10-SQ	9,987,936	186,929	4,629,676	(5,358,260)	4,629,676	0
Software Intangibles - 10YR	10-SQ	0	0	0	10-SQ	0	0	0	0	0	0
491.04	10-SQ	9,153,052	6,961,941	(2,191,111)	10-SQ	7,011,022	49,081	7,011,022	0	7,011,022	0
Sub-total		877,451,863	864,640,605	(12,811,258)		754,646,059	(109,994,545)	734,503,594	(20,142,466)	729,207,865	(5,295,729)
RNG & Sales Type Lease Assets (6)		1,532,526	1,532,526	-		1,532,526	-	1,532,526	0	975,993	(556,533)
2024 DEPRECIATION BASED ON SCENARIOS		878,984,389	866,173,130	(12,811,258)		756,178,585	(109,994,545)	736,036,119	(20,142,466)	730,183,857	(5,852,262)

Notes:

- (1) Consistent with Capital Update at Exhibit 2, Tab 5, Schedule 4, Attachment 1.
- (2) Reflects Capital Update including settlement impacts.
- (3) Reflects Settlement impacts using Phase 1 Decision rates.
- (4) Reflects the removal of the NBV of \$119 million related to integration assets.
- (5) Reflects the additional impact of reducing the capital envelope by \$250 million and indirect overheads by \$50 million.
- (6) Updated to exclude CNG Sales Type Lease assets (h).