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November 4, 2024

VIA RESS AND EMAIL

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

Dear Nancy Marconi:

**Re: Enbridge Gas Inc. (Enbridge Gas, or the Company)
EB-2024-0111-2024 Rebasing and IRM – Settlement Proposal**

In accordance with Procedural Order No. 7, attached is the (Partial) Settlement Proposal for this proceeding, reflecting agreement among the Parties to most of the issues in this proceeding.

If the Settlement Proposal is accepted, there will be three outstanding issues. As set out in the Settlement Proposal, the Parties request that the OEB convene an oral hearing to determine these issues. There may be issues with witness availability that will result in a request for the oral hearing to be held later than the November 19, 2024, starting date indicated in Procedural Order No. 7. There is not yet any resolution among the Parties on this timing item.

Under cover of a separate letter, Enbridge Gas will be filing a Draft Rate Order for updated 2024 interim rates and for interim 2025 rates, along with Draft Accounting Orders that reflect the (Partial) Settlement Proposal.

Enbridge Gas will also be filing a letter attaching the ADR Information Request responses, which set out additional evidence exchanged between the Parties.

As set out in the Settlement Proposal, Enbridge Gas requests approval of the Settlement Proposal and the Draft Rate Order and Draft Accounting Orders by November 26, 2024, so that the associated rates can be implemented as of January 1, 2025, in conjunction with the January 1, 2025, QRAM Application.

Finally, Enbridge Gas notes that the Settlement Proposal includes a settlement of the Incentive Rate Mechanism (IRM) that will apply for 2025 to 2028, including the applicable “X-factor”. As a result, Enbridge Gas will not be filing reply evidence to the evidence of Pacific Economics Group.

Should you have any questions, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Joel Denomy".

Joel Denomy
Technical Manager, Strategic Applications – Rate Rebasing

PARTIAL SETTLEMENT PROPOSAL

Enbridge Gas Inc. Application for approval of 2024 Rates – Phase 2

November 4, 2024

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PREAMBLE

This Partial Settlement Proposal (referred to herein as the Settlement Proposal) is filed with the Ontario Energy Board (referred to herein as the OEB) in connection with Phase 2 of the 2024 Rebasing application of Enbridge Gas Inc. (referred to herein as Enbridge Gas or the Company) for an Order or Orders approving rates for the sale, distribution, transmission, and storage of gas commencing January 1, 2024. Enbridge Gas also applies for approval of an incentive rate-making mechanism (IRM) for the years from 2025 to 2028, and that request is part of this Phase 2.

Enbridge Gas's 2024 Rebasing application was filed under OEB docket number EB-2022-0200. The proceeding was later split into three phases through the OEB's Decision on the Issues List (Procedural Order No. 2 in Phase 1) and the subsequent Phase 1 Settlement Agreement reached amongst the Parties.

Phase 1 of the 2024 Rebasing proceeding (which retained docket number EB-2022-0200) was completed with a December 21, 2023 Decision and Order, and a May 1, 2024 Interim Rate Order.

The OEB subsequently issued EB-2024-0111 as the new docket number for Phase 2 of the 2024 Rebasing proceeding. This Settlement Proposal pertains to Phase 2.

Enbridge Gas filed its evidence for Phase 2 on April 26, 2024, and the OEB issued Procedural Order No. 1 on the same date.

Procedural Order No. 2, dated May 30, 2024, sets out the Issues List for Phase 2, along with the processes to address this application up to and including the Settlement Conference.

A Settlement Conference was held on September 10 to 13, September 18 to 20, and October 7 to 9, 2024, for issues related to Phase 2 of this Application. The Parties continued discussions after that time. Ken Rosenberg acted as facilitator for the Settlement Conference. A settlement in principle was reached on most but not all issues at the Settlement Conference and discussions continued after that time for the purposes of recording the settlement in this Settlement Proposal.

Enbridge Gas and the following intervenors participated in the Settlement Conference:

Association of Power Producers of Ontario (APPrO)
Building Owners and Managers Association (BOMA)
Canadian Biogas Association (CBA)
Canadian Manufacturers & Exporters (CME)
Consumers Council of Canada (CCC)
Energy Probe Research Foundation (EP)

Environmental Defence (ED)
Federation of Rental-housing Providers of Ontario (FRPO)
Green Energy Coalition (GEC)
Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI)
Industrial Gas Users Association (IGUA)
Kitchener Utilities (Kitchener)
London Property Management Association (LPMA)
Minogi Corporation (Minogi)
Ontario Greenhouse Vegetable Growers (OGVG)
Pollution Probe (PP)
Quinte Manufacturers Association (QMA)
School Energy Coalition (SEC)
Six Nations Natural Gas Company Limited (SNNG)
Three Fires Group (Three Fires)
Vulnerable Energy Consumers Coalition (VECC)

In this Settlement Proposal, the above-listed intervenors and Enbridge Gas are referred to as “the Parties”.

All intervenors listed above participated in some, or all, of the Settlement Conference and subsequent discussions. OEB staff attended the Settlement Conference but is not a party to the Settlement Proposal.

Enbridge Gas wishes to acknowledge the efforts made by, the intervenors, and the Intervenor wish to acknowledge the efforts made by, Enbridge Gas, all of which have allowed the Parties through active, constructive and responsible engagement to reach complete settlement on a large number of Phase 2 issues. These efforts have enhanced regulatory efficiency and resulted in a significantly shorter hearing process for Phase 2 than would otherwise have been the case. The Parties have reached complete agreement on the following Phase 2 issues:

| Category | Issue Numbers |
|-----------------------------------------------------------------------------|---------------|
| IRM | 1-6 |
| Storage | 9-14 |
| Energy Transition Capital Spending, Technology Fund & Voluntary RNG Program | 15, 16 and 18 |
| Operating Expenses | 19, 20 |
| Rate Implementation | 21, 22 |
| Other | 23-27 |

The Parties have reached agreement on parts of the following Phase 2 issues:

| Category | Issue Numbers |
|-----------------------------------------------------------------------------------|---------------|
| IRM | 7, 8 |
| Energy Transition Capital Spending, Technology Fund & Voluntary RNG Program | 17 |

Collectively, the completely settled and partially settled issues listed above are referred to as the “Settled Issues” in this Settlement Proposal. There is no disagreement with any of the completely or partially settled issues – in other words, no party objects to what is identified as settled.

HRAI only participated in the negotiation and resolution of Issues 1, 2, 5 and 27, and HRAI takes no position on any other Issue. The CBA only participated in the negotiation of Issue 17. Other than these two exceptions, all Parties participated in and support the settlement of all Settled Issues.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the OEB to settle certain issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and is binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each Settled Issue. The supporting evidence for each Settled Issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit 1, Tab 1, Schedule 1 is referred to as 1.1.1. The interrogatory responses have been grouped by Exhibit and Tab. The identification and listing of the evidence that relates to each Settled Issue is provided to assist the OEB.

The Settlement Proposal describes the agreements reached on the Settled Issues. The Settlement Proposal provides a direct link between each Settled Issue and the supporting evidence in the record to date and/or the additional evidence attached hereto. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the Settled Issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the OEB to make findings agreeing with the proposed resolution of the Settled Issues.

None of the Parties can withdraw from the Settlement Proposal except in accordance with

Rule 30 of the *Ontario Energy Board Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions the Parties might take with respect to the same issue in future proceedings in which such issue is otherwise properly raised.

The Parties acknowledge that all data, documents or information provided and any discussions, including negotiations, admissions, concessions, offers and counter-offers occurring during the course of the Settlement Conference (settlement information), including subsequent related discussions, are privileged and confidential and without prejudice in accordance with (and subject to the exceptions set out in) the OEB's *Practice Direction on Settlement Conferences* (see pages 4-5 of the OEB's *Practice Direction on Settlement Conferences*, as revised February 17, 2021). The Parties have agreed that certain information provided by Enbridge Gas during the Settlement Conference in response to written information requests will be filed with the OEB. This will be filed at or around the same time as the Settlement Proposal, using the descriptor "ADR Information Requests".

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the OEB does not accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the OEB does accept may continue as a valid Settlement Proposal).

OVERVIEW

Through diligent efforts, constructive discussion and co-operation, the Parties have resolved a large range of issues (completely or in part), but not all issues. If the Settlement Proposal is approved, there would be an OEB hearing to determine three unresolved issues.

The Settled Issues generally fit into five categories, which largely conform to the categories noted in the Issues List. The overall settlement in relation to each of these categories is described in this Overview. There are other settled items not discussed in the Overview but addressed in the Issues section of this Settlement Proposal.

Description of the Settled Issues

The subparagraphs that follow set out a summary of the items resolved as part of the Settled Issues. Where relevant, the items remaining unresolved related to these Settled Issues are also indicated. This summary is intended to assist the OEB with an overall high-level view of what will be resolved if the Settlement Proposal is accepted.¹

¹ In the event of any inconsistency between the descriptions of the Settled Issues in this Summary and

1. IRM

Enbridge Gas will have an “I-X” price cap incentive ratemaking mechanism (IRM) for the years 2025 to 2028. The X-factor will be 0.28%. There will be asymmetrical earnings sharing on a 50/50 basis for all earnings that are greater than 100 basis points above the allowed ROE level included in base (2024) rates, and in favour of ratepayers on a 90/10 basis for all earnings greater than 300 basis points. Z-factor eligibility will be increased to \$6.7 million and the materiality threshold for new deferral and variance accounts will be \$3 million. Any party can request an off-ramp where actual earnings are 300 basis points higher or lower than the allowed ROE level included in base rates, with a further right to request off-ramp treatment where forecast earnings in the next year are more than 300 basis points different from approved ROE. Enbridge Gas will only be permitted to seek Incremental Capital Module (ICM) treatment for projects over \$75 million (excluding capitalized overheads), where the project otherwise qualifies for ICM treatment. The Parties accept the Company’s proposal to implement the OEB’s Phase 1 Decision to move \$50 million of capitalized overheads to O&M through a base rate adjustment in each year of the IRM term (2025-2028).

Enbridge Gas agrees to review and report upon and potentially include new ratemaking mechanisms within its next rebasing application.

There is an unresolved issue about whether Enbridge Gas’s 2024-2028 IRM should include a mechanism to decouple revenue from customer numbers. That issue will be determined by the OEB.

2. Storage and Gas Costs

Enbridge Gas will use the aggregate excess methodology for bundled customers and contracted storage space by semi-unbundled customers to determine the storage requirement for in-franchise customers. Using this methodology, Enbridge Gas will hold 217.7 PJ of storage space to meet the 2024 storage requirement. That is the amount of storage that will be reflected in base rates when the gas supply plan costs are updated as part of Phase 3 of this proceeding. The Company will continue to provide 199.7 PJ of cost-based storage, and will be permitted to procure additional required storage at market prices from Enbridge Gas or from other counterparties. Enbridge Gas will fix its maximum storage deliverability at 4.0 PJ/day.

Enbridge Gas will report annually on the decisions made to procure additional assets or supply to meet load balancing requirements above the 199.7 PJ of cost-based storage. Differences between the load balancing costs currently included in rates

the descriptions of the Settled Issues in the Issues section of the Settlement Proposal, the description in the Issues section is intended to represent the positions of the Parties to the Settlement Proposal.

and actual costs will be recorded in existing deferral accounts. The Parties will be permitted to question and challenge load balancing costs in annual deferral and variance account proceedings, even where the costs have been addressed in a QRAM proceeding (through the PGVA). Further, parties are free to take any position on the need for a new deferral account to track load balancing costs in Phase 3 or subsequent deferral and disposition proceedings.

Enbridge Gas will implement its harmonized storage cost allocation methodology with one change. The change is that a portion of the cost of all new storage assets providing a storage service added starting in 2024 will be allocated to unregulated storage operations based on an equal weighting of the relative amount of storage space and deliverability provided by the regulated and unregulated storage operations. The exception is for new capital additions which add storage capacity or deliverability. These will be 100% allocated to unregulated storage. For 2024, this results in an allocation of 62% to regulated storage and 38% to unregulated storage. This allocation methodology will also be applied, where applicable, to amounts used to derive the allocators used to determine the allocation of operating costs between regulated and unregulated storage.

The Dawn to Corunna project will be added to rate base starting in 2024, with two adjustments. First, a \$19 million reduction will be applied to the proposed rate base addition amount. Second, the remaining balance will be allocated 62% to regulated storage and 38% to unregulated storage, which is the treatment that will apply to new storage additions in 2024.

3. Energy Transition Spending

The Parties have agreed that Enbridge Gas will not establish an Energy Technology Transition Fund.

There is no agreement about whether and/or on what terms Enbridge Gas should procure low-carbon energy as part of the gas supply commodity portfolio, including the Low Carbon Voluntary Program. The Parties do agree that if procurement of low-carbon energy (or RNG) is approved, then one thing that the OEB should consider is how any such approved program or initiative can contribute to advancing economic reconciliation with First Nations.

The Parties do not agree whether the items identified by the Company as a “safe bet” are safe bets nor whether spending on all aspects of Enbridge Gas’s planned hydrogen grid study is appropriate or is eligible for capitalization. However, there is no requirement for these matters to be determined in this case. There is agreement on an addition to the scope of Enbridge Gas’s planned hydrogen grid study. Enbridge Gas will add to the scope of the hydrogen blending study. That addition will be to examine the technical potential and ability to implement changes to the gas distribution system to serve hard-to-electrify customers with 100% hydrogen. With

that change, the Parties agree that there is no remaining issue related to safe bets with capital spending for the OEB to examine in this proceeding.

4. Rate Implementation

Using a Rate Order process to be conducted at the same time as this Settlement Proposal is being considered by the OEB, Enbridge Gas will implement: (i) the changes to 2024 revenue requirement and 2024 interim rates resulting from this Settlement Proposal; (ii) the new IRM and interim 2025 rates, reflecting a base rate adjustment to move capitalized overheads to O&M, application of the IRM (price cap adjustment) and Y-factor adjustments for 2025 DSM costs and average use; and (iii) unit rates reflecting levelized rate treatment for the Panhandle Regional Expansion Project (PREP) starting in 2025. This will result in interim 2025 rates being in place starting on January 1, 2025.

Enbridge Gas will file the Draft Rate Orders described above along with the Settlement Proposal, as well as Draft Accounting Orders for the new deferral and variance accounts included herein. The Parties have not had an opportunity to review the Draft Rate Orders and Draft Accounting Orders, including the derivation of the changes to the 2024 revenue deficiency described in the Settlement Proposal, and reserve all rights to provide comments and submissions as appropriate.

5. Other

Enbridge Gas will include a comparison of the relative cost-effectiveness of heating with electric cold climate heat pumps in certain reference and marketing materials, as more fully described with respect to issue 24 below.

Enbridge Gas has made three commitments related to IRP. First, Enbridge Gas will file a report in Phase 3 setting out its response to and compliance with the OEB's directions related to IRP. Second, within the next year Enbridge Gas will file an application that includes a proposal and request for approval of an IRP incentive mechanism. Third, Enbridge Gas will work with the IRP Technical Working Group to identify one or two system pruning pilot projects, which will be implemented by 2026.

The Parties agree that Enbridge Gas can establish an asymmetrical OEB Cost Assessment Variance Account starting in 2025, under which Enbridge Gas can recover OEB Cost Assessment amounts that are more than \$2 million above the amount included in rates. The Parties further agree that Enbridge Gas shall not establish the proposed OEB Directive Deferral Account.

In relation to Enbridge Sustain, the Parties have agreed that Enbridge Gas will implement a \$1 million base rate adjustment for 2024, to reflect amounts paid by Enbridge Sustain to Enbridge Gas for services received that have not been included in base rates. The Parties further agree that a new asymmetrical variance account

will be created that will credit any additional amounts over \$1 million paid or payable by Enbridge Sustain to Enbridge Gas for goods or services received each year of the 2024-2028 IRM term. Enbridge Gas will report each year during its Deferral and Variance Account Disposition Application about the goods or services provided by Enbridge Gas to Enbridge Sustain and the amounts paid or payable for such goods or services.

Impact of Settlement Proposal

Table 1 describes the 2024 revenue deficiency associated with Phase 2, showing the as-filed request and the impact of the Settlement Proposal and the updated request based on the Settlement Proposal.

Table 1
Phase 2 2024 Revenue Deficiency (1)

| Line No. | Particulars (\$ millions) | Phase 2 Pre-filed Evidence ² | Settlement Proposal Impact | Phase 2 Updated |
|----------|------------------------------------------------|-----------------------------------------|----------------------------|-----------------|
| | | (a) | (b) | (c) |
| | <u>Phase 2 Settlement Proposal</u> | | | |
| 1 | Revenue Requirement impacts of Dawn to Corunna | 18.1 | (8.1) | 10.0 |
| 2 | Update of unregulated storage cost allocators | (0.2) | (0.3) | (0.5) |
| 3 | Working capital in rate base | (0.1) | 0.1 | 0.0 |
| 4 | Base Rate Adj. - Sustain | | (1.0) | (1.0) |
| 5 | Phase 2 2024 Revenue Deficiency | 17.8 | (9.3) | 8.5 |

Note:

(1) Impacts shown in this table do not include gas costs

Table 2 shows forecast revenue collected each year between 2025 and 2029 under the Company's as-filed IRM proposal, and under the revised IRM proposal, as agreed in this Settlement Proposal.

² EB-2024-0111 Evidence, Updated June 12, 2024, Phase 2 Exhibit 1, Tab 3, Schedule 1, p.6.

Table 2
IRM Impacts

| Line No. | Particulars (\$ millions) | 2025 | 2026 | 2027 | 2028 |
|----------|-----------------------------------------------------------------|-------|-------|-------|-------|
| | | (a) | (b) | (c) | (d) |
| 1 | Delivery revenues - PCI parameters (Settlement Proposal(1)(3)) | 2,868 | 2,970 | 3,069 | 3,163 |
| 2 | Delivery revenues - PCI parameters (Pre-filed Evidence(2)(3)) | 2,918 | 3,074 | 3,231 | 3,387 |
| 3 | Delivery revenues - PCI parameters (Settlement Proposal Impact) | (50) | (104) | (162) | (224) |

Notes:

- (1) Productivity factor of 0% and stretch factor of 0.28%.
- (2) Productivity factor of -1.52% and stretch factor of 0%.
- (3) Delivery revenues subject to PCI, that is, excludes items such as DSM and PREP levelized rate treatment.
- (4) Inflation factor of 3.61% for 2025 and 2.00% for 2026-2028.

Unsettled Issues

There are three unsettled items.

First, there is no agreement as to whether the 2024-2028 IRM should include a mechanism to decouple revenue from customer numbers.

Second, there is no agreement on one aspect of Issue 8, which relates to Performance Metrics and Measurement targets. The Parties do not agree about whether the calculation of the meter reading metric should exclude inaccessible meters.

Third, there is only a partial agreement on Issue 17, and no agreement to whether and on what terms Enbridge Gas should establish a Low Carbon Voluntary Program for the inclusion of RNG in gas supply for contract and general service customers.

The Parties request that each of these unsettled items be determined by the OEB through an oral hearing process.

THE ISSUES

The subsections that follow set out the specific agreement on each Settled Issue. Unless stated otherwise, all issues are completely settled. As stated above, HRAI participated only in the negotiation and settlement of Issues 1, 2, 5 and 27 and takes no position on any other Settled Issue, and the CBA only participated in the negotiation and partial settlement of Issue 17 and takes no position on any other Settled Issue. With those two exceptions, all the Parties support the settlement of each Settled Issue.

A. Incentive Rate Setting Mechanism

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

The Parties have agreed on the parameters of the IRM that will apply for the years from 2025 to 2028. Along with the 2024 cost of service year, this results in a 5 year IRM term.

The parameters and components of the agreed IRM are set out below.

- (a) A Price Cap IRM with an “(I-X)+/-Y+/-Z+ICM” formula will apply.
- (b) Enbridge Gas will use its proposed two-factor inflation (I) factor, as described in evidence at Exhibit 10, Tab 1, Schedule 1, paragraph 20, which is calculated as the weighted sum of:
 - i) 75% for the non-labour component (calculated as the calendar year-over-year percentage change in the annual average of Canada’s Gross Domestic Product Implicit Price Index Final Domestic Demand (GDP IPI FDD) available for the most recent calendar year); and
 - ii) 25% for the labour component (calculated as the calendar year-over-year percentage change in the annual average of Ontario fixed weighted index of Average Hourly Earnings (AHE) available for the most recent calendar year).
- (c) The X-factor that will apply is 0.28%, comprised of a productivity factor of zero and a stretch factor of 0.28%.
- (d) Y-factors will be included as proposed by Enbridge Gas at Exhibit 10, Tab 1, Schedule 1, paragraph 29 for cost of gas and upstream transportation, DSM costs, LRAM and normalized average use adjustment, as well as a new Y-factor that would track revenue requirement impacts from an OEB generic proceeding on determining an appropriate revenue horizon (for general service and other customers) and/or customer attachments. The details of this Y-factor would be determined after an OEB decision in the generic proceeding.

- (e) The Z-factor materiality threshold will be set at \$6.7 million. This number is derived by taking the current \$5.5 million threshold and inflating that by the same percentage that the distribution revenue requirement has grown since 2019.
- (f) Incremental Capital Module (ICM) eligibility will be as set out under Issue 3, below.
- (g) Enbridge Gas or other Parties may request an off-ramp where actual earnings in any year are more than 300 basis points different from ROE included in base (2024) rates. Additionally, Enbridge Gas or intervenors can request an off-ramp where earnings for the next year are forecast to be more than 300 basis points different from allowed ROE in base rates.
- (h) For establishment of new deferral and variance accounts, a \$3 million annual revenue requirement materiality threshold will apply. This threshold will not impact currently established accounts, nor does it represent a deadband that must be reached before amounts can be recorded into or disbursed from a new account.
- (i) An Earnings Sharing Mechanism (ESM) will apply for 2025-2028, as described under Issue 4, below.
- (j) The annual rate adjustment process will be as described at Exhibit 10, Tab 1, Schedule 1, paragraph 53, which is the same process used during the 2019-2023 deferred rebasing term.
- (k) The annual process for clearance of deferral and variance accounts and presentation of utility results will be as described under Issue 5, below.

There will be two base rate adjustments.

- (a) As described below under Issue 27, Enbridge Gas will reduce the 2024 revenue requirement by \$1 million to reflect amounts paid by Enbridge Sustain to Enbridge Gas for services received that have not been included in base rates.
- (b) As described below under Issue 6, there will be annual base rate adjustments from 2025 to 2028 to move \$50 million of capitalized overheads to O&M each year.

As noted under issue 7 below, nothing in the settlement of any issues precludes an OEB decision implementing an appropriate mechanism that would operate in conjunction with this IRM framework, to decouple revenue from customer numbers.

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

| | |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1.1 | Incentive Rate Mechanism |
| 10.1.1.1 | Total Factor Productivity, Benchmarking, and Recommended Inflation and X Factors for Enbridge Gas Inc. Incentive Rate-Setting Mechanism' (Black & Veatch Study) |
| 10.1.1.2 | Black and Veatch TFP and Benchmarking - US |
| 10.1.1.3 | Black and Veatch EGI Distribution Capital and TFP |
| 10.1.1.4 | Black and Veatch Canadian Data and Benchmarking |
| 10.1.1.5 | Base Rate Adjustment for Expensing Capitalized Indirect Overheads |
| Exhibit I.10.1 | Exhibit 10, Tab 1 Interrogatories |
| 1 TC Tr. 7 - 185 | Technical Conference Panel 1 |
| 2 TC Tr. 2 - 14 | Technical Conference Panel 1 |
| JT1.1 - JT1.50 | Panel 1 Undertakings |
| M2 | ED Evidence – Incentive Ratemaking for Capital Cost Containment and Energy Transition Risk Reduction prepared by Current Energy Group |
| M3 | Staff Evidence – Empirical Research for Enbridge Gas IR prepared by Pacific Economics Group Research LLC |
| N.M2 | Exhibit M2 Interrogatories |
| N.M3 | Exhibit M3 Interrogatories |

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

See Issue 1.

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

| | |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1.1 | Incentive Rate Mechanism |
| 10.1.1.1 | Total Factor Productivity, Benchmarking, and Recommended Inflation and X Factors for Enbridge Gas Inc. Incentive Rate-Setting Mechanism' (Black & Veatch Study) |
| 10.1.1.2 | Black and Veatch TFP and Benchmarking - US |
| 10.1.1.3 | Black and Veatch EGI Distribution Capital and TFP |
| 10.1.1.4 | Black and Veatch Canadian Data and Benchmarking |
| 10.1.1.5 | Base Rate Adjustment for Expensing Capitalized Indirect Overheads |
| Exhibit I.10.1 | Exhibit 10, Tab 1 Interrogatories |
| 1 TC Tr. 7 - 185 | Technical Conference Panel 1 |
| 2 TC Tr. 2 - 14 | Technical Conference Panel 1 |
| JT1.1 - JT1.50 | Panel 1 Undertakings |
| M2 | ED Evidence – Incentive Ratemaking for Capital Cost Containment and Energy Transition Risk Reduction prepared by Current Energy Group |
| M3 | Staff Evidence – Empirical Research for Enbridge Gas IR prepared by Pacific Economics Group Research LLC |
| N.M2 | Exhibit M2 Interrogatories |
| N.M3 | Exhibit M3 Interrogatories |

3. Is the proposed approach to incremental capital funding appropriate, including: (i) the proposed inclusion of overhead costs in ICM amounts; (ii) the opportunity to request ICM funding in leave to construct applications; and (iii) the proposed different ICM treatment for asset life extension projects?

The Parties agree that Enbridge Gas will be permitted to seek ICM treatment for projects that qualify under the OEB's ICM policies³, subject to the following modifications:

- (a) The project specific in-service materiality threshold, exclusive of overheads, will be set at \$75 million;
- (b) Enbridge Gas will not include capitalized overhead costs as part of project costs sought for ICM rate recovery during the IRM term. It is understood and agreed that all of the Company's capitalized overhead costs for the subject year will be included in the overall capital costs for the subject year and considered in the determination of the eligible incremental capital amount, but will not be reflected in the ICM rate rider.
- (c) Enbridge Gas will be permitted (but not required) to seek approval of advanced ICM treatment for a project as part of the Leave to Construct (LTC) application for approval of the subject project, as described at Exhibit 10, Tab 1, Schedule 1, paragraphs 46 and 47.

The Parties further agree that Enbridge Gas's proposal for ICM treatment of Asset Life Extension (ALE) will not be implemented.

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

| | |
|----------------|-----------------------------------------|
| 10.1.1 | Incentive Rate Mechanism |
| 1.17.1 | Asset Life Extension and System Pruning |
| Exhibit I.10.1 | Exhibit 10, Tab 1 Interrogatories |
| Exhibit I.17.1 | Exhibit 17, Tab 1 Interrogatories |

4. Is the proposed earnings sharing mechanism appropriate?

The Parties agree to an asymmetrical earnings sharing mechanism (ESM) where if in any calendar year from 2025 to 2028, the actual utility ROE is greater than 100 basis points above the allowed ROE, the excess earnings above 100 basis points

³ If there are changes to the OEB's ICM policies through the current EB-2024-0236 consultation, then Enbridge Gas will follow the OEB's direction as to whether these changes are to be implemented immediately or upon a utility's next rebasing. In the event that no such direction is provided, then Enbridge Gas would continue to follow the OEB's current (as of November 1, 2024) ICM policies for the 2024-2028 term.

would be shared 50/50 between ratepayers and Enbridge Gas. Further, earnings more than 300 basis points above the allowed ROE would be credited to ratepayers and the Company, on a 90/10 basis.

The “allowed ROE” to be used for earnings sharing purposes is the ROE embedded in base rates, which is 9.21%.⁴

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

| | |
|------------------------|--------------------------|
| 10.1.1 | Incentive Rate Mechanism |
| Exhibit I.10.1-LPMA-23 | LPMA Interrogatory |
| Exhibit I.10.1-SEC-48 | SEC Interrogatory |
| Exhibit I.10.1-HRAI-42 | HRAI Interrogatory |

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

The Parties agree to Enbridge Gas’s proposal, as set out at Exhibit 10, Tab 1, Schedule 1, paragraph 54, along with the filing of the additional information as set forth elsewhere in this Settlement Proposal, to continue the approach from the deferred rebasing term for annual proceedings for clearance of deferral and variance accounts and presentation of utility results and ESM amounts and scorecard results.

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

| | |
|----------------|-----------------------------------|
| 10.1.1 | Incentive Rate Mechanism |
| Exhibit I.10.1 | Exhibit 10, Tab 1 Interrogatories |

6. Is the proposed mechanism to reduce the capitalized indirect overhead balance by \$50 million in each year of the IRM term and expense it as O&M appropriate?

The Parties agree to Enbridge Gas’s proposal for annual base rate adjustments for each year from 2025 to 2028 related to moving overhead capital to O&M, as described in Exhibit 10, Schedule 1, Tab 1, paragraphs 11 to 17 and the associated Attachment 5.

⁴ If there are changes to the OEB’s ROE formula through the current Cost of Capital proceeding (EB-2024-0063), then Enbridge Gas will follow the OEB’s direction as to whether these changes are to be implemented into rates immediately or upon a utility’s next rebasing. In the event that no such direction is provided, then Enbridge Gas would continue to follow the OEB’s current policies for the 2024-2028 term. In the event that changes are implemented for Enbridge Gas during the rate term, then “allowed ROE” for ESM purposes would reflect the revised ROE included in rates for that given year.

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

| | |
|------------------------------|-------------------------------------------------------------------|
| 10.1.1 | Incentive Rate Mechanism |
| 10.1.1.5 | Base Rate Adjustment for Expensing Capitalized Indirect Overheads |
| Exhibit I.STAFF-43 | STAFF Interrogatory |
| Exhibit I.10.1-CCC-47 | CCC Interrogatory |
| Exhibit I.10.1-LPMA-14 to 17 | LPMA Interrogatories #14 to #17 |
| 1 TC Tr. 7 - 185 | Technical Conference Panel 1 |
| 2 TC Tr. 2 - 14 | Technical Conference Panel 1 |
| JT1.1 - JT1.50 | Panel 1 Undertakings |

7. How should Enbridge Gas be incentivized to implement economic alternatives to gas infrastructure and how should the recovery of its costs be treated?

Partial Settlement

The Parties have reached a partial settlement of this issue, premised on a number of commitments from Enbridge Gas, as well as on one item being determined by the OEB in this proceeding.

In evidence (at Exhibit 1, Tab 17, Schedule 1), Enbridge Gas proposed an Asset Life Extension (ALE) plan, as well as a proposal to consider future “System Pruning” projects.

Intervenor evidence from Current Energy Group (Exhibit M2), sponsored by Environmental Defence, proposed a number of additional measures that could be adopted by Enbridge Gas to address energy transition and stranded asset risk.

In relation to Enbridge Gas’s ALE proposal, the Parties accept the scope of Enbridge Gas’s planned ALE activities, and agree that Enbridge Gas can apply to recover the associated incremental O&M costs through a new deferral account. Specifically, the Parties agree that Enbridge Gas can create a new Asset Life Extension Costs Deferral Account, into which incremental O&M costs associated with ALE activities can be recorded. Notwithstanding, the agreement on the revised materiality threshold for establishment of new deferral accounts agreed to as part of Issue 1, the Parties agree that the revised materiality threshold will not apply to this new deferral account.

At the time that Enbridge Gas seeks clearance of amounts recorded in the new Asset Life Extension Costs Deferral Account, Enbridge Gas will provide evidence about the cost associated with work or projects avoided, downsized or delayed because of the ALE work.

In relation to Enbridge Gas’s “System Pruning” proposal, the Parties agree that it is appropriate for Enbridge Gas to develop and implement a system pruning pilot project. The Parties have agreed that Enbridge Gas will develop its approach to

system pruning in consultation with the IRP Technical Working Group by the end of Q2 of 2025 and begin implementation on one or two pilots by the end of Q1 of 2026. The Parties agree that for these one or two pilots OEB approval is not required if the combined costs of these pilots are \$5 million or less and the pilot(s) are supported by the IRP Technical Working Group. The Parties agree that a new IRP System Pruning Deferral Account with a \$5 million cap will be created for recording the incremental costs related to these activities for later recovery. Should Enbridge Gas forecast that the incremental costs of the IRP System Pruning pilot project(s) will exceed \$5 million, then Enbridge Gas would be expected to seek OEB approval through an IRP Plan Application.

In relation to additional measures proposed in the evidence from Current Energy Group, the Parties have agreed as follows:

- (a) Enbridge Gas shall study in its next rebasing application (i) a mechanism to implement differentiated ROEs on different asset types, and (ii) an Efficiency Carryover Mechanism (ECM) with a capital efficiency sharing mechanism.
- (b) Enbridge Gas shall file its analysis and materials outlining a number of options for implementing each item noted above. If Enbridge Gas does not propose implementing an item, it shall nevertheless present an option for the OEB's consideration for that item that is sufficiently detailed to allow it to be implemented in the next rebasing proceeding without further study.
- (c) Enbridge Gas shall hold, at least, two funded stakeholder sessions, one in Q4 of 2025 and one in Q3 of 2026, to discuss its plans for the next rebasing case. At these sessions, Enbridge Gas would present its current investigations and plans in respect of differentiated ROEs, an ECM with a capital efficiency sharing mechanism and solicit and receive comments and feedback from stakeholders on a timeline that allows for that input to be reflected in the rebasing filing that is targeted for October 1, 2027.
- (d) All of the foregoing is without prejudice to any Party taking any position for or against these potential proposals. The fact that any Party has declined to pursue other measures proposed in the Current Energy Group evidence within this Phase 2 Rebasing proceeding is without prejudice to the right of any Party to pursue the same measures in an appropriate future proceeding.

Also in relation to the additional measures proposed in the evidence from Current Energy Group, there is no agreement as to whether the 2024-2028 IRM should include a mechanism to decouple revenue from customer numbers. The Parties agree that the OEB should determine this item through a hearing process. Nothing in the settlement of any issues precludes an OEB decision implementing an appropriate mechanism that would operate in conjunction with the IRM framework described in Issue 1, to decouple revenue from customer numbers. The Parties

agree that 2025 rates would remain interim until this item is determined.

The parties agree that the consideration of proposals arising from the evidence of the Current Energy Group in this proceeding and the next rebasing proceeding will not be restricted only to the specific parameters, designs, or implementation details as set out in the Current Energy Group report and that the OEB may consider other proposals put forward by any Party.

See also the settlement terms regarding an IRP incentive mechanism set out in relation to Issue 25 below, which are also relevant to Issue 7.

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

| | |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| 1.17.1 | Asset Life Extension and System Pruning |
| Exhibit I.1.17-STAFF-17 | STAFF Interrogatory |
| Exhibit I.1.17-BOMA-5 | BOMA Interrogatory |
| 1 TC Tr. 7 - 185 | Technical Conference Panel 1 |
| 2 TC Tr. 2 - 14 | Technical Conference Panel 1 |
| JT1.1 - JT1.50 | Panel 1 Undertakings |
| M2 | ED Evidence – Incentive Ratemaking for Capital Cost Containment and Energy Transition Risk Reduction prepared by Current Energy Group |
| N.M2 | Exhibit M2 Interrogatories |
| ED-ADR | Responses to ED ADR information requests |

8. Are the proposed scorecard Performance Metrics and Measurement targets for the amalgamated utility, including the proposed change to the calculation of the Meter Reading Performance Measurement, appropriate?

Partial Settlement

With one change and one exception (see below), the Parties agree on the proposed Performance Metrics and Measurement targets for the amalgamated utility, as set out in Exhibit 1, Tab 7, Schedule 1.

The change from Enbridge Gas's proposal is that the Parties have agreed to the addition of new reporting metrics to be included in the OEB scorecard for avoided capital from IRP and ALE activities. The new reporting metrics will identify the in-year avoided capital costs of an investment as a result of the implementation of an "asset life extension alternative" or "integrated resource planning alternative", without targets set for the rate term. The purpose of these new metrics is to provide reporting and information transparency.

The Parties do not agree to Enbridge Gas's proposal to change the calculation of the Meter Reading Performance Metric to exclude inaccessible meters. The Parties agree that this proposal should be determined by the OEB through a hearing process.

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

| | |
|--------------------|------------------------------------------------------------|
| 1.7.1 | Performance Measurement and Scorecard |
| 1.7.1.1 | Enbridge Gas Inc. OEB Scorecard (2014-2023) |
| 1.7.1.2 | 2022-2023 Meter Reading Results and 2024 Forecast |
| 1.7.1.3 | Images of Inaccessible Gas Meters Due to Obstructions |
| 1.7.1.4 | 2024 Meter Reading Performance Measurement Mitigation Plan |
| Exhibit I.1.7 | Exhibit 1, Tab 7 Interrogatories |
| 3 TC Tr. 124 - 167 | Technical Conference Panel 4 |
| 4 TC Tr. 1 - 56 | Technical Conference Panel 4 |
| JT3.25 - 40 | Panel 4 Undertakings |
| JT4.1 - JT4.9 | Panel 4 Undertakings |

B. Storage

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

As part of an overall settlement of the Storage issues, the Parties agree that Enbridge Gas will maintain the cap of 199.7 PJ of cost based storage for in-franchise customers.⁵

Enbridge Gas agrees that it will report on the continued appropriateness of this level of cost-based storage in its next rebasing case.

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

| | |
|-------------------------------|------------------------------|
| 4.2.8 | Storage Space Regulation |
| Exhibit I.4.2-CCC-44 | CCC Interrogatory |
| Exhibit I.4.2-EP-15-16, 19-20 | EP Interrogatories |
| Exhibit I.4.2-FRPO-75-79 | FRPO Interrogatories |
| Exhibit I.4.2-SEC-36-37 | SEC Interrogatories |
| Exhibit I.4.2-VECC-19-20 | VECC Interrogatories |
| 3 TC Tr. 3- 122 | Technical Conference Panel 3 |
| JT3.1-3.24 | Panel 3 Undertakings |

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

As part of an overall settlement of the Storage issues, and subject to the reporting commitments and review opportunities set out in Issue 11 below, the Parties do not object to Enbridge Gas continuing to purchase market priced storage from Enbridge Gas, where appropriate. Enbridge Gas will continue its current practices, as

⁵ See Exhibit 4, Tab 2, Schedule 9, page 1 – this total amount includes 199.4 PJ of cost-based storage at Dawn, discussed in Exhibit 4, Tab 2, Schedule 5, section 1, plus 0.3 PJ of cost-based storage related to the Crowland storage facility.

described at Exhibit 4, Tab 2, Schedule 9, when procuring market priced storage.

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

| | |
|-----------------------|------------------------------------------------------------|
| 4.2.9 | Market-Based Storage Procurement |
| 4.2.9.1 | Natural Gas Storage Blind RFP Process (ScottMadden Report) |
| Exhibit I.4.2-FRPO-80 | FRPO Interrogatory |
| Exhibit I.4.2-SEC-39 | SEC Interrogatory |
| 3 TC Tr. 3- 122 | Technical Conference Panel 3 |
| JT3.1-3.24 | Panel 3 Undertakings |

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

As part of an overall settlement of the Storage issues, Enbridge Gas has agreed to withdraw its proposal to add 10 PJ of market-based storage. The amount of storage to be included in rates is 217.7 PJ, which is the amount calculated using the aggregate excess methodology for bundled customers and contracted storage space by semi-unbundled customers. This means that Enbridge Gas will have 18 PJ of market-based storage (adjusted annually based upon need determined as noted in this paragraph). Where the annual adjustment results in the need for further storage, then Enbridge Gas will consider market-based load balancing alternatives.

Enbridge Gas will manage the reduction from the current 26 PJ of market-based storage to 18 PJ of market-based storage by not renewing contracts as they expire.

Enbridge Gas will manage its load balancing requirements above the 217.7 PJ of storage in a manner that it deems appropriate. Among other things, Enbridge Gas will agree to consider the use of forward contracts for winter gas purchases, though it will not commit to the use of that approach.

Enbridge Gas agrees that in total it will need to explain and justify the prudence of its load balancing costs. This will be done as part of annual deferral and variance account disposition applications.

For contracts and decisions for load balancing purposes made in advance of the winter (such as storage contracting or agreements to loan and repurchase gas or agreements to purchase seasonal contracts or peaking supplies), Enbridge Gas will report annually (confidentially, if required) on the market-based load balancing purchases it makes, and also provide prices of alternatives that were available at the time that contract decision was made, including but not limited to, the price of:

- (a) Physical storage
- (b) Synthetic storage (summer sale, winter buy)
- (c) Delivered gas purchased – through index supply (with market price at the time of contracting)
- (d) Delivered gas purchased – through fixed-price supply and the date the price was fixed

For contracts and decisions made for load balancing purposes during the winter season, Enbridge Gas will report on the rationale and justification for such actions, but the level of detail to be provided will be less than in the case of advance decisions. The Parties acknowledge that it may not be practical to report at the same level of detail on the choices and determinations made for the various on-the-day load balancing decisions during the winter months for options such as spot gas purchases and decisions to call on peaking supplies.

Enbridge Gas further agrees to provide reporting on required deliverability each year, and on the decisions and actions taken by Enbridge Gas to meet in-franchise deliverability requirements above the base level of 4.0 PJ.

As set out under Issue 13 below, Enbridge Gas agrees that Parties can review and propose changes to the amounts incurred as load balancing costs as part of its annual deferral and variance account disposition proceeding, even where such costs were previously addressed through clearance of the PGVA, and Enbridge Gas will record any changes approved by the OEB accordingly.

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

| | |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.2.1 | Gas Supply, Transportation & Storage Costs |
| 4.2.1.1 | Summary of Gas Costs |
| 4.2.1.2 | Addendum to the ICF Report: Assessment of Storage Capacity Requirements for Enbridge Gas In-franchise Customers – April 2024 (ICF Resources, LLC) |
| 4.2.1.3 | Assessment of Storage Capacity Requirements for Enbridge Gas In-franchise Bundled Service Customers - October 2022 (ICF Resources, LLC) |
| Exhibit I.4.2-Staff-22-31 | Staff Interrogatories #22 to 31 |
| Exhibit I.4.2-CCC-38-40 | CCC Interrogatories #38 to 40 |
| Exhibit I.4.2-EP-13 | EP Interrogatory |
| Exhibit I.4.2-FRPO-46-51, 55, 62-66, 81-85 | FRPO Interrogatories #46 to 51, 55, 62 to 66, 81 to 85 |
| Exhibit I.4.2-SEC-26-28 | SEC Interrogatories #26 to 28 |
| 3 TC Tr. 3 – 122 | Technical Conference Panel 3 |
| JT3.1 - JT3.24 | Panel 3 Undertakings |

12. Is the allocation of capital assets and costs between utility and non-utility (unregulated) storage operations appropriate, including Enbridge Gas's proposal to recover Dawn to Corunna project costs in 2024 rate base?

As part of an overall settlement of the Storage issues, the Parties agree that Enbridge Gas will implement its harmonized storage cost allocation methodology as set out Exhibit 1, Tab 13, Schedule 2, with one change. The change is that a portion of the cost of all new storage assets providing a storage service starting in 2024 will be allocated annually to unregulated storage operations based on an equal weighting of the relative amount of storage space and deliverability provided by the regulated and unregulated storage operations. The exception is for any new additions adding storage capacity or deliverability, which will always be allocated 100% to unregulated storage. For 2024, this results in an allocation of 62% to regulated storage and 38% to unregulated storage. This allocation methodology will also be applied, where applicable, to amounts used to derive the allocators used to determine the allocation of operating costs between regulated and unregulated storage.

Table 3 below sets out the way that the allocation was determined for 2024. The same methodology will be used in future years.

Table 3 - Storage Asset Allocators

| <u>Rate Zone</u> | <u>Year</u> | <u>Storage Space</u> | | | <u>Deliverability</u> | | | | |
|------------------|-------------|---------------------------|-------------------------------|---------------------------|--------------------------------------|------------------------------------------|------------------------------------|------------------------------------------|--------------------------------------|
| | | <u>Space Utility (PJ)</u> | <u>Space Non Utility (PJ)</u> | <u>Space Non Utility%</u> | <u>Deliverability Utility (PJ/d)</u> | <u>Deliverability Non Utility (PJ/d)</u> | <u>Deliverability Non Utility%</u> | <u>Non Utility Allocator⁶</u> | <u>Utility Allocator⁷</u> |
| UGL | 2024F | 100.0 | 87.0 | 46.52% | 2.1 | 1.9 | 47.50% | 47.0% | 53.0% |
| EGD | 2024F | 99.4 | 28.0 | 21.98% | 1.9 | 0.7 | 26.92% | 24.5% | 75.5% |
| Combined | 2024F | 199.4 | 115.0 | 36.58% | 4.0 | 2.6 | 39.39% | 38.0% | 62.0% |

For the Dawn to Corunna project, Enbridge Gas requested that the OEB approve a utility rate base addition of \$338.8 million for 2024. As part of an overall settlement of the Storage issues, the Parties have agreed to a \$19 million reduction to the amount eligible for 2024 rate base addition, with the updated total amount subject to allocation between regulated and unregulated operations.

In relation to the allocation of the costs of the Dawn to Corunna project as between regulated and unregulated operations, the Parties have agreed that the 2024

⁶ This is an equal 50% weighting of the space and deliverability allocated to non-utility.

⁷ This is the remainder that is allocated to the utility – equal to 1 minus the non-utility allocator.

allocation approach will apply such that 62% of the eligible rate base amount (\$198.3 million) will be allocated to regulated storage operations, with 38% (\$121.5 million) being allocated to unregulated storage operations.

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

| | |
|--------------------|-------------------------------------------------------------------------------------|
| 1.13.2 | Unregulated Storage Cost Allocations and Eliminations |
| 1.13.2.1 | Enbridge Gas Inc. - Unregulated Storage Cost Allocation - June 2020 (Ernst & Young) |
| 1.13.2.2 | 2024 Unregulated Storage Cost Allocation Calculation |
| 1.13.4 | Dawn to Corunna |
| 1.13.4.1 | Integrated Storage System Modelling and Analysis |
| 1.13.4.2 | Post Construction Financial Report |
| Exhibit I.1.13 | Exhibit 1, Tab 13 Interrogatories |
| 3 TC Tr. 3 – 122 | Technical Conference Panel 3 |
| JT3.1 - JT3.24 | Panel 3 Undertakings |
| 3 TC Tr. 124 - 167 | Technical Conference Panel 4 |
| 4 TC Tr. 1 - 56 | Technical Conference Panel 4 |
| JT3.25 - 40 | Panel 4 Undertakings |
| JT4.1 - JT4.9 | Panel 4 Undertakings |

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

As part of an overall settlement of Storage issues, Parties agree to Enbridge Gas's proposal to implement the cost consequences of the 2024 Gas Supply Plan as part of Phase 3 of the Rebasing Proceeding. The rationale provided by Enbridge Gas is that this approach is simple and easily implementable without having to make significant adjustments to base rates and to the QRAM/PGVA process in advance of Phase 3 of the Rebasing Proceeding, which is where Enbridge Gas will address the ratemaking consequences of implementation of the new gas supply plan.

Enbridge Gas agrees that the Parties can argue for the addition of a load balancing costs deferral or variance account within Phase 3.

Until the outcomes from Phase 3 are implemented, Enbridge Gas will continue to use the existing gas cost variance accounts to track variances between gas costs embedded in rates and actual gas costs. The accounts to be used include the current Storage and Transportation Deferral Account (S&TDA) for market-based storage costs for the EGD rate zone and the Purchase Gas Variance Account (PGVA) for load balancing costs for the EGD rate zone.

As set out under Issue 11 above, Enbridge Gas will report on the market-based storage and load balancing costs annually starting in 2024 as part of its annual deferral and variance account disposition proceeding. Enbridge Gas agrees that Parties can review and propose changes to the load balancing costs as part of that

proceeding, even where such costs were previously disposed through the PGVA, and Enbridge Gas will record any changes approved by the OEB accordingly.

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

| | |
|------------------|--------------------------------------------|
| 4.2.1 | Gas Supply, Transportation & Storage Costs |
| 4.2.1.1 | Summary of Gas Costs |
| Exhibit I.4.2 | Exhibit 4, Tab 2 Interrogatories |
| 3 TC Tr. 3 – 122 | Technical Conference Panel 3 |
| JT3.1 - JT3.24 | Panel 3 Undertakings |

14. 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?

As stated above under Issue 11, the Parties agree that Enbridge Gas will include 217.7 PJ of storage space in rates, which is the amount calculated using the aggregate excess methodology for bundled customers and contracted storage space by semi-unbundled customers.

The Parties agree that Enbridge Gas will fix its maximum firm withdrawal and dehydration capability for in-franchise customers at 4.0 PJ/day (notionally comprised of 1.9 PJ from the EGD rate zone and 2.1 PJ from the Union rate zones) and maximum firm injection capability for in-franchise customers at 1.7 PJ/day.

The Parties agree that there are no additional issues to be determined in Phase 2 of the Rebasing Proceeding related to allocation of space and deliverability among customers. The Parties note that cost allocation to rate classes is at issue in Phase 3 of the Rebasing Proceeding.

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

| | |
|-------------------------------------|-----------------------------------------------------|
| 4.2.1 | Gas Supply, Transportation & Storage Costs |
| 4.2.4 | Operational Contingency |
| 4.2.5 | Utility Storage Injection and Withdrawal Capability |
| Exhibit I.4.2 | Exhibit 4, Tab 2 Interrogatories |
| Exhibit I.4.2-CCC-41-42 | CCC Interrogatories #41 and 42 |
| Exhibit I.4.2-FRPO-61, 67-70, 72-74 | FRPO Interrogatories #61, 67 to 70 and 72 to 74 |
| Exhibit I.4.2-IGUA-8 | IGUA Interrogatory |
| 3 TC Tr. 3 – 122 | Technical Conference Panel 3 |
| JT3.1 - JT3.24 | Panel 3 Undertakings |

C. Energy Transition Capital Spending, Technology Fund & Voluntary RNG Program

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

For the purposes of settlement, the Parties agree that Enbridge Gas will not establish an ETTF.

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

| | |
|------------------------|-----------------------------------------------------|
| 8.1.2 | Rate Design Proposal |
| 8.1.2.1 | Energy Transition Technology Fund Rider Derivation |
| 8.1.2.2 | Rider N – Energy Transition Technology Fund |
| 8.1.2.3 | Rider L – Low-Carbon Voluntary Program |
| 1.10.7 | Energy Transition Technology Fund |
| 9.1.3 | Establishment of New Deferral and Variance Accounts |
| 9.1.3.1 | Proposed Accounting Orders |
| Exhibit I.8.1 | Exhibit 8, Tab 1 Interrogatories |
| Exhibit I.1.10 | Exhibit 1, Tab 10 Interrogatories |
| Exhibit I.9.1 | Exhibit 9, Tab 1 Interrogatories |
| Exhibit I.9.1-Staff-39 | Staff Interrogatory |
| 2 TC Tr. 15 - 193 | Technical Conference Panel 2 |
| JT2.1 – JT2.28 | Panel 2 Undertakings |
| M1 | GEC/ED Evidence –prepared by Energy Futures Group |
| N.M1 | Exhibit M1 Interrogatories |

16. Is the proposal to establish a new Energy Transition Technology Fund Variance Account appropriate?

Since the Parties agree that Enbridge Gas will not establish an ETTF, there is also no need for the proposed Energy Transition Technology Fund Variance Account.

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

| | |
|------------------------|-----------------------------------------------------|
| 8.1.2 | Rate Design Proposal |
| 8.1.2.1 | Energy Transition Technology Fund Rider Derivation |
| 8.1.2.2 | Rider N – Energy Transition Technology Fund |
| 1.10.7 | Energy Transition Technology Fund |
| 9.1.3 | Establishment of New Deferral and Variance Accounts |
| 9.1.3.1 | Proposed Accounting Orders |
| Exhibit I.8.1 | Exhibit 8, Tab 1 Interrogatories |
| Exhibit I.1.10 | Exhibit 1, Tab 10 Interrogatories |
| Exhibit I.9.1-Staff-39 | Staff Interrogatory |
| 2 TC Tr. 15 - 193 | Technical Conference Panel 2 |
| JT2.1 – JT2.28 | Panel 2 Undertakings |
| M1 | GEC/ED Evidence –prepared by Energy Futures Group |
| N.M1 | Exhibit M1 Interrogatories |

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

Partial Settlement

There is no agreement about whether and/or on what terms Enbridge Gas should procure low-carbon energy as part of the gas supply commodity portfolio, including the Low Carbon Voluntary Program. The Parties agree that this issue should be determined by the OEB through a hearing process.

However, the Parties, except for Energy Probe which takes no position, do agree that if procurement of low-carbon energy (or RNG) is approved, then any approval relating to Enbridge Gas's proposals regarding RNG procurement should include consideration of how any such approved program or initiative can contribute to advancing economic reconciliation with First Nations, which could potentially include procurement targets for First Nation-owned businesses in Ontario (FN Businesses) and/or discount pricing advantages for bids from FN Businesses as potential measures to help stimulate related First Nations business activity.

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

| | |
|----------------------------|-------------------------------------------------------------------------|
| 4.2.7 | Low-Carbon Energy in the Gas Supply Commodity Portfolio |
| 4.2.7.1 | Letters of Support |
| 4.2.7.2 | North American Renewable Natural Gas Market Evaluation - September 2022 |
| 4.2.7.3 | RNG Letters of Support |
| 8.1.2 | Rate Design Proposal |
| 8.1.2.3 | Rider L – Low-Carbon Voluntary Program |
| 9.1.3 | Establishment of New Deferral and Variance Accounts |
| 9.1.3.1 | Proposed Accounting Orders |
| Exhibit I.4.2-Staff-32-37 | Staff Interrogatories #32 to 37 |
| Exhibit I.4.2-CBA-1-3 | CBA Interrogatories # 1 to 3 |
| Exhibit I.4.2-CCC-43 | CCC Interrogatory |
| Exhibit I.4.2-CME-21-24 | CME Interrogatories # 21 to 24 |
| Exhibit I.4.2-ED-38-55 | ED Interrogatories # 38 to 55 |
| Exhibit I.4.2-EP-10-12 | EP Interrogatories # 10 to 12 |
| Exhibit I.4.2-GEC-17-27 | GEC Interrogatories #17 to 27 |
| Exhibit I.4.2-PP-43, 45-48 | PP Interrogatories # 43 and 45 to 48 |
| Exhibit I.4.2-SEC-29-35 | SEC Interrogatories # 29 to 25 |
| Exhibit I.4.2-TFG/M- 6-13 | TFG/M Interrogatories # 6 to 13 |
| 2 TC Tr. 15 - 193 | Technical Conference Panel 2 |
| JT2.1 – JT2.28 | Panel 2 Undertakings |
| M1 | GEC/ED Evidence –prepared by Energy Futures Group |
| N.M1 | Exhibit M1 Interrogatories |

18. Are the energy transition safe bet proposals with capital pending in the IRM term that were not addressed in Phase 1, such as the Energy Transition Technology Fund and the Low-Carbon Renewable Natural Gas Program, appropriate?

Based on the provisos and agreements set out below, the Parties agree that there is no issue related to safe bets proposals with capital spending in the IRM term for the OEB to examine in this proceeding.

There is no agreement that the safe bets identified by Enbridge Gas are safe bets.

Specifically in relation to Enbridge Gas's planned hydrogen grid study:

- (a) Enbridge Gas agrees to expand the hydrogen grid study scope to include an assessment of the feasibility, cost, and ability to implement system modifications to serve a representative sample of hard-to-electrify industrial customers with 100% hydrogen.
- (b) The Parties do not agree on whether the expenditures on this project are all appropriate or eligible for capitalization. The Parties reserve all rights to challenge the prudence of any of the relevant capital spending when Enbridge Gas seeks to add that capital spending to rate base for ratemaking purposes, at the next rebasing.

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

| | |
|-------------------|-------------------------------------------------------------------------------------------|
| 4.2.7 | Low-Carbon Energy in the Gas Supply Commodity Portfolio |
| 4.2.7.1 | Letters of Support |
| 4.2.7.2 | North American Renewable Natural Gas Market Evaluation - September 2022 (Anew Canada ULC) |
| 4.2.7.3 | RNG Letters of Support |
| 8.1.2 | Rate Design Proposal |
| 8.1.2.1 | Energy Transition Technology Fund Rider Derivation |
| 8.1.2.2 | Rider N – Energy Transition Technology Fund |
| 8.1.2.3 | Rider L – Low-Carbon Voluntary Program |
| 9.1.3 | Establishment of New Deferral and Variance Accounts |
| 9.1.3.1 | Proposed Accounting Orders |
| Exhibit I.4.2 | Exhibit 4, Tab 2 Interrogatories |
| Exhibit I.8.1 | Exhibit 8, Tab 1 Interrogatories |
| Exhibit I.9.1 | Exhibit 9, Tab 1 Interrogatories |
| Exhibit I.1.10 | Exhibit 1, Tab 10 Interrogatories |
| 2 TC Tr. 15 - 193 | Technical Conference Panel 2 |
| JT2.1 – JT2.28 | Panel 2 Undertakings |
| M1 | GEC/ED Evidence –prepared by Energy Futures Group |
| N.M1 | Exhibit M1 Interrogatories |

D. Operating Expenses

- 19. In relation to the 2024 Test Year gas cost forecast, a) Are the 2024 load balancing costs including storage appropriate; and b) Is the proposed harmonized approach to determining operational contingency space appropriate?**

Subject to approval of the resolution of Issues 9-14 on the basis set out above, which includes the opportunity for Parties to review actual load balancing costs each year, the Parties do not raise any issues at this time about whether the 2024 load balancing costs including storage are appropriate.

The Parties agree that the proposed harmonized approach to determining operational contingency space as set out at Exhibit 4, Tab 2, Schedule 4 is appropriate.

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

| | |
|------------------|----------------------------------|
| 4.2.4 | Operational Contingency |
| Exhibit I.4.2 | Exhibit 4, Tab 2 Interrogatories |
| 3 TC Tr. 3 - 122 | Technical Conference Panel 3 |
| JT3.1 - JT3.24 | Panel 3 Undertakings |

- 20. Is the annual amount for site restoration costs calculated appropriately, and is the long-term forecast of the total funds required for site restoration costs appropriate?**

The Parties agree that Enbridge Gas has appropriately responded to the OEB's directions in the Rebasing Phase 1 Decision to file evidence indicating how it has calculated annual amounts to derive the reported accumulated \$1.6 billion of net site restoration costs (collections through rates net of costs) and that there has been some discovery on those calculations. The Parties understand that this reporting direction was intended by the OEB to provide a "line of sight" into the balance collected from ratepayers. The Parties also acknowledge that Enbridge Gas has provided a long-term forecast of the total funds required to pay for site restoration costs. Enbridge Gas was also directed to track and study and report at the time of its next rebasing on ten asset accounts with respect to net salvage requirements and is doing so. The Parties agree that a determination by the OEB in relation to the net amounts that have already been collected through rates and of the remaining unfunded forecast net salvage liability is best made when informed by the results of the study of the ten asset accounts. This timing also supports an examination at Enbridge Gas's next rebasing of the appropriate measures to provide for sufficient funding for future net salvage costs.

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

| | |
|-------------------|----------------------------------|
| 4.5.2 | Site Restoration Costs |
| Exhibit I.4.5 | Exhibit 4, Tab 5 Interrogatories |
| 2 TC Tr. 15 - 193 | Technical Conference Panel 2 |
| JT2.1 – JT2.28 | Panel 2 Undertakings |

E. Rate Implementation

21. How should the OEB implement any changes to 2024 interim rates resulting from determination and decisions on the issues in Phase 2?

Using a Rate Order process to be conducted at the same time as this Settlement Proposal is being considered by the OEB, Enbridge Gas will propose interim rates that will implement the changes to 2024 revenue requirement and rates resulting from this Settlement Proposal. Those changes will be reflected in a Draft Rate Order that will reflect: (i) the addition of the Dawn to Corunna project to rate base, as described at Issue 12; (ii) changes to the 2024 costs (or revenue requirement) based on the change to the storage cost allocation methodology described at Issue 12; and (iii) the base rate adjustment of \$1 million described at Issue 27. Enbridge Gas will also file and seek approval for a Rate Rider that would recover the 2024 full year impact of these changes.

The 2025 rates would remain interim pending the OEB's determination of whether to include a mechanism to decouple revenue from customer numbers.

Enbridge Gas will file the Draft Rate Orders described above along with the Settlement Proposal, as well as Draft Accounting Orders for all applicable deferral and variance accounts. Draft Accounting Orders for the five new deferral and variance accounts agreed upon in this Settlement Proposal are attached at Appendix A.

The Parties have not had an opportunity to review the Draft Rate Orders and the full Draft Accounting Order, including the derivation of the changes to the 2024 revenue deficiency described in the Settlement Proposal, and reserve all rights to provide comments and submissions as appropriate.

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

| | |
|-------|----------------|
| 1.3.1 | Administration |
|-------|----------------|

22. What is an appropriate process to approve 2025 rates as soon as possible after the Phase 2 Decision on the IRM is complete?

As an associated step with the Rate Order process for updated 2024 rates, the Parties also propose interim rates for 2025 that will implement the relevant portions of this Settlement Proposal. Those proposed 2025 interim rates will be reflected in a Draft Rate Order that will reflect: (i) base rate adjustments for 2024, as noted under Issue 21 above; (ii) a base rate adjustment for moving \$50 million of capitalized overhead to O&M; (iii) application of the IRM (price cap index) adjustment to 2024 interim rates (after the 2025 base rate adjustment is implemented); and (iv) Y-Factor adjustments for 2025 DSM costs and average use.

Approval of the foregoing by November 26, 2024 will allow Enbridge Gas to implement the interim 2025 rates starting on January 1, 2025, in conjunction with the January 2025 QRAM.

Enbridge Gas will also seek approval of unit rates reflecting the approved levelized rate treatment for the PREP project starting in 2025. The levelized rate for the PREP project will be designed to proportionally apply the PREP revenue requirement to each of the current rate zones and rate classes, consistent with the Phase 1 settlement agreement and the allocation of the Phase 1 deficiency in the Phase 1 2024 Rate Order. The unit rates for PREP will be designed to recover the associated 2024-2028 PREP revenue requirement over the remainder of the IRM term starting on January 1, 2025.

Enbridge Gas confirms that cost allocation for PREP is in scope for Phase 3, such that the cost allocation treatment for the PREP unit rates in 2025 is effectively interim and may be changed, on a prospective basis, in the future.

Enbridge Gas will file the Draft Rate Orders described above along with the Settlement Proposal. The Parties have not had an opportunity to review the Draft Rate Orders and reserve all rights to provide comments and submissions as appropriate.

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

F. Other

23. 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?

Please see Issue 14 above.

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

| | |
|-------------------------------------|-----------------------------------------------------|
| 4.2.1 | Gas Supply, Transportation & Storage Costs |
| 4.2.4 | Operational Contingency |
| 4.2.5 | Utility Storage Injection and Withdrawal Capability |
| Exhibit I.4.2-CCC-41-42 | CCC Interrogatories #41 and 42 |
| Exhibit I.4.2-FRPO-61, 67-70, 72-74 | FRPO Interrogatories #61, 67 to 70 and 72 to 74 |
| Exhibit I.4.2-IGUA-8 | IGUA Interrogatory |
| 3 TC Tr. 3 – 122 | Technical Conference Panel 3 |
| JT3.1 - JT3.24 | Panel 3 Undertakings |

24. Has Enbridge Gas appropriately reviewed the energy comparison information in its informational and marketing materials, and taken appropriate actions based on its review?

Enbridge Gas agrees that beginning 45 days after the filing of this Settlement Proposal, Enbridge Gas shall not include statements, including cost comparison charts, related to the relative cost-effectiveness of natural gas heating or to savings that can be achieved with natural gas heating in written marketing materials, or reference materials aimed at customers, potential customers, HVAC contractors, or builders, that the Company distributes unless it includes a comparison with the relative cost-effectiveness of heating with electric cold climate heat pumps. This includes all such material disseminated in Ontario by Enbridge Gas, or by Enbridge affiliates on behalf of Enbridge Gas, to customers, potential customers, HVAC contractors, and builders.

Enbridge Gas agrees that updated materials shall be filed in Phase 3 of the 2024 rates proceeding, or in a subsequent proceeding if not complete at that time.

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

| | |
|------------------|--------------------------------------|
| 1.16.1 | Energy Comparison Information Report |
| 1.16.1.1 | Attachment Package |
| 1.16.1.2 | Energy Comparison Chart – April 2024 |
| Exhibit I.16.1 | Exhibit 16, Tab 1 Interrogatories |
| 1 TC Tr. 7 - 185 | Technical Conference Panel 1 |
| 2 TC Tr. 2 - 14 | Technical Conference Panel 1 |
| JT1.1 - JT1.50 | Panel 1 Undertakings |

25. Has Enbridge Gas appropriately responded to relevant OEB directions and commitments from previous proceedings, including issues related to the IRP Framework?

Subject to the commitments from Enbridge Gas set out below related to IRP, the Parties agree that there is no further issue for the OEB to determine in this Phase 2 Rebasing proceeding in relation to Enbridge Gas's response to relevant OEB directions.

In relation to IRP, Enbridge Gas makes the following commitments.

- (a) A number of the Parties are concerned that progress on previous IRP directions from the OEB has been insufficient. In the interests of a more comprehensive settlement of this Phase 2 Rebasing proceeding, however, these Parties agree that Enbridge Gas should have a further opportunity to consider these concerns and demonstrate progress in response to these previous IRP directions. The Parties propose, and Enbridge Gas agrees, that the Company will file a report in Phase 3 of this Rebasing proceeding on the status of its responses to these previous IRP directions, for consideration by the Parties and the OEB.
- (b) One of the items that has been discussed by the IRP Technical Working Group is the introduction of an IRP incentive mechanism. Enbridge Gas agrees that it will propose an IRP incentive mechanism in its next IRP Plan application to the OEB, to be filed within one year of the date that this Settlement Proposal is filed. If there is no IRP Plan application within the next year, then Enbridge Gas will file a standalone application or request to the OEB for approval of an IRP incentive mechanism within that same timeframe.
- (c) As set out above, under Issue 7, Enbridge Gas will work with the IRP Technical Working Group to identify one or two system pruning pilot projects, which will be implemented by 2026.

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

- 1.3.1 Administration
- 1.3.1.2 Directive Response Summary

26. Is the proposal to establish the OEB Cost Assessment Variance Account and the OEB Directive Deferral Account appropriate?

The Parties agree to Enbridge Gas's proposal to establish an OEB Cost Assessment Variance Account starting in 2025, subject to the following modification. The new account will record variances in OEB Cost Assessment amounts as compared to the \$9.4 million that was included in the Company's 2024 O&M budget. The \$9.4 million

threshold amount will be adjusted each year using the IRM formula. Enbridge Gas will be entitled to recover any amounts each year that are more than \$2 million above the threshold amount. In any year where the actual OEB Cost Assessment amounts are below the threshold amount, Enbridge Gas will credit all amounts below the threshold to ratepayers.

The Parties also agree that Enbridge Gas shall not establish its proposed OEB Directive Deferral Account.

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

| | |
|--------------------|-----------------------------------------------------|
| 9.1.3 | Establishment of New Deferral and Variance Accounts |
| 9.1.3.1 | Proposed Accounting Orders |
| Exhibit I.9.1 | Exhibit 9, Tab 1 Interrogatories |
| 3 TC Tr. 124 - 167 | Technical Conference Panel 4 |
| 4 TC Tr. 1 - 56 | Technical Conference Panel 4 |
| JT3.25 - 40 | Panel 4 Undertakings |
| JT4.1 - JT4.9 | Panel 4 Undertakings |

27. Has Enbridge Gas demonstrated that Enbridge Sustain's activities are not funded through rates?

The Parties agree that this Issue is settled, on the basis detailed below.

- (a) *Confidential Information.* Enbridge Gas has agreed that all of the information on which it claims confidentiality can be released to HRAI representatives who have signed the Declaration and Undertaking. Enbridge Gas has agreed to permit HRAI's counsel to review the "CIB Financial Model". This information exchange has now taken place and has allowed HRAI to be able to agree to this settlement.
- (b) *Base Rate Adjustment.* Commencing January 1, 2024, base utility rates (revenue requirement) will be reduced by \$1 million as an estimate of the amounts to be received by Enbridge Gas from Enbridge Sustain for services provided (including rent) where such amounts were not included as recoveries in the Company's filed 2024 O&M budget. As a base rate adjustment in 2024, this amount will be adjusted annually according to the IRM formula.
- (c) *New Variance Account and Annual Reporting.* The Parties agree to the establishment of a new asymmetrical Enbridge Sustain Affiliate Recoveries Variance Account into which Enbridge Gas will credit any additional amounts above \$1 million (as adjusted annually according to the IRM formula) paid or payable by Enbridge Sustain to Enbridge Gas for goods or services provided in each year of the 2024-2028 IRM term. In each annual Deferral Account Clearance Application, Enbridge Gas will file (i) financial information relating to the business of Enbridge Sustain to provide context for the OEB to assess the

affiliate transactions information provided; and (ii) a detailed list of all of the resources of Enbridge Gas that are used by Enbridge Sustain, all of the resources of Enbridge Sustain that are used by the utility, and all of the resources of any person that are shared between the utility and Enbridge Sustain, including an explanation of the cost allocation methodology for each. No forecasts will be required. This information can be used to confirm the reasonableness of amounts recorded into the Enbridge Sustain Affiliate Recoveries Variance Account. Enbridge Gas may propose that sensitive business information be treated confidentially under the OEB's *Practice Direction on Confidential Filings*. The Parties may take such positions as they may determine at that time as to the extent of any confidential treatment that is appropriate.

- (d) *Additional Representations.* As part of an overall settlement of this Issue 27, Enbridge Gas agrees to the following:
- i. Enbridge Gas confirms that its customer service representatives do not refer any inquiries relating to home heating and cooling, geothermal, electric vehicle charging (EV) and solar received by the utility (including in the call centre) to Enbridge Sustain, or to any other business, and will continue that practice.
 - ii. Enbridge Gas will ensure that, from and after January 1, 2025, its utility website will have no direct or indirect links to Enbridge Sustain.
 - iii. Enbridge Gas confirms that Enbridge Sustain charges will not be billed on the same bill as gas commodity and/or delivery charges. This includes both billing on the utility bill, and any Enbridge Sustain bill that includes utility charges.
 - iv. Enbridge Gas agrees that any utility customer information sharing authorized by a residential customer under the Enbridge Sustain contract will be done through the Green Button program (or any successor or replacement program) in a manner that would also be available to any other HVAC contractor that provides appropriate customer authorization.
 - v. Enbridge Gas agrees that it will take reasonable steps in the next two years to study whether customers are confused between the utility and the competitive Enbridge Sustain affiliate, and what steps, if any, are appropriate to minimize or eliminate that confusion. The results will be reported to the OEB and the Parties. In relation to this commitment, the Parties do not agree about what jurisdiction, if any, the OEB has to address this matter but do agree that any such jurisdiction questions can be addressed, if necessary, after the report is filed.

(e) *Membership in HRAI*. For the OEB's information, HRAI and Enbridge Gas would like to make it known that they have agreed that Enbridge Sustain, once transferred to an affiliate, may apply for membership in HRAI. HRAI will follow its normal rules for determining whether to accept that application. Enbridge Sustain has acknowledged that the HRAI bylaws prohibit membership by certain companies with close ties to utilities. Enbridge Gas and Enbridge Sustain have also agreed that, if Enbridge Sustain becomes a member of HRAI, at no time will HRAI be limited by that membership status in any intervention before the OEB, including any interventions related to Enbridge Sustain.

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

| | |
|-------------------|----------------------------------------------------------|
| 1.18.1 | Enbridge Sustain Activities are not Funded Through Rates |
| Exhibit I.9.1 | Exhibit 1, Tab 18 Interrogatories |
| 4 TC Tr. 57 - 149 | Technical Conference Panel 5 |
| JT4.10 – 21 | Panel 5 Undertakings |

**APPENDIX A – DRAFT ACCOUNTING ORDERS FOR NEW DEFERRAL
AND VARIANCE ACCOUNTS INCLUDED IN SETTLEMENT PROPOSAL**

ENBRIDGE GAS INC.

**Accounting Entries for
Earnings Sharing Mechanism (ESM) Account
Account No. 179-339**

For the years 2025 through 2028, this account records the ratepayer share of utility earnings that results from the application of the earnings sharing mechanism. If the actual utility return on equity (ROE) exceeds the OEB-approved ROE by more than 100 basis points, the excess earnings will be shared equally (50/50) between ratepayers and the Company. Further, earnings over 300 basis points above the allowed ROE will be credited to ratepayers on a 90/10 basis. The allowed ROE to be used for earnings sharing purposes is the ROE embedded in base rates, which is 9.21%. The calculation of a utility return, for earnings sharing determination purposes, will include all revenue that would otherwise be included in earnings and only those expenses (whether operating or capital) that would otherwise be allowable deductions from earnings as within a cost of service application. This account is effective January 1, 2025.

If there are changes to the OEB's ROE formula through the Cost of Capital proceeding (EB-2024-0063), then Enbridge Gas will follow the OEB's direction as to whether these changes are to be implemented into rates immediately or upon a utility's next rebasing. In the event that no such direction is provided, then Enbridge Gas would continue to follow the OEB's current policies for the 2024-2028 term. In the event that changes are implemented for Enbridge Gas during the rate term, then "allowed ROE" for ESM purposes would reflect the revised ROE included in rates for that given year.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB-approved EB-2006-0117 interest rate methodology, as well as any updates to this methodology decided by the OEB in its EB-2024-0063 generic proceeding on cost of capital and other matters. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the OEB in a future rate application.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act, 1998.

| | | |
|--------|---|-----------------------------------------------------------------|
| Debit | - | Account No. 300 Operating Revenue |
| Credit | - | Account No. 179-339 Earnings Sharing Mechanism (ESM) Account |

To record, as a (credit) in the account, the ratepayers' share of utility earnings when actual utility ROE exceeds the OEB-approved ROE by more than the allowable basis points.

| | | |
|--------|---|-----------------------------------------------------------------|
| Debit | - | Account No. 323 Other Interest Expense |
| Credit | - | Account No. 179-339 Earnings Sharing Mechanism (ESM) Account |

To record, as a credit in the account, interest expense on the opening monthly balance.

ENBRIDGE GAS INC.

**Accounting Entries for
OEB Cost Assessment (OEBCA) Variance Account
Account No. 179-340**

For the years 2025 through 2028, this account records the variances in actual OEB Cost Assessment amounts incurred as compared to the \$9.4 million that was included in the Company's 2024 O&M budget, subject to the following parameters. The \$9.4 million threshold amount will be adjusted each year using the IRM formula. Each year, Enbridge Gas will be entitled to recover any amounts that are more than \$2 million above the annual threshold amount. In any year where the actual OEB Cost Assessment amounts are below the annual threshold amount, Enbridge Gas will credit all amounts below the threshold to ratepayers. This account is effective January 1, 2025.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB-approved EB-2006-0117 interest rate methodology, as well as any updates to this methodology decided by the OEB in its EB-2024-0063 generic proceeding on cost of capital and other matters. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the OEB in a future rate application.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act, 1998.

Debit - Account No. 179-340
 OEBCA Variance Account

Credit - Account No. 728
 General Expense

To record, as a debit/(credit) in the account, the difference between the actual annual OEB cost assessment amounts and the applicable annual threshold amount.

Debit - Account No. 179-340
 OEBCA Variance Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit/(credit) in the account, interest expense on the opening monthly balance.

ENBRIDGE GAS INC.

**Accounting Entries for
IRP System Pruning Deferral Account
Account No. 179-341**

This account records incremental costs incurred to develop and implement one or two IRP system pruning pilot projects. The cost of the system pruning pilot(s) to be recorded in the account will be capped at \$5 million. If the combined costs of the pilot project(s) are forecast to exceed \$5 million, Enbridge Gas would seek approval through an IRP Application for the ability to recover the cost consequences in excess of \$5 million. This account is effective January 1, 2025.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB-approved EB-2006-0117 interest rate methodology, as well as any updates to this methodology decided by the OEB in its EB-2024-0063 generic proceeding on cost of capital and other matters. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the OEB in a future rate application.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act, 1998.

Debit - Account No. 179-341
 IRP System Pruning Deferral Account

Credit - Account No. 728
 General Expense

To record, as a debit in the account, the incremental costs incurred to develop and implement IRP System Pruning pilot project(s).

Debit - Account No. 179-341
 IRP System Pruning Deferral Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit in the account, interest expense on the opening monthly balance.

ENBRIDGE GAS INC.

**Accounting Entries for
Asset Life Extension (ALE) Costs Deferral Account
Account No. 179-343**

This account records incremental asset life extension O&M costs which are incurred as a result of activities taken in conjunction with findings from the EDIMP program. There is no materiality threshold associated with this new deferral account.

At the time that Enbridge Gas seeks clearance of amounts recorded in the new Asset Life Extension Costs Deferral Account, Enbridge Gas will provide evidence about the cost associated with work or projects avoided, downsized or delayed because of the ALE work. This account is effective January 1, 2025.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB-approved EB-2006-0117 interest rate methodology, as well as any updates to this methodology decided by the OEB in its EB-2024-0063 generic proceeding on cost of capital and other matters. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the OEB in a future rate application.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act, 1998.

Debit - Account No. 179-343
 Asset Life Extension (ALE) Costs Deferral Account

Credit - Account No. 728
 General Expense

To record, as a debit in the account, the incremental asset life extension operating costs incurred as a result of activities taken in conjunction with findings from the EDIMP program.

Debit - Account No. 179-343
 Asset Life Extension (ALE) Costs Deferral Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit in the account, interest expense on the opening monthly balance.

ENBRIDGE GAS INC.

**Accounting Entries for
Enbridge Sustain Affiliate Recoveries Variance Account
Account No. 179-344**

This account records, on an asymmetrical basis, any additional amounts above \$1 million (as adjusted annually according to the IRM formula) paid or payable by Enbridge Sustain to Enbridge Gas for goods or services provided in each year of the 2024-2028 IRM term. This account is effective January 1, 2024.

Simple interest is to be calculated on the opening monthly balance of this account using the OEB-approved EB-2006-0117 interest rate methodology, as well as any updates to this methodology decided by the OEB in its EB-2024-0063 generic proceeding on cost of capital and other matters. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the OEB in a future rate application.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act, 1998.

Debit - Account No. 728
 General Expense

Credit - Account No. 179-344
 Enbridge Sustain Affiliate Recoveries Variance Account

To record, as a credit in the account, the additional amounts above \$1 million (as adjusted annually according to the IRM formula) paid or payable by Enbridge Sustain to Enbridge Gas Inc. for goods or services provided.

Debit - Account No.323
 Other Interest Expense

Credit - Account No. 179-344
 Enbridge Sustain Affiliate Recoveries Variance Account

To record, as a credit in the account, interest expense on the opening monthly balance.