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Canada

November 15, 2024

**VIA RESS AND EMAIL**

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

Dear Nancy Marconi:

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

In accordance with Procedural Order No. 7, Enbridge Gas filed a (Partial) Settlement Proposal for this proceeding on November 4, 2024. As requested by the Ontario Energy Board in Procedural Order No. 8, enclosed please find the Settlement Proposal Presentation Materials for the upcoming Settlement Presentation scheduled for November 18, 2024.

Should you have any questions, please let us know.

Sincerely,

Joel Denomy  
Technical Manager, Strategic Applications – Rate Rebasing

# Enbridge Gas Inc. EB-2024-0111 – 2024 Rebasing and IRM – Settlement Proposal Overview

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# Highlights

- Partial Settlement Proposal
  - Reflects agreement among the Parties on most issues
- Outstanding Issues
  - Three issues remain unresolved
- Draft rate order filed
  - Request for approval by Nov. 26
- OEB staff supportive of settlement
- Oral Hearing Timing
  - Dec. 17 and 18, 2024

# Overview

- 2024 Phase 2 Revenue Deficiency reduced by \$9.3 million
  - Key drivers are \$8.1 million reduction in the revenue requirement associated with Dawn to Corunna and \$1 million base rate adjustment related to Enbridge Sustain amounts not included in the 2024 budget
- 2025-2028 estimated cumulative delivery revenue reduction of \$500 million as compared to proposed productivity and stretch factors
- Settlement Proposal covers:
  - Incentive rate-setting mechanism (IRM)
  - Storage and gas costs
  - Energy transition
  - Rate implementation
  - Other items

# Phase 2 Settlement Proposal

- Incentive Rate-Setting Mechanism
  - Annual rate escalation from 2025 to 2028 using inflation minus a stretch factor of 0.28%
  - Continued pass through of cost of gas and upstream transportation, DSM costs, LRAM and normalized average use adjustment
  - Z factor threshold of \$6.7 million
  - 50/50 earnings sharing after 100 bps beyond allowed ROE
  - Incremental capital module project in-service threshold of \$75 million (overheads excluded)
  - Materiality of \$3 million to establish a new deferral/variance account
  - Annual proceedings for clearance of deferral and variance accounts, and presentation of utility results, ESM amounts and scorecard results

# Phase 2 Settlement Proposal

- Storage and Gas Costs
  - Storage Requirement Determination
    - > Aggregate excess methodology used for bundled customers to determine storage requirement
    - > Enbridge Gas will hold 217.7 PJ of storage space to meet 2024 requirement
  - Cost-Based and Market-Based Storage
    - > 199.7 PJ of cost-based storage with additional storage procured at market prices
  - Load Balancing Costs
    - > Annual reporting on market-based storage and load balancing costs, where parties can review and challenge costs
  - Dawn to Corunna project included in 2024 base year rates with \$19 million reduction and an allocation between regulated and unregulated business
  - Implementation of harmonized storage cost allocation of costs between regulated and unregulated business
  - Cost consequences of 2024 Gas Supply Plan to be implemented with Phase 3

# Phase 2 Settlement Proposal

- Energy Transition
  - Agreement on expanding the Hydrogen Grid Study scope to examine potential for 100% hydrogen for hard-to-electrify customers
    - > Disagreement on the appropriateness and eligibility for capitalization
  - Energy Transition Technology Fund will not proceed
  - Integrated Resource Planning (IRP) commitments
    - > Phase 3 report on compliance with OEB IRP directions
    - > Application for IRP incentive mechanism within a year
    - > One or two system pruning pilot projects by 2026

# Phase 2 Settlement Proposal

- Energy Transition continued
  - Reporting metrics for avoided capital from integrated resource planning and asset life extension activities
  - Acceptance of planned asset life extension activities scope, with agreement to recover associated incremental O&M costs through a new deferral account
  - At next rebasing Enbridge Gas to study
    - > Mechanism to implement differentiated ROEs on different asset types
    - > Efficiency carryover mechanism with a capital efficiency sharing mechanism



# Phase 2 Settlement Proposal

- Rate Implementation
  - 2025 rates to be implemented starting Jan. 1, with a true-up for 2024 differences
  - Changes to 2024 revenue requirement and interim rates
  - New incentive rate-setting mechanism (IRM) and interim 2025 rates
  - Base rate adjustment to move capitalized overheads to O&M
  - Application of IRM (price cap adjustment)
  - Y-factor adjustments for 2025 DSM costs and average use
  - Unit rates for Panhandle Regional Expansion Project (PREP) starting in 2025

# Phase 2 Settlement Proposal

- Other

- Agreement that Enbridge Gas has appropriately responded to the OEB's Phase 1 site restoration costs directive
- Changes to marketing materials for cost comparisons with natural gas
- New OEB cost assessment variance account starting 2025
  - > Tracks variance to what is included in rates; amounts exceeding \$2 million above threshold can be recovered, amounts below to be credited to ratepayers
- Enbridge Sustain
  - > Base rate adjustment to account for payments from Enbridge Sustain to Enbridge Gas that were not in 2024 forecast
  - > New asymmetrical variance account with annual reporting to support reasonableness of amounts recorded in the account
  - > Additional representations including customer inquiries to Enbridge Gas, links on the utility website, Enbridge Sustain customer billing, sharing of customer information in accordance with Green Button and a study within the next two years regarding the potential existence of customer confusion

# Phase 2 Settlement Proposal

## Unsettled Items:

- These issues will be taken to a hearing at the OEB:
  - Lower-carbon energy in gas supply, including voluntary low-carbon program for large volume customers
    - > Consideration of advancing economic reconciliation with First Nations, if approved
  - Excluding inaccessible meters from the calculation of the meter reading performance metric
  - ED proposal for mechanism to decouple revenue from customer numbers

# Draft Rate Order

- Draft Rate Order Filing
  - Changes to 2024 interim rates
  - Interim 2025 rates
  - Reflects Settlement Proposal
- Draft Accounting Orders
  - Five new accounts reflect Settlement Proposal

# Request for Approval by Nov. 26, 2024



- Approval Requested
  - Enbridge Gas seeks approval of the Settlement Proposal and Draft Rate Order
  - Also requests approval of Draft Accounting Orders
- Timeline for Approval
  - Approval needed by Nov. 26, 2024
  - Interim 2025 rates to start on Jan. 1, 2025
- QRAM Application
  - Implementation in conjunction with Jan. 2025 QRAM