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November 15, 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
Response to Information Requests – Environmental Defence Motion

In accordance with Procedural Order No. 8, enclosed please find the responses of Enbridge Gas to three of the information requests raised in Environmental Defence's motion.

Should you have any questions, please let us know.

Sincerely,

Joel Denomy

Joel Denomy
Technical Manager, Strategic Applications – Rate Rebasing

ENBRIDGE GAS INC.

Answer to Environmental Defence Motion Question #2

Reference:

Exhibit M2, CEG Evidence, pp.12-14
Exhibit N.M2.CCC-3

Question:

Comment on the decoupling mechanisms described by the Current Energy Group's response to CCC interrogatory 3.

Response:

The evidence from Current Energy Group (CEG) states that a partial revenue decoupling mechanism should be designed to ensure that Enbridge Gas is indifferent to whether new customers are added to its system while still exposing the company to revenue variations attributable to weather risks.[1] The headline statement in the CEG evidence is that "A Well-Designed Partial Revenue Decoupling Mechanism Should Leave the Utility Indifferent to Customer Additions or Reductions in the Near-Term".[2]

Before commenting on the two specific decoupling proposals that CEG advances in its response to M2.CCC Interrogatory #3 (a question that CEG previously refused to answer when it was asked by Enbridge Gas[3]), the Company has several preliminary comments about Environmental Defence's (ED) general proposal to implement a decoupling mechanism that would make Enbridge Gas indifferent to adding new customers.

(a) Enbridge Gas is not indifferent to adding new customers. Enbridge Gas supports customer choice. New customers are asking the Company for connections. Enbridge Gas aims to add feasible customers and support economic growth in Ontario. Enbridge Gas has a statutory obligation to connect new customers. And when the Company adds new customers, the fair return standard dictates that it should earn a comparable return on the invested capital costs.

(b) It is not clear whether other parties in this proceeding are indifferent to adding new customers. More customers result in economies of scale, which puts downward pressure on rates for all. Adding customers is not in contradiction to

[1] Exhibit M2, CEG Evidence, p. 12.
[2] Exhibit M2, CEG Evidence, p. 13.
[3] Exhibit M2.EGI.9 and 10.

goals of reduced carbon, and it is not in contradiction to an affordable energy transition at least cost to ratepayers (i.e. leveraging gas for peak days could be cheaper than the buildout of electric to meet peak demand). Additionally, new customers will keep the overall gas system infrastructure affordable for all customers that remain on the system.

(c) Ontario government policy is not indifferent to adding new customers. The Ontario government has made clear that it supports continued access to new gas connections. The Ontario government is strongly focused on encouraging and enabling housing development. Recent Ontario government policies confirm this. This context may be different from other jurisdictions where there are government policies or imperatives that underlie the impetus for revenue decoupling.

(d) ED's proposal is flawed by focusing solely on the "near-term". Even if Enbridge Gas could be "kept whole" in the current IRM term, the future impact of not adding customers and reducing the future rate base below the level that would reflect current customer forecasts needs to be taken into account. CEG's proposal does not address this. Said differently, even if Enbridge Gas is kept whole from 2024-2028, it will be in a worse position in future years if it has not added new customers in the near term because its rate base and customer base will be smaller starting from the next rebasing in 2029.

(e) ED's proposal is at odds with OEB policy under the Renewed Regulatory Framework (RRF). When performance based regulation was first established by the OEB, the regulator said that performance based regulation (PBR) is intended to move away from cost of service regulation and provide utilities with incentives for behaviour which more closely resembles that of competitive, cost-minimizing, profit-maximizing companies. This key principle was confirmed in the RRF.[4] The proposal for partial revenue decoupling is designed to do the opposite – it posits that the Company's profit-maximizing and competitive motivations would lead to customer growth, so mechanisms need to be put in place to reverse that motivation.

(f) ED's proposal is for the revenue decoupling mechanism to be implemented alongside the Price Cap IRM that has been agreed by all parties (including Environmental Defence). This would be a fundamental change to the OEB's price cap methodology. Enbridge Gas would expect this to be affected in a broader manner than simply as a proposal from one intervenor's expert, with consideration of all implications and participation from impacted parties. In this regard, Enbridge Gas notes that the OEB is currently conducting a consultation

[4] Report of the Board - A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach, pp.10-11.

"to advance its performance-based approach to rate regulation".[5] That process is the better place to consider changes to the OEB's approach to IRM. It should also be noted that the proposal to implement revenue decoupling for at least the low-volume customer classes by using a variance account effectively creates a cap on the Company's revenues. That is not the OEB's policy under the RRF.

(g) Any mechanism that claims to make Enbridge Gas "indifferent" to adding new customers, by taking away the benefits that the Company would achieve from adding new customers (incremental revenues, for example), will lead Enbridge Gas to minimize the number of new customers that it adds (at least for most of the IRM term). The Company will not commit capital to such activities without the opportunity for future return.

(h) Ultimately, it is telling that CEG is not able to point to any equivalent mechanism in place in any other jurisdiction, aimed at reducing incentives to add customers in order to address stranded asset concerns. This belies the fact that there is likely no simple answer.

The Company will have more comments and responses as ED and CEG further define their proposal in the oral hearing and written submissions on this unsettled issue.

Turning to the two decoupling mechanisms described by CEG in response to M2.CCC Interrogatory #3, Enbridge Gas has the following comments. Please note that these are based on the Company's current understanding of the proposals, and on having had a limited amount of time to consider and respond to this request. Enbridge Gas may have further comments as the process continues.

[5] Advancing Performance-based Rate Regulation | Engage with Us (oeb.ca).

Proposal #1 - Revenue by Customer Class Decoupling Approach

CEG's evidence states:

> Given the concern that the energy transition is expected to result in declining sales from small-volume customers, an average use variance, or revenue per customer decoupling mechanism, may not adequately address the utility's financial exposure to a decline in the number of customers. To address the OEB's expectation of declining sales from small-volume customers, the OEB should explore a harmonized revenue balancing account that allows for truing up collected revenues against allowed revenues in a manner that is not tied to customer counts or customer average use.

In general, Enbridge Gas questions the premise of this proposed mechanism. This proposal seems to be based on an expectation of net general service customer declines, but Enbridge Gas is forecasting net general service customer increases over the coming IRM term.

In the response to M2.CCC Interrogatory #3, CEG provided an example of a revenue balancing account. The example notes that allowed revenues per customer class would be established during the test year (Enbridge Gas interprets this to mean that they would be based on its 2024 approved revenue requirement), and then escalated each year by the Price Cap IRM formula. In future years, Enbridge Gas would compare the revenues actually received to the expected revenues and refund or collect the difference, on a weather normalized basis.

A key problem with this mechanism is that it does not support Enbridge Gas recovering the increased costs that will be incurred from adding new customers. Under the Price Cap IRM, rates are not updated for an updated forecast of customers (or their associated costs). Therefore, if the base expectation of revenues is inflated only by the price cap, that will result in Enbridge Gas (all things being equal) refunding all incremental revenues associated with new customers and not recovering the incremental costs associated with those new customers. Said differently, Enbridge Gas would have new costs associated with the additional customers but its revenues would only recover the costs associated with the base level of customers (inflated per the Price Cap).

The costs associated with new customers are only part of the relevant consideration from the Company's perspective. Enbridge Gas not only looks to recover its costs but also has the opportunity to earn a margin from new customers. Any such margin would also be foregone under the CEG proposal. As seen in response to ED Question #3, the Company expects to have modest net revenues (margin) from customer additions in some rate classes over the coming IRM term. Additionally, the return on equity component of the Company's costs is considered to be "earnings" from the Company's perspective. The CEG proposal would see Enbridge Gas have to return these "earnings" to ratepayers.

In the response to M2.CCC Interrogatory #3, CEG notes "*With a modest adjustment, the utility could be allowed to earn a percent of said revenue to account for incremental O&M costs of serving more customers*."

Enbridge Gas acknowledges that this proposed "adjustment" could address the cost recovery concern above (assuming that all the incremental costs, such as O&M and capital, including carrying costs and taxes, are addressed), but it does not address the lost opportunity to generate margin. Where Enbridge Gas loses benefits from adding new customers, it is not "indifferent", and it is effectively punished for complying with the obligation to connect, and for facilitating customer choice and access to new housing. This harms Enbridge Gas's ability to operate in an environment similar to competitive, cost-minimizing, profit-maximizing companies, where growth decisions are encouraged in appropriate circumstances.

Importantly, the "adjustment" noted by CEG would not be "modest". The Company's near-term costs of serving a new customer are very close to the incremental revenues from the new customer. In response to ED Question #3, Enbridge Gas sets out preliminary estimated revenues and costs from adding new customers. As seen there, the O&M costs are only a small portion of the Company's costs to add a customer. The costs for depreciation, taxes and return on capital investment are much higher. It should be noted that the determination of what are the appropriate costs and revenues associated with customer additions is a complicated determination. Some of the questions that would likely arise are detailed below in the comments on the second CEG proposal.

Enbridge Gas notes that the proposed revenue by customer class reconciliation approach may lead to unintended consequences (from the perspective of the party advocating for this mechanism), whereby the Company, faced with customer growth, may seek to delay that growth to the end of its five-year term in order to add those investments to rate base as quicky as possible, minimizing its short-term foregone benefits and maximizing its long-term benefits of adding capital.

As a more technical point, the Company notes that if the revenue class true-up is net of incremental costs, the incremental costs incurred for additions will be different than the incremental costs saved for departures. For additions, incremental costs would include O&M and capital, while for departures only the incremental O&M would be avoided. The incremental O&M associated with departures may be different from additions.

Enbridge Gas notes that the customer signals/impacts may not be as CEG intends. For example in the event of customer declines (if that was to happen), if there is a true-up of revenue shortfalls then costs will go up for all remaining customers. Assuming that more affluent customers are more likely to be able to choose electrification options, this outcome would impose greater costs on low-usage and low-income customers. On the

other hand, where customer additions continue to occur and the additional revenues are immediately credited to ratepayers, then this could have the impact of diminishing incentives for customers to moderate or reduce their consumption.

There are things that are not clear from the briefly described CEG proposal.

It is not clear if the proposal relates only to general service (small volume) customer classes. If so, this may create a symmetry concern. For example, where net increases in the number of general service customers are forecast over the IRM term, then Enbridge Gas would lose all upside benefits, while being left with potential downside risk of larger volume customer declines, all while continuing to bear the risk of weather variability.

It is also not clear how the proposal would work with the ICM mechanism. Questions arising include the following. How is capital of customer additions paid for, if there is an expectation that additional revenue is returned via the revenue per customer class true-up mechanism? Is growth in the ICM threshold formula zero? How does one determine what is incremental capital that isn't covered in base rates (i.e. even with zero growth, the ICM threshold could potentially still cover some growth capital spending).

Proposal #2 – Customer Count Variance Account

CEG's response to CCC Interrogatory #3 states:

> In the alternative, should the OEB wish to preserve the existing Average Use per Customer Variance Account or prefer a different approach for other reasons, the core objectives of the Revenue Decoupling per Customer Class mechanism could be achieved through the creation of a Customer Count Variance Account. Under a Customer Count Variance Account approach, all or a portion of the revenue associated with net customer additions would be offset via the variance account. This customer count true up could be calculated against the customer counts for the test period. The variance account would record the revenue impact of the difference between the annual customer counts and those embedded in base rates for each of the general service rate classes. The true-up likely should be offset by the incremental costs or savings from adding or subtracting customers of that class (i.e. the incremental O&M cost of serving an additional customer in the relevant rate class).

In the response to M2.CCC Interrogatory #3, CEG provided an example of a Customer Count Variance Account. The example shows that for each year Enbridge Gas would either recover or refund the incremental net revenue associated with the number of customer additions or departures. Effectively, Enbridge Gas would record the margin associated with the new (or departed customers) in the account.

Enbridge Gas has a number of concerns with this proposal, in addition to concerns already raised above.

First, and fundamentally, Enbridge Gas objects to the principle that benefits associated with customer additions must be credited back to ratepayers immediately. The reasons for this concern are addressed above. It is very clear from the example given by CEG that all margin associated with customer growth will be returned to ratepayers. In that scenario, Enbridge Gas is not indifferent to adding new customers. Instead, the utility is disincented to do so. There are more attractive ways to invest capital.

Second, it is not clear that the approach proposed by CEG will always make Enbridge Gas indifferent to adding customers. In the early years of the IRM term, the Company will not wish to add customers. But at the end of the term, there may be reason to do so, knowing that the new capital will soon be added to rate base.

Third, the Company notes that it will be a complicated process to determine the inputs into this Customer Count Variance Account. The determination of what is the appropriate level of revenue and cost to take into account will be contentious. Enbridge Gas has set out its preliminary views about the appropriate approach and inputs to consider in determining revenues and costs for customer additions in the response to ED Question #3. However, this matter is sure to generate further debate and would likely require detailed evidence, discovery and hearing process. This will likely make the account contentious. This is underlined by the fact that CEG assumes a margin of $500 per customer[6], and ED assumes a margin of $525 per customer[7], whereas the Enbridge Gas response to ED Question #3 shows that the margin per new customer is very small, and is negative in the early years for some residential rate classes.

Examples of questions that will arise include:

- Do incremental costs of customer additions include both O&M and capital costs?

- The incremental cost per customer is not linear. There will be stepped increases/decreases with the magnitude of customer increases or decreases (i.e. reinforcements required with a certain # of customers, or lower internal administration costs with a certain # of customer departures) that result from economies of scale over time. How will this be addressed?

- What should be included in the incremental capital cost to add customers. Is it an average cost?

- Is there an impact on calculation, treatment or application of contributions in aid of construction under this approach?

[6] See Exhibit M2-CCC.3, p. 9.
[7] See ED Motion, November 4, 2024, p. 2.

- Does the approach assume that all capital costs get included in rate base at the next rebasing? If there is some assumption of reduced inclusion (since the goal of ED's proposal is to reduce customer additions), then the associated lost earnings need to be taken into account in order to keep the utility "indifferent".

- The incremental capital cost associated with a customer addition changes each year (i.e. the annual revenue requirement of a customer addition varies due to tax implications and the declining carrying cost as the asset is depreciated). How is this taken into account?

- The incremental costs may differ depending on whether one is truing up additional customers versus customer losses. For customer additions, there is incremental capital and O&M, whereas for customer losses the capital has already been spent and there is only incremental/variable O&M savings. How is this taken into account?

- Incremental costs and revenues will vary by customer – it may be that customers leaving the system have higher or lower consumption than the average customer, for example, so that recovery of an average amount of consumption would understate or overstate lost revenues. Additionally, revenue per customer may also be different (as compared to the average) for new customers (or vary between customers). It is not clear how the mechanism deals with these items.

- Where average cost and revenue per customer are used for this mechanism, then it may be the case that the Company will be more inclined to add smaller low-cost customers and delay the addition of larger customers. It's not clear that's a desired outcome. Is this taken into account?

- Additionally, there will be questions around what is the proper base level of customers against which to calculate a variance. Is it the 2024 base year total customer forecast, or is it based on actuals? How are customer numbers determined for future years (is it an average number or a year-end number?)

Finally, Enbridge Gas notes that a customer count variance account would need to be utilized with the existing average use variance account. The average use variance account would capture average use variances, for recovery or refund, in relation to the base forecast numbers of customers, while the customer count variance account would capture impacts of customer numbers that differ from the base forecast.

ENBRIDGE GAS INC.

Answer to Environmental Defence Motion Question

Reference:

EB-2022-0200, Hearing Transcript, Volume Two, July 14, 2023, p. 22, ln. 14.

EB-2023-0201, Exhibit I.ED-23, Page 4, Table 2.

Question:

In relation to the Customer Count Variance Account described by the Current Energy Group, provide the average revenue per customer and the average incremental cost per customer for the general service customer classes, and if those figures differ significantly from $600 in average revenue and $74.89 in incremental costs for residential customers, to explain why.

Response[1]:

The $600 in average revenue is for all general service customers, not solely residential rate classes.

Enbridge Gas notes that the average distribution revenue, excluding DSM costs, for a residential customer is approximately $500. The incremental O&M for a Rate 1 customer based on the Phase 3 2024 Cost Allocation Study[2] and the O&M costs as approved in the Phase 1 Decision is $94.12. The incremental cost of $74.89 referenced in the question was the incremental O&M cost for a residential Rate 1 customer presented as part of the Eganville Leave to Construct Application[3]. The increase in cost is a result of the harmonized cost study and the length of time and change in costs since the last approved cost studies. Please see Table 1 for a summary of the average revenue and incremental O&M cost per customer by rate class for general service customers.

[1] Enbridge Gas wishes to indicate that this answer has been prepared as fully as possible in the time available. Enbridge Gas may have further information based on better understanding of the question being asked, and on having more time to consider and respond.
[2] This cost allocation study will be filed in Phase 3 and maintains current rate zones.
[3] EB-2023-0201, Exhibit I.ED-23, p. 4, Table 2. This cost was based on the 2018 cost study escalated by PCI annually.

Table 1
Average Revenue per Customer and Incremental O&M per Customer

Line No.		Number of Customers	Average Revenue/ Customer ($)	Incremental O&M per Customer ($)
		(a)	(b)	(c)
1	Rate 1	2,163,088	485	94.12
2	Rate 6	172,974	2,167	228.92
3	Rate 01	369,871	616	118.80
4	Rate 10	2,205	11,641	1,235.38
5	Rate M1	1,205,199	493	95.36
6	Rate M2	8,077	10,182	928.47
7	Total General Service	3,921,414	600	
8	Total Residential	3,738,158	500	

The incremental costs Enbridge Gas incurs for adding a customer includes the O&M cost as shown in the table above, as well as the capital cost. The average incremental cost of adding a residential customer, determined by the revenue requirement calculation that includes both the incremental O&M and capital cost is between $491 and $610 in Enbridge Gas's rate zones. Please see line number 16, column (e) in Tables 2 to 4 which show the average revenue requirement of attaching a feasible customer. Note, the costs underpinning Tables 2 to 4 are based on the best available information today, which is the Phase 3 2024 Cost Allocation Study for current rate zones.[4] The Phase 3 2024 Cost Allocation Study is used as it is the only cost study that has been updated for the revenue requirement approved in Phase 1. The assumptions Enbridge Gas made in order to develop the cost estimates include:

a) The distribution rates used in determining the customer addition capital expenditure are based on the Phase 3 2024 Cost Allocation Study (consistent with Table 1).

b) The capital expenditure per customer attachment is calculated to be equal to Enbridge Gas earning a PI of 1.0 over 40 years (line 1 of Tables 2 to 4). This is a notional number and does not consider the actual cost to add a specific customer

[4] The Phase 3 2024 Cost Allocation Study includes the revenue requirement approved as part of the Phase 1 Interim Decision and Rate Order (EB-2022-0200), but does not include costs from the Phase 2 Settlement Proposal.

which could be higher or lower. Enbridge Gas believes this approach of estimating the incremental capital cost of adding a customer is appropriate as Enbridge Gas's portfolio must be equal to or greater than a PI of 1.0.

c) The revenue assumptions exclude projects with a SES and TCS surcharge.

d) The O&M amounts included reflect average variable O&M costs of each rate class, and do not include fixed O&M costs which can increase or decrease in a stepped fashion with material changes in the number of customers served, or due to other drivers. Please see Table 1 for the incremental O&M per customer (also see line 3 of Tables 2 to 4).

Table 2
Estimate of Incremental Revenue Requirement of Attaching Feasible Rate 1 Customers

Line No.	Particulars ($)	Year 1	Year 2	Year 3	Year 4	Year 5
		(a)	(b)	(c)	(d)	(e)
	Rate Base Investment					
1	Capital Expenditures	4,548	4,548	4,548	4,548	4,548
2	Average Investment	4,304	8,667	12,899	17,001	20,972
	Revenue Requirement Calculation:					
	Operating Expenses:					
3	Operating and Maintenance Expenses	94	188	282	376	471
4	Depreciation Expense	120	250	381	511	642
5	Property Taxes	14	27	41	55	68
6	Total Operating Expenses	227	466	704	942	1,181
	Required Return (1)					
7	Interest Expense	132	265	395	521	642
8	Return on Equity	151	303	451	595	734
9	Required Return	282	569	847	1,116	1,376
10	Total Operating Expense and Return	510	1,034	1,550	2,058	2,557
	Income Taxes					
11	Income Taxes - Equity Return (2)	54	109	163	215	265
12	Income Taxes - Utility Timing Differences(3)	(55)	(101)	(141)	(175)	(156)
13	Total Income Taxes	(1)	9	22	39	109
14	Total Revenue Requirement	509	1,043	1,573	2,097	2,666
15	Number of Customers	1	2	3	4	5
16	Average Revenue Requirement per Customer	509	522	524	524	533

Notes:
(1) The required return assumes a capital structure of 62% debt at 4.94% and 38% common equity at the 2024 Board Formula return of 9.21%. The annual required return is as follows: Average Investment (row 2) * 62% * 4.94% plus Average Investment (row 2) * 38% * 9.21%
(2) Taxes related to the equity component of the return at a tax rate of 26.5%.
(3) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

Table 3
Estimate of Incremental Revenue Requirement of Attaching Feasible Rate 01 Customers

Line No.	Particulars ($)	Year 1	Year 2	Year 3	Year 4	Year 5
		(a)	(b)	(c)	(d)	(e)
	Rate Base Investment					
1	Capital Expenditures	4,912	4,912	4,912	4,912	4,912
2	Average Investment	4,642	9,353	13,923	18,352	22,640
	Revenue Requirement Calculation:					
	Operating Expenses:					
3	Operating and Maintenance Expenses	119	238	356	475	594
4	Depreciation Expense	129	270	411	552	693
5	Property Taxes	32	64	96	128	160
6	Total Operating Expenses	280	572	863	1,155	1,447
	Required Return (1)					
7	Interest Expense	142	286	426	562	693
8	Return on Equity	162	327	487	642	792
9	Required Return	305	614	914	1,204	1,486
10	Total Operating Expense and Return	585	1,185	1,777	2,359	2,933
	Income Taxes					
11	Income Taxes - Equity Return (2)	59	118	176	232	286
12	Income Taxes - Utility Timing Differences(3)	(60)	(109)	(152)	(189)	(168)
13	Total Income Taxes	(1)	9	24	42	117
14	Total Revenue Requirement	584	1,195	1,801	2,402	3,050
15	Number of Customers	1	2	3	4	5
16	Average Revenue Requirement per Customer	584	597	600	600	610

Notes:

(1) The required return assumes a capital structure of 62% debt at 4.94% and 38% common equity at the 2024 Board Formula return of 9.21%. The annual required return is as follows:

Average Investment (row 2) * 62% * 4.94% plus Average Investment (row 2) * 38% * 9.21%

(2) Taxes related to the equity component of the return at a tax rate of 26.5%.

(3) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

Table 4
Estimate of Incremental Revenue Requirement of Attaching Feasible Rate M1 Customers

Line No.	Particulars ($)	Year 1	Year 2	Year 3	Year 4	Year 5
		(a)	(b)	(c)	(d)	(e)
	Rate Base Investment					
1	Capital Expenditures	3,955	3,955	3,955	3,955	3,955
2	Average Investment	3,738	7,531	11,210	14,777	18,229
	Revenue Requirement Calculation:					
	Operating Expenses:					
3	Operating and Maintenance Expenses	95	191	286	381	477
4	Depreciation Expense	104	218	331	445	558
5	Property Taxes	26	51	77	103	129
6	Total Operating Expenses	225	460	694	929	1,163
	Required Return (1)					
7	Interest Expense	114	231	343	453	558
8	Return on Equity	131	264	392	517	638
9	Required Return	245	494	736	970	1,196
10	Total Operating Expense and Return	470	954	1,430	1,899	2,360
	Income Taxes					
11	Income Taxes - Equity Return (2)	47	95	141	186	230
12	Income Taxes - Utility Timing Differences(3)	(48)	(88)	(122)	(152)	(135)
13	Total Income Taxes	(1)	7	19	34	95
14	Total Revenue Requirement	470	961	1,449	1,933	2,454
15	Number of Customers	1	2	3	4	5
16	Average Revenue Requirement per Customer	470	481	483	483	491

Notes:
(1) The required return assumes a capital structure of 62% debt at 4.94% and 38% common equity at the 2024 Board Formula return of 9.21%. The annual required return is as follows:

Average Investment (row 2) * 62% * 4.94% plus Average Investment (row 2) * 38% * 9.21%

(2) Taxes related to the equity component of the return at a tax rate of 26.5%.
(3) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

ENBRIDGE GAS INC.

Answer to Environmental Defence Motion Question

Question(s):

Provide Enbridge's latest estimates of customer connections and exits by rate class over the rate term as well as the revenue it forecasts generating over that term from net customer additions by rate class.

Response:

Table 1
Forecast Customer Additions

Line No.	Particulars	2025	2026	2027	2028	Cumulative Revenue (1) ($ millions)
		(a)	(b)	(c)	(d)	(e)
	EGD Rate Zone					
1	Residential	24,511	23,653	22,550	21,471	$ 108.4
2	Non-Residential	1,223	1,112	1,011	907	$ 27.1
	Union North					
3	Residential	3,014	2,840	2,661	2,496	$ 15.3
4	Non-Residential	181	162	140	120	$ 17.1
	Union South					
5	Residential	10,912	10,477	10,069	9,704	$ 46.2
6	Non-Residential	692	635	569	502	$ 66.2
7	Total	40,533	38,879	37,000	35,200	$ 280.2

Note:

(1) Cumulative revenue based on proposed 2025 Rates with high-level future year IRM adjustments for PCI and base rate adjustment for expensing capitalized indirect overhead. Residential additions are assumed to be Rate 1, Rate M1, or Rate 01 based on rate zone, and non-residential adds are assumed to be Rate 6, Rate M2, or Rate 10 based on rate zone. Billing units for customer additions based on rate class 2024 average use and assumed to be 50% effective in year of addition. Cumulative revenue calculation includes monthly customer charge, delivery commodity charge and Union South storage charge.

Table 2
Forecast Customer Exits

Line No.	Particulars	2025	2026	2027	2028	Cumulative Revenue (1) ($ millions)
		(a)	(b)	(c)	(d)	(e)
	EGD Rate Zone					
1	Rate 1	1,742	1,759	3,928	6,125	$ (11.2)
2	Rate 6	133	133	309	483	$ (4.6)
	Union North					
3	Rate 01	298	299	567	835	$ (5.5)
4	Rate 10	2	2	3	5	$ (0.7)
	Union South					
5	Rate M1	966	974	1,839	2,716	$ (2.0)
6	Rate M2	5	5	10	15	$ (0.2)
7	Total	3,146	3,172	6,656	10,179	$ (24.2)

Note:
(1) Cumulative revenue based on proposed 2025 Rates with high-level future year IRM adjustments for PCI and base rate adjustment for expensing capitalized indirect overhead. Billing units for customers based on rate class 2024 average use and assumed to be 50% effective in year of exit. Cumulative revenue calculation includes monthly customer charge, delivery commodity charge and Union South storage charge.