Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

November 25, 2024

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

Dear Ms. Marconi:

Re: EB-2024-0251 2025 Federal Carbon Pricing Program Application

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. Enbridge Gas Inc. has been copied on this filing.

Enbridge Gas Inc.'s responses to interrogatories are due by December 5, 2024.

Any questions relating to this letter should be directed to Stephanie Cheng at stephanie.cheng@oeb.ca or at 416-544-5165. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Stephanie Cheng
Digitally signed by Stephanie Cheng
Date: 2024.11.25 10:59:43 -05'00'

Stephanie Cheng
Advisor
Application Policy & Conservation

Encl.

OEB Staff Interrogatories
Enbridge Gas Inc. (Enbridge Gas)
EB-2024-0251

Please note, Enbridge Gas is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1
Ref 1: Exhibit A, Tab 2, Schedule 1, pages 12-15
Ref 2: EB-2023-0196, Exhibit I.STAFF.1(a, b, c)

In its 2025 FCPP application, Enbridge Gas provided a summary of its Facility-Related Emissions Reduction opportunities, indicating two active initiatives (online monitoring and air filter replacements) consistent with those identified in its 2023 and 2024 FCPP applications. Enbridge Gas notes that as part of its GHG emissions reduction strategy, identified opportunities will be reviewed annually, including revisiting any previous assumptions, project costs, and the cost of carbon. In Enbridge Gas' response to Staff IR-1 in its 2024 FCPP application, a Working Group was formed to support the identification and implementation of emissions reduction initiatives. Enbridge Gas notes it has been active and will continue to be engaged in advancing carbon capture, utilization, and storage (CCUS) as a potential GHG mitigation tool in Ontario.

a) Per EB-2023-0196, Exhibit 1.STAFF.1(a), Enbridge Gas identified an opportunity to investigate the replacement of boilers with highly efficient gas heat pumps to reduce emissions at gate stations beginning January 2023. This has not been identified as an in-progress or potential opportunity in Table 2 or 3 of its 2025 FCPP application. Please confirm whether this initiative is still ongoing and provide an update on Enbridge Gas's findings and developments related to this opportunity that was explored starting in 2023.
b) The five potential facility-related emission reduction opportunities identified in Table 3 and described in paragraph 35 of Enbridge Gas's 2025 FCPP application are consistent with those identified and explained in its 2024 FCPP application[1]. Please discuss what new developments have been made by the Working Group for each of these opportunities over the past fiscal year including the pace and scale of the developments. When does Enbridge Gas expect to see any of these potential opportunities come to fruition?

[1] EB-2023-0196 Application and Evidence, exhibit A, Tab 2, Schedule 1, Page 14 of 18

c) Has Enbridge Gas made, or does it foresee any changes to its internal processes in identifying new opportunities and assessing/ modifying previous initiatives from prior years? Please confirm if the Working Group was formed to identify and implement facility-related emission reduction initiatives or if the Working Group has other priorities. How often does the Working Group meet to discuss this agenda item?
d) Please discuss any new developments related to RNG, hydrogen, and CCUS and if any of these options have been considered related to Enbridge Gas's facility-related emissions.

Staff-2
Ref 1: Exhibit A, Tab 2, Schedule 1, pages 16-18

Enbridge Gas notes that procurement of Emissions Performance Units (EPUs) can reduce its EPS compliance costs as they are typically sold at a discount to the excess emissions charge. However, purchasing EPUs reduces the amount of funding available through the Emissions Performance Program (EPP) in the following year. Due to the recent implementation of the EPP by the Ontario Ministry of Environment, Conservation and Parks (MECP) in June 2024, Enbridge Gas notes it is still determining the right balance between procuring EPUs to reduce its compliance costs or paying the excess emission charges to maximize the amount of EPP funding available. If Enbridge Gas can procure EPUs at a lower price than the excess emissions charge in the time between submission of its 2025 FCPP application and the 2023 compliance deadline of December 15, 2024, the cost savings will be recorded in the FCCVA. Enbridge Gas has been working to identify GHG emissions reduction projects that would be eligible for EPP funding and has identified two projects under evaluation in Table 4 of its 2025 FCPP application.

a) Please explain how Enbridge Gas is determining the right balance between procuring EPUs to compliance costs and paying the excess emission charges. What are the factors taken into consideration? When in Enbridge Gas's internal processes is this consideration being done? Please describe how Enbridge Gas reviews and screens potential projects for EPP consideration, including any evaluation criteria used in this assessment.
b) Please clarify how the two GHG emissions reduction projects under evaluation for eligibility of EPP funding in Table 4 compare to the projects identified in the prior year and projects anticipated in the future (e.g. are there more or less?). Please list all projects that have undergone internal consideration for EPP funding with evaluation criteria and final scoring assigned to each.

Staff-3
Ref 1: Exhibit C, Tab 1, Schedule 1, pages 5 and 7
Ref 2: EB-2023-0196, Exhibit I.STAFF.4
Ref 3: EB-2023-0196, Decision and Order, pages 7 and 8

Enbridge Gas provided its 2023 actual administration costs recorded in the GGEADA with a total amount of $7.4 million. This represents a difference of $0.20 million relative to the 2023 forecast of $7.2 million. Of all the line items, the biggest variance relates to consulting and external legal support with a decrease of $0.34 million. Staffing resources also yielded a decrease of $0.05 million. Enbridge Gas notes there are 7.5 FTEs on the Carbon Strategy Team throughout 2023. However, in its response to Staff IR-4 in Enbridge Gas's 2024 FCPP application, there were 6.5 FTEs on the Carbon Strategy Team. Enbridge Gas also indicated in its response that with rapid policy evolution to develop and issue climate plans, policies, and regulations to reduce GHG emissions to help in the transition to a low-carbon economy, Enbridge Gas anticipates the need for ongoing support through long-term core staff (to develop in-depth in-house knowledge) than engaging external consultants which will become more expensive. Although a cap on staffing resources was not imposed as part of the OEB's prior year 2024 FCPP Decision and Order, the OEB expects Enbridge Gas to continue to contain its total administration costs. Moreover, in that decision, the OEB expressed the view that Enbridge Gas would need to demonstrate the basis for any increases in administrative costs, beyond Enbridge Gas's currently approved inflator (inflation less productivity and stretch factor), that may be requested in any future application.

a) Please clarify if there has been an increase in 1 FTE on the Carbon Strategy Team compared to the prior year. If confirmed, please discuss what drivers led to the additional FTE and the roles and responsibilities of the new FTE.
b) Please provide further insight as to why Enbridge Gas forecasted the need for consultant and external legal support that did not materialize and why actual staffing resource costs were also less than forecasted.
c) Please confirm whether there has been an increase in administrative costs beyond Enbridge Gas's currently approved inflator that may be requested in any future application. If so, please demonstrate the basis for the increase in administrative costs.

Staff-4
Ref 1: Exhibit C, Tab 1, Schedule 1, Page 11-12
Ref 2: EB-2023-0196, Exhibit I.STAFF.5

In its 2025 FCPP application, Enbridge Gas notes a $(3.48M) variance between its 2023 forecasted versus actual regulated EPS emissions and company use volumes. This was primarily driven by lower fuel volumes and emissions due to a mild winter and modifications in contracted transportation which changed the activity along the Dawn to Parkway system resulting in lower compressor fuel consumption. Compared to its 2024 FCPP application, there was a $(1.21M) variance between its 2022 forecast and actual regulated EPS emissions. In Enbridge Gas's response to prior year's staff IR-5, it notes that the variance is attributable to other causes resulting in volume changes across Enbridge's system which are inherent in the nature of the business. However, the incorrect heating degree day factors being used in the calculation of the company use volume forecast were included in 2021 and 2022 but resolved and did not extend to 2023 forecasts.

a) Please clarify that the increase in regulated facility-related volumes/emissions variance as compared to the variance in Enbridge Gas's 2024 FCPP application is not related to the same causes identified in prior years (e.g. incorrect heating degree day, lower compressor fuel volumes, and lower actual emissions intensity related to transmission and storage operations). If they are related, please comment on how Enbridge Gas expects to resolve the issues and/or adjust its forecasts to avoid growing variances year over year.
b) Please elaborate on the causes of the variances and clarify whether Enbridge Gas expects these causes to persist. If so, how will the forecast be adjusted accordingly to avoid large variances in future years?
c) Please confirm if the causes of the variances are what Enbridge Gas would describe as "inherent in nature to the business" as noted in its response to the prior year's Staff IR-5. And if so, which causes fall under this classification and why is that an appropriate classification?

Staff-5
Ref 1: Exhibit C, Tab 1, Schedule 1, page 13
Ref 2: Exhibit C, Tab 1, Schedule 1, page 5, Table 1
Ref 3: EB-2023-0196, Exhibit I.STAFF.6

Enbridge Gas estimates that it will incur approximately $13.05 million in incremental bad debt expenses in 2025 based on forecasted costs recoverable from customers because of the GGPPA and EPS Regulation. This amount is provided for information purposes with the actual 2025 bad debt amount included in a future FCPP application. The table below shows the forecast and actual bad debt since 2021.

Year	Forecast	Actual
2021	2.74	1.95
2022	3.72	3.75
2023	5.16	5.26
2024	8.80	n/a
2025	13.05	n/a

In its response to Staff IR-6 in its 2024 FCPP application, Enbridge Gas notes that bad debt is attributable to increasing energy costs including the annual increase in federal carbon charge, economic conditions, inflation, unemployment, and limited programs available to help customers pay their arrears. Enbridge Gas notes it will continue to manage bad debt expense by applying targeted collections activity to improve collections performance and drive reductions in bad debt expense. Moreover, Enbridge Gas applies proactive measures to assist customers including flexible payment options, offering equal billing for the year, implementing low-energy assistance programs (LEAP), and supporting initiatives to enhance energy efficiency and reduce energy costs in homes.

a) The forecasted bad debt expense continues to increase year over year. Please discuss whether Enbridge Gas has assessed the effectiveness of its bad debt mitigation efforts over the years and if so, whether Enbridge Gas has made and/or plans to make any changes/ introduce new bad debt mitigation efforts.
b) Please confirm if the variables identified in prior years as contributors to bad debt are still applicable. Are there any new material variables contributing to the large increase in forecasted bad debt from 2024 to 2025? If so, what are they and what has Enbridge Gas done to address this?

Staff-6
Ref 1: Exhibit C, Tab 1, Schedule 1, pp.9-11
Ref 2: EB-2023-0196, Exhibit C, Tab 1, Schedule 1, pp.9-10

Due to the small balances in the CCCVAs in 2022 and 2023 totaling ($0.03 million) in its 2025 FCPP application, Enbridge Gas is proposing to defer disposition until the balances become substantial enough to allow for the generation of a unit rate that could credit customers. Enbridge Gas notes that the variances are due to deliveries of RNG and hydrogen to customers in 2022 and 2023 through the company's OptUp program and Low Carbon Energy Project (LCEP). The billing system functionality constraints restrict Enbridge Gas from being able to reduce the Federal Carbon Charge only on the portion of a system supply customer's bill that is RNG or hydrogen. In its 2024 FCPP application, the CCCVA balance was ($4,924.37) and Enbridge Gas forecasts that a balance of approximately $25,000 ($15,000 for the EGD rate zone and $10,000 for the Union rate zones) would be required in order to generate a unit rate.

a) The cumulative balance in the CCCVA of ($0.03 million) exceeds the forecasted $25,000 balance that Enbridge Gas expects would be required to generate a unit rate. Please explain why Enbridge Gas continues to defer the disposition of the CCCVA.
b) The balance in the CCCVA has increased significantly from its 2024 to 2025 FCPP application. Please provide more insight as to the changes in the deliveries of RNG and hydrogen through the OptUp and LCEP program from 2022 to 2023 that have resulted in this increase.

c) At what levels of CCCVA and/or RNG and hydrogen activity would Enbridge Gas deem the balance in the CCCVA to be substantial and consider modifications to its billing system to resolve the billing system constraint?