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December 5, 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)
Ontario Energy Board (OEB) File No.: EB-2024-0251
2025 Federal Carbon Pricing Program (FCPP) Application
Interrogatory Responses**

In accordance with the OEB's Procedural Order No. 1 dated November 15, 2024, please find enclosed the interrogatory responses of Enbridge Gas.

If you have any questions, please contact the undersigned.

Sincerely,

Justin Egan
Technical Manager Regulatory Applications

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

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

Question(s):

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 application¹. 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?
- 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.

Response:

- a) Enbridge Gas has investigated highly efficient gas heat pumps to reduce scope 1 and 2 emissions at gate stations. However, challenges to the implementation of this technology at gate stations have been identified due to Ministry of Environment, Conservation and Parks (MECP) regulations for condensate disposal. The gate stations do not have access to municipal sewage systems to drain the condensate that would result. To comply with the MECP regulations (i.e., produce no condensate), the boilers would need to be run at a lower efficiency, resulting in increased GHG emissions. Enbridge Gas continues to work on identifying potential solutions that may progress this project.
- b) In 2024, opportunities for Re-wheeling Turbines and Electrification of Compressors were evaluated for potential Emissions Performance Program (EPP) funding. Re-wheeling for Parkway A turbine and electrification of the Heritage compressor are potentially eligible for EPP funding, pending project refinement and discussions with the MECP. EPP funding could enable these opportunities to progress in development. Once EPP projects are approved and funds are released by the MECP, the MECP has requested projects be completed within 5 years, with the opportunity to extend if required. Enbridge Gas will continue to investigate these opportunities in 2025. While RNG use is eligible to lower facility related emissions under the Emissions Performance Standards (EPS), current EPP funding guidelines limit RNG to projects where RNG is self-produced and consumed by the EPS participant.
- c) See Table 1 for status updates for the five potential facility-related emission reduction opportunities identified in Table 3 of Exhibit A, Tab 2, Schedule 1, paragraph 34 of evidence.

Table 1
Emission Reduction Opportunity Status

Opportunity		EPP Evaluation
1	Electric Drive Compressors – Dawn Plant C Replacement	Estimated cost greater than EPP funding currently available. -Consideration given to smaller site, Heritage compressor electrification was identified and currently under evaluation for EPP funding.
2	Electric Drive Compressors – Parkway	Estimated cost greater than EPP funding currently available. Consideration given to smaller site, Heritage compressor electrification was identified and currently under evaluation for EPP funding.
3	Re-wheeling Turbines	Estimated cost greater than EPP funding currently available. Scope of opportunity reduced to a single site.
4	Compressor Fuel Switch to RNG	RNG Fuel Switching is not eligible for EPP funding.
5	Own Use Gas Fuel Switch to RNG Blend	RNG Fuel Switching is not eligible for EPP funding.

d) The Scope 1 and 2 GHG Emissions Reductions Working Group looks at all Scope 1 and 2 GHG reduction opportunities at Enbridge Gas facilities. This includes stationary combustion and flaring emissions, which are covered under the Greenhouse Gas Pollution Pricing Act (GGPPA) and EPS and applicable to this application. The Working Group also identifies and implements emission reduction initiatives related to fugitive and venting emissions. In 2024, the MECP introduced the EPP to fund opportunities to reduce emissions covered under EPS. The EPP provides a new potential funding source for opportunities related to combustion emissions at Enbridge Gas storage and transmission operation sites. The Working Group identified new opportunities and revisited existing opportunities for EPP funding. With many drivers such as the EPP, Federal Methane Regulations, and recent fugitive emissions commitments in EB-2024-0125 Settlement Proposal¹, there are now multiple working groups that meet regularly, with information moving to the larger Working Group as required.

On April 16, 2024, MECP amended the EPS and the related Guideline for Quantification, Reporting and Verification of Greenhouse Gas Emissions² to clarify RNG eligibility and reporting requirements for the purposes of lowering reportable GHG emissions for EPS participating facilities. While RNG use is eligible to lower EPS facility related emissions, as noted in part b) above, EPP

¹ EB-2024-0125 Exhibit N1, Tab 1, Schedule 1, pp. 23-25

² Environmental Registry of Ontario. (2024 April 16). Regulatory amendments to clarify program requirements and improve program efficiency for Emissions Performance Standards (EPS) and GHG Reporting programs | Environmental Registry of Ontario. <https://ero.ontario.ca/notice/019-7649>

funding opportunities related to RNG are limited to projects where RNG is self-produced³ and consumed by the EPS participant.

Recent developments related to carbon capture and storage (CCS), and hydrogen include the introduction of the Geological Carbon Storage Act (GCSA)⁴ by the Government of Ontario on November 25, 2024, and the launching of a proposed consultation for renewing Ontario's Hydrogen Strategy on October 29, 2024.⁵ The goal of the GCSA is to support the development of a comprehensive framework to regulate carbon storage responsibly, with measures in place to safeguard people and the environment. The current consultation to renew Ontario's hydrogen strategy seeks to assist the government in determining whether, and to what extent, funding should be allocated from energy ratepayers and/or taxpayers for additional support of hydrogen projects.

Enbridge Gas continues to consider CCS as a potential solution for GHG emissions abatement. However, at this time, the GCSA has yet to be passed (public consultation and legislative processes need to be completed) and carbon storage and transportation infrastructure are not currently available. Enbridge Gas will continue to monitor CCS developments and review CCS facility abatement opportunities.

As provided at EB-2024-0251, Exhibit A, Tab 2, Schedule 2, paragraph 47, Enbridge Gas began the operation of a combined heat and power unit that can operate at 100 percent hydrogen or natural gas at its Markham Technology and Operations Center in 2024. Enbridge Gas will continue to monitor and evaluate other opportunities to utilize RNG, hydrogen and CCS to reduce facility related emissions as they develop.

³ Ontario Government. (September 4, 2024). Available funding opportunities from the Ontario Government, Emissions Performance Program. <https://www.ontario.ca/page/available-funding-opportunities-ontario-government#section-4>

⁴ Ontario Government. (November 25, 2024). Enabling the Development of Commercial-Scale Geologic Carbon Storage in Ontario: The Geologic Carbon Storage Act | Environmental Registry of Ontario. <https://ero.ontario.ca/notice/019-9299>

⁵ Ontario Government. (October 29, 2024). Proposed stakeholder consultations for renewing the Ontario Low-Carbon Hydrogen Strategy. <https://ero.ontario.ca/notice/019-9324>

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Exhibit A, Tab 2, Schedule 1, pages 16-18

Question(s):

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 FCCPP 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 FCCPP 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.

Response:

a) In September 2024, Enbridge Gas evaluated three options, as outlined in Table 1, when considering whether to purchase Emissions Performance Units (EPUs) or pay the excess emissions charge to secure Emissions Performance Program (EPP) funding. The key factors considered when evaluating the potential options were upfront cost savings, reduction in EPP funding, facility related emission reduction project costs, and availability of EPUs in the market. Based on the compliance options and considerations, Enbridge Gas determined that the best approach to satisfy its 2023 EPS compliance obligation would be option 2: purchase EPUs for a portion of the EPS obligation and pay the excess emissions charge for the remaining obligation. This option struck a balance between upfront cost savings due to purchasing EPUs at a lesser cost to the excess emissions charge, while still securing EPP funding in 2025 to allocate to facility related emissions projects that may not otherwise have the funding to move forward.

Table 1
2023 EPS Compliance Obligation Strategy

	Compliance Options	Pros	Cons
1.	Purchase no EPUs and pay the excess emissions charge for the entire EPS obligation	<ul style="list-style-type: none"> Entire payment would be available for Enbridge Gas through EPP funding to put towards facility related emission reduction projects. Emissions reductions projects that otherwise may not move forward due to economic constraints could potentially progress due to EPP funding availability. 	<ul style="list-style-type: none"> No upfront cost savings realized in 2024.
2.	Purchase EPUs for a portion of EPS obligation and pay the excess emissions charge for the remaining obligation	<ul style="list-style-type: none"> Upfront cost savings realized in 2024 due to purchase of EPUs at a discount to the excess emissions charge. Though reduced, there would still be EPP funding available to Enbridge Gas in 2025 to allocate towards facility related emission reduction projects. Likely more sellers with smaller amount of EPUs available to sell. 	<ul style="list-style-type: none"> Reduces EPP funding available to Enbridge Gas in 2025, which could potentially delay facility related emission reduction projects until sufficient funding becomes available.

Table 1 (continued)*

2023 EPS Compliance Obligation Strategy (continued)

	Compliance Options	• Pros	• Cons
3.	Purchase EPU's to cover the entire EPS obligation	<ul style="list-style-type: none"> • Larger upfront cost savings realized in 2024. 	<ul style="list-style-type: none"> • Forfeit EPP funding in 2025, which may limit facility related emission reduction projects from moving forward. • May require multiple sellers, and there may be limited sellers with enough EPU's available to satisfy entire EPS obligation.

Enbridge Gas proceeded with option 2, and similar to previous years, attempted to source EPU's through the following procurement efforts:

1. Contacting counterparties from previous credit transactions.
2. Subscribing to the Ministry of Environment, Conservation and Parks' (MECP) distribution list of EPS program participants looking to sell EPU's.
3. Engaging a consultant to assist in sourcing EPS participants selling EPU's.

The first two actions noted above failed to produce any viable credit transactions. One counterparty to Enbridge Gas's previous credit transaction did not have EPU's available for sale and the other counterparty did not provide Enbridge Gas with its EPU availability. Additionally, the list of participants distributed by MECP did not identify any participants with EPU's available any of the four times Enbridge Gas requested the list.

At the end of October, one counterparty looking to sell EPU's at a discount to the excess emissions charge was identified through a consultant. Due to an inability to come to mutually agreeable contract terms with the counterparty, no EPU's were procured. With the EPS compliance deadline being December 1, 2024, there was insufficient time to identify and contract with other EPS participants selling EPU's. As EPU procurement efforts were unsuccessful, Enbridge Gas satisfied its 2023 EPS compliance obligation on November 22, 2024, by paying the excess emissions charge on its entire obligation.

Enbridge Gas's process to review and screen potential projects for EPP consideration begins with the review of potential scope 1 and 2 emission reduction projects against EPP eligibility criteria. The MECP provides specific criteria for opportunities that could apply for funding. One of the criteria specifies that only projects that reduce emissions subject to the EPS program are eligible for EPP funding. In Enbridge Gas's case, this includes stationary combustion and flaring emissions related to storage and transmission operations. Projects that reduce

venting and fugitive emissions, and distribution operation emissions are not eligible for EPP funding, as these emissions are not covered by the EPS program.

The list of EPP eligible projects is then further assessed according to cost. Only opportunities where the estimated cost of the project meets the amount currently available from EPP funding are considered further. EPP eligible projects are reviewed with manager and director level and internal subject matter experts to determine next steps. Meetings with the MECP to review potential projects have also taken place.

Once Enbridge Gas submits its EPP project funding applications, the MECP will make the final decision on which opportunities will receive funding under the EPP program.

- b) As the EPP was launched in June 2024, this is the first year that potential projects had the opportunity to be evaluated for EPP funding. The two GHG emission reduction projects potentially eligible for EPP funding, pending project refinement and discussions with the MECP, are listed in Table 4 of Exhibit A, Tab 2, Schedule 1. Other projects identified in prior years and listed in Table 3 of Exhibit A, Tab 2, Schedule 1 are projects that have been estimated as exceeding the EPP funding amounts that are available in 2024 and potentially available in 2025. Please see Exhibit I.STAFF-1, part b) Table 1 for a list of potential opportunities that were reviewed for EPP funding, and the associated evaluation. Only opportunities where the estimated cost of the project met the funding available from the EPP were considered. As the EPP continues and additional funding is made available, opportunities will continue to be assessed against available funding.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

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

Question(s):

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.

Response:

- a) In 2023, there was an increase of 1 FTE to the Carbon Strategy team. This increase brought the Carbon Strategy team to 7.5 FTEs in 2023 from the 6.5 FTEs in 2022.

The additional FTE joined the Carbon Strategy Team in 2023 in a Specialist role. The responsibilities of this additional FTE are similar to those of the FTE that was added in 2022. As noted in EB-2022-0194 at Exhibit I.STAFF.5, these responsibilities include analysis of the impacts of federal, provincial and municipal policies and regulations related to GHG emissions, climate change and energy transition for Enbridge Gas. Additionally, these FTEs participate in government consultations for policy development and regulation amendments associated with federal and provincial regulations related to GHG emissions and lead development of energy transition plans that incorporate the impacts of federal and provincial regulations related to GHG emissions. This FTE has been included in the GGEADA as the role and accountabilities are incremental to what was included in base rates.

- b) Historically, Enbridge Gas has utilized consulting and external legal support for the following reasons:
- development and sustainment of Enbridge Gas's carbon strategy and related analyses;
 - review and interpretation of new or amended federal or provincial regulations related to GHG emissions requirements for Enbridge Gas;
 - credit market research and procurement services; and
 - development of Enbridge Gas's FCPP Applications and associated OEB proceedings.

Enbridge Gas forecasted this cost element in 2023 to ensure consulting and external legal support could be leveraged should the need arise, due to continuously changing government policy, market related changes, or potential internal resource constraints. These costs did not materialize as Enbridge Gas was able to leverage internal resources, including the additional 1 FTE, to support the ongoing Carbon Strategy work. Additionally, in Enbridge Gas's response in EB-2023-0196 at Exhibit I.STAFF.4 part b), the Company explains its decision to increase core staffing resources rather than engaging external consulting resources, when applicable, for various reasons, including as a cost saving mechanism.

As outlined in evidence at Exhibit C, Tab 1, Schedule 1, page 7, actual 2023 staffing resources costs were \$0.05 million lower than forecasted because of differences between actual individual FTE salaries and the estimated average FTE costs used for forecasting.

- c) In the Settlement Proposal to Enbridge Gas's 2024 Phase 1 Rebasing Application (EB-2022-0200), the OEB approved consolidating the GGEADAs into a single account, on the condition the GGEADA be renamed the Carbon Charges Bad Debt Deferral Account (CCBDDA), and the scope of the account be limited to recording bad debt costs associated with carbon charges.¹ This change became effective as of January 1, 2024 and the administrative costs, other than bad debt, previously recorded in the GGEADAs will be recovered through 2024 base rates. Additionally, while bad debt is included in Enbridge Gas's administrative costs, in the Decision and Order on Enbridge Gas's 2023 FCPP Application, bad debt was not included in the three specific cost elements that the OEB deemed to be sufficient as of the 2021 GGEADA costs.² In accordance with the OEB's direction in the Decision and Order, both the 2022 and 2023 administration costs in the three stipulated administrative areas were below the approved 2021 administration costs deemed to be sufficient.³ In future FCPP applications, Enbridge Gas will only seek approval to dispose of bad debt while all other administrative cost elements subject to Enbridge Gas's currently approved inflator will be included in 2024 base rates.⁴

¹ EB-2022-0200, Decision on Settlement Proposal, August 17, 2023, p.1.

² EB-2022-0194, OEB Decision and Order, February 9, 2023, pp.9-10.

³ EB-2023-0196, Exhibit C, Tab 1, Schedule 1, p. 5. and EB-2024-0251, Exhibit C, Tab 1, Schedule 1, p.6.

⁴ This is specific to Enbridge Gas's rebasing IR term of 2024 to 2028. The mechanism to recover FCPP-related administration costs after 2028 is expected to be determined through a future rebasing application.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Exhibit C, Tab 1, Schedule 1, Page 11-12
EB-2023-0196, Exhibit I.STAFF.5

Question(s):

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 difications 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?

Response:

a - b) As indicated in Exhibit C, Tab 1, Schedule 1, page 12, paragraph 33, the variance in the regulated facility-related volumes is due to lower compressor fuel volumes and a lower EPS emissions intensity, not due to incorrect heating degree days. The lower compressor fuel volumes were due to several factors in 2023, including:

- A significant change in contracted transportation, which occurred after forecasting was completed; and,
- A mild winter.

Subsequent forecasts will reflect the impacts of the change in contracted transportation that occurred in 2023. It is expected that there will continue to be year-over-year fluctuations in facility-related volumes, due to factors such as weather and changes in system activity; however, it is not expected that the variance will grow perpetually year-over-year.

c) Yes, Enbridge Gas would consider variances due to the impacts of weather and changes in contracts to be “inherent in nature to the business”. Enbridge Gas’s interrogatory response in EB-2023-0196 at Exhibit I.STAFF.5, was delineating between variances caused by incorrect heating degree day factors being used in the calculations of the company use volume forecast versus those factors resulting in actual changes in physical volumes of gas consumed by Enbridge Gas’s facilities and in the operation of the Company’s gas distribution system.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Exhibit C, Tab 1, Schedule 1, page 13
Exhibit C, Tab 1, Schedule 1, page 5, Table 1
EB-2023-0196, Exhibit I.STAFF.6

Question(s):

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?

Response:

- a) Enbridge Gas continues to evaluate efforts to mitigate bad debt and has made changes to internal process reflective of the challenges observed in recent years. Enbridge Gas's standard collection practice involves written communications and customer calls with intent to negotiate payment arrangements or confirmation of payments to avoid disconnection. In addition to the standard practice, Enbridge Gas has increased targeted customer outreach in 2024 with a focus on customers with longstanding arrears and balances owing on finalized accounts. In addition to increased outreach, the guidelines for reconnection have been updated whereby customers must pay a minimum of 50% of Utility Gas Charges with a commitment to pay the remaining balance within 2 months. Enbridge Gas continues to support customers experiencing hardship with negotiable payment arrangements and program offerings such as the Low Income Energy Assistance Program (LEAP).
- b) Enbridge Gas can confirm the previously identified contributors to bad debt are still applicable. Since the start of 2020, Enbridge Gas has experienced additional challenges contributing to the bad debt, such as:
- The winter reconnection guidelines, which were introduced in section 9.7.2 of the GDAR in 2020, have impacted the company's ability to collect debts, leading to a growing subset of customers with increasing debt balance as they know Enbridge Gas is obligated to reconnect the service by December 1st.
 - As outlined in the Meter Reading Performance Metric evidence in Rebasing Phase 2 (EB-2024-0111, Phase 2 Exhibit 1, Tab 7, Schedule 1), Enbridge Gas has experienced a significant increase in customer-driven access issues since 2020. Enbridge Gas continues to make reasonable attempts to gain access to the meter; however, persistent access issues driven by changes in customer behaviour make it increasingly difficult to pursue disconnection for non-payment.
 - Enbridge Gas has seen a significant increase in business closures and the volume of vacant properties since 2021. Contributing factors to this increase in vacant properties include the COVID-19 pandemic, economic conditions and the cost of natural gas. Section 6.1 of the Enbridge Gas Conditions of Service outline vacant properties as eligible for discontinuance of service,

however this is primarily reliant on the company being able to access the gas meter. The increase in both access issues as well as vacant properties has contributed to an increase in bad debt.

ENBRIDGE GAS INC.

Answer to Interrogatory from
Ontario Energy Board Staff (STAFF)

Interrogatory

Reference:

Exhibit C, Tab 1, Schedule 1, pp.9-11
EB-2023-0196, Exhibit C, Tab 1, Schedule 1, pp.9-10

Question(s):

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?

Response:

- a) The cumulative balance in the CCCVA – Union rate zones is a credit of \$3,356 which is below the estimated threshold of \$10,000 required to generate a unit rate for disposition. The resulting credit unit rate would be 0.00005 cents/m³, which at four decimals, rounds to a credit unit rate of 0.0001 cents/m³, effectively doubling the true unit rate for disposition of the account balance. The one-time adjustment for a typical residential customer would be a refund of less than \$0.01.

The cumulative balance in the CCCVA – EGD rate zone is a credit of \$26,878 which is above the estimated threshold of \$15,000 required to generate a unit rate for disposition. The resulting credit unit rate would be 0.0003 cents/m³ and the one-time adjustment for a typical residential customer would be a refund of less than \$0.01.

Enbridge Gas is proposing to defer the disposition of these accounts as the balances and unit rates result in bill refunds that are less than \$0.01 for a typical residential customer in both the Union and EGD rate zones.

- b) As outlined at Exhibit A, Tab 2, Schedule 1, paragraph 53 i), RNG procurement and the associated avoided Federal Carbon Charges more than doubled from 2022 to 2023, contributing to the increase in CCCVA balances from 2022 to 2023.

The driving factor behind the increase in CCCVA balances from 2022 to 2023 is due to the hydrogen volumes distributed through the LCEP. As outlined at Exhibit A, Tab 2, Schedule 1, paragraph 53 iii), hydrogen distribution and the associated avoided Federal Carbon Charges increased significantly from 2022 to 2023, leading to the increase in CCCVA balances from 2022 to 2023. This is due to hydrogen not being considered exempt from the Federal Carbon Charge until August 2022, therefore limiting the hydrogen volumes eligible for exemption in 2022 and the associated avoided Federal Carbon Charges allocated to the 2022 CCCVAs. In comparison, all hydrogen volumes distributed through the LCEP for the 2023 calendar year were considered exempt, leading to increased avoided Federal Carbon Charges tracked in the 2023 CCCVAs.

In addition, the annual Federal Carbon Charge rate increase on April 1 contributed to the change in CCCVA balances from 2022 to 2023, as the increased rate was applied to the distributed volumes of RNG and hydrogen from April 1, 2023, onwards, resulting in increased avoided Federal Carbon Charges.¹

- c) Enbridge Gas has not determined a threshold level at which the CCCVA balance or procurement of lower-carbon energy would be substantial enough to commit the

¹ On April 1, 2023, the Federal Carbon Charge rate increased from 9.79 cents/m³ to 12.39 cents/m³.

capital expenditure required to make changes to its billing systems to reduce the Federal Carbon Charge on customer's bills.

Enbridge Gas has proposed to make the necessary changes to its billing systems to reduce the Federal Carbon Charge on the bill of sales service customers as part of the proposal to procure RNG for the Lower-Carbon Energy Program included in the 2024 Rebasing Phase 2 proceeding.² The Lower-Carbon Energy Program is proposed to replace the approved Voluntary RNG program (OptUp).

If the proposal to procure RNG in the 2024 Rebasing Phase 2 (EB-2024-0111) proceeding is not approved, Enbridge Gas will not commit the capital expenditure required to make the billing system changes as current approved projects or programs to procure lower-carbon energy sources do not result in deferral or variance account balances that have a material impact on customer bills.

² EB-2024-0111, Phase 2 Exhibit 4, Tab 2, Schedule 7, page 15.