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BY EMAIL AND RESS

December 16, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON
M4P 1E4

Dear Ms. Marconi:

Re: Enbridge Gas Inc.
2024-2028 Rates Application: EB-2024-0111
Evidence Outline for Enbridge Gas Revenue Decoupling Witness Panel

We write in response to the direction in the OEB's December 12th letter, to provide an outline of Enbridge Gas's reply to the evidence filed by Environmental Defence (ED), including the additional evidence filed by ED on December 11th. Enbridge Gas was also directed to provide the names and CVs of the proposed witnesses.

Enbridge Gas will present a witness panel with eight Company representatives to answer questions about ED's revenue decoupling proposal. The members of the witness panel are set out in the table below. Their CVs, which were previously filed, are attached as Appendix "A".

Witness Name	**Title**
Nicole Brunner	Director, Residential Market Development
Gilmer Bashualdo-Hilario	Manager Demand Forecasting & Analysis
Danielle Dreveny	Manager, Rate Design
Sam Fallis	Director, Financial Planning & Analysis
Mark Kitchen	Director, Regulatory Affairs
Ian Macpherson	Director, Industrial Market Development
Jennifer Murphy	Manager, Energy Transition Planning and Climate Policy
Ryan Small	Technical Manager, Regulatory Accounting

The members of the Enbridge Gas witness panel were chosen to represent a wide variety of subject areas that we expect may be relevant. These areas include customer attachments, rate design, variance accounts, financial implications, regulatory implications, energy transition considerations and customer numbers. Many members of the witness panel will be familiar to the OEB after having provided testimony in Phase 1 or other OEB proceedings. It is impossible to know all the areas where questions may be asked, but the members of the witness panel will do their best to answer relevant questions through their testimony.

Turning to the topic of evidence outlines, Enbridge Gas takes exception to OEB's statement in its December 12th letter that the Company has not been responsive. That is not accurate or fair.

Enbridge Gas has limited detail about ED's proposal. The evidence filed by ED's expert on the revenue decoupling proposal totals approximately 7 pages. Enbridge Gas has been very responsive in providing written answers to questions about the Company's position on the proposal. The Company has filed written responses to ED's supplementary questions (all of which post-date the discovery process in this case). The Company's written answers to the ED questions total 20 pages, including the updated response to ED Motion Question #3 (ED #3) filed on December 14th.

As noted in our December 11th letter, Enbridge Gas does not plan to provide any evidence in chief. It is possible that the Enbridge Gas witness panel could have brief evidence in chief in the event that new proposals arise from the earlier testimony of ED's witness Current Energy Group (CEG). We cannot predict whether that will happen. At present, ED has indicated that it does not plan to lead any evidence in chief from the CEG witnesses (based on the statement in ED's December 2nd letter that any CEG evidence in chief would be in response to Enbridge Gas testimony, and based on the fact that CEG is scheduled to testify in advance of the Enbridge Gas witnesses).

The testimony of the Enbridge Gas witness panel for the revenue decoupling issue will depend on the nature of the questions asked to the panel. We expect that the answers provided will align with the responses provided to the recent questions from ED about the revenue decoupling proposal.

Enbridge Gas's complete response to the ED proposal cannot be completed until after the hearing. More information is needed about the details of the revenue decoupling proposal, and about ED's own position on its expert's evidence. Therefore, the position that Enbridge Gas takes on the ED evidence is only partially complete now. As is customary and appropriate, this will be completed in the argument phase of the proceeding.

Enbridge Gas has set out, in response to ED Motion Question #2 (ED #2), detailed preliminary comments on the revenue decoupling mechanisms described by ED's expert.

At the outset of ED #2, Enbridge Gas sets out general reasons why it opposes the proposal. These include the following:

- The aim of the revenue decoupling proposal is said to be to make Enbridge Gas "indifferent" to adding new customers. But in reality, the proposal is aimed at taking away any benefit from this activity. The result will be that Enbridge Gas would not add new customers in a meaningful way. The Company says that is not an appropriate outcome.

- Enbridge Gas is not indifferent to adding new customers and should not be disincented from doing so. And when the Company adds new customers, it is proper that the associated revenue be retained.

- Customers want to be connected to the gas system. Customer choice is important. It is not appropriate to directly or indirectly take away that choice.

- Ontario Government policy supports customer choice, including adding new gas connections. All practical steps should be taken to encourage housing development. This is seen in a number of policy documents, Ministerial statements and in Bill 165.

- The proposal is flawed in that it does not keep the Company whole. The proposal takes away opportunities for growth and earnings and makes it more difficult to earn the allowed rate of return and a fair return. ED's proposal would see up to (or more than) $200 million in forecast revenues returned to customers over the IRM term.

- The CEG/ED proposal is at odds with the concept of competition, something that underlies the OEB's ratemaking models.

- There are potential implications on all utilities, and on the general IRM model used in Ontario, if new customer revenues are deemed to be a "windfall", which is the phrase that ED has used to characterize these revenues. The potential implication of ED's position is that IRM models will need to be adjusted to take back such revenues from all other utilities, none of whom are parties in this proceeding.

- As set out in ED #3, the revenues from new customers are required to fund ongoing capital activities and other cost pressures during the IRM term. Revenue growth solely from the IRM escalation does not support all required capital investments to maintain a safe and reliable system and meet customer requests for new connections. Revenues associated with IRM escalation, growth, and cost efficiencies are all leveraged under the Price Cap rate setting mechanism to accommodate capital requirements. As rates are not tied to costs under a price cap mechanism, the ability to offset cost pressures in one area through efficiencies or revenue growth (i.e. scale economies) is a key attribute to the mechanism. The revenues achieved through the Price Cap mechanism should be treated as a whole (not segregated). This allows a utility to allocate funds across a variety of cost categories including O&M, capital and cost of capital. Isolating revenues by specific cost categories, such as growth capital contradicts the principles of Performance Based Regulation (PBR) and restricts the utility's operational flexibility.

As set out in its responses to ED #2 and ED #3, Enbridge Gas has a lot of questions, and likely a difference of opinion, with ED/CEG about the details of the proposed revenue decoupling mechanism.

- It is not clear what costs of new customers would be recoverable in the event that Enbridge Gas was required to credit all new customer revenues back to ratepayers. This is a very complicated question. At pages 7 and 8 of ED #2, Enbridge Gas set out ten examples of questions that would have to be answered. Some of these are the following:

    - What O&M costs should be included?

    - How should capital costs (depreciation, Cost of Capital) be treated?

    - How should costs be determined on a rate class basis?

    - What rate classes should be included?

    - How should costs related to new customers be treated differently from costs related to departing customers?

  - How are revenues to be determined for new customers, both in terms of rate class definition and in terms of different characteristics of new customers versus legacy customers? How does this consideration apply to departing customers?

  - What is the proper base of customers for this mechanism? – is it average, or is it forecast? is there a true-up?

  - Are all capital costs eligible for rate base at the next rebasing?

- As set out in ED#3, Enbridge Gas asserts that there is actually very little true margin or benefit from new customers. That being the case, the magnitude of the revenue decoupling adjustment would be modest.

- As set out in the updated portion of the response to ED#3, Enbridge Gas does not agree that its full capital expenditure related costs, inclusive of new customer additions are covered by base rates, (e.g. excluding growth revenues).

- The cost of adding a customer typically outweighs the associated revenues in early years, while the customer attachment costs are relatively undepreciated. As shown in Table 5 of ED #3, the addition of new customers creates a drag on earnings. There is no "windfall". Taking away the associated revenue will exacerbate this issue.

The OEB's December 12th letter also directs Enbridge Gas to provide its response to the outline of the Energy Futures Group (EFG)/Chris Neme testimony that was provided on December 11th, after Enbridge Gas had provided its initial outline of testimony for the revenue decoupling issue.

ED has been clear that Mr. Neme's presentation and testimony are based upon the evidence that Mr. Neme/EFG filed in Phase 1 about energy transition issues. Those matters were covered in great detail in Phase 1. Enbridge Gas witnesses gave testimony for three days on energy transition issues, and then other Enbridge Gas witnesses gave further testimony about related topics such as capital budget and customer connections. Mr. Neme has already provided testimony about his report for more than one day of the Phase 1 hearing. As such, there is already a voluminous record related to Mr. Neme's Phase 1 report and testimony.

EFG/ED did not file any new or updated report about the general energy transition issues in Phase 2. There was no additional discovery or evidence on this topic. Right up until parties provided their time estimates for the oral hearing on December 2nd, ED provided no indication that it planned to have Mr. Neme re-testify about his May 2023 Phase 1 report as part of the Phase 2 hearing.

Throughout Phase 1, Enbridge Gas set out its views on energy transition, stranded assets, heat pumps and electrification. This was a main focus of the very lengthy Phase 1 proceeding. Enbridge Gas provided its position and evidence on energy transition questions in Phase 1 evidence, testimony and detailed written submissions. Those views have not fundamentally changed. For convenience, in the footnotes that follow, we include links to the Argument in Chief and Reply Argument that Enbridge Gas filed in Phase 1, which includes lengthy commentary

setting out the Company's position on energy transition.[1] The Argument in Chief includes a ten page section responding to Mr. Neme's Phase 1 report and testimony, which is the evidence that ED seeks to re-establish in Phase 2. For convenience, we attach that document as Appendix "B".

At a high level, Enbridge Gas does not agree with many of the propositions and assertions advanced by EFG/Mr. Neme. For example:

- Mr. Neme makes no reference to Ontario energy policy, and the clear direction to support customer choice and building of affordable new homes. Nor does Mr. Neme recognize the Ontario government's repeated confirmation of the importance of natural gas as a critical part of the province's energy supply mix.

- Mr. Neme instead makes repeated references to jurisdictions such as Massachusetts that have a very different legislative and policy framework that directly require a reduction in the role played by natural gas.

- The path and timing of the energy transition is unknown. Enbridge Gas has demonstrated why and how the gas system will continue to be important in meeting the energy needs of Ontario in a reliable, resilient and cost-effective way in a low-carbon future.

- Mr. Neme dismisses all challenges to the ability of a clean electricity system to immediately and cost-effectively meet the need of all new customers and to soon meet all heating needs in Ontario (along with growth from transportation, data centres and industry). Enbridge Gas takes the position that there is immense uncertainty on this topic.

- Mr. Neme does not present a balanced view of the relative costs of heat pumps and gas heating, and does not even consider hybrid heating as an option when doing cost analysis.

- Customers (whether that is a homeowner or a developer) currently have the option to choose either electric or gas heating for a new home or retrofit. Mr. Neme proposes to take away, or at very least tilt the playing field, on customer choice as it relates to new customer connections.

Depending upon the scope and specific content of Mr. Neme's testimony, Enbridge Gas may have more to say in written submissions.

Yours truly,

AIRD & BERLIS LLP

David Stevens

C: all parties in EB-2024-0111

[1] See Argument in Chief, August 18, 2023 (pages 12-75); and Reply Argument, October 10, 2023 (pages 15-65).

APPENDIX A

CURRICULUM VITAE OF
GILMER BASHUALDO-HILARIO

Experience:

Enbridge Gas Inc.

Manager Demand Forecasting & Analysis
2023

Manager Economic Evaluation & Forecast
2019

Union Gas Limited.

Manager Demand Forecasting & Analysis
2015

Senior Advisor Demand Forecasting & Analysis
2005

Northern Lima Hydro-Edelnor (currently Enel) – Lima, Peru

Senior Auditor
2001

Manager Meter Shop Department
2000

Manager Commercial Process Department
1998

Manager Billing Department
1997

Commercial Analyst
1995

Central Hydro-Electrocentro – Huancayo, Peru

Financial Analyst
1994

Education:

MBA -
San Ignacio de Loyola University, Lima - Peru (2000)

Master of Arts in Economics - National Agrarian La Molina University, Lima - Peru (2000)

Bachelor of Arts in Economics - National Agrarian La Molina University – Lima, Peru (1993)

Memberships: None

Appearances: (Ontario Energy Board)

EB-2022-0200

CURRICULUM VITAE OF
NICOLE BRUNNER

Experience:

Enbridge Gas Inc.

Director, Residential Market Development
2024

Director, Gas Supply
2023

Technical Manager, New Energy Supply
2022

Manager, Gas Supply
2019

Union Gas Limited

Team Lead, Gas Scheduling
2017

Advisor, Strategic Accounts
2016

Capacity Management Utilization Administrator
2015

Advisor, Regulatory Affairs
2014

Buyer, Gas Supply
2012

Sr. Analyst, Cost of Gas
2011

Sr. Analyst, Gas Scheduling
2009

Education:

Master Business Administration
University of Fredericton (2015)

Honors Bachelor of Commerce
McMaster University (2009)

Memberships: None

Appearances: None

CURRICULUM VITAE OF
DANIELLE DREVENY

Experience:

Enbridge Gas Inc.

Manager, Rate Design
2023

Manager, Capital Financial Planning & Analysis
2019

Union Gas Limited

Manager, Operating & Maintenance
2017

Team Lead, Operating & Maintenance
2015

Analyst, Operating & Maintenance
2009

Siemens VDO Automotive

Business Development Analyst
2002

Union Gas Limited

Fulfillment Support Analyst
2001

Education: Bachelor of Commerce
University of Windsor (2001)

Memberships: None

Appearances: (Ontario Energy Board)

EB-2022-0200

CURRICULUM VITAE OF
SAM FALLIS

Experience: Enbridge Gas Inc.

Director, Financial Planning & Analysis
2024

Manager, Finance Integration & Systems
2020

Manager, Operations & Maintenance
2018

Supervisor, Capital Management
2016

Team Lead, Capital
2016

Team Lead, O&M
2014

Senior Financial Analyst, O&M
2013

Education: Master of Business Administration
Schulich School of Business
2011

BMOS – Finance & Administration
University of Western Ontario
2006

Memberships: CPA, CMA Designation
Chartered Professional Accountants of Ontario
2011

Appearances: None

CURRICULUM VITAE OF
MARK D. KITCHEN

Experience:

Enbridge Gas Inc.

Director, Regulatory Affairs
2019

Union Gas Limited.

Director, Regulatory Affairs
2008

Manager, Rates and Pricing
2002

Manager, Product & Service Costing
1999

Manager, Cost of Service
1997

Supervisor, Gas Supply Planning
1996

Supervisor, Contract Forecasts
1993

AXA Insurance

Systems Applications Analyst
1992

Siemens Automotive Ltd.

Senior Product Cost Analyst
1990

Consumers' Gas Company

Assistant Supervisor, Gas Sales Revenue and Gas Costs
1989

Conservation Analyst
1987

Education: Master of Arts, Economics – University of Waterloo, 1987
Bachelor of Arts, Economics/Russian – University of Waterloo, 1985

BMOS – Finance & Administration
University of Western Ontario
2006

Appearances: Ontario Energy Board

EB-2017-0306/0307
EB-2016-0004
EB-2013-0202
EB-2005-0551
EB-2005-0520
EB-2005-0473
EB-2004-0542
RP-2003-0063
RP-2002-0 1 30/EB-2003-0056
RP-2002-0130
E.B.R.O 499
RP-1999-0017
RP-200 1-0029

New York State Public Service Commission

Case 01-G-1406

CURRICULUM VITAE OF
IAN B. MACPHERSON

Experience:

Enbridge Gas Inc.

Director Industrial Market Development
Customer Focus
2024

Enbridge Gas Distribution Inc.

Director Distribution In-Franchise Sales
Customer Care
2018

Director DSM
Business Development & Regulatory
2016

Director Business Development
Gas Supply & Development
2013

Senior Manager Storage Development
Gas Supply & Development
2011

Senior Manager Strategic Planning
Strategy Research and Planning
2010

Senior Manager Direct Purchase
Customer Care
2008

Manager Contract Relationships
Strategic & Key Accounts
2006

Senior Account Executive
Strategic & Key Accounts
2001

Energy Solutions Consultant
Operations
1998

Project Engineer
Operations
1995

Education: Bachelor of Science (Mechanical Engineering)
Queen's University (1991)

Certified Industrial Gas Consultant (CIGC)

Memberships: Professional Engineers Ontario

Appearances: (Ontario Energy Board)

EB-2020-0094
EB-2020-0200
EB-2022-0157

CURRICULUM VITAE OF
JENNIFER MURPHY

Experience:

Enbridge Gas Inc.

Manager, Energy Transition & Climate Policy
2024-present

Manager, Carbon and Energy Transition Planning
2022 – 2024

Supervisor, Carbon Strategy
2019 – 2022

Enbridge Gas Distribution Inc.

Climate Policy/Cap and Trade Compliance Sr. Advisor
2017 – 2019

Environmental Senior Advisor, Carbon Strategy
2016 – 2017

Environmental Advisor
2015 – 2016

Environmental Specialist
2007 – 2015

SKD Automotive Group

Environmental Management System Coordinator
2002 – 2007

Education:

Bachelor of Science in Environmental Engineering
University of Guelph (2003)

Environmental Science Technician
Sheridan College (1997)

Memberships:

Professional Engineers of Ontario

Appearances:

(Ontario Energy Board)

EB-2022-0200
EB-2017-0224
EB-2016-0300

CURRICULUM VITAE OF
RYAN SMALL

Experience:

Enbridge Gas Inc.

Technical Manager, Regulatory Accounting
2019

Enbridge Gas Distribution Inc.

Manager, Regulatory Accounting
2018

Manager, Revenue and Regulatory Accounting
2016

Manager, Regulatory Accounting
2014

Senior Analyst, Regulatory Accounting
2006

Analyst, Regulatory Accounting
2004

Supervisor, Gas Cost Reporting
2001

Senior O&M Clerk
2000

Bank Reconciliation Clerk
1999

Accounting Trainee
1998

Education:

Chartered Professional Accountant, Certified Management Accountant

Chartered Professional Accountants of Ontario (2014)

The Society of Management Accountants of Ontario (2003)

Diploma in Accounting
Wilfrid Laurier University (1997)

Bachelor of Arts in Economics
The University of Western Ontario (1996)

Appearances: (Ontario Energy Board)

EB-2022-0200
EB-2012-0459

APPENDIX B

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application by Enbridge Gas Inc, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2024.

ARGUMENT IN CHIEF OF ENBRIDGE GAS INC.

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181 Bay Street
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M5J 2T9

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Counsel to Enbridge Gas

operational flexibility and costs. For these reasons, Enbridge Gas considers CCUS to be a Safe Bet.

160. Ontario's energy transition planning must factor all energy sources into a technology-agnostic plan and not bet on a subset of technologies to achieve a net zero future. The federal and provincial governments have a significant opportunity to better integrate and enable low-carbon opportunities, including renewable electricity, battery storage, as well as hydrogen, RNG, and CCUS. As the Government of Ontario establishes its approach to energy transition, it is imperative to prioritize near-term decarbonization opportunities while advancing the building blocks for long-term prospects. This will ensure that Ontarians continue to benefit from affordable, resilient, and reliable energy sources. Low carbon gases not only contribute to immediate GHG emission reductions, but also pave the way for a smooth transition toward achieving net-zero targets.

Response to Chris Neme Evidence

161. ED and GEC sponsored evidence from Chris Neme of Energy Futures Group.[182] This evidence addressed a number of issues, all connected to the topic of energy transition.

162. While Enbridge Gas does not plan to respond to all aspects of Mr. Neme's evidence in this Argument, there are a few areas where the Company believes it is appropriate to provide preliminary responses. These are set out below.

163. Enbridge Gas will likely have more submissions to offer in Reply Argument.

[182] Exhibit M9.

Critiques of Guidehouse P2NZ Study

164. A large part of Mr. Neme's report is directed at setting out his concerns with the approach and conclusions in the P2NZ Study. Mr. Neme provides a long list of concerns with the P2NZ Study, concluding that the electrification scenario should be viewed as less costly than the diversified scenario.[183]

165. As explained above, Enbridge Gas submits that the P2NZ Study is important in the context of this case as information about the potential impact of various plausible and relevant scenarios. However, the P2NZ Study is not meant to be a prediction of the future, and a probability or a likelihood of either scenario occurring was not assigned or ever intended to be implied.

166. That being said, the Company believes that the P2NZ Study provides important information to show one vision of how the gas distribution system will continue to be used or useful in the future.

167. Enbridge Gas disputes that the concerns raised by Mr. Neme are fair and/or as impactful as asserted. Three examples follow.

168. Mr. Neme asserts that the use of different carbon pricing for the electrification and diversified scenarios is not appropriate.[184] Enbridge Gas does not agree. As explained, the use of higher carbon pricing for the electrification scenario is appropriate because there is more need to move people away from GHG-emitting sources in an electrification scenario.[185] This is the approach that was used by Posterity Group in their demand forecasting scenarios that was an input into the

[183] See Exhibit M9, pages 26-41.
[184] Exhibit M9, pages 27-28.
[185] 2 Tr.34-35. See also Exhibit I.1.10-GEC-24, part b) and Exhibit I.1.10-GEC-38, part b).

P2NZ Study.[186] This is the same approach that was used by IESO in its Pathways study, where different carbon pricing was used for different scenarios.[187]

169. Mr. Neme says that Guidehouse has included over-reliance on "blue hydrogen" by not using appropriate emissions factors.[188] In response to this position, Guidehouse re-ran its model with a variety of emissions factors for blue hydrogen. The result was that more "green hydrogen" was included in the diversified pathway, but the cost difference of the scenario still left the diversified pathway as being less expensive that the electrification pathway.[189] As stated by Guidehouse, "The results do not substantively change any conclusions in the P2NZ Study."[190]

170. Mr. Neme asserts that the cost and availability of RNG assumed by Guidehouse are overstated.[191] Enbridge Gas does not agree. The Company's views of the role and potential of RNG are set out above.

Customer Economics of Electrification

171. Mr. Neme's report includes discussion about what he says is the relative cost advantage for customers of choosing cold climate air source heat pumps (ccASHPs) for their building heat.[192]

172. There are many assumptions built into Mr. Neme's analysis.[193] This was not the topic of any significant discussion during the hearing. ED and GEC may say that the lack of probing into the analysis signifies there is no reason to question Mr. Neme's

[186] Exhibit 1, Tab 10, Schedule 5, Attachment 1, page 38.
[187] IESO Pathways to Decarbonization Report, December 15, 2022, page 11; filed at Exhibit I.1.10-EP-7.
[188] Exhibit M9, pages 35-36.
[189] Exhibit J9.16.
[190] Ibid, page 2.
[191] Exhibit M-9, pages 31-34.
[192] Exhibit M-9, pages 22-26.
[193] Many of the assumptions are described at Appendix A to Exhibit M9.

conclusions. Enbridge Gas says that the lack of attention on this item signifies that it is not a central question to be answered in this proceeding.

173. Enbridge Gas acknowledges that more consumers may choose ccASHPs in the future. There are a few things to keep in mind here, though. First, the evidence in this case is that these appliances still require some other heat source on cold days, and that their efficiency declines at lower temperatures.[194] Second, there is evidence to show that hybrid heating, with gas furnaces to supplement ccASHPs on cold days, is a promising solution for the purposes of resilience and moderating peak electricity system impacts.[195] Third, there is no evidence that ccASHPs are currently leading to large numbers of customer departures from the natural gas system and in fact, the data shows that there is no shift in this trend from historical departures.[196]

174. As Mr. Goulding explained in his exchange with Mr. Ladanyi of Energy Probe about how customers may react to the federal carbon charge, customers are not always open to change and there is a fair amount of inertia:

> MR. GOULDING: So I think that you are right that there are uncertainties around how customers will respond to the carbon charge. But I think we also know that there is a fair amount of inertia with regards to the way in which customers behave. And we also have to the think about the way in which the prices of alternatives change. And we have seen that electricity costs can also increase. We have heard the head of Toronto Hydro publicly say that he was anticipating the need for rate increases of 10 to 15 percent per year for the foreseeable future.
>
> And while that may have been hyperbole, I do think it is important when we are doing these comparisons to note that, you know, the increases in the commodity cost of natural gas don't exist in a vacuum -- I am misspeaking slightly -- in the externality costs that are applied to the commodity cost of natural gas, would be a more precise way of saying that.

[194] See Exhibits J11.5 and J11.6.
[195] See Powering Ontario's Growth, at page 27, for discussion of hybrid heating as an Government of Ontario promoted program; Exhibit K6.1, page 45. See also "Hybrid heat in Québec: Energir and Hydro-Québec's collaboration on building heat decarbonization", found at Exhibit K6.1, pages 39-44. These items were both discussed with Mr. Neme in cross-examination: 6 Tr.32-35.
[196] 11 Tr.25-26 – Enbridge Gas is seeing around 2,000 customers leave the system per year (much less than customer additions) and this includes seasonal disconnections and other reasons.

> But it is important to note that while Enbridge has no certainty about customer behaviour in the period between 2023 and 2030, they can note that customers are reasonably sticky, and that it is reasonable to believe that there will be some increases in the costs of alternatives.[197]

175. Enbridge Gas submits that these factors should lead the OEB to be cautious in following Mr. Neme in making sweeping conclusions at this time as to the pace and scope of electrification for residential customers. There is no evidence to suggest that this is actually happening in Ontario.

Lack of Grounding in Current Government of Ontario Policy

176. Mr. Neme's evidence makes no reference at all to current Government of Ontario policy.[198] However, he agrees that Government of Ontario policy is very important.[199]

177. The Powering Ontario's Growth report represents a very recent view of Government of Ontario policy.[200] It shows that the Government of Ontario plans for large growth in demand from electric vehicles – at an average growth rate of 17% per year.[201] The Powering Ontario's Growth report relies on the IESO's Annual Planning Outlook. The most recent version of that document indicates that on an overall basis, Ontario is forecast to see a limited amount of residential sector electricity demand growth in the years from now until 2043 – an average of about 1% growth per year.[202] Mr. Neme agreed that this is the forecast based on current Government of Ontario policy.[203] Taking into account the planned demand for electric vehicles, this shows that current Government of Ontario policy does not in any way plan for building heat electrification at anything close to the level assumed by Mr. Neme.

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[197] 9 Tr.99.
[198] 6 Tr.13-14.
[199] Ibid.
[200] Mr. Neme agreed to this proposition – 6 Tr.15.
[201] See Powering Ontario's Growth, at page 38; Exhibit K6.1, page 17. This was discussed with Mr. Neme at 6 Tr.17-18.
[202] IESO Annual Planning Outlook, Ontario's electricity system needs: 2024-2043, December 2022, at page 20; Exhibit K6.1, pages 19-23.
[203] 6 Tr.19-20.

178. As discussed with Mr. Neme, the Government of Ontario has initiated the EETP to help guide the Government with energy transition.[204] Among other things, the EETP will be looking at integrated planning between the gas and electricity sectors and reducing barriers to low-carbon fuels. A "key input" for the EETP is the "independent cost-effective pathways study" that is being prepared.[205]

179. It seems obvious, and Mr. Neme has agreed[206], that until the EETP report is received and the Government of Ontario provides its resulting direction, it cannot be said that the Government of Ontario has chosen an unambiguous electrification pathway. And we will not know that for a year or more.

180. The report filed by Mr. Neme does not acknowledge this uncertainty. It does not reference Government of Ontario policy at all. Enbridge Gas submits that this is important context against which to measure the certainty expressed by Mr. Neme about the fast-approaching wide-spread electrification of most or all energy needs currently served by natural gas.

Lack of Attention to Current Electricity System Capacity

181. Mr. Neme seems to have no concerns that electrification of residential customers can proceed quickly and with no practical limits. The evidence suggests otherwise. And Mr. Neme concedes that he does not have personal knowledge of Ontario's electricity capacity.[207]

182. As set out in the Powering Ontario's Growth report, natural gas accounts for around 44% of Ontario household energy consumption (with gasoline accounting for another

[204] 6 Tr.20-23.
[205] The EETP's work is discussed in the Powering Ontario's Growth report, at pages 79-81; Exhibit K6.1, pages 26-28.
[206] 6 Tr.23.
[207] 6 Tr.49 and Exhibit N.M9.EGI.98.

41%).[208] Electrification will be an immense task if both of those fuels are to be replaced.

183. Ontario already has an electricity capacity shortfall in summer of 2023.[209] That is before the electrification that Mr. Neme assures is coming quickly. There is certainly no evidence to support a conclusion that there is either generation or distribution capacity available to accommodate near-term electrification. Mr. Neme agreed that there could be challenges in electrifying the province's planned additional 1.5 million new homes under the *Building New Homes Faster Act*.[210] And that does not take into account electrification of transportation or the assumed transition (by Mr. Neme) of most every current gas customer whose equipment reaches end of life (which, by his estimate would be 1/18th of customers each year since he assumes that a furnace has a 18 year life[211]).

184. Enbridge Gas submits that this is all reason to be skeptical about the certainty with which Mr. Neme presents his electrification-based recommendations.

Mr. Neme's Proposals

185. Mr. Neme starts and finishes his report with recommendations for the OEB to adopt to mitigate risks of energy transition. It remains to be seen how many of these will be pursued and proposed by ED and GEC, but Enbridge Gas will provide its preliminary responses below.

[208] Powering Ontario's Growth report, at pages 12-13; Exhibit K6.1, pages 5-6. This was discussed with Mr. Neme at 6 Tr.15-16.
[209] IESO Reliability Outlook, July 2023 to December 2024, pages 1 and 26; Exhibit K6.1, pages 8 and 15. This was discussed with Mr. Neme at 6 Tr.16-17.
[210] 6 Tr.49-50.
[211] 6 Tr.94-95.

186. Mr. Neme includes recommendations related to customer attachments, including reducing the revenue horizon and the customer attachment horizon.[212] These are addressed in the Customer Attachment section of this Argument.

187. Mr. Neme also suggests that all new attachments should be required to have customers use non-emitting fuels such as RNG.[213] It is not clear that parties are pursuing this recommendation.[214] It should be noted that Mr. Neme did not provide any response when asked how it can be said that the OEB has the legal authority to impose this requirement.[215] Neither of Mr. Neme's sponsors (ED or GEC) added anything to the interrogatory response on this topic.

188. Mr. Neme proposes that Enbridge Gas study and report back to the OEB on several different depreciation-related items so that the OEB can review and determine an appropriate approach.[216] Mr. Neme acknowledges that he is not an expert in this area (depreciation) and that he is not making any substantive proposal.[217] Enbridge Gas submits that had ED and GEC wished to deal with different depreciation proposals in this case (such as Mr. Neme's suggestion of a "units of production" approach) then they should have provided expert evidence on the topic. They chose not to do so. The Company's position in relation to the depreciation issues is set out later in this Argument.

189. Mr. Neme submits that Enbridge Gas should be assessing the potential for repairing rather than replacing aging pipe.[218] He conceded in discussions with CCC that Enbridge Gas may already do this.[219] Mr. Neme further submits that Enbridge Gas

[212] Exhibit M9, page 4 and 42-44, Recommendations 1 and 2.
[213] Exhibit M9, pages 5 and 44, Recommendation 3.
[214] 3 Tr.196.
[215] Exhibit N.M9.EGI.88.
[216] Exhibit M9, pages 5-6 and 44-47 and 49, Recommendations 4 and 7.
[217] 6 Tr.51-52.
[218] Exhibit M9, pages 5 and 47-48, Recommendation 5.
[219] 6 Tr.100.

should reduce capital spending where possible.[220] Enbridge Gas believes that its practices and proposals are aligned with these items. Details about the Company's capital plan are set out later in this Argument.

190. Mr. Neme sets out two recommendations for Enbridge Gas to adopt to improve the IRP processes used by the Company.[221] First, Mr. Neme proposes that the prohibition on electrification measures as IRPAs should be removed. Second, Mr. Neme proposes that Enbridge Gas should use multiple demand forecasts or scenarios when assessing the potential for IRPAs to meet identified needs.

191. On the first of these items, Enbridge Gas notes the OEB's direction in the IRP Framework that was established two years ago. In the Overview of its Decision for the Integrated Resource Planning Framework for Enbridge Gas, the OEB noted as follows:

> Enbridge Gas also proposed non-gas IRP Alternatives, specifically electricity-based alternatives. The OEB has concluded that as part of this first-generation IRP Framework, it is not appropriate to provide funding to Enbridge Gas for electricity IRP Alternatives.[222]

192. While Enbridge Gas is proposing very limited use of electric IRPAs in the very recently filed IRP Pilot Projects Application[223], the OEB has yet to decide on that case. It is not clear to Enbridge Gas that this case is the appropriate place for the OEB to revisit and rewrite the IRP Framework. There is no full record on which to make determinations.

193. The Company has not put forward a proposal about the nature and treatment of permissible electric-based IRPAs (including funding, rate base treatment and

[220] Exhibit M9, pages 6 and 49, Recommendation 8.
[221] Exhibit M9, pages 5 and 48-49, Recommendation 6.
[222] EB-2020-0091 Decision and Order on an Integrated Resource Planning Framework for Enbridge Gas, July 22, 2021 (IRP Framework Decision), page 4. Fuller discussion is found at pages 31-36 of the Decision and Order.
[223] EB-2022-0035.

incentives) in this rebasing case. As explained on a number of occasions, this is an example of an activity that requires coordination and integrated planning with electric utilities. There are locational impacts and considerations from targeted electrification and the electricity distribution system needs to be able to accommodate this. Ms. Wade explained this in response to a question from Commissioner Duff:

> So, for example, if we were to go into a specific geotargeted area and look at a need on a pipe and try to reduce the need on the pipe using electric measures, so basically a geotargeted air-source heat pump-type of program. So that would be a big reduction of heat on a customer's load.
>
> However, we are not sure if the local grid could actually take on that peak. And so, in the very early discussions that we have had with our LDC partners, I would say there is concern that we would come in and geotarget without them being at the table to ensure that they could take up that increasing load on the winter peak. And we also haven't had discussions with customers yet, say, for example from a resiliency perspective. So we are not sure yet, even if that would be palatable to these communities.
>
> But I think from an overarching perspective, it is something that could be revisited if done in partnership with an LDC.[224]

194. Enbridge Gas believes strongly in the importance of coordination between gas and electric distributors. However, integrated energy planning is an activity that should be done in an organized and defined manner, where all parties have common understandings as to the benefits and goals of integrated coordination. This is not simple. It is something that is being addressed by the EETP. In the OEB's recent decision establishing an IRP Framework for Enbridge Gas, the OEB recognized that integrated energy planning between gas and electricity is an "aspirational goal" that will require further consideration before establishment and implementation.[225]

195. None of this is intended to say that Enbridge Gas is opposed to appropriate inclusion of electric IRPAs and in fact, Enbridge Gas proposed this to the OEB in the IRP

[224] 14 Tr.87. See also 6 Tr.200-201.
[225] IRP Framework Decision, pages 35-36.

Framework proceeding and this was rejected. However, considering the complexity of the issue, and the fact that there is no evidence or proposal being made, Enbridge Gas believes that this would be better addressed where and when there is a full review of the IRP Framework.

196. On the second of these items, Enbridge Gas does not agree that each project should be subject to a multitude of demand forecasts. Ms. Wade explained the Enbridge Gas position in response to questions from CCC at the hearing:

> I think what Mr. Neme here is speaking about, if I can interpret his suggestion or proposal here, is that it would almost be like a pathways study within a specific geotargeted area, to understand what the costs and benefits would be to customers in that area should an electrification pathway come to fruition and/or a low-carbon fuels.
>
> And so I just note that this would be a very time-intensive process. It would require significant level of effort to be able to do that scenario analysis, and I think we are still evaluating.
>
> At this point, it feels like I am not sure the value that would be provided to the Board in the decision of the IRP alternative as opposed to the best available information that we have at the time with the commitment to continually iterate the analysis and come back and re-evaluate any scenario or, sorry, any assessments that we have done with any new information that we have.[226]

197. Mr. Neme responded to Ms. Wade's statements, indicating that his proposed process does not need to be as complex as indicated. However, in his answer he pointed to his view that the complications can be avoided through using assumptions. Enbridge Gas observes that including assumptions almost always leads to debate as to whether they are fair. In response to further questions on his proposal on this item, Mr. Neme conceded that he is not aware of any other regulator who has required a muti-scenario analysis as he proposes.[227]

[226] 3 Tr.201-202.
[227] 6 Tr.121-123.