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EB-2024-0111 Enbridge 2024 Rebasing – Phase 2
Pollution Probe Oral Hearing Questions for Panel 2 – ED/CEG Revenue Decoupling

Please find attached the Pollution Probe's questions for ED Panel 2 which is Current Energy Group (CEG). Environmental Defense has agreed to provide responses to these questions in writing.

Question 1

Preamble: This issue of implementing economic alternatives to gas infrastructure is not new, but it has been difficult to see real utility progress even when the OEB has put in place mechanisms. The OEB has seen an under-delivery of energy efficiency or Demand Side Management results from Enbridge. Similarly, the OEB will be assessing Enbridge's compliance with the Integrated Resource Planning requirements in Phase 3 of this proceeding. That would enable the OEB to put in place whatever changes are required to get IRP on track to start delivering some tangible results.

1a) Is it surprising to CEG that a monopoly utility like Enbridge would have a strong internal profit biases and would not be proactive or supportive in changing the status quo or even having an objective consideration of alternatives?

1b) Would CEG agree that addressing the excessive CapEx bias and the current excess incentives to add or retain customers could start to be addressed in this proceeding, but to really address it sufficiently, it will also require broader attention from the OEB beyond what we talk about today? Would CEG agree that this could include a mix of incentives, consequences, some form of decoupling or a combination of all of these?

1c) Would you agree that taking some action urgently in this Rebasing proceeding is required to start to move toward a more balanced approach and avoid future consequences like stranded assets as the Energy Transition continues to make available more cost-effective energy options?

Question 2

Preamble: In the response to the ED Motion Enbridge indicates that "Enbridge Gas fundamentally disagrees with the proposition that it should be disincentivized from adding new customers " [Filed: 2024-11-08 EB-2024-0111 Enbridge Gas Responding Submissions, Page 6, para 29]. Similarly, Enbridge indicated " Enbridge Gas is not indifferent to adding new customers and should not be disincented from doing so." [EGI_2024 Rebasing and IRM_Evidence Outline_20241216, Page 2]. Enbridge has used similar language elsewhere. It appears that Enbridge has been using the term "disincentive" to reflect anything that reduces Enbridge's profitability, even if the adjustment is intended to provide a better balance.

2a) Does CEG believe that Enbridge's position creates a barrier to reduce the CapEx bias or excess financial incentives to retain or add customers?

2b) Does CEG have any comments on this dichotomy between Enbridge's statement and what is in the ratepayers and public interest, particularly as the Energy transition continues to accelerate?

Question 3

Preamble: CEG has identified the need to address a systematic issue related to Enbridge's CapEx bias and bias toward attaching or retaining customers. There are few options that logically come to mind for the OEB to consider either in this proceeding or in future proceedings. Below is a short list of options for the OEB to consider and if CEG has others, please add them.

3a) Please confirm if CEG agrees that the following options would be appropriate. Provide comments as appropriate, particularly if any of the options do not seem effective to address the problem.

(1) CEG has already flagged the need for a decoupling mechanism. So that seems like a logical option for consideration.

(2) Abatement of excess returns that are core to this problem are hopefully being addressed in the current utility Cost of Capital proceeding.

(3) The OEB started to address the trend of excess Capital spending in Phase 1 of this proceeding, so that approach is critical over time.

(4) Fix Integrated Resource Planning (IRP) to get it on track, including appropriate utility consequences. This would ensure a better balance of alternatives to traditional Capital expenditures. [Note: IRP compliance is allocated to Phase 3 of the Rebasing proceeding]

(5) Another complimentary tool is to remove the incentive to add excess customers where risks of stranded assets have not be prudently assessed by Enbridge. One example is to removing service Capital from ratebase that is not "used and useful". [Reference: Pollution Probe Hearing Compendium page 90, which is EB-2024-0200 JT3.7, this is an Enbridge undertaking response that confirms that services not being used remain in ratebase earning a return for Enbridge. This is an incentive to add services since even if they become a stranded asset, Enbridge has been earning a return on them anyway.]. This could be achieve through a variance account or simply confirmation by the OEB that Enbridge may not include those dormant services (e.g. not active for more than 6 months in a year) in rate base for purposes of utility earnings. Reporting this information on an annual basis would also support visibility and opportunities for system pruning projects.

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