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February 6, 2025

VIA RESS AND EMAIL

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

Dear Nancy Marconi:

Re: Enbridge Gas Inc. (Enbridge Gas, or the Company)
EB-2024-0111 - 2024 Rebasing and IRM – Argument-in-Chief

Enbridge Gas filed Phase 2 of its 2024 Rates Application on April 26, 2024. In this Application, Enbridge Gas requested approval of an incentive rate-setting mechanism (IRM) for the years from 2025 to 2028 and updated 2024 rates effective January 1, 2024. On June 12, 2024, Enbridge Gas filed further evidence regarding Enbridge Sustain.

Following the completion of the oral hearing, and further to Procedural Order No. 10 (revised), enclosed please find Enbridge Gas's argument in chief (AIC).

Enbridge Gas will post the AIC on its website at www.enbridgegas.com/about-enbridge-gas/regulatory. Enbridge Gas will send a copy of this letter, and a link to the website page, to all parties to the proceeding.

Should you have any questions, please let us know.

Sincerely,

Joel Denomy

Joel Denomy
Technical Manager, Strategic Applications – Rate Rebasing

EB-2024-0111

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 Phase 2 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.

PHASE 2 UNSETTLED ISSUES

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A. INTRODUCTION

1. This is the Argument in Chief (AIC) of Enbridge Gas Inc. (Enbridge Gas or the Company) related to the three unsettled issues in its Phase 2 Rebasing Application (the Outstanding Issues).

2. Enbridge Gas filed its initial evidence for Phase 2 on April 26, 2024, and the OEB issued Procedural Order No. 1 on the same date. Procedural Order No. 2, dated May 30, 2024, set out the Issues List for Phase 2, along with the processes to address this Application up to and including the Settlement Conference.

3. Following a discovery process (Interrogatories and Technical Conference), a Settlement Conference was held during September and October 2024. This resulted in a resolution of most but not all of the issues in Phase 2.

4. A Settlement Proposal was filed on November 4, 2024, setting out the proposed terms of resolution of all but three issues in Phase 2. The OEB held a presentation day on November 18, 2024, to consider the Settlement Proposal. On November 29, 2024, the OEB issued a Decision approving the Settlement Proposal.

5. Following the approval of the Settlement Proposal, these are the Outstanding Issues to be determined by the OEB:

    a. Should the OEB approve Enbridge Gas's proposed change to calculation of the Meter Reading Performance Measure (MRPM) metric to exclude inaccessible meters? (the Meter Reading Issue)

    b. Are the specific proposals to amend the Voluntary Renewable Natural Gas (RNG) Program and to procure low-carbon energy as part of the gas supply commodity portfolio, appropriate? (the Lower-Carbon Energy Program)

    c. Should the 2024-2028 Incentive Ratemaking Mechanism (IRM) include a mechanism to decouple revenue from customer numbers? (the Revenue Decoupling Issue)

6. An Oral Hearing addressing the Outstanding Issues was held over 3 hearing days, between December 17, and December 19, 2024. Enbridge Gas presented 3 witness

panels. Two witness panels comprised of expert witnesses were presented by other parties, related to the Lower-Carbon Energy Program and Revenue Decoupling.

7. In this AIC, Enbridge Gas sets out its proposal and supporting evidence for the Meter Reading Issue and the Lower-Carbon Energy Program, each of which relate to proposals that the Company seeks to have approved by the OEB. Enbridge Gas also provides its preliminary response to some expected positions of other parties on these issues. In many cases, though, Enbridge Gas does not know and/or does not want to presume the range and details of positions that others may advance. Enbridge Gas will respond as appropriate in its Reply Argument.

8. The Revenue Decoupling Issue is a proposal being advanced by two intervenors, Environmental Defence (ED) and Green Energy Coalition (GEC). Those parties filed submissions on January 27, 2025, setting out their Proposal and the reasons in support. In this AIC, Enbridge Gas sets out response. Enbridge Gas will respond to the submissions of other parties on this issue in its Reply Argument.

B. OVERVIEW

9. The Outstanding Issues are discrete from one another. Enbridge Gas submits that its proposals for a change to the calculation of the MRPM and for the Lower-Carbon Energy Program and related RNG procurement should be approved. Enbridge Gas disputes ED's Revenue Decoupling Proposal.

10. A summary of the reasons supporting the Company's position is set out below.

(i) Meter Reading Issue

a. Enbridge Gas has experienced difficulties with meeting the MRPM metric in recent years but through diligent efforts its results have greatly improved.

b. Enbridge Gas still finds it infeasible to meet the MRPM metric after all of these efforts because of the recent rise in the number of inaccessible meters.

c. These are persisting unusual circumstances, beyond Enbridge Gas's control, and it is appropriate to interpret or amend the MRPM metric to exclude these impacts.

d. Enbridge Gas will continue to make all reasonable efforts to reduce the number of unread meters and will report each year on its results, including the number of inaccessible meters and the efforts made to reduce that number.

(ii) Lower-Carbon Energy Program

a. Enbridge Gas proposes a Lower-Carbon Energy Program (the Program) for procurement of RNG as part of the gas supply commodity portfolio and to recover the incremental costs associated with RNG through the proposed cost recovery mechanism.

b. The Program will procure RNG starting at a target percentage of 0.25% of the gas supply commodity portfolio in 2026, increasing up to a maximum of 2% in 2029, subject to a maximum bill impact to the average residential customer of $2 per month per target percentage point of RNG.

c. The Lower-Carbon Energy Program includes the Lower-Carbon Voluntary Program (LCVP) component and the blend component. The LCVP offers RNG to large volume sales service customers on a voluntary basis to achieve emissions reductions – a mechanism that they have expressed an interest in and that exists in other jurisdictions.

d. RNG not elected through the LCVP will be included in the cost of gas supply commodity purchases. All sales service customers will receive the benefit of RNG with the certainty of a maximum bill impact. This approach recognizes customers' interest in including lower-carbon energy without having to take specific action.

(iii) Revenue Decoupling Issue

a. ED proposes that the OEB implement one of a number of proposed "revenue decoupling" mechanisms that would see Enbridge Gas give up some or all revenues from new customers during the IRM term. The goal would be to de-motivate Enbridge Gas from adding new customers, in order to reduce potential future stranded asset risk.

b. ED's Proposal is unformed and unsupported by the evidence. It is at odds with Ontario government policy which sees a continued role for gas, including for new connections, and which favours customer choice.

c. Enbridge Gas will be reporting on stranded asset risk in the next rebasing case. That is the appropriate venue for the consideration of broader questions and

issues related to stranded assets, in the context of an overall regulatory construct.

11. In summary, Enbridge Gas's Meter Reading and Lower-Carbon Energy Program proposals in this case are fair and balanced and are appropriate solutions to take steps to address inaccessible meters and decarbonization of gas supply. These proposals should be approved. In contrast, the ED proposal for Revenue Decoupling is undefined and out of step with Ontario government policy. It should not be approved.

C. OUTSTANDING ISSUES

(i) Exclusion of inaccessible meters from MRPM metric

Relief Requested

12. Enbridge Gas requests that the OEB approve an update to the calculation of the Meter Reading Performance Measurement (MRPM) metric such that inaccessible meters are excluded from the calculation of the metric for the 2024 to 2028 IR term.

The Nature of the Issue

13. The MRPM metric is set out at Section 7.3.3.1 of the Gas Distribution Access Rule (GDAR). The MRPM metric measures the percentage of meters with no read for four consecutive months. The measurement shall not exceed 0.5% on a yearly basis.

14. Enbridge Gas has experienced difficulties with meeting the MRPM metric in recent years but through diligent efforts the Company's results have greatly improved.

15. The Company began to implement its MRPM Mitigation Plan in 2022, and since that time Enbridge Gas has invested more than $7.5 million in mitigation efforts to improve meter reading performance.[1] Each year, the Company has prepared and filed, and follows, an updated MRPM Mitigation Plan.[2] The MRPM results have

[1] 1 Tr.7.
[2] The prefiled evidence on this topic is found at Phase 2 Exhibit 1, Tab 7, Schedule 1 (MRPM Prefiled Evidence). See MRPM Prefiled Evidence, paragraphs 45-48. The 2024 MRPM Mitigation Plan is filed as Phase 2 Exhibit 1, Tab 7, Schedule 1, Attachment 4.

significantly improved from 5.0% in 2021 to 1.3% in 2023, with further improved results in 2024.[3] The updated MRPM results for 2024 filed in advance of the oral hearing forecast a result of 1.0%. Since that time, further updated 2024 results are available, showing an anticipated annual 2024 MRPM result of 0.94%.[4]

16. As explained in testimony at the Oral Hearing, the improvements in MRPM results are attributable to targeted efforts working with meter reading vendors, increasing customer awareness and improving business systems and practices.[5] The strong results for 2024 are also attributable to the warmer than usual winter, which helped mitigate weather-related missed meter reads for the early months of the year.[6]

17. Notwithstanding all of the efforts and investment made, Enbridge Gas continues to find that it is not reasonably possible to meet the MRPM target. The reason is the proliferation and persistence of inaccessible meters.

18. In Phase 1, Enbridge Gas proposed a change to the MRPM metric and the OEB found that this was not warranted, in part because Enbridge Gas had not established any persisting unusual circumstances beyond the Company's control.[7]

19. In evidence and testimony in Phase 2, Enbridge Gas has explained why inaccessible meters are an unusual and key factor beyond the Company's control that is in fact persisting and making the MRPM metric unattainable. This is what underlies the Company's Phase 2 request for a change in the calculation of the MRPM metric to exclude inaccessible meters.

[3] Exhibit I.1.7-Staff-1 (updated November 15, 2024).
[4] These results only became available after the year was complete (post-hearing).
[5] The Company's mitigation efforts are described in the MRPM Phase 2 Exhibit 1, Tab 7, Schedule 1 paragraphs 31-44. Further evidence was provided at the Oral Hearing. See, for example, 1 Tr.27.
[6] 1 Tr.76.
[7] EB-2022-0200, Decision and Order, December 21, 2023, pages 134-135.

20. Enbridge Gas classifies an inaccessible meter as a meter that cannot be read by a meter reader in the ordinary course because of access issues caused by or within the control of the customer.[8]

21. Enbridge Gas has observed that the number of inaccessible meters has grown in recent years.[9] Issues encountered include locked gates, dogs, construction debris, and other obstructions. Customer behaviour has changed – there is much more concern about property security and access which is leading to a much higher level of difficulty in accessing customer properties and meters.[10] As Enbridge Gas witness Michael McGivery explained in response to a question from Commissioner Sword, some meter readers are encountering verbal and physical abuse from customers when trying to access a customer's property.[11]

22. Recognizing that inaccessible meters are a large contributor to MRPM results, Enbridge Gas has implemented specific measures to try to reduce the number of those meters.[12] The contracts with meter reading vendors stipulate that meter readers do not get paid for missed readings, increasing the incentive to read each meter. Where a meter is not accessible, the meter reader will knock on the customer's door to attempt to gain access to the meter. Meters that cannot be read in a month will be re-attempted each subsequent month, rather than remaining on a bi-monthly reading schedule. The re-attempts can be at different times of day, on extended hours. Enbridge Gas meets weekly and monthly with meter reading vendors to discuss performance, challenges and potential solutions. Targeted written communications ("door hangers") are left with customers with inaccessible meters, asking these customers to "call in" their meter reading. Similar electronic communications are also sent to these customers, and attempts are made to reach

[8] MRPM Prefiled Evidence, paragraph 16.
[9] MRPM Prefiled Evidence, paragraphs 25-30.
[10] 1 Tr.8.
[11] 1 Tr.93.
[12] Details are set out in the 2024 MRPM Mitigation Plan found at Attachment 4 to the MRPM Prefiled Evidence. See also Enbridge Gas testimony at 1 Tr.26, 31, 32, 35-36, 38, 61-63, 86-87.

the customer through a “robo dialer”. Also, when any of these customers call the call centre, they are asked to provide a meter reading.

23. Through these additional measures, Enbridge Gas is taking appropriate steps within the Company’s control to reduce the number of inaccessible and unread meters. However, even after these additional measures have been put into place, the number of inaccessible meters continues to be high.

24. Two related sets of numbers illustrate the problem that the Company is facing:

    a. The MRPM metric is challenging to meet. The Company has around 3.95 million meters. The MRPM metric will not be met if 200,000 of these meters are estimated for more than four months. If the same meter is unread for five or six months, then it counts two or three times against the metric. This means that persistently inaccessible meters are a huge driver of the difficulty in meeting the MRPM target.

    b. Approximately 260,000 customers are recorded as having inaccessible meters at least once per year, with around 77,000 of these customers being noted as inaccessible at least three times per year since 2021.[13] When these numbers are excluded, Enbridge Gas would be close to meeting the MRPM metric.

25. The challenges that Enbridge Gas continues to encounter from inaccessible meters are seen in the Company’s overall MRPM results. As already stated, Enbridge Gas has made great strides in improving these results. However, this improvement is largely in areas other than inaccessible meters. The unusual issues with inaccessible meters persist notwithstanding all the extra attention and enhanced activity from the Company. As a result, while Enbridge Gas has seen the overall MRPM metric results reduce dramatically over the past several years, the proportion of the consecutive estimates attributable to inaccessible meters is rising. The evidence shows that 32% of consecutive estimates in 2022 were caused by inaccessible meters. That number rose to 49% in 2023 and to 60% in 2024.[14]

[13] 1 Tr. 34.
[14] Exhibit I.1.7-STAFF-2(d). See also 1 Tr.7 and 76-77.

26. It is important to note that the inaccessible meter issue could be solved by customers providing their own meter readings. But this is not happening. Very few of the customer-reported meter reads are from customers with inaccessible meters.[15]

27. It is also important to note that for the most part, the Company is able to get actual meter readings for customers with inaccessible meters at some point during the year. Therefore, the estimated bills that are provided are eventually trued up to actual. In the interim months, Enbridge Gas has processes in place to confirm that estimated meter readings are in line with historical and expected trends.[16]

28. Enbridge Gas is not aware of large numbers of complaints from these customers about inaccurate estimated meter readings. In fact, the number of complaints overall from customers to the OEB about inaccurate estimated meter readings has declined precipitously in recent years, by around 70% in 2024 compared to 2023.[17] There were only 69 such complaints to the OEB in 2024, out of around 4 million customers.[18]

29. The solutions to the inaccessible meter issue faced by Enbridge Gas are not immediately practical.

30. One solution is to disconnect or move the meter. Enbridge Gas has this right under its Conditions of Service, where a meter is not accessible for meter readers.[19] The problem is that generally speaking the targets here are customers who are paying their accounts, and not complaining about the estimated bills.[20] It is an extreme reaction to stop providing service to such customers. It is a very expensive solution

[15] MRPM Prefiled Evidence, paragraph 43. See also 1 Tr. 89.
[16] 1 Tr.72-74.
[17] 1 Tr.7. See also 1 Tr.40-41.
[18] 1 Tr.49.
[19] MRPM Prefiled Evidence, paragraph 18, citing Enbridge Gas Inc. Conditions of Service, section 4.5.
[20] 1 Tr.37.

to move the meter to another location, and even this may be infeasible if the customer declines to provide access to allow this to happen.

31. Another solution is to install a new meter that can be read remotely. Enbridge Gas certainly sees this as a long-term way to address the problem of inaccessible meters. However, this is not an immediate or near-term solution, and it requires that the customer provide access to the meter to allow for the replacement process.

32. Even if large scale AMI adoption commences, it would take 8 to 10 years to implement AMI across the Enbridge Gas system.[21] Enbridge Gas will report in Phase 3 of the Rebasing Proceeding, about the status of its plans for assessing and later potentially implementing a widespread AMI solution.[22]

Enbridge Gas's Proposal

33. In order to address the unusual and persistent issue of inaccessible meters, Enbridge Gas requests that the OEB approve the proposal to interpret or amend the MRPM metric to exclude the impacts of inaccessible meters during the 2024 to 2028 IRM term. Under this proposal, Enbridge Gas would still be expected to meet the 0.5% MRPM metric, but the calculation would not include inaccessible meters.

34. The Company would continue to report on its results each year, including the number of inaccessible meters and the efforts made to reduce that number.[23] The Company would answer questions from intervenors and OEB staff and the OEB itself when these results are presented each year in the annual deferral account clearance proceeding.

35. Enbridge Gas will make all reasonable efforts to achieve the MRPM target each year of the IRM term. However, even with the exclusion of inaccessible meters this

[21] 1 Tr.9.
[22] 1 Tr.12-14.
[23] 1 Tr.81-82.

will be a challenge and will require continuous improvement.[24] While the Company anticipates that it would meet the MRPM metric for 2024 with the exclusion of inaccessible meters, this is partly due to the fact that a warm winter led to fewer than usual weather-related meter reading disruptions. The Company forecasts that its results each year from 2025 to 2028 will be very close to the 0.5% MRPM metric if inaccessible meters are removed from the calculation.[25]

36. Enbridge Gas submits that its proposal is a reasonable and balanced solution to the inaccessible meters issue, for the following reasons.

    a. *Balanced approach* – Enbridge Gas will be responsible for limiting the number of consecutive estimates for issues that are within the Company's control (such as staffing) or that are issues that have always existed at the same levels (such as weather disruptions).[26]

    b. *Targeted approach* – Enbridge Gas is only seeking relief or exception from the new and unusual circumstance of inaccessible meters. This is different from the Company's Phase 1 proposal that sought a change to the MRPM metric from 0.5% to 2.0%, regardless of the driver/cause of the estimated meter readings being experienced.

    c. *Monitoring* – Enbridge Gas is committing to monitoring and reporting its results. The Company will make efforts to reduce the number of inaccessible meters over the coming years, and will be accountable, as part of the annual deferral account clearance application (which includes filing of annual scorecard results), to answer questions from the OEB about its activities and success.

    d. *Time-limited* – Enbridge Gas is not seeking an indefinite change to the way that the MRPM metric is calculated. Instead, the Company proposes a time-limited solution that would be revisited in the 2029 rebasing proceeding. By that time, there will be more clarity around whether and when an AMI solution can be implemented.

[24] MRPM Prefiled Evidence, paragraph 24.
[25] Exhibit I.1.7-STAFF-2, Attachment 2.
[26] 1 Tr.45-46.

(ii) Lower-Carbon Energy Program

Relief Sought

37. Enbridge Gas is requesting OEB approval for a proposed Lower-Carbon Energy Program (Program) to allow Enbridge Gas to procure lower-carbon energy (particularly RNG) as part of the gas supply commodity portfolio beginning in 2026. Enbridge Gas intends to recover the incremental costs associated with this procurement through the proposed cost recovery mechanism, including a Lower-Carbon Voluntary Program (LCVP) for large volume customers.

38. Enbridge Gas updated the Program evidence on November 15, 2024. The primary change in the updated Program proposal is a reduction of the annual RNG target percentages.

Overview of RNG

39. RNG is produced from decomposing organic matter which creates biogas that can be upgraded to pipeline quality methane. As it is a 'drop-in' fuel, RNG can use the Company's current gas infrastructure and without modifications to customer equipment.[27]

40. By displacing conventional natural gas, RNG reduces greenhouse gas (GHG) emissions. RNG's role in this regard has been consistently recognized at both the federal and provincial government level. For instance, the Canada Energy Regulator concluded in 2023 that lower-carbon fuels (such as RNG) will enable the energy system's path to net-zero emissions.[28] Further, in its policy statement "Ontario's Affordable Energy Future: The Pressing Case for More Power", Ontario's Minister of Energy and Electrification stated as follows:

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[27] Phase 2 Exhibit 4, Tab 2, Schedule 7 (Updated) (Updated Lower-Carbon Prefiled Evidence), paragraph 7. See also Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan, November 29, 2018, p.24, https://prod-environmental-registry.s3.amazonaws.com/2018-11/EnvironmentPlan.pdf.

[28] Canada Energy Regulator, Canada's Energy Future 2023, p.2, Canada's Energy Future 2023: Energy Supply and Demand Projections to 2050 (cer-rec.gc.ca).

> *Over the long term, an economically viable natural gas network can also support the integration of clean fuels to reduce emissions, including renewable natural gas (RNG) and lower-carbon hydrogen.*[29]

41. ED/GEC's witness Energy Futures Group (EFG) also acknowledges that RNG has a "complementary and supporting role" to play "in meeting long-term emission reduction targets" as "independent decarbonization pathway studies consistently show".[30]

42. The Ontario government has committed to reducing emissions by 30% below 2005 levels by 2030. Assuming the 2% procurement target is reached, the reduction in emissions through the proposed Program would represent approximately 3% of the total reduction goals established by the government.[31]

43. The Ontario government has indicated its support for RNG. As noted above, the recent Ontario's Affordable Energy Future policy expressed support for the integration of clean fuel, including RNG, in the Ontario gas network to reduce emissions.[32]

44. In addition to its ability to reduce GHG emissions through various direct and indirect means, RNG has a number of ancillary benefits. RNG production has the potential, for instance, for the development and operation of RNG facilities creating jobs in various sectors, such as construction, engineering, operations and maintenance.[33] In addition, RNG can be produced and consumed in Ontario to contribute to increasing energy security and a diversified energy portfolio. RNG production can

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[29] 2 Tr. 122. See also Ontario's Affordable Energy Future: The Pressing Case for More Power (https://www.ontario.ca/page/ontarios-affordable-energy-future-pressing-case-more-power), included as Tab 3 of Exhibit K3.3.
[30] Energy Futures Group Report, Exhibit M1 (EFG Report), page 20.
[31] Updated Lower-Carbon Prefiled Evidence, paragraph 44.
[32] Ontario's Affordable Energy Future, The Pressing Case for More Power, October 2024, page 22, included as Tab 3 of Exhibit K3.3.
[33] Updated Lower-Carbon Prefiled Evidence, paragraph 61.

also improve waste management practices through the collection and processing of organic waste material.[34]

Summary of the Proposal

45. Enbridge Gas seeks to begin procuring RNG for delivery in 2026. Enbridge Gas proposes to procure up to 0.25% of the planned gas supply commodity portfolio in 2026 as RNG, with the annual target percentages increasing to a maximum of up to 2% by 2029. Enbridge Gas will continue to target RNG purchases of up to 2% of its portfolio until approval from the OEB is granted to procure amounts above the 2% target percentage.

46. Participating LCVP customers will receive a specified portion of their supply as RNG and pay the associated premium cost above the gas commodity cost, as set out below. The premium for RNG will vary based on the portfolio of RNG the Company procures but will be known at the time that customers elect to participate in the LCVP.[35] RNG that is not elected as part of the LCVP will be included in the gas supply portfolio for all sales service customers.[36]

47. The cost recovery mechanism proposed for the Program consists of two parts:

    a. First, large-volume sales service customers can voluntarily elect to have RNG be included as part of their gas supply mix (up to 100%) starting on January 1, 2027[37] through the LCVP and pay directly for the RNG premium. The cost premium of the LCVP will be recovered through the proposed Rider L[38]; and

    b. Second, the RNG premium that is not recovered through the LCVP (including those incurred in 2026) will be included in the recovery of the cost of gas supply commodity purchases from all sales service customers. Enbridge Gas proposes a maximum bill impact for the average residential

[34] Updated Lower-Carbon Prefiled Evidence, paragraph 7.
[35] Updated Lower-Carbon Prefiled Evidence, paragraph 31.
[36] Updated Lower-Carbon Prefiled Evidence, paragraph 34.
[37] While procurement of RNG would begin in 2026, participation in the LCVP is proposed to commence on January 1, 2027 to allow the necessary systems to be put in place, and to afford an opportunity to negotiate and finalize the underlying contracts with suppliers.
[38] Updated Lower-Carbon Prefiled Evidence, paragraph 30 and Phase 2 Exhibit 8, Tab 1, Schedule 2, Attachment 3.

customer of $2 per month per target percentage of RNG. Importantly, the bill impact threshold is not the guaranteed impact the average residential customer can expect under the Program. It is instead a maximum or upper limit which, depending on LCVP participation, may not be reached.

48. Enbridge Gas will stop procuring RNG once the annual target percentage is reached in a particular year, or when the above-noted maximum residential bill impact is reached. The below table[39] summarizes the annual procurement targets between 2026 and 2029, along with the total amount of RNG that could be procured if those targets are achieved, and the maximum average residential bill impact:

Program Year	Target Percentage	PJ	Max Monthly Bill Impact ($)*	Max Annual Bill Impact ($)*
2026	0.25%	1.3	0.50	6.00
2027	0.75%	4.0	1.50	18.00
2028	1.25%	6.6	2.50	30.00
2029	2.00%	10.5	4.00	48.00

* Maximum bill impact for the average residential customer.

49. Enbridge Gas seeks to continue the Program beyond 2029, at the 2029 procurement target and the maximum residential bill impact targets, until approval from the OEB is granted to procure amounts above 2%.

50. As is typical in the market, it is expected that Enbridge Gas will purchase RNG through longer-term contracts (likely of five years or longer). Longer-term contracts require a mechanism to provide cost recovery certainty for the duration of the underpinning commodity contracts. Without cost-recovery, Enbridge Gas is unable to compete in the market for larger volumes of cost-effective RNG supply. As RNG is not directly supporting new gas infrastructure, and requesting pre-approval of each contract would be administratively burdensome, Enbridge Gas will not be requesting pre-approval of specific long-term contracts for commodity purchases consistent with

[39] This table is reproduced from the Company's opening statement presentation – Exhibit K2.5.

the OEB's Filing Guidelines for the Pre-Approval of Long-term Natural Gas Supply and/or Upstream Transportation Contracts.[40]

Summary of the LCVP

51. The Lower-Carbon Energy Program is supported by the LCVP – a voluntary program that will create a service option for large volume customers to reduce their emissions, decrease their Federal Carbon Charge costs, and contribute to Ontario's GHG reduction targets. For the purposes of the LCVP, large volume sales service customers with annual consumption of greater than 15,000 m^3 are eligible. There are approximately 75,000 customer accounts[41] that meet the LCVP criteria.[42]

52. Multiple large volume customers have expressed an interest in a lower-carbon option for their gas supply and in a voluntary offering that allows a customizable quantity of RNG in their gas supply. They have done so through various means: one-on-one discussions with account advisors, discussions at large segment customer meetings regarding RNG, responding to an online LCVP Expression of Interest, and providing letters of support in this Application.[43]

53. By providing these customers with the option to elect up to 100% of their gas supply as RNG, the LCVP will provide customer choice in meeting their individual GHG emission reduction goals. Participation in the LCVP will be for a commitment period of one year, with an automatic renewal in subsequent years until the customer elects a change.[44]

54. While Enbridge Gas remains confident in the updated proposal for the Program, and it believes that the OEB ought to approve it as currently formulated, the Company recognizes that there could be variations to the Program that the OEB may believe is

[40] Updated Lower-Carbon Prefiled Evidence, paragraphs 15 – 17.
[41] Exhibit J2.8, Table 1, line 1. The population of customers eligible for the LCVP has been corrected from the original estimate of 122,000 provided in Exhibit I.4.2-SEC-32.
[42] Exhibit I.4.2-CME-23.
[43] See Exhibit I.4.2-SEC-32 generally for further specifics regarding customer interest.
[44] Updated Lower-Carbon Prefiled Evidence, paragraph 31.

more appropriate. Enbridge Gas would accept reasonable modifications to the Program in order to begin procuring RNG and offer the Program to customers.

The Cost and Efficiency of RNG

55. Some intervenors may take exception with the total cost of the Program or the cost effectiveness of using RNG to reduce emissions compared to perceived alternatives. These expected concerns, the full nature of which Enbridge Gas is presently unaware, must be put into context.

56. First, the Program cost estimates that parties may advance seem to assume, among other things, that there is no voluntary participation by large volume customers in the LCVP – an outcome which is far from certain, especially year-over-year.[45]

57. Further, Enbridge Gas has approximately 3.8 million sales service customers.[46] Any program that has the potential of applying to all these millions of customers will always be proportionately more costly than a more focussed initiative. Similarly, once again assuming little to no participation in the LCVP, the total costs of the Program will be recovered from a very large number of customers. The $2 per month per target percentage bill impact threshold will ensure that the maximum potential exposure facing ratepayers is both certain and proportional to the Program's benefits.

58. Without appropriate context, it may also appear that RNG is a less efficient way to reduce GHG emissions, especially compared to Demand Side Management (DSM). Caution is needed when comparing these complementary measures, since the primary objectives of these programs are different.

[45] 2 Tr. 148.
[46] Exhibit J2.8, Table 1.

59. The primary objective of DSM is to help customers lower their bills through a reduction of natural gas usage, while aiding customers in making their homes and businesses more efficient. A broader but secondary goal of DSM is to generally reduce GHG emissions.[47]

60. Conversely, the primary objective of the LCVP is to help large volume customers reduce their GHG emissions. The LCVP will, as noted above, take advantage of existing infrastructure, leverage an existing legal and regulatory framework surrounding RNG, and afford a level of customization for how much RNG is to be included in their gas supply mix as their particular circumstances warrant, among other things.

61. Further, the relative costs of DSM and RNG are not directly comparable. The DSM program spend represents the Company's costs of delivering the DSM Program, but it does not include the DSM portfolio level costs or the costs and/or savings experienced by participating customers. Enbridge Gas recognizes that from a customer perspective, the cost of reducing emissions from utilizing RNG and incurring a premium, will differ from the potential costs and savings from undertaking energy efficiency measures and participating in the DSM Program. While there is a premium associated with RNG, it offers the benefit of being immediately available and does not require investments or changes to buildings, equipment or processes, and can reduce natural gas related emissions up to 99.5% on an end-use basis.[48]

62. There is not one single pathway to energy transition. Enbridge Gas believes that a holistic approach to reducing GHG emissions is required, particularly as customers have indicated their preference for greater service options and flexibility. DSM and the Program can allow customers to take advantage of one, or both, programs depending on their particular circumstances.

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[47] Exhibit J3.3.
[48] Exhibit J3.3.

63. Lastly, Enbridge Gas has not argued that RNG is less expensive than conventional natural gas. There is clearly a premium cost for RNG. As set out below, however, this is a service in which large volume system gas customers have expressed an interest, but it is an option that Enbridge Gas simply cannot provide without OEB approval. As customers consider alternatives for how they can meet their individual emissions reduction targets, a number of trade-offs (including cost) will inevitably be a part of their consideration. That is a further reason why a 'one-size fits all' mentality in this context can be unnecessarily limiting and contrary to how customers will have to make decisions when considering how to reduce their emissions.

Customer Interest

64. It is expected that some intervenors may point to the current Voluntary RNG (VRNG) Pilot Program, where participation has been lower than expected, as being indicative of a lack of interest from ratepayers in paying more to have RNG included in their gas supply mix. Customer engagement results indicate that more than 50% of general service residential and business customers were supportive of incurring additional costs for RNG. While the exact parameters of this position by some intervenors are not entirely known at this point, this general sentiment ignores both important context and the key differences between the VRNG Program and the proposed Program.

65. While both programs include voluntary participation, the target customer group differs. The VRNG Program is focused on residential and small commercial customers while the LCVP focuses on large volume customers.

66. At its most fundamental level, the VRNG Program does not offer large volume customers with access to the volumes of RNG needed to achieve the emissions reductions they require.[49] Customers with a sales service supply option and annual consumption great than 15,000 m^3 will be eligible to participate in the LCVP and

[49] Updated Lower-Carbon Prefiled Evidence, paragraph 28.

elect customizable quantities of RNG in their gas supply to meet their individual requirements.

67. Enbridge Gas acknowledges, however, that because of the nascent market environment for RNG, and the fact that customers do not yet have a robust option to incorporate RNG into their mix, true customer demand patterns are currently unknown. To account for this, the Program has not only the two above-noted maximum thresholds, but Enbridge Gas has also reduced its already modest annual procurement targets even further by way of its updated proposal. To put the Program's current ambition of 2% into perspective, Énergir's (Quebec) RNG target is 10% by 2030 while FortisBC's (British Columbia) target for 2030 is 15%.[50]

Ontario is Lagging Behind Other Jurisdictions' RNG Programs

68. While the RNG market is still in its early stages, numerous jurisdictions have RNG mandates, and supporting programs, in place.[51] This has caused rapid development of RNG supply projects across North America.[52]

69. As noted above, RNG is typically purchased through long-term contracts. This means that jurisdictions that already have a RNG program are able to secure the production, and associated benefits, first. Utilities that are already in the RNG market are able to both capitalize on the rapidly expanding near-term supplies of RNG while actively driving the development of new projects. Many utilities, including in Québec and British Columbia, are securing long-term supply agreements at better prices compared to spot market rates (which is how Enbridge Gas currently purchases RNG for its VRNG Program). Accessing the RNG market during the planning and construction stages of projects provides current participants with greater supply

[50] 2 Tr. 124.
[51] Updated Lower-Carbon Prefiled Evidence, paragraph 15.
[52] Updated Lower Carbon Prefiled Evidence, paragraph 58.

options, while those that lag behind may lose access to both existing and emerging supply sources.[53]

70. It is imperative that Enbridge Gas be provided with the regulatory support to participate in the marketplace and procure meaningful quantities of RNG. As acknowledged by VECC, Enbridge Gas cannot compete for the supply within its own distribution franchise since that supply is currently being purchased by utilities in other jurisdictions.[54]

71. Enbridge Gas will seek to secure a portfolio of RNG that will be of a large enough volume to procure at a reasonable cost. Enbridge Gas will work with large volume customers to encourage participation in the LCVP with the goal of minimizing bill impacts below the threshold outlined above. The longer Enbridge Gas is not in the RNG market, however, the more difficult and costly it may be to do so in the future.

Response to EFG's Comments on the Proposal

72. EFG's report contains a number of comments, criticisms, and recommendations relating to the Program. While it is unclear to what extent these positions will be adopted or otherwise relied upon by intervenors (including ED/GEC), Enbridge Gas has set out below its preliminary responses to certain of EFG's arguments.

73. EFG suggests that the procurement targets be reduced to 0.25% in 2026, increasing by 0.25% each year up to 1% in 2029.[55] EFG prepared its report before Enbridge Gas had updated the Program to reduce the procurement targets. As a result, the updated Program is directionally consistent with EFG's recommendations on procurement targets (though not exactly the same), as confirmed by Dr. Hill during his cross-examination.[56]

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[53] Updated Lower-Carbon Prefiled Evidence, paragraphs 15 and 60.
[54] Updated Lower-Carbon Prefiled Evidence, paragraph 14 and EB-2022-0072, VECC Submission, May 24, 2022.
[55] EFG Report, page 20.
[56] 3 Tr. 66 and 67.

74. EFG also recommends that Enbridge Gas only procure new RNG and that it "heavily prioritize" Ontario-based RNG. If adopted, these modifications to the Program would impose limitations on Enbridge Gas that are not found in other jurisdictions.

75. For example, Dr. Hill acknowledged during his cross-examination that he was not aware of any other jurisdiction requiring the procurement of only new RNG.[57] Dr. Hill further confirmed that both Énergir and FortisBC procure RNG from the entire North American market.[58] Vermont Gas also imports RNG from outside of its jurisdiction.[59]

76. These unique limitations being proposed by EFG would unnecessarily hinder the Company's ability to economically and efficiently secure RNG by placing it in a competitive disadvantage.

77. Similarly, EFG recommends a price cap of $25.58/GJ for any RNG purchased by Enbridge Gas.[60] This argument, and quantification, is flawed for at least three reasons:

    a. First, a publicly known maximum price that Enbridge Gas would be permitted to pay when contracting for RNG would limit the Company's ability to negotiate the best price per GJ for ratepayers[61];

    b. Second, setting $25.58/GJ as a maximum price would be arbitrary in any event given it is simply the mathematical result from the two thresholds in the Program being met – it is explicitly not based on the actual market price for RNG[62]; and

    c. Third, Dr. Hill was unaware that EFG's proposed maximum price would be well-below the cap in British Columbia that is approximately $34 – $35/GJ.[63]

[57] 3 Tr. 118.
[58] 3 Tr. 115 and 116. See also Updated Lower-Carbon Prefiled Evidence, paragraphs 66 – 67.
[59] Updated Lower-Carbon Prefiled Evidence, paragraph 68.
[60] EFG Report, page 19.
[61] 2 Technical Conference Tr. 162.
[62] 2 Tr. 133.
[63] 3 Tr. 121.

78. EFG also argues that, in effect, not all RNG is equal depending on the feedstocks that are utilized and the resulting lifecycle carbon intensities (CI), such that Enbridge Gas ought to only procure RNG generated from certain sources.[64] Enbridge Gas intends on procuring RNG in accordance with its existing gas supply guiding principles. Diversity in not only cost, but also feedstock, location and CI are important for ensuring reliability and security of supply. The results of the Company's efforts in this regard will be included in the annual gas supply plan update to ensure transparency.[65]

79. In addition, EFG's suggestion that Enbridge Gas only source RNG from certain feedstock types (or CIs) below a specific dollar per lifecycle emission reductions threshold would again limit the Company's ability to secure cost effective RNG. Enbridge Gas will be primarily focused on securing RNG at the lowest reasonable price, which will not only include the bid price and feedstock type but will also consider contract duration and CFR credit rights. Enbridge Gas does not consider it appropriate to exclude RNG sources based on underlying feedstock or other imposed thresholds that do not align with how customers can or may value RNG[66].

Indigenous Participation

80. The approved Phase 2 Settlement Proposal included a provision stating that any approval for an RNG procurement program should include consideration of how such approved program or initiative can contribute to advancing economic reconciliation with First Nations.[67]

81. Enbridge Gas and Three Fires Group and Minogi Corp. subsequently held discussions following the Settlement Conference. These parties have jointly agreed upon a framework to accommodate Indigenous participation in the supply of RNG.

[64] EFG Report, pages 19 – 20.
[65] 2 Tr. 130 – 131.
[66] Exhibit J3.1, pages 3 to 4.
[67] Exhibit N, Tab 1, Schedule 1, Issue 17, page 29.

Details of this proposal is set out in the opening statement presentation Enbridge Gas provided at the Day 2 of the Oral Hearing.[68]

82. Generally speaking, this proposal provides a 10% discount to the evaluation of RNG bids from qualifying Indigenous-owned businesses[69], up to maximum of 5% of the total amount of RNG procured. Enbridge Gas believes that the framework for Indigenous participation for RNG procurement will promote Indigenous economic participation in the energy sector that will have positive economic impacts to Indigenous communities and further the call to action for reconciliation.

(iii) Revenue Decoupling

83. On January 27, 2025, ED and GEC filed their submission proposing that the OEB require Enbridge Gas to implement "revenue decoupling from customer numbers".[70] In this AIC we will refer to these as the "ED Submission" and the "ED Proposal". This AIC sets out Enbridge Gas's response. Enbridge Gas will further reply to the submissions of other parties on this issue in Reply Argument.

(a) The Issue

84. ED's Proposal arises from the unsettled portion of Issue #7. That issue is phrased as follows:

> *How should Enbridge Gas be incentivized to implement economic alternatives to gas infrastructure and how should the recovery of its costs be treated?*

(b) ED's Proposal

85. ED's Submission sets out three options for "revenue decoupling from customer numbers" that the OEB could require Enbridge Gas to implement during the IRM term.

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[68] Exhibit K2.5 and 2 Tr. 122-123.
[69] Enbridge Gas will factor the Indigenous Discount Advantage into the evaluation of bids for the procurement of RNG by implying a 10% discount to the bid price received from Indigenous Bids.
[70] Submissions of Environmental Defence and the Green Energy Coalition – Enbridge Rebasing Phase II – Incentive Ratemaking Mechanisms, January 27, 2025 (ED Submission).

86. ED premises its Proposal on the proposition that customer additions create an avoidable risk of stranded assets and that it is in the public interest to reduce that risk by taking away supposed incentives that Enbridge Gas has to add new customers. ED also premises its Proposal on energy transition objectives, arguing that reducing new gas customer attachments will reduce emissions. ED says that its concerns can be addressed (at least in part) through revenue decoupling from customer numbers that operates as an add-on mechanism to Enbridge Gas's IRM.

87. ED's menu of options for revenue decoupling include: (i) return all incremental revenue from new customer additions over the IRM term; (ii) return or collect the difference in incremental revenue from actual customer additions versus the forecast customer additions; and (iii) return a portion of the incremental revenue (75%) from new customer additions over the IRM term. ED says it has no preference as between the options, apparently leaving this to the OEB to decide. Enbridge Gas does not support any of these options. While ED is silent on the question of whether customer addition capital would be eligible to be added to rate base at the next rebasing, Enbridge Gas assumes that ED agrees with its expert Current Energy Group (CEG) that such capital would be eligible for later rate base treatment.[71]

88. At a high level, the goal of each variant of ED's Proposal is to remove or lessen the benefits that Enbridge Gas receives from adding new customers, thereby leading Enbridge Gas to add fewer new customers. In this way, ED's goal is to reduce/remove capital spending on customer attachments. ED says that this will limit stranded asset risk and will provide other benefits.[72] As an aside, it is not clear how ED's second option succeeds in this regard, since it only requires a true-up of customer addition revenue that is different from forecast.

[71] 1 Tr.118 and 192.
[72] ED Submission, pages 8-11.

89. ED's statement that Enbridge Gas should be made "neutral" about adding new customers[73] mischaracterizes the true intent, and inevitable outcome, of its Proposal. The goal, and consequence, here is to reduce customer additions by taking away the revenues that Enbridge Gas ordinarily receives from adding customers.

90. Enbridge Gas strongly supports customer choice. However, the effect of ED's Proposal is to punish the utility for accommodating customer preference for gas connections. Given that reality, the effect of the ED Proposal would be as intended – Enbridge Gas would stop adding most new customers if it were forced to return all the revenues.[74] While the impact would be most acute for the first of ED's three options, each of the options would likely lead Enbridge Gas to attach fewer customers, thereby frustrating customer choice and government policy.

(c) ED's Proposal should be rejected

91. Enbridge Gas submits that the OEB should not approve or advance ED's Proposal.

92. Set out below are key reasons why ED's Proposal should be rejected, organized by topic. At a high level, these reasons fit into seven categories:

(i) ED has not met its onus to provide and justify an implementable proposal

(ii) Stranded asset risk does not need to be revisited in Phase 2

(iii) ED's Proposal is contrary to Ontario government policy

(iv) ED's Proposal impairs customer choice

(v) ED's Proposal is contrary to regulatory policy and the price cap

(vi) ED's Proposal is inconsistent with the Fair Return Standard

(vii) ED's accusations of improper behaviour are unfounded

93. There are other items in ED's Submission with which Enbridge Gas disagrees and where there are meaningful factual errors or omissions. However, to stay at a

[73] ED Submission, page 3.
[74] 2 Tr.51-53 and 90-91.

reasonable length, not all of these are addressed. Enbridge Gas's silence on any particular item does not signify agreement.

(i) ED has not met its onus to provide and justify an implementable proposal

94. Enbridge Gas submits that where the OEB is being asked to approve or endorse a proposal that is different from what the applicant proposes, the proponent of the proposal should be expected and required to provide evidence to explain and justify that proposal. This should be done at a time when the evidence can be tested, not in final argument.[75]

95. Revenue decoupling is not Enbridge Gas's proposal. Contrary to ED's submission in its December 4, 2024 letter about hearing process, this circumstance is not the same as a "deviation" from the applicant's proposal (the examples of "deviations" given by ED are less capital, a revised planning approach or changes to IRM parameters). This is a completely new element to be appended onto Enbridge Gas's OEB-approved IRM.

96. ED has not established that a revenue decoupling mechanism is necessary and appropriate. This is discussed at length under the headings below.

97. ED has also failed to provide a proposal that can be implemented. It is not sufficient to assert that there is a problem and that it is up to the OEB to determine the details of how to solve the problem. It is not appropriate to say to the OEB, as ED does, here is a menu of ways to solve the problem – you should pick one because we are indifferent. That is particularly the case where each of the proposed solutions is different in its impact and implications, as is the case with ED's proposed options.

98. ED's Proposal includes only the barest amount of detail. We still have nothing more than "a concept of a plan". Enbridge Gas raised this concern at the time of ED's Motion in November 2024. Even in its final argument, ED still has no definite

[75] EB-2016-0186 Decision and Order, February 23, 2017 (Union Gas LTC), page 3.

proposal. ED's Proposal is only tangentially based on the evidence filed. ED presented an expert, CEG, but makes almost no mention of CEG's evidence and recommendations.

99. Two of ED's three options are not included at all in the CEG evidence. ED's third option suggests 75% sharing of revenues from new customers with no evidence at all as to why that would be an appropriate number. It's a new and arbitrary concept introduced in argument. No basis is provided as to why this sharing ratio is correct.

100. There is no mention in ED's Submission of any other jurisdiction that has adopted any form of revenue decoupling from customer numbers in a similar form or for a similar purpose (to reduce customer connection capital investment). This is entirely new ground.

101. A lot of work would need to be done to actually define and then implement the Proposal. It will be a complicated process to determine the inputs into a Customer Count Variance Account. ED's expert CEG agreed that if a customer count variance account approach was adopted then determination of incremental costs is an important characteristic and design feature.[76] The determination of what is the appropriate scope and amount of costs to take into account will be contentious.[77] For example, Enbridge Gas says that the net margin per customer is very small whereas CEG and ED assume a margin of $500 or more per customer.[78] In November 2024, Enbridge Gas provided a two-page list of questions that would need to be addressed in order to determine how the Customer Count Variance Account would operate.[79] Almost all of these would have to be determined in a future process.

[76] 1 Tr.205 - see also pages 206-207.
[77] ED is clearly incorrect when it says that the price cap adjustment covers these costs – ED Submission, page 17.
[78] See Response to ED Question #3; Exhibit M2-CCC-3; and ED Submission, page 17.
[79] Response to ED Question #2, pages 7-8. See also December 16, 2024 letter filed as Exhibit K1.6.

(ii) Stranded asset risk does not need to be revisited in Phase 2

102. A prime driver for ED's Proposal is the proposition that stranded asset risks related to new customer additions are so urgent that they must be addressed now, not at the next rebasing case.[80]

103. Enbridge Gas submits that if there is risk of stranded assets (which is an ongoing question), this applies to any new capital investments. All new assets have long lives. Focusing only on customer additions is a questionable approach, especially given the near-term benefits from adding customers. New customers bring new revenues, increase system utilization and will not likely exit the system in the near future. This benefits all customers in the near term, and into the future. Should it turn out that system usage is declining in the future, even with hybrid heating, hydrogen, RNG and other solutions, then regulatory mechanisms such as different depreciation approaches can be put in place at that time to deal with related issues.

104. ED says that the risk of stranded assets from residential customers is high, because they may decide to electrify. While Enbridge Gas acknowledges that it's possible that customers (even new customers) may convert to electric heat pumps and disconnect from the gas system over time, the evidence is that this is not happening in large measure.

105. Two items from the evidence in this case are instructive in this regard.

a. First, as noted in testimony from Enbridge Gas witness Jennifer Murphy, while around 80,000 Enbridge Gas customers have taken advantage of incentives to install electric heat pumps, only 1% of those customers have disconnected their gas service at the same time.[81]

b. Second, the Independent Electricity System Operator (IESO) is not forecasting large scale adoption of electric heat pumps in the near future.

[80] ED Submission, page 16.
[81] 2 Tr.57.

> The 2025 Annual Planning Outlook includes only 373,000 incremental heat pumps by 2050.[82]

106. More broadly, it's clear that the Ontario government is not currently forecasting or planning for widespread electrification of building heating. While the IESO is forecasting a 75% increase in electricity demand by 2050, comparatively little of that is from Ontario households. The largest forecast drivers up to 2035 are data centres, industrial demand, and electric vehicle adoption.[83] The IESO is not currently planning to add the new electricity generation that would be necessary to electrify housing.

107. The Ontario government made its views about the importance of continued and affordable customer access to gas connections very clear through its *Keeping Energy Costs Down Act, 2024* (Bill 165). This is discussed below.

108. All of this calls into question whether, when and to what degree stranded assets from new customer connections are a concern that requires addressing in Phase 2. As Company witness Mark Kitchen detailed in his testimony, regulatory policy may change in many ways over time to address stranded asset risks.[84] That will certainly be a topic of consideration at the next rebasing case.

109. In any event, the OEB considered stranded asset risk in its Phase 1 Decision and directed that the Company implement a reduced capital budget. The OEB also directed the Company to consider and address concerns about stranded assets in the next rebasing case. Enbridge Gas will do so.

110. Enbridge Gas submits that the OEB should not permit ED to litigate and then re-litigate its position on customer attachments and stranded assets in instalments. The

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[82] IESO 2025 Annual Planning Outlook – Demand Forecast Information Session, October 16, 2024, slide 20, filed at Exhibit K1.4, Tab 17, and discussed with Mr. Neme at 3 Tr.129.
[83] Press Release for IESO 2025 Annual Planning Outlook – Demand Forecast Information Session, October 16, 2024, filed at Exhibit K1.4, Tab 17. See also 3 Tr.124-129.
[84] 2 Tr.40-41.

ED Proposal amounts to a re-argument of items that have already been determined, and a collateral attack on decisions that have been made by the OEB and the Ontario government. Enbridge Gas's rebasing case is already long and complex.

111. Effectively, ED's Proposal seeks to have Enbridge Gas's capital envelope reduced, to remove or greatly limit the customer attachment capital expenditures.[85] In the Phase 1 Decision and Order, the OEB has already determined the amount of Enbridge Gas's capital envelope, mindful of the stranded asset concerns that were expressed by ED and other parties. Seeking to effectively reduce the capital envelope through a "revenue decoupling" mechanism amounts to a collateral attack on the OEB-approved capital envelope amount.

112. ED's Proposal is also a re-argument of all of its energy transition submissions from Phase 1. The OEB's Decision in Phase 1 includes responses to those issues, as well as clear direction to Enbridge Gas as to items to study, consider and address in the next rebasing case. This includes three directions expressly tied to stranded asset risk.[86] These will be part of the next rebasing case.

113. Finally, the ED proposal does not fit with the OEB-approved Issues List for Phase 2. Issue #7 asks what incentives Enbridge Gas should be afforded to implement economic alternatives to gas infrastructure and how should the recovery of its costs be treated. ED's Proposal has nothing to do with incentives. It's a stick, not a carrot. Effectively, the proposal is to punish Enbridge Gas for adding new customers rather than incenting Enbridge Gas to do something different.

(iii) ED's Proposal is contrary to Ontario government policy

114. ED says that its Proposal would support government policy.[87] The evidence says otherwise.

[85] ED Submission, page 9, where ED complains about the size of the customer attachments budget.
[86] EB-2022-0200 Decision and Order, pages 140-141.
[87] ED Submission, pages 13-14.

115. Ontario government policy strongly favours and mandates an important and continuing role for natural gas as a "vital component" of the province's energy mix.[88] This calls into question the magnitude of the stranded asset concerns raised by ED.

116. In late October 2024, the Ontario government released its new energy policy statement, titled "*Ontario's Affordable Energy Future: The Pressing Case for More Power*".[89] That policy statement confirms that the Ontario government supports an "all-energy" or "all-of-the-above" approach to planning and meeting the Province's energy goals, including electricity, natural gas, hydrogen and other fuels. As stated in the policy: *"[t]he build out of a cleaner and more diversified economy must be paced according to the needs of homes, businesses and economic investment, including the need to keep energy costs competitive, not ideologically driven."*[90]

117. The Ontario government is strongly focused on encouraging and enabling housing development. This underpinned Bill 165, which legislated the continued application of a 40-year revenue horizon for new gas connections until a later OEB generic review.[91] As the Ontario government recognized in press releases related to Bill 165, gas connections are important contributors to the timely development of affordable new housing.[92]

118. Housing costs will increase where gas connections are not available. The base cost of a connection is similar (taking into account the extra costs for an electricity

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[88] Ontario's Affordable Energy Future, page 22, found at Exhibit K1.4, Tab 7.
[89] Ontario's Affordable Energy Future- The Pressing Case for More Power, found at Exhibit K1.4, Tab 7.
[90] *Ibid*., under "Priorities for Natural Gas" heading, found at Exhibit K1.4, Tab 7, page 71.
[91] Found at Exhibit K1.4, Tab 11. The 40-year revenue horizon was stipulated in an accompanying regulation - O. Reg. 273/24: REVENUE HORIZON (NATURAL GAS).
[92] Found at Exhibit K1.4, Tab 9.

connection to serve heating loads)[93], but the equipment costs are higher for electricity-only[94]. This translates into higher house prices.

119. ED's Proposal amounts to an "end run" around the Ontario government's clear intent from Bill 165. That legislation effectively reversed the part of the OEB's Phase 1 Decision and Order that imposed a zero revenue horizon. The Ontario government responded immediately, indicating that the effect of the OEB's decision would be to make connections for new housing more expensive.[95] The clear direction is that the Ontario government supports customer choice and the availability of affordable natural gas connections for new homes. ED's Proposal has the potential to result in even more dampening of natural gas connections for new homes than a zero revenue horizon. If approved, this would greatly undermine the intent of Bill 165.

(iv) ED's Proposal impairs customer choice

120. The Ontario government, like Enbridge Gas, supports customer choice. As stated in *Ontario's Affordable Energy Future*:

> *By planning for all sources of energy and ensuring the energy system supports key goals such as building housing and attracting investment, Ontario will have a pathway to achieving its energy vision. The pace of change will be driven by the emergence of new major energy users, such as in the electric vehicle supply chain and data centres, and by individual decisions made by consumers with respect to how they power their homes, vehicles and businesses. Maintaining customer choice as a driving principle of Ontario's vision requires regular planning to ensure that energy sources are available for customers when they need them.*[96] (emphasis added)

[93] See Report Back to the Minister on System Expansion for Housing Developments, June 28, 2024, including PWC report at Part II, found at Exhibit K1.4, Tab 18. Discussed with Mr. Neme at 3 Tr.132-134.
[94] See Ontario Clean Air Alliance Heat Pump Calculator - Exhibit K3.4 and Heat Pump Calculator - Ontario Clean Air Alliance.
[95] Bill 165 and related press releases dated December 22, 2023 and February 22, 2024 are filed at Exhibit K1.4, Tabs 9-11 – as stated in the December 22, 2023 Press Release found at Tab 9 (page 95), the imposition of a zero revenue horizon would slow or halt the construction of new homes.
[96] *Ibid*., under "Integrated energy resource planning" heading, found at Exhibit K1.4, Tab 7, page 67.

121. ED makes the surprising statement that implementing its revenue decoupling proposal would "enhance customer choice".[97] That is not true.

122. ED's Proposal will reduce customer choice. Under ED's Proposal Enbridge Gas will eliminate or greatly reduce the number of new customer connections. This will mean housing developers will be required to make new homes fully electrified for heating, water heating, cooking and other needs. That will add costs and time.

123. Enbridge Gas is ready and able to serve new developments with resilient, cost-effective service. It's not clear that the electricity system is similarly ready to serve the full energy needs of new homes. The generation and transmission capacity of the electricity system would have to grow to meet any such new demand. However, it is clear that the electricity system is not currently being planned to grow to accommodate electrification of home heating.[98] Adding that requirement to the already-forecast 75% increase in electricity demand that must be met by 2050 would be a very tall order.

124. The evidence is that customers are choosing connections for natural gas. Some of these customers are developers and some are homeowners. Where the developer makes the choice, they do so in the expectation that their ultimate customer will buy the new home. Under ED's Proposal, these choices will be lost or diminished.

125. ED implies that this loss of customer choice is a good thing, because it's in the customer's interest to "choose" an electric heat pump.

126. Aside from being patronizing, by telling customers what's best for themselves, this conclusion is far from obvious. The information available shows that customers who are looking at whether to choose gas or electricity from a cost perspective would want

[97] ED Submission, page 11.
[98] Press Release for IESO 2025 Annual Planning Outlook – Demand Forecast Information Session, October 16, 2024, filed at Exhibit K1.4, Tab 17. See also 3 Tr.124-129.

to have a choice, since the costs may be quite close over the long haul with upfront costs being higher for electricity.

127. During the Oral Hearing, Mr. Neme was presented with cost comparison calculators from two environmental organizations, Ontario Clean Air Alliance and Canadian Climate Institute, showing the difference in costs for home heating (air and water) with gas and with an electric heat pump.[99] Each of these showed that the difference was small, and perhaps in favour of gas. Of note is the fact that both of the calculators reflect the continued impact from the carbon levy on natural gas. Recent political developments suggest that this may change.

128. ED's Submissions do not reference these cost comparison calculators (which would presumably be accessed by potential customers) at all. Instead, ED relies on untested evidence filed after the Hearing setting out Mr. Neme's updated calculation of savings from a heat pump.[100] The updated calculations were prepared at Commissioner Zlahtic's request, after it was established that some of the assumptions in Mr. Neme's previous evidence are now outdated. Enbridge Gas has many concerns with Mr. Neme's updated calculations. Examples include the fact that no electric panel upgrade cost is included, the equipment costs appear understated for high-efficiency heat pump equipment while at the same time the available equipment rebate credits appear overstated, the operating costs appear understated for high-efficiency heat pump equipment and there does not appear to be allowance made for additional operating costs for backup electric heat during cold periods. Additionally, as is the case with the heat pump comparison calculators noted above, Mr. Neme assumes the continued application of the carbon levy. By Enbridge Gas's calculation, simply removing the carbon levy (without correcting any of the other items noted above) would result in a restatement of Mr. Neme's

[99] 3Tr.141-151 and Ex. K1.4, Tab 20 and Exhibit K3.4. The calculators can be found at Heat Pump Calculator - Ontario Clean Air Alliance and How heat pumps pay off in Canada (CCI).
[100] ED Submission, pages 9-10, citing Mr. Neme's updated analysis filed at Exhibit J3.6.

conclusions that would show a net cost (not benefit) for electrification of a single-family Toronto home today.[101]

(v) ED's Proposal is contrary to regulatory policy and the price cap

129. ED makes the audacious statement that "[*T]here is no reason Enbridge should require incremental revenue for each customer it connects. It should manage these costs through its capital envelope, which already includes over $1.5 billion in customer connections capital*".[102] The implication here is that Enbridge Gas should attach new customers but forego the revenues, and that's reasonable because rates paid by existing customers will suffice. There is no basis whatsoever for this concept under existing regulatory policy.

130. If ED's concept is accepted, then contrary to ED's Submission this concept would presumably be equally applicable to electricity LDCs.[103] If part of the justification for the "revenue decoupling" mechanism is that utilities already recover the costs of new customers in base rates (because of existing capital budgets including capital additions), then that justification applies equally to electricity LDCs. If the retention of revenues from new customers is a "windfall" for gas distributors, as ED argued in its November motion[104], then the same holds true for electricity LDCs.

131. Regulatory policy should be shaped by the OEB's statutory objectives. These include facilitating the rational expansion of gas distribution systems and facilitating the maintenance of a financially viable gas industry for the distribution of gas.[105] ED's Proposal is at odds with each of these statutory objectives. Limiting new customer connections does not promote rational expansion, since it ignores customer choice and government policy. Taking away revenue otherwise available

[101] Enbridge Gas calculates that the impact of the carbon levy under Mr. Neme's model is $534 in the first year, and $9880 over 18 years. That is higher than the stated NPV of electrification of a single-family home in Toronto as set out at Table 3 of Exhibit J3.6.
[102] ED Submission, page 19.
[103] ED Submission, page 15.
[104] Motion Tr.6-17 and ED Motion Presentation, pages 3 and 4.
[105] *OEB Act*, section 2(4) and (5.1).

to Enbridge Gas does not facilitate the maintenance of a financially viable gas industry.

132. ED argues that its Proposal fits with the OEB's incremental approach to rate regulation.[106] It does not. ED's Proposal is wholly new and untested, with the attendant risk of unintended consequences. An incremental approach would see this new concept tested through study and jurisdictional review and then considered as part of an overall response to energy transition and stranded asset risks identified in a future rebasing proceeding.

133. The OEB is currently conducting the EB-2024-0129 consultation titled "Advancing Performance-based Regulation".[107] That process is the better place to consider changes to the OEB's approach to IRM. ED is participating in that process, and has indicated there that the OEB should be addressing concerns about gas utility incentives to add infrastructure, presumably as part of that consultation.[108]

134. ED's Proposal is at odds with OEB policy under the Renewed Regulatory Framework (RRF). When performance-based regulation (PBR) was first established by the OEB, the regulator said that PBR is intended to move away from cost of service regulation and provide utilities with incentives for behaviour which more closely resembles that of competitive, cost-minimizing, profit-maximizing companies. This key principle was confirmed in the RRF.[109] ED's Proposal is designed to do the opposite – it posits that the Company's profit-maximizing and competitive motivations would lead to customer growth, so mechanisms need to be put in place to reverse that motivation.

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[106] ED Submission, page 3.
[107] Advancing Performance-based Rate Regulation | Engage with Us.
[108] https://www.rds.oeb.ca/CMWebDrawer/Record/879031/File/document.
[109] Report of the Board - A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach, pp.10-11.

135. ED's Proposal is for a revenue decoupling mechanism to be implemented alongside the Price Cap IRM that has been agreed by all parties (including ED). This would be a fundamental change to the OEB's price cap methodology. Enbridge Gas would expect this to be effected in a broader manner than simply as a proposal from one intervenor's expert, in one utility's rate case.

136. In any event, ED's Proposal is not consistent with a price cap mechanism. The price cap mechanism includes a productivity factor and a stretch factor, and allows for earnings sharing, but it does not include further revenue attribution to ratepayers.

137. ED argues that its Proposal will enhance the productivity factor and stretch factor included in Enbridge Gas's IRM.[110] That is a creative spin on the actual result of ED's Proposal. The reality is that if the Proposal is implemented, then Enbridge Gas will not have the benefit of revenues from new customers. As described below, those revenues are needed to fund operations. The result of the Proposal is that Enbridge Gas would have an extra, unanticipated stretch factor to meet in order to achieve its allowed ROE. This new stretch factor was not in any way considered when the parties agreed upon a productivity factor (0%) and stretch factor (0.28%).

(vi) ED's Proposal is not consistent with the Fair Return Standard

138. ED's Proposal is contrary to the fair return standard. The Supreme Court of Canada provided a description of the fair return standard in *Ontario (Energy Board) v. Ontario Power Generation Inc.,* stating:

> *This means that the utility must, over the long run, be given the opportunity to recover, through the rates it is permitted to charge, its operating and capital costs ("capital costs" in this sense refers to all costs associated with the utility's invested capital).*[111]

139. If rates are just and reasonable and set to recover the utility's costs and earn a reasonable return on investment, then the utility should be entitled to retain the

[110] ED Submission, pages 11-12.
[111] *Ontario (Energy Board) v. Ontario Power Generation Inc*., [2015] 3 SCR 147, para. 16.

revenues from such rates. If Enbridge Gas must forfeit the revenues that the utility earns from new customers who require incremental investments to serve, then by definition the Company loses the opportunity to fully earn a fair rate of return in relation to those investments.

140. This introduces a new business risk. If Enbridge Gas reacts by declining to add new customers, then this will hurt its ability to attract capital since growth is minimized. Alternately where Enbridge Gas is required to connect new customers but also loses the associated revenues, then the fair return standard is not met, and financial results are unfairly compromised.

(vii) ED accusations of improper behaviour are unfounded

141. ED's repeated accusations of improper behaviour by Enbridge Gas are unfounded and unfair.

142. Enbridge Gas acts in its commercial interests to promote its gas distribution system and meet the expressed interests and needs of customers and potential customers. There is nothing wrong with that. The Ontario government has recognized the very important role that the natural gas system plays and will play in meeting Ontario's energy needs.

143. Enbridge Gas does not "convince" or mislead developers to attach to gas rather than electricity.[112] As discussed by Enbridge Gas witness Nicole Brunner, developers are sophisticated businesses looking to sell their product, new homes. They know what their customers want. Enbridge Gas accommodates the expressed needs of developers by offering and accommodating connections.[113] Enbridge Gas does not dissuade developers from deciding to fully electrify new homes – there is no evidence whatsoever that this is the case.

[112] ED Submission, page 5.
[113] 2 Tr.84-85.

144. Enbridge Gas objects to ED's various allegations that the Company engages in deceptive marketing.[114] This is simply not true. It is far less clear than ED suggests as to whether gas or electricity is a cheaper option for heating a new or existing home. This entirely depends on the underlying assumptions applied, as detailed below. In any case, all parties have agreed that to the extent Enbridge Gas provides energy comparison information, it will include heat pumps.

145. Enbridge Gas is transparent in its activities and its regulatory filings.[115] The accusation that Enbridge Gas only provided information about revenues from new customer additions when forced to do so is unfair. Nothing was hidden – instead, this was not something engaged by the Company's Phase 2 Application for approval of the IRM. To now say that this is an important topic that should have been "front and centre" in the Company's Phase 2 Application is completely unfounded.[116]

146. The accusation that Enbridge Gas is receiving much more in rates than it is spending for customer attachments is also unfair.[117] This is seen in two ways.

    (i) First, Enbridge Gas is not spending less on customer additions compared to what was approved for inclusion in rates. The OEB's Phase 1 Decision directed the Company to reduce its capital budget by $250 million and set rates on that basis. The Company has made the required adjustments. This means that many parts of the capital budget are reduced below what was included in the Phase 1 filing, including the as-filed $304 million for customer connections. The Company's updated information is that it will spend $282 million for customer attachments for 2024.[118] That is being accommodated within the overall capital budget. In total, the Company's 2024 capital expenditures are at a level that is marginally below the level required by the OEB's Phase 1 Decision.

[114] ED Submission, pages 6-7.
[115] ED Submission, pages 12-13.
[116] ED asked 62 interrogatories in Phase 2 (25 pages of questions, comprising more than 200 separate questions including sub-parts). Not a single one related to revenues from customer additions. Then, at the four day Technical Conference, ED did not ask a single question on the topic.
[117] ED Submission, page 19.
[118] Exhibit J2.1.

(ii) Second, and in any event, ED misstates how the capital costs are recovered in rates.[119] The reality is that Enbridge Gas often experiences an initial revenue deficiency in relation to customer attachment capital. The more that the Company spends, the higher the deficiency. That is because revenues are less than the revenue requirement for new customers in the immediate term. This is explained in response to ED's supplementary questions.[120] The fact that Enbridge Gas is initially in a deficiency position for the addition of new customers was recognized by Green Energy Coalition (GEC) in a motion that it brought in 2007 proceedings related to IR plans for Enbridge Gas Distribution and Union Gas.[121] At that time, GEC was concerned that the utilities would attach too few customers during an IR term because the deficiency associated with adding customers was a disincentive. To correct this, GEC proposed that the utilities be penalized if they under-added customers as compared to forecasts.

147. Finally, ED's proposition that Enbridge Gas will "earn" $256 million from new customer connections is wrong.[122] There is no evidence that Enbridge Gas is making a windfall or inappropriate profits from adding new customers. The evidence is the opposite.

(i) As Enbridge Gas witness Ryan Small pointed out in testimony[123], Enbridge Gas has substantial costs associated with adding and serving new customers. While the forecast net revenues associated with new customers may total $256 million, the associated earnings are much lower and perhaps close to zero.[124]

(ii) 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, fund ongoing operating costs 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 and operating cost requirements. As rates are not

[119] ED Submission, page 19.
[120] ED Question #3.
[121] EB-2006-0606/EB-2007-0615 Argument of the Green Energy Coalition, February 6, 2008, filed at Exhibit K1.4, Tab 13.
[122] See, for example, ED Submission, pages 4 and 13.
[123] 2 Tr.5-6.
[124] See Enbridge Gas estimates of revenue requirement and revenues associated with customer additions, set out in the response to ED Question #3.

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 PBR and restricts the utility's operational flexibility.[125]

(iii) Enbridge Gas has not had a recent history of overearning attributable to revenues from new customers added during an IRM term.[126]

(d) What would be the result of ED's Proposal?

148. During the course of the Oral Hearing, Enbridge Gas witness Mark Kitchen explained if the OEB approves a revenue decoupling mechanism that confiscates or otherwise takes away the Company's revenues from new customers, then Enbridge Gas will not attach new customers.[127] This is a logical position to take – why continue an activity, with all of its associated risks and costs, where the associated revenues are being forfeited. While the Company's specific reaction to the imposition of ED's Proposal would depend on the details of what is approved, the general point made in testimony is accurate.

149. During the Oral Hearing[128], and in its Submission[129], ED expresses surprise about the Company's position. ED says that the obligation to serve will prevail and Enbridge Gas will continue attaching customers.

150. ED's position is both confusing and wrong.

151. ED's position is internally inconsistent because the stated goal of its Proposal is to reduce the number of new customer connections and related capital investments. If

[125] See Enbridge Gas December 16th letter, filed as Exhibit K1.6, as well as testimony from Mr. Kitchen at 2 Tr.14-16 and 90-92.
[126] Exhibit I.10.1-SEC-44.
[127] 2 Tr.51-53 and 90-91.
[128] 2 Tr.51-53.
[129] ED Submission, page 11.

Enbridge Gas is required to continue to serve all interested new customers, then the intent of ED's Proposal will fail. What will be left is purely punitive – new connections continue with associated revenues being confiscated.

152. ED's position is wrong because the obligation to serve does not apply in these circumstances. The obligation to serve is found at section 42(2) of the *OEB Act*, which states:

> *… a gas distributor shall provide gas distribution services to any building along the line of any of the gas distributor's distribution pipe lines upon the request in writing of the owner, occupant or other person in charge of the building.*

153. The obligation to serve does not apply to customers who would require any type of main extension. This means that there is no obligation to serve the majority of the Company's forecast new customers – those are customers in new homes in new subdivisions.

154. The limited application of the obligation to serve for Enbridge Gas (then Consumers' Gas) has been confirmed in earlier OEB decisions. In EBRO 369-1, the OEB considered the predecessor provision to section 42(2) of the OEB Act (then found in the *Public Utilities Act*) and confirmed the following finding from a prior case:

> *The Board is of the opinion that section 55 requires a gas utility to supply all buildings located along the route of an existing pipeline if a sufficient supply of gas is available over and above the requirements of existing customers. The section does not, in the Board's opinion, require or support the expansion of the distribution system into new areas."*[130]

155. It is important to appreciate that the obligation to serve does not exist in isolation. It is a corollary to the utility's privilege of having a franchise or natural monopoly to serve a community, and it is a corollary to the utility's right to have the opportunity to earn a fair return on the assets used to serve customers. This is referred to as the regulatory compact. The scope of the regulatory compact was discussed by the Supreme Court of Canada in *ATCO Gas & Pipelines v. Alberta*:

[130] EBRO 369-1, Reasons for Decision, August 31, 1979, page 44.

> *Under the regulatory compact, the regulated utilities are given exclusive rights to sell their services within a specific area at rates that will provide companies the opportunity to earn a fair return for their investors. In return for this right of exclusivity, utilities assume a duty to adequately and reliably serve all customers in their determined territories, and are required to have their rates and certain operations regulated.*[131]

156. The regulatory compact dictates that where the utility is no longer able to recover rate revenues from attaching customers (which rates are designed to recover costs and earn a fair return on assets), then the utility should not be required to add customers. The *quid pro quo* underlying the regulatory compact would be defeated if the right to a fair return was removed.

157. Enbridge Gas acknowledges that it would potentially have to seek relief from the OEB (or even a Court) from the forced application of section 42(2) of the *OEB Act*, either proactively (perhaps as a GDAR exemption application) or in response to a complaint from a customer. That is an issue for another day, but it can be expected that Enbridge Gas would raise (among other things) the arguments set out above.

(e) Conclusion

158. For all of the reasons discussed above, Enbridge Gas submits the OEB should not approve or advance ED's Proposal.

159. If the OEB should determine that Enbridge Gas bears some type of onus on this issue, then the Company submits it has met its onus to put forward and establish a ratemaking mechanism that will result in just and reasonable rates. The Company's current distribution rates are just and reasonable without the addition of a revenue decoupling from customer numbers mechanism. ED has not argued otherwise.

160. At most, what would be appropriate is a recognition that "revenue decoupling from customer numbers" is something that ED (or others) can raise and advance in the next rebasing proceeding, with fuller evidence, at the time when other questions and

[131] *ATCO Gas & Pipelines v. Alberta*, [2006] 1 S.C.R. paras. 62-63.

issues related to stranded assets and an overall regulatory construct are being considered.

161. That approach is consistent with the views of ED's expert CEG, who offered that it is preferable to look at a utility's risk profile within its regulatory framework in a comprehensive manner as part of a full rebasing type application.[132]

162. Enbridge Gas respectfully submits that the process to consider a revenue decoupling mechanism has been a waste of time and resources. This is seen in the sequence of events:

a. ED initially filed very brief evidence from CEG proposing revenue decoupling from customer numbers.

b. ED did not pursue this topic in any detail in interrogatories or the technical conference. One interrogatory was asked[133], with no follow-ups at the technical conference.

c. ED decided to pursue that item as a contested issue at the Oral Hearing.

d. ED brought an unsuccessful motion to have Enbridge Gas develop a revenue decoupling proposal for consideration.[134]

e. ED required Enbridge Gas to do substantial work to answer supplementary interrogatories responding to the CEG evidence and then complained that one of the answers was incomplete, requiring Enbridge Gas to provide a lengthy further answer before the Oral Hearing.[135]

f. Having gone to these great lengths, ED then made virtually no mention of Enbridge Gas's responses in the ED Submissions.[136]

g. ED put forward an expert on this revenue decoupling topic and then did not rely on that expert. None of ED's options are fully comparable to

[132] Exhibit M2-SEC-2 and 1 Tr.215.
[133] Exhibit I.10.1-ED-59(c).
[134] ED's motion asked Enbridge Gas to describe a number of options whereby it would be made indifferent to the number of customer connections and customer exits during the IRM term from a revenue perspective, and indicate which option it believes would be the most appropriate.
[135] ED letter dated December 4, 2024. Enbridge Gas provided the updated response on December 14, 2024.
[136] ED makes two references to some numerical information provided in the Response to ED Question #4.

those proposed by CEG, and none are even versions of CEG's preferred option of revenue decoupling per customer class.[137]

h. The ED Submissions mention the CEG evidence only twice, with no reference whatsoever being made to CEG's testimony. Indeed, ED implicitly disagreed with its expert by proposing solutions different from CEG's first choice (revenue decoupling by customer class).

163. Ultimately, there is nothing implementable in ED's Proposal for the OEB to approve at the end of this process. Enbridge Gas warned about this concern at the time of ED's motion in November 2024, but the ultimate ED Proposal remains unclear and unsupported by evidence.

D. RELIEF REQUESTED

164. Enbridge Gas requests that the OEB grant the following relief in relation to the Outstanding Issues.

a. An update to the calculation of the Meter Reading Performance Measure (MRPM) metric for Enbridge Gas such that inaccessible meters are excluded from the calculation of the metric for the current 2024-2028 IRM term.

b. Approval for the proposed Lower-Carbon Energy Program, including the Lower-Carbon Voluntary Program (LCVP) for large volume customers and the cost recovery proposal that will recover RNG costs from LCVP participants as well as sales service customers up to a prescribed cap.

c. Decline to approve ED's Proposal for a mechanism to decouple revenue from customer numbers.

All of which is respectfully submitted February 6, 2025.

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[137] 1 Tr.122.