VIA RESS and EMAIL

February 18, 2025

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

Dear Nancy Marconi:

Re: Enbridge Gas Inc.
2024 Rebasing – Phase 2
Consumers Council of Canada (CCC) Submission on Unsettled Issues
OEB File No. EB-2024-0111

In accordance with the OEB's Decision on Energy Probe Motion and Procedural Order No. 10, dated December 20, 2024, please find attached CCC's submission on all of the unsettled issues in the above noted proceeding.

Yours truly,

Lawrie Gluck

Lawrie Gluck
Consultant for the Consumers Council of Canada

cc: All parties in EB-2024-0111

Enbridge Gas Inc.

2024 Rebasing – Phase 2

EB-2024-0111

Consumers Council of Canada Submission on Unsettled Issues

February 18, 2025

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1. Introduction

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), seeking approval for changes to the rates that Enbridge Gas charges for natural gas distribution, transportation and storage, beginning January 1, 2024.

A settlement conference was held in September and October 2024, with respect to the Phase 2 issues in the proceeding. The Consumers Council of Canada (CCC) actively participated in the settlement negotiations. Enbridge Gas filed a settlement proposal with the OEB on November 4, 2024, representing a partial settlement on the Phase 2 issues. The OEB approved the settlement proposal on November 29, 2024.

There are three unsettled Phase 2 issues as follows:

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

2. 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 (the Lower-Carbon Energy Program), appropriate?

3. Should the Incentive Ratemaking Mechanism (IRM) include a mechanism to decouple revenue from customer numbers?

CCC submits that Enbridge Gas's proposal to exclude inaccessible meters from the MRPM calculation should be rejected by the OEB. The MRPM calculation should remain unchanged to ensure that Enbridge Gas is incented to continuously improve its meter reading practices.

With respect to Enbridge Gas's proposed Lower-Carbon Energy Program, CCC submits that the program, as designed, should be rejected by the OEB. CCC submits that the proposed Lower-Carbon Energy Program has very high costs, reflects a sub-optimal strategy for cost-effectively reducing carbon dioxide equivalent (CO2e) emissions and will likely have minimal voluntary participation (relative to the RNG targets). Instead, CCC submits that the OEB should establish either: (a) an exclusively voluntary RNG program for larger volume

system gas customers; or (b) a revised version of the Lower-Carbon Energy Program with a significantly reduced level of targeted RNG procurement.

With respect to revenue decoupling, CCC submits that it should not be implemented in Enbridge Gas's current incentive ratemaking term (2025-2028). Instead, revenue decoupling should be considered in the next rebasing along with a wide range of potential changes to the ratemaking approach that address stranded asset risk.

CCC's detailed argument on the unsettled issues is set out in the sections that follow.

2. Meter Reading Performance Measurement

As part of the MAADs proceeding, the OEB established Enbridge Gas's current Performance Measurement Scorecard (Scorecard). The Scorecard includes 20 measures covering an extensive range of performance indicators, including a combination of Service Quality Indicators and best practice metrics. Enbridge Gas is required to file the Scorecard in the annual Utility Earnings and Disposition of Deferral and Variance Account proceedings.

Enbridge Gas considers the 20 performance measures set out in the Scorecard appropriate for the 2025-2028 rate plan period with one exception. The Meter Reading Performance Measurement (MRPM) target is currently 0.5%. It is calculated as the total number of meters without a meter read for four consecutive months or more, divided by the total number of active meters to be read. The metric does not consider why Enbridge Gas has not read the meter.[1] Enbridge Gas accepted the target but proposed that inaccessible meters be excluded when measuring its performance.[2]

In Phase 1 of the proceeding, Enbridge Gas requested a partial exemption for three performance standard metrics including the MRPM. It proposed that no more than 2% of meters have a consecutive estimate for four months. In its Phase 1 Decision, the OEB denied the request. In its Decision the OEB set out the basis for its findings:

- The OEB regards meter reading as a fundamental customer service provided by a gas distributor that directly impacts customer billing. While COVID issues may have existed in 2020 and 2021, the OEB is not convinced that Enbridge Gas has invested

[1] Enbridge Gas, Evidence, April 24, 2024, Phase 2, Exhibit 1, Tab 7, Schedule 1, p. 4.
[2] Enbridge Gas, Evidence, April 24, 2024, Phase 2, Exhibit 1, Tab 7, Schedule 1, p. 1.

sufficiently in its customer services to address and rectify it meter reading problem. It is too late now to change the experience or those customers affected. The OEB received many letters of comment in this proceeding regarding billing issues experienced by customers and the personal implications;

- The OEB has considered the customer impact. This metric is based on estimating four consecutive bills. The result could be an unexpectedly large bill when an actual meter read takes place. From a customer's perspective, this is an unacceptable outcome, especially as the commodity cost of gas and the delivery cost have increased in recent years. Enbridge Gas need to improve its performance rather than seek to change the metric. It is imperative that customers have accurate bills to manage their expenses, assess their energy costs and manage their energy activities accordingly. Changing the meter to 2% would lock in the adverse performance levels that occurred in unusual circumstances. The OEB finds there are not unusual circumstances persisting in 2023, beyond Enbridge Gas's control;

- In addition, the OEB believes that the Advanced Metering Infrastructure pilot project is a positive step in managing this metric in the future. Enbridge Gas is required to provide an update on this pilot project in Phase 3 of the proceeding.[3]

Enbridge Gas implemented a MRPM Mitigation Plan in 2022 and since that time invested more than $7.5 million in mitigation efforts to improve meter reading performance.[4] Each year, Enbridge Gas prepares, files and follows an updated mitigation plan. Enbridge Gas presented a mitigation plan for 2024. The MRPM results have improved since 2021, which Enbridge Gas attributes to targeted efforts working with meter reading vendors, increasing customer awareness and improving business systems and practices.[5] In fact the results for 2024 are expected to be a MRPM of 0.94%.[6]

Despite its efforts, Enbridge Gas continues to find that it is not reasonably possible to meet the MRPM. Enbridge Gas continues to argue that the core problem is the proliferation and persistence of inaccessible meters. Enbridge Gas defines an inaccessible meter as a meter to which it has not been able to obtain access to read for 4 or more consecutive months because of customer-driven conditions that are beyond Enbridge Gas's control.[7]

[3] EB-2022-0200, Decision and Order, December 21, 2023, p. 135.
[4] Oral Hearing Transcripts, Vol. 1, p. 7.
[5] Enbridge Gas, Argument-in-Chief, p. 5.
[6] Enbridge Gas, Argument-in-Chief, p. 5.
[7] Enbridge Gas, Evidence, April 24, 2024, Phase 2, Exhibit 1, Tab 7, Schedule 1, p. 6.

Enbridge Gas's Conditions of Service require customers to provide access to read the meter and a failure to do so may result in the discontinuation of service. Enbridge Gas only does this as a last resort and is limited by the winter disconnection ban. Enbridge Gas has indicated that if the OEB were to take a strict view of the MRPM and not accept the proposal to remove inaccessible meters from the calculation of unread meters, it may need to conduct additional service disconnections just to have a better chance of meeting the MRPM.[8] CCC submits that it would be unfortunate to see Enbridge Gas increase disconnections because the MRPM remains in place. However, CCC is not supportive of removing inaccessible meters from the MRPM and continues to believe that a target of 0.5% remains appropriate. Accurate meter reading and efficient customer billing practices are critical for customers. As noted by the OEB in the Phase 1 Decision, ongoing bill estimates could result in unexpected large bills for customers, which is unacceptable.

Enbridge Gas has been incented by the existence of the current metric to undertake a broad range of mitigation measures to improve its meter reading activities including staffing increases, process improvements, technology improvements, marketing and outreach. This has included specific measures to try to reduce the number of inaccessible meters. The 2024 MRPM Mitigation Plan was developed by the Customer Care Group by building on previous mitigation plans with input from the Operations, Technology and Marketing groups within the Company. Enbridge Gas indicated it is committed to year-over-year performance improvement with respect to meter reading. CCC submits that removing inaccessible meters from the performance target would be a backward step. Enbridge Gas would lose the incentive to further address what it views as an increasing problem.

Enbridge Gas has referred to two longer term solutions that could potentially improve its meter reading performance. Encoder Receiver Transmitters (ERT) use low powered radio frequency to communicate with the hand held device used by meter readers. Although this technology allows for a meter reading in close proximity to the meter, Enbridge Gas cites supply chain issues and cost implications for this technology.[9] Maintaining the metric should incent Enbridge Gas to continue to pursue this potential option where it be might be both a practical and cost-effective solution in addressing the issue of inaccessible meters.

[8] Enbridge Gas, Evidence, April 24, 2024, Phase 2, Exhibit 1, Tab 7, Schedule 1, p. 6.
[9] Enbridge Gas, Evidence, April 24, 2024, Phase 2, Exhibit 1, Tab 7, Schedule 1, p. 16.

Enbridge Gas has indicated that it is considering Advanced Metering Infrastructure (AMI) for meter reads. Enbridge Gas is required to report on its AMI pilot in Phase 3 of the proceeding. CCC submits Enbridge Gas should be encouraged to pursue AMI if the results of the pilot show it can be cost-effective.

In the Phase 1 proceeding, Enbridge attempted to change the MRPM from 0.5% to 2%. The OEB rejected this approach highlighting that meter reading is a fundamental customer service that directly impacts customer billing. Enbridge Gas now wants to remove inaccessible meters from the metric. CCC does not support this proposal and urges the OEB to reject it. The MRPM should remain as is to ensure that Enbridge Gas is incented to continuously improve its meter reading practices, and particularly address the issue of issue of inaccessible meters.

3. Lower-Carbon Energy Program

Enbridge Gas requested approval to procure lower-carbon energy, with a focus on renewable natural gas (RNG) as part of the gas supply commodity portfolio beginning in 2026 (the Lower-Carbon Energy Program).[10]

Enbridge Gas proposed to procure up to 0.25% of the planned gas supply commodity portfolio as RNG beginning in 2026. Enbridge Gas proposed to increase RNG purchases each subsequent year to a maximum of up to 2% of the planned gas supply commodity portfolio by 2029.[11] Enbridge Gas stated that it plans to use the definition for RNG as recognized in the Greenhouse Gas Pollution Pricing Act (GGPPA).[12]

Enbridge Gas requested approval to recover the costs of the Lower-Carbon Energy Program through the Lower-Carbon Voluntary Program (LCVP) for larger volume sales service customers and through the gas supply commodity portfolio. The procured RNG would first be offered to larger volume sales service customers on a voluntary basis (through the LCVP) and only costs not directly recovered from voluntary participants would be recovered from all system gas customers. Enbridge Gas proposed a maximum bill impact for the average residential customer of $2 per month per targeted percentage of RNG.[13]

[10] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 1.
[11] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 4.
[12] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, pp. 9-10.
[13] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, pp. 4-5.

Enbridge Gas noted that there are two potential situations where it would stop procuring RNG for a program year. The first is reaching the target percentage of RNG in the total gas supply portfolio, and the second is reaching the maximum bill impact for customers, as forecast at the time of procurement.[14]

Enbridge Gas stated that it expects to procure RNG using long-term contracting (5 years or greater) and requested that cost recovery be approved for, at least, the duration of the term of the RNG contract.[15] Enbridge Gas further stated that it seeks to continue the Lower-Carbon Energy Program beyond 2029, at the 2029 procurement target, until approval from the OEB is granted to procure amounts above 2% of the planned gas supply commodity portfolio.[16]

The table below summarizes Enbridge Gas's proposed Lower-Carbon Energy Program including the targeted RNG procurement, maximum bill impacts and maximum total incremental program costs (to be borne by all system gas customers)[17] assuming there is no voluntary participation in the LCVP.[18]

[14] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 8.
[15] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 7; and Oral Hearing Transcripts, Vol. 2, p. 146.
[16] Enbridge Gas, Argument-in-Chief, p. 14.
[17] Incremental costs refer to RNG procurement-related cost premiums above conventional natural gas and offsetting reductions to applicable federal carbon charges (FCC) (See Oral Hearing Transcripts, Vol. 2, p. 133: "So [the $25.58/GJ] is the price after factoring in the price for the commodity purchase that it would replace at Dawn, as well as the benefit of the FCC, that the $25.58 is meant to be the net RNG price.")
[18] As discussed later in the submission, voluntary participation is very likely to be immaterial relative to the RNG procurement targets. Therefore, this assumption is reasonable.

Proposed Lower-Carbon Energy Program – RNG Volumes, Costs and Bill Impacts

	2026	2027	2028	2029	Total
Target % RNG[19]	0.25%	0.75%	1.25%	2%	
RNG (PJ)[20]	1.3	4.0	6.6	10.5	
Residential Monthly Bill Impact [21]	$0.50	$1.50	$2.50	$4.00	
Maximum Annual Incremental Cost ($M)[22]	$33.7	$101.1	$168.6	$269.8	
Maximum Total Incremental Cost (5-Year Contracting) ($M)[23]					$1,349.0

For the reasons discussed below, CCC submits that the OEB should deny Enbridge Gas's Lower-Carbon Energy Program as proposed in the application. As set out in its Argument-in-Chief, Enbridge Gas recognized that there could be variations to the Lower-Carbon Energy Program that the OEB may believe are more appropriate. Enbridge Gas stated that it would accept reasonable modifications in order to begin procuring RNG.[24] CCC submits that the OEB should direct Enbridge Gas to establish an RNG program based on one of the following options, which reflect much more reasonable versions of the Lower-Carbon Energy Program.

[19] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 4.
[20] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 4.
[21] Updated Exhibit I.4.2-Staff-33(b).
[22] Exhibit K2.7, p. 50; and Oral Hearing Transcripts, Vol. 2, pp. 144, 146. Enbridge Gas confirmed that the maximum incremental cost of the RNG program (i.e., incremental to conventional natural gas supply and the FCC benefit), assuming no voluntary participation, is as shown in p. 50 of the CCC Oral Hearing Compendium for Panel 2 (as reproduced in this table). The maximum incremental costs were derived using an RNG price of $25.58/GJ, which is the maximum incremental cost of RNG where the two program thresholds (i.e., targeted RNG and bill impacts) are met (and no further RNG procurement would occur).
[23] Exhibit K2.7, p. 52; and Oral Hearing Transcripts, Vol. 2, p. 147. Enbridge Gas stated that it does not know how long the RNG contracts will be but expects that any longer-term contracting will be for terms of 5 years or longer. CCC has used 5-year contracts in the estimate of total program costs. To the extent that the actual RNG contracts are longer, the total incremental cost will be higher. Enbridge Gas also confirmed the total incremental cost of the RNG program (i.e., incremental to conventional natural gas supply and the FCC benefit) using 5-year contracting and assuming no voluntary participation, is as shown in p. 52 of the CCC Oral Hearing Compendium for Panel 2 (as reproduced in this table).
[24] Enbridge Gas, Argument-in-Chief, pp. 15-16.

The first option is to have Enbridge Gas establish an exclusively voluntary program for larger volume system gas customers that are seeking to purchase RNG supplies (with no cost recovery from non-participating system gas customers through the gas supply commodity portfolio). The existing Voluntary RNG (VRNG) program should also be continued, under this option, to allow small volume residential and commercial customers the ability to support RNG supply if they elect to do so.

The second option is to significantly reduce the targeted level of RNG procurement in the Lower-Carbon Energy Program. The RNG procurement level (or RNG target) should be more closely aligned with the best available forecast of voluntary demand for RNG of 325 TJs.[25] To allow for some potential growth in the voluntary demand for RNG, the target should be set at 0.1% of the total gas supply commodity portfolio (i.e., approx. 530 TJs). No additional RNG contracting beyond 0.1% of the total gas supply commodity portfolio should occur until the entirety of the RNG procurement is assigned to voluntary participants through the LCVP. The maximum bill impact for the average residential customer of $2 per month per targeted percentage of RNG should remain as a guardrail for the cost premium incurred related to RNG procurement.

Procurement of Renewable Natural Gas is Not Cost Effective

CCC submits that the procurement of RNG does not result in cost savings for system gas customers (relative to the purchase of conventional natural gas inclusive of related federal carbon charges (FCC)) and is not cost-effective as a carbon dioxide equivalent (CO2e) emission reduction strategy relative to demand-side management (DSM) programming. In addition, it is obvious that Enbridge Gas does not require RNG supply to meet system gas customer demand as there are conventional natural gas supply options currently available (and currently used) to meet customer demand.

With respect to the cost of RNG procurement, the evidence is clear that the cost premium paid for RNG is well in excess of the cost savings resulting from replaced conventional natural gas supply plus reduced FCCs (based on the current FCC regime) as shown in the table below.

[25] Exhibit I.4.2-SEC-32; and Oral Hearing Transcripts, Vol. 2, p. 140. This is equivalent to 0.06% of total planned gas supply (527,350 TJs).

Incremental RNG Cost[26]

($/GJ)	FCC	Conventional Natural Gas	RNG	Incremental RNG
RNG Low Estimate				
2026	5.36	3.60	15.98	7.02
2027	6.10	3.60	15.98	6.28
2028	6.83	3.60	15.98	5.55
2029	7.56	3.60	15.98	4.82
2030	8.29	3.60	15.98	4.09
RNG High Estimate				
2026	5.36	3.60	30.00	21.04
2027	6.10	3.60	30.00	20.30
2028	6.83	3.60	30.00	19.57
2029	7.56	3.60	30.00	18.84
2030	8.29	3.60	30.00	18.11

In 2030, which is the conclusion of the FCC escalation (i.e., the highest FCC under the current framework), the incremental RNG cost is $4.09 using Enbridge Gas's low-end forecast of RNG prices of $15.98. The incremental RNG cost is $18.11 when using Enbridge Gas's high-end forecast of RNG prices of $30.00.[27] Enbridge Gas confirmed at the oral hearing that it does not have a better estimate (or a more narrow range of estimates) for RNG pricing.[28] If the FCC were to be eliminated (or otherwise reduced), the incremental cost of RNG supply will be significantly higher than the amounts shown in the above table.[29] Therefore, there are no forecast cost savings accruing to system gas customers related to Enbridge Gas's proposed Lower-Carbon Energy Program.

With respect to cost-effectiveness, the following table highlights that Enbridge Gas's DSM programming reduces CO2e emissions at a significant discount relative to RNG procurement.

[26] Exhibit I.4.2-ED-48(a); Exhibit K2.7, p. 6; and Oral Hearing Transcripts, Vol. 2, pp. 138-139.
[27] CCC notes that the maximum incremental RNG price where the two program thresholds (i.e., targeted RNG and bill impacts) are met is $25.28/GJ. This means that the actual cost of procuring RNG supply as part of the Lower-Carbon Energy Program could be much higher than Enbridge Gas's $15.98-$30.00/GJ range suggests while still maintaining compliance with the proposed program thresholds.
[28] Oral Hearing Transcripts, Vol. 2, p. 140.
[29] Oral Hearing Transcripts, Vol. 2, p. 137.

RNG and DSM Cost-Effectiveness

	RNG Low Estimate ($/tCO2e)[30]	RNG High Estimate ($/tCO2e)[31]	2023 DSM Results (Average) ($/Net Cumulative tCO2e)[32]	RNG Premium to DSM ($)[33]
2026	140.4	420.8	42.41	97.99-378.39
2027	125.6	406.0	42.41	83.19-363.59
2028	111.0	391.4	42.41	68.59-348.99
2029	96.4	376.8	42.41	53.99-334.39
2030	81.8	362.2	42.41	39.39-319.79

The above table shows that, at its most competitive, using the 2030 low-end estimate of the incremental RNG price, the cost per ton of CO2e emissions based on RNG procurement is $39.39 higher (or approximately 93% higher) than Enbridge Gas's DSM programming. At the high-end, using the 2026 high estimate of the incremental RNG price, the cost per ton of CO2e emissions based on RNG procurement is $378.39 higher (or almost 9 times higher) than Enbridge Gas's DSM programming.[34] Therefore, RNG procurement is clearly not a cost-effective method for reducing CO2e emissions relative to Enbridge Gas's DSM programming. In fact, it comes at a very significant cost premium.

Enbridge Gas stated that the cost of reducing CO2e emissions through the Lower-Carbon Energy Program and DSM programs are not directly comparable as the DSM program spending represents the utility 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.[35] CCC submits that the relative comparison of the cost-effectiveness of CO2e emission reductions through RNG procurement and DSM programming as shown in the table above is valid for the following reasons.

[30] Exhibit I.4.2-ED-48(a); and Exhibit K2.7, p. 6.
[31] Exhibit I.4.2-ED-48(a); and Exhibit K2.7, p. 6.
[32] Exhibit I.4.2-ED-48(c); and Oral Hearing Transcripts, Vol. 2, p. 138. The average DSM cost of $42.41 was confirmed by Enbridge Gas at the oral hearing and reflects the total DSM program spending (across all programs) ($124.8M) divided by the total net cumulative tCO2e savings (across all programs) (2.9M tCO2e) as shown in Table 2 of Exhibit I.4.2-ED-48(c).
[33] The RNG premium reflects the range of cost differences between both the low- and high-end RNG price forecasts relative to the average 2023 DSM cost for CO2e reductions.
[34] Exhibit I.4.2-ED-48(b). Based on the the maximum incremental RNG price where the two program thresholds (i.e., targeted RNG and bill impacts) are met of $25.58/GJ, the cost of emission reductions are $511.60/tCO2e. This means that the actual cost of reducing carbon emissions through RNG procurement could be much higher than Enbridge Gas's high-end estimates while still maintaining compliance with the proposed program thresholds.
[35] Undertaking Response J3.3; and Enbridge Gas, Argument-in-Chief, p. 17.

The total portfolio level costs that were excluded in the 2023 DSM results are approximately $12.1M.[36] The total DSM program plus portfolio cost is $136.9M.[37] Therefore, based on Enbridge Gas's statement that the portfolio costs should be included for a more accurate comparison (which we note was not included in Enbridge Gas's interrogatory response on this matter), the average cost of CO2e emissions reductions resulting from the DSM program increases to $46.53 (relative to $42.41 excluding the portfolio level costs). Therefore, DSM programming remains significantly more cost-effective relative to RNG procurement (even including the portfolio level costs) for achieving CO2e emission reductions.

In addition, excluding DSM participants' costs and/or savings from the analysis is reasonable. The exercise of considering the cost-effectiveness of RNG procurement relative to DSM programming can be reasonably viewed through the lens of overall ratepayer funding. The analysis done in this section of our submission shows that ratepayer-funded DSM is significantly more cost-effective than ratepayer-funded RNG procurement. We did not reflect the costs and benefits for any individual voluntary participant in the LCVP in the calculation of the cost of CO2e emission reduction from the Lower-Carbon Energy Program. Similarly, we did not include the cost and savings accruing directly to individual DSM participants in our analysis. Therefore, the cost-effectiveness analysis is consistent between RNG procurement and DSM programming.

CCC also notes that its conclusion that DSM programming is a significantly more cost-effective means to CO2e emission reduction is supported fully by the Energy Futures Group (EFG) evidence as follows:

> "The Company provides a range of estimates, demonstrating the costs of emissions reductions from RNG procurement are significantly higher than the realized costs for emissions reductions from their demand side management energy efficiency portfolio."[38]

CCC's views on the relative cost-effectiveness of RNG procurement and DSM programming support its proposal, as set out in detail later in this section of the submission, that system

[36] Enbridge Gas, Draft 2023 Demand Side Management Annual Report, June 7, 2024, pp. 60-61 (Table 6.12).
[37] $124.8M (DSM Program Costs in Exhibit I.4.2-ED-48(c)) plus $12.1M (Portfolio costs). CCC notes that the "Whole Building Pay for Performance" and "Beyond Building Code" program costs are not included in the total DSM cost of $136.9M as these costs were not referenced in Exhibit I.4.2-ED-48(c) nor in Enbridge Gas's claim that certain costs were missing in the DSM analysis (Undertaking J3.3.). Nonetheless, even if these costs were also included, the total DSM cost is $144.7M and DSM is still significantly more cost-effective than RNG procurement.
[38] Energy Futures Group Evidence, Exhibit M1, p. 16.

gas customer-funded RNG procurement should be eliminated or, at least, significantly curtailed. However, the ability for individual customers to voluntarily procure RNG should be retained to allow these customers to reduce their own CO2e emissions.

Voluntary Participation is Likely to be Minimal and Consumer Support for RNG is Overstated

CCC submits that voluntary uptake of RNG through the LCVP is likely to be a very small component of the overall RNG procured in the proposed Lower-Carbon Energy Program. The result will be that system gas customers that did not voluntarily participate in the program will, in the end, be responsible for nearly all the costs associated with the proposed RNG procurement. In addition, Enbridge Gas's view that there is meaningful support for RNG procurement as part of the gas supply portfolio is overstated.

Enbridge Gas stated that its customer engagement findings highlighted that residential customers ranked "minimizing any impacts on the environment" as a top priority behind affordability and the safety and reliability of delivering natural gas. Enbridge Gas also stated that residential and business customers supported the inclusion of RNG in the gas supply portfolio at an incremental cost.[39]

Enbridge Gas's evidence regarding potential RNG demand is not convincing. The high-level findings from customer engagement activities have little probative value in the face of an existing VRNG program that has had almost no participation since its inception and a non-binding Expression of Interest (EOI) campaign for larger volume customers that also resulted in very little voluntary RNG demand.[40] In addition, Enbridge Gas's distinction between the existing VRNG and the proposed LCVP program in terms of the targeted customer groups[41] does not support Enbridge Gas's position on customer support for RNG as both sets of customers groups have shown, with their actions (as opposed to survey answers), that they are not interested in paying a premium for RNG.

Enbridge Gas's VRNG program has been in place since April 2021. The VRNG program allows customers to voluntarily pay an additional $2 per month towards the inclusion of RNG in the gas supply portfolio.[42] At the end of the first quarter of 2024, only 4,102

[39] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 21.
[40] Exhibit I.4.2-SEC-32.
[41] Enbridge Gas, Argument-in-Chief, p. 18.
[42] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 18.

customers had enrolled in the VRNG program.[43] And through this program, Enbridge Gas procured a total of 5,600 GJs of RNG (or 0.001% of the total gas supply portfolio[44]) as of February 2024.[45] This clearly shows that customers (both small volume residential and commercial[46]), when given the opportunity to contribute towards the procurement of RNG in the gas supply portfolio, at a cost premium relative to conventional supply, have declined to do so. There is no better indication of likely support for RNG procurement (whether that be voluntary or non-voluntary) than an existing program that already provided that opportunity (and there was virtually no uptake).

Enbridge Gas speaks to various issues with the VRNG program that resulted in lower-than-expected participation including the marketing budget, website design problems and the enrollment process.[47] Regardless of these stated problems, the fact that only 4,100 customers enrolled in the VRNG program (out of Enbridge Gas's total 3.8 million customers) is telling. If there was an outpouring of demand for RNG to form part of the gas supply portfolio, enrollment in the VRNG program would have been much higher. CCC submits that the lack of interest in the VRNG program highlights that Enbridge Gas's view of customer support for RNG procurement (at an incremental cost) is overstated. It is also important to note that participation in the VRNG program was set at a cost premium of $2/month and Enbridge Gas's Lower-Carbon Energy Program will result in a cost premium of $4/month (by 2029) for residential system gas customers who did not choose to voluntarily participate in the program.

With respect to the potential uptake of the LCVP by larger volume system gas customers, CCC submits that the best available forecast is from Enbridge Gas's 2023 non-binding Expression of Interest (EOI) campaign for larger volume general service and contract rate sales service customers. In the EOI campaign, 21,000 customers were contacted and only 94 customers responded. Of the 94 responses, 75 customers indicated positive interest with 45 of those customers indicating a potential allocation of 325 TJs of RNG. This is the only quantitative indication of potential voluntary support for the LCVP on the record of the current proceeding.[48] Therefore, the best available forecast of voluntary participation in the

[43] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 19.
[44] The 0.001% figure is overstated as the 5,600 GJs of RNG is a cumulative procurement over three years and is being compared to a single year's gas supply portfolio.
[45] Exhibit I.4.2-GEC-17(a).
[46] Exhibit I.4.2-TFG/M-11(b). In response to a TFG interrogatory, Enbridge Gas highlighted that both residential and commercial customers participated in the VRNG program.
[47] Exhibit I.4.2-SEC-34.
[48] Oral Hearing Transcripts, Vol. 2, p. 141.

LCVP is 325 TJ of RNG supply.[49] This is equivalent to 0.06% of the planned gas supply commodity portfolio.[50] This level of voluntary RNG uptake is significantly below the 2026 RNG target of 0.25% of the planned gas supply commodity portfolio and is very far from the 2029 RNG target of 2% of the planned gas supply commodity portfolio.

Overall, there has been minimal actual participation in the existing VRNG program (smaller volume customers) and the best available forecast of future participation in the proposed in the LCVP (larger volume customers) also reflects minimal support. Therefore, across all system gas customers there is minimal support for RNG procurement.

CCC recognizes that there is uncertainty in forecasting the demand for the LCVP (and, perhaps, it will be some amount higher than 325 TJs). However, Enbridge Gas's RNG targets, which increase to 2% of the gas supply portfolio by 2029, are well beyond any realistic estimate of voluntary uptake. Therefore, nearly the entire cost of RNG procurement through the Lower-Carbon Energy Program will be borne by non-voluntary system gas customers who have shown that they do not want to purchase RNG.

CCC's proposals, set out later in the submission, address voluntary demand uncertainty (and the related impact on non-participating system gas customers) by either limiting the RNG procurement to be entirely voluntary or, alternatively, better matching the likely voluntary demand to the RNG procurement target (and allowing for orderly growth in RNG procurement based on actual voluntary uptake).

Consumers Cannot Afford the Proposed Lower-Carbon Energy Program

The proposed Lower-Carbon Energy Program has a maximum incremental annual cost of $33.7 million in 2026, and the maximum incremental annual cost increases to $269.8 million in 2029 assuming there is no, or very little, voluntary participation in the LCVP.[51] The program for which Enbridge Gas seeks approval in the current proceeding, in total, may cost system gas customers as much as $1.35 billion (assuming the RNG contracts have 5-year terms).[52] If the actual contracts have terms that are longer than 5 years, the maximum

[49] Exhibit I.4.2-SEC-32.
[50] Oral Hearing Transcripts, Vol. 2, pp. 140-141. This reflects 325 TJ (expression of interest volume) divided by 527,350 TJ (planned gas supply portfolio).
[51] Exhibit K2.7, p. 50; and Oral Hearing Transcripts, Vol. 2, pp. 144, 146. Enbridge Gas confirmed that the maximum incremental cost of the RNG program (i.e., incremental to conventional natural gas supply and the FCC benefit), assuming no voluntary participation, is as shown in p. 50 of the CCC Oral Hearing Compendium for Panel 2.
[52] Exhibit K2.7, p. 50; and Oral Hearing Transcripts, Vol. 2, pp. 144, 146.

total cost will increase accordingly (as Enbridge Gas has requested approval of cost recovery for the entire term of the RNG contracts that it actually signs.)[53] As discussed in the previous section of the submission, a very low voluntary participation rate (relative to the proposed RNG targets) is a likely outcome. In addition, the use of a 5-year contract term is a reasonable and conservative assumption.[54]

In terms of the use of a maximum program cost (as reflected in the amounts described above – with a total program cost of $1.35 billion) in our analysis, CCC submits that this is a reasonable estimate of the potential cost to ratepayers. This analysis is based on the maximum incremental RNG price of $25.58/GJ where the two program thresholds (i.e., targeted RNG and bill impacts) meet.

First, CCC notes that using a maximum incremental RNG price of $25.58/GJ to determine the overall program costs to system gas customers is theoretically sound as this price reflects where Enbridge Gas has set the guardrails for its proposed Lower-Carbon Energy Program. It will continue to procure RNG until the program thresholds of targeted RNG percentage and/or bill impacts are achieved. This means that an incremental RNG price of $25.58/GJ is allowed by the program.

Second, the maximum incremental RNG price of $25.58/GJ implies an RNG procurement cost that ranges from approximately $34.50/GJ to $37.50/GJ.[55] To date, the RNG procured by Enbridge Gas through its existing VRNG program, has had an average cost of $35.92/GJ.[56] More up-to-date RNG pricing shows an average RNG price premium of 26.30 US$/MMBtu (or 37 CAD$/GJ)[57] for the period May 2023 and June 2024.[58] Therefore, we expect that the cost of RNG procured through the Lower-Carbon Energy Program will be towards the high-end of Enbridge Gas's estimated range of $15.98/GJ - $30.00/GJ (or even higher than those estimates).

In any case, even if one was to accept that the incremental RNG price achieved through the Lower-Carbon Energy Program will be lower than $25.58/GJ, which we do not accept as a

[53] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 7; and Oral Hearing Transcripts, Vol. 2, p. 146.
[54] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 7. "Enbridge Gas expects lower-carbon energy commodity purchases will be made on long-term contracts of five years or greater."
[55] Exhibit I.4.2-ED-48. The range reflects the FCC charges between the 2026-2030 period (from $5.36/GJ to $8.29/GJ) and applies a conventional natural gas price of $3.60/GJ.
[56] Exhibit I.4.2-GEC-17.
[57] Based on an estimated average USD to CAD exchange rate of $1.35 for the relevant period.
[58] Exhibit I.4.2-ED-50.

necessarily likely outcome, the total program costs are very high. Using the mid-point of Enbridge Gas's $15.98/GJ - $30.00/GJ RNG pricing range (i.e., $23.00/GJ) as the RNG procurement cost, the incremental total program costs are over $600 million (based on 5-year contracts).[59]

With respect to the maximum bill impact for residential customers, Enbridge Gas stated that, "[t]he $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."[60] CCC submits that the $2/month residential bill impact threshold per targeted percentage of RNG is not proportional to the benefits of the Lower-Carbon Energy Program. For an average residential customer, this reflects a $48 annual bill impact in 2029 (the cost of which will remain for many years after)[61] for a program that system gas customers do not want, is not cost effective at reducing CO2e emissions and will be incremental to the many other rate increases that will be borne by residential customers over the years (e.g., inflationary increases under IRM, new DSM offerings, etc.).

As an example of potential future cost pressure, Enbridge Gas proposed a significant increase to ratepayer funding of DSM programming between 2026 and 2030. For 2026, Enbridge Gas proposed a DSM budget of $252 million (relative to a 2024 DSM budget of $183 million), which reflects a 38% increase. Enbridge Gas's proposal has the DSM budget increasing to $423 million by 2030.[62] The related residential annual cost per customer is $38.89 in 2026 (or a bill increase of $6.88/year relative to the 2024 DSM program) rising to $73.23/year in 2030 (or a bill increase of $34.34/year relative to the 2024 DSM program).[63] Therefore, customers will experience significant rate increases related to both RNG procurement and DSM programming over the coming years if both proposals are accepted by the OEB.

Consumers are already experiencing an affordability crisis and cannot support the incremental burden of costs associated with both the Lower-Carbon Energy Program and

[59] An RNG procurement cost of $23.00/GJ results in an incremental RNG price (i.e., incremental to FCC offsets and the conventional natural gas price), on average, of approximately $12.50/GJ.
[60] Enbridge Gas, Argument-in-Chief, p. 16.
[61] The RNG procurement is expected to use long-term contacting of 5 years or longer.
[62] EB-2024-0198, 2026-2030 DSM Plan Application, November 29, 2024, Cover Letter, p. 3.
[63] EB-2024-0198, 2026-2030 DSM Plan Application, November 29, 2024, Exhibit F, Tab 1, Schedule 3.

the DSM program (particularly when one of the programs – DSM – is significantly more cost-effective at achieving CO2e emission reductions).[64]

CCC wants to be clear that its statements in this submission regarding the cost-effectiveness of DSM should not be construed as an endorsement of Enbridge Gas's proposed 2026-2030 DSM Plan as filed.[65] CCC will review the costs and benefits of Enbridge Gas's proposed DSM Plan and provide its views on the appropriateness of the proposal in the relevant proceeding.[66]

CCC's Alternative RNG Proposals

As described in detail above, Enbridge Gas's proposed Lower-Carbon Energy Program has very high costs, reflects a sub-optimal strategy for cost-effectively reducing CO2e emissions and will likely have minimal voluntary participation (relative to the RNG targets). All, or nearly all, of the costs associated with the Lower Carbon Energy Program will be borne by non-participating system gas customers who do not wish to pay a significant cost premium for RNG. On that basis, CCC submits that the OEB should reject Enbridge Gas's Lower-Carbon Energy Program as proposed.

CCC submits that instead the OEB should direct either the establishment of: (a) an exclusively voluntary RNG program for larger volume system gas customers; or (b) a revised version of the Lower-Carbon Energy Program with a significantly reduced level of targeted RNG procurement.[67]

Exclusively Voluntary RNG Program for Larger Volume System Gas Customers

[64] In its Argument-in-Chief at pages 16-17, Enbridge Gas stated that the primary objectives of the DSM program and the Lower-Carbon Energy Program are different. The primary objective of DSM is to help customers lower their bills through a reduction of natural gas usage (and a broader but secondary goal is to generally reduce CO2e emissions). Conversely, the primary objective of the LCVP is to help larger volume customers reduce their CO2e emissions. CCC submits that its concerns are with the non-voluntary aspect of the Lower-Carbon Energy Program. As set out in our alternative proposals, to the extent that larger volume customers wish to access RNG (and pay for it), Enbridge Gas should facilitate that option. We are concerned with the non-voluntary system gas customers that will be called upon to pay the majority of the costs of the Lower-Carbon Energy Program if Enbridge Gas's proposal is approved as filed.
[65] EB-2024-0198.
[66] EB-2024-0198.
[67] Oral Hearing Transcripts, Vol. 2, p. 144. In response to a question regarding alternative program design, Enbridge Gas stated that it would accept a modification to the Lower-Carbon Energy Program if the OEB panel "was not comfortable with the maximum target percentage…"

CCC notes that there is a small amount of demand from larger volume system gas customers for the procurement of RNG for their own use. The voluntary demand is immaterial relative to Enbridge Gas's proposed targeted level of RNG procurement in the Lower-Carbon Energy Program.[68] However, CCC acknowledges Enbridge Gas's statement that:

> [t]he LCVP is being proposed specifically as a means for customers to reduce their GHG emissions. Enbridge Gas considers the advantages of using RNG to reduce GHG emissions as follows: it enables a reduction of GHG emissions without having to make capital investments for building or equipment changes; it can reduce natural gas related emissions by up to 99.5% on an end-use basis; and LCVP participants have the ability to select an amount of RNG supply in accordance with their budgets.[69]

CCC sees merit in the voluntary aspect (i.e., the LCVP component) of the Lower-Carbon Energy Program. If individual customers wish to use RNG as means to reduce their own CO2e emissions, Enbridge Gas should facilitate that option on behalf of these larger volume system gas customers. However, none of the cost premium associated with RNG procurement, in this alternative proposal, should be passed onto non-participating system gas customers through the gas supply commodity portfolio.

Under this proposal, the OEB should order that Enbridge Gas's proposal for the LCVP be repurposed as an entirely voluntary RNG program. Essentially, in accordance with Enbridge Gas's proposal for the LCVP component of the Lower-Carbon Energy Program, Enbridge Gas would offer the LCVP to large volume general service customers with a sales service supply option and annual consumption greater than 15,000 m^3 in the relevant rate classes.[70]

Enbridge Gas would communicate the expected average price[71] of the RNG supply as part of the offering and pass through the premium to customers who elect to participate in LCVP. Enbridge Gas would recover the RNG cost premium for the voluntary participants through its proposed "Rider L."[72] In addition, Enbridge Gas would reduce the FCC for

[68] The best available evidence regarding voluntary demand for RNG is an estimate of 325 TJs (0.06% of the gas supply portfolio). Enbridge Gas's Lower-Carbon Energy Program seeks to procure 10,500 TJs of RNG (2% of the gas supply portfolio) by 2029.
[69] Undertaking J3.3.
[70] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 12.
[71] For spot RNG purchases, Enbridge Gas would likely need to communicate a range of prices that the customer would have to agree to in advance of Enbridge Gas procuring the spot RNG.
[72] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 12.

customers who elect the LCVP on their natural gas bills by a percentage equal to the total annual percentage of lower-carbon energy elected by the customer.[73]

CCC notes that Enbridge Gas could meet the demand for RNG supply in two ways. If it would like to continue with its proposal to allow for a commitment period of one-year (with automatic renewal in subsequent years until the customer elects a change)[74], then Enbridge Gas would likely need to procure spot RNG on voluntary customers' behalf (as longer-term RNG contracting would not align with this commitment period). Alternatively, Enbridge Gas could require longer-term commitments (i.e., 5 years) from the participating customers and enter into longer-term RNG contracts that match the length (and quantity) of the voluntary commitments. In either case, the RNG procurement strategy could be designed to ensure that the voluntary participants are responsible for the cost premium incurred associated with the RNG supply.

CCC also submits that, under this proposal, the existing VRNG program should remain in place to allow smaller volume residential and commercial customers the continued ability to support RNG supply if they elect to do so.

To the extent that longer-term contracts are used to procure RNG supply (instead of spot gas), Enbridge Gas should work with interested voluntary participants to determine the RNG supplies that these customers are most interested in purchasing (e.g., Ontario supply, feedstock type, etc.). With respect to Enbridge Gas's Indigenous Participation Framework proposal[75], to the extent that it is feasible to operationalize that framework within the exclusively voluntary RNG program for larger volume system gas customers, CCC is supportive.[76]

CCC submits that the exclusively voluntary RNG program for larger volume system gas customers described above ensures that only the customers that wish to purchase RNG will be responsible for paying the costs associated with that supply. It offers individual customers another option to fulfill their own emission reduction goals without burdening system supply customers at-large who did not elect to purchase RNG.

A Significantly Smaller Lower-Carbon Energy Program

[73] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 13.
[74] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 12.
[75] Enbridge Gas Lower-Carbon Energy Program, Oral Hearing Presentation, pp. 4-6.
[76] CCC expects that the Indigenous Participation Framework proposal would likely only be possible to operationalize if Enbridge Gas requires longer-term commitments from voluntary participants (and then seeks to match these longer-term commitments with longer-term RNG contracting options from producers).

CCC submits that another reasonable option is a Lower-Carbon Energy Program with an RNG target that better aligns with estimated voluntary demand for RNG. In this regard, the RNG procurement level (or target) should be aligned with the best available forecast of demand for voluntary uptake of RNG of 325 TJs.[77] CCC believes that a small amount of growth on the estimated voluntary RNG demand should be built into the initial RNG target. Therefore, the RNG target should be set at 0.1% of the total gas supply commodity portfolio (i.e., approx. 530 TJs).

This option would operate in a manner that is similar to Enbridge Gas's proposed Lower-Carbon Energy Program, with the above noted adjustment to the targeted percentage of RNG and a recommended change to RNG procurement timing described below. This option would allow Enbridge Gas to procure RNG up to the targeted percentage of RNG (0.1% of the gas supply portfolio) with a maximum bill impact for residential customers equivalent to $2/month per target percentage of RNG (i.e., $0.20/month for 0.1% of targeted RNG supply). The procured RNG would first be offered to larger volume sales service customers on a voluntary basis (and only any RNG supply that is not assigned to a voluntary participant would be passed through to system gas customers in the gas supply commodity portfolio). As in Enbridge Gas's own proposal, it would stop procuring lower-carbon energy for a program year if it has reached the target percentage of lower-carbon energy in the total gas supply portfolio or it is reaching the maximum bill impact for customers, as forecast at the time of procurement.[78]

Under this proposal, the RNG procurement would be designed to have RNG supplies flowing in 2027 instead of the proposal to begin including RNG in the gas supply portfolio in 2026. This change is necessary to align the start of the RNG procurement with the start of the LCVP.[79] CCC sees no reason why Enbridge Gas needs to actually have RNG supplies in the gas supply portfolio in 2026 prior to the start of the LCVP. It can complete its contracting activities with a start date of January 1, 2027. This will properly align the RNG procurement with the start of the LCVP.

[77] Exhibit I.4.2-SEC-32; and Oral Hearing Transcripts, Vol. 2, p. 140. This is equivalent to 0.06% of total planned gas supply.
[78] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 8.
[79] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 4. Enbridge Gas proposed that the LCVP would be offered, on a voluntary basis, to large volume sales service customers beginning January 1, 2027, when the business systems to enable the program are complete. However, the cost premium for lower-carbon energy purchases for 2026 until the LCVP can be offered to large volume customers would be recovered from all system gas customers through the gas supply portfolio.

This option contemplates a single procurement of RNG (i.e., 0.1% targeted RNG supply) in 2027. However, if that procurement is fully voluntarily subscribed (i.e., the entire procurement is purchased by voluntary participants), Enbridge Gas should be allowed, without further approval, to complete one additional RNG procurement (again, with a RNG target of 0.1%) at the time that it has voluntary demand equal to 50% (or approx. 265 TJs) of the second procurement quantity. The first procurement would be for 2027 and the second procurement (assuming the incremental voluntary demand exists) would be for 2028 or 2029. If the 50% voluntary threshold for the second procurement of RNG is not met in time for a 2029 procurement, there should be only one RNG procurement through this program (in 2027).

In the same manner as Enbridge Gas's proposed Lower-Carbon Energy Program, under this option, participating LCVP customers would pay the RNG cost premium through Rider L and Enbridge Gas would reduce the FCC for customers who elect the LCVP on their natural gas bills by a percentage equal to the total annual percentage of lower-carbon energy elected by the customer.[80] RNG costs not recovered through the LCVP would be included in the gas supply commodity portfolio, with variances captured in the relevant Purchased Gas Variance Accounts. Enbridge Gas would also reduce the FCC for sales service customers to reflect the FCC benefit of the RNG that is purchased as part of the gas supply commodity portfolio. Any timing differences for both FCC costs and FCC benefits related to the procurement of RNG in the gas supply commodity portfolio would be recorded in the Customer Carbon Charge Variance Account (CCCVA).[81]

With respect to RNG procurement criteria, Enbridge Gas noted that it will seek to procure RNG at the lowest reasonable price and will evaluate competing bids considering contract duration, CFR credit rights, feedstock type, location of supply (including transportation costs as applicable) and other benefits or risks inherent in each bid.[82] Enbridge Gas also brought forward a proposal for an Indigenous Participation Framework, which includes an Indigenous Discount Advantage (i.e., a 10% discount on bids from qualifying Indigenous-owned businesses located in Ontario).[83]

CCC submits that Enbridge Gas's evaluation criteria are generally appropriate. Given that RNG procurement will not begin until 2027 under this proposal, Enbridge Gas should also take the opportunity to speak to interested voluntary participants to determine the RNG

[80] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 12.
[81] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, pp. 14-15.
[82] Exhibit I.4.2-CBA-1(c).
[83] Enbridge Gas Lower-Carbon Energy Program, Oral Hearing Presentation, pp. 4-6.

characteristics that are most important to those customers with a view to maximizing voluntary participation in the program. To the extent that any particular criteria are more (or less) important to the potentially interested voluntary participants, Enbridge Gas should take that into consideration as part of its procurement activities. Similar to the exclusively voluntary RNG program (discussed previously), to the extent that it is feasible to operationalize the Indigenous Participation Framework proposal within CCC's proposed smaller Lower-Carbon Energy Program, we are supportive.

In Enbridge Gas's next rebasing proceeding for 2029 rates, Enbridge Gas should be required to provide a status update on the RNG procurement(s) prior to any further expansion of the Lower-Carbon Energy Program being authorized. By that time, Enbridge Gas will have some information available regarding actual RNG pricing, actual contracting terms, actual voluntary uptake and whether voluntary customers re-commit after their one-year commitment periods end.

CCC submits that this proposal will operate to minimize the costs of RNG procurement that is paid by non-voluntary system gas customers as the targeted level of RNG procurement is more closely aligned with a reasonable estimate of voluntary participation in the LCVP. Therefore, system gas customers can be seen to be acting as a "backstop" to the LCVP instead of the purchaser/consumer of all, or nearly all, the RNG procured (which is very likely to be the case with Enbridge Gas's proposal).

Under this proposal, there will be circumstances that system gas customers will be called upon to act as a backstop to the LCVP. For example, if voluntary uptake through the LCVP is equivalent to the best available forecast (325 TJ), the non-participating system gas customers will pay the RNG cost premium for the remaining portion of RNG relative to the 0.1% RNG target (530 TJ) that is not voluntarily subscribed. As another example, given the longer-term contracting of RNG supply (i.e., 5 years or greater) and commitment periods of only one-year for LCVP participants, there is the potential that some of the voluntary uptake will dissipate over time and system gas customers will be required to pay for a greater proportion of the RNG procurement over the latter years of the contract terms. However, CCC's proposal limits the cost implications for non-participating customers through the significantly moderated RNG target (which better matches a realistic view of voluntary uptake).

The maximum total incremental program cost (to be borne by all system gas customers), using the 0.1% RNG target and assuming no voluntary uptake, is $67.5 million based on 5-

year contracting.[84] The maximum residential bill impact is $0.20/month.[85] This is a much more reasonable maximum level of ratepayer funding for the Lower-Carbon Energy Program given the limited interest that system gas customers have shown in RNG procurement. In addition, it is very unlikely that system gas customers will bear the entire maximum cost of the program (or, relatedly, experience the maximum bill impact) as the estimated voluntary demand, under this proposal, is much more closely aligned with the RNG procurement target. Using the best available estimate of voluntary demand (325 TJ)[86], the total ratepayer-funded portion of the cost would be $25.9 million (using 5-year contracts) and the bill impact would be approximately $0.08/month for a non-participating residential customer.

With respect to the 0.2% RNG target, in the circumstance that the first tranche of RNG procurement is fully voluntarily subscribed and there is incremental voluntary demand (>50%) for the second tranche of RNG procurement, the total theoretical bill impacts could reach $0.40/month for a residential customer (with maximum program costs of $134.9 million). However, the level of voluntary demand for RNG would need to be a significant portion of the 0.2% RNG target for this tranche of RNG supply to be procured. An illustrative estimate is that approximately 75% of the 0.2% RNG target would be voluntarily subscribed.[87] On this basis, the total program costs would be $33.7 million and the residential bill impact would be $0.10/month).

CCC submits that this proposal results in system gas customers acting as a backstop to Enbridge Gas's RNG procurement activities, which support voluntary demand for RNG from larger volume system gas customers. The financial impact on non-participating system gas customers are much more modest and the proposal protects against material bill impacts being experienced by these customers (largely through the reduced RNG procurement target(s)).

If the OEB directs Enbridge Gas to implement this proposal, CCC submits that the existing VRNG program can be closed. Under this proposal, it is likely that some portion of the RNG

[84] Incremental costs refers to RNG procurement-related cost premiums above conventional natural gas and offsetting reductions to applicable federal carbon charges (FCC). The maximum incremental costs were derived using an RNG price of $25.58/GJ, which is the maximum incremental cost of RNG where the two program thresholds (i.e., targeted RNG and bill impacts) are met (and no further RNG procurement would occur) (See Oral Hearing Transcripts, Vol. 2, p. 144).
[85] Based on a $2/month bill impact threshold for residential customers per 1% of RNG procurement.
[86] Exhibit I.4.2-SEC-32; and Oral Hearing Transcripts, Vol. 2, p. 140.
[87] This reflects 100% of the first tranche (0.1% RNG target) and 50% of the second tranche (incremental 0.1% RNG target).

procurement will be purchased by non-participating system gas customers and the quantity of RNG purchased will be higher than what has been purchased through the existing VRNG program to date.[88] Therefore, these smaller volume system gas customers will have exposure to RNG by backstopping the LCVP.

Overall, CCC submits that its proposals for either an exclusively voluntary RNG program or a significantly smaller Lower-Carbon Energy Program are reasonable. These proposals properly protect system gas customers from paying excessive costs resulting from the procurement of RNG, which is not cost-effective at reducing CO2e emissions and customers have clearly signaled they do not want, while still facilitating the operation of a meaningful voluntary RNG program for larger volume system gas customers (who elect to participate).

4. Revenue Decoupling

In their January 27, 2025, submission on incentive ratemaking mechanisms, Environmental Defence (ED) and the Green Energy Coalition (GEC), set out their proposal for a revenue decoupling mechanism to be applied in Enbridge Gas's current rate term (or at the time of its next rebasing) (ED/GEC Revenue Decoupling Proposal). More specifically, the ED/GEC Revenue Decoupling Proposal recommended that the OEB approve a methodology that returns all, or some, of the incremental revenue derived from net customer connections/disconnections to ratepayers during the current incentive ratemaking (IR) term. The proposal is applicable to only general service customers.[89]

The basis for the ED/GEC Revenue Decoupling Proposal is to "remove Enbridge Gas's incentive to convince as many developers as possible to connect to the gas system and dissuade existing customers from leaving the gas system."[90] ED/GEC stated that this incentive is contrary to customer interests as: (a) it will incentivize investment in the riskiest infrastructure spending; (b) minimize the number of new homebuyers and existing customers that benefit from lower energy costs through electrification; and (c) is contrary to the least-cost pathway to decarbonizing buildings.[91]

[88] For example, using only the first tranche of RNG procurement (0.1% RNG target) and the best estimate of voluntary demand (325 TJs), non-participating system gas customers will purchase approximately 211,000 GJs of RNG. To date, the VRNG program has resulted in the procurement of only 5,600 GJs of RNG (Exhibit I.4.2-GEC-17(a).
[89] ED/GEC IRM Submission, January 27, 2025, pp. 4 and 15-19.
[90] ED/GEC IRM Submission, January 27, 2025, p. 3.
[91] ED/GEC IRM Submission, January 27, 2025, pp. 3-4.

ED/GEC provided numerous examples regarding how Enbridge Gas's incentive to connect customers or otherwise dissuade existing customers from leaving the gas system is highlighted through the company's actions.[92] ED/GEC also stated that "decoupling revenue from customer counts would benefit customers with respect to financial risk, energy bills, energy transition readiness, and customer choice."[93]

CCC is concerned with the long-term implications for consumers of stranded assets and believes that additional mechanisms to address stranded asset risk may be required in the future. It may be that revenue decoupling can be designed in a manner, or implemented along with other mechanisms, that effectively, and in a manner that is fair to the utility and ratepayers, addresses stranded asset risk but that is not the case with the proposal made by ED/GEC in the current proceeding. Therefore, CCC believes that a comprehensive review of all the potential mechanisms to address stranded asset risk should be considered at the time of Enbridge Gas's next rebasing. CCC notes that this approach is aligned with the OEB's direction in its Phase 1 Decision, which required that certain assessments regarding stranded asset risk be completed and filed in the next rebasing proceeding.[94] This is also consistent with the OEB-approved Phase 2 settlement proposal that required Enbridge Gas to review new incentive ratemaking options (i.e., efficiency carryover mechanisms and differentiated return on equity (ROE)) at its next rebasing.[95]

Revenue Decoupling and a Declining Customer Base

The ED/GEC Revenue Decoupling Proposal is generally written from the perspective of a forecasted increase in customer count and the utility's incentive to meet (or exceed) that customer connection forecast.[96] This perspective aligns with the customer growth expected in the current IR term.[97] However, in the circumstance of a declining customer connection forecast, revenue decoupling shields the utility from declining revenues during the IR term[98] and provides the signal (and the necessary revenues) to continue investment as if there is no reduction to the customer base. CCC submits that a mechanism that reduces the utility's incentive during an IR term to appropriately align its investments with

[92] ED/GEC IRM Submission, January 27, 2025, pp. 5-8.
[93] ED/GEC IRM Submission, January 27, 2025, p. 8.
[94] EB-2022-0200, Decision and Order, pp. 140-141.
[95] Settlement Proposal, Exhibit N, Tab 1, Schedule 1, p. 20.
[96] ED/GEC IRM Submission, January 27, 2025, pp. 17-18. For example, all of ED/GEC's options reference $256 million of forecast incremental revenue resulting from net customer additions.
[97] Enbridge Gas Response to ED Question #4, November 15, 2024.
[98] Oral Hearing Transcripts, Vol. 2, p. 208.

the reality of a declining customer base is problematic (and, directionally, operates to increase the potential for stranded assets).

ED/GEC appear to believe that revenue decoupling is a foregone conclusion in the circumstance that there is a declining customer base. ED/GEC use this conclusion to support the implementation of the Revenue Decoupling Proposal in the current IR term. ED/GEC stated:

> "Eventually, customer counts will start declining. Enbridge expects that to occur in 2034. At that point, Enbridge will almost certainly advocate to decouple revenue from customer counts as that would be necessary "to keep the company whole." If we will have revenue decoupling at that point, we might as well adopt it now while there is an opportunity to return some of the incremental distribution margin back to customers."[99]

CCC strongly disagrees that a declining customer base means that revenue decoupling must be implemented. As discussed above, revenue decoupling, in a declining net customer attachment situation, provides an incentive during the IR term that is contrary to customer interests (i.e., incentivizes continued system investment as if revenues are not reducing year-over-year during the IR term). The ED/GEC Revenue Decoupling Proposal does not consider this problem, nor does it provide any ideas on how to resolve it.

Revenue Decoupling and Longer-Term Stranded Asset Risk

At a high level, revenue decoupling can reduce a utility's incentive to connect new customers (and keep existing customers connected to its system) in the short run, but it does not comprehensively address the issue of stranded asset risk. More specifically, revenue decoupling, if designed properly, can potentially make a utility indifferent to customer growth during an IR term. However, as agreed to by the Current Energy Group (CEG), it does not address the longer-term incentive to increase rate base (as a larger rate base at the time of the next rebasing will result in higher rates and revenues (all else being equal)).[100]

Enbridge Gas stated that it will not attach new customers if the revenues associated with those attachments are forfeited. However, its specific reaction to the implementation of the ED/GEC Revenue Decoupling Proposal will depend on the details of the OEB's approval.[101] Enbridge Gas's statement highlights that the introduction of revenue

[99] ED/GEC IRM Submission, January 27, 2025, p. 13.
[100] Oral Hearing Transcripts, Vol. 2, p. 192.
[101] Enbridge Gas, Argument-in-Chief, p. 41.

decoupling will change its behaviour with respect to customer attachments during the IR term. However, Enbridge Gas also stated, in previous responses to ED/GEC with respect to revenue decoupling, that while it may not seek to add customers in the early years of the IR term, it may add customers in the latter years of the term as the related capital investment would be included in rate base in short order.[102]

CCC submits that the longer-term incentive to grow rate base whether through customer growth (or more generally, any form of capital investment) is the most direct cause of stranded asset risk.[103] Revenue decoupling as proposed by ED/GEC does not address this problem.

ED/GEC Revenue Decoupling Design Options

ED/GEC provided a number of design options for its Revenue Decoupling Proposal, all of which apply only to general service customers.[104]

The first option is a revenue true-up of actual customer counts relative to the test-year customer count.[105] This option appears to result in a full refund of all incremental revenues resulting from net new customer attachments during the IR term. If the customer count during the IR term is lower than the test year customer count, then there would be a debit to be collected from customers (equal to the notional unrecovered revenues related to net customer disconnections).

The second option is a revenue true-up of actual customer counts relative to annual forecast customer counts.[106] This option appears to true-up variances in revenues resulting from differences in actual net customer attachments relative to annual customer attachment forecasts during the IR term. Only in circumstances where there are more, or less, net customer attachments than forecast will a true-up occur. [107]

[102] Enbridge Gas Response to ED Question #2, November 15, 2024, p. 7.
[103] Enbridge Gas Response to ED Question #2, November 15, 2024. In this response, Enbridge Gas makes several references to its longer-term incentive to grow rate base. For example, Enbridge Gas speaks to its "worse position in future years" if it does not add customers during the IR term because its rate base will be reduced at the time of its next rebasing (page 2).
[104] ED/GEC IRM Submission, January 27, 2025, p. 17.
[105] ED/GEC IRM Submission, January 27, 2025, p. 17.
[106] ED/GEC IRM Submission, January 27, 2025, pp. 17-18.
[107] CCC notes that for Option 2, in the ED/GEC submission, the equation is as follows: (forecast customers) X (average revenue per customer) minus (forecast customers) X (average revenue per customer). Presumably, the formula for this option is supposed to be (*actual* customers) X (average revenue per customer) minus (forecast customers) X (average revenue per customer). We have interpreted Option 2 in this manner for the purposes of our submission.

The third option is a revenue true-up of actual customer counts relative to annual forecast customer counts with 75%, or some other percentage, of the revenues from net new customer attachments being retained by Enbridge Gas.[108] Similar to Option 2, this option appears to true-up variances in revenues resulting from differences in actual net customer attachments relative to annual customer attachment forecasts during the IR term. Only in circumstances where there are more, or less, net customer attachments than forecast will a true-up occur. The difference in this option is that Enbridge Gas will retain 75%, or some other percentage, of the revenues of an incremental customer attachment above forecast.[109, 110]

CCC is concerned with all three of the revenue decoupling mechanism designs proposed by ED/GEC. Our concerns are detailed in the sub-sections below.

Disincentivizing Customer Connections

Option 1 is the most likely to have an impact on Enbridge Gas's incentive to connect customers (at least in the short-term). While it does not address the longer-term incentive for rate base growth, it does capture all the incremental revenues derived from actual net general service customer attachments during the IR term. However, it mutes the incentive, during the IR term, to react appropriately to a declining customer base (if that were to occur) for the reasons described previously.

Options 2 and 3 do not seem to resolve the problem that ED/GEC is attempting to address. It is unclear how a revenue decoupling mechanism that captures revenue variances related

[108] ED/GEC IRM Submission, January 27, 2025, p. 18.
[109] CCC notes that for Option 3, in the ED/GEC submission, the equation is as follows: (forecast customers) X (average revenue per customer) X (0.75) minus (forecast customers) X (average revenue per customer) X (0.75). Presumably, the formula for this option is supposed to be (*actual* customers) X (average revenue per customer) X (*0.25*) minus (forecast customers) X (average revenue per customer) X (*0.25*). In this option, Enbridge Gas retains 75% of the revenues. Therefore, only 25% would be subject to true-up in the variance account. We have interpreted Option 3 in this manner for the purposes of our submission.
[110] CCC notes that Enbridge Gas has interpreted this option as being more consistent with Option 1 (i.e., captures revenues associated with all net customer attachments during the IR term relative to the test year customer count) (see Enbridge Gas, Argument-in-Chief, p. 24). The formula included in the option appears to reflect a true-up between annual forecast and actual customers (ED/GEC IRM Submission, January 27, 2025, p. 18). However, ED/GEC's explanation of the benefits as follows: "[i]t would allow Enbridge to earn, say, 75% of the $256 million it anticipates earning from net customer additions/exits to ratepayers, but no more and no less," (ED/GEC IRM Submission, January 27, 2025, p. 18) appears to be more consistent with Option 1. We are unsure whether ED/GEC's Option 3 is intended to true-up revenues relative to the test year customer count or to annual customer attachment forecasts.

to only net customer attachments above the customer count forecast each year will disincentivize Enbridge Gas, even during the IR term, from seeking to attach new customers or keep existing customers. In both of these options there is a clear incentive, during the IR term, to attach, at least, the forecast number of customers as none of the revenues up to that forecast would be refunded to customers. Options 2 and 3 do not disincentive customer attachments in a meaningful way and simply transfer the risk of meeting the customer attachment forecast from Enbridge Gas to ratepayers.[111] We do not understand why ED/GEC believe that it is appropriate to transfer customer attachment risk to ratepayers particularly when there is little, or no, change in Enbridge Gas's incentive to connect customers, which appears to be the entire purpose of the ED/GEC Revenue Decoupling Proposal.

Revenue Only True-up

Options 1 and 2 entirely ignore the costs associated with customer attachments. There does not seem to be any principled basis to ignore the costs associated with customer attachments in ED/GEC's proposed form of revenue decoupling.

CCC notes that even ED/GEC's expert, CEG, acknowledges that costs should be considered in a true-up related to changes in customer counts (relative to either test year customer counts or forecast customer counts). More specifically, CEG stated that:

> "The variance account would record the revenue impact of the difference between the annual customer counts and those embedded in base rates for each of the general service rate classes. The true-up likely should be offset by the incremental costs or savings from adding or subtracting customers of that class (i.e. the incremental O&M cost of serving an additional customer in the relevant rate class)."[112]

Option 3, in a crude manner, attempts to address the deficit with Options 1 and 2 (in terms of a revenue only true-up) by allowing Enbridge Gas to retain 75%, or some other percentage, of the revenues associated with net customer attachments. While it does allow for the recovery of some portion of the cost of a new customer attachment, there is no evidentiary basis for the suggested 75% revenue retention.

Enbridge Gas has provided evidence regarding the costs associated with incremental customer attachments. The evidence shows that the total costs of customer connections

[111] As noted in footnote 110 above, it is unclear whether Option 3 is intended to be more aligned with Option 1 or 2. For the purposes of our submission, we have assumed that it is more similar to Option 2.
[112] CEG Response to CCC IR #3, p. 9.

are larger than the revenues during the IR term.[113] CCC does not agree that Enbridge Gas has properly accounted for all the funding that is provided through the Price Cap IR framework for capital investments[114] and it remains an open question whether there is a positive or negative net margin related to customer attachments.

However, if Enbridge Gas was correct that a customer attachment has a net cost during the IR term, it calls into question the purpose of ED/GEC's proposed form of revenue decoupling (assuming both costs and revenues are considered in the true-up). In this scenario, if there is a net customer addition (either relative to the test year or the annual customer attachment forecast), Enbridge Gas would collect additional funds from ratepayers.[115] In no way would this disincentivize customer connections, and it would simply result in a transfer of funds from ratepayers to the utility.

Revenue Decoupling and Price Cap Incentive Ratemaking

All parties agreed that rate-setting during the IR term for Enbridge Gas would be based on a Price Cap IR methodology.[116] CCC does not believe that ED/GEC's proposed form of revenue decoupling fits well within the construct of Enbridge Gas's Price Cap IR framework.

Under Price Cap IR, the price (or rate) is decoupled from the cost (after the initial rebasing year). In this way, a utility is incentivized to operate efficiently and minimize costs during the IR term.[117] There is no forecast of net customer attachment-related revenues (or costs) in the outer years of the IR term as rates and costs are decoupled. Therefore, to the extent that there is variance between the revenues or costs of a customer connection in any of the outer years of the IR term, it is simply an outcome of the Price Cap IR mechanism operating as intended. CCC submits that there does not appear to be a principled basis to attempt to isolate customer attachment-related revenues (or distribution margin) and either refund or recover those amounts from ratepayers under Enbridge Gas's Price Cap IR framework.

[113] Enbridge Gas Response to ED Question #3, Updated December 14, 2024.
[114] Enbridge Gas Response to ED Question #3, Updated December 14, 2024 (Table 5); and Oral Hearing Transcripts, Vol. 2, pp. 97-98. Enbridge Gas's analysis of the distribution margin (Table 5) does not include some capital funding that is implicitly provided under Price Cap IR. Enbridge Gas agreed that there are assets that form part of rate base in the test year for which revenue requirement is provided and those assets become fully depreciated during the IR term (but are still attracting revenues through rates as if they are not fully depreciated). CCC believes that the revenue shortfall shown by Enbridge Gas related to customer attachments is likely overstated due to this omission.
[115] Oral Hearing Transcripts, Vol. 2, p. 185.
[116] Settlement Proposal, Exhibit N, Tab 1, Schedule 1, p. 14.
[117] OEB, Renewed Regulatory Framework for Electricity, October 18, 2012, p. 11.

Insufficient Evidence for Implementation in the Current Incentive Ratemaking Term

CCC generally agrees with Enbridge Gas that the parameters for the "Customer Count Variance Account," which is needed to operationalize revenue decoupling under the Price Cap IR framework, are not well established by ED/GEC in its submission.[118]

As an example, if the OEB were looking to implement a revenue decoupling methodology that reflects a true-up for changes in customer counts (and more reasonably considers both revenues and costs), the evidentiary record regarding the net margin associated with customer attachments is lacking for the reasons described previously.[119] Therefore, the appropriate parameters for the Customer Count Variance Account would still require significant review by the OEB.

CCC's concerns with the specific design features of ED/GEC's revenue decoupling options and the lack of evidence to support implementation during the current IR term further support our position that revenue decoupling, along with other mechanisms to address stranded asset risk, should be reviewed as part of Enbridge Gas's next rebasing proceeding.

<u>Consideration of Revenue Decoupling in Enbridge Gas's 2029 Rebasing</u>

ED/GEC provided three timing options with respect to implementation of revenue decoupling: (i) present concrete options for the next rebasing; (ii) implement decoupling in the next rebasing; and (iii) implement during the current IR term. ED/GEC stated that implementation in the current IR term is essential.[120] CCC submits that Enbridge Gas should be directed to present potential options for revenue decoupling at its next rebasing.

ED/GEC believe that the inclusion of revenue decoupling in the current IR term is "[c]onsistent with the OEB's incremental approach to rate regulation."[121] This is not true. This is a foundational change to Enbridge Gas's ratemaking framework. CCC submits that the introduction of revenue decoupling is not a mechanism that you simply add, through a deferral account, to Enbridge Gas's Price Cap IR framework.

[118] Enbridge Gas, Argument-in-Chief, p. 27.
[119] As noted previously, CCC does not believe that Enbridge Gas has comprehensively accounted for all the capital funding available through the Price Cap IR framework (see Oral Hearing Transcripts, Vol. 2, pp. 97-98).
[120] ED/GEC IRM Submission, January 27, 2025, p. 16.
[121] ED/GEC IRM Submission, January 27, 2025, p. 3.

CCC notes that when the Public Utilities Commission of the State of Hawaii (Hawaii PUC) introduced revenue decoupling for the Hawaiian electric companies it did so with the caveat that the utilities should reset their base rates to reflect a reduced ROE prior to implementation.[122] More specifically, the Hawaii PUC stated:

> "There was general agreement in this docket, and in HECO's 2009 test year rate case docket (Docket No. 2008-0083), that decoupling would have the effect of reducing the HECO Companies' financial risk."[123]
>
> "The HECO Companies shall implement decoupling, and commence tracking target revenues and recorded adjusted revenues when rates that reflect a reduced ROR due to decoupling are approved by the commission in either an interim or final decision and order in the HECO Companies' pending rate cases."[124]

The Hawaii PUC did not simply implement revenue decoupling on the basis of existing base rates, which is what ED/GEC has recommended.

CCC also notes that ED/GEC's expert, CEG, views differentiated ROE as a higher priority for implementation than revenue decoupling.[125] It is unclear why ED/GEC believe that revenue decoupling should be implemented, on its own, before other options to address stranded asset risk are considered.

For the reasons discussed previously, CCC submits that revenue decoupling, which is properly viewed as foundational change, is appropriately considered together with other changes to base rates and a broader set of potential mechanisms that can address stranded asset risk (e.g., cost of capital in the context of any future changes to the rate-setting mechanism, depreciation rates, requirements for capital contributions for growth assets, differentiated ROE (between growth and non-growth assets), revenue cap IR, etc.). The OEB should consider all the options/mechanisms available together when determining the appropriate path forward with respect to addressing stranded asset risk.

~ All of which is respectfully submitted ~

[122] Exhibit K1.8, p. 55; and Oral Hearing Transcripts, Vol. 1, pp. 191-192. CCC acknowledges that the form revenue decoupling proposed by ED/GEC in the current proceeding is different from the broader form of revenue decoupling implemented in Hawaii. However, the underlying transfer of risk from the utility to ratepayers resulting from revenue decoupling is the same.
[123] Public Utilities Commission of State of Hawaii, Docket No. 2008-0274, Final Decision and Order, p. 44.
[124] Public Utilities Commission of State of Hawaii, Docket No. 2008-0274, Final Decision and Order, p. 45.
[125] CEG Response to CCC IR #1(b), p. 2.