EB-2024-0111

ONTARIO ENERGY BOARD

Enbridge Gas Inc.
2024 Rebasing Application
Phase 2

POLLUTION PROBE SUBMISSION

February 18, 2025

Submitted by: **Michael Brophy**

Michael.brophy@rogers.com

Phone: 647-330-1217

28 Macnaughton Road

Toronto, Ontario M4G 3H4

Consultant for Pollution Probe

Table of Contents

1. Introduction

Enbridge Gas Inc. (Enbridge) filed an application with the Ontario Energy Board (OEB) under section 36 of the Ontario Energy Board Act, 1998, seeking approval for changes to the rates that Enbridge charges for natural gas distribution, transportation and storage, beginning January 1, 2024. This proceeding[1] represents the second of three phases for the Enbridge Rebasing application and the Issues Lists for this phase was determined by the OEB, including a consultation with interested parties[2].

Following a successful Settlement Conference, Enbridge filed a Settlement Proposal with the OEB on November 4, 2024, representing a partial settlement on the majority of Phase 2 issues. The Settlement Proposal included significant net benefits (financial and policy related) and was accepted by the OEB on November 29, 2024[3]. The Settlement Proposal included full settlement of many issues, allocation of some issues to Phase 3[4] (e.g. IRP), and a statement that some activities proposed by Enbridge are not supported by parties (e.g "safe bets").

Pertaining to Energy Transition, the parties agreed that there is no need at this time to further debate safe bets related to Capital spending in the Phase 2 proceeding[5]. As noted in the approved Settlement Proposal, the Parties do not agree whether the items identified by the Company as a "safe bet" are safe bets nor whether spending on all aspects of Enbridge Gas's planned hydrogen grid study is appropriate or is eligible for capitalization. However, there is no requirement for these matters to be determined in this case[6]. The lack of acceptance or approval for any of the "safe bet" activities proposed by Enbridge simply means that the risk remains with Enbridge if any of these "safe bet" activities are undertaken with ratepayer funds and are no considered prudent expenditures. There are related residual issues outside the scope of Phase 2 such as the jurisdiction of the OEB related to certain "safe bets" (e.g. hydrogen or CCUS) or the scope of the regulated utility to undertake certain "safe bets" that have not been

[1] EB-2024-0111.
[2] dec_Issues List_PO 2_EGI Rebasing_Ph 2_20240530_esigned.
[3] dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129_esigned.
[4] The agreement for Enbridge to suspend consumer information related to natural gas promotion and comparison to other energy options included a requirement for Enbridge to file updated information for review in Phase 3 or as soon as available if Enbridge requires more time than Phase 3. Given the importance of this issue, a review in Phase 3 would be most efficient, if possible. It is also important to note the interaction between this issue and other proceedings, such as current expansion project Leave to Constructs. The OEB appropriately reviewed this item in a generic manner rather than individually through individual Leave to Construct proceedings. Once the OEB process is complete to review updated materials from Enbridge, any relevant impacts will also need to be applied to expansion project Leave to Constructs.
[5] dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129_esigned, Page 7.
[6] dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129_esigned, Exhibit N, Tab 1, Schedule 1, Page 10.

endorsed by the OEB[7]. Pollution Probe has avoided making submissions related to those issues in Phase 2. Pollution Probe understands that the OEB would likely follow a similar scoping process for Phase 3 which would enable parties to comment on a draft issues list in that phase of the Rebasing process. To the extent that the OEB believes that certain materials, reports or information should be included in Enbridge's Phase 3 application, the OEB may wish to proactively identify those.

Also, as confirmed by Enbridge in this proceeding, the most recent Asset Management Plan (AMP) for 2025-2034 was filed with the OEB in November 2024. This AMP follows the Phase 1 Rebasing Decision and includes a section that indicates that the 2025-2034 Capital plan has been successfully rebalanced within the OEB approved Capital envelope (including mitigation of $250 million) while maintaining safety and reliability across the Ontario system[8]. Although the AMP is not approved by the OEB, it is important to note that there is sufficient funding capacity during this rate term (2024-2028) to meet the priorities identified by Enbridge.

The OEB scheduled a hybrid hearing on the unsettled issues. The issues as laid out in the order of Enbridge's Evidence-in-Chief are:

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)

This document includes submissions pertaining to these unsettled issues.

[7] For example, these include activities related to hydrogen (regulated by the TSSA) or carbon capture and storage (CCS).
[8] EB-2020-0091 EGI_AMP_2025-2034_20241108, Page 17, Section 1.6.

2. Recommendations

This section provides a summary of recommendations which should be read in conjunction with the broader document. Pollution Probe thought that it would be helpful to the OEB to provide this summary up front and prior to delving into the specifics of each issue.

- Pollution Probe recommends that the OEB not approve a change (i.e. exemption) to the calculation of the Meter Reading Performance Measurement (i.e. exclude actual results pertaining to inaccessible meters).
- Pollution Probe recommends that the OEB decline the Low-Carbon Energy Program as proposed by Enbridge.
- Should the OEB decide to approve some iteration of the LCEP program, it is recommended that it not be mislabelled as “Low Carbon” and call it what it really is, an RNG Procurement Program. Given the uncertainties related to this proposed program, it is also important that any OEB approval ensure that the program will be reviewed in the next Rebasing proceeding to evaluate the real costs and benefits. Launching a new regulated utility service without any checkpoint is not a prudent approach.
- The OEB could also consider placing controls on low carbon marketing campaigns and correspondence funded with ratepayer funds to ensure that proper fulsome facts are included.
- Pollution Probe recommends that the existing Voluntary RNG Program be wound down by the end of this rate term (by end of 2028) due to its lack of success and that Enbridge complete a close-out report for the Voluntary RNG Program and file it as part of the next rebasing application. The close-out report should include the following information:
    - Results of the program vs. the stated objectives in EB-2020-0066.
    - Costs (O&M/Capital) costs per year over the program.
    - Benefits per year over the program.
    - Challenges and Lessons Learned.
    - Details on carbon intensity of the RNG procured and annual lifecycle emission reductions resulting from the program.
- Pollution Probe recommends that Enbridge file a comprehensive RNG Strategy in its next Rebasing application, which would provide all the relevant elements, objectives, activities and benefits Enbridge should attempt to achieve over the short, medium and long term.
- Pollution Probe recommends that the OEB undertake guidance on the use of lifecycle emissions for RNG and other “low-carbon” fuels and require Enbridge to use best available practices and recognize lifecycle emission calculations for regulatory purposes, including when comparing alternatives against natural gas.

- Pollution Probe supports OEB actions that reduce Enbridge's over-incentive to retain or grow natural gas customers and invest excess Capital that will become underutilized or stranded. One single action will not achieve that full objective, but revenue decoupling is one tool to help move in the right direction over the current rate term. The most effective approach appears to be 'True up revenue from actual customer counts against test-year customer counts'[9].
- Should the OEB decide that none of the options available to it in this proceeding are adequate at this time, it is recommended that the OEB put in place the right approach to ensure the information required is included in Phase 3 of the Rebasing proceeding.

3. Submissions by Issue

The following are the submissions by outstanding issue.

3.1. Are the proposed scorecard Performance Metrics and Measurement targets for the amalgamated utility, including the proposed change to the calculation of the Meter Reading Performance Measurement, appropriate?

Pollution Probe recommends that the OEB not approve a change (i.e. exemption) to the calculation of the Meter Reading Performance Measurement. Pollution Probe is aware that several other parties intend to include information in their submissions that reinforce the point that there should not be a change to measurement of this metric. Therefore, Pollution Probe has not included an exhaustive set of references which supports that point of view. In order to provide sufficient understanding and justification for retaining the current measurement approach, Pollution Probe provides the following submissions.

Enbridge believes that the scorecard metrics are appropriate and believes that the methods for calculating the metrics are appropriate, with the exception of the Meter Reading Performance Measurement (MRPM) target. Enbridge Gas accepts 0.5% for the MRPM target, however, does not believe that inaccessible meters should be included in calculating the target.

Meter reading performance was considered in the Phase 1 proceeding and the OEB's Decision highlighted that "Enbridge Gas explained that it experienced challenges meeting the MRPM metric since 2019 for several reasons including COVID-19 resulting in closed businesses, increased customer sensitivity to contact with meter readers, access issues during periods of lockdown, staffing issues attributable to quarantine/isolation periods and labour resource shortages. Enbridge Gas also lost a

[9] As outlined in ED-GEC_SubmissionsReIRM_20240127, Page 17.

key meter reading vendor in 2019 resulting in the need to onboard a new vendor. Meter reading vendors experienced hiring challenges with the attrition rate and level of absenteeism for meter reading personnel being the highest Enbridge Gas has experienced. Enbridge Gas also stated that 27 weather events in the 2020 to 2021 period limited the ability to safely access meters" [10]. An exemption to the meter reading metric was not approved in Phase 1. The OEB denied the requested partial exemption to the target metrics for the Call Answering Service Level and the Meter Reading Performance Measurement in that phase[11].

These are factors no different to those faced by all utilities and Enbridge has tangible available options to resolve issues with chronic inaccessible meters, including remote meter reading options. An exemption from including inaccessible meters removes the continuous improvement element that is intended in this metric and breaks the continuity of reporting against the metric (i.e. results would not be comparable if the measurement approach changes). Enbridge suggests that it does not need to be measured to focus on inaccessible meter reading continuous improvement, but what gets measured matters. It matters that inaccessible meters are included in the metric and that the OEB and stakeholders have visible access to this progress through the scorecard metric results. Carving inaccessible meter statistic off to a back corner does not have the same level of focus or prudence. The entire purpose of scorecard metrics loses all meaning if it were appropriate for Enbridge to just go off and not report results to the OEB in a transparent and regular manner.

Enbridge confirmed that meter reading challenges have been influenced by operational decisions made by Enbridge such as contractor selection, onboarding and quality assurance[12] and that the problem has decreased annually since 2022 when it was identified as a driver of poor scorecard performance. EGI is also doing better on the meter reading metrics than the current forecast and better than last year[13].

Enbridge Gas defines inaccessible meters as those meters to which the Company has not been able to obtain access to read the meter for 4 or more consecutive months because of customer-driven conditions that are beyond Enbridge Gas's control. There is actually no formal definition of what defines an inaccessible meter, which poses a problem if the OEB were to exempt such a thing. Enbridge defines it lack of control as a very broad range of circumstances, almost all of which can be overcome by Enbridge through available tangible solutions, which are in Enbridge's control. Enbridge uses a broad set of around 35 "system skip codes" completed by the field contractors as an

[10] EB-2022-0200 dec_order_EGI_2024 Rebasing_Phase I_20231221, Page 130-131
[11] EB-2022-0200 dec_order_EGI_2024 Rebasing_Phase I_20231221, Page 4.
[12] Hearing Tr. Day 1 Page 22 lines 1 – 8.
[13] Exhibit I.1.7-VECC-2, Exhibit I1.7-STAFF-2 and source: Exhibit 7, Tab 1, Schedule 1, p. 6 and Attachment 2.

estimation for justifying why a meter is not read. No distribution or analysis was provided by Enbridge on the uses of the skip codes or evaluation if the skip codes completed in the field presented a barrier outside of Enbridge's control. One example provided by Enbridge included clutter or garbage near the meter[14]. Regardless of the skip code entered, there are solutions to resolve this problem that do not include changes to existing scorecard reporting.

Enbridge's meter reading scorecard requirements are outlined in the Gas Distribution Access Rules (GDAR)[15]. Enbridge is proposing to remove "inaccessible meters" from the GDAR measurement for the meter reading metric. A change to the metrics would require an exemption from GDAR, which Enbridge has not requested. It can be problematic when exemptions are provided without consideration of the broader issues assessed when the requirements were initially established[16]. Even more challenging is that if there is no formal definition for "inaccessible meters" and the determination is subjective based on the opinions of Enbridge or its field contractors (the ones picking one of 35 codes to justify missing a reading). This kind of loose exemption is subject to gaming and circumvents the integrity and reliability of this scorecard metric. Enbridge confirmed that its meter reading scorecard results have been and continue to trend in a positive direction and removing data from this measurement will skew the result in a manner that the metric can't be reliably compared against the target or historical actuals. It is like starting from scratch on trend reporting against the target.

Enbridge suggests that it is not fair to hold the company for issues outside it control. Reality is that there are many things outside the company's control in its normal course of business. However, addressing inaccessible meters is one of the more controllable issues for Enbridge, given the range of tangible solutions available. As an example, Enbridge has highlighted that it has already begun investing in Encoder Reader Transmitter (ERT) technology using existing Capital and Operating budgets[17]. Both ERT and Advanced Meter Infrastructure (AMI) are readily available technologies. Enbridge confirmed that it can solve the inaccessible meter issue with targeted remote meter reading[18]. In fact, Enbridge has installed more than 193,000 remote meter reading transmitters (ERT/AMI), including in areas that do not require them for reading inaccessible meters[19]. Enbridge already planned to purchase more devices, including 77,000 ERT/AMI devices in 2024 alone[20]. By targeting a small fraction of these to

[14] Hearing Tr Day 1 Page 85 line 25 to Page 86, line 12.
[15] K1.3 SEC_EG_Phase2_Hearing_Compendium_20241216_Rev, Pages 32-34.
[16] Hearing Tr Day 1 Pages 65-66.
[17] Hearing Tr Day 1 Page 11
[18] Phase 2 Hearing Tr. Day 1 Page 78 lines 4 - 6.
[19] EB-2022-0335 OEB Question #1
[20] Hearing Tr Day 1 Page 57 line 26 to page 58 line 26.

46,000 recurring problem customers[21], the problem could be easily solved. Enbridge confirmed that over time it does gain access to inaccessible meters and can easily update them to avoid future challenges[22].

Enbridge has not yet developed a Strategy for ERTs/AMI and is waiting for Phase 3 of the Rebasing proceeding to bring those opportunities forward for consideration[23]. Given that Enbridge has already been purchasing this technology for a long time and intends to continue this, the solution can be applied to inaccessible meters now, even if Enbridge has not fleshed out a more cohesive strategy at this time. This appears to be a no-brainer. There are also other logical options that Enbridge has not put in place to assess the issues and options, e.g. detailed assessment of door hanger campaign effectiveness and potential improvements[24].

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

This application is not about the role of RNG in Ontario or the possibility for RNG to have a net decarbonization impact when certified with emission credits based on lifecycle emissions calculation. This application is about whether a new incremental program (really RNG, but wrapped in a much larger Low-Carbon umbrella) as designed and proposed by Enbridge should be added to the monopoly regulated utility and cross-subsidized by ratepayers.

Pollution Probe has been a supporter of increasing RNG production in Ontario and has previously supported OEB applications that enable that in a cost-effective manner that provides real decarbonization benefits and protects ratepayers[25]. Increased promotion and enablement of RNG can be done with existing tools and funding[26]. For Enbridge to achieve that objective, it would require development of a comprehensive RNG Strategy which does not exist today[27]. Pollution Probe recommends that Enbridge file a comprehensive RNG Strategy in its next Rebasing application, which would provide all the relevant elements, objectives, activities and benefits Enbridge should attempt to achieve over the short, medium and long term.

[21] Hearing Tr Day 1 Page 34 lines 19-25
[22] Hearing Tr Day 1 Page 79 line 24 and Hearing Tr Day 1 Page 14 lines 11 – 17.
[23] Hearing Tr. Day 1 Page 12-13.
[24] Hearing Tr Day 1 Page 89, lines 19-22.
[25] Examples include EB-2023-0175 and EB-2022-0203.
[26] In fact, the Capital and O&M envelope approved in EB-2022-0200 already include RNG related activities.
[27] Hearing Day 2 Tr. Page 171 lines 11-17 and K1.5 PollutionProbe_HearingCompendium_20241216, Page 38.

Pollution Probe has also been a supporter of decarbonization programs aligned with the Energy Transition when they are properly designed to result in real lifecycle GHG reductions. Support for RNG production by the Province, OEB, Pollution Probe or others does not equate to support for the program design proposed by Enbridge. As noted in the proceeding, demand for RNG far outstrips supply for RNG[28] and support for RNG really requires developing new supply to get closer to the feasible potential[29], rather than increasing demand by cross-subsidizing with ratepayer funding.

Pollution Probe notes that although Enbridge's Evidence-in-Chief focuses on a request for a new and incremental Low-Carbon Energy Program (LCEP), the issue as scoped in the proceeding and the result of Enbridge's proposal is actually two-fold, to continue the Voluntary RNG Program and to initiate a new incremental Low-Carbon Energy Program as part of the monopoly regulated utility. These programs are incremental to the existing ability for large customers to use current direct purchase contract options to purchase RNG and nominally transport it to their location[30]. The existing mechanism allows customers to take custody of emission credits needed to reduce their facility emissions.

The existing Voluntary RNG Program is fully voluntary and the RNG cross-subsidy is not backstopped by ratepayers, where the proposed LCEP is not voluntary since ratepayers will pay for the RNG cross-subsidy one way or another. The existing Voluntary RNG Program was approved in EB-2020-0066, which included examples of pilot RNG initiatives being undertaken[31]. Through this program Enbridge proposed to use contributions from participating voluntary customers to fund the incremental cost of RNG (relative to traditional natural gas), with no direct costs for RNG procurement assigned to non-participating customers (i.e. no cross subsidies). Enbridge Gas proposed to manage the operating costs of the Voluntary RNG Program within its existing budgets until rebasing in 2024[32]. The Phase 1 Decision approved the total 2024 O&M[33] and Capital[34] spending envelope, which would be inclusive of any costs related to the Voluntary RNG Program.

Enbridge has highlighted the challenges with the Voluntary RNG Program effectiveness and poor results. Although this program was meant in part to provide some access to experience and learnings, any procurement of RNG is not actually allocated to the customers which paid the voluntary contribution, i.e. there was no customer benefits

[28] K1.5 PollutionProbe_HearingCompendium_20241216, Pages 40-41 and Final Transcript for EB-2024-0111 Oral Hearing December 19 2024, Page 73, lines 8 to 21.
[29] As outlined in the Torchlight RNG Potential Study.
[30] Exhibit I.4.2-PP-43
[31] EB-2020-0066 Exhibit C Tab 3 Schedule 1 Page 3.
[32] EB-2020-0066 dec and order_EGI_Voluntary RNG_20200924, Page 1.
[33] EB-2022-0200 dec_Settlement Proposal_EGI 2024 Rebasing_20230817, Exhibit O1, Tab 1, Schedule 1, Page 30.
[34] EB-2022-0200 dec_order_EGI_2024 Rebasing_Phase I_20231221.

beyond using it as a pilot experience. It is unclear what purpose and benefits would result from the Voluntary RNG Program continuing in the future, particularly given that no customers are able to claim emission credits from this program. It is recommended that the Voluntary RNG Program be wound down over this rebasing term and discontinued after 2028. It would be beneficial to have Enbridge complete a close-out report for the Voluntary RNG Program and file it as part of the next rebasing application. The close-out report should include the following information:

- Results of the program vs. the stated objectives in EB-2020-0066.
- Costs (O&M/Capital) costs per year over the program.
- Benefits per year over the program.
- Challenges and Lessons Learned.
- Details on carbon intensity of the RNG procured and annual lifecycle emission reductions resulting from the program.

As noted, Enbridge is proposing an incremental LCEP 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. 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. The Lower-Carbon Energy Program includes the Lower-Carbon Voluntary Program (LCVP) component and the blend component (i.e. mandatory ratepayer backstop). The LCVP offers RNG to large volume sales service customers on a voluntary basis to achieve emissions reductions. RNG not elected through the LCVP will be included in the cost of gas supply commodity purchases[35]. The OEB would need to be willing that existing customers could cover the full costs of the LCEP if no large customers step forward to reduce those costs.

Enbridge has confirmed that the only focus of the LCEP is RNG and that there are no current plans for any other gases to be included in the LCEP[36]. However, in Enbridge's Argument-in-Chief, Enbridge indicates that it 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[37]. This does not align with Enbridge's testimony and appears to be a bait and switch approach, where Enbridge hopes to get new OEB approval on a "Low Carbon" program based solely on RNG evidence and then once approved, use it as an OEB precedent. Any approval of a program that does not represent the actual intent of

[35] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 3.
[36] Final Transcript for EB-2024-0111 Oral Hearing December 18 2024, Page 158, line 20 to page 159, line 5.
[37] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 11.

the program is subject to misinterpretation. Use of “low carbon” hydrogen and RNG for use in OEB regulated pipelines is already highlighted to the public, government and other stakeholders[38], despite the OEB providing no such approvals other than the limited Markham hydrogen pilot project. The Enbridge campaigns imply that replacing fossil gas with RNG and hydrogen is already a reality approved by the OEB. This approach is very misleading.

Pollution Probe has recommended that the OEB not approve the LCEP based on the current design, but should the OEB decide to approve some iteration of the program, it is recommended that it not be mislabelled as “Low Carbon” and call it what it really is, an RNG Procurement Program. Given the uncertainties related to this proposed program, it is also important that any OEB approval ensure that the program will be reviewed in the next Rebasing proceeding to evaluate the real costs and benefits. Launching a new regulated utility service without any checkpoint is not a prudent approach. The OEB could also consider placing controls on low carbon marketing campaigns and correspondence funded with ratepayer funds to ensure that proper fulsome facts are included.

The LCEP is not a pilot exercise to gain experience and knowledge over a confined period of time. If approved, the LCEP would become a perpetual new activity within the regulated monopoly utility that enables the regulated utility to purchase “low carbon” gas through cross subsidies from existing natural gas customers. There is no strategy or purpose that has been provided to support such a fundamental change in the regulated utility activities funded by ratepayers, what the long-term benefits to ratepayers are, or how this would enable the gas system to achieve Net Zero or avoid stranded assets[39].

Enbridge initially selected an arbitrary 4% RNG blending cap and then refiled in November 2024 (more than halfway through the proceeding) to reduce this to an arbitrary 2% RNG blending cap. The approach proposed by Enbridge is arbitrary and in the absence of a cohesive strategy. Ratepayers (and the OEB) deserve to understand Enbridge’s long-term goals and objectives before we become committed toward this perpetual journey with no offramp. Enbridge confirmed that there are affiliate links to low carbon energy, including RNG projects[40]. It is important to understand how these incremental regulated activities align with the overall Enbridge strategy.

[38] Includes EB-2024-0111, Exhibit JT1.44, Attachment 1 (broad media campaign which affiliate recoveries fund) , and examples for most recent Leave to Construct application is EB-2024-0200 Exhibit I.1-CAFES Ottawa-10, Attachment 2, Exhibit I.1-CAFES Ottawa-10, Attachment 6, Page 3, Exhibit I.1-CAFES Ottawa-10, Attachment 7, Page 2, Exhibit I.2-PP-36, Exhibit I.2-PP-50, Exhibit I.2-PP-41.
[39] Hearing Day 2 Tr. Page 171 lines 11-17 and K1.5 PollutionProbe_HearingCompendium_20241216, Page 38.
[40] EB-2024-0111 EGI_IRR-Re.HRAI Motion_20240823, Attachment 1, Pages 4 and 108, Attachment 2 page 13; K1.5 PollutionProbe_HearingCompendium_20241216, pages 6 and 8.

Enbridge has confirmed that it has no plan available to wind up the program in the future if it fails, conflicts with the market or is no longer relevant[41]. Based on the LCEP proposed program design, the selling points are high level and superficial, without providing the real and tangible emission reductions that customer really need. No customer or municipality can claim any decarbonisation results (or progress toward Net Zero) if the emission reductions are obtuse, not tangible, verified and owned by the specific customer. This is specifically required to avoid greenwashing, double counting or phantom benefits that can't be validated or tracked[42].

The problem of double counting emission reductions based on Enbridge's program design was highlighted as a concern throughout the proceeding and Enbridge declined to make the required changes to its proposed program to mitigate those fundamental flaws. Enbridge's panel was unable to discern how its program could avoid the problem of double counting emission reductions. Clarity was provided by the Energy Futures Group experts, as outline below[43].

> COMMISSIONER MORAN: If Enbridge procures a volume of renewable natural gas for the purpose of selling it to one of its customers in order for that customer to reduce its carbon footprint and the producer of that renewable gas has also used that volume to obtain a compliance credit under the clean fuels regulation or the renewable gas based credit under Ontario's output based pricing system, what is your view of that scenario?
>
> MR. NEME: To me, that would be problematic because, as you observed earlier, the only reason those other credit systems provide any value is the expectation that the investment is reducing emissions, and, if someone is buying one of those credits to kind of represent that they have reduced emissions and then Enbridge is simultaneously telling its customers, if they consume the exact RNG, that they are reducing emissions, between the two things there is a double counting of the emission reduction, conceptually.

It is no surprise that (current or future) RNG suppliers and their associations would support higher RNG demand. Although this does not result in any incremental ratepayer benefits or GHG emissions reductions, it would inflate market RNG prices, resulting in higher profit for those enterprises. This type of approach is simply an inefficient transfer of ratepayer funds to increase profit for RNG producers, with no ratepayer or societal net benefits.

[41] Final Transcript for EB-2024-0111 Oral Hearing December 18 2024, Page 194 lines 15-23.
[42] Confirmed by the experts in Hearing Day 3 Tr Page 68 - 69.
[43] Hearing Day 3 Tr Pages 153 - 154.

The Lower- Carbon Voluntary Program (LCVP) is targeted for large volume customers. Enbridge indicates that any participating LCVP customers would 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. RNG that is not elected as part of the LCVP will be included in the gas supply portfolio for all sales service customers[44]. Enbridge indicates that the primary objective of the LCVP is to help large volume customers reduce their GHG emissions[45]. Through this program design, participating customers would not actually get the molecules of RNG they are paying for or the emission credits they require to reduce their emissions. Also, no evidence was provided to indicate that any large volume customer would actually pay the incremental costs of RNG, particularly if they are not getting emissions credits that would enable them to claim reduced emissions.

The average price paid for RNG supplies Enbridge procured for the existing voluntary program was $35.92 per GJ[46] and Enbridge has rejected a cap on RNG costs, so the incremental costs could be higher. The proposed program is an incremental cost to customers and there will be no gas supply savings resulting from the program, even including emission credits[47]. This is not a small incremental cost. By 2029 the estimated incremental cost could be $269,792,260[48]. Landfill RNG has been the most prevalent source of RNG[49] and is the most reasonable proxy for Ontario RNG procurement estimates. Using landfill RNG to reduce emissions is estimated to be a cost of $258 per tonne of CO2e reduced[50], many time higher than any carbon price in the world and much more expensive than alternate decarbonisation options. Redirecting those resources into DSM (or other cheaper alternatives) would result in net benefits of approximately $261 per tonne of CO2e[51]. In other words, it would be a net financial benefit to customers, not a cost.

Enbridge has rejected stakeholder requests to mandate that RNG procured through the proposed LCEP include emission credits that could be transferred to customers wanting to claim decarbonisation benefits for their businesses[52]. Enbridge indicates that RNG procured may have emission credits associated with the molecules purchased, but this

[44] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 13.
[45] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 17.
[46] Hearing Day 2 Tr Page 139 lines 22 - 26.
[47] Hearing Day 2 Tr Page 137 lines 22 – 26.
[48] K2.7 CCC_EGI_2024_Rebasing_OH_Compendium_Panel4, Page 50 and Hearing Day 2 Tr Page 141, line 24 to page 142 line 1.
[49] Including existing Voluntary RNG Program purchases and all RNG Leave to Construct projects reviewed by the OEB.
[50] Exhibit J3.5 (LFG).
[51] ED-GEC_EFGUndertaking_Exhibit J3.5_Attachment_20250117.
[52] Hearing Day 2 Tr Page 165 lines 22-23.

is not a mandatory criterion for RNG purchases through the program. Actual emission reduction claims by customer require the transfer of emissions credits, otherwise highlighted emission reductions are simply part of a public relations campaign with no certified emission reduction. The current mechanisms available to customers to procure RNG through Direct Purchase[53] do enable the customer to ensure that the RNG purchased comes with emission credits and also enables the customer to take custody of those credits, thereby enabling real emission reductions. The LCEP as designed only increases gas costs without ensuring that the emission credits are transferred to those customers paying the bill. Enbridge indicated that under its LCEP design, if there were any emissions credits associated with some of the RNG procured, Enbridge was not planning to transfer custody of those credits to the customers that paid for them[54]. The design of the new incremental LCEP is inadequate and substandard, even compared to existing options for customers.

In the Phase 1 of Rebasing Enbridge uses RNG in addition to other non-natural gas substitutes (e.g. hydrogen) to underpin its need for a significant Capital envelope starting in 2024 given that natural gas will not remain viable for proposed amortization period for those assets. Enbridge suggests that RNG for could go from essential 0 PJ today to 224 PJ in the future[55]. The feasible potential for all of Canada is only 155PJ/year if it was all developed and Guidehouse modeling assumed that 171PJ/year is available to Ontario in the Enbridge Net Zero Diversified Scenario. The Torchlight RNG Potential Study identifies the maximum total feasible RNG available at only 3% of natural gas use and only 1.3% of energy use in Canada[56]. Environmental Defence (ED) highlighted a more local analysis which calculated RNG potential in Ontario at only 2.5% based on the IESO Pathways to Decarbonization Study[57]. All RNG produced is already oversubscribed (i.e. demand far exceeds supply, include RNG where emission credits are stripped away). Regardless of which data source the OEB considers, there is clearly a math problem with Enbridge's proposed approach to purchase RNG and cross-subsidize through ratepayer contributions. Instead of wasting high value/cost RNG, it is more effective to leverage it (as a fuel or through stripping the emission credits) in a specific targeted manner by customers that do not have other options to decarbonize.

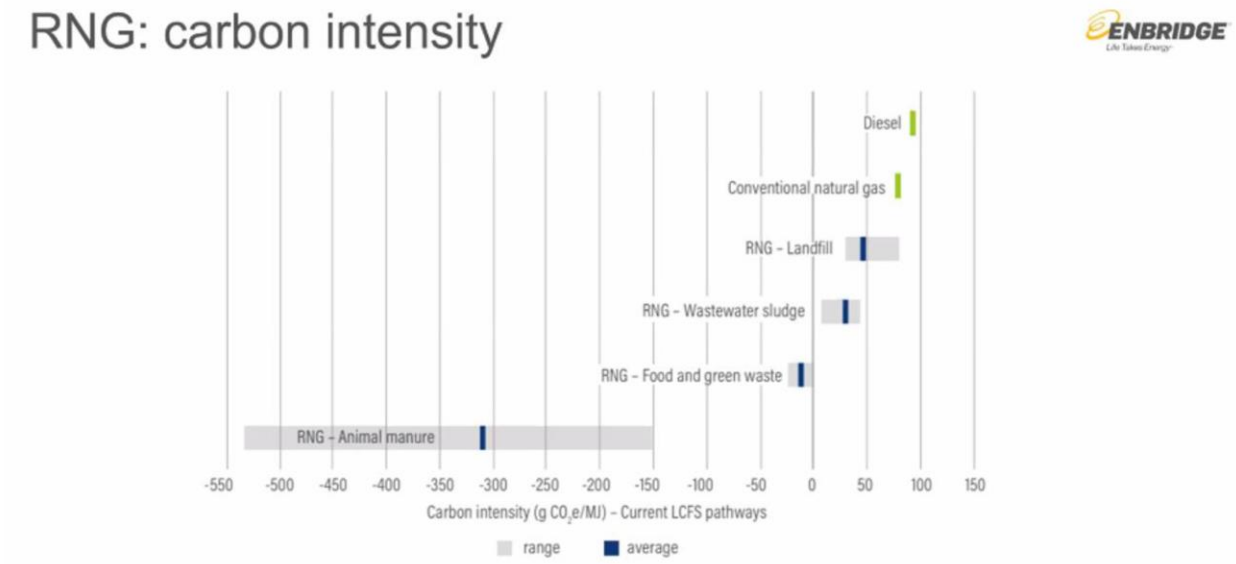
[53] Exhibit I.4.2-PP-43.
[54] Final Transcript for EB-2024-0111 Oral Hearing December 18 2024, Page 165, lines 19 – 23.
[55] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 2, Page 95.
[56] EB-2022-0200 K2.2 ED_CrossCompendiumPanel1_20230712, Page 22 – Torchlight Renewable Natural Gas (Biomethane) Feedstock Potential in Canada (page iii).
[57] ED-GEC_SubmissionsReIRM_20240127, Appendix A, Page 6.

Enbridge indicates that by displacing conventional natural gas, RNG reduces greenhouse gas (GHG) emissions. This statement is false and has also been refuted by experts in this and other proceeding. At the burner tips RNG is simply methane equal to natural gas and produces zero GHG reductions. Any GHG reductions compared to natural gas need to take into account the lifecycle emissions of the specific molecules of RNG vs. natural gas. The Energy Futures Group expert clarified it well when they indicated[58]:

> DR. HILL: " … the proposed accounting for RNG reductions would be to treat emissions reductions from all sources of RNG as similar, as being carbon neutral, and we disagree with that proposal. And we recommended that the carbon intensity, the lifetime carbon intensity is an important factor. The justification and the objective of the program is to provide emissions reductions. And so accounting for those or recognizing the difference in the accounting for emissions intensities from different sources is essential to achieving that objective, at the lowest cost."
>
> MR. NEME: If I could add to Dr. Hill's response, I think it is really important to underscore that when you burn a molecule of renewable natural gas, it is also CH4. The actual physical amount of carbon dioxide emissions into the atmosphere are identical to the emissions that occur when you burn fossil gas, also CH4. There is no difference. The only reason burning RNG is considered environmentally beneficial from a greenhouse gas perspective is because it avoids other emissions of greenhouse gases that would have occurred prior to its combustion, or in lieu of its combustion.

Even Enbridge's own information indicates that the lifecycle emissions of RNG is not zero and varies depending on production source, which aligns with the information provided by the experts in this proceeding[59]. Enbridge does not have any more update RNG lifecycle emission information than that provided in Phase 1 proceeding, per below[60].

[58] Hearing Day 3 Tr Page 69 lines 3-25.
[59] M1 GEC-ED_EnergyFuturesGroup_Evidence_20240812.
[60] K1.5 PollutionProbe_HearingCompendium_20241216, Page 21.



Note: Graph from Enbridge OSEA presentation November 29, 2022. Based on the source document provided by Enbridge in EB-2022-0200 Exhibit J4.1

Similar to common understanding, Enbridge has confirmed that RNG without the emissions credits is simply just methane[61]. Even more so, Enbridge understands that RNG is only worth more than regular natural gas when the emissions credits (one part of environmental attributes) based on the lifecycle carbon intensity are intact with the RNG molecule being bought and sold[62]. It is odd why Enbridge has ignored all these core principles in designing the proposed LCEP.

RNG is not carbon neutral and advertising false claims (funded by ratepayers in part or whole) is not appropriate and should not be condoned by the OEB. Enbridge is not using best practice information, or even proper emissions accounting when it calculates reductions against natural gas for hydrogen, RNG or other "low-carbon" fuels. In the case of RNG, the Guidehouse Report assumed the RNG in its model was Net Zero, when in fact that assumption was proven to not be correct[63]. Enbridge is still claiming that the Guidehouse Net Zero Report represents Enbridge's best current information. This is one of the reasons several stakeholders requested in Phase 1 that the OEB make specific statements in the Rebasing Decision to ensure that stakeholders know that the OEB realizes that there are flaws in the Enbridge Net Zero Report that under-estimate emissions and costs related to the Diversified Scenario. This is a chronic issue that requires a solution across the broad range of emission estimation in

[61] K1.5 PollutionProbe_HearingCompendium_20241216, Page 43 and Hearing Day 3 Tr Page 69 lines 3-25.
[62] EB-2024-0111, Exhibit I.4.2-PP-49, Attachment 1, Page 42-44.
[63] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 4, Page 17 line 5 – page 19 line 8.

comparison the natural gas. Best practice for regulators like the OEB is to require lifecycle emissions analysis, including for reporting and regulatory approvals[64].

Under the proposed program design it is not possible to guarantee that the RNG Enbridge is requesting to purchase are actually 'low carbon' or even RNG. Customers may be paying for methane that has been stripped of all emission credits. Under the program design there will be no actual net emissions reductions for customers or Ontario overall. Customers will think they are paying more for something 'low carbon' and able to claim emission reductions when that is not in fact the case. The OEB needs to protect consumers from this kind of misinformation and OEB endorsement of a "Low-Carbon" program could lead consumers to think that the OEB has validated the emission credits and GHG reductions associated with RNG purchases approved by the OEB using ratepayer funds.

Paragraph 74.01(1)(b.1) of the Competition Act is a new provision and builds on paragraph 74.01(1)(b), in that it requires that certain types of claims be evidence-based. Specifically, it prohibits a person from making a representation to the public in the form of a statement, warranty or guarantee of a product's benefits for protecting or restoring the environment or mitigating the environmental, social and ecological causes or effects of climate change ("environmental benefit of a product") that is not based on adequate and proper testing. Claiming that RNG is net zero without providing emission credit certification to validate that claim is counter to these principles. It is also counter to Internationally recognized protocols such as the International Organization for Standardization[65].

There are no regulatory guidelines in place to define RNG or even ensure that what Enbridge purchases is RNG[66]. Certified emission reductions for jurisdictions in Canada require certification based on lifecycle analysis to ensure that emissions are not just being shifted from one location to another. The only reference Enbridge was able to provide in this proceeding is a Midwest Renewable Energy Tracking Systems (M-RETS) which is an Environmental Attribute Certificate (EACs) tracking platform that tracks a general variety of environmental attributes and other energy commodities, which includes Renewable Thermal Certificates (RTCs). As noted in the program summary, this is not applicable for "Compliance" purposes in any jurisdiction and is a recognised certification for jurisdictions in Canada pertaining to certified emission reductions[67].

Pollution Probe recommends that the OEB undertake guidance on the use of lifecycle emissions for RNG and other "low-carbon" fuels and require Enbridge to use best

[64] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 6, Page 85 line 11 – page 87 line 8.
[65] Final Transcript for EB-2024-0111 Oral Hearing December 19 2024, Page 68, lines 14 – 27.
[66] K1.5 PollutionProbe_HearingCompendium_20241216, Page 46.
[67] Exhibit J2.6 Plus Attachment.

available practices and recognized lifecycle emission calculations for regulatory purposes, including when comparing alternatives against natural gas. It is important to ensure that “low-carbon” fuels align with expectations, particularly when Ontario consumers are paying more for them.

In principle, Pollution Probe supports opportunities for Indigenous engagement and opportunities for advancing business interests for firms with Indigenous ownership. Pollution Probe encourages Enbridge to consider those factors in the design of relevant programs. This does not mean that a broader RNG program should only be developed through Enbridge’s Indigenous Committee only, since that only represents a portion of stakeholders, but that forum provides an option to discuss and advance Indigenous interests. Enbridge did have a meeting with some First Nation representatives, but did not take their proposed program to the Indigenous Working Group, which is a lost opportunity for meaningful consultation[68].

Enbridge suggests that the OEB should approve the LCEP request since utilities in a few other jurisdictions offer RNG related programs. Enbridge references Énergir’s (Quebec) RNG target of 10% by 2030 and FortisBC’s (British Columbia) target for 2030 of 15%[69]. Enbridge is often the first one to caution about applying high level concepts from other jurisdiction without a careful comparative analysis. A comparison to those refence programs is not an ‘apples to apples’ program comparison and relate beyond RNG. This includes the purchase of emission credits for application to fossil gas, which is contrary to the Enbridge proposal[70]. Also, with several bans on fossil fuel including natural gas applied in Quebec, this will render partial blending of RNG obsolete. Enbridge suggests that Ontario is falling behind other jurisdictions, but when the details are considered, this comparison is not relevant to Enbridge’s proposed LCEP design.

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

Pollution Probe supports OEB actions that reduce Enbridge’s over-incentive to retain or grow natural gas customers and invest excess Capital that will become underutilized or stranded. One single action will not achieve that full objective, but revenue decoupling is one tool to help move in the right direction over the current rate term. The most effective

[68] Final Transcript for EB-2024-0111 Oral Hearing December 19 2024, Page 24, line 22 to page 25, line 8.
[69] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 19.
[70] K1.5 PollutionProbe_HearingCompendium_20241216, Pages 13 – 20.

approach appears to be 'True up revenue from actual customer counts against test-year customer counts'[71], but the OEB has a range of options to consider. This would achieve the intended outcome within the current rate term and enable the OEB to review the actual outcomes from this rate term in the next rebasing proceeding. This approach also aligns with the IRM approach applied to this rate term and incents Enbridge to prioritize efficiently within the allowed Capital and O&M envelopes.

The OEB can also consider additional tools in Phase 3 and review the Phase 2 and Phase 3 actions in the next rebasing application to determine if other adjustments are required. Review in the next rebasing application is important to consider the actual outcomes over this rate term and what adjustments are needed for the next rate term. As the OEB is aware, the approved Settlement Proposal will ensure that more objective, factual and balanced consumer information should also be available during this rate term and should be starting to demonstrate an impact on real consumer choice by 2029.

Achieving a more balanced approach to truly meet customer choice and leverage the most cost-effective options as the Energy Transition continues to accelerate is not a 'one and done' activity. It will require monitoring and ongoing updates across a broad range of OEB proceedings (including rate cases, Leave to Constructs, incremental capital requests, cost of capital reviews, etc.). The future is not the past when it comes to cost effective energy choices that align with the Energy Transition. As noted by ED, Enbridge forecasts spending over $1.5 billion on customer connections over the rate term. As with all capital spending, this would be added to rate base and paid off over approximately 60 years[72].

Locking in Ontario ratepayers funds into the wrong infrastructure takes away valuable resources to pursue what is really needed to achieve the best outcomes for Ontario. Change is hard, but necessary. The OEB and regulatory process is meant to emulate a market environment given that the regulated monopoly is insulated from such competitive forces. This includes protecting against monopolistic behaviours which lead to excess infrastructure, excess revenues and other negative consumer impacts.

For efficiency's sake, Pollution Probe has not addressed all the compelling references in the ED submission[73] or from the experts during the proceeding. The OEB has been aware of many of the challenges with the status quo approach for natural gas as the Energy Transition is pivoting toward modern, cost-effective options. The tactics used to pursue and lock-in natural gas Capital infrastructure to collect revenues for decades in the future are well known and visible. There is no logical dispute that these tactics

[71] As outlined in ED-GEC_SubmissionsReIRM_20240127, Page 17.
[72] ED-GEC_SubmissionsReIRM_20240127, Page 9.
[73] ED-GEC_SubmissionsReIRM_20240127.

illustrate the extremely high financial benefits that they lock in for Enbridge and its shareholders. In the future when these Capital assets become underused or stranded the OEB and ratepayers will have an overwhelming problem that could have been mitigated (at least in part) now, while there is an opportunity to mitigate those risks and future impacts. Kicking the can down the road is likely to result in compounding the problems and making them more difficult to deal with in the future.

Enbridge's proposed status quo approach is not aligned with true consumer choice or the needs in Ontario as the Energy Transition continues to accelerate. Over-incentivizing natural gas connections and related Capital expenditures is not sustainable, prudent or in the public interest today or for the future. The OEB has previously noted that the current approach by Enbridge is not sustainable in the modern world of Energy Transition and increases risks of stranded assets[74]. Taking incremental steps to remove over-incentives and align action with modern, future-oriented infrastructure and solutions is the best way to achieve Ontario's policy goals and ensure a cost-effective outcome for Ontario's ratepayers. Change is required and now is the time to start.

Should the OEB decide that none of the options available to it in this proceeding are adequate at this time, it is recommended that the OEB put in place the right approach to ensure the information required is included in Phase 3 of the Rebasing proceeding. This could include OEB Staff retaining an expert to conduct an options review and requiring Enbridge to provide information, studies and options in its application to reduce excess returns from customer attachments and related Capital spending. This topic is synergistic with enhancing IRP which is already part of the Phase 3 review.

ED highlighted many of the negative consequences resulting from the over-incentives in place currently for Enbridge. Additional examples where Enbridge is providing biased or misleading information have also been highlighted in this submission already (e.g. advertising campaigns and correspondence). The incentive for Capital and customer growth is so high that Enbridge has also suggested to municipalities that its support for RNG could be deprioritised for Ontario municipalities if Bill 165 was not supported and passed[75]. The cross-subsidies to builders from future ratepayers provides a bias toward natural gas over customer choice. Once the gas infrastructure is built, the developer transfers cost liability to the purchaser and they are stuck paying off the costs with other ratepayers for decades.

There are too many examples to cover in this submission, but a few recent examples include public and government promotion that natural gas is the cheapest energy choice

[74] EB-2022-0200 dec_order_EGI_2024 Rebasing_Phase I_20231221, Page 22.
[75] Exhibit I.4.2-PP-49, Attachment 1, Page 49 of 50.

and that it is aligned with Net Zero by 2050. These assertions were factually rejected in Phase 1 of the Rebasing proceeding[76]. Even more recently, Enbridge has continued to promote misleading or incorrect information for community projects[77]. Enbridge also continues to promote that new natural gas infrastructure enables Net Zero by 2050[78], which has been proven previously to be incorrect[79].

Enbridge has demonstrated that its strategy includes systematically leveraging regulated and affiliate resources to lock-in natural gas customers rather than promote more cost-effective modern options aligned with true customer choice. Examples of the Enbridge Gas Distribution (which includes the regulated utility) and unregulated entities were included in the materials that Enbridge fought in this proceeding to avoid sharing[80]. The lack of Enbridge transparency was highlighted by ED in Enbridge's failure to initially include or disclose the $256 million net increase in revenue from customer attachments over this rate term[81].

There is always an information bias given that Enbridge has this information available and the OEB does not, but it is reasonably expected that this type of relevant information should be included in its rate application. Recently, it was also identified that services not currently 'used and useful' remain in rate base earning a return for Enbridge[82]. It is unclear if this aligns with OEB requirement and is an additional incentive to add services since even if they become a stranded asset, Enbridge continues earning a return on them anyway.

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.

[76] A short summary is included in EB-2022-0200 PollutionProbe_SUB_20230919, Pages 6-10.
[77] An example of typical information is included at K1.5 PollutionProbe_HearingCompendium_20241216, Pages 36-37 and EB-2024-0111, Exhibit JT1.44, Attachment 1 (broad media campaign which affiliate recoveries fund) , and examples for most recent Leave to Construct application is EB-2024-0200 Exhibit I.1-CAFES Ottawa-10, Attachment 2, Exhibit I.1-CAFES Ottawa-10, Attachment 6, Page 3, Exhibit I.1-CAFES Ottawa-10, Attachment 7, Page 2, Exhibit I.2-PP-36, Exhibit I.2-PP-50, Exhibit I.2-PP-41.
[78] Examples for most recent Leave to Construct application is EB-2024-0200 Exhibit I.1-CAFES Ottawa-10, Attachment 2, Exhibit I.1-CAFES Ottawa-10, Attachment 6, Page 3, Exhibit I.1-CAFES Ottawa-10, Attachment 7, Page 2, Exhibit I.2-PP-36, Exhibit I.2-PP-50, Exhibit I.2-PP-41.
[79] A short summary is included in EB-2022-0200 PollutionProbe_SUB_20230919, Pages 6-10.
[80] EB-2024-0111 EGI_IRR-Re.HRAI Motion_20240823.
[81] ED-GEC_SubmissionsReIRM_20240127, Page 13.
[8282] K1.5 PollutionProbe_HearingCompendium_20241216, Page 90.

Enbridge indicated that 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[83]. Enbridge has also repeatedly suggested that any change from status quo would be a “disincentive”. This is not a disincentive, but simply removing over-incentives that are leading to monopoly behaviours. This was confirmed again in this proceeding by the expert panel[84].

Enbridge prefers the status quo approach and has resisted allocating any effort into providing modern options for consideration[85]. The implementation of tools like targeted revenue decoupling do not actually create a disincentive, but simply rebalance to partially remove over-incentives that has been driving aggressive gas only tactics and focus by Enbridge. Experts agree that making these adjustments are necessary and provide a more balanced approach aligned with current and future consumer. Decades ago, a ‘natural gas at all costs’ approach was more palatable, but it needs to be rebalanced now to align with modern and future customer choice in Ontario.

Enbridge also suggests that ED’s proposal is “out of step with Ontario government policy”[86]. But as demonstrated through the proceeding, the significant balance of Ontario policy (primarily driven by the Ministry of Energy and Electrification) is focused on the cost-effective Energy Transition. Enbridge’s efforts to focus on siloed parts of the Report of the Electrification and Energy Transition Panel[87], Ontario’s Energy Future: The Pressing Case for More Power, or extrapolating what is intended by the recently launched natural gas consultation efforts, suggest a lack of tangible substance to reinforce Enbridge’s point that electrification is not the major Provincial policy focus.

It should not be surprising to the OEB that Enbridge has been resisting change from status quo and regulatory adjustments that would better align with current and future energy choices. Modern customer choice and the Energy Transition are not status quo and require a shift from a natural gas centric mentality to a more balanced and future oriented approach. Decades ago, it was a safe assumption that natural gas was a default option and that growth would not result in significant stranded assets, but times have certainly changed.

[83] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 3.
[84] Final Transcript for EB-2024-0111 Oral Hearing December 17 2024, Page 161, lines 5 – 10.
[85] EGI_Ltr_2024 Rebasing_20241205.
[86] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 4.
[87] Enbridge references are , vs. the full report in K2.1 ED-GEC_Compendium_20241218, Pages 2 -

Enbridge indicates that it will be reporting on stranded asset risk in the next rebasing case in 2029[88]. Delaying action in this Rebasing term by only reporting on stranded asset risk in 2029 is neither timely, prudent or in the best interest of ratepayers. Enbridge suggests that stranded asset risk does not need to be revisited in Phase 2[89], which seems to suggest that consideration of stranded assets is a siloed issue that does not permeate across a number of issues and proceedings. The issue of stranded assets is not a one and done topic, and similar to the Energy Transition, the OEB is conscience of its broad and increasing considerations. Stranded assets consideration has been applied to Leave to Construct applications, rebasing phases and the OEB's Cost of Capital proceeding, just to name a few. Pollution Probe believes that the OEB is aware that stranded assets (similar to Energy Transition) is a prudent lens to apply in all relevant proceedings. It should be no surprise to Enbridge that this is a live consideration for the OEB approved Issues List for this proceeding. The OEB confirmed that:

> "The risk that arises from the energy transition results from gas customers leaving the gas system as they transition to electricity to meet energy needs previously met by natural gas. This departure gives rise to assets that are not fully depreciated but are no longer used and useful. This results in stranded asset costs that Enbridge Gas would seek to recover from the remaining gas customers. This in turn would increase rates for those gas customers, leading more customers to leave the gas system, potentially leading to a continuing financial decline for the utility, often referred to as the utility death spiral"[90].

As was highlighted in the Phase 1 proceeding, Enbridge's current approach and framework does not adequately consider and protect from stranded assets. In fact, Enbridge is currently over-rewarded to ignore prudent consideration of stranded assets, in favour of excess Capital investment and excess Capital returns for its shareholders. Enbridge has identified the loss of customer due to the Energy Transition as a fundamental business risk[91].

Enbridge indicates that it supports customer choice and that a decoupling mechanism would impairs customer choice. When Enbridge uses the term "customer choice" it appears that it is used in a one-side manner which only favour choice of natural gas options, rather than other more cost-effective options. Customer choice is not a one-sided perspective the way it is used by Enbridge. True customer choice is only served

[88] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 3.
[89] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 26.
[90] EB-2022-0200 Rebasing Decision pages 20 – 22 and EB-2024-0200 Exhibit I.2-ED-5.
[91] Enbridge's primary argument for a change financial parameters in EB-2022-0200 and also noted by the OEB on page 20 of the Decision.

by a more balanced approach that decreases the current bias and excess rewards to expand natural gas customers at all cost. These perverse incentives are resulted in pursuit of excess Capital spending and biasing of information. For example, Enbridge has agreed to suspend use of its current materials until they are updated with current factual information, including the use of modern energy alternatives (such as a cold climate air source heat pump)[92]. This will not solve the full problem, but is a positive step in the right direction toward true customer choice.

Enbridge has also had chronic issue related to over-estimating the benefits of natural gas opportunities for the future and under-representing relevant non-gas options. Enbridge testimony related to electric heat pumps in the Rebasing Phase 1 proceeding was incorrect and misleading[93] and industry experts provided modern, correct information that Enbridge should be using when consider future consumer choice. Enbridge has been aware that there is concern about using correct and objective non-gas information for consumers and stakeholders[94]. It has been surprising and alarming to see again more recently the same type of misinformation being presented on non-gas alternatives, like electric heat pumps. The Enbridge Energy Transition witness panel (which included Enbridge staff who was also on the Energy Transition panel for this proceeding) stated again that a ccASHP is not able to handle cold Ontario weather and therefore it is assumed that natural gas will always be required. This is factually incorrect, even for the coldest peak day in an area like Ottawa. This is contrary to the Phase 1 Rebasing external expert testimony. Furthermore, real customer experience has reconfirmed that an electric heat pump can provide sufficient heating without any back-up, even on the coldest Ottawa peak day[95]. Given that electric heat pumps (even based on current technology which continues to rapidly improve) are more cost-effective than natural gas[96], plus provide additional benefits of more efficient air-conditioning, it is reasonable to forecast the trend for conversions off natural gas to continue accelerating.

Enbridge suggests that the IESO 2025 Outlook undermines the future for electric heat pumps as a leading technology for Ontario. Contrary to that assertion, IESO has been including ccASHPs in their programs for some time and has increased this focus for their new accelerated DSM program launch in 2025[97]. The Ontario government's most recent policy announcement in support of these new programs is an historic 12-year,

[92] EB-2024-0111 dec_order_Sett_Prop_EGI_2024_Rates_Ph2_20241129, Exhibit N Tab 1 Schedule 1 Page 34.
[93] Final Transcript EB-2022-0200 Enbridge Gas Rebasing Vol 11, Page 74 lines 16-28
[94] The OEB approved Settlement Proposal for EB-2024-0111 has required Enbridge to cease using marketing materials until Enbridge updates and files materials to reflect current and correct information (including alternatives to natural gas like ASHPs).
[95] EB-2024-0200 CAFESOttawa_Correspondence_Attachment_20241122.
[96] Canmet recent reporting indicates that heat pumps savings are 60% over the standard gas heating scenario [Exhibit I.2-PP-51 and PollutionProbe_IR_AppendixG_CanmetReport_20240906].
[97] Under various SaveOnEnergy programs including Home Renovation Savings Program | Save on Energy

$11 billion commitment[98]. The policy announcements and related investments are trending toward electrification, far above those supporting long-term use of natural gas.

Enbridge suggests that any form of targeted revenue decoupling is inconsistent with the Fair Return Standard. This is clearly not true and reinforces Enbridge's comfort with the status quo which over-rewards adding customers and related Capital. The pursuit and impacts of excess utility returns has been well documented[99].

Enbridge suggests that a targeted decoupling mechanism is counter to the OEB's statutory objective, to facilitate the rational expansion of gas distribution systems and facilitating the maintenance of a financially viable gas industry for the distribution of gas[100]. In fact, reducing excess incentives and returns reduces the incentive to expand the gas system at all cost and incur the impacts of stranded assets. A moderated approach is more aligned with the OEB's statutory objective than continuing with status quo into the future.

Enbridge highlights that during the course of the Oral Hearing, Enbridge 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[101]. This is the same type of heavy-handed tactic Enbridge attempted for Phase 1 of the Rebasing proceeding. Notwithstanding Enbridge's regulatory obligations as a regulated monopoly utility in Ontario, it is clear that Enbridge would continue to benefit from the more balanced regulatory approach, even if the excess incentives and earning were mitigated. In fact, if Enbridge adjusted to a more balanced customer choice approach, this would actually be more aligned with a viable utility successfully operating in the future.

[98] https://news.ontario.ca/en/release/1005538/ontario-launches-new-energy-efficiency-programs-to-save-you-money
[99] Including in the current OEB Cost of Capital review. An industry research example is included at K5.5 - PollutionProbe_HearingCompendium2_20241001, Page 5.
[100] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 35.
[101] EGI_ARG_2024 Rebasing Phase 2_20250206, Page 41.