ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF Phase 2 of an Application by Enbridge Gas Inc. pursuant to section 36(1) of the Ontario Energy Board Act, 1998, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2024.

Submissions of the Quinte Manufacturers Association

EB-2024-0111

February 18, 2025

1.0 Introduction

1. The following comments are the submissions of the Quinte Manufacturers Association ("QMA" or "Association") on the three unsettled issues in the Phase 2 portion of the EGI Rebasing and IRM Application ("Application") for the period of 2024 to 2028.

2. On April 26, 2024, Enbridge Gas Inc. ("EGI") filed its Phase 2 evidence of its Application with the Ontario Energy Board ("OEB" or "Board") for approval to change its natural gas rates and other charges for natural gas transportation, distribution and storage beginning January 1, 2024. The review of the Application is being undertaken in three phases. Key issues of concern to the OEB in Phase 2 were as set out in the Board's Procedural Order No. 2 dated May 30, 2024.

3. In Phase 2 of this proceeding a Board prescribed Settlement Conference was held between the parties. For the most part, all issues were settled between EGI and the Intervenors. However, three unsettled issues remained and were subject to a hybrid hearing held at the Board's offices on December 17 to 19, 2024 respectively.

4. The three unsettled issues included: Issue 7 (portion thereof) – a proposal to decouple revenue from customer numbers during the term of the 2024-2025 Incentive Rate Mechanism ("IRM"); Issue 8 – a proposal to exclude inaccessible meters from the Meter Reading Performance Measurement calculation metric; and Issue 17 – proposal to procure lower carbon energy as part of the overall EGI gas supply portfolio.

2.0 Unsettled Issues

Issue 7 – Revenue Decoupling from Customer Numbers

5. This issue concerns a revenue decoupling proposal ("proposal") by Environmental Defence ("ED") and the Green Energy Coalition ("GEC"), two intervenors in this proceeding. Submissions by ED and GEC on their proposal were made on January 27, 2025.

6. The proposal includes three implementation variants that aim to separate the revenue EGI would normally collect from new customers and to discourage Enbridge Gas from adding customers through capital investments in system expansion. These additional revenues, for example, all or in part, would be returned to customers. If approved, the decoupling proposal (option or options) would apply as a component of the 2024-2028 IRM price cap tool that Enbridge would be obliged to implement as it expands its gas distribution system.

7. The decoupling issue is concerned with the costs associated with potentially stranded EGI distribution system assets in the future in the expectation that less gas will be used by customers if they choose, for example to switch to alternative heating sources other than gas, or they leave the system even though customers will continue to be added by way of system expansion to new areas such as residential developments and industrial parks.

8. The QMA submits that the decoupling proposal is primarily directed at EGI's residential consumers rather than all of EGI's customers and to demotivate Enbridge from actively adding new customers to their system and reduce the environmental impact of the utility's CO^2 footprint as result.

9. It is the view of the QMA that while revenue decoupling proposal may have some regulatory and environmental value in the future, it currently flies in the face of the Ontario government's stated policy as outlined in its energy policy statement released in October 2024 titled "*Affordable Energy Future: The Pressing Case for More Power*" ("AEF").[1] The document indicated that the Ontario government would be issuing a natural gas policy statement following a public consultation period which concluded mid-January 2025.[2] It is clear from the AEF that natural gas will continue to play a critical role in the Ontario economy and allow all customers, including manufacturers and processors to have choice in their energy supply options.

10. QMA members are actively engaged with the issues surrounding energy transition, carbon footprint reduction and related matters as a normal course of business transactions today.

[1] Phase 2, AEF, Ex. K1.4, Tab 7
[2] See Environmental Registry of Ontario, Policy Notice #019-9501

Although the prospect of EGI having certain distribution assets become stranded in the future is not a typical top-of-mind issue for QMA members, the Association is aware of the matter and is assured that the OEB is also cognizant of the concern as reflected in its Decision in Phase 1 of this proceeding where it instructed EGI to report on issues and concerns regarding the stranding of system assets in its next rebasing filing.

11. The QMA recognises that revenue decoupling has been used as a regulatory tool in certain jurisdictions in the United States to break the link between utility revenue and adding end-use customers through expansion of a gas distribution network. QMA members want as much certainty as possible in all aspects of manufacturing including energy – gas and electricity. The Association finds the introduction of a revenue decoupling proposal somewhat confusing at this stage of the proceeding. It is not clear as to what problem needs to solved and why it is needed at this time in Ontario given the OEB direction to Enbridge in its Phase 1 Decision as noted above. It remains unclear if revenue decoupling would have the effect of putting at risk the supply of natural gas to existing manufacturing facilities and the siting of future facilities if certain distribution assets became stranded. Potential cost consequences to manufacturers are unknown.

12. It was concerning to note that during cross-examination of the ED/GEC witnesses by Enbridge counsel, Mr. Stevens confirmed that ED's decoupling experts have no direct Canadian specific utility expertise. In the absence of relevant Canadian gas utility expertise, the consultants suggested that the OEB should look at a variety ratemaking structures (such as revenue decoupling) as they apply to gas distribution utilities.

13. The QMA is confident in the regulatory expertise of the OEB to determine the appropriate go-forward strategy for Enbridge Gas and its customers, including whether or not a revenue decoupling mechanism should become part of the current rebasing/IRM.

14. Considering the evolution of energy transition and emerging Ontario government energy policies, the safe and secure supply of natural gas is critical to QMA members for heating, manufacturing and processing purposes into the foreseeable future.

15. The QMA agrees with EGI that the ED/GEC revenue decoupling proposal should be viewed as an "add-on" at this stage of the rebasing/IRM proceeding.[3] The QMA is of the view that issue of revenue decoupling, if it is to be pursued in Ontario requires much further study within the Ontario context. The QMA is concerned that manufacturers should not be subject to such uncertain regulatory risk without the OEB having first taken a careful look at the value and practicality of such a mechanism in separate proceeding. The input of manufacturers who may be materially affected for example by, potentially stranded asset risk or reductions in capital investment by Enbridge is required when considering decoupling proposals.

16. The QMA is uncertain as to the benefit/cost advantages and disadvantages of revenue decoupling to its members, some of whom continue to adjust to the cost consequences of the switch from being legacy Union Gas customers to Enbridge customers. The Association does not anticipate a decline in natural gas use amongst its members in the foreseeable future although here will be increased attention given to improving energy efficiency and consideration of alternative energy sources in manufacturing and processing facilities.

17. The Association is not convinced that its members would be better off with a revenue decoupling process in place based on the evidence presented in Phase 2. The QMA believes the Board should reject the ED/GEC revenue decoupling proposal.

Issue 8 – Meter Reading Performance Measurement

18. In manufacturing, the installation of meters and other measuring and monitoring equipment is critical in production processes, procedures and performance to reduce unnecessary waste and costs. The time and effort consumed in trying to read inaccessible meters is a cost that is borne by each unit of production and ultimately paid for by customers. In other words, this potentially wasteful practice in manufacturing facilities does not add value to a product or service that customers want to pay for. In a similar vein, but certainly at a different scale of operation, the QMA appreciates the importance of accurate

[3] Argument In Chief pg. 26, para. 94-95

meter reading and the challenges EGI has said in its evidence it is experiencing on a recurring basis.

19. Inaccessible meter reading is an issue for Enbridge because the utility is required to meet the metrics set out in the Board's Meter Reading Performance Measure (MRPM) of 0.5% "no read" threshold for its installed meters across its entire service territory in Ontario.[4] While Enbridge provided evidence demonstrating that the utility has an active program in place to meet the 0.5% threshold, it is having difficulty achieving it because of continuing problems being able to read (manually or automatically) inaccessible (e.g. hidden or covered meters, fenced properties, secured locations, guard dogs, weather, etc.) meters.[5] These are factors that EGI indicates are often beyond the utility's control. The incremental cost of trying to read these meters (meter reader labour, time, etc.) is $7.5 million since implementation of its MRPM mitigation plan in 2022. The QMA is concerned that the $7.5M will continue to grow as the inaccessibility problem persists year over year.

20. EGI provided evidence to demonstrate that it is striving to meet the Board's MRPM metric and that it has made significant performance improvements under its mitigation plan. However, persistent challenges remain while variety mitigation approaches are being used.[6] EGI confirmed that approximately 263,000 metered customers across its service territory are not accessible. This large number tends to distort the ability of EGI meet the Board's MRPM metric and has driven its request to exclude inaccessible meters from the calculation used for the metric.

21. The QMA recognizes the challenges a business may face in reading inaccessible meters. With ever improving technology that allows automatic and remote meter reading, robust cellular availability and connectivity can be expected to provide better capacity to read meters automatically as they are installed.

[4] The MRPM is set out in the OEB's Gas Distribution Access Rule
[5] Phase 2, Ex. 1, Tab 7, Sched, Attch. 4
[6] Argument In Chief pg. 6, para. 21-22

22. While EGI works to address the accessibility problem over the next few years it has proposed in its evidence that the OEB exclude inaccessible meters from the MRPM metric calculation for the duration of the rebasing period (2024-2028).

23. The QMA sees value in supporting EGI's request to exclude inaccessible meters from the MRPM calculation until the next rebasing to give a better overall picture of the utility's meter reading performance across its entire distribution system. This is not to exclude the important and on-going efforts being made by EGI through their MRPM mitigation plan for inaccessible meters and to limit related costs. The QMA views the issue of inaccessible meters is one that requires monitoring by the OEB so EGI can demonstrate continuous improvement efforts to ultimately eliminate inaccessible meters at the lowest cost possible and as quickly as possible

Issue 17 – Lower Carbon Energy in the Gas Supply Portfolio

24. The provision of lower carbon energy, primarily supplied through renewable natural gas ("RNG") and hydrogen is being proposed by EGI to assist customers reduce their greenhouse gas emissions.

25. The provision of RNG is supported by the Ontario government's new energy policy statement. Beginning in 2026, EGI is proposing to procure RNG to be blended at an annual rate beginning at 0.25% and increasing annually to 2% of the total natural gas supply portfolio by 2029.

26. The QMA recognises that there will be a cost premium for RNG and has no position on the introduction and supply of lower carbon energy at this time.

All of which is respectfully submitted February 18, 2024