INTRODUCTION

In response to Procedural Order #10 in Phase 2 of the Enbridge Gas Inc. (EGI) Rebasing proceeding, the Federation of Rental-housing Providers of Ontario (FRPO) offers its submissions on the outstanding issues.

We appreciate the Board's recognition of the complexity of the issues undertaken in this proceeding as demonstrated by its approval of time extensions for the parties' efforts to develop a Settlement Proposal, subsequently approved by the Board,[1] that addressed almost all of the issues in this proceeding leaving three issues unresolved. Those issues are:

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?

We will address these issues in the following submissions:

1) EGI has not Demonstrated an Inability to Meet the Historic Metric

EGI is required to meet certain metrics related to the scorecard which includes service quality requirements (SQR) as outlined in Section 7 of the OEB's Gas Distribution Access Rule (GDAR). The MRPM metric is set out at Section 7.3.3.1 of the Gas Distribution Access Rule (GDAR). The MRPM metric measures the percentage of meters with no read for four consecutive months. The measurement shall not exceed 0.5% on a yearly basis.

EGI has not met this mark in several years resulting in customer dissatisfaction which was acknowledged by the company in its Assurance of Voluntary Compliance (AVC)[2] initiated by the Board due to high levels of customer complaints. In that same AVC, EGI accepted:

> *Enbridge Gas has acknowledged stakeholder concerns in its annual rate proceedings in connection with its performance scorecard and, with the OEB's acceptance, has committed to making a proposal to address the MRPM in its rebasing application to be filed with the OEB later this year. This will serve to*

[1]

[2] EB-2022-0188 EGI-Assurance-of-Voluntary-Compliance-20220912, pg. 6-8

> *provide the OEB, Enbridge Gas and other stakeholders with the opportunity to fully examine the historical and current information related to the MRPM.*

EGI's resulting proposal was to quadruple the performance standard from 0.5% to 2.0% citing mostly historic reasons of:

1) Covid-19

2) Extreme weather events in 2020 and 2021 – noticeably not 2022

3)Loss of Key Meter Reading Vendor in 2019

4) "Double counting" some meters due to the length of disruption

5) Customers inhibiting access

The Board rejected the request with a view to customer impact and the concern increasing the metric as requested would *lock in adverse performance levels that occurred in unusual circumstances…*with*…no unusual circumstances persisting in 2023, beyond Enbridge's control.*[3]

In the current application, EGI has focused its appeal on the access issue and are requesting "*an update to the calculation of the Meter Reading Performance Measurement (MRPM) metric such that inaccessible meters are excluded from the calculation of the metric for the 2024 to 2028 IR term.*"[4]

In our respectful submission, EGI has not demonstrated a significant <u>investment</u> in rectifying solutions to address these meters for which EGI asserts that access is an issue. We come to that conclusion through a wholistic review of the issue and make the following observations:

Billing Integration Issues Mask Source of the Initial Problems

During the merger proceeding, EGI relied on the position of No Harm to justify its proposed merging of the two legacy utilities. While asserting that it was difficult to quantify precisely the costs and benefits of the Integration Opportunities, the Customer Care[5] system was identified as the area of largest potential net savings. In response to

[3] EB-2022-0200 Decision and Order, December 21, 2023, pg. 135
[4] EGI AIC, pg, 4
[5] EB-2017-0306/0307, Exhibit C.FRPO.1, Attachment 2, pg. 10 defines:" Customer Care includes support for billings, call centers, meter reading, credit and collections, customer information systems (CIS) and CIS support. There is an opportunity to eliminate duplication of support services and the customer information system in this area. The range of pre-tax cost savings for the 10 year period is estimated to be between $120 million and $250 million based on potential capital investments of between $25 million and $110 million. A detailed analysis will be completed to develop an optimal benefit generation plan that includes analysis of costs per customer for CIS systems and the time needed to begin to optimize this expansive support area. The range for operating cost benefits

our interrogatory,[6] EGI presented ranges of capital investment with an $65M (pre-tax) yielding ranges of Potential O&M Savings over 10 years with an average of $192M. With that potential generated margin, FRPO submits that EGI should have the resources to ensure that the **"best available customer solutions are also incorporated."**

It is crucial to note that EGI has not disclosed that the cut-over of their integrated billing system of July 2021 contributed to MRPM issues. From the FRPO member experience, this period marked a significant increase in billing issues mostly related to account number issues in the legacy Union Gas franchise.[7] [8] Our interrogatories aimed to highlight this problem by requesting data on the number of estimated reads between the first and second half of 2021. However, EGI was unable to provide data for the UGL rate zones for the first half. Notably, the percentage of estimated meter reads for the UGL rate zone for the second half of 2021 was over 20% higher than in the EGD rate zone for the same period.[9]

Moreover, EGI's response to our inquiries about wait time and call abandonment in 2021 was revealing. The average wait time increased nearly fourfold, and the call abandonment rate surged from 8.6% to 22.7%.[10] Despite these significant issues, EGI has not acknowledged the integration of the billing system as a contributing factor. While we did pursue these issues in the Settlement process,[11] we were comforted that EGI had entered into an Assurance of Voluntary Compliance that included the specific commitment pertaining to MRPM:[12]

> *Enbridge Gas has acknowledged stakeholder concerns in its annual rate proceedings in connection with its performance scorecard and, with the OEB's acceptance, has committed to making a proposal to address the MRPM in its rebasing application to be filed with the OEB later this year. This will serve to provide the OEB, Enbridge Gas and other stakeholders with the opportunity to fully examine the historical and current information related to the MRPM.*

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considered the current metrics for support costs per customer, industry best practices, customer satisfaction scores, customer service levels, and the opportunity to review outsourcing strategies**. The analysis will also determine the best opportunity for the integrated utility to continue to deliver exceptional customer experiences at an affordable cost ensuring the best available customer solutions are also incorporated. (emphasis added)**

[6] EB-2017-0306/0307, Exhibit C.FRPO.1, Attachment 1, pg. 12

[7] Transcript_EGI Rebasing Ph 2_OH Vol 1_20241217, pg. 21, Lines 2-13

[8] One FRPO member pursued EGI for months trying to get a final read to complete a property sale for a location in Union Gas territory that EGI's customer care could not find. It was only when the member went through the Board's complaint system was issue resolved.

[9] EB-2022-0110 Exhibit I.FRPO.22

[10] EB-2022-0110 Exhibit I.FRPO.27

[11] EB-2022-0110 EGI_SettlementP_20221011

[12] EB-2022-0188 Assurance of Voluntary Compliance, pg. 6

It is disconcerting that the main thrust of its application in the first rebasing proceeding was to lower the bar for performance and, in this application, change the method for calculating performance.

FRPO tried to exhibit some of this integration issue that persisted in 2022 in the oral hearing differentiating the legacy Union territory numbers from the legacy Enbridge territory numbers.[13] While EGI asserts that this differentiation was due to the change in meter reading vendor, clearly the responsibility for this transition must owned by the company in charge. The improvement from 2022 to 2023 shows that significant improvement can be derived through focused investment in improvement.

PERCENTAGE OF CONSECUTIVE ESTIMATE BILLS GREATER THAN 4 MONTHS*

YEAR	EGD RATE ZONE	UNION GAS RATE ZONE
2022	2.7%	6.2%
2023	1.1%	1.7%

* Original data sourced from

But even with that improvement, EGI witnesses did not demonstrate significant knowledge regarding ERT's and their capability,[14] [15] nor were they able to provide insight as to the efficacy of the door hanger system.[16] In our respectful submission, EGI should have the resources to make the improvements up to and including using ERT-enabled meters at less than a $100 incremental cost[17] for those meters that accessibility is a regular meter reading issue versus a safety issue. This latest point warrants some consideration.

Physical Accessibility Warrants a Triaged Approach to Address Safety

In its evidence on the Customer Care subject matter in this proceeding, EGI identifies that "*Safety Continues to be a top priority and a core value of Enbridge Gas.*"[18] However, most of its focus on safety pertains to the meter reading activity.[19] What seems to be missing is the ramifications of safety for the customer. If a meter is truly inaccessible, the utility or emergency response personnel such as fireman will not be able to access the shutoff at the meter set in an emergency. This situation should be

[13] Transcript_EGI Rebasing Ph 2_OH Vol 1_20241217, pg. 21, line 14 to pg. 22, line 18
[14] Transcript_EGI Rebasing Ph 2_OH Vol 1_20241217, pg. 29, line 19-28
[15] https://docs.itrontotal.com/FieldTools/Content/Topics/Extract%20Interval%20Data.htm confirms that ERT's can store interval data for later transmittal
[16] Transcript_EGI Rebasing Ph 2_OH Vol 1_20241217, pg. 36, pg. 86, line 21 to pg. 87, line 2, and pg. 89, line 2 to pg. 90, line 9
[17] Exhibit I.1.7-LPMA-3
[18] Exhibit 1, Tab 7, Schedule 1, pg. 4, para.10
[19] Ibid,, Exhibit 1, Tab 7, Schedule 1, pg.11, para. 24 a) &c), Attachment 4, pg. 2, 4 and 5.

addressed in our view by either the customer's efforts to remove the barrier, the utility working with the customer to move the meter set to an accessible location or if neither of these solutions are acceptable, remove service from the building if safety is a *top priority*. Given this perspective, it is hard to understand the company's reluctance.

EGI's conditions of service, EGI has the right to discontinue service.[20] In response to staff EGI chooses to highlight "*if it is refused access for any lawful purpose to the premises, amongst other reasons*". In viewing the *other reasons*, they include "*when Enbridge Gas has reason to believe that an unsafe condition exists on the premises or may develop from a continuation of gas supply and/or delivery*".[21] In our respectful submission, that condition seems to be met by an inability to access the shutoff to the meter and the house.

We are confused then when the next question asked by staff was regarding *the basis and process for disconnecting a customer whose meter is accessible*, to which EGI replied:[22]

> *To date, Enbridge Gas has not disconnected a customer solely based on meter access issues and does not have an existing process for service disconnections of this type. If Enbridge Gas does proceed with additional service disconnections, the Company would review the existing approach used for service disconnections for other types of work and develop a process specifically for inaccessible meters related to meter reading.*

In our view, the company ought to be pursuing these physically inaccessible meters and currently has the authority to review its existing approaches for safety first and meter reading secondarily. The company's reluctance to address this issue with engagement with the customer to provide them a series options from which the customer must choose one seems to be the appropriate response. This lack of rigour in its current processes around these meters points to a lack of serious intentionality regarding addressing the issue. Further, this disregard for the ramifications of inaccessibility does not support a change to the determination methodology in addressing performance. We respectfully submit that the Board should direct EGI, again, to address its performance and not simply change the calculation to meet a customer service standard.

2) <u>EGI's Proposed RNG Program Should be Evolved to Reduce System Gas Risk</u>

FRPO appreciates that EGI is proposing a program that could assist some of its customers and potential customers (in the form of RNG suppliers) by catalyzing the market in Ontario. However, the uncertainty surrounding the Federal carbon program

[20] https://www.enbridgegas.com/ontario/conditions-of-service , Section 6.6.2
[21] Ibid.
[22] Exhibit I.1.7-STAFF-3 b)

and the risks that are created for system supply customers, we respectfully submit that the proposed program should not be approved as filed.

In our efforts in this Phase 2 portion of the rebasing process, we collaborated with the intervenor group to leverage each others' strengths in pursuing outcomes in the public interest. In that collaboration, we received an advanced copy of the draft submissions of the Consumers Council of Canada (CCC). The comprehensive analysis and argument capture most of our concerns and some that we had not contemplated in a very compelling fashion. As such, we support and adopt CCC's argument and provide a couple of additional reasons that approving EGI's proposal is not in the public interest.

Maximum Monthly Cap Obscures the Proportional Impact on System Gas

EGI's evidence tends to minimize the impact of their proposal by capping the maximum residential customer impact at $4/month. Another way of looking the impact is the premium on the system gas price if there is uptake in the voluntary LVCP. Using the starting point of 10.5 PJ[23] at the premium price of $25.88 over existing commodity net of the Federal Carbon Charge (as a simplifying assumption as there may be more variability in the Federal Carbon Charge or successor price),[24] and using the RNG volumes as 2% of the system gas demand, we can get a sense of the 2029 impact.

	COST	GJ	PRICE/GJ	
EXISTING SYSTEM GAS	$ 1,931,433,000	514,500,000	$3.75	1
2029 RNG PROPOSAL	$ 311,157,000	10,500,000	$ 25.88	
TOTAL SYS W/RNG	$ 2,242,590,000	525,000,000	$ 4.27	
PREMIUM ($/GJ)			$ 0.52	
PREMIUM TO CURRENT DAWN REFERENCE PRICE			14%	
1) CURRENT DAWN REFERENCE PRICE				

In our view, a premium of 14% on the commodity cost for the integration of 2% RNG is a significant exposure for system gas customers. Some may argue that, if this scenario came to pass, that the utility is creating a hidden carbon tax on customers who buy gas from the utility.

[23] Enbridge Gas, Updated Evidence, November 15, 2024, Phase 2, Exhibit 4, Tab 2, Schedule 7, p. 4
[24] Transcript_EGI Rebasing Ph 2_OH Vol 2_20241218, pg. 131, line 19 to pg. 134, line 8

Potential for EGI to Exit RNG Market Poses Further System Gas Risk

Another concern that FRPO tried address in the hearing was the role of EGI as a clearinghouse.[25] Prior to the move to deregulation to open up the commodity market, TransCanada's wholly-owned affiliate Western Gas Marketing Limited (WGML) acted as a middle-man between suppliers and customers (who were almost exclusively utilities). With the Halloween Agreement setting a path to de-regulation, entities such as WGML needed to exit the market or evolve into independent marketers to allow the open market to succeed as their original purpose was served.

In the case of EGI's role under their proposal, in our view, a comparable situation could develop if the RNG market develops into a more open market. Initially, EGI's role could inhibit that development. While EGI might argue that remains to be seen, the lessons learned from the deregulation of natural gas commodity market could be instructive. EGI provided its views on how it would foresee managing a potential exit from the market.[26]

FRPO appreciates their effort, but we recognize that EGI's negotiation would not impact its shareholder only ratepayers. Given that counter-parties in RNG contracts would want to minimize their own risk or be paid a premium to manage it, we encourage the Board to consider the horizons associated with long-term contracts to support investment. In our view, ratepayers could get left holding the bag if approval is granted for the program without any form of conditions on the utility to mitigate this potential impact.

As a result, if the Board were to approve EGI to initiate some form of RNG, in our view incorporating the recommendations in the CCC submission, we respectfully submit that the OEB could require EGI to provide the Board with some form of assurances of how the company would manage the ratepayer risk beyond that it will make reasonable efforts to negotiate better outcomes for ratepayers.[27]

3) <u>Including Decoupling in the IRM Should be Done on a Fully Informed Basis</u>

FRPO respects that many parties, particularly the supporting parties and EGI, have spent a lot more time than we in the development of arguments and counter-arguments. We chose not to cross-examine either of the groups as we did not have a strong informed opinion.

[25] Transcript_EGI Rebasing Ph 2_OH Vol 2_20241218, pg. 192, line 28 to pg. 195, line 28
[26] Exhibit J2.9
[27] A simple example could be that its supply contracts include provision that if the RNG market develops in a manner that the Board decides that EGI's role as middle-man is not needed, the contract would provide terms allowing a sliding scale of quantities to be purchased allowing RNG suppliers to seek alternative counter-parties for the surplus supply resulting from the required exit of EGI from the market.

In examining the record and the respective arguments, we respectfully submit that Decoupling Customer count impacts out of an IRM may promote the proper incentives to the utility including reducing the potential for gaming the customer attachment forecast. However, FRPO respects that the company and the many Board-approved intervening parties spent long hours in negotiation to establish a balance of interests in the Settlement Proposal that all could live with including the IRM parameters. Clearly this issue could not be agreed upon yet, the inclusion of a decoupling component at this juncture, could shift risks in ways that were not completely contemplated by the parties and especially the utility.

An interesting microcosm of the lack of tested evidence upon which the parties and the Board can rely upon is the issue of what are the revenue and cost impacts to the utility that are spawned from actual customer counts that vary from forecast. The ED-GEC submissions argue that EGI expects to earn around a quarter of a billion dollars from net customer additions/exits[28] and $82M if 100% of forecasted exit customers were retained through hybrid heating[29]. If this perspective were true, then FRPO would argue that one of ED-GEC's proposed decoupling approaches should be implemented. However, there does not appear to be a recognition of the incremental costs, beyond those in the approved capital budget for new customers. It is completely unclear as to whether the price cap increments are sufficient to cover the incremental costs of these attachments.

On the other hand, EGI opposes any adjustment for a variety of reasons which we will not try to address individually. We will say that its multiple arguments speaking to precedents, Renewed Regulatory Framework and Fair Return Standard appear to be standing behind the inertia of institutional constructs without addressing the real issues of incentives and over-earning. For example, the Fair Return Standard establishes that the utility ought to have a reasonable opportunity to earn its approved rate of return. It does not say that if evolutions in ratemaking framework provides the utility with additional revenues to use as it sees fit including increasing its opportunity to earn or over-earn relative to the Board-approved rate, that that opportunity should not be adjusted to be more balanced. Therefore, in our view, those arguments are not compelling.

The one argument that we cannot reconcile was provided in EGI's update response to ED Question #3.

> *Further, when viewed in isolation, the cost of adding a customer typically outweighs the incremental revenues received from that customer in the first number of years. This is because the carrying costs of the associated capital costs are highest in the early years, but slowly decrease over time as the cost of assets are recovered through depreciation, whereas rates/revenues reflect an average carrying cost of assets (due to the varied mix of assets at all ages reflected in rate base). As a result, in the near term, where rates are set through*

[28] ED-GEC_SubmissionsReIRM_20240127, pg. 4
[29] Ibid, pg. 5

> *a price cap mechanism, not cost of service, the addition of customers actually creates a drag on earnings, not a windfall.*

Given that the capital investment required to meet the customer attachment forecast in the base year generates the Board-approved rate of return and debt financing in generating base rates, the company is provided funding to meet the carrying costs including margin. We believe the company may be saying that these new attachment investments may, due to a number of factors, be slightly less profitable than other asset investment categories. Our view is that EGI should use the IRM period to track the annual actual incremental revenues and costs to demonstrate this assertion.

As a result, on balance, we respectfully submit that the utility should be directed to study decoupling customer counts and submit evidence to the Board prior to the next rebasing case. This approach would seem to be an appropriate way to ensure that all parties are informed and those with contrary views can submit evidence of other alternatives to incent the utility in an energy market that by all accounts will still be in transition. Part of this evidence should be a clear tracking of the incremental revenues and costs to serve customer during the IRM period to allow a clear picture of incentives relative to customer forecasts which are sure to evolve in future periods.

COSTS

In this proceeding, FRPO strived to assist the Board with a view to efficiency and effectiveness through our collaboration with other parties. We trust that our submissions are helpful to the Board and appreciate the opportunity to assist. We respectfully request the award of 100% of our reasonably incurred costs at such time as the Board calls for those costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF FRPO,

R. Dwayne Quinn

Digitally signed by R. Dwayne Quinn
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