PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

Enbridge Gas Inc. (EGI)

EB-2024-0111

2024 Rebasing and IRM Application

Submission of the
Vulnerable Energy Consumers Coalition
(VECC)

February 18, 2025

Vulnerable Energy Consumers Coalition

Public Interest Advocacy Centre
613-562-4002
piac@piac.ca

Mark C. Garner

Digitally signed by Mark C. Garner
Date: 2025.02.18 23:55:22 -05'00'

1. This argument addresses the three issues outstanding from the Settlement Proposal to which VECC was a signatory.
   - Issue 7, specifically, the question: *Should the 2024-2028 Incentive Ratemaking Mechanism include a mechanism to decouple revenue from customer numbers*?
   - Issue 8, specifically, the question: *Is the proposed change to the calculation of the Meter Reading Performance Measurement appropriate*?
   - Issue 16: *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*?

Issue 7 - Should the 2024-2028 Incentive Ratemaking Mechanism include a mechanism to decouple revenue from customer numbers?

2. As a start we think it important to define what is meant by the proposals of Environmental Defense (ED) and the Green Energy Coalition (GEC or together ED/GEC). The most common definition of "revenue decoupling" in utility regulation literature is a rate mechanism that breaks the link between the amount of energy a utility sells and the revenue it collects and which allows it to recover the fixed costs of providing service to customers (i.e. distribution versus commodity costs). This is certainly how the Board has used that term in its restructuring of electricity residential rates when moving from volumetric, or partially volumetric, customer rates to a fully fixed rate charge. EGI has a similar (though different) rate structure proposal that will be considered in Phase 3 of this proceeding.

3. Leaving this focused definition with its limited objective, there is also a very broad definition of the term which means that *any mechanism that makes the utility whole regardless of the source of revenues or profit losses, under which the utility is insulated from the financial effects of weather, competition, misforecasts of ratepayer growth, unanticipated movements in the business cycle and DSM*.[1]"

4. ED/GEC picks something in between the two. Irrespective of which of their three proposals one considers they all focus on the singular aspect of customer connections (albeit with an eye to related upstream investments). The proposals are all based on a number of common assumptions. First, they postulate that the Utility has an incentive to over invest in connections (the revenue assumption). Second, they assume that the revenue horizon for current investments will be insufficient to recoup their costs (the death spiral assumption). And, finally, that some remaining body of system customers will be captive to higher rates in the future as the natural gas system spirals into oblivion (the captured customer assumption). A lot of assumptions and with little in the way of actual facts to support them.

[1] Decoupling and Public Utility Regulation, Graniere and Cooley, National Regulatory Research Institute, August 1994

5. With respect to the revenue assumption there is no consensus as to whether one should be considering gross revenues or net margins.[2] ED/GEC speak in terms of revenues whereas Enbridge responds in terms of margins[3]. In our view margins are what is important here – since it is only net revenues that benefit shareholders and not gross revenues. It seems to us that Enbridge's position that the net margin is small is consistent with the reporting on investment project portfolios that the Board approves/reviews for use by the Utility for system expansion. If ED/GEC were correct in correlating high revenues with high margins then one might expect these portfolios (project and rolling) to have profitability indices (PIs) of considerably value. We do not think that is the case, or at least has not been in the past. In any event, the Board might want to understand this fact much better than can be determined from this record before making a decision so fundamentally based the idea that new customers add immediate gains to the Utility shareholders.

6. The second assumption supporting the various proposals are variations of the concept of the "death spiral." This is a scenario where there is a cascading effect resulting from departures from the natural gas system as the price escalates in response to natural gas scarcity or meeting environmental laws and perhaps something else. The assumption is that these externalities are increasing the risk of investments in the natural gas system by shortening the horizon over which natural gas distribution infrastructure investment can be recovered.

7. Enbridge's response to the second assumption is the: "you'll always need a bit of natural gas" argument. This is not an unreasonable counter assumption. Early adoptions during sector transitions often start with hybrid approaches – one need only look at motor vehicles to see this. But there are other counter assumptions one could make. One is that there will delays or even abandonment of low carbon policies. To see the possibility of this occurring one need only look south of the Canadian border. Another is the that there will be greater efficiencies found in processes using natural gas or in home heating (both in creating heat and in retaining heat). If so, then it can be that higher efficiencies will lead to greater natural gas use by what is known in economics as the Jevons paradox or "rebound effects." All of which is to say that natural gas use may have a longer life than currently expected and certainly long enough to incorporate investments made within the five years of this rate plan.

8. The other major assumption relied upon by ED/GEC is that ratepayers are at risk for the non-recovery of investment costs by the utility. In some sense this is true.

---

[2] Enbridge Gas Inc, Argument-in-Chief (AIC), February 6, 2025, page 27

[3] The "margin vs revenue" issue is particularly relevant to EGI's statement at AIC, page 24: "*While ED is silent on the question of whether customer addition capital would be eligible to be added to rate base at the next rebasing, Enbridge Gas assumes that ED agrees with its expert Current Energy Group (CEG) that such capital would be eligible for later rate base treatment*."

Prudent investments are recovered in rate base and write-off may (and sometimes may not) be recovered. However, the investments need to be prudently incurred. In order to manage and understand what is prudent the Board has constructed a number of policies related to the connection of customers including the portfolio approach to investments. It is through these regulatory tools that the Board adjusts for risk by, for example, setting the revenue horizon for connection recovery that is used in cost-benefit analysis. In our submission it is through adjusting these and other related rate making policies, such as depreciation rates, that the Board should consider the issue of what constitutes a prudent investment in uncertain times.

9. The other asset risk ED/GEC anticipates is the "inevitable" decline of the natural gas system. They explain that "[*E]ventually, customer counts will start declining. Enbridge expects that to occur in 2034.At that point, Enbridge will almost certainly advocate to decouple revenue from customer counts as that would be necessary "to keep the company whole."*[4] As we have noted EGI is already pursuing the more widely accepted definition of decoupling by proposing to remove gas commodity from its distribution cost recovery rate structure. The principles underpinning this type of rate design have already applied by the Board in the electricity sector. Other things EGI may propose in the future are simply conjecture, just as it is conjecture to opine on how the Board might respond.

10. Moreover, the concept that customers are captive to natural gas use is improbable. Heating equipment in an (improbably low) cost home of 350k amounts to less than 5% of its value. At any given time, the stock of heating equipment is depreciated to some extent. Therefore, the replacement of the heating asset is a relatively low portion of the home asset allowing for its replacement to be financed by the home capital invested. The economic calculation customers make are based on the continuation of using existing equipment versus the amortized cost of replacement. Consumers are quite capable of making this calculation. They do so with other carbon use asset like vehicles. By way of example, consumers are not abandoning internal combustion (ICE) engines in droves for fully electric ones. Instead, they are making some calculation as what is in their financial best interest. Some choose full electric, some hybrid and some continue with ICE solutions. They do so because they have calculated for themselves the cost premium or life style inconvenience that these different forms of propulsion provide against the risk to the value of their chosen invested vehicle. They do so in the face of rising fuel prices and government statement and more importantly, laws, to address decarbonization. And they do so without ED/GEC's advice as to whether the marketing material they consume on the matter is good, bad or indifferent.

[4] ED/GEC supports this statement with a reference (Transcript Vol. 2, pages 101-102, which if read in its entirety does not support the contention that EGI thinks some form of revenue decoupling is inevitable. A full reading of the transcript indicates that EGI is aware that a scenario of declining customers would require an exploration of decoupling however we point out the discussion was both about "volumes" (i.e., traditional decoupling) and revenues.

11. While one may disagree with someone's assessment they remain free to make it. In the same way, EGI may be a monopoly provider of natural gas, but it is not a monopoly provider of energy. Consumers are free to choose to move to full electrical or hybrid heating systems. Only two things are certain in cataclysmic change. The first is that there will be constant innovation and changes as the market in response to these challenges. The other is, like in other rapidly technology transitions, the visionary pundits will turn out to be mostly wrong.

12. Furthermore, ED/GEC completely ignore shareholder risk. Energy transition may increase risk to gas utilities but given that customers are not captive then some risk will invariably fall on shareholders. In ED/GEC's view, and perhaps those of EGI as well, only customers are at risk in energy transition. We think that unlikely to be true.

13. Fundamentally, we submit that ED/GEC has failed to prove that there is an increased risk to existing customers when new ones are connected. Arguably the opposite is true, at least from a mathematical perspective. A larger customer base has lower socialized cost than a smaller one. Simply put, once customer starts to leave the system it is more onerous to spread the loss of the 1 over 10 than over 100.

14. Aside from being paternalistic to consumers EG/GEC adds conspiratorial elements to their argument. They throw out that " *Enbridge actively works to convince developers to connect to its system*[5]", as if we should be shocked - shocked to find that gambling is going on here! Most business seek to grow and so why not the gas utility? No laws exist which prohibit EGI from marketing its services. It is a rate regulated utility provided an exclusive franchise by the people of Ontario but otherwise it is a company like others.

15. With respect to their arguments on deceptive marketing these are at best irrelevant. Some might even consider them libelous. If ED/GEC has a complaint about the Utility, and believe it misleads or is acting fraudulently or engages on some other unethical behaviour, then there are avenues for those accusations to be heard, including the Board's compliance office. And indeed ED/GEC point to the appropriate authorities doing their job in their argument. Such disputes have no place in this rates case.

16. ED/GEC then go on at some length to try to establish that EGI is "anti-electrification" (whatever that means) and then (again shockingly) that it engages in pro-gas lobbying. They also attempt to inflame the conversation by claiming that the Utility disagreed with the Board's prior decision and provide us with their opinion on what

[5] Environmental Defence & Green Energy Coalition, Argument-in-Chief (ED/GEC AIC) , January 27, 2025, page 5

motivated that. These arguments are made so as to establish that the Utility is "a bad company." The only thing they seemed to have forgotten in this "evil empire" story is that the Utility used to supply natural gas to dry tobacco…tsk..tsk.. Such arguments exist only to inflame the matter.

17. We encourage the Board to ignore all of this. Enbridge as a corporate citizen is entitled to its opinions and it is entitled to pursue a different politic then that espoused by ED/GEC, or anyone else for that matter. Those opinions need not be popular, informed or even smart. Whatever the case they are certainly not relevant to the decisions to be made in this proceeding.

18. Finally, ED/GEC take umbrage to the fact that EGI works with developers to connect the gas distribution system to these new developments. And again, we are informed that Enbridge is actively trying to connect new customers.[6] And what of it? Developers are for the most part sophisticated entities. Certainly, they make choices which they believe benefits their profits. Again, there is no law against that. And certainly, it is possible that they choose natural gas installation over other options because it benefits them financially Of course, it is equally plausible that developers are simply responding to market signals and that it is harder to sell a house without natural gas then one with. What is the case we don't know and as there are still no developers represented in this rate proceeding. And if the Board is interested in the public interest it should be interested in the views of property developers.

19. Developers make choices on behalf of people who buy new homes. They know more about what people who buy new homes want than does ED/GEC or the OEB (or VECC). Leaving aside the fact that there is a market of custom built homes, the standard large development builds home where materials like roofing, insulation, brick or concrete, finishes - are all chosen by the developer. The developer is required to stay within the laws of the land and apply the approved building, ESA, TSSA and any other relevant codes and rules.

20. ED/GEC would rather that they decide what customers need. Or as they express it more subtly – if only customers were told the truth, then they would do the right thing – or what ED/GEC wants them to do – which is the same. While they start with a proposal that purports to say the objective is lowering the risk to existing gas customers they quickly move past this to the real reason for their proposal. That is, to reach decarbonization targets ED/GEC hold that homes must stop using natural gas and new home buyers should have this option removed. They further hold this will be good for customers who will benefit not only by lower energy bills but also by reducing carbon emissions (after which we can be certain they will fly off in some non-carbon emitting way to explain the goodness of their efforts).

[6] Ibid

21. ED/GEC may be right. Maybe new homes need to be built with different heating systems whose energy does not include natural gas or which meet a certain carbon output standard. But then that is none of the Board's business. If that's their objective (and we think it is) then it can only be met by establishing carbon energy standards for homes. And that is a matter for governments not regulators. Governments are accountable to the people and the Board is not. It is not for the Ontario Energy Board to make energy policy especially under the questionable guise that discouraging new natural gas connections lowers future risk to existing customers or saves newly attaching customers from later financial ruin.

22. Finally, none of the three "decoupling mechanism" make Enbridge, as ED/GEC stipulate, "neutral." This is axiomatic. Commercially one cannot remove the idea of attracting new customers from the idea growth. Perhaps ED/GEC can provide the Board with examples of companies seeking to reduce their growth in order to make greater profits? Over the long-term utility real growth can only be achieved by adding new customers or by gold-plating replacement assets. At this juncture in the energy transition, we think the Boad best to keep its eye on the latter matter rather than the former.

23. VECC is not blind to the challenges and risk of energy transition. There are real hard realities to be dealt with to minimize the changes that are likely to occur. The Board and EGI have already started that conversation by looking at the need to comprehensively review asset depreciation policies.

24. While intentions are usually good there is also the possibility of overreach. We think it best for the Board to consider all of the issues of energy transition comprehensively and as part an exercise where the inter-play between different elements, including a review of portfolio policies and other EBO 188 matters. Ideally such an exercise would consider how, if natural gas energy departs sectors, electricity distributors and power producers are able to fill that energy gap.

25. EGI is not the enemy. It provides valuable energy services to this Province. Services that are vital to the economic well being of over 14 million people. If the Board thinks it desirable to explore the issues of how the natural gas utility transitions to another state – hopefully one that preserves the value investors and customers have made - then it should do so in an orderly and methodological way. This proposal is not that.

26. Is sum VECC submits the Board should reject the proposals of ED/GEC in its entirety.

Issue 8 - Is the proposed change to the calculation of the Meter Reading Performance Measurement appropriate?

27. VECC opposes EGI's proposal to recalculate the Meter Reading Performance Measurement (MRPM) by removing "inaccessible" meters from the calculation. We have three reasons for this:
    - The proposal is a collateral attack on the clear decision with respect to the metric provided in EB-2022-0220 (Phase 1) of the 2024-2028 rate application.
    - EGI has not sufficiently addressed the issue of "inaccessibility" of meters.
    - EGI has demonstrated that it is able to meet the MRPM metrics as currently calculated.

Collateral attack on the recent prior Decision

28. In EB-2022-0200 EGI sought to modify the MRPM so as to achieve no more than 2% of meters with consecutive estimates for four months or more. The current target is 0.5%. VECC opposed that request and the Board rejected the proposal.

29. EGI's argument in that proceeding was that the metric was unattainable and for five reasons:[7]
    - COVID-19 impacts;
    - Extreme weather;
    - Loss of a key meter reading vendor;
    - The fact that MRPM is cumulative; and,
    - Customers not providing access to meters.

30. Having heard those arguments, the Board stated[8]:

The OEB regards meter reading as a fundamental customer service provided by a gas distributor that directly impacts customer billing. While COVID issues may have existed in 2020 and 2021, the OEB is not convinced that Enbridge Gas invested sufficiently in its customer services to address and rectify this meter reading problem. It is too late now to change the experience for those customers affected. The OEB received many letters of comment in this proceeding regarding billing issues experienced by customers and the personal implications.

The OEB has considered the customer impact. This metric is based on estimating four consecutive bills. The result could be an unexpectedly large bill when an actual meter read takes place. From a customer's perspective, this is an unacceptable outcome, especially as the commodity cost of gas and the delivery cost have increased in recent

[7] Enbridge Gas Inc., Argument in Chief, EB-2022-0200 pages 287-288
[8] Decision and Order EB-2022-0200, December 21, 2023, page 135

years. Enbridge Gas needs to improve its performance rather than seek to change the metric. It is imperative that customers have accurate bills to manage their expenses, assess their energy costs and manage their energy activities accordingly. Changing the metric to 2% would lock in the adverse performance levels that occurred in unusual circumstances. The OEB finds that there are no unusual circumstances persisting in 2023, beyond Enbridge Gas's control.

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

31. The reasons given for this "new" proposal are precisely the same as those for the prior request. They have all been heard before and they have all been rejected.

32. EGI's proposal of removing "inaccessible" meters is no different than its original proposal to adjust the metric – they are mathematical equivalences. In fact, it is arguably worse. What other reasons are there for non consecutive reads of meters other than being "inaccessible"? We can think of only two - cost or incompetence. Whatever the case, removing the problem meters is hardly the solution for solving the root cause of the failure to read meters.

33. It should also be remembered that the GDAR rule contemplates the entire issues raised by EGI's attempts to lower the quality of meter reading service to customers. The Code states:[9]

"*A distributor may choose to estimate the meter read for various reasons which may include limited access (e.g., a customer has an inside meter or the access to the meter is restricted) and the expense of actual meter reads. It is cost prohibitive to get actual meter reads each month. As a result, the following measurement is put in place to set out the minimum requirements for meter reads*."

In other words, the Code not only contemplates the issue of inaccessibility of meters, that possibility is the raison d'être of the provision. This is EGI's third kick at the can (including the Compliance proceeding EB-2022-0188). We encourage the Board to put finality to this matter.

Addressing "inaccessible meters"

34. The evidence is that EGI is seeking to remove only "customer-caused" inaccessible meters. Non-customer caused inaccessibility, for example, due to weather is not

[9] Gas Distribution Access Rule Amended March 1, 2020, section 7.3.3, page 20

included[10] Furthermore "*Enbridge Gas would not include unusual circumstances for the purpose of calculating the MRPM. For example, extreme weather would cause the entire meter reading route to be cancelled and the consecutive estimate would not be categorized as an inaccessible meter.*"[11] Customer caused inaccessible meters are comprised of three categories: a) Locked gates and inside meters; b) Customer sensitivity; and c) Obstruction.[12]

35. Our other objection to EGI's proposal is with respect to whether they have taken sufficient steps to address the issue of "inaccessible meters". EGI claims the only alternative solutions to meeting the targets are the introduction of AMI, (automated meter infrastructure) which is akin the electricity smart metering or disconnecting customers.

36. We disagree that the only options are so extreme. The most cost efficient way to address inaccessible meters is to install ERTs, or encoder receiver transmitter technology. This is a technology which is far different than smart meters as it only transmits data, over a short range and so a utility employee/vehicle can read it from a nearby location. It is also relatively costs effective as shown below.[13]

Table 1
2023 Cost of Meters by Customer Type

Line No.	Particulars ($)	Standard (a)	ERT (b)
	Customer Type		
1	Small Residential	125	221
2	Large Residential/Small Commercial	291	388
3	Commercial	1,310	1,373

37. The difference between a standard meter and an ERT residential meter is about $100. It belies believe to think that the reduction in costs due to customer complaints, meter reading repeats or other actions that EGI has so well described need to be taken to address inaccessible meters cannot be recouped by adding a $100 device so long as that technology has a life of a few years or more.

[10] Vol. 1, page 20
[11] I.1.7-Staff-2
[12] Exhibit 1, Tab 7, Schedule 1, page 10 and I.1.7-VECC-1
[13] I.1.7-LPMA-3

38. Given in other places the expressed concerns as to the longevity of the natural gas system this much cheaper technology is far more likely to meet the benefit risk calculations being discussed as part of energy transition. In fact, in light of the discussion with respect to "decoupling" above it seems ludicrous to speak about massive metering investments to solve what is in EGI's own words and evidence is a small and declining problem.

39. The Board should also consider EGI's mitigation plan. The plan consists of six initiatives:[14]
    - Consecutive Estimate Campaign - Working with meter reading vendors to hire additional meter readers and conduct campaigns to obtain meter reads
    - Inbound Calls - Call Centre will request a current read from customer on the phone
    - Customer Outreach – Various customer outreach activities to obtain read or make appointment to attend the property
    - Operations Engagement - Work with field operations to support hard to access meters
    - Process - Review processes for meter reads
    - Technology - Roll out new technology to support meter reading

40. Most of these initiatives are vague and primarily rely on customers actions to remedy EGI's problem. Of the two concrete solutions – more meter readers and more ERTs installed - neither have clear goals or targets by which the Board could measure their successful implementation.

41. VECC asked how ERT candidates are chosen, expecting a response that would relate repeat customer inaccessible meters to the program. Only this does not appear to be the case[15]. It is not clear to us that EGI targets inaccessible meters with ERT technologies. If they do not – then they should.

42. The number of customer-caused inaccessible meters has declined precipitously from 613,431 in 2022 to 302,789 in 2023. The MRPM has accordingly also improved greatly since the Pandemic. Since initially implementing the Company's 2022 MRPM Mitigation Plan to improve meter reading performance, the MRPM results have significantly improved from 5.0% in 2021 to 1.3% for 2023.[16]

43. We note that these improving statistics correspond with the number of ERT meters installed[17]

[14] Exhibit 1, Tab 7, Schedule 1, Attachment 4
[15] See I.1.7-VECC-4
[16]
[17] I.1.7-VECC-4

Table 1
Number of ERT Meters installed

Line No.	Year	ERT Meters Installed
	(a)	(b)
1	2019	12,530
2	2020	8,543
3	2021	6,930
4	2022	8,642
5	2023	29, 976

44. Furthermore, EGI is continuing its to ramp up this service

Table 2
Capital Actuals for ERT Purchased from 2019 to 2024

Line No.	Year	ERT meters purchased	Actual Spend ($000s)
	(a)	(b)	(c)
1	2019	19,152	6,300
2	2020[2]	1,795	320
3	2021	6,852	2,830
4	2022	5,406	2,230
5	2023	56,073	17,650
6	2024 Estimate	77,020	22,200

45. In our view it is reasonable to conclude that EGI can meet the current metric. The Utility has already shown that by focussing on addressing the route cause of the inaccessibility it can eliminate most of the remaining problem.

46. The Board is proxy for competition to Enbridge. It must guard against service degradation because customers have no alternative to the service provided. EGI has a meter reading problem. It needs to higher more meter readers and it needs to install the appropriate technology to ensure that any meters which are largely inaccessible are read in a timely manner. It is not good enough to rely on customer's sending in their own meter reads nor is likely safe enough to have meters which are sporadically seen.

47. The Board should reinforce its original decision. It should also require that EGI on annual basis report on the number of meters annual which are not read due to: a) Locked gates and inside meters; b) Customer sensitivity; and c) Obstruction (i.e. inaccessible meters). It should, also on an annual basis, require breakdown of the number of meters in each category and explain how each of these causes of

inaccessibility are being addressed. It should explain to the Board how EGI ensures inaccessible meters are in safe working order.

48. Our submission is that EGI can and should meet the current metric with inaccessible meters included. However, we think it more important that the Utility put together a robust mitigation plan to address its shortfall in meter reading performance. What is has presented in this case fails to do that.

49. Therefore, we think a reasonable compromise is for the Board to waive the 2025 MRPM requirements. In lieu of that requirement the Board should require that EGI submit an ERT and meter reader based mitigation plan which shows for each year of the rate plan the forecast number of ERT devices to be installed in each year and the target number of monthly meter readers to be employed by the Utility (or its contractor). In our view this plan should be filed for review as part of Phase 3 of this proceeding.

50. We think it important for the Board to consider that as part of amalgamation EGI moved the Union rate zones to a lower quality of service from monthly meter reads to bimonthly meter reads. This is a lower quality of service because under the monthly billing service provided it necessitates some form of bill estimation. And it was done at the expense of ratepayers as part of the Utility's effort to find efficiencies which it could capture. It is clear to us from the number of customer contacts VECC receives and the media attention drawn that billing monthly with bimonthly meter reads are not improving EGI's customer service.[18] We submit that that if EGI cannot provide a sufficiently robust mitigation plan as outlined above and implement such a plan then the Board should review the permission it provides to allow bimonthly meter reading and consider ordering a higher level of service and without any adjustment to the Utility's revenue requirement.

Issue 16 - **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**?

51. VECC's position is simple. We support initiatives which would allow EGI to procure long-term contracts for renewable natural gas (RNG). We also hold that no customers, direct purchase or system, should be forced to buy natural gas at above market prices and for the purpose of realizing someone's idea as to what is the public good. If the government believes there is public good to be had in purchasing RNG then it should let that be know through its legislative powers and where it is

[18] We understand that for meters that are considered accessible that where a meter cannot be read (on the bimonthly basis) it will be attempted to be read from thereon on a monthly basis but once successful read the meter returns to a bimonthly reading basis – See TC Vol. 1, December 17, 2024, page 31

accountable to the public. The Ontario Energy Board is not accountable to the public and it is not an elected body. It has no mandate to make social or environmental policy outside the limits of its legislative mandate.

52. Depending on one's point of view renewable natural gas has or does not have environmental benefits. It may, or may not, displace fossil based methane gas. And whether if it does have benefits and whether they are material is open to contention. The fact is that RNG trades at a market premium and this indicative of over subscription (demand) and so purchases by EGI simply displace purchases by other parties. Similarly, arguments to the effect that there are subsidiary economic benefits may be true but are of little relevance to the parameters within which the Board must decide this issue.

53. What is not debatable, in our submission, is that neither the *Ontario Energy Board Act*, nor any of the subsidiary pieces of legislation, provide the basis for forcing customers to pay extra monies for the pleasure of using RNG. We urge the Board to reject arguments which link either emission reduction goals or non-legislation related statements by governments as to their support for RNG. These statements and the arguments they foment are irrelevant. The same arguments are made with respect to ED/GEC's decoupling proposal where much is made of governments statements. Government statements are like promises of love without the marriage proposal. Lots of talk with no commitment.

54. To make the point. The current governments (both Federal and Provincial) are now making statements as to the desirability of trade with the United States. Should the Ontario Energy Board step into that breech and limit the amount of shale natural gas procured from the U.S.? After all, it is neither environmental ideal (in some's view) and it is with a country we are in a trade dispute with and for which our governments have made statements as to whether energy sanctions or tariffs are in order. Is it the Board's mandate to interpret the prevailing wind of government and order EGI to purchase less U.S. sourced gas, forcing ratepayers to pay any cost difference between the Canadian and U.S. sourced natural gas? We think not. In principle how does this differ from the arguments underpinning EGI's RNG proposal? It is a proposal is premised on "*meeting long-term emission reduction targets as independent decarbonization pathway studies consistently show*"[19] In other words there is no legislative mandate or authority for the Board to impose the costs of RNG on ratepayers.

55. The Ontario Energy Board is not charged with reducing natural gas carbon emissions. Therefore, customers willing and wanting to engage in purchasing natural gas at a premium because they have subsidiary attributes should be able to do so, but only on a completely voluntary basis.

[19] EGI AIC, page 12

56. In our submission any RNG incremental cost should be funded on a completely voluntary basis. To force low income customers to pay significant amounts would, in our submission, result in unjust and unreasonable rates. This would in turn invite review by the legislature, the courts, or both.

57. However, as noted by EGI VECC does recognize the difficulty faced by the Utility in attempting to participate in the RNG market[20]. This market requires long-term contracting, a type of contract which is generally not accepted as part of a Utility's supply portfolio. In our view there are no OEB restrictions against long-term contracts[21] though we understand others may disagree.

58. In our submission the question comes down to one of the reasonableness of the incremental costs of including RNG in the portfolio. Given the lack of clear and unambiguous regulatory jurisdiction for purchase of natural gas at above market prices we hold that the amount purchased should have a de minimis rate impact. EGI presented the following table on its estimate of rate impacts:[22]

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

- Maximum bill impact for the average residential customer.

59. In our submission the rate impact should not exceed, in any year, an annual amount of $1.50 or about 0.12 per month. This is an incremental cost unlikely to have any impact on customers. Based on EGI's estimate this would allow for the approximately 0.325 PJ of RNG. To the extent that a modified Lower-Carbon Voluntary Program (LCVP) took up this amount future contracts could be undertaken within the PJ limit. We also submit that LCVP should be available to all customer class and EGI should be encouraged to maintain or increase awareness of its RNG voluntary option to each class of customers. We admit our limits are somewhat arbitrary, but then so are EGI's. The Board may have its own view as to what constitutes a di minimis impact – we accept this is a matter of some discretion.

[20] EGI AIC, page 20
[21] There may be some older Board precedent against engaging financial hedging of contracts.
[22] EGI AIC, page 14

60. VECC supports EGI's proposal to provide an "evaluation discount" to First Nation participants. The RNG program as modified by our submissions falls within the ambit of "corporate citizenship". Within reason such costs can be supported by ratepayers. As part of EGI's environmental, social and governance (ESG) practices it is laudable to incorporate support for low income and disadvantaged communities into the program.

61. It is our view that the voluntary take-up of RNG, by class, is the clearest indicator as to the appetite of ratepayers in general for purchasing RNG at a premium. The Board might invite EGI to continue to report on this program and so as to be able to consider broadening the program based on interest shown by voluntary uptake. EGI's RNG program should be revisited at its next cost of service or its legislation changes which requires the OEB to incorporate attribute methane gas into its portfolio.

These are our main submissions

VECC submits that it has acted responsibly and efficiently during this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED