



Enbridge Gas Inc.

**Application for the Disposition of Deferral and Variance
Account Balances and Review of 2023 Utility Earnings**

PROCEDURAL ORDER NO. 3

March 4, 2025

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) on June 3, 2024, under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) seeking approval for the disposition of balances in certain deferral and variance accounts. Enbridge Gas's 2023 earnings were below the 150 basis point threshold set out in Enbridge Gas's previous approved earnings sharing mechanism and, as a result, it is not proposing to share any earnings with customers.

A settlement conference was initially conducted on September 16, 17 and 18, 2024. The parties participating in the settlement conference reached a complete settlement on the disposition of all 2023 DVA balances that were requested for disposition in this proceeding. The settlement proposal and a draft rate order were filed on October 10, 2024.

On January 28, 2025, the OEB issued its Decision on Settlement Proposal and Procedural Order No. 2. In Procedural Order No. 2, the OEB did not approve the settlement proposal as filed and expressed concern regarding the scope of the settlement proposal, the Fugitive Emissions Measurement Plan (and related new deferral account) and the interim disposition of 2023 Unaccounted for Gas (UFG) related accounts. The OEB made provision for the continuation of the settlement conference to give parties an opportunity to consider amending the settlement proposal for the OEB's consideration.

On February 4, 2025, the parties participated in a one-day continuation of the settlement conference.

On February 19, 2025, Enbridge Gas filed a letter on behalf of itself and the parties to the settlement proposal discussing the outcome of the continued settlement discussions. The letter responds to the concerns expressed by the OEB in Procedural Order No. 2.

Some key points outlined in the letter include:

1. Scope of the Settlement Proposal

Procedural Order No. 2 indicated that the settlement proposal goes beyond the scope of the approvals sought in Enbridge Gas's application, specifically regarding the Fugitive Emissions Measurement Plan. The parties disagree and believe that there is a fair linkage between the application and the settlement proposal and that the proposal touches only on items addressed in the prefiled evidence. The settlement proposal includes a pilot project with an extended scope and reporting requirements but the parties consider it linked to the evidence and nature of the Fugitive Emissions Measurement Plan.

2. Fugitive Emissions Measurement Plan

The parties acknowledge that the estimated cost to ratepayers of gas lost to known fugitive emissions was relatively modest for 2023, however some parties believe that fugitive emissions may also be a component of the large proportion of UFG that is unexplained. The parties agreed to a fugitive emissions investigation plan that may contribute to a better understanding of how fugitive emissions impact unexplained UFG.

The letter reiterated that the parties are not proposing to implement the full Fugitive Emissions Measurement Plan in 2025. The parties agreed that there is benefit to understanding how fugitive emissions measurement can be improved. The parties agreed to a \$2.6 million funding limit and reiterated that incremental funding would require OEB review and approval.

3. Enbridge Gas Approved IRM Framework

The parties acknowledge that it's unusual for a proceeding dealing with outcomes from one incentive rate period to impact the next incentive rate period, but parties do not believe this is improper here.

The Phase 1 Rebasing settlement proposal contemplated Enbridge Gas presenting a Fugitive Emissions Measurement Plan in the 2023 Deferrals Application, as it was the first available adjudicated filing after Enbridge Gas developed the plan. The parties view the OEB's approval of the Phase 1 settlement proposal¹ as a signal that the plan could be reviewed in this case. The inclusion was not intended to introduce new projects for the 2024-2028 IRM term, but rather to address an issue raised in the Phase 1 Rebasing proceeding.

¹ EB-2022-0200

4. New Deferral Accounts

The settlement proposal reflects a limited Fugitive Emissions Measurement Plan Pilot deferral account than initially requested by Enbridge Gas. The deferral account would have a \$2.6 million cap, a duration until the end of 2025 and a narrowed scope with only expenditures related to the pilot project. The parties view that these limits are a compromise protecting ratepayers while recognizing that Enbridge Gas is not otherwise funded for this pilot project.

The parties recognize that the cost limit is below the \$3 million materiality threshold for establishing new DVAs during Enbridge Gas's 2024-2028 IRM term. However, the parties stated that the settlement proposal in this proceeding was reached before Enbridge Gas's Phase 2 settlement was completed and therefore, parties did not know, at that time, that there would be a \$3 million materiality threshold. During the presentation day of the Phase 2 Rebasing settlement proposal, Enbridge Gas clarified that the \$3 million materiality threshold was not intended to apply to the settlement proposal for the current DVA proceeding. The letter noted that no party to the Phase 2 Rebasing settlement proposal disagreed with Enbridge Gas in that regard.

The parties requested that the OEB reconsider its decision and requested that, in the event that the OEB is unable to accept the settlement proposal, they be given an opportunity to respond to any continuing questions or concerns from the OEB. In the alternative, the parties requested an opportunity to reconvene for further settlement discussions.

Findings

The OEB is unable to accept the settlement proposal at this time and, further to their request, will afford the parties to the proposal an opportunity to address the OEB's concerns. The OEB appreciates the opportunity taken by the parties to provide clarification on the positions taken in the settlement proposal, and their collective view that the settlement proposal represents a fair, balanced solution to the various issues engaged by Enbridge Gas's application.

In keeping with the general nature of settlements, it is noted that the settlement proposal considered that different parties have different priorities and areas of focus.

Procedural Order No. 2 outlined an area of interest the OEB had with respect to the Fugitive Emissions Measurement Plan that was advanced for consideration in the settlement proposal.

The February 19, 2025 letter from the parties provided additional information addressing the OEB's concerns as set out in Procedural Order No. 2 regarding Scope, Notice, IRM term and interim disposition. The OEB does not find the letter responsive to all of the concerns. As a result, the OEB is providing the parties with a further opportunity to respond.

While the OEB frequently schedules a 'presentation day' for settlement proposals, given the nature of the all-party settlement achieved, the OEB feels written questions directed to Enbridge Gas and the other parties would be a more efficient use of time and resources.

1. The OEB's role:

Procedural Order No. 2 stated:

"While the OEB acknowledges that fugitive emissions are an important environmental issue and that any related cost recovery from ratepayers must be approved by the OEB, the OEB does not set any industry standards for fugitive emissions."

The February 19, 2025 letter did not address this statement. Please discuss the OEB's role in the regulation and measurement of fugitive emissions.

2. Need for the pilot:

Procedural Order No. 2 stated:

"Enbridge Gas indicated that it operates within more stringent internal measurement error tolerances than those established by Measurement Canada. Specifically, it operates within +/- 1% compared to Measurement Canada's required +/- 3%. Enbridge Gas described its own Plan as going 'above and beyond' current regulatory requirements and standard practices and at a potential cost to ratepayers."

Based on Enbridge Gas's current operations and regulatory requirements, please discuss the need to fund further study of fugitive emissions.

3. Timing of the pilot:

Procedural Order No. 2 stated:

"The Plan does not appear to be warranted at this time. The OEB questions the timing of this new initiative, embarking on this Plan in 2025."

Please discuss the timing of the pilot in 2025.

4. Costs and benefits:

Procedural Order No. 2 stated:

“In 2023, the actual cost of UFG was lower than budget in the EGD rate zone, resulting in a proposed refund to customers. For customers in the Union rate zones, zero balance is proposed to be disposed related to volume measurement.”

Given that fugitive emissions are but one component of UFG, please discuss how the measurement of fugitive emissions as outlined in the investigation plan will reduce the cost of UFG for customers or benefit customers.

It is necessary to make provision for the following matters related to this proceeding. Further procedural orders may be issued by the OEB.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. On behalf of all parties in this proceeding, Enbridge Gas Inc. shall file a response to the OEB's questions, as stated in this procedural order, by **March 25, 2025**.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2024-0125** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.

- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Arturo Lau at Arturo.Lau@oeb.ca and OEB Counsel, James Sidlofsky at James.Sidlofsky@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, March 4, 2025

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar