

BY EMAIL AND RESS

March 18, 2025

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON
M4P 1E4

Dear Ms. Marconi:

**Re: EB-2024-0125 Enbridge Gas 2023 Deferral & Variance Account Disposition
OEB Decision on Settlement Proposal and Procedural Order No. 2
Response to Procedural Order No. 3**

On March 4, 2025, the OEB issued Procedural Order No. 3, responding to our February 19, 2025 letter requesting that the OEB reconsider its Decision on Settlement Proposal and Procedural Order No. 2 (the Decision). In Procedural Order No. 3, the OEB indicated that it appreciates the clarifications provided by the parties about the Settlement Proposal, but finds that the February 19th letter is not responsive to all of the concerns raised by the OEB in the Decision. The OEB determined that it will afford the parties an opportunity to address the OEB's concerns, highlighting four specific areas for response.

This letter sets out the collective response of the parties to the Settlement Proposal.

Before addressing the four specific items noted by the OEB, some context is important.

As set out in our February 19th letter, the parties believe that the Settlement Proposal sets out a fair and balanced solution to the various issues engaged by Enbridge Gas's Application and evidentiary filing. As is often the case with a settlement of an OEB proceeding that involves multiple issues and multiple parties, there was a range of viewpoints about the importance of and response to particular issues. Some items are more (or less) important than others to various parties. This naturally leads to compromises or concessions, where parties adjust their positions on particular issues in order to find an overall resolution. From the perspective of the parties, the overall settlement is a carefully crafted package of settled items that takes into account that different parties have different priorities and areas of focus. In total, the parties believe that the Settlement Proposal is reasonable and that it balances the interests of different intervenor groups and the Company.

As a result of the settlement process described above, some of the compromises or adjustments from the Application found in the Settlement Proposal are different from what some of the parties may seek if the relevant issue was adjudicated separately from the remaining issues. That context informs the answers to the OEB's concerns set out in Procedural Order No. 3. The parties do not believe that it is useful to set out individual perspectives on the Fugitive Emissions Measurement

Plan and the remaining questions asked by the OEB in Procedural Order No. 3, because there is a range of views. Instead, in responding to the four concerns noted by the OEB in Procedural Order No. 3, this letter sets out the collective views of the parties as to why they are able to agree upon and support the resolution of Issue #5 ("Is the proposal for the Fugitive Emissions Measurement Plan appropriate?").

In our February 19th letter, we set out reasons why the threshold for rejecting a settlement proposal should be relatively high. In light of the OEB's additional specific questions related to the Fugitive Emissions Measurement Plan, we wish to make one further submission on this point.

The parties respectfully submit that the OEB's role in reviewing a settlement proposal is somewhat different from determining unsettled issues after a hearing process. The parties believe, and OEB practice confirms, that the OEB's review of a settlement proposal is more of an overall review and less of an item-by-item review of the individual provisions, in order to determine whether the settlement as a whole is in the public interest, and results in just and reasonable rates. Just as is the case for the parties to a settlement proposal, a key consideration for the OEB is not whether each individual aspect of the settlement represents the ideal outcome, but instead whether the overall settlement is reasonable and fair.

With that context, the parties' responses to the four items noted in Procedural Order No.3 are set out below.

1. The OEB's role

Please discuss the OEB's role in the regulation and measurement of fugitive emissions.

The parties acknowledge that the OEB does not have a distinct role in the regulation and measurement of fugitive emissions. However, the OEB does oversee and approve rate recovery related to unaccounted-for gas (UFG). That is where there is linkage between fugitive emissions and the OEB's role.

The parties agree that fugitive emissions may account for a portion of Enbridge Gas's UFG in any year. However, some parties believe, in the absence of direct measurement of emissions there may be high levels of uncertainty associated with reported fugitive volumes. It was with that in mind that the parties agreed in the Rebasing Phase 1 Settlement Proposal that Enbridge Gas should develop an appropriate way to accurately measure fugitive emissions and required Enbridge Gas to provide its proposed plan as part of the 2023 Deferral and Variance Account Clearance Application. Enbridge Gas worked with Highwood Emissions Management Inc. to develop a Fugitive Emissions Investigation Plan to improve the accuracy of Enbridge Gas's fugitive emission inventory. The filed plan included a pilot to test mobile ground emissions measurement technology on a limited portion of the Enbridge Gas system and to initiate the development of Company-specific emissions factors on a subset of assets. These pilots are intended to inform next steps in the development of a broader, ongoing fugitive emissions measurement program, that could be implemented, if deemed to be prudent in light of associated costs and benefits.

Through Issue #5 in the Settlement Proposal, the parties agreed that it is appropriate for Enbridge Gas to implement the initial pilot phase of the Fugitive Emissions Investigation Plan in 2025, along

with some additional listed items. The parties made this agreement in the expectation that these activities could provide insight into the capabilities of fugitive emissions measurement technologies and whether implementation of these technologies to measure fugitive emissions can help determine if fugitive emissions are a source of UFG that requires more attention and mitigation planning. This would be part of ongoing efforts to reduce UFG and the costs to customers arising from UFG, which is squarely within the OEB's role and mandate.

2. Need for the pilot

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

As set out above in response to item #1, the parties believe that the potential linkage between fugitive emissions and UFG supports the prudence of proceeding with the initial pilot phase of the Fugitive Emissions Investigation Plan.

The parties do not believe there is a "need" for further study in the sense of it being mandatory or something that must be done for health and safety purposes. Instead, some parties see potential benefits as part of this overall proposed settlement, as outlined on page 4 of our letter of February 19, 2025. The parties agree that a Fugitive Emissions Investigation Plan may provide for more accurate measurement data, which may in turn contribute to a better understanding of how fugitive emissions could impact the volume of unexplained UFG. For further details on the potential benefits relating to potential reductions in UFG costs, see the response to question 4 below.

Taking the various viewpoints into account, all of the parties have agreed that it is a reasonable use of ratepayer funds for Enbridge Gas to undertake a relatively limited pilot project investigation related to fugitive emissions, as scoped in Issue #5 of the Settlement Proposal. Enbridge Gas is agreeable to this incremental next step in investigating fugitive emissions, and parties representing all impacted ratepayer groups are agreeable to the limited and capped incremental funding being made available.

3. Timing of the pilot

Please discuss the timing of the pilot in 2025.

The parties acknowledge the OEB's question as to whether it makes sense to embark on the pilot at this time (2025). If the pilot were to be implemented after the next rebasing application instead, it would presumably not be implemented until the vicinity of 2030. The parties do not see material benefit in deferring the potential learnings from the pilot until that time. Also, some parties believe that the investigation of fugitive emissions is an important issue that should not wait until Enbridge Gas's next rebasing case, and that moving forward with the pilot is an appropriate condition relating the UFG-related approvals achieved in this settlement. These factors underly the timing of the pilot. All parties believe that appropriate balance is reflected in the fact that only a limited pilot related to the Fugitive Emissions Investigation Plan is being proposed at this time.

On the question of timing, there is one other item that Enbridge Gas would like to note for the OEB's consideration.

The timing of the pilot project for the Fugitive Emissions Investigation Plan as set out in the Settlement Proposal assumed OEB approval of the Settlement Proposal in Q4 of 2024. Enbridge Gas has not proceeded to implement any of the new commitments related to this initiative, pending OEB approval.

At this time, Enbridge Gas expects that the implementation of the pilot project for the Fugitive Emissions Investigation Plan as set out in the Settlement Proposal will not be complete until the end of 2026. In order to coordinate with annual leak survey and other related operational activities the pilot is best conducted during the April to October months. The required sampling plan that will scope and direct the pilot project activities will have to be completed, along with retaining third party vendors to carry out the work, and that cannot be done in the time between any OEB decision and the start of the recommended sampling activity timeframe in 2025.

With this in mind, Enbridge Gas is now anticipating that most of the work activity agreed upon in the resolution of Issue #5 would be done later in 2025, and in 2026. This means that the reporting on the initiative would take place in the 2025 Deferral and Variance Account application.

Assuming this timing, Enbridge Gas requests that the Fugitive Emissions Measurement Plan Pilot Deferral Account (FEMPPDA) be applicable and available for the period from the date of the OEB's decision on the Settlement Proposal until the end of 2026. The maximum amount to be recorded in the account would remain at \$2.6 million. No party disagrees with this request. The parties propose that the change in the applicable dates for the FEMPPDA could be reflected in the Accounting Order that would implement this aspect of the Settlement Proposal.

4. Costs and benefits

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.

The parties acknowledge that there is no guarantee that the investigation plan will ultimately result in lower UFG or otherwise reduce UFG costs for customers. It is expected that information, learnings and plan clarity will occur as a result of the investigation plan to inform future actions.

It is possible that the Fugitive Emissions Investigation Plan pilot may lead to implementation of advanced technologies to measure fugitive emissions, which in turn could help determine if fugitive emissions are a source of UFG that requires more attention and mitigation. In that event, there could be a reduction in UFG costs depending on the cost/benefit implications of implementation of measurement and mitigation activities.

On the other hand, where the Fugitive Emissions Investigation Plan pilot does not result in a decision to proceed with broader implementation of advanced technologies to measure fugitive emissions, then that may benefit customers because Enbridge Gas and stakeholders will have gained information from the pilot and can divert their attention elsewhere.

In summary, the parties believe that the incremental and stepped approach to considering measurement and identification of fugitive emissions is reasonable, and that it forms an important and universally-endorsed part of the overall settlement of all issues in the 2023 Deferral and Variance Account Clearance application.

The parties ask that the OEB approve the Settlement Proposal. However, if the OEB declines to approve the Settlement Proposal and refers the application back to the parties for further settlement discussions with the potential for later adjudication where there is no settlement, then we ask that the OEB not make any findings regarding issues that may be in dispute between the parties. This letter and our letter of February 19, 2025, were the result of negotiations between the parties. The letters are not equivalent to submissions and they do not contain many of the arguments and references to the evidence that various parties would rely on if this proceeding were to be adjudicated. If some or all of the matters at issue in this application proceed to a hearing, then it is important that parties be able to bring forward arguments and evidence references supporting their position without concern that decisions on key issues have already been made.

Please let us know if you have questions.

Yours truly,

AIRD & BERLIS LLP



David Stevens

C: all parties in EB-2024-0125