



DECISION AND ORDER

EB-2024-0111

ENBRIDGE GAS INC.

Enbridge Gas Inc. Application for 2024 Rates – Phase 2

BEFORE: **Patrick Moran**
 Presiding Commissioner

Allison Duff
Commissioner

Emad Elsayed
Commissioner

David Sword
Commissioner

May 29, 2025

TABLE OF CONTENTS

1	INTRODUCTION AND SUMMARY OF FINDINGS	1
2	THE PROCESS.....	3
3	UNSETTLED ISSUES	6
3.1	METER READING PERFORMANCE METRIC.....	6
3.2	DECOUPLE REVENUE FROM CUSTOMER NUMBERS.....	12
3.3	LOWER-CARBON ENERGY PROGRAM.....	23
4	ORDER	35

1 INTRODUCTION AND SUMMARY OF FINDINGS

Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act, 1998* (OEB Act) seeking approval for changes to the rates that it charges for natural gas distribution, transportation and storage, beginning January 1, 2024. The application included setting 2024 rates on a cost-of-service basis and approval of an incentive rate-setting mechanism (IRM) for the years 2025 to 2028. The OEB is currently reviewing the second of three phases of the application.

Enbridge Gas filed its Phase 2 evidence on April 26, 2024. The OEB issued its Decision on Issues List and Procedural Order No. 2 on May 30, 2024. The approved issues list defined the structure and scope of the Phase 2 proceeding.

Enbridge Gas and intervenors reached a settlement on most issues. In its decision issued on November 29, 2024, the OEB approved the partial settlement proposal and issued an interim rate order effective January 1, 2025.

The issues that remained unsettled were a proposal to change the methodology to calculate the Meter Reading Performance Metric, decoupling revenue from customer numbers, and a proposed approach to procure renewable natural gas. The first and third unsettled issues address proposals by Enbridge Gas and the second unsettled issue address a proposal by Environmental Defence and Green Energy Coalition.

An oral hearing on these unsettled issues was held between December 17 and 19, 2024. Written submissions on the three unsettled issues were filed by intervenors and OEB staff. A written reply submission on the three unsettled issues was filed by Enbridge Gas and a written reply submission on revenue decoupling was filed by Environmental Defence and Green Energy Coalition.

For reasons that follow, the OEB has made the following determination on the three unsettled issues:

1. The OEB denies Enbridge Gas's proposal to change the Meter Reading Performance Metric. Enbridge Gas has made good progress toward achieving compliance and has proposed additional steps it will take. The OEB will exempt Enbridge Gas from its compliance obligation for the 2025 performance year. Enbridge Gas is still required to report its 2025 performance against the metric.
2. The OEB denies the proposal by Environmental Defence and Green Energy Coalition to modify the current approach to performance-based regulation on the basis that it is premature. In the Phase 1 decision, the OEB directed Enbridge

Gas to carry out several tasks related to the energy transition and the resulting risk of stranded assets. That work, to be included in Enbridge Gas's next rebasing application, along with work the OEB is currently doing with electricity distributors, will inform whether changes are needed in the approach to performance-based regulation in the gas distribution context.

3. The OEB grants permission to Enbridge Gas to establish a voluntary program to buy renewable natural gas and sell it to large volume customers on a voluntary basis. The OEB denies the request by Enbridge Gas to use its small business and residential customer base to provide a financial backstop for the voluntary program. The potential cost to those small volume customers and monthly bill impact is not justified or reasonable, and the OEB is concerned about the potential negative impact the proposed approach could have on the renewable natural gas commodity market.

2 THE PROCESS

Enbridge Gas filed its Phase 2 evidence on April 26, 2024.

In Procedural Order No. 1, issued on April 26, 2024, the OEB confirmed that intervenors in Phase 1 would be intervenors in Phase 2; and any intervenors that were eligible for cost awards in Phase 1 were also eligible in Phase 2.

Procedural Order No. 1 included a draft Phase 2 issues list and set out a process for written submissions on the draft issues list.

The OEB issued its Decision on Issues List and Procedural Order No. 2 approving an issues list for Phase 2 of the proceeding. The OEB also set out a procedural schedule for steps up to and including the settlement conference. In that procedural order, the OEB also approved late intervention and cost eligibility requests from the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) and Minogi Corp. (Minogi).

Following an interrogatory process and a four-day technical conference, a settlement conference was held from September 10 to 13, September 18 to 20 and October 7 to 9, 2024. Enbridge Gas and 21 intervenors participated in the settlement conference (collectively, the Parties).¹

Enbridge Gas filed a settlement proposal with the OEB on November 4, 2024, representing a partial settlement on the Phase 2 issues.

The Parties reached complete agreement on the following Phase 2 issues:

Category	Issue Numbers ²
IRM	1-6
Storage	9-14
Energy Transition Capital Spending, Technology Fund & Voluntary RNG Program	15, 16 and 18
Operating Expenses	19, 20
Rate Implementation	21, 22
Other	23-27

¹ The full list of intervenors that participated in the settlement conference can be found in the Settlement Proposal, November 4, 2024, pp. 5-6.

² The issue numbers correspond with the approved Issues List set out in the OEB's Decision on Issues List and Procedural Order No. 2, May 30, 2024.

The Parties also reached partial agreement on the following Phase 2 issues:

Category	Issue Numbers
IRM	7, 8
Energy Transition Capital Spending, Technology Fund & Voluntary RNG Program	17

No party objected to the issues or portions of issues identified as settled.

On November 4, 2024, Enbridge Gas also filed a draft rate order for updated 2024 interim rates and 2025 interim rates, along with draft accounting orders reflecting the partial settlement proposal.

OEB staff filed a submission on November 14, 2024 supporting the settlement proposal and the draft rate order. Enbridge Gas provided a presentation of the settlement proposal to the OEB on November 18, 2024.

In its Decision on Settlement Proposal and Interim Rate Order, issued November 29, 2024, the OEB approved the settlement proposal and an interim rate order implementing interim 2025 rates and a rate adjustment rider for 2024 rates effective January 1, 2025.

An oral hearing on the unsettled issues was held between December 17 and 19, 2024. In Procedural Order No. 10, issued December 20, 2024 (revised January 13, 2025), the OEB set out a schedule for the filing of written arguments.

Environmental Defence and GEC filed their submissions on revenue decoupling on January 27, 2025. Enbridge Gas filed its argument-in-chief on all the unsettled issues on February 6, 2025. On February 18, 2025, OEB staff and intervenors filed submissions on the unsettled issues and Environmental Defence and GEC filed submissions on the unsettled issues excluding revenue decoupling. On March 6, 2025, Enbridge Gas filed its reply argument on the unsettled issues and Environmental Defence and GEC filed its reply submission on revenue decoupling.

The OEB also considered 17 letters of comment that expressed a range of concerns regarding the application including:

- Support for natural gas expansion and the importance of natural gas in fostering economic growth
- The need for a balanced approach to Ontario's energy transition
- The need for energy certainty to support planning and growth for future growth in various sectors

- The importance of including municipal voices and priorities in natural gas hearings
- Maintaining customer choice
- The impact on housing development and affordability if natural gas distribution expansion is limited

Most of the letters were from Ontario townships or municipalities.

3 UNSETTLED ISSUES

3.1 Meter Reading Performance Metric

The Meter Reading Performance Metric (MRPM) is a service quality requirement set out in section 7.3.3 of the Gas Distribution Access Rule (GDAR). It sets the minimum requirement for meter reads by measuring the percentage of meters with no read for four consecutive months. The number of meters with no read for four consecutive months or more, as a percentage of all total active meter reads, cannot exceed 0.5% on an annual basis.³

In the Phase 1 proceeding, Enbridge Gas noted that it has experienced challenges meeting the MRPM target since 2019 for several reasons, including COVID-19 resulting in closed businesses, increased customer sensitivity to contact with meter readers, access issues during periods of lockdown, staffing issues attributable to quarantine/isolation periods and labour resource shortages.

Accordingly in Phase 1, Enbridge Gas requested an exemption from the GDAR for the MRPM and for the performance target to be increased from 0.5% to no more than 2%. In the Phase 1 Decision, the OEB denied the exemption request to change the

MRPM target to 2% of meters and maintained the 0.5% target noting that, “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.”⁴

In this application, Enbridge Gas noted that the unusual circumstances referred to in the Phase 1 application are persisting in 2023 and 2024 and expected to continue into the foreseeable future. Enbridge Gas noted that after COVID, some customers have increased security measures and an increase in break and enters, frauds and thefts have further impacted Enbridge Gas’s ability to gain access to the meters.

Unless the OEB allows Enbridge Gas to remove these inaccessible meters from consideration under the metric, Enbridge Gas was of the view that it will continue to be penalized for customer behavior that is beyond its control. Enbridge Gas noted that as of October 2024, 60% of consecutive estimates were caused by inaccessible meters.

Accordingly, Enbridge Gas proposed that “inaccessible” meters be excluded from the MRPM calculation for the entirety of the IRM term. Enbridge Gas acknowledged that, in

³ Gas Distribution Access Rule, amended March 1, 2020, pp.20-21.

⁴ EB-2022-0200, Decision and Order, December 21, 2023, p. 135.

effect, this proposal could be viewed as an exemption request under Section 1.5.1 of the GDAR related to the MRPM. Enbridge Gas defined inaccessible meters as those meters to which it has not been able to obtain access to and read the meter for four or more consecutive months because of customer-driven conditions that are beyond Enbridge Gas's control.⁵ Under its proposal, Enbridge Gas would determine what is an inaccessible meter because of "customer-driven conditions".

Submissions

OEB staff and intervenors, with the exception of Quinte Manufacturers Association (QMA), submitted that the OEB should not permit Enbridge Gas to exclude inaccessible meters from the MRPM calculation. OEB staff, the Consumers Council of Canada (CCC) and the School Energy Coalition (SEC) submitted that removing inaccessible meters would reduce Enbridge Gas's incentive to address the issue of inaccessible meters.

Energy Probe, the London Property Management Association (LPMA), SEC and the Vulnerable Energy Consumers Coalition (VECC) argued that Enbridge Gas is indirectly reintroducing an issue that the OEB denied in Phase 1. Since the OEB rejected Enbridge Gas's request to adjust the target, SEC claimed that the company now seeks to adjust how the metric is calculated by excluding meters that it has the most trouble reading. SEC maintained that this is an indirect attempt to change the target. SEC further noted that the OEB target of 0.5% would have included some level of inaccessible meters and if the metric is now adjusted to remove inaccessible meters, then the target should be similarly reduced below 0.5%.

Pollution Probe argued that an exemption from including inaccessible meters removes the continuous improvement element that is intended in the metric and breaks the continuity of reporting against the metric. Pollution Probe further noted that there is no formal definition of an inaccessible meter, and the determination is subjective based on the opinion of Enbridge Gas or its field contractors.

OEB staff noted that there has been significant improvement in the MRPM, from 5.0% in 2021, to 1.3% in 2023, and to 0.97% as of October 2024. OEB staff submitted that Enbridge Gas should be able to achieve the metric in due course and there is no reason

⁵ Exhibit 1, Tab 7, Sch.1, p. 6.

to grant Enbridge Gas's request for a blanket exclusion of inaccessible meters from the MRPM. LPMA made a similar argument noting that Enbridge Gas's improvement in the metric shows that it is on the right trajectory and there is no need to change the methodology.

LPMA and Pollution Probe further noted that Enbridge Gas should invest in remote meter reading technologies and these technologies can be targeted to inaccessible meters now even if Enbridge Gas has not fleshed out a more cohesive strategy at this time. CCC similarly suggested that Enbridge Gas should be encouraged to use remote meter reading technologies if they are cost-effective. The Building Owners and Managers Association (BOMA) recommended that Enbridge Gas should implement an Advanced Metering Infrastructure (AMI) that would enable remote meter reads for commercial buildings. This would enable commercial building owners to identify opportunities to lower design-day and design-hour demand which could reduce or avoid upstream capital costs.

VECC did not support the adoption of AMI but suggested that installing Encoder Receiver Transmitter technology (ERT) is a more cost-effective approach to address inaccessible meters. The ERT allows meters to be read remotely over a short range and is a more cost-effective option than AMI. VECC noted that the cost difference between a standard meter and an ERT residential meter is about \$100 which would be considered a reasonable cost to address the issue of inaccessible meters.

VECC further submitted that Enbridge Gas's mitigation plan includes measures that are vague and primarily rely on customers to remedy Enbridge Gas's problem (encouraging customers to submit meter readings and greater customer outreach). According to VECC, the only concrete options, such as more meter readers and adoption of ERTs, did not have clear goals or targets against which the OEB can measure their success. VECC believed that a reasonable compromise is for the OEB to waive the 2025 MRPM requirements and in return, the utility should be required to submit an ERT and meter reader mitigation plan that identifies the number of ERT devices to be installed in each year of the IRM term and the target number of meter readers to be employed by the utility. VECC recommended that such a plan should be filed for review as part of Phase 3 of this proceeding.

The Federation of Rental-housing Providers of Ontario (FRPO) pursued a different angle and submitted that if a meter truly remains inaccessible, the utility or emergency response personnel would not be able to access the shutoff at the meter set in an emergency. FRPO further referred to Enbridge Gas's conditions of service under which Enbridge Gas has the right to discontinue service if it is not allowed access to the premises for any lawful purposes or if it believes that an unsafe condition exists on the

premises.⁶ Considering safety as a top priority, FRPO could not understand the company's reluctance to shut off service after all options have been exhausted. FRPO suggested that Enbridge Gas should focus on safety first and accordingly make changes to its approach rather than changing the methodology to meet a customer service standard.

In the event that the OEB is inclined to accept Enbridge Gas's request of excluding inaccessible meters, LPMA submitted that the OEB should create a new performance metric that shows the number of inaccessible meters each year and include a performance target (possibly 10%) of a percentage reduction to be achieved each year.

The Ontario Greenhouse Vegetable Growers (OGVG) did not take a position on the MRPM issue but suggested that the OEB should ensure that Enbridge Gas remains motivated to reduce inaccessible meter issues to the extent that it is reasonable.

QMA saw merit in supporting Enbridge Gas's request to exclude inaccessible meters from the MRPM calculation until the next rebasing in order to give a better overall picture of the utility's meter reading performance across its entire distribution system. However, QMA suggested that the OEB should continue to monitor Enbridge Gas's efforts to ultimately eliminate the issue of inaccessible meters in a timely and cost-effective manner.

In reply, Enbridge Gas rejected the view that its request was a collateral attack on the Phase 1 Decision. Enbridge Gas noted that the scale and scope of the MRPM issues raised in this proceeding are different from the past, including from when the metric was established years ago. Enbridge Gas indicated that customers are more protective of their properties and privacy, and this is driving the inaccessibility issues. Even if the OEB determines that Enbridge Gas's request is essentially an exemption from, or amendment to, the terms of Section 7.3.3.1 of GDAR, Enbridge Gas argued that this should not be a disqualifying factor. Enbridge Gas believed that the hearing panel in this proceeding was well positioned to grant the requested relief.

Enbridge Gas agreed with the claim by OEB staff and some intervenors that it will be able to meet the MRPM in due course but maintained that it faces the risk of non-compliance sanctions in the meantime and submitted this is not appropriate or fair.⁷ Although Enbridge Gas admitted that it is seeing the number of consecutive estimates

⁶ Enbridge Gas Distribution Conditions of Service, section 6.6.2, Emergency or Safety Related Discontinuance.

⁷ Enbridge Reply, p. 6. para 21.

come down, it observed that inaccessible meters are becoming more and more prevalent as the basis for ongoing issues.

Enbridge Gas further noted that intervenors offered few suggestions or options to address the issue apart from installation of remote meter reads. VECC suggested the resumption of monthly meter reads but Enbridge Gas noted that it already attempts monthly meter reads once a meter reading is missed and the meter is inaccessible. FRPO suggested disconnections but Enbridge Gas believed that this would lead to a lot of complaints and concerns including additional costs for disconnection and reconnection.

With respect to ERTs, Enbridge Gas submitted that it is not as simple and is not an immediate fix. Enbridge Gas noted that there are approximately 265,000 meters that are inaccessible and 80,000 of these meters are classified as inaccessible four times per year. Enbridge Gas submitted that it is a large and costly task to replace these meters that are spread throughout the Enbridge Gas service territory. In addition, the fact that the meters are inaccessible because of customer actions means that gaining access for replacement would be challenging. Accordingly, it would take years to complete the process of replacing inaccessible meters and in the meantime, meeting the target would not be possible.

Enbridge Gas further noted that AMI is still a Proof of Concept and large-scale AMI deployment is years away. Responding to BOMA's proposal, Enbridge Gas submitted that the widespread AMI implementation for commercial buildings is better considered in subsequent proceedings.

Enbridge Gas also disputed the claims of intervenors and OEB staff that if inaccessible meters are excluded, Enbridge Gas will not be motivated to improve its results and there will be no way for the OEB to track progress. In the event that the OEB approves the exclusion of inaccessible meters to calculate the MRPM metric, Enbridge Gas maintained that it would report on the number of excluded meters and would remain accountable to answer for its results. Enbridge Gas noted that it would report on the number and characterization of inaccessible meters and the steps taken to remedy the issue in the annual filing for the disposition of deferral and variance accounts where scorecard results are presented.

In its reply submission, Enbridge Gas proposed an alternative approach that was in line with VECC's proposal. Enbridge Gas agreed to put together an updated action plan for reducing the number of inaccessible meters, for consideration in the 2026 rates proceeding. Enbridge Gas noted that the updated action plan could include:

- i. A protocol for disconnection of customers who decline to provide access to their meters
- ii. New charges levied against customers whose actions necessitate repeated meter reader visits
- iii. Expanded communications with customers who decline access to meters
- iv. Targeting inaccessible meters for replacement with remotely read meters taking into account costs and issues with premature replacement of existing meters.

Enbridge Gas indicated that it would implement the updated action plan and report on results each year in the annual deferral and variance accounts proceeding. As long as this approach is in place and the OEB is satisfied with the company's actions and efforts, then Enbridge Gas submitted that it would not be appropriate for the OEB to institute compliance action or impose penalties.

Findings

The OEB denies Enbridge Gas's request to exclude inaccessible meters from the metric formula in the Gas Distribution Access Rule. The current metric sets the minimum requirement for meter reads. The number of meters that have not been read for four consecutive months or more, as a percentage of all total active meter reads, cannot exceed 0.5% on an annual basis.⁸

The evidence shows that there has been significant improvement in Enbridge Gas's performance against the MRPM, from 5.0% in 2021 to 0.97% as of October 2024. With this continuing improvement, Enbridge Gas has not made out a case that would justify the requested change to the metric. In the Phase 1 decision, the OEB denied Enbridge Gas's request to change the target from 0.5% to 2% on the basis that:

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.⁹

⁸ Gas Distribution Access Rule, section 7.3.3.1

⁹ EB-2022-0200, Decision and Order, December 21, 2023, p. 135.

The performance improvement that Enbridge Gas has been able to achieve since then bears this out.

In addition to recognizing that Enbridge Gas has improved its performance against this metric, the OEB also recognizes that Enbridge Gas still has work to do to achieve compliance with the metric target and may not achieve compliance in 2025. In its submissions, Enbridge Gas identified various steps it was prepared to take to improve its performance.

In accepting Enbridge Gas's commitment to increase its efforts to improve its performance against the metric, the OEB will exempt Enbridge Gas from the requirement to meet the MPRM target for the 2025 compliance year, pursuant to section 1.5.1 of the Gas Distribution Access Rule. Notwithstanding the exemption, Enbridge Gas shall include its performance against the metric in its 2025 performance scorecard report.

The exemption will provide Enbridge Gas an opportunity to work toward achieving compliance in 2026 and following years.

3.2 Decouple Revenue from Customer Numbers

In the Phase 1 Decision, the OEB noted, "In Phase 2 of this proceeding, a key issue regarding Enbridge Gas's incentive ratemaking mechanism proposal is to determine how performance-based incentives could be used in the face of the energy transition. Phase 2 will provide an opportunity to examine ways in which Enbridge Gas could be provided with an incentive to implement economic alternatives to gas infrastructure replacement projects, including asset life extensions and system pruning, including replacing gas equipment with electric equipment."¹⁰

In Phase 2, in addition to the following issues on the Approved Issues List:

Issue #1 Are the proposed Price Cap Incentive Rate-Setting Mechanism, Annual Rate Adjustment Formula, and term appropriate?

Issue #2 Are the proposed elements of Enbridge Gas's Price Cap Incentive Rate-Setting Mechanism appropriate?

¹⁰ EB-2022-0200 Decision and Order, December 21, 2023, p. 52.

The OEB added Issue #7, “How should Enbridge Gas be incentivized to implement economic alternatives to gas infrastructure and how should the recovery of its costs be treated?”

Environmental Defence filed a report prepared by Current Energy Group that discussed options aimed at improving capital cost containment and mitigating financial risks to customers arising from the energy transition.¹¹ Current Energy Group provided recommendations to address the risks related to the energy transition and to incent Enbridge Gas to move away from expanding rate base and adding new customers.

The report discussed a number of options including differentiated return on equity (ROE), revenue decoupling, efficiency carryover mechanism and sharing of gas supply risk.

In the OEB-approved settlement proposal, Parties agreed that Enbridge Gas will be required to file a study that will provide detailed analysis and options on a mechanism to implement differentiated ROE on different asset types and an efficiency carryover mechanism in its next rebasing application. Parties further agreed that the issue of whether a revenue decoupling mechanism should be adopted for the current IRM term would proceed to a hearing on its merits.

Submissions

In their joint submission, Environmental Defence and the Green Energy Coalition (GEC) submitted that the OEB should decouple revenue from customer counts for the IRM term covered by this application, or in the alternative, require that it be implemented in Enbridge Gas’s next rates application. The two intervenors submitted that the recommended approach is needed to remove Enbridge Gas’s incentive to convince as many developers as possible to connect to the gas system and to dissuade existing customers from leaving the gas system.

¹¹ Incentive Ratemaking for Capital Cost Containment and Energy Transition Risk Reduction – Current Energy Group, Exhibit M2, August 12, 2024.

To address this risk, Environmental Defence and GEC suggested that Enbridge Gas be made neutral with respect to customer connection/disconnections from a revenue perspective. According to Environmental Defence and GEC, decoupling revenue from customer numbers would provide several benefits including reducing financial risk for the existing customer base, reducing energy bills, reducing the cost of decarbonization, enhancing customer choice and supporting regulatory effectiveness and transparency. Decoupling revenue from customer numbers would also turn Enbridge Gas's attention to finding efficiencies during the IRM term rather than relying on revenue from new customers to manage its costs.

Environmental Defence and GEC proposed three options to achieve decoupling with respect to customer counts. Their preferred option was to allow Enbridge Gas to retain 75% of the incremental revenue it anticipates earning from net customer additions/exits. In other words, Enbridge Gas would be able to retain 75% of the \$256 million it expects to earn from net customer additions/exits. However, Enbridge Gas would not be able to keep any revenues from customer additions that exceed the forecasted connections. It was recommended that such a proposal be implemented as soon as possible.

Environmental Defence and GEC suggested that the decoupling mechanism could be implemented with a variance account that is similar in size and complexity to the average use variance account and would apply only to general service customers.

In its argument-in-chief, Enbridge Gas submitted that the OEB should not accept Environmental Defence and GEC's proposal for a variety of reasons:

1. The proposal lacked sufficient implementation details and the recommended 75% number was a new and arbitrary concept introduced at the submission stage. Enbridge Gas further noted that there was no reference to any other jurisdiction that had adopted some form of revenue decoupling from customer numbers.
2. The OEB already considered the stranded asset risk in its Phase 1 Decision and the OEB should not permit Environmental Defence to litigate and re-litigate its position on customer attachments and stranded assets in instalments.
3. The proposal is contrary to Ontario government policy that strongly favours and mandates an important and continuing role for natural gas as a vital component of the province's energy mix.¹²

¹² Enbridge Gas argument-in-chief, February 6, 2025, para. 115.

4. Implementing a revenue decoupling proposal would not enhance customer choice. Enbridge Gas argued that customers want natural gas and developers choose natural gas because the ultimate customer wishes to buy a new home with natural gas service.
5. The proposal is contrary to regulatory policy. Enbridge Gas noted that regulatory policy should be shaped by the OEB's statutory objectives which includes the rational expansion of gas distribution systems and facilitating the maintenance of a financially viable gas industry.¹³
6. Its approved price cap mechanism includes a productivity and stretch factor and if a revenue decoupling mechanism is implemented, it will lead to an extra, unanticipated stretch factor. Enbridge Gas argued that it needs the revenues from new customers to fund operations.
7. The proposal is not consistent with the fair return standard. If Enbridge Gas must forfeit the revenues that the utility earns from new customers who require incremental investments to serve, then the company loses the opportunity to earn a fair rate of return on those investments.

Pollution Probe, Minogi and Three Fires Group Inc. (Three Fires Group) supported revenue decoupling as one tool to address the energy transition.

Pollution Probe suggested that steps should be taken now, or in Phase 3, to remove over-incentives and develop solutions to achieve Ontario's policy goals ensuring a cost-effective outcome for ratepayers.

Minogi and Three Fires Group filed a joint submission supporting the implementation of a revenue decoupling mechanism in the next rebasing application as an effective way to reduce Enbridge Gas's incentive to imprudently support expansion and reduce the long-term risk of stranded assets. Minogi and Three Fires Group noted that First Nations customers would have to bear the risk of stranded assets in a disproportionate manner, as they lack the means or the options to exit an Enbridge Gas network.

Most intervenors and OEB staff opposed Environmental Defence and GEC's proposal to implement some form of revenue decoupling as part of this proceeding based on a number of shortcomings. With a change of this magnitude, these parties identified impacts and implications that had not been fully explored in this proceeding.

¹³ *OEB Act*, section 2(4) and (5.1).

OEB staff, CCC, CME, Energy Probe, IGUA, LPMA, OGVG, SEC and VECC recommended that the OEB consider all options in a comprehensive manner to address the energy transition risk at the next rebasing application. The OEB could then select the most appropriate option to protect ratepayers and address risks related to stranded assets.

CCC submitted that the revenue decoupling proposal had no principled basis to be included in Enbridge Gas's approved incentive ratemaking framework. CCC and SEC submitted that if Enbridge Gas were to retain only 75% of the revenues related to forecasted customer additions, it would not be a disincentive to attach new customers in a meaningful way and would shift risk to ratepayers.

CME submitted that Environmental Defence's proposal represents a real and substantial risk of exacerbating the significant damage from tariffs threatened by the United States. Further, the proposal could create a realistic potential for a death spiral with respect to certain rate classes where trade exposed industries represent a significant portion of the rate class. CME argued that if the remaining customers cannot recoup the additional costs from the tariffs and higher natural gas rates, it would lead to additional business closures or relocations away from Ontario.

Some parties (OEB staff, CME, Energy Probe, and QMA) observed that Environmental Defence/GEC's proposal was contrary to Ontario Government policy. CME, OEB staff and QMA referred to an Ontario Government policy statement that considers natural gas to be a vital component of Ontario's energy mix. In its report titled, "Ontario's Affordable Energy Future", the Ontario Ministry of Energy and Electrification states, "The OEB should continue to play its role as the natural gas system's economic regulator to protect consumers, to ensure utilities can invest in their systems and earn a fair return, and to enable the rational expansion and maintenance of the system."¹⁴

Energy Probe submitted that the OEB should not give any weight to the evidence and testimony of Current Energy Group witnesses as they do not have academic credentials or experience required for evaluation of economic alternatives at an expert level. Energy Probe claimed that revenue decoupling would take customer choice away and is contrary to the OEB's price cap rate setting method in the Renewed Regulatory Framework.

¹⁴ Ontario Ministry of Energy and Electrification, [Ontario's Affordable Energy Future: The Pressing Case For More Power](#), October 2024, pp. 22-23.

IGUA argued that a revenue decoupling proposal implemented in isolation could be an over-blunt instrument for addressing energy transition risks while maintaining the financial integrity of the regulated gas utility.

LPMA supported the submission of Enbridge Gas on this issue and observed that no analysis has been presented on how revenue decoupling would impact the approved price cap IRM parameters including the off-ramp, earnings sharing mechanism or the calculation of the materiality threshold of the incremental capital module.

Prior to the next rebasing application, LPMA and FRPO recommended that the OEB should direct Enbridge Gas to provide studies and reports to mitigate stranded assets including a decoupling proposal mechanism so that interested parties have sufficient time to review the information and prepare responding evidence if required.

OEB staff submitted that the proposal lacks specificity and should not be considered in isolation from other ratemaking approaches. OEB staff found that the evidence of Current Energy Group lacked sufficient details and analysis as the three options were discussed at a high level. OEB staff noted that Current Energy Group discussed a number of options to address the energy transition during the IRM term and one of those options was revenue decoupling¹⁵.

QMA submitted that manufacturers (its members) should not be subject to uncertain regulatory risk from the implementation of a revenue decoupling proposal without carefully considering the value and practicality of such a mechanism in a separate proceeding.

SEC submitted that in the event that the OEB decides to implement some form of revenue decoupling, financial risks for both existing and new customers would need to be addressed, such as whether the true-up should be done on rate class/zone-specific basis or company-wide basis and the timing of revenue dispositions.

VECC submitted that Environmental Defence failed to prove that there is an increased risk to existing customers when new ones are connected. VECC in fact considered the opposite to be true – a larger customer base has lower socialized cost than a smaller one. VECC rejected claims made by Environmental Defence that Enbridge Gas works to actively encourage developers to connect to its system and is engaged in deceptive marketing. VECC argued that Enbridge Gas is a business and has the right to promote its business.

¹⁵ Incentive Ratemaking for Capital Cost Containment and Energy Transition Risk Reduction – Current Energy Group, Exhibit M2, August 12, 2024.

In reply submission, Enbridge Gas rejected Pollution Probe's position on several issues and maintained that the stated positions were inaccurate and unfair. Such positions included purported monopolistic behaviours, inaccurate marketing information and excess revenues from new customer attachments.

Enbridge Gas submitted that it failed to understand why Minogi and Three Fires Group supported a revenue decoupling proposal without providing any persuasive explanation about how customer choice is improved as a result of implementing such a proposal. Enbridge Gas further noted that Minogi and Three Fires Group did not express a preference for adopting any of the three options put forward by Environmental Defence in its submission.

Lastly, Enbridge Gas disagreed with intervenors who advocated for Enbridge Gas to lead evidence and make a proposal about revenue decoupling in its next rebasing application. Enbridge Gas believed that if parties wish to propose a revenue decoupling proposal, they can propose such alternate approaches at the next rebasing.

Environmental Defence and GEC filed a reply to the submissions of all parties including Enbridge Gas. In reply, Environmental Defence and GEC accepted that their joint revenue decoupling proposal had limited support from intervenors but did point out that most intervenors agree that IRM frameworks need to be aligned with energy transition risks and revenue decoupling could be one of the potential ways to do so.

Environmental Defence and GEC argued that it was not sufficient to merely consider a revenue decoupling proposal as part of Enbridge Gas's next rebasing proceeding as doing nothing at this time would delay progress on aligning gas system investments with the energy transition and possibly increase costs for ratepayers. Environmental Defence and GEC submitted that if the OEB does not implement revenue decoupling in this rate term, it should at least indicate its expectation that it be included in Enbridge Gas's 2029 to 2033 rebasing application.

Responding to specific comments, Environmental Defence and GEC disagreed with Enbridge Gas's assertion that no jurisdiction has adopted revenue decoupling in response to the energy transition. Environmental Defence and GEC noted that the regulator in Massachusetts ordered its gas utilities to decouple revenue from customer numbers to remove the incentive to connect new customers.

Environmental Defence and GEC further recognized the concerns raised by CME on impacts to trade-exposed customers. Environmental Defence and GEC noted that if the OEB were to implement a revenue decoupling proposal, it could address CME's concerns by applying the approach only to residential customer classes.

Environmental Defence and GEC rejected the views of Energy Probe and VECC that steps to address energy transition need not be taken now as decarbonization could be delayed. Environmental Defence and GEC submitted that climate change is a certainty and steps to address it should not be delayed. Most connection assets put in the ground today will not be fully depreciated until the late 2080s. Environmental Defence and GEC argued that changes are required now to align incentives with energy transition risks.

In conclusion, Environmental Defence and GEC maintained that it was Enbridge Gas's obligation to establish that its proposed IRM was appropriately aligned with customer interests in the context of the energy transition and Enbridge Gas has not done so.

Obligation to Serve

During the oral hearing, Enbridge Gas indicated that if a revenue decoupling mechanism like the one proposed by Environmental Defence were ordered by the OEB, Enbridge Gas would cease to connect any new customers to its gas distribution system.

Enbridge Gas repeated this position in its argument-in-chief, where it stated: "It is important to appreciate that the obligation to serve does not exist in isolation. It is a corollary to the utility's privilege of having a franchise or natural monopoly to serve a community, and it is a corollary to the utility's right to have the opportunity to earn a fair return on the assets used to serve customers. This is referred to as the regulatory compact. [...] The regulatory compact dictates that where the utility is no longer able to recover rate revenues from attaching customers (which rates are designed to recover costs and earn a fair return on assets), then the utility should not be required to add customers. The quid pro quo underlying the regulatory compact would be defeated if the right to a fair return was removed."¹⁶

Enbridge Gas acknowledged that "it would potentially have to seek relief from the OEB (or even a Court) from the forced application of section 42(2) of the OEB Act, either proactively (perhaps as a GDAR exemption application) or in response to a complaint from a customer." Enbridge Gas further stated that this "is an issue for another day, but it can be expected that Enbridge Gas would raise (among other things) the arguments set out above."¹⁷

OEB staff referred to subsection 42(2) of the OEB Act which creates an obligation for Enbridge Gas to serve certain customers: "Subject to the *Public Utilities Act*... a gas distributor shall provide gas distribution services to any building along the line of any of the gas distributor's distribution pipelines upon the request in writing of the owner,

¹⁶ Enbridge AIC, paras. 155-156.

¹⁷ Enbridge Gas argument-in-chief, February 6, 2025, para. 157.

occupant or other person in charge of the building.” Section 2.2.1 of the Gas Distribution Access Rule repeats this obligation: “A gas distributor shall connect a building to its gas distribution system in accordance with subsection 42(2) of the Act.” Subsection 42(2) of the OEB Act and the Gas Distribution Access Rule are both “enforceable provisions” and subject to compliance action under Part VII.1 of the OEB Act.¹⁸

OEB staff agreed with Enbridge Gas that subsection 42(2) only applies to potential customers that are along the line of any of its distribution pipelines, and not to customer connections that would require a system expansion. However, OEB staff did not agree that the approval of a revenue decoupling mechanism as proposed by Environmental Defence/GEC would relieve Enbridge Gas from the obligation under subsection 42(2) to serve potential customers that are along the line of any of its distribution pipelines, where they request natural gas distribution service in writing.

OEB staff also did not necessarily agree with Enbridge Gas that Environmental Defence/GEC’s proposed revenue decoupling mechanism would not allow them to recover their costs associated with connecting new customers and would therefore be a breach of both the regulatory compact and the fair return standard. Although OEB staff agreed that the regulatory compact and the fair return standard are components of a rate that is “just and reasonable”, it noted that revenue decoupling mechanisms on their own do not amount to a breach of the regulatory compact or the fair return standard. OEB staff submitted that all IRM plans, to one extent or another, decouple costs from revenues: that is one of the main purposes of IRM. OEB staff argued that over any given IRM term it can be expected that a utility will incur costs that may not be covered by their rates – the fact that there is no dollar for dollar matching of revenues and costs is not on its own a breach of the regulatory compact or the fair return standard (nor does it automatically result in rates that are not just and reasonable); if it were, the OEB (and other regulators) would have to cease setting rates through IRM plans entirely. In its reply, Environmental Defence and GEC agreed with OEB staff on the fair return standard.

OEB staff submitted that nothing in the legislation suggests that the application of subsection 42(2) is conditional on adhering to the fair return standard, the regulatory compact, or any other regulatory principle. In the event that Enbridge Gas believes that a rate order issued by the OEB is not just and reasonable (whether related to the fair return standard, the regulatory compact, or for any other reason), OEB staff was of the view that Enbridge Gas’s remedy would be to seek redress from the OEB (through a motion to review, or possibly a request to end or amend the IRM term early if earnings

¹⁸ OEB Act, section 3 and Part VII.1.

are seriously impaired), or through the courts by way of an appeal under section 33 of the OEB Act.

In reply, Enbridge Gas agreed to most of the points raised by OEB staff but disagreed on whether Enbridge Gas would or could be relieved of its obligation to serve if Environmental Defence/GEC's revenue decoupling proposal is implemented. Enbridge Gas reiterated that it may decide to decline to attach new customers where associated revenues are confiscated. Enbridge Gas did understand that such an action would require an application before the OEB or an appeal before the Divisional Court.

Environmental Defence and GEC considered Enbridge Gas's threat to cease connecting new customers in the event that a revenue decoupling proposal is implemented to be entirely unjustified. Environmental Defence and GEC noted that under one of its options, Enbridge Gas would earn its forecasted \$256 million from net customer connections regardless of the number of connections.

Findings

The OEB will not adjust its approach to performance-based regulation or the IRM formula at this time. In its Phase 1 decision, the OEB has directed Enbridge Gas to address several issues relating to the impact of the energy transition in its next rebasing application. As noted by LPMA, this includes “an Asset Management Plan that addresses the risk of under-utilized or stranded assets and identifying mitigation measures, options to ensure that its depreciation policy addresses the risk of stranded assets, a proposal to reduce any remaining capitalized overhead to zero, and perform a risk assessment and develop a plan to reduce the stranded asset risk in the context of system renewal”.

The OEB has also recently commenced a review of its performance-based approach to rate regulation for electricity distributors.¹⁹

This work, along with the issues that Enbridge Gas is required to address in its next rebasing application will inform what approach should be taken to performance-based regulation, and whether changes are necessary, in Enbridge Gas's next rebasing proceeding.

¹⁹ EB-2024-0129

The proposal by Environmental Defence and GEC is premature and would need to be understood in the context of the work to be done by Enbridge Gas to carry out a proper assessment of the risk to the utility and its ratepayers posed by the energy transition, along with a review of the appropriateness of its current depreciation policy in the face of the energy transition.

In carrying out the work required for its next rebasing application, Enbridge Gas will have the opportunity, as recommended by LPMA, to consider the Environmental Defence/GEC proposal as well as the other potential measures identified by other intervenors to address the stranded asset risk and engage with ratepayer groups in advance of filing its application²⁰. Regardless, Environmental Defence and GEC, like all intervenors, will have the opportunity to raise proposals for consideration in the context of that work when it comes forward in the next rebasing application.

In advance of the oral hearing on this issue, Environmental Defence brought a motion seeking an order to compel Enbridge Gas to prepare evidence on how it would implement the revenue decoupling proposal. The OEB denied the request with reasons to follow.

As part of their submissions in final argument, Environmental Defence and GEC have requested that in the event that the revenue decoupling proposal is denied at this time, Enbridge Gas be directed to address the issue in its next rebasing application.

Regarding both requests, the OEB finds that while it is fair and open for intervenors to propose alternatives to what an applicant may be proposing, and recognizing that the applicant bears the burden of proof to establish that what it proposes will result in just and reasonable rates, it is generally not for an applicant to show how it would proceed with a proposal it does not agree with.

The OEB also wants to address the assertion by Enbridge Gas that it would refuse to serve if the OEB were to adopt the proposal made by Environmental Defence and GEC. Some intervenors considered it a threat. Such a statement made in this proceeding is inappropriate and unhelpful. Enbridge Gas did acknowledge its obligation to serve “is an issue for another day”. The OEB expects parties to focus on the merits of proposals regardless of whether they are made by an applicant or an intervenor, and such assertions only serve to distract from the consideration of those merits.

²⁰ LPMA submission, at p. 19-20

3.3 Lower-Carbon Energy Program

Enbridge Gas requested approval for a proposed Lower-Carbon Energy Program (Program) to procure lower-carbon energy as part of the gas supply commodity portfolio and recover the associated incremental costs. The Program encompasses both:

- A Lower-Carbon Voluntary Program (LCVP) for large volume customers
- Inclusion of lower-carbon energy in the cost of gas supply commodity, for lower-carbon energy volumes procured by Enbridge Gas but not voluntarily purchased by customers through the LCVP.

Initially, the lower-carbon energy would be exclusively in the form of renewable natural gas (RNG).²¹ RNG is produced from decomposing organic matter (e.g., food waste, human and animal waste), which creates biogas that can be upgraded to pipeline quality methane. RNG procured by Enbridge Gas would align with the definition of “biomethane” in the federal *Greenhouse Gas Pollution Pricing Act* (GGPPA),²² which is exempt from federal carbon pricing obligations under this Act, including the Federal Carbon Charge.

Program Rationale

Enbridge Gas stated that RNG and low-carbon fuels will play an important role in the energy transition and help enable the energy system’s path to net zero greenhouse gas emissions.

Enbridge Gas described three energy transition-related benefits that would be achieved by increasing the amount of RNG in the gas supply through the proposed Program:

- Supports an immediate opportunity to reduce greenhouse gas (GHG) emissions within Ontario’s building, transportation, industrial and electricity generation sectors
- Develops an Ontario-based RNG market to supply RNG to the difficult-to-decarbonize sectors such as industrial processes and heavy transportation

²¹ Enbridge Gas indicated it would consider hydrogen procurement in the Program when further certainty on the inclusion of hydrogen in the distribution system is available, following the completion of its Hydrogen Blending Grid Study, and may seek approval for hydrogen inclusion as part of a future application.

²² S.3: “biomethane means (a) a substance that is derived entirely from biological matter available on a renewable or recurring basis and that is primarily methane; or (b) a prescribed substance, material or thing”

- Provides customers with RNG as an option to achieve GHG emission reduction goals as the energy transition unfolds.

Program Scale

Enbridge Gas sought approval to procure up to 0.25% of the planned gas supply commodity portfolio as lower-carbon energy beginning in 2026, increasing to a maximum of 2% of the portfolio by 2029,²³ and (in the absence of any further direction from the OEB), continuing at that level in subsequent years. Enbridge Gas indicated that, in order to secure meaningful quantities of RNG and compete with purchasers in other jurisdictions, it expects to procure RNG primarily through long-term contracts of five years or greater. Enbridge Gas requested that the cost recovery consequences be approved for the duration of the lower-carbon energy contract term.

Enbridge Gas's proposed cost recovery approach for the Program would include selling RNG to customers on a voluntary basis through the LCVP. The LCVP would be offered to commercial and industrial system gas customers served by contract, and large volume general service system gas customers with annual consumption greater than 15,000 m³. Enbridge Gas indicated that there was interest from customers in this group in obtaining larger volumes of RNG to achieve their desired emissions reductions and reduce their Federal Carbon Charge. LCVP participants would be required to make a commitment for one year with automatic renewal in subsequent years until a time in which the customer elects a change.

If there is not sufficient demand from the LCVP to purchase the full amount of Enbridge Gas's RNG purchases, then remaining costs would be included in the cost of gas supply commodity and recovered from all customers that purchase gas supply commodity from Enbridge Gas. Enbridge Gas indicated that the LCVP could not be launched until 2027; therefore in 2026, all costs of RNG would be included in the cost of gas supply commodity.

Enbridge Gas is already offering a voluntary RNG pilot program, known as OptUp. This pilot differs from Enbridge Gas's proposed Program (including the LCVP), in that the voluntary RNG pilot is focused on general service customers and procures RNG only on a short-term basis based on the number of voluntary participants. Unlike the proposed Program, OptUp does not provide flexibility in term of what percentage of a participant's gas supply is RNG (all voluntary participants pay an identical \$2/month premium), and has the cost fully recovered from these voluntary participants. Enbridge Gas indicated

²³ The maximum amounts in the intermediate years would be 0.75% of supply in 2027 and 1.25% in 2028.

that, should the OEB approve Enbridge Gas's proposed Program, the voluntary RNG pilot would be discontinued.

Bill Impact

As part of the Program, RNG that is not elected by customers voluntarily participating in the LCVP would be included in the planned gas supply portfolio commodity purchases for all system gas customers (i.e., all customers that do not make separate direct purchase agreements for their gas supply with other suppliers). The expectation is that RNG will be significantly more expensive than conventional natural gas. Based on a range of estimates of the cost of RNG, its unit cost could exceed that of conventional natural gas by 30% to 170%.²⁴

To mitigate the potential bill impact, Enbridge Gas proposed establishing a maximum forecast bill impact (at time of purchase) for customers of 50 cents per month for residential customers at a target percentage of 0.25% lower-carbon energy, increasing to \$4 per month at a target percentage of 2% lower-carbon energy (forecast bill impacts for non-residential customers would scale in proportion to their relative consumption volumes).

The maximum bill impact would be calculated net of any customer bill savings due to the reduction in volumes subject to the Federal Carbon Charge. Enbridge Gas indicated that, should the federal government modify or remove the Federal Carbon Charge in the future, Enbridge Gas would revise its calculation to ensure that the maximum bill impact remained within the proposed limit.²⁵ Should Enbridge Gas reach this maximum forecast bill impact (based on the costs of its lower-carbon energy procurements), it would stop procuring lower-carbon energy for the program year, even if its target percentage of lower-carbon energy had not been reached.

Indigenous Participation Proposal

The partial settlement reached in this proceeding and approved by the OEB included a clause stating that, if procurement of low-carbon energy (or RNG) is approved, then any approval should include consideration of how the approved program can contribute to advancing economic reconciliation with First Nations, which could potentially include

²⁴ Exhibit I.4.2-ED-48, Table 1. The low estimate of a 30% premium assumes an RNG price of \$15.98/GJ, and the high estimate of a 170% premium assumes an RNG price of \$30.00/GJ. Both estimates assumed a conventional natural gas price of \$3.60/GJ and a Federal Carbon Charge (in 2029) of \$7.56/GJ. With the subsequent action by the federal government to set the Federal Carbon Charge to zero, the price premium for RNG will now be higher than these estimates.

²⁵ Exhibit I.4.2-CCC-43

procurement targets for First Nation-owned businesses in Ontario and/or discount pricing advantages for bids from First Nation-owned businesses as potential measures to help stimulate related First Nations business activity.²⁶

Following the OEB's approval of the partial settlement proposal, Enbridge Gas and two intervenors (Three Fires Group and Minogi) jointly proposed a framework to accommodate Indigenous participation in RNG procurement.²⁷

Under this proposed framework, Enbridge Gas would provide RNG offers from qualifying Indigenous-owned businesses in Ontario (defined as requiring Indigenous ownership or equivalent participation of 25% or more) with a bid advantage (a 10% implied discount to the offer price). The bid advantage would no longer be applicable once either: (1) Enbridge Gas had procured 5% of the total RNG procurement volume approved under any OEB approved program from qualifying Indigenous-owned businesses, or (2) the approved program term ended.

Enbridge Gas stated that it believes that the framework for Indigenous participation for RNG procurement will promote Indigenous economic participation in the energy sector that will have positive economic impacts to Indigenous communities and further the call to action for reconciliation.

Intervenor Evidence – Energy Futures Group

Environmental Defence and GEC sponsored evidence by Energy Futures Group (EFG), which included a review of Enbridge Gas's proposed Program.²⁸

EFG recommended that Enbridge Gas reduce the Program procurement targets by a factor of two (targeting 0.25% of supply in 2026, increasing by 0.25% per year to 1% in 2029),²⁹ cap the unit procurement price of RNG at \$25.58/GJ, and redirect the savings to expanded energy efficiency.

This recommendation is based upon EFG's conclusion that RNG is likely to play a relatively smaller role in the energy transition compared to other emissions reductions strategies such as energy efficiency (also known as demand-side management or DSM) and electrification, for both technical reasons (primarily, supply limits on the feedstocks

²⁶ Partial Settlement Proposal, November 4, 2024, p. 29

²⁷ Enbridge Gas, Lower-Carbon Energy Program presentation, December 13, 2024

²⁸ Exhibit M1, chapter 4

²⁹ Energy Futures Group's recommendation was a reduction by a factor of four from Enbridge Gas's original proposal – this equates to a reduction by a factor of two from Enbridge Gas's updated proposal.

required to produce RNG) and economic reasons (high cost of emissions reduction). This conclusion drew on evidence from EFG in Phase 1 of this proceeding.³⁰

EFG noted that there was uncertainty regarding future procurement costs for RNG and recommended to cap the (net) price of RNG procurements at \$25.58/GJ. This unit cost was calculated by assuming that Enbridge Gas exactly reaches both its RNG procurement target and its maximum bill impact. Under this circumstance, the unit cost of GHG emissions reductions from RNG procurement would be \$511.60/tonne CO₂e.

While EFG recommended that funds not spent on RNG (as a result of reducing Enbridge Gas's RNG procurement targets) should ideally be redirected to expanded DSM spending, it agreed that DSM spending was not an issue that the OEB would determine in this proceeding.³¹ EFG also confirmed that its recommendation to reduce the Program procurement targets stands, recognizing there is uncertainty as to whether a determination on the Program (and its related bill impact) in this proceeding might have any impact on a future OEB decision on DSM spending.³²

EFG made two additional recommendations. These recommendations attempt to ensure that the Program is effective in delivering long-term GHG emissions reductions:

- The Program should exclusively procure new RNG supply (not recontract for existing supply) and heavily prioritize the development of Ontario-based RNG sources to increase overall supply and maximize long-term benefits.
- The Program should procure RNG based on the cost per tonne of avoided lifecycle GHG emissions (using lifecycle carbon intensity values) to reflect the major variance in carbon intensity of different RNG sources and to minimize the cost of carbon emissions reductions.

EFG stated that if the Program does not require new sources of RNG, it may simply be shifting emissions reductions from a prior user of RNG to Enbridge Gas's customers, with no net increase in RNG supply or overall reductions in GHG emissions. EFG also submitted that, at least in the near term, it makes sense to focus on developing Ontario-based new sources of supply, and suggested that this would likely result in procurement

³⁰ EB-2022-0200, Exhibit M9-GEC-ED

³¹ The budget for Enbridge Gas's energy efficiency programs in future years will be considered in Enbridge Gas's recently filed DSM application (EB-2024-0198), which requests approval of a new DSM plan for the years 2026-2030.

³² Oral Hearing Transcript Volume 3, pp. 109-113

of RNG focusing on new Ontario manure anaerobic digestion systems at large farms where the direct atmospheric emissions of methane would be reduced.³³

Submissions

There was a wide range of views regarding Enbridge Gas's proposed Program.

The Canadian Biogas Association (CBA) generally supported the Program. CBA generally agreed with Enbridge Gas on the benefits of RNG and the Program in terms of its role in both assisting with emission reduction targets and with providing ancillary economic benefits.

Parties representing the interests of Indigenous peoples, communities, and businesses (Ginoogaming First Nation, Minogi and Three Fires Group and Six Nations Natural Gas) all supported the Program, including Enbridge Gas's Indigenous participation proposal. Minogi and Three Fires Group supported the potential to deliver near-term GHG emissions reductions, as well as its longer-term role in creating the market conditions necessary to provide the supply of low-carbon fuels that Ontario will need on a pathway to a net-zero future. Minogi and Three Fires Group stated that developing RNG projects in Ontario would result in local economic benefits including job creation, energy security, and economic growth and profit.

Environmental Defence/GEC and OEB staff supported the Program, with some modifications. OEB staff's primary proposed modification was to adopt EFG's recommendation of a 50% reduction in scale to reduce maximum bill impact on system gas customers, while Environmental Defence/GEC proposed modifications that were primarily intended to improve the effectiveness of the Program in achieving GHG emissions reductions.

Most parties representing ratepayer interests (CCC, FRPO, IGUA, SEC, VECC) only supported a modified version of the Program that was either exclusively based on voluntary participation or drastically reduced in scope and maximum bill impact relative to Enbridge Gas's proposal.

Energy Probe, LPMA and Pollution Probe submitted that the OEB should reject the Program entirely.

IGUA, LPMA and Pollution Probe questioned whether the involvement of Enbridge Gas was necessary to kickstart the RNG market, noting that demand for RNG currently

³³ M1-CCC-9 (c)

exceeds supply. These parties suggested that any benefits of growth in the RNG sector may end up being achieved through an open market without the need for Enbridge Gas involvement.

Energy Probe, IGUA, and VECC took a general position that, in the absence of explicit government direction, the OEB did not have a mandate to achieve social, environmental, or broader economic development policy objectives (e.g., reducing greenhouse gas emissions from the natural gas system, job creation) that would justify requiring customers to involuntarily pay a premium for RNG. IGUA noted that the carbon price in legislation should be considered as the appropriate price to pay for GHG emissions reductions, and that an RNG premium above this value should not be forced upon customers.

Many parties indicated that they expected RNG to play only a supporting role in the energy transition, relative to other emissions reduction strategies that may have a lower unit cost such as electrification and DSM.

Enbridge Gas confirmed that its DSM programs had delivered GHG emissions reductions at a unit cost of \$42.41/tonne CO₂e (based on 2023 results); while the cost of GHG emissions reductions from Enbridge Gas's purchases of RNG, based on its estimates of RNG prices between \$15.98/GJ (low estimate) and \$30.00/GJ (high estimate), is between \$96.40/tonne CO₂e and \$420.80/tonne CO₂e, even after accounting for the expected cost savings from reduced Federal Carbon Charge payments.³⁴

SEC argued that by raising the cost of natural gas, an involuntary RNG program may be counterproductive under the energy transition, and may increase the likelihood that customers will exit the system, increasing, rather than decreasing, stranded asset risk.

The primary concern of intervenors and OEB staff was the large potential bill impact on system gas customers. The \$4 maximum monthly bill impact in 2029 translates into a maximum annual incremental cost to ratepayers of \$270 million.³⁵

OEB staff, CCC, and SEC expressed skepticism regarding the level of voluntary purchase of RNG by large customers that could be expected through the LCVP, noting the lack of success and small volumes associated with the existing voluntary RNG pilot

³⁴ Exhibit I.4.2-ED-48; Oral Hearing Transcript Volume 2, p.138. These estimates included the expected cost savings from reduced Federal Carbon Charge payments due to the use of RNG, which will no longer apply

³⁵ CCC Oral Hearing Compendium, p. 50; Oral Hearing Transcript Volume 2, pp. 145-146

of 0.00046% of gas supply.³⁶ Large volume customers expressed some interest in RNG through a non-binding Expression of Interest (325 TJ, or 0.06% of gas supply),³⁷ yet Enbridge Gas acknowledged that it does not have a forecast for the level of voluntary participation.³⁸

Several intervenors and OEB staff submitted that the Program also introduces risks of long-term bill impacts on system gas customers. The time period for customers to make voluntary commitments in the LCVF was one year which was much shorter than the potential RNG contract lengths which could be 10 or 15 years.

Another concern noted was the potential impact of the Federal Carbon Charge being removed by the federal government. LPMA noted that this would have the impact of increasing the price differential between RNG and conventional natural gas, potentially reducing interest by larger customers in LCVF participation. On March 14, 2025, after submissions were filed, the federal government set the level of the Federal Carbon Charge to zero, effective April 1, 2025. This means that, from April 1 onwards, Enbridge Gas customers subject to the Federal Carbon Charge will not experience any carbon pricing-related bill reductions due to the use of RNG.³⁹

Many parties proposed a modification to reduce the scale of the program. OEB staff supported EFG's recommendation of a 50% reduction in scale.

CCC, FRPO, VECC, and SEC all proposed that the Program should be modified to either have cost recovery exclusively from customers participating on a voluntary basis or with much lower RNG procurement targets tied to a reasonable forecast of voluntary participation, with system gas customers playing only a limited backstop role.

Many parties were supportive of Enbridge Gas providing some form of voluntary RNG offering for large volume general service customers to enable interested customers to purchase RNG to meet their own emissions reductions and sustainability goals. Parties also made proposals regarding voluntary RNG programs for other customer segments, rather than unnecessarily limiting the potential for voluntary RNG participation by excluding both direct purchase customers and small volume system sales customers.

No party took issue with the Indigenous Participation Proposal. Minogi and Three Fires Group submitted that local economic benefits including job creation, energy security,

³⁶ Exhibit I.4.2.-Staff-32(e)

³⁷ CCC Final Argument, p. 13

³⁸ Exhibit I.4.2-SEC-32; Enbridge Gas Argument in Chief, p. 19

³⁹ Government of Canada, [Regulations Amending Schedule 2 to the Greenhouse Gas Pollution Pricing Act and the Fuel Charge Regulations: SOR/2025-107](#)

and economic growth and profit would be experienced by Indigenous businesses and communities to the extent that they are actively involved in the development of RNG in Ontario. Minogi and Three Fires Group maintained that the Indigenous participation proposal advances Ontario government priorities regarding Indigenous leadership and participation in the energy sector, as described in the recent report *Ontario's Affordable Energy Future*,⁴⁰ including capacity funding and support for Indigenous participation in energy projects and incorporating Indigenous participation in energy procurements. Minogi and Three Fires Group further submitted that the Indigenous participation proposal advances reconciliation with Indigenous Peoples, supports Enbridge Gas's own corporate commitments to reconciliation, and is consistent with the priorities of Enbridge Gas's Indigenous Working Group.

Six Nations Natural Gas expressed general support for the Lower-Carbon Energy Program as one of many levers to reduce carbon emissions in a cost-effective manner as possible and supported the Indigenous participation proposal as a reasonable starting point toward economic reconciliation.

Ginoogaming First Nation (GFN) recommended that the Indigenous participation proposal should go further in its target and discount percentages. For example, the 25% Indigenous ownership requirement would be on a sliding scale that provides further incentives for increased Indigenous ownership and the target stretched from 5% of the RNG supply to at least 20%.

CBA, Pollution Probe, and SEC raised concerns with Enbridge Gas's procurement approach unrelated to the Indigenous participation proposal. The CBA submitted that there were no specific protections against preferential treatment for Enbridge Gas affiliates in the RNG procurement process, particularly given the relatively small amount of RNG procurement available. SEC submitted that as Enbridge Gas is considering a broad range of factors in determining which RNG projects to contract with, there is a heightened risk of unfair favoritism or imprudent contracting with its affiliate, to the detriment of customers, which may be difficult to detect.

OEB staff submitted that there was a loophole in the federal Clean Fuel Regulations (CFR) program design that could be considered a form of double-counting emissions reductions, but this loophole exists whether or not Enbridge Gas is a participant in the RNG market. OEB staff noted that the OEB had the option of requiring Enbridge Gas to

⁴⁰ Ontario Ministry of Energy and Electrification, [Ontario's Affordable Energy Future: the Pressing Case for More Power](#), October 2024

purchase the CFR credits as part of its RNG purchases (and then not reselling these credits).

OEB staff, Environmental Defence/GEC and Pollution Probe also commented on the information that is provided to Enbridge Gas customers about emissions reductions from RNG. OEB staff recommended that any marketing materials referencing the inclusion of RNG in the gas supply should note the estimated percentage of RNG in the gas supply, or equivalently, the percentage reduction in GHG emissions achieved relative to conventional natural gas, something that Enbridge Gas indicated it was not willing to do. Environmental Defence and GEC made a similar recommendation, stating that references to RNG without noting the actual percentage will likely mislead customers into believing that their gas supply is cleaner than it actually is. Pollution Probe suggested the program was mislabeled as “Low Carbon” when it was really an RNG Procurement program.

Taking into account the concerns of intervenors and OEB staff regarding potential bill impact on system gas customers, Enbridge Gas indicated in reply that it still believed its proposed Program was appropriate. However, Enbridge Gas also put forth a modified approach should the OEB not be inclined to approve the Program as proposed. This modified approach included two major changes: a reduction in the overall target RNG percentage to 1% of system gas supply in 2029, and a stipulation that target percentages for 2028 and 2029 would be conditional on voluntary participation through the LCVP.

Regarding RNG procurement, Enbridge Gas submitted that it would comply with the existing Affiliate Relationship Code and would be reporting on RNG procurement each year to provide visibility and transparency should there be any affiliate transactions. Enbridge Gas stated that it intends on procuring RNG in accordance with its existing gas supply guiding principles.

Findings

The OEB grants permission to Enbridge Gas to establish a voluntary program to buy renewable natural gas and sell it to large volume customers on a voluntary basis. The OEB denies the request by Enbridge Gas to use its small business and residential customer base to provide a financial backstop for the voluntary program. Enbridge Gas proposes to buy RNG in the marketplace and offer it for sale to large volume customers, on a voluntary basis. Enbridge Gas further proposes that in the event it is unsuccessful in selling the RNG to large volume customers on a voluntary basis, it would protect itself from a financial loss by requiring small volume system gas customers to buy and pay for the unsold RNG, on an involuntary basis. Based on Enbridge Gas’s proposal, at the

time of the oral hearing, it was estimated in a worst-case scenario that small businesses and residential customers could be on the hook for up to a quarter of a billion dollars a year by 2029, paying an extra \$4.00 per month.⁴¹

Enbridge Gas has not established that it is appropriate to use its system supplied small business and residential customer base to backstop its proposal to participate in the RNG commodity market. The risk that small businesses and residential customers would be exposed to significant cost is borne out by the low level of interest in the voluntary program – in a non-binding process, large volume customers only expressed an interest in 325 TJ of RNG, equivalent to 0.06% of gas supply.⁴² The OEB also finds that Enbridge Gas has failed to demonstrate the need or the benefits to small volume customers to justify the potential incremental cost they would face.

In terms of GHG emissions reduction, the evidence indicates that DSM programs have a significantly lower unit cost per tonne CO₂e. Enbridge Gas confirmed that its DSM programs had delivered GHG emissions reductions at a unit cost of \$42.41/tonne CO₂e (based on 2023 results); while the cost of GHG emissions reductions from purchases of RNG was between \$96.40/tonne CO₂e and \$420.80/tonne CO₂e.⁴³

As an additional consideration, Enbridge Gas's proposal is inconsistent with the OEB objective to facilitate competition in the sale of gas to users.⁴⁴ Non-utility buyers and sellers of RNG do not have the ability to reduce their market risk essentially to zero in the same fashion proposed by Enbridge Gas, and would therefore be at a severe competitive disadvantage, potentially leaving Enbridge Gas as the sole buyer and seller of RNG for the Ontario market.

Enbridge Gas's evidence also indirectly signals how much it is prepared to buy, and at what price, based on the bill impact:

⁴¹ CCC Oral Hearing Compendium, p. 50; Oral Hearing Transcript Volume 2, pp. 145-146

⁴² Oral Hearing Transcript Volume 2, pp. 140-141

⁴³ Exhibit I.4.2-ED-48; Oral Hearing Transcript Volume 2, p.138

⁴⁴ OEB Act, s. 2, para. 1

Year	Enbridge Gas Proposal ⁴⁵	
	RNG Procurement Target (% of Gas Supply Portfolio)	Maximum Monthly Bill Impact on Residential Customers
2026	0.25	\$0.50
2027	0.75	\$1.50
2028	1.25	\$2.50
2029	2.00	\$4.00

This reduces the ability to achieve price efficiency for RNG, since an RNG producer will offer its RNG to Enbridge Gas based on the price signal that can be derived from the evidence, even where the producer's marginal cost is lower than that price signal. This militates against Enbridge Gas's proposal to use its small business and residential customers to provide a financial backstop against any loss Enbridge Gas may incur in its large customer voluntary program.

The OEB is of the view that if Enbridge Gas wants to participate in the RNG commodity market to implement a large customer voluntary RNG program, it may do so, but without the proposed financial backstop, and operating the program as a non-utility business activity. Whether Enbridge Gas does this through an affiliate or directly, like the NGV program that was approved in the Phase 1 decision, is up to Enbridge Gas.

This will ensure that Enbridge Gas will engage in an appropriate risk analysis, on an equal footing with other RNG market participants, to determine whether this is an activity it should be involved in, at no cost or risk to distribution ratepayers, and avoiding financial risk to residential and small business customers.

While it will ultimately be Enbridge Gas's decision on whether to proceed on this basis, the OEB wants to acknowledge the approach Enbridge Gas is proposing to take to the design of its procurement process for RNG for the voluntary program and its desire to seek arrangements with Indigenous businesses as part of that. The process of reconciliation is important and ongoing and Enbridge Gas's proposed approach to procurement would contribute to that.

⁴⁵ Argument-in-Chief, p.14

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Enbridge Gas is exempted from the requirement to meet the MPRM target for the 2025 compliance year, pursuant to section 1.5.1 of the Gas Distribution Access Rule. Enbridge Gas shall report its 2025 performance against the MPRM target.
2. The Lower Carbon Voluntary Program for renewable natural gas is approved as a non-utility business activity. The proposal to have system supply customers provide a financial backstop for the program is denied.
3. Cost eligible intervenors shall file their cost claims with the OEB and forward them to Enbridge Gas on or before **June 13, 2025**.
4. Enbridge Gas shall file with the OEB and forward to the intervenors any objections to the claimed costs by **June 20, 2025**.
5. Intervenors shall file with the OEB and forward to Enbridge Gas any responses to any objections for cost claims by **June 27, 2025**.
6. Enbridge Gas shall pay the OEB's costs of and incidental to this proceeding upon receipt of the OEB's invoice.

How to File Materials: Intervenors

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-2024-0111** 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, Khalil Viraney at Khalil.Viraney@oeb.ca and OEB Counsels, Michael Millar at Michael.Millar@oeb.ca and Ian Richler at Ian.Richler@oeb.ca.

DATED at Toronto, May 29, 2025

ONTARIO ENERGY BOARD

Ritchie Murray
Acting Registrar