

May 30, 2025

VIA RESS

Mr. Ritchie Murray
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Dear Mr. Murray:

Re: EB-2025-0064 – Enbridge Gas Inc. (EGI) Application for 2024 Cost of Service Rates; Phase 3

Industrial Gas Users Association (IGUA) Proposal to Retain Expert Support and Leave to File Evidence.

We write as counsel to IGUA, pursuant to Procedural Order No. 2 herein and Rule 13.02 of the Board's *Rules of Practice and Procedure*, to seek, on an interim basis, leave of the OEB to file written evidence.

We characterize this request as being made on an "interim basis" because IGUA has not yet determined whether it will seek to sponsor expert evidence in this matter. As further explained below, that evaluation is ongoing. The determination of whether to seek to sponsor expert evidence may also depend on whether other parties seek leave to present evidence on the same topics; EGI's rate harmonization, rate design and cost allocation proposal. As also explained below we anticipate further discussion with other ratepayer representative intervenors in respect of such a proposal.

Current Scope of Expert Retainer

EGI has proposed an extensive rate harmonization, rate redesign and consequent new cost allocation in this matter. The evidence filed in support of this proposal is extensive, and includes alternative scenarios as agreed to in the Phase 1 Settlement Agreement which deferred, and supplemented, this topic to this third phase of the proceeding.

IGUA has retained the assistance of Mr. Dustin Madsen of Emrydia Consulting Corporation to assist in review and analysis of EGI's proposals, and the presented alternative scenarios. Mr. Madsen will be familiar to the OEB. He was one of the 3 experts sponsored by IGUA in Phase 1 of EGI's 2024 rebasing application (EB-2022-0200), and addressed the topic of depreciation. Mr. Madsen's

expertise in utility rate regulation extends beyond depreciation, and includes rate design and cost allocation. A copy of Mr. Madsen current CV is attached.

Mr. Madsen is analysing EGI's proposal from the perspective of customers taking service in rate classes in which IGUA's members currently sit. More generally, however, Mr. Madsen is assisting IGUA in understanding the practical and policy level rate-making trade offs and considerations inherent in EGI's single rate zone and rate class harmonization proposals, relative to rate making alternatives, which considerations are relevant to all customer classes.

Pending further analysis and discussion with Mr. Madsen and internally, IGUA has not yet determined its position on EGI's proposal, and whether it will seek to file expert evidence and to what end. That determination can be made only once a more complete understanding of EGI's proposal, and the rationales, pros and cons therefore from a customer perspective, are better understood.

Further, with the benefit of a more complete understanding, we will also be better placed to explore with other customer representatives any commonality of interest/positions on EGI's proposal. A more complete and detailed understanding is a precondition to such discussions in particular in this instance because rate making is a "zero sum problem"; given a certain approved revenue requirement cost allocation entails, by definition, countervailing increase and decreases across various rate classes. These trade-offs are ideally driven by regulatory cost allocation principles (such as costs following benefits) but also tempered by accepted and judgemental rate making objectives (such as simplicity, transparency, practicality and a balance of fairness).

All of this – our own more complete understanding followed by appropriate and informed discussions towards exploring with other customer intervenors any commonality of interests – requires additional work as the discovery process in this matter proceeds. This is the responsible approach to consideration of whether IGUA will ultimately propose to sponsor expert evidence on EGI's proposed rate harmonization, rate redesign and cost allocation.

Accordingly, and in light of P.O. No. 2, we write at this time to advise the OEB of the work being undertaken, with Mr. Madsen's expert assistance, prior to determining whether IGUA will seek to present expert evidence, and if so the scope of such evidence and the extent to which such evidence can be coordinated with other ratepayer representative intervenors. While we are in the Board's hands in respect of what determination is best made at this time regarding the potential for such evidence, we do intend to update the Board on IGUA's intentions in this respect once the analysis commissioned from Mr. Madsen is complete. We expect that to be some time at or around the technical conference scheduled for mid-July.

Relevance and Materiality of Potential Expert Evidence

EGI has proposed a comprehensive rate harmonization, accompanied by a rate redesign and a new cost allocation. The determinations that will be made in this Phase of EGI's rebasing proceeding will govern the rates paid by IGUA members, and all customers, for many years. In making these determinations the Board will consider, and seek to balance, various principles of rate making, including regulatory and fairness principles, as noted above. Many of these considerations will involve judgement.

This is the context in which the relevance and materiality of any expert evidence on the topics of rate harmonization, rate redesign and cost allocation should be considered. It is self-evident that evidence properly focussed on these topics would address issues of relevance and materiality to this proceeding and the determinations to be made herein.

Costs of Potential Expert Evidence

Set out below is our best estimate at this time of the costs that would be associated with preparation and presentation by Mr. Madsen of evidence, should IGUA determine to proceed with that. Not included in this estimate is time for assistance to counsel with discoveries, preparation of cross-examination, and support in preparation of argument. The costs for these supporting activities will be incurred regardless of whether Mr. Madsen is ultimately asked to provide evidence, and recovery of these supporting costs will be claimed in the normal course of the Board's cost claim process.

Our estimate for costs associated with preparation and presentation of evidence from Mr. Madsen is ~\$50,000, at the OEB's cost recovery rate for senior experts as of June 1st, and prior to tax.

Should IGUA proceed with the presentation of evidence from Mr. Madsen, we estimate incremental costs for IGUA counsel associated with the preparation and presentation of that evidence to be ~\$8,000, at the OEB's cost recovery rate for senior counsel as of June 1st, and prior to tax.

Other Relevant Considerations Regarding the Proposed Evidence

As noted above, this is a complex and detailed application. The topics of cost allocation and rate design are relatively technical and, properly reviewed and presented, entail significant analysis informed by familiarity with utility cost allocation and rate design principles, practices and modelling. Mr. Madsen has expertise in these areas, as reflected in his CV attached to this letter.

As also noted above, at IGUA's instance Mr. Madsen is proceeding with analysis of EGI's proposals, and will be assisting in development of interrogatories and, as appropriate, technical conference explorations in clarification of EGI's proposal. Following that work, we intend to update the Board on whether IGUA proposes to proceed with expert evidence from Mr. Madsen. If IGUA so determines, we will also be able to provide the OEB with an update regarding the scope and, as necessary, expected costs for the preparation and presentation of such evidence. We will also have explored, on a more informed basis, the potential for any cooperation in respect of such evidence with other ratepayer intervenors.

In the interim, we intend the advice and explanation provided in this letter to be helpful to the Board. We appreciate that rather than making a determination at this time, the Board may wish to reserve its determination on this leave request until such update is provided.

Yours truly,



Ian A. Mondrow

Attachment

c: J. Irving (IGUA)
N. Sebaa (IGUA)
V. Innis (EGI)
R. Stevenson (EG)
D. Stevens (Aird & Berlis LLP)
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