ONTARIO ENERGY BOARD

EB-2024-0125

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S. O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF the Enbridge Gas. 2023 deferral and variance account disposition and earnings sharing application

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Submissions of Environmental Defence

Enbridge Gas 2023 DVAs and ESM

July 2, 2025

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Overview

Enbridge Gas is seeking to finalize and/or clear its deferral and variance accounts for 2021, 2022, and 2023 relating to unaccounted for gas ("UFG"), among other relief requested in this proceeding. Environmental Defence's submissions focus solely on the UFG variance accounts and the associated pilot originally proposed by Enbridge.

Enbridge has failed to discharge its burden to show that the UFG amounts it seeks to finalize and clear are prudent, particularly in relation to the $145 million in UFG for 2022. Most importantly, Enbridge's submissions do not explain the major spike in UFG that occurred in 2022. Furthermore, for 2021 to 2023, 62% of all UFG remains unexplained. This is significant, seeing as the total cost of UFG over those years is over $247 million, as detailed in Table 1 below. As such, Environmental Defence requests that the 2021 to 2023 UFG amounts be finalized as proposed by Enbridge, but with a $5 million downward adjustment to the interim recovery for 2022 for the Enbridge rate zone.

In addition to the $5 million reduction, or in lieu thereof, Environmental Defence requests that Enbridge be directed to proceed with its pilot project that would implement the recommendations of its expert witnesses. The pilot is financially prudent and an important element of Enbridge's overall examination of unexplained UFG. However, Environmental Defence is not asking the OEB to order Enbridge to fulfill the additional pilot elements outlined in the settlement agreement that was originally proposed in this proceeding.

UFG recovery should be reduced

Enbridge has not established that it prudently managed UFG in 2021 to 2023 and therefore its UFG recovery should be reduced.

Background re UFG variance accounts

The total cost of UFG over 2021 to 2023 was very high, amounting to over $247 million. This includes the spike in UFG amounts and costs in 2022. The volumes and costs over those years are shown in Table 1 below.

Table 1: UFG Volumes and Cost - 2021-2023
Per Exhibit I.ED-4 Attachment 2 (volumes in 10^3 m^3)

	Enbridge Rate Zone		Union Rate Zone		Total EGI	
	Volumes	Cost	Volumes	Cost	Volumes	Cost
2021	115,553	$21,258,659	252,582	$40,512,883	368,135	$61,771,542
2022	256,333	$69,720,454	250,692	$75,317,596	507,025	$145,038,050
2023	79,232	$17,948,507	122,613	$22,518,980	201,845	$40,467,487
Total						**$247,277,079**

Approximately half of the $247 million in UFG over 2021-2023 was forecast and included in base rates. Enbridge now seeks to finalize the interim clearances for 2021 and 2022, which amount to $120.7 million, and clear a credit of $7.5 million for 2023. These figures are shown in Table 2 below.

Table 2: UFG DVA Balances - 2021-2023
($ million)

	2021	2022	2023
Enbridge UAFVA	$0.8	$41.4	-$6.9
Union UFGVVA	$20.5	$40.0	
Union UFGPVA	$8.2	$9.8	-$0.6
Total	$29.5	$91.2	-$7.5
Interim clearance total (2021 & 2022)	$120.7		

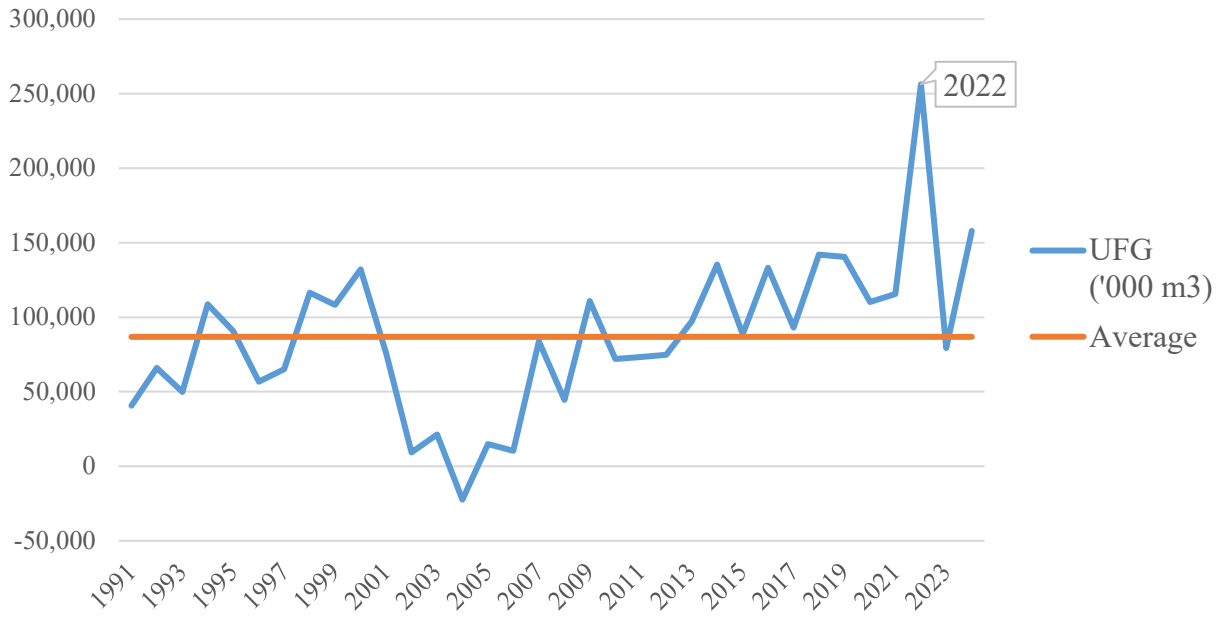
No adequate explanation of 2022 UFG outlier

Enbridge has the burden to establish that the amounts it seeks to clear from its UFG accounts are prudent. This is a requirement of the *Ontario Energy Board Act*, *1998* which states as follows: "in an application with respect to rates for the sale, transmission, distribution or storage of gas, the burden of proof is on the applicant."[1] Enbridge has not discharged this burden with respect to the 2022 UFG amounts because they are an outlier that remains unexplained.

Figure 1 below shows the large spike in UFG volumes in the Enbridge rate zone in 2022 in comparison to the UFG volumes dating back to 1991 and the average over that period. Although data is not available for the Union rate zone UFG back to 1991, a similar spike occurred in the Union rate zone in both 2021 and 2022.[2] Figure 1 below shows that UFG amounts in 2022 were roughly 3 times the average.[3] This major outlier requires explanation.

[1] *Ontario Energy Board Act*, *1998,* S.O. 1998, c. 15, Sched. B.
[2] Exhibit I.ED-4, Attachment 2 (Union rate zone UFG data is only available back to 2021).
[3] Exhibit I.ED-4, Attachment 2 (256,333,000 m3 in 2022 vs. 86,827,000 m3 on average since 1991).

Figure 1: Enbridge Rate Zone Unaccounted for Gas



Enbridge has not explained this outlier and thus has not justified the prudence of the 2022 UFG amounts. Enbridge includes only a *single paragraph* in its submissions to justify the 2022 UFG amounts. However, that paragraph merely includes platitudes, without a single explanation for the outlier. For ease of reference, that paragraph is excerpted here:

> Enbridge Gas filed detailed evidence in support of the clearance of the 2022 UFG accounts, including evidence that was fully responsive to the commitments from the prior case.[34] The evidence included information comparing the Company's UFG results with other utilities, and detailed information for each of the EGD and Union Rate Zones about how the Company accounts for UFG over year-end, and how billing adjustments impact UFG. The Company's evidence in the 2022 proceeding also included a "Progress Report" from ScottMadden (an outside consultant) about the Company's progress in implementing previous recommendations for addressing UFG,[35] along with a "Supplemental Progress Report" setting out further steps taken by Enbridge Gas.[36] These reports confirm that Enbridge Gas has been taking active and appropriate actions to monitor and manage UFG. The evidence confirms that the Company's experienced UFG is lower than comparative gas utilities.[37]
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> [34] EB-2023-0092 Application and prefiled evidence, Exhibit D, Tab 1, pages 6-21 and Exhibit E, Tab 1, pages 28-45. See also Exhibit D, Tab 1, Attachments 1 and 2.
> [35] EB-2023-0092, Exhibit D, Tab 1, Attachment 1.
> [36] EB-2023-0092, Exhibit D, Tab 1, Attachment 2.
> [37] EB-2023-0092, Exhibit D, Tab 1, page 10.

There is no explanation for the 2022 UFG outlier in this paragraph. This is telling, particularly as parties advised Enbridge in early June that they would be contesting UFG amounts, including on the basis that "Enbridge has not justified the magnitude of the UFG, particularly the $145 million outlier in 2022." When UFG is in the range of three times the average, it is not sufficient for the

utility to simply state that it is taking appropriate actions. A sufficient explanation is required to establish prudence.

Even Enbridge's platitudes about the appropriateness of its UFG management in the above paragraph are incorrect. For instance, it cites a "Progress Report" that it filed in the 2022 DVA proceeding, which Enbridge describes as being "from ScottMadden (an outside consultant)." This progress report makes no reference to 2022 and was originally filed in 2021. Furthermore, this is not a ScottMadden report and was authored by Enbridge itself.[4] The "report" merely consists of Enbridge stating that it is implementing the recommendations of a 2019 ScottMadden report. It is not, as Enbridge suggests in its submissions, a report from an outside consultant confirming that it is taking appropriate steps to monitor and manage UFG.

Enbridge's submissions also refer to a "Supplemental Progress Report." This is simply another document prepared by Enbridge itself which states that Enbridge is managing UFG appropriately.[5] This document was originally filed in October of 2022 and contains data only up to the end of 2021. As such, it provides no explanations for the 2022 outlier.

Finally, Enbridge's Argument-in-Chief states that "the Company's experienced UFG is lower than comparative gas utilities." This is an odd statement to make when the benchmark analysis figure on page 15 of its Argument-in-Chief shows the 2022 UFG for the Enbridge rate zone as an outlier that is higher than all other North American comparisons shown in the figure.[6] Although that figure also shows increased UFG for other utilities in 2022, those other utilities have much lower UFG (approximately 1.75% of throughput or lower versus the Enbridge rate zone UFG of approximately 2.1% of throughput).

The complete lack of an explanation of the 2022 outlier is sufficient reason to conclude that Enbridge has not met its burden to establish the prudence of the $145 UFG amounts, at least for the Enbridge rate zone for 2022. However, there is a second problem with Enbridge's UFG evidence – the majority of Enbridge's UFG remains unexplained.

Most UFG is unexplained

As shown in Table 2 from Exhibit I.Staff-7 (pasted below), approximately 62% of the UFG over 2021 to 2023 remains unexplained even now.[7] How can Enbridge argue that it is monitoring and mitigating UFG prudently when it cannot explain the majority of the UFG in its system?

[4] EB-2023-0092, Exhibit D, Tab 1, Attachment 1.
[5] EB-2023-0092, Exhibit D, Tab 1, Attachment 2.
[6] Enbridge, Argument in Chief, June 17, 2025, p. 15.
[7] Exhibit I.Staff-7, p. 7 (calculation 667,745/ 1,077,006).

Table 2
Estimated Enbridge Gas Contributing Sources of UFG (10^3m^3)

Line No.	Particulars	Notes	(a) 2023	(b) 2022	(c) 2021
Non-Emissions Related Estimates					
	Correlated Non-Emissions Related Estimates				
1	Gas Accounting Adjustments	(1)	429	5,022	(5,239)
2	Other Prior Period Billing Adjustments	(2)	(81,277)	109,070	(77,389)
3	Unbilled Estimates	(3) (4)	(14,093)	12,891	4,166
4	No-Bills Estimates	(5) (6)	(25,755)	27,405	23,740
5	Minimum Linepack	(7)	858	(202)	(2,045)
6	Operational Linepack	(8)	82	-	-
7	Residential Meter Variation	(11)	24,978	66,209	43,804
	Un-Correlated Non-Emissions Related Estimates				
8	Work to Update Gas Quality Parameters	(9)	2,116	2,116	2,116
9	Storage Inventory Audits and Adjustments	(10)	(4,853)	2,834	2,601
10	Gate Station Measurement Variation	(11)	36,367	112,788	55,497
11	***Total Non-Emissions Related Estimates***	(12)	***(61,149)***	***338,134***	***47,250***
Emissions Related Estimates					
12	Fugitive Emissions Inventory	(13)	22,624	34,398	28,004
13	***Total Emissions Related Estimates***		***22,624***	***34,398***	***28,004***
14	***Enbridge Gas Total Annual UFG Volumes***	(14)	***201,845***	***507,025***	***368,136***
15	***Unexplained UFG Volumes***	(15)	***240,370***	***134,493***	***292,882***

Unexplained UFG cannot be attributed to any known cause, such as measurement errors, linepack, fugitive emissions, or billing cycle/estimate adjustments. As an aside, the 2023 figures in the table above benefit from some explanation as they show unexplained UFG being higher than the total UFG in 2023. This is possible because some UFG amounts arise due to billing period adjustments and estimates between years that can result in negative UFG when reconciliation occurs (e.g. negative 81 million m^3 in billing adjustments for 2023 in line 2 on the above table). These serve to offset the total UFG, making it possible for unexplained UFG to be higher than the total UFG.

Furthermore, the proportion of UFG that is unexplained has increased considerably since ScottMadden's December, 2019 UFG report and recommendations.[8] This is despite the specific recommendation to investigate the sources of Enbridge UFG "including the unknown / unexplained category."[9] Enbridge has not provided any justification for that proportion of unexplained UFG increasing or even spoken to the issue whatsoever.

Enbridge has repeatedly committed and repeatedly been directed by the OEB to better monitor its UFG. Despite this, the majority of its UFG remains unexplained. This further supports the conclusion that Enbridge has not established the prudence of the 2021-2023 UFG amounts.

[8] ScottMadden, Report on Unaccounted for Gas, Prepared for Enbridge Gas Inc., December 2019, pp. 6-7 (link).
[9] *Ibid*. p. 9.

Appropriate relief

Environmental Defence requests that Enbridge's interim disposition of the Enbridge rate zone UAFVA be adjusted downwards by $5 million from $41.4 million to $36.4 million. Although the failure to explain the majority of the UFG that occurred over 2021 to 2023 applies to all years, Environmental Defence is proposing that the reduction be applied only to 2022 for simplicity and as that is the year with the large outlier. As for the amount, $5 million is a modest figure as it is only 2% of the cost of UFG over 2021 to 2023 but is significant enough to benefit ratepayers and signal a need to monitor and manage UFG going forward.

The fugitive emissions investigation pilot should proceed

In addition to the above relief, or in lieu thereof, Environmental Defence requests that Enbridge be directed to proceed with the implementation of the four fugitive emissions measurement recommendations made by the experts retained by Enbridge. These four recommendations form the Fugitive Emissions Measurement Plan Pilot described by Enbridge in its pre-filed evidence.[10] Enbridge is no longer proposing this pilot after the OEB expressed doubts as to whether it should qualify for a new variance account to pay for the pilot. However, the pilot is financially prudent and an important element of Enbridge's overall examination of unexplained UFG.

Background to the pilot

The pilot originally proposed by Enbridge is the result of a long chain of settlement agreements and OEB orders regarding the appropriateness of Enbridge's monitoring and management of UFG and fugitive emissions. In the MAADs decision, the OEB noted that it "considers the issue of Unaccounted for Gas (UAF) important" and ordered a report to be prepared.[11] Other relevant commitments and orders were made in the following proceedings:

- 2016 ESM/DVA Proceeding (EB 2017-0102)
- 2018 Rate Application (EB-2017-0086)[12]
- The MAADs Proceeding (EB-2017-0306/EB-2017-0307)[13]
- 2020 Rate Application Phase 2 (EB-2019-0194)[14]
- 2023 Rebasing, Phase 1 (EB-2022-0200)[15]

[10] EB-2024-0125, Exhibit D, Tab 1, pp. 58-68.
[11] EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 53.
[12] EB-2017-0086, Settlement Proposal, Exhibit N2, Tab 1, Schedule 1, p. 12.
[13] EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 53.
[14] EB-2019-0194, Reply Argument of Enbridge Gas dated May 1, 2020, page 33; EB-2019-0194, Decision and Order dated May 14, 2020, p. 20.
[15] EB-2022-0200, Settlement Proposal. See: Exhibit O1, Tab 1, Schedule 1, Issue 18(d), p. 37.

- 2022 ESM/DVA (EB-2023-0092)[16]

The pilot most directly arises from commitments made in the approved settlements in the 2022 ESM/DVA proceeding and the 2023 Rebasing Phase 1 proceeding. In those proceedings, Enbridge committed to "…investigate and determine an appropriate way to accurately measure fugitive emissions, … with the goals of: (a) confirming the volume of fugitive emissions, (b) determining if recent UFG increases could be due to fugitive emissions, and (c) attempting to locate specific fugitive sources that can be mitigated" and to file "a robust investigation plan" in the 2023 deferral and variance account proceeding.[17] The OEB decision in the 2022 ESM/DVA proceeding expressly set out Enbridge's commitment to file "the Company's investigation plan for assessing fugitive emissions" and stated that it "accepts these commitments made by Enbridge."[18]

As a result of these OEB-approved commitments, Enbridge retained an expert in fugitive emissions, Highwood Emissions Management.[19] Highwood made four recommendations to improve the accuracy of fugitive emissions reporting:

1. Develop company-specific emission factors based on source-level measurements for distribution operations.

2. Pilot mobile ground detection strategy for distribution operations.

3. Leverage data from Recommendations 1 and 2 to develop a measurement-informed inventory for distribution operations.

4. Monitor advances in aerial and satellite performance.[20]

Recommendations 1 and 2 are the most substantive and important. Recommendation 1 would replace generic emissions factors with company-specific factors to allow Enbridge to assess the severity of leaks more effectively and accurately. Highwood stated that this would "provide transparency and credibility in the use of these emissions factors, crucial for informed decision-making and regulatory compliance."[21] Recommendation 2 would increase vehicle-based leak detection, which would greatly increase the leak detection rate ("from 10% to 77%") and potentially improve leak mitigation by 35%.[22]

The pilot originally proposed by Enbridge would implement these four recommendations.[23]

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[16] EB-2023-0092 (Enbridge 2022 DVA), Decision on Settlement Proposal and Rate Order, February 6, 2024, p. 4 & Schedule A, p. 20.
[17] EB-2022-0200, Settlement Proposal. See: Exhibit O1, Tab 1, Schedule 1, Issue 18(d), p. 37.
[18] EB-2023-0092 (Enbridge 2022 DVA), Decision on Settlement Proposal and Rate Order, February 6, 2024, p. 4 & Schedule A, p. 20.
[19] EB-2024-0125, Exhibit D, Tab 1, Attachment 1.
[20] *Ibid*., p. 95.
[21] *Ibid.*, p. 102.
[22] *Ibid.*, p. 97.
[23] EB-2024-0125, Exhibit D, Tab 1, p. 58-68.

The pilot should not be contingent on a new variance account

Procedural Order #4 asks the parties to comment on the appropriateness of Enbridge's proposal to create a new Fugitive Emissions Measurement Plan Pilot Deferral Account to pay for the costs of the pilot with respect to DVA policy, materiality, and the IRM framework. Environmental Defence takes no position on the appropriateness of the variance account proposed by Enbridge.

However, a variance account should not be a precondition for Enbridge to proceed with the steps recommended by the emissions management expert. As the OEB noted in *Procedural Order #4*, "it does not appear to the OEB that an expense of $2.6 million or 0.32% would have a significant influence on the operation of the distributor." Furthermore, Enbridge committed to file an investigation plan for assessing fugitive emissions in two settlement agreements.[24] Neither commitment made any reference to a variance account, let alone include agreement that the fugitive emissions plan would be contingent on approval of a variance account. Approval of the fugitive emissions measurement plan pilot should not and need not depend on approval of the variance account proposed by Enbridge.

The pilot is financially prudent

The pilot is financially prudent because it will likely be able to identify cost-effective means to reduce fugitive emissions. Also, even if it is ultimately unable to do so, it will provide value by helping to assess whether unidentified fugitive emissions are one of the reasons for the large amount of unexplained UFG in Enbridge's system.

The pilot will likely locate cost-effective emissions reductions

As the OEB has noted, the parties, including Environmental Defence, "acknowledge that there is no guarantee that the investigation plan will ultimately reduce UFG costs for customers."[25] However, that does not make the pilot financially imprudent. The OEB does not typically require a "guarantee" of cost savings to deem a project financially prudent, particularly where it is a pilot. Although cost savings are not guaranteed, it is *likely* that the pilot will identify avenues to cost-effectively reduce fugitive emissions.

Actual fugitive emissions are likely to be considerably higher than the amount that Enbridge currently detects. Although the *known* fugitive emissions in Enbridge's system are small in comparison to the total UFG, the majority of UFG remains unexplained (62% over 2021 to 2023).[26] It is likely that at least a portion of the 62% of unexplained UFG is due to unidentified leaks. Furthermore, many scientific studies have shown that measured methane emissions in and around urban centres are much higher than the amounts shown in national inventories.[27] Although there are likely multiple causes, and unidentified leaks from gas distribution are only

[24] EB-2023-0092 (Enbridge 2022 DVA), Decision on Settlement Proposal and Rate Order, February 6, 2024, p. 4 & Schedule A, p. 20; EB-2022-0200, Settlement Proposal. See: Exhibit O1, Tab 1, Schedule 1, Issue 18(d), p. 37.
[25] Decision on Settlement Proposal and Procedural Order No. 4, May 27, 2025, p. 16.
[26] See footnote 7 above and the associated text.
[27] Exhibit I.ED-17; Exhibit I.ED-18. Highwood confirmed that the relevant studies are credible but was unable to confirm whether they would mean that the distribution emissions in Ontario follow the patterns in other jurisdictions or that excess emissions are from the distribution system versus other causes.

one, this science supports further exploration to determine the degree to which distribution leaks are an explanation for this discrepancy.

Furthermore, the Highwood report supports the likelihood of identifying and mitigating leaks more effectively. Highwood anticipates that its recommendations will considerably increase both leak detection and mitigation (by 67% and 35% respectively) and describes the development of company-specific emissions factors as being "crucial for informed decision-making."[28]

Fugitive emissions represent a significant cost to ratepayers. Over the past five years, *known* fugitive emissions cost ratepayers over $23 million.[29] If fugitive emissions are even a small portion of the large volume of unknown UFG, the actual cost to ratepayers is much higher. Also, there are significant potential financial benefits to locating leaks sooner and being able to identify how serious they are with more precision. The sooner a leak is located, the sooner Enbridge can repair it and stop the loss of valuable gas from the system. The repair will need to occur regardless, and the cost to repair the leak will need to be incurred regardless, such that it is best for that to occur as soon as reasonably possible in order to avoid the loss of valuable gas in the meantime.

Furthermore, fugitive emissions are much more harmful to the interests of ratepayers than other kinds of known UFG. Fugitive emissions are lost to the system and provide no benefit to ratepayers. In contrast, other kinds of known UFG consist largely of measurement errors and billing timing/adjustment issues, such that customers still use and benefit from the gas. These other kinds of UFG create important cost allocation and fairness issues, but they do not involve the complete loss of gas. Fugitive emissions are therefore a particularly important portion of UFG to monitor and mitigate.

The $2.6 million cost for the pilot does not represent an ongoing annual commitment. First, a significant portion of the costs will be one-time or up-front costs, such as the development of company-specific emissions factors to replace generic emissions factors and the purchase of equipment for mobile testing. Second, this is a pilot. If the results are unfavourable, it will not continue. In any event, the appropriateness of continuing this work would be examined as part of Enbridge's O&M budget at the next rebasing proceeding. It is impossible to *guarantee* that a pilot such as this will result in net savings to ratepayers. By its very nature, the pilot is exploring unknowns. But it is financially prudent to explore this likely means of cost-effectively reducing gas lost to leaks.

The pilot will certainly generate valuable and important information

In addition to the likelihood of identifying cost-effective emissions reductions, the pilot will *certainly* generate valuable and important information regarding potential reasons for the high levels of unexplained UFG in Enbridge's system. Although there are good reasons to believe that fugitive emissions are higher than are currently measured (as discussed above), even if the pilot

[28] EB-2024-0125, Exhibit D, Tab 1, Attachment 1, pp. 97 & 102.
[29] Exhibit I.ED-10.

does not identify additional fugitive emissions, it will still provide value by potentially helping to rule out additional fugitive emissions as a source of unexplained UFG.

Indeed, this rational for exploring fugitive emissions was identified in the settlement agreements in the Rebasing Phase 1 proceeding and the 2022 DVA proceedings. In those agreements, Enbridge committed to "…investigate and determine an appropriate way to accurately measure fugitive emissions, … with the goals of: (a) confirming the volume of fugitive emissions, (b) determining if recent UFG increases could be due to fugitive emissions, and (c) attempting to locate specific fugitive sources that can be mitigated".[30] As contemplated by these settlements, the pilot will provide valuable information regardless of its findings.

The OEB has an important role regarding fugitive emissions

The pilot is important and valuable even though it would involve activities that are not required by the minimum standards set out in government regulations. That is because the OEB has a mandate to regulate gas costs (including the costs of fugitive emissions) and utility budgets (including the budgets to manage UFG), which is important and district from the purpose of government regulations. For instance, government regulations are intended to ensure that meters are reasonably accurate and that national inventories of greenhouse gas emissions can be calculated. This is separate and distinct from the OEB's mandate, including its mandate to regulate the costs borne by ratepayers from fugitive emissions. Indeed, if the OEB had no mandate in this area, it would be hard to explain the many OEB directions and settlement agreements on this topic discussed above.

Procedural Order #4 notes that "Enbridge Gas operates within +/- 1% as compared to Measurement Canada's requirement of a +/- 3% range." However, the relevant Measurement Canada standards concern new meters and meter testing. This is entirely district from a regime to locate leaks in the gas system and regulate the costs arising from expensive gas leaks.

The pilot is intended to determine whether leaks can be identified sooner, whether leaks can be classified in terms of severity more effectively, whether this will lead to cost-effective reductions in fugitive gas emissions, and whether fugitive emissions are a material cause for the current high levels of unexplained UFG. These purposes are all within the OEB's mandate and are all important regardless of whether they include actions that are not required by minimum government standards.

Compliance with past settlement agreements

Enbridge Gas states that it "is no longer planning to proceed with the [pilot]." This is a breach of the letter and spirit of two settlement agreements. Although Enbridge may characterize its decision as being a response to OEB findings regarding the need and cost-effectiveness of the pilot set out in Procedural Order #4, the OEB is clear in that order that it "has not yet made a determination on the matters that are the subject of this proceeding."[31] Enbridge appears to be

[30] EB-2022-0200, Settlement Proposal. See: Exhibit O1, Tab 1, Schedule 1, Issue 18(d), p. 37.
[31] Procedural Order #4, May 27, 2025, p. 13.

abandoning its efforts to justify the pilot, not because the pilot it developed is imprudent, but because it is concerned about the risk that the associated variance account will not be approved.

By arguing against its own proposed pilot, Enbridge is breaching two settlement agreements. Enbridge was required to develop and file an investigation plan and "include justification of the planned approach."[32] That requirement has clearly not been met now that Enbridge is planning on doing nothing. This also raises procedural fairness issues. If Environmental Defence had known that Enbridge's plan was to do nothing and that it was disavowing its own proposals, Environmental Defence would have taken a different approach in this proceeding and would have sought to file evidence.

All of the parties in those two proceedings agreed that Enbridge would file an investigation plan for assessing fugitive emissions and include justification of the planned approach. This was an important part of the parties agreeing to:

- Interim disposition of the 2022 UFG DVAs in EB-2023-0092;
- A harmonized approach to UFG in EB-2022-0200; and
- Enbridge's UFG forecast for 2023 in EB-2022-0200.

Enbridge should not be allowed to secure agreement on those important issues and then fail to live up to its side of the bargain.

Direction is needed due to mismatched incentives

OEB direction is important with respect to fugitive emissions because Enbridge's incentives are not fully aligned with customer incentives. Enbridge's shareholders benefit if it is able to cut fugitive emissions measurement and mitigation costs even if that results in expensive fugitive emissions contrary to the interest of customers. Although Enbridge has a modest incentive to reduce overall UFG, that does not translate directly into an incentive to achieve all cost-effective fugitive emissions reductions because cutting costs related to the monitoring and mitigation of leaks will help Enbridge manage its overall O&M budget and directly contribute to greater earnings and profit for its shareholders via the IRM framework.

Additional elements not sought

In the original settlement agreement in this proceeding, the parties secured additional commitments from Enbridge, such as piloting of top-down emissions measurements, developing a plan to reduce gas lost to venting, a commitment to comply with its own leak standards, and various reporting.[33] Environmental Defence is not asking the OEB to order Enbridge to fulfill these commitments for a variety of reasons, including an intention to rely on pre-existing obligations to reduce gas lost to venting and comply with leak standards as part of Enbridge's

[32] EB-2023-0092 (Enbridge 2022 DVA), Decision on Settlement Proposal and Rate Order, February 6, 2024, p. 4 & Schedule A, p. 20.
[33] EB-2024-0125, Exhibit N1, Tab 1, Schedule 1, Page 23 to 25.

ongoing obligation to prudently manage UFG. Also, in light of the passage of time, the appropriateness of further efforts to explore cost-effective measures to reduce fugitive emissions are likely better addressed at the conclusion of the narrower pilot proposed by Enbridge.

Environmental impacts

Environmental Defence is focusing solely on UFG in this proceeding because of its high financial and environmental impacts. This is consistent with Environmental Defence's mandate to represent the interest of its thousands of supporters in securing both affordable and clean energy.

Environmental Defence's submissions focus on the financial impacts of fugitive emissions, as noted above. However, fugitive emissions are also environmentally important because leaked methane is far worse for the climate than combusted methane. Depending on the time frame under consideration, leaked methane is up to 83 times more harmful to the climate compared to carbon dioxide.[34] If the pilot is able to identify cost-effective means to reduce methane leaks, this will provide both financial and environmental benefits. This is consistent with Ontario's new Integrated Energy Plan, which includes clean energy as one of its primary goals (and refers to "clean" energy over 100 times).[35]

Conclusion and relief requested

As set out above, Environmental Defence requests that the OEB:

1. Adjust the 2022 interim clearance of the Enbridge rate zone UAFVA downwards by $5 million (from $41.4 million to $36.4 million);

2. Order Enbridge to proceed with its fugitive emissions measurement pilot, either in addition to the $5 million reduction or in lieu thereof; and

3. Finalize and clear the 2021 to 2023 UFG variance accounts on that basis.

The downward adjustment of the UFG recovery is warranted by Enbridge's failure to justify the prudence of the large $247 million in UFG in 2021-2023, the large spike in UFG in 2022, and the large and increasing proportion of UFG that is unexplained. The order to proceed with the pilot is justified by the potential for cost-effective reductions in methane gas leaks and the valuable information that is certain to be gained about the potential contribution of unidentified leaks to the large quantity of unexplained UFG. All of the requested relief will contribute to the goals of a cleaner and more affordable energy system.

[34] Exhibit D, Tab 1, Attachment 1, Page 12.
[35] Energy for Generations, Ontario's Integrated Plan to Power the Strongest Economy in the G7, June 2025 (link).