July 2, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON, M4P 1E4

Dear Mr. Murray,

RE: EB-2024-0125 Enbridge Gas Disposition of Deferral and Variance Account Balances and Review of 2023 Utility Earnings - Submissions of Energy Probe

Attached are the submissions of Energy Probe Research Foundation (Energy Probe) in the EB-2024-0125 Enbridge Gas Disposition of Deferral and Variance Account Balances and Review of 2023 Utility Earnings proceeding.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
Digitally signed by Tom Ladanyi
Date: 2025.07.02 15:40:50 -04'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe)
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Parties to the Proceeding

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EB-2024-0125
Enbridge Gas Inc. 2023 Utility Earnings and Disposition of Deferral & Variance Account Balances

Submissions of Energy Probe

Executive Summary

There are two items that are in dispute: the Getting Ontario Connected Act (GOCA) Variance Account, and the accounts related to Unaccounted for Gas (UFG) for the years 2021 to 2023. For GOCA and UFG Enbridge Gas is requesting OEB approval to recover very large balances from ratepayers. In the case of GOCA, part of the increase should not have been recorded in the GOCA VA because it was not entirely due to Bill 93 but to increased labour rates. In the case of UFG it was the contract with a new meter reading company which adversely affected meter reading performance and resulted in a large increase in estimated bills. Energy Probe submits that the OEB should disallow a deemed $5 million from GOCA VA and $5 million from the 2022 UFG accounts that were cleared on interim basis.

Enbridge has withdrawn its support for the Fugitive Emissions Measurement Pilot Project and is not seeking OEB approval for it or the related Fugitive Emissions Measurement Plan Deferral Account. It is likely that some parties will argue that it be reinstated. Energy Probe submits that t is unlikely that a fugitive emissions study in 2025 could find the reasons for any fugitive emissions that occurred in 2022. Energy Probe submits that there is no evidence that fugitive emissions are a problem that would warrant spending $2.6 million dollars on. This money would be better spent on improving meter reading performance and reducing the number of estimated bills.

Regulatory Background

On May 31, 2024, Enbridge filed an application for approval of 2022 earnings sharing and disposition of balances in the 2023 deferral and variance accounts. The interrogatory process was from August 15 to September 5. The Settlement Conference started on September 16 and concluded on September 18 with the settlement of all issues. Enbridge agreed to conduct a $2.6 million pilot project to investigate fugitive emissions that was proposed by Environmental Defense and to a deferral account to track any subsequent costs.

In its decision on the Settlement Proposal issued on January 28, 2025, the OEB turned down the proposed fugitive emissions pilot project and the creation of the related deferral account for several reasons including that the notice of hearing did not mention this issue and that the $2.6 million was greater than the cost of fugitive emissions. On March 18, 2025 Enbridge Gas with agreement of the intervenors sent a letter to the OEB providing more information on the fugitive emissions pilot project and the need for a deferral account. The OEB was not satisfied and in its Procedural Order No.4 issued May 27, 2025, allowed all parties to make submissions on all approvals sought in Enbridge's application. The OEB expected that the parties would advise in their submissions as to those matters on which they remain in agreement and for Enbridge Gas to identify any matters of agreement in its argument-in-chief.

In its AIC[1] filed June 17, Enbridge indicated that parties accept or do not dispute clearance of the balances of most of the 2023 Accounts, and there are only a small number of items at issue between the parties. These disputed items include the Getting Ontario Connected Act (GOCA) Variance Account and the accounts related to UFG for the years 2021 to 2023. Energy Probe is one of the parties that is disputing these items. The following are its submissions.

GOCA Variance Account

In its AIC Enbridge submitted that the full balance of $31.9 million[2] in the GOCA Variance Account is reasonable and should be cleared.[3] The OEB has previously determined that all utilities are entitled to recover incremental costs associated with the implementation of the GOCA (Bill 93). Enbridge claims that all costs recorded in the 2023 GOCA Variance Account are incremental to what was recovered in rates during the April to December 2023 period and were caused by the additional requirements of Bill 93, which imposed much shorter timelines for delivery of locates, along with administrative penalties for non-compliance. Enbridge claims that increased labour rates for locates were solely caused by the implementation of Bill 93.

Energy Probe Submission

Energy Probe believes that the balance in the GOCA Variance Account was not just caused by the additional requirements of Bill 93, but also by increased labour rates. There is insufficient evidence on the record to determine how much of the locates variance was due to Bill 93 and how much was due to higher labour rates for other reasons. To accept Enbridge's argument the OEB should be convinced that labour rates only increased due to Bill 93. Energy Probe submits that Enbridge has not proven that all costs included in the $31.9 million variance are related to Bill 93. Energy Probe submits due to lack of evidence of what portion of the costs were due to increased labour rates for reasons other than Bill 93, the OEB should disallow a deemed $5 million from the GOCA VA.

UFG Variance Accounts

During the 2019-2023 deferred rebasing term, Enbridge Gas had three variance accounts related to UFG in the 2019-2023 deferred rebasing term. In the EGD Rate Zone Unaccounted for Gas Variance Account (UAFVA) tracked the cost associated with the volumetric variances between the actual volume of UFG and the OEB approved UFG forecast. In the Union Rate Zones, there were two UFG accounts. The Unaccounted for Gas Volume Variance Account (UFGVVA) tracked the difference between the cost of UFG recovered in rates as previously approved by the

[1] AIC, pages 1-2
[2] Ibid., page 11, Table 3
[3] Ibid., page 1

OEB and the actual UFG costs incurred annually. The UFGVVA had a $5 million deadband, meaning that variances less than that amount were managed by the Enbridge Gas. The Unaccounted for Gas Price Variance Account (UFGPVA) tracked the variance between the average monthly price of the Company's gas purchases for the Union Rate Zones and the applicable OEB-applied reference price, applied to the Company's actual UFG volumes for the Union Rate Zones. These price variances are initially recorded in the PGVA and then transferred to the UFGPVA.[4]

Enbridge submitted in its AIC that the full balances in the UFG accounts for 2021, 2022 and 2023 should be cleared, on a final basis. The 2021 and 2022 UFG accounts have already been cleared on an interim basis, pending Enbridge Gas filing further explanatory evidence. Enbridge Gas has provided evidence of its work to identify and reduce UFG. The UFG volumes for 2023 were lower than in 2021 and 2022. There are credit balances in two of the 2023 UFG accounts (and a zero balance in the other one). In support of its position, Enbridge claimed that its UFG volumes are similar to UFG experienced by other large North American gas distributors.[5]

2021 UFG Variance Accounts

In the 2021 Deferral Account Clearance Application (EB-2022-0110), Enbridge Gas filed evidence explaining the balances in the 2021 UFG accounts. The balance in the 2021 (EGD) UAFVA was $0.8 million. The balance in the 2021 (Union) UFGVVA was $20.5 million, after Enbridge Gas absorbed the first $5 million in additional UFG costs. The balance in the 2021 (Union) UFGPVA was $8.2 million. The total balance was $34.2 million.[6]

In the Settlement Proposal for the 2021 Deferral Account Clearance Application, parties agreed to the clearance of the 2021 UFG accounts on an as-filed basis with no adjustments. The parties agreed that the clearance of the 2021 UFG accounts was on an interim basis *"until further clarification about the calculation of UFG is provided in the 2022 Earnings Sharing and Deferral and Variance Account Clearance Application"*. Enbridge Gas agreed to provide evidence on the derivation of UFG balances including the impact of billing adjustments, and a monthly continuity schedule of forecast and actual UFG from 2020 to 2022.

<u>Energy Probe Submission on 2021 UFG</u>

According to the evidence filed in EB-2022-0110 it was clear that Enbridge was aware of a sharp increase in UFG in late 2021as could be seen from the UFG Dashboard[7] filed in response to an interrogatory in a previous case. It is not clear that Enbridge management tried to do something about it, but even if it did, it was ineffective as the balance in the UFG account in 2022 doubled to $41.4 million.

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[4] Ibid., pages 11-12
[5] Ibid., page 1
[6] Ibid, page 12
[7] EB-2022-0110, Exhibit I.SEC.6, Attachment 1, Page 1

2022 UFG Variance Accounts

In the 2022 Deferral Account Clearance Application, EB-2023-0092, Enbridge Gas requested approval of clearance of the 2022 UFG accounts. The balance in the 2022 (EGD) UAFVA was $41.4 million. The balance in the 2022 (Union) UFGVVA was $40.0 million, after Enbridge Gas absorbed the first $5 million in additional UFG costs. The balance in the 2022 (Union) UFGPVA was $9.8 million. The total was $91.2 million.[8]

Enbridge Gas filed evidence in support of the clearance of the 2022 UFG accounts, including evidence that it claimed was responsive to the commitments from the 2021 Deferral Accounts Clearance case, EB-2022-0092. 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 billing adjustments impact UFG. Enbridge's evidence in the 2022 proceeding also included a report from its consultant, Scott Madden, about the Company's progress in implementing previous recommendations for addressing UFG. Enbridge claims in its AIC that that Scott Madden confirmed that Enbridge Gas has been taking appropriate actions to monitor and manage UFG. The evidence claims that the Company's experienced UFG is lower than that of comparative gas utilities.

In the Settlement Proposal for the 2022 Deferral Account Clearance Application, parties agreed to the clearance of the 2022 UFG accounts on an as-filed basis with no adjustments. The parties further agreed that the clearance of the 2022 UFG accounts was on *"an interim basis until further evidence describing the Company's ongoing review and investigation of UFG is filed in the 2023 Deferral Account Clearance Application".* Enbridge Gas agreed to provide the following as part of its evidence for the 2023 proceeding:

a) *"the work completed by Enbridge Gas during 2023 and 2024 and the resulting observations and learnings,*

b) *the impact on UFG from "no bill" customers / volumes that are later billed,*

c) *the role, if any, played by line pack in transmission and other high pressure systems in the incidence and determination of UFG,*

d) *the Company's investigation plan for assessing fugitive emissions, as agreed in the EB-2022-0200 (Rebasing Phase 1) Settlement Proposal."* [9]

Energy Probe Submission on 2022 UFG

The review and investigation by Enbridge did not find the reasons for the large increase in UFG in late 2021 and the even larger increase in 2022. Because it failed to find the reasons for the

[8] AIC, page 13, paragraph 46
[9] Ibid., pages 13 and 14

large increases in 2021 and 2022 Enbridge argued that other gas distributors also experienced unexplained increases in UFG from time to time.

However, its evidence disclosed the probable major reasons for the increases which were the changes in its meter reading and billing practices. The meter reading in the Union Gas Delivery Zone changed from monthly reading to bi-monthly meter reading which greatly increased the number of estimated bills.[10]

In addition, Energy Probe believes that conversion from gas receipts in units of energy at receipt points to units of volume using inaccurate heat values can result in significant variances. In response to an interrogatory, Enbridge admitted that heat values vary by month and by receipt point, but Enbridge uses system annual average heat values in its determination of UFG.[11]

2023 UFG Variance Accounts

In this 2023 Deferral Account Clearance Application, Enbridge Gas filed evidence in support of the clearance of the 2023 UFG accounts. In the EGD Rate Zone, the actual UFG experienced was lower than the forecast UFG volume recovered in rates. This results in a credit balance of $6.9 million in the 2023 UAFVA, to be refunded to ratepayers with interest. In the Union Rate Zones, there is no balance in the 2023 UFGVVA, because the variance between the amount included in rates and the actual UFG costs was $3.9 million, which is less than the $5 million deadband for the account. Accordingly, Enbridge Gas absorbed $3.9 million of UFG costs for the Union Rate Zones in 2023. The balance in the 2023 UFGPVA is a $0.6 million credit to ratepayers.[12]

Enbridge also filed evidence in response to made in the 2022 proceeding explaining the initiatives taken by Enbridge Gas to manage UFG. This includes information about the further work being undertaken to investigate root causes of UFG and to implement a sustainment and governance model for UFG for the utility. The evidence also includes explanations and examples of the processes used to determine UFG.

Enbridge also filed an updated UFG benchmark analysis filed which it claims confirms that the Enbridge continues to experience UFG that is, on average, lower than peer utilities. The benchmark analysis confirms that all utilities see UFG fluctuate over time, with increases in some years often followed by decreases in subsequent years.

<u>Energy Probe Submission on 2023 UFG</u>

While Enbridge is to be commended on its evidence dealing with UFG covering many potential causes, Energy Probe submits that it does not fully address the probable major reasons related to

[10] EB-2023-0092, Exhibit D, Tab 1, Schedule 1, Page 18, Section 3.4 and Exhibit I.EP.8
[11] EB-2023-0092, Exhibit I.EP.7
[12] AIC, page 16

meter reading and estimated bills.[13] Evidence shows that billing adjustments after multiple estimated meter reads may end up in subsequent year.[14] This would account for the high UFG volumes in 2022 and reduced 2023 UFG volumes. Enbridge outsourced meter reading to a new vendor[15] which coincided with reduction in meter reading performance which Enbridge admitted in testimony, and a large increase in estimated bills which probably impacted UFG[16].

The justification for recovery of UFG cost from ratepayers is based on the premise that no matter how much a gas utility like Enbridge tries, it can never fully account for all of its gas. The incentive is not to find all causes of UFG and eliminate them, but to appear to be looking for causes of UFG. If a cause of UFG was found to be due to a decision of utility management, it is likely that the regulator such as the OEB would deny recovery of UFG costs accumulated in a variance account. Therefore, utilities have an incentive to not find any cause of UFG that can be attributed to a bad management decision. In this case, management's decision to change the meter reading practices, and to hire a new meter provider caused an increase in estimated bills together with its decision to continue with its bill estimation practice was a likely cause of the increase in UFG in 2021 and 2022. Similarly, the decision by Enbridge management to continue to use average heat values, rather than receipt point specific heat values likely contributed to the increase in UFG. Based on the evidence in the case it is difficult to determine how much of the UFG cost was due to poor Enbridge management decisions. Energy Probe submits that the OEB should deem that $5 million was due to poor Enbridge management decisions and disallow it from the $2022 variance account recovery.

Fugitive Emissions Measurement

Energy Probe agreed to the Fugitive Emissions Measurement pilot in the Settlement Proposal in the interest of settlement but does not believe that fugitive emissions are a significant cause of UFG. Energy Probe believes that Enbridge leak detection practices would detect any significant leaks.[17] Another indication that fugitive emissions are not significant is evidence that legacy EGD experienced negative UAF in 2004[18] as if gas was seeping into the distribution system. There was a large increase in fugitive emissions in late 2021 and continued in 2022 but dropped off in 2023. A fugitive emission that occurred in 2022 can not be detected by a fugitive emissions study in 2025. Energy Probe submits that there is no evidence that fugitive emissions are a problem that would warrant spending $2.6 million dollars on. This money would be better spent on improving meter reading performance and reducing the number of estimated bills.

[13] Exhibit D, Tab 1, Page 16
[14] Ibid., Pages 21 to 27
[15] EB-2024-0111, Hearing Tr., Vol.1, page 52
[16] EB-2024-0125, Exhibit D, Tab 1, pages 16 to 24
[17] Exhibit I.EP-12
[18] EB-2022-0110, Exhibit D, Tab 1, Page 9, Table 2