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Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
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DELIVERED BY EMAIL

Dear Mr. Ritchie,

**RE: EB-2024-0125 Enbridge Gas Inc. (EGI) Application-2023 ESM and D/V
Account Disposition**

These are the submissions of the Ontario Greenhouse Vegetable Growers (OGVG) with respect to the above noted proceeding.

OGVG has submissions on only one issue, the proposed disposition of the Getting Ontario Connected Act (GOCA) Variance Account.

OGVG has been provide with a draft of the argument of the School Energy Coalition (SEC) and supports SEC's reasoning and proposed disposition; accordingly, OGVG asks that these submissions be considered incremental support for SEC's analysis and conclusion.

Vital Main Standby (VMS) Claim

EGI is seeking recovery of \$3M in increased VMS costs in the last three quarters of 2023 through the GOCA Variance Account. OGVG agrees with SEC's analysis and conclusion that VMS costs are not included within the scope of the GOCA Variance Account. The GOCA Variance Account is specifically intended to capture the direct impact of the GOCA on costs associated with locate requests, based on the increased need to meet a newly strict 5 business day deadline to respond to such requests to avoid fines. EGI summarizes the impact of the legislation that the GOCA Variance Account is intended to capture in response to I-OGVG-2 a) and b):

Although a 5-business day delivery timeline and administrative penalty existed in past legislation, it was on the basis of "all reasonable attempts". Within the industry "all reasonable attempts" included a delay in locates with regards to things like weather events or staffing shortages. In the previous legislation, Enbridge Gas had never received an administrative penalty for non-compliance with the locate delivery requirements.

With the enactment of Bill 93 the provision "all reasonable attempts" was removed from the legislation resulting in absolute liability, meaning Ontario utility owners would need to comply with the 5-business day delivery timeline or be non-compliant with the legislation. Due to these legislative changes, the locating industry was required to adapt to meet higher demands for locate deliveries. Enbridge Gas, and other Ontario utility owners were now required to ensure Locate Service Providers (LSPs) reduce average locate delivery times significantly. With locating recognized as having a requisite skills requirement, and LSPs needing to attract and retain additional skilled locating workforce to meet the legislated 5-business day delivery requirement, locate costs increased significantly.

Based on this description of the impact of GOCA, OGVG respectfully submits that VMS costs are not recoverable through the GOCA Variance Account, as VMS costs are not caused by a need to respond to the new requirements in the GOCA legislation.

Locate Costs

OGVG generally agrees with SEC that EGI's analysis of the impact of the GOCA on locate costs does not adequately account for the multiple factors impacting those costs in the 2022 to 2024 period, such that the OEB is left having to estimate a reasonable amount directly related to the GOCA and therefore recoverable through the GOCA Variance Account. Accordingly, OGVG agrees with SEC's proposal that the amount claimed in the GOCA Variance Account be reduced by 50% to account for all those factors; what follows is OGVG's review of Union Gas Inc. franchise area specific information to further support the proposition that EGI has not fully quantified the non-GOCA related impact on locate costs in 2023.

OGVG reviewed historical rate filings related to the Union Gas Inc. service territory to test the reasonableness of EGI's proposed "funded in rates" analysis.¹

EGI's "funded in rates" amount for locate fees is based on the calculation of a per locate cost of \$33.87 applied to the 2023 volume of locates in the last three quarters of 2023.²

EGI's proposed "base" rate of \$33.87 is based solely on the 2021 cost for locates, escalated for PCI over 2022 and 2023, as a proxy for the amount that EGI expected to bear absent the impact of the GOCA.

However, a review of the rate history for the Union Gas service area suggests to OGVG that the assumed per locate cost of \$33.87 in 2023 absent the implementation of the GOCA is an unreasonable assumption.

The OEB approved Union Gas Inc. locate budget in 2013 was \$10.2M,³ quantified as a specific component of the Contract Services budget⁴ that was not impacted by the approved settlement in Union Gas Ltd.'s 2013 Cost of Service Application (EB-2011-0210).⁵

OGVG further notes that the approved 2013 locate budget for Union Gas Inc. was based on a forecast number of locates of 280,929, producing a per locate cost of \$36.31 in 2013.⁶

To establish a proxy for what a 2023 per locate cost might be as a result of contract negotiations and the recognition of locating as a "highly skilled trade" in 2022,⁷ OGVG escalated the approved \$36.31 per locate cost in 2013 by the annual OEB approved inflation factor for each year from 2013 to 2023, producing a 2023 price per locate of \$43.74.⁸ Applying this cost per locate as a proxy for a cost that accounts for the need for contract negotiations in 2022 and the recognition of locating as a "highly skilled trade" in

¹ OGVG also reviewed information relating to Enbridge Gas Distribution Inc. but was unable to find similarly specific information with respect to locate costs embedded in rates.

² Exhibit C Tab 1 Page 26 Table 1.

³ EB-2011-0210 J.D-1-2-6 Attachment 3 Page 1 establishes the forecast Line Locate Budget for 2013 as \$10,200,000.

⁴ See for example Exhibit D1 Tab 2 which describes Line Locate costs as a component of the Contract Services budget.

⁵ EB-2011-0210 Settlement Agreement Appendix B Schedule 5; this schedule demonstrates that the Contract Services budget embedded in the settled OM&A budget was not reduced as between the application and the settlement.

⁶ EB-2011-0210 J.D-1-2-6 Page 3 establishes the forecast level of locates as 280,929 for 2013.

⁷ Exhibit C Tab 1 Page 24; EGI cites "industry recognition of locating as a highly skilled trade" as a driver of the increase, a driver that OGVG believes is coincident to, not driven by the GOCA.

⁸ See Attachment A for the annual OEB approved inflation factors.

conjunction with the 975,919 locates in 2023 produces a total locate cost, before accounting for the non-inflation-based impact of the GOCA, of \$42.67M, much higher than the \$33.05M “base” amount proposed by EGI.

Prorating that amount for three quarters of 2023 provides a base amount of \$37.69M, which would reduce the claimed recovery by \$8.5M for just this one area of non-GOCA related impact on locate costs.

In providing this analysis OGVG recognizes that it appears EGI’s per locate costs in 2021 were approximately \$32.24 per locate.⁹ Given the calculated 2013 cost per locate of \$36.31 this suggests that EGI had been very successful at containing locate costs from 2013 to 2021. However, it also highlights the likelihood that going into negotiations in 2022 with locators that there was material pressure to increase the price of locates to account for 10 years of inflation in addition to a fundamental change in how locating was perceived as an industry quite apart from the incremental impact of GOCA.

Combined with the other factors noted by SEC as likely driving the price of locates in 2022 and 2023 (i.e. broader labour market competition unrelated to Bill 93, a general increase in locate activity due to other provincial policies, including those related to housing, transportation, and broadband infrastructure construction) OGVG agrees that, based on the record before the OEB, a general disallowance of 50% claimed for locate related impacts is reasonable.

Accordingly, OGVG supports SEC’s proposal that a total principal claim of \$14.45M in the GOCA Variance Account would be reasonable under the circumstances.

Yours very truly,



Michael R. Buonaguro

⁹ 2024-0125 Exhibit C Tab 1 Page 26 Table 1, 2021 budget divided by 2021 number of locates.

ATTACHMENT A

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Application	EB-2013-0365	EB-2014-0271	EB-2015-0116	EB-2016-0245	EB-2017-0087	EB-2018-0305	EB-2019-0194	EB-2020-0095	EB-2021-0147	EB-2022-0133
Approved Inflation Factor	1.27%	2.05%	1.99%	1.66%	1.27%	1.37%	1.61%	2.00%	1.70%	3.90%