ENBRIDGE

Richard Wathy
Technical Manager
Regulatory Applications
Regulatory Affairs

tel 519-365-5376
Richard.Wathy@enbridge.com
EGIRegulatoryProceedings@enbridge.com

Enbridge Gas Inc.
P. O. Box 2001
50 Keil Drive North
Chatham, ON N7M 5M1

July 16, 2025

VIA RESS AND EMAIL

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ritchie Murray:

Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (OEB) File No.: EB-2024-0125
2023 Utility Earnings and Disposition of Deferral & Variance Account Balances Application – Reply Argument

In accordance with the OEB's Decision on Settlement Proposal and Procedural Order No. 4 issued on May 27, 2025, enclosed please find the Reply Argument filed by Enbridge Gas.

In the event that you have any questions on the above or would like to discuss in more detail, please do not hesitate to contact me.

Sincerely,

Richard Wathy

Richard Wathy
Technical Manager, Regulatory Applications

cc.: D. Stevens (Aird & Berlis)
EB-2024-0125 Intervenors

EB-2024-0125

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Schedule B; and in particular section 36 thereof;

AND IN THE MATTER OF an Application for disposition of 2023 Deferral and Variance Accounts.

ENBRIDGE GAS INC.

REPLY ARGUMENT

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, ON M5J 2T9

David Stevens
Tel (416) 863-1500

Email: dstevens@airdberlis.com

Counsel to Enbridge Gas

A. OVERVIEW

1. On June 17, 2025, Enbridge Gas Inc. (Enbridge Gas or the Company) filed Argument in Chief (AIC) requesting approval to clear the final balances of certain Enbridge Gas, EGD rate zone, and Union rate zones 2023 deferral and variance accounts (2023 Accounts).

2. Eleven parties[1] filed submissions in response to Enbridge Gas's Argument in Chief. This Reply Argument sets out Enbridge Gas's response. Enbridge Gas will not repeat its AIC, but continues to rely on the positions and argument already submitted. Enbridge Gas will not attempt to respond to every item raised. However, failure to respond to any particular items should not be interpreted as acceptance or agreement by Enbridge Gas.

3. As anticipated in AIC, there are only a limited number of remaining issues related to this Application. These relate to: (i) whether the full balance in the Getting Ontario Connected Act (GOCA) Variance Account is reasonable and should be cleared; (ii) whether the full balance in the 2021-2023 unaccounted-for-gas (UFG) accounts (UFG Accounts) should be cleared, on a final basis; and (iii) whether Enbridge Gas should be required to proceed with its Fugitive Emissions Measurement Plan (FEMP) pilot, without an associated new deferral account.

4. The full balance in the GOCA Variance Account is reasonable and should be cleared. This balance already takes account of and excludes the impacts of ordinary inflation on the experienced costs. The intervenor argument that 50% of the Company's experienced locate cost increases in 2023 are based on factors other than the implementation of Bill 93 is speculative and without evidentiary foundation. Enbridge Gas is not the only utility that has experienced these extraordinary locate cost increases. These costs are properly recoverable from customers, under the terms of the GOCA Variance Account. The portion of the locate costs related to vital mains supervision (VMS) are also locate costs recoverable through the GOCA Variance Account. These costs are an integral part of locate activity, and the increase in these costs was also driven by Bill 93.

5. The full balances in the UFG Accounts for 2021, 2022 and 2023 should be cleared, on a final basis. Only two parties filed argument opposing this outcome. The Company has met all

[1] OEB Staff (OEB staff), Canadian Manufacturers & Exporters (CME), Consumers Council of Canada (CCC), Energy Probe Research Foundation (EP), Environmental Defence (ED), Federation of Rental-housing Providers of Ontario (FRPO), Kitchener Utilities (Kitchener), Minogi Corp. (Minogi), Ontario Greenhouse Vegetable Growers (OGVG), Pollution Probe (PP) and School Energy Coalition (SEC).

prior obligations to file comprehensive evidence, including expert reports, setting out the ongoing work being done to identify and reduce UFG. The evidence establishes that Enbridge Gas has acted reasonably in monitoring and seeking to mitigate UFG. There is no proper basis to impose any disallowance against the UFG Accounts.

6. There is no proper basis to require Enbridge Gas to proceed with the FEMP pilot. The Company has met its obligations from prior settlements to prepare and present a plan to investigate and measure fugitive emissions. In its Decisions rejecting the Settlement Proposal, the OEB has clearly indicated that it does not believe that the (detailed) filed evidence establishes that the FEMP is needed nor that it is cost-effective activity. It is reasonable, therefore, for Enbridge Gas to decline to proceed with the FEMP pilot.

B. NON-DISPUTED ITEMS

7. As set out in AIC, Enbridge Gas seeks clearance of the 2023 Accounts set out in Appendix A to the AIC. Other than in relation to the 2023 GOCA Variance Account and the UFG Accounts, no party disputes this request.

8. Enbridge Gas requests that the accounts be cleared by way of a one-time billing adjustment in the month of January 2026, in conjunction with Enbridge Gas's January 1, 2026 QRAM Application. Enbridge Gas proposes to use the method for allocating and disposing of the account balances that is described in Exhibit F of the prefiled evidence. Other than in relation to the balances in the 2023 GOCA Variance Account and the UFG Accounts, no party disputes this request.

9. Enbridge Gas also requests that the OEB confirm that the 2024 budget of $800,000 for the Indigenous Working Group (IWG) is acceptable. No party disputes this request.

C. DISPUTED ITEMS

10. In AIC, Enbridge Gas set out its position as to why the full balances in the GOCA Variance Account and the UFG Accounts should be recovered. Enbridge Gas also explained the reasons why it does not intend to proceed with the FEMP pilot.

11. Enbridge Gas explained in AIC that it does not know why parties may dispute these positions, nor what different outcomes other parties may propose. Enbridge Gas indicated that it would

provide responses in Reply Argument, once other parties have set out their positions and argument.

12. These are the Company's responses.

(i) 2023 GOCA Variance Account

13. The AIC and evidence filed by Enbridge Gas sets out the basis for the $31.9 million principal balance in the 2023 GOCA Variance Account.

14. The parties who filed argument on this topic each argue for reductions in the amount to be recovered. The proposals range from a reduction of $3 million (OEB staff) to a reduction of $17.45 million (SEC).

15. There are two main rationales advanced for reduction in the recoverable balance of the GOCA Variance Account.

16. First, several parties argue that a portion of the additional locate costs experienced by Enbridge Gas is attributable to wage inflation and other factors that are separate from the impact of Bill 93. Parties argue, without any principled justification, that the balance should be reduced by up to 50% as a result.[2]

17. Second, several parties argue that the portion of the balance ($3 million) related to increased vital mains standby (VMS) costs should not be recoverable at all.[3]

18. Enbridge Gas acknowledges the OEB's signal that only locate cost increases caused by Bill 93 are recoverable in the GOCA Variance Account.

19. A fair reading of the evidence and consideration of surrounding circumstances establishes that Bill 93 is indeed the cause of the Company's increased costs. That is true on a balance of probabilities, and there is no evidence to the contrary.

20. A very important point of context is that Enbridge Gas is not seeking to recover all of its costs increases over what is funded by rates through the GOCA Variance Account. As explained in the Company's prefiled evidence, the Enbridge Gas locates budget for 2021, taking the last

[2] See, for example, Submissions from CCC, OGVG and SEC.
[3] See, for example, Submissions from OEB staff, CCC and SEC.

filed amounts and adding price cap inflation for each year, was $26.4 million.[4] The actual locate costs for 2021 were $34.5 million. Enbridge Gas is not seeking to recover its additional costs of $8 million above the base rates amount[5], because those additional costs are considered to be prior to and unrelated to Bill 93.

21. As noted, Enbridge Gas is only seeking to recover the portion of locate cost increases that happened after 2021, which were caused by Bill 93.

22. As summarized in AIC[6], Bill 93 caused industry-wide cost increases, because all utilities now require faster locate service, and there are penalties for non-compliance. The fact that this was known at the time of labour renegotiations with the locate service providers (LSPs) fully supports a conclusion that Bill 93 was the driver of cost increases.

23. Enbridge Gas is not alone in experiencing very large cost increases for locates as a result of Bill 93. As stated in AIC, electric LDCs have also seen their locate costs double as a result of Bill 93, and are seeking similar recovery to Enbridge Gas. Evidence from Oshawa PUC is that their per-locate cost increased from $42 to $71 over the 2021 to 2023 period.[7] Evidence from Hydro Ottawa is that their per-locate cost increased from $36 to $75 over the 2021 to 2023 period.[8] Note that on a per-locate basis, the costs for these LDCs are higher than the Enbridge Gas average cost in 2023 of $67.38.

24. Other parties do not acknowledge that Enbridge Gas has already factored inflation into the determination of the GOCA Variance Account balance, and is not seeking to recover the inflation costs from customers. The base amounts that Enbridge Gas has used to calculate what are the incremental (new) locate costs start with the pre-Bill 93 locate costs and then adds Enbridge Gas's approved price cap index escalation adjustments.[9] It is the inflated

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[4] Exhibit C, Tab 1, page 26 (para. 12).
[5] The amount in base rates in 2013 was $23.25 million, comprised of $10.2 million for Union Gas and $13.1 million for EGD.
[6] See AIC paragraphs 31 to 37, and related references.
[7] Hydro Oshawa (EB-2025-0114), Exhibit 9, pages 21-23: see here.
[8] Hydro Ottawa (EB-2024-0115), Exhibit 4, Tab 1, Schedule 2, pages 22-25: see here.
[9] That can be seen in Table 1 of AIC, which shows an assumption that inflation would have increased Enbridge Gas's locate costs by around $1.75 million over 2022 and 2023.

amount that is used as the base (on a per-locate basis) before calculating what additional costs were caused by Bill 93.

25. The argument being made by some intervenors is that wage inflation should account for 50% of the extra locate costs that Enbridge Gas has recorded in the GOCA Variance Account. SEC, for example, says that wage inflation and other cost factors unconnected to Bill 93 (such as housing activity) should be assumed to account for $14.45 million of the increased costs.[10] And that is after the Company has already taken account of a $1.75 million increase attributable to inflation (which includes wage inflation using the Enbridge Gas's approved price cap index).

26. There is no basis to conclude that ordinary wage inflation and other ancillary factors unrelated to Bill 93 would account for half of the approximately $32 million increase in locate costs (a more than 100% change) between the expected and actual locate costs for 2023.[11] Stated differently, there is no basis to conclude that ordinary wage inflation and other ancillary factors would cause an increase in cost per locate for Enbridge Gas from $33.87 to $67.38.[12] As shown above, this increase is consistent with other utilities. Note that the numbers cited in this paragraph already take into account ordinary inflation as included in the Enbridge Gas annual rate adjustment.

27. It is certainly not the case that wage increases in other parts of the economy were anywhere near as high as what is implied by the intervenor argument. Otherwise, the OEB's own inflation rates used for rate adjustments would have been immensely higher. In 2021, the OEB initiated the EB-2021-0212 proceeding on its own motion to consider inflation rates applicable to regulated utilities in the context of rising wage costs and other factors post-pandemic. At that time, parties like CCC and SEC cautioned against unduly emphasizing the "Average Weekly Earnings" (AWE) factor (which was around 7%) since it was not reflective

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[10] SEC Submission, pages 2-3.
[11] Enbridge Gas actual base locate costs for 2023 ($65,759,511) less assumed base locate costs for 2023 ($33,054,030). The manner in which these numbers are derived is set out at Tables 1 and 2 of AIC, along with associated references.
[12] Enbridge Gas inflation adjusted cost per locate in 2023, based on 2021 actuals and addition of annual rate adjustment factors, is $33.87. Enbridge Gas actual cost per locate in 2023 is $67.38 (total actual base locate costs of $65,769,511 divided by actual 2023 volume of 975,919 locates). Details found in Tables 1 and 2 of AIC, along with associated references.

of actual experience in the utility industry.[13] In its EB-2021-0212 Decision and Order, the OEB concluded that inflation factors between 1.7% and 3% were appropriate.[14]

28. SEC's current argument that other factors such as a general increase in locate activity due to other provincial policies would have added to the GOCA Variance Account balance[15] is also flawed. The evidence is that Enbridge Gas had fewer locates in 2023 than in 2021.[16]

29. OGVG expands on SEC's argument and says that much of the cost increase for locates is due to pent-up cost pressures unrelated to Bill 93. This is based on an argument that the 2021 cost per locate was lower than what would be expected by adjusting the 2013 Union Gas cost per locate (there is no equivalent data for Enbridge Gas Distribution).[17] Enbridge Gas disputes OGVG's premise. The evidence is clear that Enbridge Gas has found efficiencies and cost savings in recent years for locate activities.[18] It is likely that similar activities would have driven much of the cost containment noted by OGVG.[19] The clear new factor that emerged in advance of 2023 was the new requirements from Bill 93. That is what led to the extraordinary cost increases from LSPs.

30. Taking all of the above into consideration, there is no evidentiary basis to conclude that any meaningful portion (much less a full 50%) of the extraordinary increase (doubling) in locate costs experienced by Enbridge Gas is attributable to factors other than Bill 93.

31. As VMS is a function of the locates and not separate, and therefore impacted by Bill 93, the argument advanced by many parties that VMS costs are not recoverable must fail.

32. Locate costs include direct costs for the locate personnel as well as additional costs from the LSP for personnel to attend and provide supervision and oversight where the excavations

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[13] EB-2021-0212 Decision and Order, pages 2 and 9.
[14] Backgrounder - EB-2021-0212 – Inflation factors to be used in rate adjustment applications for rates effective in 2022. See also EB-2021-0212 Decision and Order, November 18, 2021.
[15] SEC Submission, page 2.
[16] See AIC, Table 1 and associated references.
[17] OGVG Submission, pages 2-4.
[18] See AIC paragraph 36, and associated references.
[19] Because this argument is only now being made for the first time by OGVG, no interrogatories were asked in this case on what contributed to cost containment for locates in prior years.

take place within the vicinity of vital natural gas infrastructure in the public right of way. This is referred to in the evidence as vital main standby (VMS).

33. As explained in evidence, when a locate happens in the vicinity of a vital main, then personnel must attend to monitor the vital mains.[20] This process is part of locate delivery for excavations conducted near vital main infrastructure, meaning a valid locate for such activities requires adherence to the vital main protocol and on-site observation by appropriate personnel, who require a competent locating skillset and extensive knowledge of safe excavation guidelines to ensure adherence. This is why it is critical to have senior trained locators perform this work.

34. This additional oversight prevents damages, energy outages, and protects the public and excavators by ensuring locates are recognized and proper procedures and safety controls are followed throughout the excavation process within the vicinity of the located vital assets.[21] It has never been disputed that this is a critically important locate activity to protect the public and ensure safe and reliable service by safeguarding vital assets which, if damaged or disrupted, would cause substantial outages and potential physical harm to the public (people and property).

35. The increased VMS costs experienced by Enbridge Gas are caused by the same requirements as the other general locate costs.

36. The VMS work is delivered by LSPs, as they have the expertise and experience to complete this important locate-related work. It is efficient to use the same LSP to complete both locate and VMS work, since that reduces the need for coordination between various service providers. That is important in the context of the mandatory 5 day locates time requirement. However, as already explained, the costs for LSPs increased markedly as a result of Bill 93 and its requirement for timely 5 day locates. This caused increases to the associated VMS costs as described in the evidence. As such, the increased VMS costs are directly related to Bill 93.

[20] Exhibit I.EP.8.
[21] Exhibit C, Tab 1, page 25. Further detail is provided at Exhibit I.EP-8.

37. FRPO and SEC argue that there is no reason for Enbridge Gas to use LSPs for VMS activities, and that costs could be mitigated by using internal or other resources.[22] FRPO says that "EGI could have chosen to deploy their staff whose cost would be less than $146/hr". There is no evidence that this suggested cost saving is achievable. This is an activity that requires skilled operators. Enbridge Gas does not have surplus internal resources and would have to hire people to do the VMS work. As described in the next paragraph, this is not feasible and even if it was possible, it would come at substantial cost.

38. Pipeline locating demand is highly seasonal (as seen by the relatively low locate volume from January to April 2023), meaning that it is not practical to maintain a full-time internal workforce year-round. This is also not an activity that can be easily forecast, because VMS work (and associated locates) is driven by third party excavators and projects. That is why Enbridge Gas relies on outsourced services to scale up during peak periods. Otherwise, Enbridge Gas would have to maintain additional staff at a level sufficient to serve VMS requirements in peak periods even though they would not be used much of the time. And even if Enbridge Gas could add the appropriate resources, there is nothing to say that the cost would be lower. Rider "G" sets out the approved labour costs that Enbridge Gas can charge to customers (representing the costs of personnel).[23] It shows that regular labour is charged at $183.93 per hour, and overtime is charged at $230.43 per hour. Therefore, contrary to the arguments from FRPO and SEC, it may be that using incremental internal resources to deliver VMS services would be more expensive than LSPs. That is particularly true when considering the times when internal VMS resources would be idle.

39. Enbridge Gas does not dispute OEB staff's submission that VMS activities preceded Bill 93.[24] However, Enbridge Gas is not seeking to recover all of its VMS costs. Instead, as detailed in Tables 2 and 3 of the AIC, Enbridge Gas is seeking only to recover the incremental (new) VMS costs above and beyond standard inflation.[25] These costs have risen as a result of the

[22] FRPO Submission, page 2; and SEC Submission, page 3.
[23] Enbridge Gas - Rider G - Service Charges
[24] OEB staff Submission, page 6.
[25] As set out in Tables 2 and 3 of AIC (see pages 11-12), Enbridge Gas assumes that there was $4.4 million in rates for VMS costs for April to December 2023 - it is only the incremental $3 million of the total $7.4 million in VMS costs that is included in the GOCA Variance Account.

new timing demands of Bill 93, and they are properly recoverable through the GOCA Variance Account.

(ii) UFG Accounts

40. Enbridge Gas seeks clearance of the UFG Accounts (two from the Union Rate Zones and one from the EGD Rate Zone) for 2021-2023 on a final basis. The 2021 and 2022 accounts have already been cleared on an interim basis, and the 2023 accounts are a net credit to customers.

41. OEB staff supports this request. OEB staff notes that the 2023 UFG Accounts benefit customers, and that Enbridge Gas has satisfied the conditions for final clearance of the 2021 and 2022 UFG Accounts, namely that Enbridge Gas has provided the additional information stipulated in prior settlement agreements.[26]

42. Most parties (CCC, CME, FRPO, Minogi, OGVG, Pollution Probe and SEC) take no position on the clearance of the UFG Accounts. None of these parties argue for any adjustment or reduction in the amounts to be cleared when the account clearances are deemed final.

43. ED filed a lengthy submission, arguing that Enbridge Gas has not done enough to reduce UFG and that the amount of the prior interim clearances of the 2021 and 2022 UFG Accounts should be reduced by a total of $5 million. Energy Probe also submits that the amount of the prior interim clearances of the 2021 and 2022 UFG Accounts should be reduced.[27] EP bases its argument on an assertion that the change to bimonthly meter reading in the Union Rate Zones, along with use of inaccurate heat values, caused unreasonably high UFG. EP argues that this is evidence of bad management decisions that justifies a $5 million disallowance.

44. Enbridge Gas disputes that any disallowance or adjustment to the as-filed balances for the UFG Accounts is appropriate. There is no evidentiary basis to support the proposed $5 million disallowance – indeed the two parties arguing for this result have different reasons for their position.

45. As explained in detail in AIC, the interim clearances of the 2021 and 2022 UFG Accounts were each agreed on the basis that Enbridge Gas would provide further clarification and details in

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[26] OEB staff Submission, page 9.
[27] Kitchener supports the EP Submission, but makes no independent or additional submission on this topic.

the next year's filing. In each instance, Enbridge Gas provided all the expected additional evidence and information. This amounted to over a hundred total pages of evidence, along with many interrogatory responses to answer follow-up questions.

46. The core of ED's complaint seems to be that there are large volumes of UFG in 2022, and the cause of much of the UFG remains unexplained and therefore Enbridge Gas has not done enough.

47. Enbridge Gas disagrees entirely.

48. UFG is subject to variations over time. This is seen in the UFG Benchmark Analysis graph set out at page 15 of the AIC, which shows that all gas distributors experienced increases in UFG during 2021 and 2022. Enbridge Gas experienced UFG reductions in 2023, with the result being that customers benefit from credit balances in the 2023 UFG Accounts.

49. The particular focus from ED on the EGD Rate Zone UFG results for 2022 is unfair. This should be looked at more holistically. The UFG Benchmark Analysis graph shows that EGD Rate Zone UFG results were lower than many peer groups in most other years. The results also show that the EGD Rate Zone returned to a lower balance in 2023.

50. In total, UFG represents a small proportion of system throughput. On average, UFG represented around 0.63% of total system throughput for the years in question from 2021 to 2023.[28] Generally speaking, the yearly UFG results for the EGD and Union Rate Zones have been lower than most peer utilities.[29] On a combined basis, the total Enbridge Gas UFG results are better than almost all comparator groups. For the 2022 year that is ED's focus, the combined results of EGD and Union Rate Zones remain below the level of other utilities.

51. ED focuses on costs of UFG. However, a large part of the cost variation for UFG arises from changes in the cost of gas. The cost of gas is a completely external factor. Enbridge Gas's evidence filed in the 2022 Deferral Account Clearance Application (EB-2023-0092) explains the impacts of gas prices on the UFG account totals.

    i. For the EGD Rate Zone, the elevated QRAM prices in 2022 are a significant contributor to the 2022 UAFVA balance. Most notably, in the last quarter of 2022,

[28] 0.63% on average for 2021-2023 (0.69% for 2021, 0.87% for 2022, 0.33% for 2023).
[29] See AIC para. 50, and associated references.

where approximately 30% of the UAF Volume Variance is recorded, the QRAM price was 77% higher on a year over year basis.[30]

ii. For the Union Rate Zones, total UFG volumes decreased slightly from 2021 to 2022.[31] However, the UFGVDA balance increased by approximately $20 million from 2021 to 2022. This increase on a year over year basis is attributable to the reference price increases over that time.[32]

52. UFG by its nature is largely unexplained.[33] It is therefore neither surprising nor new that Enbridge Gas is unable to identify the specific reasons for much of the experienced UFG.

53. ED's accusation that Enbridge Gas is imprudent because it cannot identify the cause of most of its UFG is unfair. There has never been a requirement to be able to point to the causes of all UFG in a year or over time. Enbridge Gas is always seeking to understand and mitigate UFG; however, failing to identify all the contributing factors does not mean that the Company is falling short of reasonable expectations.

54. ED's particular focus is the relatively high UFG balance for the EGD Rate Zone in 2022. Interestingly, ED did not intervene and participate in the 2022 Deferral Account clearance application (EB-2023-0092) where the 2022 UFG Account balances were initially considered. In any case, as seen in the table reproduced in ED's Submission (taken from the response to Staff interrogatory #7(d))[34], 2022 is the year for which Enbridge Gas has the smallest unexplained UFG volumes. For that year, Enbridge Gas has investigated and provided its findings about a long list of potential UFG contributors identified by intervenors. In total, Enbridge Gas has explained over 70% of the UFG balance for 2022. It is unwarranted and inappropriate to criticize and financially penalize Enbridge Gas (as ED and EP propose) after the Company completed and reported on comprehensive investigations that more than satisfy the Company's prior commitments. Sometimes, as recognized by multiple regulators, there is not a clear and unambiguous answer as to the causes of UFG.

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[30] EB-2023-0092, Exhibit D, Tab 1, page 12 - "Impact of Pricing" for the EGD UAFVA.
[31] EB-2023-0092, Exhibit E, Tab I, pages 34-35 – UFG volumes decreased from 252,582 10^3m^3 to 250,692 10^3m^3.
[32] EB-2023-0092, Exhibit E, Tab I, pages 34-35 Exhibit E, Tab I, pages 34-35.
[33] This is explained in the initial Report on Unaccounted For Gas prepared by ScottMadden for Enbridge Gas in December 2019 – see pages 4-5 and 18. Filed in EB-2019-0194 on December 19, 2020: link here.
[34] Exhibit I.STAFF.7(d).

55. As discussed in the response to Staff interrogatory #7(d), it is important to consider the relative range of uncertainty associated with estimated UFG volumetric impacts (e.g., the accuracy of measurement assets, estimated emissions, etc.) when evaluating the magnitude of assumed or identified impacts to UFG. The full response to Staff interrogatory #7(d) (which includes more than 3 pages of narrative, in addition to the table that ED cites) provides further context about other potential contributing factors, including the fact that Enbridge Gas refrained from including estimates for known contributing sources for which investigations are still ongoing or the impacts are not yet fully known.

56. As the filed evidence makes clear, Enbridge Gas continues to take responsible steps to review, understand and manage UFG. The evidence filed in this proceeding describes, in great detail, the further work being undertaken to investigate root causes of UFG and to implement a sustainment and governance model for UFG for the utility.[35]

57. The allegation from ED that Enbridge Gas included only a single paragraph to explain and justify the 2022 UFG Account balances is entirely unfair. Enbridge Gas filed detailed evidence in the 2022 Deferral Account Clearance Application (EB-2023-0092) about the associated balances, and answered all interrogatories received.[36] Then, in response to the commitments made in the 2022 Deferral Account Settlement Agreement, Enbridge Gas filed comprehensive and detailed further evidence in this 2023 Deferral Account Clearance Application proceeding.[37] The evidence filed in the 2022 and 2023 Deferral Account proceedings satisfied Enbridge Gas's commitments from the earlier Settlement Agreements to provide further clarification about the calculation of UFG balances and the Company's ongoing review and investigation of UFG. Enbridge Gas does not believe that it's necessary or appropriate to restate and reproduce all of the evidence already filed, but notes all the relevant evidence is listed in the footnotes associated with this paragraph.

[35] Exhibit D, Tab 1, pages 5-58.
[36] 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. See also Exhibits I.STAFF.6; I.EP.6-9; and I.FRPO.15-20 and 22-24.
[37] Exhibit D, Tab 1, pages 5-58 and Exhibit E, Tab 1, pages 25-32. See also Exhibits I.STAFF.7-8; I.CCC.4; I.ED.1-22; I.EP.12; I.FRPO.18-31; I.MC.1-12; I.PP.11-12; and I.SEC.4-6.

58. Apparently other parties (other than ED and perhaps EP) are satisfied or can accept the explanations and evidence that Enbridge Gas has provided, given that none of the other parties now raise objections.

59. In any event, it is insulting and wrong to refer to Enbridge Gas's evidence and submissions as "platitudes". The Company's detailed evidence in this proceeding sets out the many initiatives being undertaken by Enbridge Gas to understand and seek to mitigate UFG on an ongoing basis. This is seen by the headings in the section of evidence titled "2023/2024 UFG Learnings and Observations": (i) Participation in Industry Groups/Associations & Cross-Functional Measurement Groups; (ii) Work to Update Gas Quality Parameters; (iii) Work to Eliminate a Backlog of Leaks; (iv) Various Meter Reading Campaigns and Initiatives; (v) Vacant Premises Backlog; (vi) Assessment of Storage Inventory Audits and Adjustments; (vii) Advanced Metering Infrastructure; (viii) Pressure Elevation Factors; (ix) Loss of Containment (Gas Loss Due to Damage Events); (x) Measurement Integration; (xi) Large Volume Customer Measurement for Power Generation; and (xii) Operational Emission Reductions.[38] Details are included in the evidence under each of these headings.

60. Taken together, it is clear that Enbridge Gas has and continues to act prudently in measuring, monitoring and seeking to mitigate UFG. There is no evidentiary basis for the claimed $5 million disallowance in UFG costs as argued by ED.

61. ED argues that imposing a $5 million disallowance would be a sufficient amount to benefit customers and signal a need to monitor and manage UFG going forward. This argument is flawed. The proposed $5 million disallowance is an arbitrary punitive measure.

    i. Enbridge Gas does not benefit from gas costs, including UFG. Therefore, anything that "benefits" customers in terms of avoiding obligation for UFG is effectively a punishment to Enbridge Gas. There is no basis for such a punishment. Enbridge Gas responsibly manages UFG, as described above and in evidence. Importantly, Enbridge Gas has already absorbed costs related to UFG through the deadband that applies to the Union Gas UFGVVA. Over the 2021-2023 period, Enbridge Gas absorbed almost $14 million in UFG costs through the deadband.[39]

    ii. On an ongoing basis, Enbridge Gas is motivated to manage UFG by the terms of the 2024-2028 UFG Variance Account. As explained in the Rebasing Phase 1 Settlement Agreement, during the current IRM Term the amount in rates for UFG costs is based

[38] The associated evidence is found at Exhibit D, Tab 1, pages 29-45.
[39] See AIC, paras. 53 and 57 and references cited.

on the average actual UFG volumes for 2018-2020. Under the updated UFG variance accounts: (i) Enbridge Gas and customers will share, on a 50/50 basis, the cost/credit of variances in UFG volumes included in rates and the actual UFG volumes at the applicable gas supply reference price, up to a maximum volume of 400,000 10^3m^3; and (ii) Enbridge Gas will recover/credit the full cost implications of the variance between the actual price of Enbridge Gas's gas supply purchases and the applicable gas supply reference price, applied to all actual experienced UFG volumes.[40]

62. Different from ED, EP argues that there are particular issues within Enbridge Gas's control that have contributed to UFG. This is said to justify a $5 million disallowance to the overall UFG Account balances.

63. EP argues that there is increased UFG resulting from the change from monthly to bimonthly meter reading in the Union Rate Zones. There is no evidence showing this to be the case. As explained in response to an Energy Probe Interrogatory in the 2022 Deferral Account proceeding, the move to bimonthly meter reading happened in 2019 and the UFG volumes for the Union Gas Rate Zones were relatively low in both 2019 and 2020. There is no basis whatsoever for the OEB to accept EP's assertion that "management's decision to change the meter reading practices, and to hire a new meter provider caused an increase in estimated bills … [which] was a likely cause of the increase in UFG in 2021 and 2022."[41]

64. A further flaw in EP's argument on this point is that any issues that potentially arise from estimated billing are trued-up over time. Estimated bills become replaced by bills using actual readings. Therefore, to the extent that there was any under-billing from an estimate, that is removed once actual readings are used for subsequent bills.[42]

65. EP also argues that the decision by Enbridge Gas management to use system annual average heat values in its determination of UFG rather than receipt point specific heat values likely contributed to the increase in UFG.[43] This is entirely speculative, and at least partly inaccurate.

66. EP asked one interrogatory on this topic in the 2022 Deferral Account proceeding.[44] As seen there, Enbridge Gas initially uses annual average heat values to calculate UAF volumes, but

[40] EB-2022-0200, Exhibit O1, Tab 1, Schedule 1, page 11.
[41] EP Submission, page 6.
[42] See Exhibit D, Tab 1, paras. 31-32.
[43] EP Submission, page 5.
[44] EB-2023-0092, Exhibit I.EP.7.

then in the following month, when the actual heat values are available, the difference between the actual and annual heat value is recorded in the UAFVA.[45] In its response to EP in the 2022 case, Enbridge Gas agreed that it does not use location-specific heat values for UAFVA calculations, but indicated that it's not clear this would have any impact (even assuming it could be done). Specifically, the Company noted that it has not done any in-depth analysis to determine if there is a correlation between location-specific heat values and UFG but that such work would be extremely detailed and time-intensive.

67. EP did not ask any questions at all about the effect of heat values on UFG in the 2023 Deferral Account proceeding.

68. In sum, there is no basis to conclude that Enbridge Gas's initial use of an annual average heat value, nor the use of system average heat values increases UFG. There is certainly no basis to attach a volume or dollar figure to such an allegation.

69. EP also does not explain how the two issues that it raises, which are factors that would presumably (if established) have similar impacts each year, relate to the increased UFG volumes in 2021 and 2022, which are presumably the two years against which EP proposes to apply a $5 million disallowance.

70. Enbridge Gas therefore submits that there is no basis for the arbitrary $5 million disallowance to the UFG Account balances as argued by EP. There is no evidence of poor management decisions contributing to UFG balances, and there is nothing to support the magnitude of EP's proposed disallowance.

(iii) Fugitive Emissions Measurement Plan (FEMP)

71. In AIC, Enbridge Gas explained the reasons why it does not intend to proceed with its FEMP pilot, and why it no longer requests the proposed FEMP Deferral Account. Briefly stated, Enbridge Gas has determined that it is not necessary or advisable to implement this proposal, taking into account the concerns raised by the OEB in Procedural Orders No. 2 to 4 as to the need and financial prudence of the FEMP pilot.

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[45] EB-2023-0092, Exhibit D, Tab 1, page 18, para. 28.

72. CCC indicates that it supports Enbridge Gas's intention not to proceed with the FEMP pilot project, for the reasons set out in the Company's AIC.[46] EP also indicates that the FEMP pilot is not necessary or advisable.[47]

73. Most other parties (OEB staff, CME, FRPO, Kitchener, OGVG, PP and SEC) declined to provide any submissions on the FEMP pilot project. Presumably if they had important concerns about the Company's determination not to proceed with the initiative, they would have advanced that position.

74. Two parties, ED and Minogi, argue that Enbridge Gas should be required to proceed with the FEMP pilot.

75. ED argues that prior settlement agreements oblige Enbridge Gas to proceed, even without a variance account.[48] ED further argues that the FEMP pilot is financially prudent because it will likely locate cost-effective emissions reductions and will generate valuable information.[49]

76. Minogi argues that the FEMP pilot is a cost-effective way to identify significant sources of fugitive emissions and mitigation measures for the benefit of all customers as well as Indigenous stakeholders.

77. Enbridge Gas disputes that it is obliged by the terms of previous settlement agreements to proceed with the FEMP pilot.

78. The key obligation is set out in the Rebasing Phase 1 Settlement Proposal, at page 37:

> *In relation to fugitive emissions, which are a component of UFG, Enbridge Gas has agreed to investigate and determine an appropriate way to accurately measure fugitive emissions, including consideration of top-down measurements (i.e. by aircraft, satellite, and/or towers), 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. This would include all kinds of assets (transmission, rural & urban distribution, and storage). Enbridge Gas will file a robust investigation plan for consideration and determination in the 2023 deferral and variance account proceeding, which filing shall include justification of the planned*

[46] CCC Submission, page 1.
[47] EP Submission, page 1.
[48] ED Submission, pages 10, 12-13. Minogi makes a similar argument – see Minogi Submission, page 6.
[49] ED Submission, pages 10-12.

approach including, without limitation, whether it will include aerial (i.e. top-down) investigation.[50]

79. Enbridge Gas met its obligations. The Company, with the assistance of its expert Highwood Emissions Management (Highwood), prepared a robust investigation plan and proposal for a pilot project to initiate fugitive emissions investigation activities. The proposal was filed in this proceeding.

80. The following points of context are important.

    i. The FEMP pilot is simply the first part of the fugitive emissions investigation plan proposed by Highwood. As seen in evidence, the annual costs to expand fugitive emissions monitoring would be between USD $4.2 million (assuming handheld inspections every 7 years) and USD $66.2 million (assuming semi-annual vehicle inspection). The costs for aerial or satellite inspections (which ED favours) is an additional USD $10 million or more per year.[51]

    ii. Enbridge Gas's FEMP pilot proposal included cost recovery through a deferral account.[52] This was a reasonable request and an important part of the Company's initial endorsement of the FEMP pilot which was never part of the O&M budgets presented in the Phase 1 Rebasing case.

    iii. Enbridge Gas did initially agree to support and proceed with the FEMP pilot proposal as filed, as can be seen in the Settlement Proposal in this application.[53]

    iv. In Procedural Order No. 2, the OEB indicated its concerns with the FEMP pilot proposal. These concerns were not limited to the deferral account request. The OEB indicated that "*Implementing Enbridge Gas's proposed Fugitive Emissions Measurement Plan does not appear to be warranted at this time*"[54] and "*After considering the Plan filed in evidence and the related interrogatory responses, implementation of the Plan does not appear to be warranted at this time*"[55] and "*The OEB questions the timing of this new initiative, embarking on this Plan in 2025*"[56].

    v. In response to Procedural Orders No. 2 and 3, the parties provided the OEB with additional explanation and justification for the Settlement Proposal, including answers to the OEB's stated concerns about the FEMP pilot.

    vi. In Procedural Order No. 4, the OEB declined to accept the Settlement Proposal. The OEB specifically noted its concerns with the FEMP Deferral Account, but tellingly the OEB did not indicate that its concerns about proceeding with the FEMP pilot had been

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[50] EB-2022-0200 Exhibit O1, Tab 1, Schedule 1, page 37.
[51] Exhibit D, Tab 1, page 61 and Exhibit D, Tab 1, Attachment, page 76.
[52] Exhibit D, Tab 1, pages 66-68.
[53] Exhibit N1, Tab 1, Schedule 1, pages 23-25.
[54] Decision on Settlement Proposal and Procedural Order No. 2, January 28, 2025, page 6.
[55] *Ibid.*, page 9.
[56] *Ibid.*, page 10.

satisfied. To the contrary, the OEB indicated that "*there is no evidence that the pilot is needed or is a cost-effective option*".[57]

81. Taking all of these points of context into consideration, it is reasonable for Enbridge Gas to now take the position that it no longer seeks approval of the FEMP pilot, and does not plan to proceed with that initiative. The Company made intensive and good faith efforts to develop a fugitive emissions investigation plan and presented that to parties and the OEB. The OEB indicated that it does not support the FEMP pilot. The parties filed more submissions in support of the FEMP pilot and the OEB remained unconvinced. It is not reasonable to find that Enbridge Gas remains obliged to continue to promote and support the FEMP pilot in these circumstances.

82. ED and Minogi argue that notwithstanding any concerns raised by the OEB, the FEMP pilot is financially prudent and cost-effective and should proceed. It's not clear that's actually true.

83. ED's Submission is heavily premised on the things that ED says that the FEMP pilot is "likely" to achieve in terms of finding cost-effective ways to reduce fugitive emissions.[58] With respect, it cannot be known now whether the pilot will actually succeed in the way that ED presumes. The limited scope of the pilot may not have positive impacts. As noted already, expanding the FEMP pilot into a broader fugitive emissions plan will cost exponentially more. There is no current budget for that.

84. ED also argues that the FEMP pilot will "certainly" generate valuable and important information regarding potential reasons for the high level of unexplained UFG in Enbridge Gas's system.[59] It's not clear how ED arrives at this definitive position. There is no way to definitively say whether the FEMP pilot, which would develop company specific emission factors and test mobile ground emissions technology on a limited part of the distribution system, will provide any more certainty as to the causes of unknown UFG.

85. Minogi premises much of its argument on the environmental harms from fugitive emissions, as a justification for taking increased action to study and address fugitive emissions.[60] With respect, it lies beyond the OEB's mandate to make decisions based on environmental

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[57] Decision on Settlement Proposal and Procedural Order No. 2, May 27, 2025, page 16.
[58] ED Submission, pages 10-11.
[59] ED Submission, pages 11-12.
[60] Minogi Submission, pages 3-4.

impacts. The OEB is an economic regulator. As recognized in Procedural Order No. 2, the OEB does not set industry standards for fugitive emissions.[61]

86. In summary, Enbridge Gas submits that it has satisfied its obligations to prepare and present a fugitive emissions investigation plan, and that in all the circumstances it is reasonable for the Company to opt not to request OEB approval for the proposal. There is no new evidence or justification presented by ED or Minogi that should cause the OEB to revisit and reverse its prior findings that there is no evidence that the FEMP pilot is needed or is a cost-effective option.

D. RELIEF REQUESTED

87. Enbridge Gas repeats its request for relief as set out in AIC.

88. Enbridge Gas respectfully requests that the OEB approve the clearance of the 2023 Accounts as set out in Appendix A to the AIC, to be cleared in conjunction with the January 1, 2026 QRAM Application.

89. Enbridge Gas further requests that:

    i. The clearance of the 2021 and 2022 UFG Accounts be considered to be final; and

    ii. The OEB approve, endorse or acknowledge the $800,000 IWG budget for 2024.

All of which is respectfully submitted this 16th day of July 2025.

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David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas

[61] Decision on Settlement Proposal and Procedural Order No. 2, January 28, 2025, page 10.