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BY EMAIL

October 30, 2025

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

Dear Mr. Murray:

**Re: Ontario Energy Board (OEB) Staff Submission on the Settlement Proposal
Enbridge Gas Inc. (Enbridge Gas)
Application for 2026 Rates
OEB File Number: EB-2025-0163**

In accordance with Procedural Order No. 1, please find attached OEB staff's submission on the Settlement Proposal dated October 23, 2025, filed by Enbridge Gas in the above referenced proceeding.

Yours truly,

Tina Zhu
Senior Advisor, Generation & Transmission

Encl.

cc: All parties in EB-2025-0163



ONTARIO ENERGY BOARD

OEB Staff Submission on Settlement Proposal

Enbridge Gas Inc. (Enbridge Gas)

Application for 2026 Rates

EB-2025-0163

October 30, 2025

Background

On October 31, 2022, Enbridge Gas Inc. (Enbridge Gas) filed a Cost of Service and Rebasing Application for 2024 rates and for approval of an incentive rate-setting mechanism (IRM) for the following four years¹. On November 29, 2024, in the decision on settlement proposal and interim rate order for Phase 2 Settlement Agreement of Enbridge Gas's 2024 Rebasing Application, the OEB approved a rate setting mechanism (Price Cap IR) for Enbridge Gas, which sets out a multi-year incentive rate-setting mechanism (IRM) for the 2025 to 2028 rate period².

Enbridge Gas filed an IRM application with the OEB on July 2, 2025, under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval to change its natural gas distribution rates effective January 1, 2026. This 2026 rate application is the second annual rate adjustment application under the IRM approved for Enbridge Gas for 2025-2028.

Status of Issues

A settlement conference was held from October 6-7, 2025. The following approved intervenors participated in the settlement conference: Canadian Manufacturers & Exporters (CME), Consumers Council of Canada (CCC), Energy Probe Research Foundation (Energy Probe), Federation of Rental-Housing Providers of Ontario (FRPO), Industrial Gas Users' Association (IGUA), Kitchener Utilities (Kitchener), Ontario Greenhouse Vegetable Growers (OGVG), Pollution Probe (PP), School Energy Coalition (SEC), Six Nations Natural Gas (SNNG) (with Enbridge Gas, collectively referred to as the Parties).

OEB staff attended the settlement conference but is not a party to the settlement proposal.

Enbridge Gas filed a settlement proposal on October 23, 2025 (Settlement Proposal). The Settlement Proposal reflects a comprehensive settlement among the Parties on all issues included on the OEB-approved issues list.

The bill impacts resulting from the Settlement Proposal are set out in the accompanying Draft Rate Order.³ The bill impacts do not include the ratepayer credit (discussed under "Z-Factor Proposal Related to the Federal Carbon Charge Set to Zero" section below) which will be credited to customers through the disposition of the 2024 Deferral and Variance Accounts.

¹ EB-2022-0200

² [EB-2024-0111, Decision on Settlement Proposal and Interim Rate Order, November 29, 2024](#)

³ EB-2025-0163 Settlement Proposal and Draft Rate Order, Exhibit C, Tab 1, Working Papers, Schedule 3

OEB Staff Submission

Pursuant to the OEB's *Practice Direction on Settlement Conferences*, OEB staff is required to file a submission commenting on two aspects of the Settlement Proposal: whether the settlement represents an acceptable outcome from a public interest perspective; and whether the accompanying explanation and rationale are adequate to support the settlement.

OEB staff submits that the Settlement Proposal is in the public interest and that the accompanying explanation and rationale are adequate to support the Settlement Proposal.

OEB staff's submission provides reasons for OEB staff's position by commenting on the Settlement Proposal's most material aspects, rather than examining each issue on the approved issues list individually.

Z-Factor Proposal Related to the Federal Carbon Charge Set to Zero

Enbridge Gas requested a Z-factor treatment for 2026 rates as a result of the consumer Federal Carbon Charge being set to zero, which has a negative impact on the working cash benefit that would otherwise be accounted for as a working capital allowance component of rate base.

The Parties agreed that the impact of the consumer Federal Carbon Charge being set to zero on Enbridge Gas's working cash allowance is appropriate to be addressed through a base rate adjustment. Taking into account that Enbridge Gas may be able to avoid some costs associated with administration of the Federal Carbon Charge program going forward, the Parties agreed that the base rate adjustment should be reduced by \$0.5 million from the filed evidence at \$14 million. As a result, the Parties agreed on a base rate adjustment of \$13.5 million in 2026.

In addition, Enbridge Gas did not provide any credits to ratepayers for the Federal Carbon Charge-related working cash benefit amounts prior to 2024. In interrogatory responses, Enbridge Gas set out the working cash benefit amounts associated with Federal Carbon Charge collection during the years from 2019 to 2023⁴, as well as the impact in 2025⁵. As an overall resolution of this issue, the Parties agreed that Enbridge Gas will credit ratepayers for \$10.94 million, plus interest of \$1.78 million, for the working cash benefits from prior years:

1. Enbridge Gas will credit ratepayers with the amounts for 2022 (\$6.78 million) and 2023 (\$8.66 million) related to working cash benefits from the Federal Carbon

⁴ EB-2025-0163, Interrogatory Responses, SEC-3, Exhibit I. Attachment 1

⁵ EB-2025-0163, Interrogatory Responses, OGVG-1

Charge collections during those years, with interest applied.

2. The ratepayer credit amount will be reduced by \$4.5 million from the amounts noted in 1. above, which represents approximately 2/3 of the \$7 million working cash benefits that Enbridge Gas will not materialize during the last 8 months of 2025 due to its no longer receiving Federal Carbon Charge collections from customers, with interest applied.

The Parties also agreed that it is appropriate for Enbridge Gas to record this ratepayer credit amount in the Customer Carbon Charge Variance Account, to be cleared as part of the 2024 Deferral and Variance Account Disposition application.

OEB staff supports the proposal that Enbridge Gas will provide a credit to ratepayers acknowledging the working cash benefit that Enbridge realized from collection of the Federal Carbon Charge in prior years, and the loss of such benefit for the last 8 months in 2025. OEB staff has no concerns with the calculation of a total credit of \$10.94 million as the related evidence is filed in interrogatory responses⁶. OEB staff submits that the interest of \$1.78 million is calculated accurately and is appropriate to account for passage of time.

OEB staff submits that the 2026 base rate adjustment is appropriate to address the issue that Enbridge Gas will no longer realize the working cash benefits from the Federal Carbon Charge collections in 2026 and going forward. OEB staff has no concerns with the calculation of the \$13.5 million base rate adjustment in 2026.

Price Cap Adjustment

In the decision on settlement proposal and interim rate order of Phase 2 of the Rebasing Application,⁷ the OEB determined that the price cap index (PCI) is a function of the I-factor minus the X-factor, where the X-factor is comprised of a productivity factor and a stretch factor. The I-factor varies from year to year during the IRM term while the X-factor is constant during each year of the IRM term. As set out in the Phase 2 Settlement Agreement,⁸ the X-factor is 0.28%. For 2026, the inflation factor is 3.79% resulting in a PCI of 3.51%, as shown in Table 1.

⁶ EB-2025-0163, Interrogatory Responses, SEC-3, Exhibit I. Attachment 1 and OGVG-1

⁷ EB-2024-0111

⁸ EB-2024-0111 Decision on Settlement Proposal and Interim Rate Order, November 29, 2024, p.3

Table 1: Calculation of PCI Effective January 1, 2026

Inflation Factor	3.79%
Less: Productivity Factor	0.00%
Less: Stretch Factor	0.28%
2026 PCI	3.51%

The Parties agreed that the 2026 PCI of 3.51% is calculated properly for Enbridge Gas to implement to its 2026 IRM rate adjustments.

OEB staff submits that the 2026 PCI calculation and proposed price cap adjustment are in accordance with the decision on settlement proposal and interim rate order of Phase 2 of the Rebasing Application. As a result, OEB staff has no concerns with the 2026 price cap adjustment agreed on by the Parties.

Base Rate Adjustment to Reflect the Shifting of \$50 Million in Capitalized Overheads to Operating and Maintenance (O&M) Costs

Enbridge Gas proposed a base rate adjustment to implement the OEB's direction in the decision in Phase 1 of the Rebasing Application⁹ to move \$50 million of capitalized overheads to O&M through a base rate adjustment in each year of the IRM term. The annual base rate adjustment proposal was approved by the OEB as part of the Phase 2 Settlement Agreement.¹⁰

The Parties agreed that Enbridge Gas appropriately applied and implemented the base rate adjustment in this application.

OEB staff submits that the proposed base rate adjustment and 2026 rate calculation are in accordance with the decisions in Phase 1 and Phase 2 of the Rebasing Application. As a result, OEB staff has no concerns with the 2026 base rate adjustment agreed to by the Parties.

Rider M (the Hydrogen Gas Rate Rider)

Enbridge Gas proposed to maintain the existing rate for Rider M (the Hydrogen Gas Rate Rider) of \$15 and \$126 annually for Rate 1 and Rate 6 respectively as there had been no "material" change in the price of natural gas experienced in 2025.

The Parties agreed with Enbridge Gas's proposal to maintain the existing rate for Rider M. The Settlement Proposal states that it does not consider or address Enbridge Gas's

⁹ EB-2022-0200

¹⁰ EB-2024-0111

subsequent and separate proposal¹¹ to increase Rider M to accommodate a higher planned hydrogen blending percentage for the Low-Carbon Energy Project.

OEB staff does not object to the Parties' proposal regarding Rider M in the context of the Settlement Proposal. It is OEB staff's understanding that approval of the Settlement Proposal would not preclude the OEB from adjusting Rider M¹².

Correction to the Panhandle Regional Expansion Project (PREP) Unit Rates for Rate 331, Rate 332, Rate M16, and Rate M17

Enbridge Gas proposed to correct the PREP unit rates for Rate 331, Rate 332, Rate M16, and Rate M17 as part of 2026 Rates. The previous approved PREP unit rates for these ex-franchise rate classes did not reflect the correct billing units, which resulted in an overstatement of the unit rates, impacting five customers. The total impact of this error is projected at less than \$700,000 and any overcollection of PREP amounts would be trued up through the Panhandle Regional Expansion Project Variance Account. As the variance account is not expected to be brought forward for disposition until the 2029 rebasing application, Enbridge Gas requested to correct the PREP unit rates effective January 1, 2025 and to rebill the five impacted customers to refund the overcollection.

The Parties accepted Enbridge Gas's proposal to correct the PREP unit rates as part of 2026 Rates.

OEB staff supports the correction of PREP unit rates effective January 1, 2025 and supports the proposal to re-bill the five impacted customers as a timely resolution to the billing error issue. Staff is of the view that this approach is preferable to the alternative of not adjusting the overstatement of unit rates until at a later date (i.e., in the 2029 rebasing application).

Timing for Implementation of the Proposed 2026 Rates

Enbridge Gas requested that the OEB review and approve the 2026 rate adjustments, including the Rate Order by November 25, 2025, so that the rates can be implemented on an interim basis in conjunction with the January 1, 2026 Quarterly Rate Adjustment Mechanism (QRAM) application. The rates are requested as interim, pending outcomes of an appeal and judicial review application related to aspects of the Phase 1 Rebasing decision.

The Parties agreed that it is appropriate to implement the updated rates as of January 1, 2026, in conjunction with the January 1, 2026 QRAM Application.

OEB staff has no concerns on the timing for implementation of the 2026 rates given this is the usual practice for implementation of natural gas rates. OEB staff notes that the bill

¹¹ EB-2019-0294, [Planned Hydrogen Blend Increase, October 15, 2025](#)

¹² EB-2019-0294

impacts accompanying the Settlement Proposal may change depending on what else is implemented with the January 1, 2026 QRAM Application.

~All of which is respectfully submitted~