

ONTARIO ENERGY BOARD

Enbridge Gas Inc.

2024 Utility Earnings and Disposition of Deferral & Variance Account

POLLUTION PROBE SUBMISSION

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1. Introduction and Overview

Enbridge Gas Inc. (Enbridge) filed an application with the Ontario Energy Board (OEB) on October 30, 2025 under section 36 of the *Ontario Energy Board Act, 1998*, seeking approval for the disposition of balances in certain deferral and variance accounts (DVAs).

Procedural Order No. 1 set a process for OEB staff and intervenors to request any relevant information and documentation from Enbridge that is in addition to the evidence already filed, by written interrogatories filed by January 23, 2026. Pollution Probe submitted interrogatories on January 20, 2026. On February 12, 2026 following submission of stakeholder interrogatories, Enbridge filed an evidence update to correct for information in certain exhibits identified.

As noted by Enbridge, previous deferral and variance account clearance proceedings typically included a settlement conference which enabled clarification discussions between parties and the ability to enable consensus in areas of common understanding. In many cases, previous settlement conferences for annual accounts have resulted in an agreement among the parties for some or all the issues and accounts. In this proceeding, the OEB directed the parties to proceed directly to argument, with no settlement process. Enbridge noted that without a settlement process, Enbridge does not know what specific positions may be advanced by other parties and therefore will need to respond to any concerns during its Reply Argument¹.

Potential problems arise from this situation. For example, during a settlement conference, Enbridge typically provides new and/or supplemental information in an attempt to resolve stakeholders questions and concerns. Relevant portions of this information is typically filed with a settlement proposal to provide a complete evidentiary record for the OEB to consider. If Enbridge has new or supplemental information that it believes would resolve any issues and concerns raised by parties in their submissions, Enbridge does not have the procedural right to include any of that new information in its Reply Argument. The Reply Argument must rely on the existing record of evidence and introduction of any new information at such a late stage undermines the transparency, effectiveness and fairness of the proceeding. If there is new information added to the record in Enbridge's Reply Argument, the OEB should dismiss it or consider the appropriate process to enable parties to test or challenge this new information. Hopefully such a situation does not occur in this proceeding, but it clarifies the value and benefits of a settlement process for future proceedings, including those related to DVAs.

¹ EGI_ARG_20260320.

Procedural Order No. 2 for this proceeding provided details for stakeholders to make written submissions following the filing of Enbridge’s argument-in-chief. The OEB identified seven topics to guide Enbridge and submissions from OEB staff and intervenors. The OEB notes that parties may address additional matters as they consider necessary. This submission includes a response to each of the OEB questions under Section 2, below.

This application represents the first consolidated utility clearance of accounts since the 2024 Rebasing application which was the first Cost of Service application for the merged utility². Parties to the Enbridge Rebasing Phase 3³ proceeding submitted a settlement proposal to the OEB, which proposes to settle certain issues related to the redesign and consolidation of rate classes. This settlement was approved by the OEB on March 26, 2025⁴. Enbridge was seeking clearance of the 2024 Accounts with the first available QRAM application following the OEB’s approval, as early as July 1, 2026⁵. In its argument-in-chief Enbridge changed the proposal to now request that the clearance of the 2024 Accounts occur in conjunction with the October 1, 2026 QRAM Application⁶. Harmonisation of rates is proposed to begin in 2027. If clearance of the 2024 accounts is delayed past 2026, the OEB may need to consider any related impacts or adjustments required.

² Enbridge Rebasing Phase 1 was EB-2022-0200.

³ EB-2025-0064.

⁴ EB-2025-0064 dec_SettlementP_Rate Order_EGI Rebasing Ph 3_20260326.

⁵ EGI_ARG_20260320, page 2.

⁶ EGI_ARG_20260320, page 25.

2. Submissions by Topic per Procedural Order No. 2

The following are the submissions by topic in accordance with the questions noted in Procedural Order No. 2. Pollution Probe has provided detailed comments on specific accounts and is aware that other parties plan to spent time providing analysis of additional accounts not specifically detailed below. Given scheduling issues in April, Pollution Probe has filed these comments far in advance of the deadline, but during the analysis and drafting stage Pollution Probe shared draft information with stakeholders and noted that this submission would be filed early. Pollution Probe's focus on specific accounts and not others, should in no way be interpreted as dilutive to the detailed comments from other parties on other accounts that are filed after this submission. Pollution Probe is aware that the OEB will take into account the full record and details of all submissions when making a determination on each issue.

1) For DVA balances proposed for disposition, is the nature or type of costs recorded in these accounts appropriate?

In general, Pollution Probe believes that the nature or type of costs recorded in these accounts is appropriate unless otherwise noted. It is important to note that issues identified under question 2 relate to the DVA balances which could be construed as agreement or disagreement with the type of costs included in the accounts for disposition. These accounts have been defined and approved by the OEB, including general guidance on the nature and type of costs to be included. To the extent that any costs included do not appear to align with those definitions, those issues are also included below.

2) Are the DVA balances proposed for disposition and the supporting calculations appropriate?

The following 2024 accounts have no balance, and are therefore not requested for clearance to customers⁷:

- Incremental Capital Module Deferral Account
- Asset Life Extension Costs Deferral Account
- LEAP Emergency Financial Assistance Deferral Account
- Unauthorized Overrun Non-Compliance Deferral Account
- IRP Capital Costs Deferral Account
- Tax Variance Account
- Expansion of Natural Gas Distribution Systems Variance Account

⁷ Exhibit C Tab 2 Schedule 20.

- Green Button Initiative Deferral Account
- Cloud Computing Implementation Costs Deferral Account
- Disposition of Property Deferral Account

Pollution Probe supports the zero value proposed for these accounts, which would resolve these accounts for purposes of 2024.

It is noted that the balance of the Asset Life Extension Costs Deferral Account (179-343) is also zero, but did not appear on the list noted above. Although this account is on Enbridge’s list for clearance at a later date, for purposes of 2024 it appears that this account should be resolved in a similar manner to the nil accounts noted above. It is unclear why this account would be treated differently for 2024 purposes. Pollution Probe supports the zero amount related to 2024 for this account. Enbridge noted that activities and costs related to this account are likely to start in 2026.

Integrated Resource Planning (IRP) Operating Costs Deferral Account

The amounts recorded in the IRP Operating Costs Deferral Account relate to the implementation of the East Kingston Project (\$0.271 million), and costs associated with the IRP Pilot Project (\$0.159 million)⁸. The breakdown is provided in Table 1, below⁹.

Table 1
Details of Expenditures – IRP Operating Costs

Line No.	Item	Description	(\$ millions)
1	East Kingston Creekford Rd Project	IRP alternative costs	\$0.271
2	IRP Pilot Project – 2023 Costs	Application and project costs	\$0.060
3	IRP Pilot Project – 2024 Costs	Application and project costs	\$0.099
4	Total Requested for Clearance		\$0.430

The IRP Pilot Project costs noted above include costs for both the initial proposed Parry Sound Pilot Project (which was removed from the updated Pilot Project Application and does not represent an IRP project that the OEB will be asked to review in detail), and the Southern Lake Huron Pilot Project¹⁰. The Southern Lake Huron IRP Pilot Project is a project that the OEB has been asked to review in detail and a final Decision has not yet been delivered to set the scope and budget allowed for this project. Although an OEB Decision was issued for that application¹¹, there is an active Motion hearing to review aspects of this Decision and a stay has been issued on certain elements of the

⁸ Exhibit C, Tab 2, Schedule 11, page 2.

⁹ *ibid.*

¹⁰ Exhibit C, Tab 2, Schedule 11, Page 4.

¹¹ EB-2022-0335.

Decision¹². The costs incurred for Parry Sound in 2023 (\$0.026 million) and 2024 (\$0.021 million) were not included in the \$14.2 million IRP Pilot Project budget as the Parry Sound Pilot Project was withdrawn from the updated IRP Pilot Project application¹³.

For the IRP Operating Costs Deferral Account, Pollution Probe recommends that:

- The East Kingston project costs of \$0.271 be approved on a non-prejudicial basis given that this project has not been confirmed as an applicable IRP project, similar to treatment for 2023 costs related to that project.
- The costs incurred for Parry Sound in 2023 (\$0.026 million) and 2024 (\$0.021 million) should be considered by the OEB on a non-prejudicial basis given that this project was not reviewed by the OEB as an applicable IRP project and was withdrawn by Enbridge following a broader capital portfolio review by Enbridge¹⁴. Although the OEB could decide to disallow those costs from incremental recovery, Pollution Probe believes that enabling them to be incrementally recovered (in a non-prejudicial manner for the future) will help encourage Enbridge to continue work on the second OEB IRP Pilot project ordered by the OEB.
- The costs related to the Southern Lake Huron Pilot Project be deferred until the Enbridge Motion to Review the IRP Pilot Decision is complete¹⁵, which currently includes a stay on portions of the Decision and the related IRP Pilot Project budget. If the OEB approves the Southern Lake Huron Pilot Project expenses to be cleared at this time, it is important that cumulative tracking be included to ensure that the sum of the Southern Lake Huron Pilot Project costs are within the final budget (to be) approved by the OEB. The annual DVA process is the only process available to track and reconcile the cumulative costs for this project and they need to be considered as a cumulative total compared to the amount (to be) approved by the OEB.

¹² EB-2025-0333.

¹³ Exhibit I.STAFF-7e.

¹⁴ EB-2022-0335, Updated Evidence Filed: 2024-06-28, Exhibit A, Tab 3, Schedule 1, pages 3-4.

¹⁵ EB-2025-0333.

The East Kingston Project costs are not discrete to this application. Enbridge included costs related to this project in the 2023 Deferral & Variance Account¹⁶.

The settlement proposal submitted by parties to the OEB indicated¹⁷:

Enbridge Gas will include in any future IRP Deferral Account clearance requests, details on the outcomes and ratepayer benefits related to each category of costs proposed to be cleared. This will include metrics on the percent of Asset Management Plan (AMP) projects that have been screened for IRP, the percentage of projects that have passed the screen that have been assessed, and the average length of time for Enbridge Gas to screen and assess projects.

Enbridge Gas did not file an IRP application for the East Kingston IRP as the cost was below the \$2 million threshold. While the parties agree to the disposition of amounts in the IRP Operating Costs Deferral Account related to the East Kingston IRP Project, such agreement is without prejudice to any party's position in future applications regarding appropriateness of any IRP projects or its costs.

Pollution Probe submits that the agreement wording that was developed by all parties represents a relevant view for 2024 amounts to be cleared for the same project. The proposed clearance of the IRP Operating Costs Deferral Account does not indicate that the East Kingston Project reflects what an IRP project is meant to be or the that it delivered any net benefits defined by the IRP Framework. In fact, the project was not required once the customer confirmed that the demand underlying the project was not required. A detailed assessment of the East Kingston project would require additional activities that have not been undertaken in any proceeding by the OEB and may be more appropriately considered in the pending IRP Framework Review¹⁸.

For 2023, the OEB approved clearance of the amounts related to the East Kingston Project and noted the settlement agreement commitment from Enbridge to provide additional information for future IRP projects that are brought forward for clearance. Similar to the 2023 Deferral & Variance Account, Pollution Probe is supportive of the OEB allowing Enbridge to clear the amounts related to the East Kingston Project on a non prejudicial basis, since it is important to incent Enbridge to advance IRP. This will also enable this issue to be more appropriately assessed in the pending IRP Framework Review.

¹⁶ EB-2024-0125.

¹⁷ EB-2024-0125 EGI_SettlementProposal_DraftAccountingOrder_20241010, page 10. Note: the settlement agreement filed by all parties was not ultimately adopted by the OEB in that proceeding due to concerns over the UFG proposal item. However, it formed part of the record and the section related to the IRP Operating Cost Deferral Account was specifically referenced in the Decision.

¹⁸ EB-2025-0125.

Distribution Integrity Management Program Variance Account

The Distribution Integrity Management Program (DIMP) Variance Account was established as a result of an OEB approved settlement agreement in the 2024 Rebasing Phase 1 proceeding¹⁹. Among other things, the settlement agreement indicates²⁰:

Distribution Integrity Management Program (DIMP) Costs Variance Account. The account will record variances in Enbridge Gas spending each year on the DIMP and EDIMP programs. Parties agree that \$12.5 million is included in the 2024 O&M budget for these programs, and that variances will be recovered from or credited to ratepayers on an annual basis from 2024 until Enbridge Gas next rebases. Enbridge Gas will provide annual reporting on actual DIMP/EDIMP spending, setting out the work done (and associated costs), listing the projects/facilities where work was done, describing what facilities work was deferred or avoided or otherwise impacted as a result and discussing the cost/benefit analysis of the DIMP/EDIMP work done during the past year.

It was anticipated by Pollution Probe that Enbridge would be able to identify the benefits due to work deferred or avoided as a result of the DIMP activities and related costs. However, Enbridge has noted that Asset Life Extension (ALE) opportunities resulting from the 2024 DIMP/EDIMP work are expected to begin in 2026. Pollution Probe understands the delay in timing to identify benefits related to the spending. As described in Exhibit G, Tab 4, Schedule 1, page 12, each pipeline inspected under EDIMP in 2024 will undergo a quantitative risk assessment (QRA) in 2025, with long-term mitigation activities commencing in 2026. Any resulting ALE opportunities will begin to be reported in the 2025 DIMP/EDIMP Report on Activities²¹. This results in a year lag in receiving any information on the benefits of the DIMP spending and its effectiveness. It is likely to be a two year lag to receive full information on any benefits occurring from the expenditure in 2024.

The OEB could lag clearance of the 2024 DIMP Cost Variance Account by two year to be able to compare spending with the benefits report committed to in the OEB approved settlement agreement.

Enbridge has claimed total expenditures of \$12.48 million on DIMP and EDIMP in 2024. The balance of the DIMP Variance Account that is being requested for clearance within this proceeding is a credit (payable to customers) of \$0.02 million, plus interest.

¹⁹ EB-2022-0200.

²⁰ EB-2022-0200 Exhibit O1, Tab 1, Schedule 1, Page 56.

²¹ Exhibit I.PP-7.

Enbridge confirmed that the activities and related costs included in the Distribution Integrity Management Program Variance Account (DIMPVA) comprise both net new activities and activities that were previously recorded under other program areas²². The budget and account related to DIMP are intended to represent the DIMP costs related to equivalent accounting for the O&M budget approved by the OEB for the year. It is unclear if the O&M budget from the other accounts (previously use for what are now reclassified as DIMP expenditures) remained and the DIMP related costs were just moved, or if the budget in the other areas was decreased (i.e. transferred over to the new DIMP function to represent the consolidated activities) to remove baseline DIMP costs. If portions of the budget for what are now called DIMP activities was not moved over to DIMP, then ratepayers should receive a greater credit since the actual DIMP expenditures would be even less than the DIMP budget. Perhaps Enbridge could clarify this in their reply argument. For this and future years, it is also important for a clear reconciliation of the costs that have been moved over to DIMP and the budgets that had been used to cover those costs. Without this transparency it could appear that the variance account is being used to expand the base OEB approved budget.

3) Should any DVA balance proposed for disposition be deferred for consideration at a later date?

Enbridge indicates that it does not propose to clear the following five 2024 accounts at this time²³.

EGI Accounts Not Being Requested For Clearance

Incremental Capital Module D/A
Panhandle Region Expansion Project V/A
Site Restoration Costs Tracking Account
IRP System Pruning D/A
Asset Life Extension Costs D/A

These accounts will need to be reviewed in a future proceeding. However, as noted, Pollution Probe proposes that the Asset Life Extension Costs Deferral Account not be carried forward for purposes of 2024 given that the account has a zero balance. In Pollution Probe's view it should be treated similar to other accounts with a zero balance for 2024.

As noted above, the OEB should consider lagging clearance of the 2024 DIMP Cost Variance Account by two years to be able to compare spending with the benefits report committed to in the OEB approved settlement agreement. If the OEB approved those

²² Exhibit I.PP-6a.

²³ Exhibit A, Tab 3, Schedule 1, Appendix A.

amounts now and they do not align with the benefits reporting in 2025 and 2026, it is unclear how this would be reconciled.

As noted under question 2, above, the costs related to the Southern Lake Huron Pilot Project could be deferred until the Enbridge Motion to Review the IRP Pilot Decision is complete²⁴, which currently includes a stay on portions of the Decision and the related IRP Pilot Budget. Also, given that the maximum budget for the Southern Lake Huron Pilot Project was initially approved at \$14.2 million (could be less subject to the outcome of the Motion hearing) and the cumulative sum of the Southern Lake Huron Pilot Project costs will need to be within the final budget approved by the OEB, the OEB should require a cumulative accounting of all Southern Lake Huron Pilot Project costs requested to be cleared annually against the budget (to be) approved for the Southern Lake Huron Pilot Project.

4) Are the proposed allocation and disposition methodologies appropriate, including whether disposition should be on a final or interim basis?

Pollution Probe does not propose any adjustments to the allocation and disposition methodologies other than those noted; specifically the need to make potential adjustments should account clearance not be done prior to the end of 2026.

5) Is it appropriate that no Earnings Sharing Mechanism amount is proposed for 2024?

Pollution Probe agrees with Enbridge that it is appropriate that no Earnings Sharing Mechanism amount is proposed for 2024. The Rebasing Phase 1 proceeding was a Cost of Service application for the merged utility. The Decision in that proceeding confirmed that earnings sharing would not apply for the 2024 Cost of Service year²⁵.

6) Are the proposed bill impacts appropriate? If required, should mitigation be considered at the time of the first available QRAM?

Pollution Probe does not propose any adjustments other than those noted above.

7) Should the proposed 2026 budget for the Indigenous Working Group be approved by the OEB?

Enbridge has requested pre-approval of an \$800,000 budget for capacity funding for the Indigenous Working Group (IWG) in 2026. Enbridge acknowledges that any approval of

²⁴ EB-2025-0333.

²⁵ EB-2022-0200 dec_order_EGI_2024 Rebasing_Phase I_20231221, page 128.

the IWG budget is not a blank cheque. All expenses recorded will be subject to a prudence review when the 2026 IWG Deferral Account is presented for clearance.

Pollution Probe was a party to the OEB approved 2024 Rebasing proceeding settlement agreement. The agreement set out the expectations in relation to the IWG Deferral Account.

The Settlement Parties agreed to a maximum budget of \$640,000 to the end of 2024²⁶. This represented a reasonable threshold and for 2024 expenditures were significantly below that maximum threshold. The Settlement agreement indicates that²⁷:

For each subsequent year during the Term, the IWG shall establish a budget reflecting estimated Capacity Funding for the year, which will be subject to review or approval by the OEB as part of the applicable future deferral and variance account clearance proceeding for Enbridge Gas (“DVA Proceeding”). For clarity, Enbridge Gas will file the proposed budget for 2025 as part of the DVA Proceeding commencing in or about June 2024.

and,

For clarity, Enbridge Gas’s obligation to pay Capacity Funding and other costs related to the IWG shall not be affected by Enbridge Gas’s ultimate ability or inability to recover those amounts through a DVA Proceeding or the IWGDA.

In the 2023 Deferral Account Clearance proceeding, the OEB considered the proposed IWG budget for 2025. Enbridge had requested that the OEB approve, endorse or acknowledge the budget. Ultimately, the OEB declined to approve the IWG budget in advance, in part due to inadequate information on past spending and specific spending plan details for 2025. Enbridge has already noted that it will need to justify the prudence of any 2026 expenditures related to this account at the time those are brought forward for clearance. Therefore any pre-consideration of what those costs may be is not practical until the details of the actual expenditures are available. Also, a pre-consideration of future budgets outside the direction already provided in EB-2022-0200 could be interpreted (or argued) by Enbridge as a new maximum annual threshold for this account. When the details of this account was developed and approved by the OEB it was part of a detailed settlement discussion which included information to support the maximum 2024 account value established. That process enabled all Parties to the settlement to have a level of comfort on the specific language included in the settlement agreement.

²⁶ EB-2022-0200 Exhibit O1, Tab 1, Schedule 1, Page 18.

²⁷ Ibid.

This does not mean that there is not a basis for the IWG funding to increase in a specific year to support delivery of specific workplan items in the year. It simply means that an OEB prudence review is not possible in advance of receiving the detailed information supporting the incremental budget. There is no barrier to Enbridge proceeding without pre-approval from the OEB on appropriate IWG funding in 2026. In fact, the settlement agreement wording anticipated that potential situation.

It is recommended that Enbridge submit actual spending and the related supporting materials in its 2026 Deferral & Variance Account application for the OEB to review at that time.

Additional Comments

The Annual Deferral & Variance Account clearance process has become a location for mandatory annual reporting ordered by the OEB to be filed by Enbridge.

Enbridge notes that included with the Application, Enbridge is providing the OEB Scorecard, the Indigenous Working Group Report, the Integrated Resource Planning (IRP) Annual Report and the IRP Technical Working Group Report, and Distribution Integrity Management Program and Enhanced Distribution Integrity Management Program Report on Activities. Enbridge notes that these are generally provided for supplemental information purposes and that no specific approval is being sought regarding these items²⁸. Some of the information in these reports do link directly to the subject of accounts proposed to be clear, but often they are related to important annual reporting on issues and topics that have a scope beyond the annual DVA proceeding. For example, the IRP annual reports have been relevant to Enbridge's rates cases and will be likely be relevant in the pending OEB IRP Framework review proceeding.

Although other issues have been included (e.g. pre-approval request for the 2026 IWG Budget), the focus of the application is generally related to the appropriateness of the account clearances requested. Given that the OEB is not undertaking a specific review of the supplemental reports filed in this proceeding, it is important that the OEB notes this so that there is no confusion around what has been approved in this proceeding and what simple represents supplemental annual reporting requirements.

²⁸ Exhibit I.PP-1.