

# Enbridge Gas 2024 Rebasing and IRM

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Stakeholder Presentation

# Agenda

- Safety moment (5 min)
- Introductions (5 min)
- Background (5 min)
- Customer engagement (15 min)
- Energy transition (20 min)
- Harmonization (10 min)
- Drivers of deficiency (10 min)
- What to expect (10 min)
- Next steps (10 min)
- Q&A (30 min)

# Tornado safety awareness

- Tornadoes are rotating columns of high winds
- Ontario averages approximately 12 tornadoes per year
- Know the difference:
  - Tornado Warning means a tornado is in your area. Take shelter immediately.
  - Tornado Watch means a tornado is possible. Be alert and monitor local weather reports.
- Be prepared, stay aware of weather conditions, know where to shelter
- [Environment Canada's Public Weather Alerts](#) keep you up-to-date on tornado warnings in your area

# Introductions

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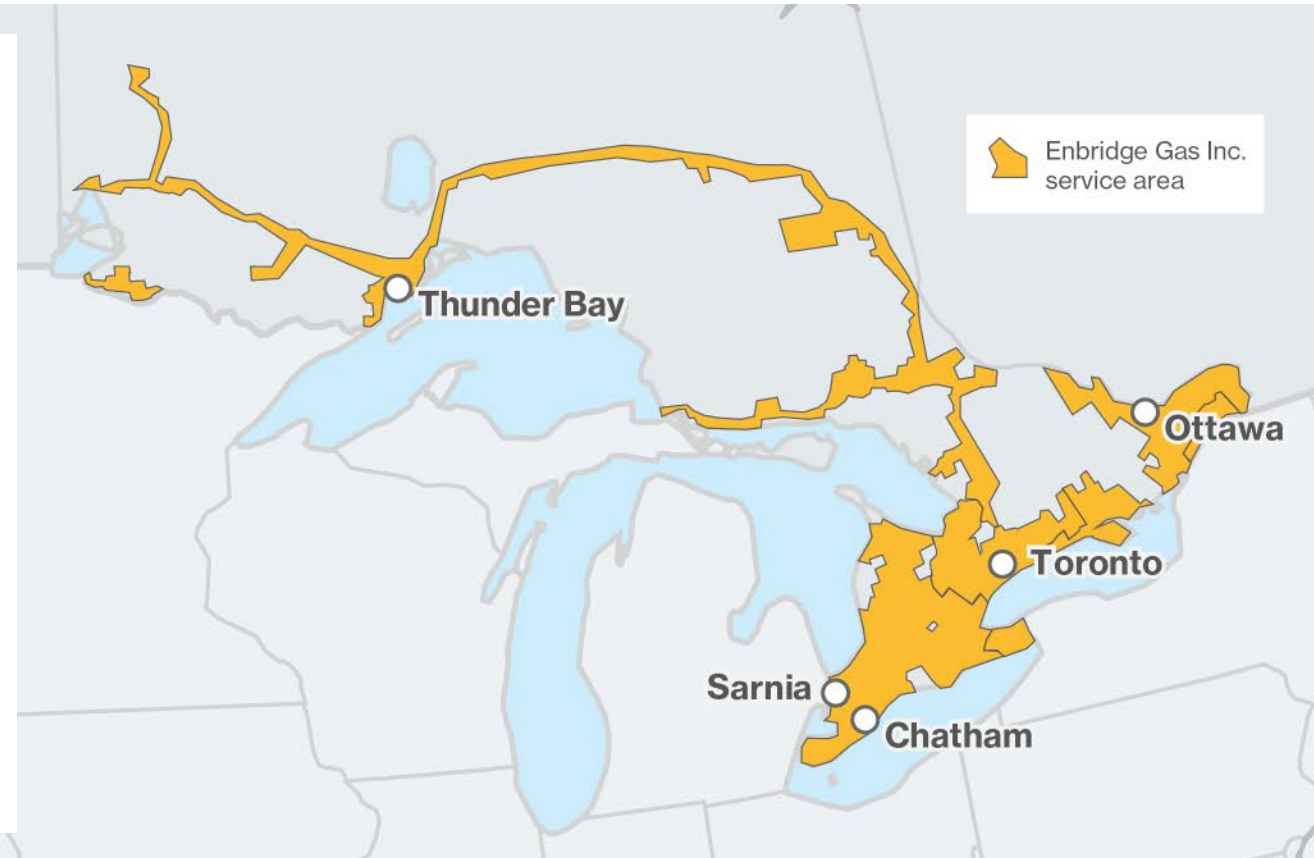
# Enbridge Gas Inc.



North America's largest natural gas storage, transmission and distribution company




**We deliver the energy that enhances people's quality of life.**

- **Values**  
Safety, Integrity, Respect, Inclusion.
- **Experience**  
170+ years of experience in safe and reliable service.
- **Distribution Business**  
3.8M customers, heating >75% of Ontario homes.
- **Dawn Storage Hub**  
Canada's largest integrated underground storage facility and one of the top natural gas trading hubs in North America.
- **Advancing Innovative Low-Carbon Solutions**  
Conservation, cleaner technologies for heat/transportation (CNG, geothermal), green fuels (RNG, hydrogen).



# Customer engagement approach

- All customer groups were included with customization for each
- Working with Innovative Research Group, customer engagement was organized into 3 phases and built into the schedule of the broader planning process
  - With each progressive phase, Enbridge Gas refined questions and background information as more detail became available

 <p><b>Phase 1</b> Development</p>	<ul style="list-style-type: none"> <li>• Exploratory, qualitative research used to collect directional input regarding customer needs and priority outcomes</li> <li>• Opportunities for customers to bring forward outcomes of importance</li> </ul>	<p>May 2021 – June 2021</p>
 <p><b>Phase 2</b> Refinement</p>	<ul style="list-style-type: none"> <li>• Random sample surveys used to quantify the findings from Phase 1</li> <li>• Initial exploration of high-level investment and rate design choices</li> </ul>	<p>August 2021</p>
 <p><b>Phase 3</b> Validation</p>	<ul style="list-style-type: none"> <li>• Customers presented with specific investment and rate choices with corresponding rate impact estimates</li> <li>• Respondents had the ability to review and change their choices based on the cumulative rate impact</li> </ul>	<p>December 2021 – January 2022</p>

# Customer engagement summary

- Customers are satisfied with Enbridge Gas and have few unmet needs
- Ranked outcome priorities:
  - General service customers placed **affordable pricing** at the top of the list (second or third among other customer groups)
  - **Safety** and **reliability** were also key priorities, followed closely by **minimizing impacts on the environment**
- A clear majority of customers supported the Enbridge Gas business plan objectives, climate change goals, and efforts to reduce GHG emissions

Customer feedback provided through the engagement process used to inform plans

# Energy Transition

- Enbridge Gas is committed to and believes it has a meaningful role to play in supporting Ontario in reaching its 2030 emissions reductions goals, in moving Ontario towards a net zero economy, and in ensuring a resilient and reliable energy system.
- External studies suggest that a diversified portfolio of low-carbon solutions that evolve over time will be required to achieve ambitious emissions reduction goals. A diversified pathway will be more affordable, less disruptive to energy users and will provide the crucial energy resilience, reliability and security benefits that Ontario needs.



# Approach to Energy Transition

- Integrating Energy Transition (ET) has involved considering government's emission reduction goals and related policies, plans and strategies within all aspects of the rebasing application.
- Enbridge considers the integration of ET to be broader than the IRP non-pipe alternative assessment/implementation process, as it is focused on the long-term business plans of the organization and considers the following:
  - Forecasting and planning
  - Exploration and proposal of ET-related initiatives
  - Equity thickness and depreciation studies
  - Rate Design - Straight fixed variable rate design for all rate classes
  - Customer Engagement Survey
  - IRP - Non-Pipe Alternatives

# Integrated Resource Planning (IRP)

Non-Pipe Alternative Evaluation / Implementation Process

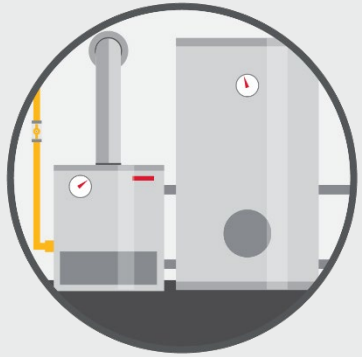
***Enbridge is incorporating IRP (non-pipe alternatives) into Rebasing in the following ways:***

- Non-pipe alternative evaluation/implementation is being incorporated into our existing Asset Management Planning process.
- The Rebasing Application will include:
  - A 2023-2032 Asset Management Plan (AMP), identifying system needs and required facility projects for the next 10 years.
  - An ‘IRP Appendix’ that will document the screening of all AMP projects, using the OEB approved screening criteria
- The AMP IRP Appendix is a new document that will continue to evolve over time with input from the IRP TWG, Stakeholders and Customers.

# Low-Carbon Opportunities Explored in Rebasing Application



## Less Gas



- Reducing emissions via energy conservation

## Green Gas



- Reducing emissions via introducing low or no carbon gasses:
- Hydrogen: Power to Gas
  - Renewable Natural Gas (RNG)

## Conversion to Gas



- Reducing emissions via displacing higher carbon fuels with natural gas in:
- Industrial processes
  - Transportation

## Gas Innovation



- Reducing gas sector emissions via:
- Carbon capture and storage (CCS)
  - Energy Transition Technology Fund (ETTF)

## Evolving Gas Sector Systems



- Reducing gas sector emissions via:
- Responsibly Sourced Gas (RSG)
  - Reducing Enbridge Gas' Scope 1 emissions

# Harmonization

- Cost allocation
  - Harmonize cost allocation study and allocation methodologies based on a single rate zone approach
- Rates and services
  - Striving for single rate zone
  - Shift to straight fixed variable rate design for all rate classes
  - Harmonize in-franchise distribution, direct purchase and ex-franchise transportation services, providing simplified services common to all customers to the extent possible
  - Harmonize to single rate handbook
- Depreciation
  - Move to single depreciation study with common rates for common assets
- Gas costs
  - Harmonize reference price and corresponding gas cost deferral accounts

# Harmonization continued

- Utility weather and demand
  - Single upstream gas supply portfolio and alignment of design criteria
  - Align system design methodologies and assumptions
  - Harmonize demand forecasting processes
- Policies
  - Harmonize customer attachment and feasibility policies, with common assumptions
  - Single set of conditions of service and contract class general terms & conditions
- Deferral and variance accounts
  - Harmonize accounts

# Drivers of deficiency

- Factors reducing deficiency:
  - Synergies realized by establishing integrated organization structures and aligning programs, processes and systems, including financial systems
  - Productivity savings examples include digital adoption and emergency call handling
- Factors increasing deficiency:
  - Cost pressures during deferred rebasing period
    - Inflation affecting several cost categories including fuel, postage, outside services
    - Safety and reliability through integrity and distribution protection (locates)
    - Bad debt increase from trend in arrears
    - Labour costs
  - ICM policy
    - Capital expenditures made during the deferred rebasing period in excess of the amount supported by rates
  - Depreciation harmonization and equity thickness increase

# What to expect

- Application will follow OEB filing requirements and include a price cap for 2025-2028
  - Capital budget to cover the amalgamated utility, informed by the AMP; O&M budget to be presented similar to recent ESM filings; depreciation costs will reflect the updated rate base for the amalgamated utility, and the new depreciation study
- Historical information to be provided separately pre-2018 and generally combined 2019+ with variance analysis focus on 2019+
- Studies:
  - Customary: customer engagement; depreciation study; central functions cost allocation; compensation, pension and benefits benchmarking; unregulated storage cost allocation; overhead capitalization; total factor productivity and benchmarking
  - Other: gas supply planning; gas volume forecasting; energy transition; RNG jurisdictional overview; equity thickness; general service harmonization and rate design

# Next steps

- Further presentation to take place as we finalize proposals and evidence
- Revenue requirement and IRM target filing October 31, cost allocation & rate design November 30
- While target of implementation for many items is January 1, 2024, implementation of new harmonized rate classes proposed to take place in 2025/2026 for general service/contract rates
  - Transition plan to be presented to address transition from existing rate classes to new rate classes





# Q&A

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