

Friday April 5, 2024

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**Re: *Keeping Energy Costs Down Act*
ERO Posting: 019-8307**

Mr. Motluk:

I am writing to provide comments on the proposed amendments to the *Ontario Energy Board Act* and the related steps outlined in the ERO posting and Ministry of Energy Press Release. The government's proposed actions will reinstate a harmful consumer subsidy for methane gas pipelines in new developments totalling more than \$1.3 billion over 5 years, bring back an additional \$1.25 billion in wasteful spending on fossil fuel infrastructure, and preemptively overturn a pending decision about a \$290 million methane gas pipeline in southwestern Ontario. These actions will increase energy bills for all of Ontario's 3.8 million gas customers, diminish housing affordability, increase carbon pollution, undermine independent evidence-based regulatory decision-making, and create huge financial risks for the future of the province's gas system. The province should change course, let the Ontario Energy Board ("OEB") decision stand, and abandon its proposed legislative amendments.

Background

The government's proposed actions would reinstate a subsidy for methane gas pipelines in residential developments that is funded by existing gas customers. Most developers pay nothing for the pipelines to and within their developments.¹ There is also no surcharge on new homebuyers to pay off the pipeline costs over time – they pay the same rates as other gas customers. Instead, these connection costs are added to accrued capital costs (called "rate base") that are paid off by all customers over a 60-year depreciation period.² Those connection costs are over \$1.3 billion over the next 5 years.³ This subsidy removes any incentive for developers to install heat pumps, which are the cheapest and lowest-carbon heating option for homes in Ontario.

¹ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 34 & 41 ([link](#)).

² Although the subsidy is equal to the rates that would be paid by new customers over 40-years, those new customers are still paying the same rates as anyone else, which are used to the same set of operational and capital costs. See Appendix 3 for details.

³ Connection costs are over \$1.5 billion over 5 years including all connection costs, such as meters and capitalized overheads. See Enbridge interrogatory response J13.7 ([link](#), PDF p. 305).

The OEB's decision of December 21, 2023 would have eliminated the subsidy, whereas the government proposal would provide an even greater subsidy than the one most recently proposed by Enbridge Gas itself. Enbridge proposed to decrease the developer discount to equal 30 years of gas distribution charges whereas the government plans to return to an absurdly high 40-year discount.⁴

The government also plans to issue a Natural Gas Policy Statement.⁵ Enbridge plans to use this to overturn the OEB decision to cut additional unnecessary pipeline spending by \$1.25 billion over five years (if that aspect of the OEB decision is not directly overturned by the provincial government beforehand).⁶

Finally, the government would also pre-emptively override another OEB decision about a project in the Windsor area (called the "Panhandle Regional Expansion Project").⁷ The project would require at least a \$150 million subsidy from existing gas customers.⁸ The subsidy would mainly benefit gas power plant expansions and fossil-fuel heated greenhouses. Environmental Defence and most ratepayer intervenors opposed the subsidy and asked the OEB to disallow the subsidy, whereas the government plans to intervene to support the subsidy.⁹

Negative Impacts

The government's actions will be financially and environmentally disastrous. Some of the negative impacts include the following:

- **Raise energy bills:** The province will reintroduce over \$2 billion of wasteful capital spending over five years, including the subsidy for new developments and other unnecessary pipeline spending.¹⁰ This amounts to roughly \$600 per customer.
- **Raise carbon pollution:** Ontario is planning to build 1.5 million homes over the next decade. Maintaining the methane gas pipeline subsidy will mean all or most will end up with fossil fuel heating as developers will have zero incentive to change practices, which will lock in a staggering amount of

⁴ Enbridge Submissions, October 11, 2023, para. 13 ([link](#), "Enbridge Gas is updating its proposal from what is in evidence and AIC, so that the Company's harmonized customer attachment policies will incorporate a 30-year customer attachment revenue horizon, on an interim basis."); ERO Posting, February 22, 2024 ([link](#), "the government may subsequently propose regulations to initially restore the revenue horizon at 40-years").

⁵ Ontario Press Release, February 22, 2024 ([link](#)).

⁶ Enbridge Notice of Motion, January 29, 2024, para. 9 & 32 ([link](#)); Enbridge Letter, February 20, 2024 ([link](#), p. 2).

⁷ Ontario Press Release, February 22, 2024, last paragraph ([link](#)).

⁸ Environmental Defence Submissions, December 14, 2023 ([link](#)).

⁹ Environmental Defence Submissions, December 14, 2023 ([link](#)); See the submission of FRPO, IGUA, TFG, SEC, Kitchener, OEB, Pollution Probe, and Energy Probe ([link](#)).

¹⁰ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 48 ([link](#)); The cost is over \$300 million annually including all cost categories, such as capitalized overhead - see Exhibit J13.7 ([link](#), PDF p. 305).

additional carbon pollution. If 1.5 million new homes are heated with gas, that will result in over 100 megatonnes of carbon pollution (CO₂e) over the lifetime of the gas equipment.¹¹ To put that number in perspective, it is two-thirds of Ontario's annual carbon emissions from all sources and the equivalent of driving 22 million cars for a year (Ontario only has about 9 million cars).¹² Over the 60-year lifetime of the pipelines, the carbon emissions would be 400 megatonnes, or the equivalent of driving 88 million cars for a year. We cannot avoid catastrophic climate change while subsidizing *new* long-lived fossil fuel infrastructure that will create *new* sources of carbon pollution.

What we often call natural gas is actually methane gas, which is a potent greenhouse gas. Burning methane gas causes approximately one-third of our carbon pollution here in Ontario, and that does not even include the additional emissions from the fracking process or leaks throughout the system.¹³ We cannot achieve net zero emissions without eliminating the use of methane gas for building heating.¹⁴ Ontario *must* reduce this huge source of carbon pollution, not increase it by subsidizing methane gas in new construction.

- **Create huge financial risks for gas customers:** New gas pipelines generally have a 60-year lifetime, extending far beyond 2050, and are only financially viable if they can be paid off over a long period extending far beyond 2050. It is financially and environmentally irresponsible to be building new pipelines and installing gas equipment in new developments with a massive subsidy worth over \$250 million each year.

Enbridge was proposing to spend \$7 billion on fossil fuel infrastructure over the next five years,¹⁵ which would increase the accrued capital costs that customers must pay off over time when that amount should be shrinking.¹⁶ The OEB was correct in finding that capital spending must be cut to ensure that the gas system is viable and affordable in any number of possible future scenarios that the energy transition might take us in. For excerpts of the OEB's conclusions and reasoning on this important point, see [Attachment 1](#) below.

¹¹ Calculation: [1,500,000 homes] X [2,300 m³ of gas per home] X [0.001966 CO₂e/m³] x [15-year equipment lifetime] = 101,740,500 tonnes CO₂e.

¹² EPA, Greenhouse Gas Equivalencies Calculator ([link](#)).

¹³ Enbridge Evidence in Ontario Energy Board File #EB-2022-0200, Exhibit 1, Tab 10, Schedule 3, Page 2 ([link](#), PDF p. 165). upstream leaks add at least an additional 40% to the harmful climate impact (likely more if the latest science and measurements are used); Heating homes and businesses with gas accounts for approximately 19% of Ontario's greenhouse gas emissions per Dr. Heather McDiarmid, An Analysis of the Financial and Climate Benefits of Electrifying Ontario's Gas-Heated Homes by Installing Air-Source Heat Pumps, August 2, 2022, p. 8 ([link](#)).

¹⁴ See [attachment 2](#) below and the submissions of Environmental Defence, p. 6-8 ([link](#)).

¹⁵ Enbridge Evidence ([link](#), p. 254).

¹⁶ Enbridge Evidence ([link](#), p. 1784).

- **Cause developers to make bad choices:** Reinstating the methane gas pipeline subsidy for developers will remove any incentive for developers to move away from fossil fuel heating and adopt the technology that is best for customers – heat pumps.¹⁷
- **Harm new homebuyers:** Maintaining status quo fossil fuel heating in new construction will harm new homebuyers in multiple ways:
 - **Higher energy bills:** Gas heating and cooking equipment is more expensive to operate compared to heat pumps and induction stoves.¹⁸
 - **Increase future retrofit costs:** Customers will need to incur future retrofit costs to get off fossil fuel heating and cooking instead of starting off with the right equipment.¹⁹
 - **Carbon monoxide poisoning:** Gas equipment sometimes kills people from carbon monoxide poisoning, whereas electric equipment fully eliminates this risk.
 - **Make kids and seniors sick:** Gas equipment, especially stoves, emit toxic gases into homes, which can contribute to respiratory problems, especially in children, seniors, and asthma sufferers.²⁰ One study found that 13% of childhood asthma in the United States is attributable to gas stove use.²¹ Electric equipment results in cleaner air and healthier families.
 - **Safety and convenience:** Induction stoves heat water faster than gas, are easier to clean, and are much safer for children as the surface does not get hot.²² Heat pumps are stronger and more efficient than

¹⁷ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 34& 41 ([link](#)) (“When a developer is faced with the full cost of including gas service in a development, that developer will be fully incented to choose the most cost effective, energy efficient choice in a manner that not only achieves efficiency in the cost of housing in a competitive market and lowers the operating cost of that housing, but also maximizes the contribution to achieving government decarbonization policy goals.”).

¹⁸ The OEB’s decision and many studies confirm this. See Evidence of the Energy Futures Group in OEB File # EB-2022-0200, p. 23 ([link](#)); Dr. Heather McDiarmid, An Analysis of the Financial and Climate Benefits of Electrifying Ontario’s Gas-Heated Homes by Installing Air-Source Heat Pumps, August 2, 2022, p. 11 ([link](#)); Corporate Knights, GREEN house effect: Calculate the savings from electrifying your home, June 20, 2023 ([link](#)); Ontario Ministry of Energy, Discussion Paper, August 2023, pp. 10-11 ([link](#)); OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 41 ([link](#)).

¹⁹ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 38 ([link](#)).

²⁰ CBC, *After seeing how gas stoves pollute homes, these researchers are ditching theirs*, April 7, 2022 ([link](#)).

²¹ Taylor Gruenwald et al, Population Attributable Fraction of Gas Stoves and Childhood Asthma in the United States, *Int. J. Environ. Res. Public Health* 2023, 20(1), 75 ([link](#)).

²² CBC, *Professional chefs tout the culinary — and environmental — advantages of induction stoves*, April 7, 2022 ([link](#)).

traditional air conditioners, providing better and cheaper cooling in the summer.²³ These are just some of the additional benefits of electric equipment.

- **Reduce jobs and growth:** Electric heating is much better for our economy than gas heating. Spending on gas flows out of the province and is lost to our economy. Spending on electricity will fund the growth of made-in-Ontario electricity generation, distribution, and transmission, creating good jobs, economic growth, and government revenue.
- **Undermine evidence-based decision-making:** The legislation undermines independent evidence-based decision-making by giving the government wide-ranging powers to override the OEB, exempt pipelines from OEB oversight, and decide complex energy regulatory matters that were once left to the OEB and its evidence-based processes. This reduces transparency and accountability, while promoting decision-making via murky backroom lobbying.

Misinformation and Backroom Lobbying

The government's actions are based on misinformation and backroom lobbying. For instance, much of the opposition to the OEB decision has been fomented by Enbridge Gas, which stands to lose billions in profit because the OEB decision would reduce the capital spending that it profits from. **If the OEB's decision is overturned, Enbridge will earn more than \$2 billion in additional profits from the capital spending incurred over the next five years.**²⁴ Its additional profits will be even higher if these bad policies and high capital spending levels stay in place beyond 2028. There are huge sums at stake for Enbridge.

Enbridge has been fiercely lobbying the provincial government, both directly and by encouraging municipalities and developers to lobby the government.²⁵ This is occurring in the context of a sustained deceptive marketing campaign. The Competition Bureau recently commenced an inquiry into Enbridge's deceptive marketing under the *Competition Act*.²⁶ Enbridge has been telling Ontarians that gas is the cheapest way to heat homes, which is not true.²⁷ Heat pumps are the cheapest systems to use.²⁸

²³ Evidence of the Energy Futures Group in OEB File # EB-2022-0200, p. 22 and footnote 48 ([link](#)).

²⁴ Calculation: \$2.25 billion in capital costs (low estimate, actual costs are higher), with 38% funded by profit-earning equity, paid down over a 60-year period, with the current 9.21% return-on-equity.

²⁵ E.g. Letter from Michele Harradence, President of Enbridge Gas Inc., January 24, 2024 ([link](#)).

²⁶ National Observer, *Competition Bureau launches investigation into Enbridge over deceptive marketing*, January 11, 2024 ([link](#)).

²⁷ Application to the Competition Bureau dated June 19, 2023 ([link](#)).

²⁸ The OEB's decision and many studies confirm that heat pumps achieve lower costs versus gas equipment - see: Evidence of the Energy Futures Group in OEB File # EB-2022-0200, p. 23

Enbridge has made many other false claims, which are addressed below:

1. **The gas pipeline subsidy:** Enbridge says that there is no subsidy for pipelines in new developments.²⁹ That is false, as described in detail in [Attachment 3](#) below.
2. **Housing affordability:** Enbridge argues that the OEB decision will undermine housing affordability. The opposite is true. It will encourage developers to install heat pumps, which are cheaper to operate than gas equipment.³⁰ The OEB also concluded that this would not raise the price of a home – a conclusion also reached by an Ivey Business School article that found that the decision would “have virtually no effect on affordable housing in the province.”³¹
3. **Housing supply:** Enbridge argues that the OEB decision will slow down residential construction. This is untrue. Developers can simply forgo gas if they do not want to pay for gas pipelines. This requires changes that some old-school developers do not want to make, but it need not inhibit construction. Much of the developer opposition is based on this fear of change and on misinformation they have received about gas and electric heating.
4. **Gas for existing customers:** Enbridge argues that the decision will eliminate natural gas from Ontario’s energy mix.³² This is ridiculous. Instead, the decision protects gas customers from excessive spending that could lead

[\(link\)](#); Dr. Heather McDiarmid, An Analysis of the Financial and Climate Benefits of Electrifying Ontario’s Gas-Heated Homes by Installing Air-Source Heat Pumps, August 2, 2022, p. 11 [\(link\)](#); Corporate Knights, GREEN house effect: Calculate the savings from electrifying your home, June 20, 2023 [\(link\)](#); Ontario Ministry of Energy, Discussion Paper, August 2023, pp. 10-11 [\(link\)](#); OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 41 [\(link\)](#)

²⁹ Letter from Enbridge Gas, February 7, 2024 [\(link\)](#).

³⁰ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 41 [\(link\)](#).

³¹ When Housing Policy meets the Energy Regulator: Understanding the Minister of Energy’s Decision to Effectively Overrule the Ontario Energy Board, January 2024 [\(link\)](#).

³² Letter from Michele Harradence, President of Enbridge Gas Inc., January 24, 2024 [\(link\)](#).

to gas costs spiraling out of control.³³ Enbridge was planning to spend \$7 billion over the next five years (including over \$1 billion for the new construction subsidy) on fossil fuel infrastructure.³⁴ This would all need to be recouped from Ontario's gas customers. This plan was too expensive and risky, particularly as we phase out fossil fuels. The OEB's decision was consistent with the province's recent report of the Electrification and Energy Transition Panel, which discussed the need to keep costs down as customers become increasingly likely to leave the gas grid (see excerpts in [Attachment 2](#) below). The OEB is a consumer protection agency and it simply did its job to protect customers.

5. **Low-carbon gases:** Enbridge is providing municipalities with template lobbying letters touting decarbonization through low-carbon gases, like biogas (which is gas captured from sources such as waste water, not extracted from underground). These gases are important for the hardest to decarbonize sectors, but they cannot replace any more than a tiny portion of the fossil-based methane gas we use today to heat our buildings.³⁵ We continue to need a huge amount of electrification even if we use low-carbon gases to their fullest. Also, the cost of the gas system must be cut dramatically for pipelines to have a viable future serving hard-to-decarbonize customers with the low volume of low-carbon gases that will be available in the future.³⁶
6. **Industrial and biogas projects:** Enbridge has also suggested that the OEB decision would put other projects at risk, such as renewable natural gas projects or industrial projects. These comments are disingenuous. The OEB's

³³ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 19 ([link](#)) ("The OEB concludes that Enbridge Gas's proposal is not responsive to the energy transition and increases the risk of stranded or underutilized assets, a risk that must be mitigated. ... The risk that arises from the energy transition results from gas customers leaving the gas system as they transition to electricity to meet energy needs previously met by natural gas. This departure gives rise to assets that are not fully depreciated but are no longer used and useful. This results in stranded asset costs that Enbridge Gas would seek to recover from the remaining gas customers. This in turn would increase rates for those gas customers, leading more customers to leave the gas system, potentially leading to a continuing financial decline for the utility, often referred to as the utility death spiral.

In the face of the energy transition, Enbridge Gas bears the onus to demonstrate that its proposed capital spending plan, reflected in its Asset Management Plan, is prudent, having accounted appropriately for the risk arising from the energy transition.

The record is clear that Enbridge Gas has failed to do so.")

³⁴ Enbridge Evidence ([link](#), PDF p. 254); Enbridge Evidence, ([link](#), PDF p. 305).

³⁵ Submissions of Environmental Defence, pp. 6-8 ([link](#)).

³⁶ Approximately 87% of the revenue needed to pay for gas pipelines in Ontario comes from the "general service" customers that use methane gas to heat their buildings (see Hearing Transcript Vol. 3, p. 12, Ins. 15-25, [link](#)). If much of that revenue is lost as buildings electrify, the remaining hard-to-decarbonize sectors (e.g. industrial facilities) will need to pick up the slack, leading to skyrocketing gas rates. Costs of gas infrastructure must be contained to maintain affordability for those sectors to may want to use pipelines to transport the small amount of low-carbon gases that will be available.

decision to end the gas connection subsidy did not apply to industrial customers or renewable natural gas projects.³⁷

7. **Electricity availability:** Enbridge argues that there is not enough electricity to replace gas. That is not true – increasing electricity supply is feasible and cost-effective.³⁸ But in any event, the OEB did not call for gas to be replaced by electricity. It simply said that costs must be reduced and that the subsidy for *new* pipelines must end. Ontario can certainly serve new housing with electricity if developers choose to install heat pumps instead of gas.
8. **Fair and rational OEB process:** The Minister has said that the OEB decision was rushed and irrational. It was neither, as detailed by the veteran energy lawyer for the Industrial Gas Users Association.³⁹ The process included a wide range of intervenors, including the Building Owners and Managers Association and the Federation of Rental-Housing Providers of Ontario. No subdivision developer associations chose to intervene, but they clearly knew about it if they were able to convince the government to announce legislation to overturn the decision the morning after it was released. The OEB is required by law to make decisions supported by evidence and to respect procedural fairness, which includes notice and a fair opportunity for impacted parties to participate. If they do not do so, the Divisional Court will overturn the decision.

It is incredibly important that decisions are made based on evidence. Luckily, that has already happened. The OEB conducted an extensive hearing process and looked at everything Enbridge had to say. Based on that long and detailed process, the OEB decided that methane gas infrastructure spending should not be increasing and that the subsidy for developments had to be phased out. Enbridge is now using a team of lobbyists funded by gas customers to convince the province to introduce legislation to overturn the OEB's evidence-based decision. This is a terrible way to regulate our energy sector.

Conclusion

Finally, we note that the OEB's decision is *not* a gas ban. Many jurisdictions, including New York State and Montreal, are prohibiting methane gas connections in new construction.⁴⁰ The OEB did not do anything like that. Instead, it merely decided to end the subsidy for new gas connections as a way to lower energy bills

³⁷ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 42 ([link](#)) (“This change will apply to all new small commercial and residential developments, including infill projects. ... The current approach for large volume customers was not an issue in the proceeding and remains unchanged.”).

³⁸ Submissions of Environmental Defence, pp. 20-21 ([link](#)).

³⁹ Ian Mondrow, *Redrawing the Line Between Government Policy and Independent Regulation*, February 28, 2024 ([link](#)).

⁴⁰ Over 20 jurisdictions in the United States have prohibited gas connections in new construction. See EB-2022-0200, Exhibit J8.3, Attachment 1 ([link](#), PDF p. 66)

and protect all gas customers from gas rates spiraling upwards in the future. It was a prudent decision based on extensive evidence. The province should change course, let the OEB decision stand, and abandon its proposed legislation.

Signed:

Tim Gray
Executive Director
Environmental Defence



Jack Gibbons
Chair
Ontario Clean Air Alliance



Liz Benneian
Chair
Biodiversity and Climate Action Niagara



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Donna Jennison
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Cathy Orlando
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Michael Barkley
Leadership Team Member
Climate Action for Lifelong Learners (CALL)



Matthew Kellway
Director, Nursing and Health Policy
Registered Nurses' Association of Ontario



Lyn Adamson
Climate Fast



Attachment 1

Excerpts from OEB Decision re: Excessive Capital Spending

The OEB concludes that Enbridge Gas's proposal is not responsive to the energy transition and increases the risk of stranded or underutilized assets, a risk that must be mitigated.

...

Enbridge Gas identified the energy transition as a source of increased business risk. Despite this, Enbridge Gas has proposed approximately \$14 billion in capital expenditures for the 2023 to 2032 period (an average of \$1.4 billion per year), based on a forecast that shows continued growth in natural gas peak demand, extending the historic trendline, with a very small impact from the energy transition. The actual capital spend for the prior five years (2018 to 2022) was \$5.7 billion (average of \$1.1 billion year).

...

The risk that arises from the energy transition results from gas customers leaving the gas system as they transition to electricity to meet energy needs previously met by natural gas. This departure gives rise to assets that are not fully depreciated but are no longer used and useful. This results in stranded asset costs that Enbridge Gas would seek to recover from the remaining gas customers. This in turn would increase rates for those gas customers, leading more customers to leave the gas system, potentially leading to a continuing financial decline for the utility, often referred to as the utility death spiral.

In the face of the energy transition, Enbridge Gas bears the onus to demonstrate that its proposed capital spending plan, reflected in its Asset Management Plan, is prudent, having accounted appropriately for the risk arising from the energy transition.

The record is clear that Enbridge Gas has failed to do so.

...

The OEB is not satisfied that Enbridge Gas's proposal will not lead to an overbuilt, underutilized gas system in the face of the energy transition.⁴¹

Attachment 2

Excerpts from Electrification and Energy Transition Panel Report

⁴¹ OEB Decision and Order in EB-2022-0200, December 21, 2023, pp. 19-22 ([link](#)).

[E]merging evidence shows that it is unlikely the natural gas system can be fully decarbonized and continue to deliver cost-effective building heat. The development of regulatory frameworks and the evolution of natural gas infrastructure will need to align with the province's overarching clean energy economy commitment and protect customers as the role of natural gas changes in the province. A failure to align these regulatory frameworks with government's overarching policy commitments could result in significant cost hazards for customers or threats to overarching government policy commitments and an effective, orderly and well-aligned transition to a clean energy economy.

...

The speed at which customers would change their heating source is uncertain and dependent on a large number of individual factors, such as equipment age and personal preferences and values, as well as system-level and policy factors, such as cost development, availability of equipment and qualified technicians, and supportive policies and incentives. Nonetheless, this could lead to many customers disconnecting from the natural gas system absent any personal motivation to lower their carbon footprint. As a result, there is a real risk of stranding assets in home heating and the gas distribution grid over the medium to long-term, with significant risk to customers, investors and public finances. As more customers exit the natural gas grid to adopt electric heating, those customers who are least able to afford to electrify could be forced to pay higher and higher proportions of the network cost to keep the system running safely.

...

In either case, it is in the interest of the province, for the purpose of customer protection, to ensure that the regulatory mechanisms for the governance of the natural gas grid are aligned with a range of plausible outcomes, notably those that pose the greatest risks to customers.⁴²

⁴² Electrification and Energy Transition Panel, *Ontario's Clean Energy Opportunity* ([link](#)), emphasis added.

Attachment 3

Details re Methane Gas Pipeline Subsidy

Pipelines for new developments are subsidized by the entire gas customer base. Most developers pay nothing for the pipelines to and in their developments.⁴³ There is also no surcharge on new homebuyers to pay off the pipeline costs over time – they pay the same rates as other gas customers.

Table 1 (below) from Enbridge’s own evidence shows over \$250 million in annual customer connection capital expenditures – totalling over \$1.3 billion over 5 years.⁴⁴ As described in an OEB handbook, capital expenditures are added to “rate base,” which is recovered from all customers.⁴⁵ These connection costs are intermingled with other capital costs and paid off by all customers over time according to the standard depreciation policies. For the mains built in developments, the whole customer base pays them off over 60 years.⁴⁶

It is incorrect to say that connection costs are paid off by the new customers or that they are paid off over 40 years. As noted above, they are paid off by **all** customers over 60 years.

The government’s proposal would reinstate a methodology whereby developers get a discount on pipeline costs equal to the net present value of the distribution charges that the new customers will pay over 40 years. This methodology was developed over 25 years ago and was based on the assumption that gas customers would remain with the system in perpetuity; that is no longer a reasonable assumption, as found by the OEB. But even if customers actually stay with the system for 40 years, they are still getting a "free ride" with respect to other system costs such as older pipelines and corporate real estate. Again, new customers pay the same rates as anyone else and are not paying a surcharge for connection costs.

Line No.	Particulars (\$ millions)	Category	2024	2025	2026	2027	2028	
			Test Year (a)	Forecast (b)	Forecast (c)	Forecast (d)	Forecast (e)	
1	Compression Stations	Storage	46.3	64.3	50.3	127.6	19.2	/u
2	Customer Connections	Growth	304.1	248.1	256.9	254.0	250.1	/u
3	Distribution Pipe	Dist Ops	357.1	414.4	282.7	250.2	316.4	/u
4	Distribution Stations	Dist Ops	83.5	113.1	105.5	79.0	116.3	/u

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⁴³ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 34 & 41 ([link](#)).

⁴⁴ Connection costs are over \$1.5 billion over 5 years including all connection costs, such as meters and capitalized overheads. See Enbridge interrogatory response J13.7 ([link](#), PDF p. 305).

⁴⁵ OEB, Handbook for Utility Rate Applications, October, 13, 2026 ([link](#), PDF p. 36).

⁴⁶ Exhibit I.4.5-ED-138 ([link](#), PDF p. 1529).

⁴⁷ This table can be viewed in context in this [Enbridge evidence PDF](#) at page 261 of the PDF.