

July 17, 2017

Jean-Benoit Trahan  
Manager, Regulatory Affairs & Budgets  
Gazifère Inc.  
706 boulevard Gréber  
Gatineau, QC J8V 3P8

Dear Mr. Trahan,

This letter is intended to provide an update on matters that are closely related to the natural gas supply that is provided to Gazifère Inc. ("Gazifère") through the Rate 200 wholesale service agreement with Enbridge Gas Distribution Inc. ("EGDI"). EGDI has been providing Gazifère with a safe, reliable, and cost effective supply of natural gas under this agreement since 1991 and is providing similar services to over 2 million customers in Ontario, including communities in and around the Greater Toronto Area ("GTA"), Niagara Regions, and the Ottawa area.

#### North American Natural Gas Market

Shale gas production in North America continues to grow and prices have remained low. However, shale gas production growth rate has slowed as prolonged low prices and capacity constraints are limiting producers' ability to develop new production fields. Low prices and capacity constraints are especially acute in the US Northeast. The development of large federally-approved pipeline projects, such as the Constitution Pipeline, Rover Pipeline and Northern Access 2016 Project, have been maligned by construction delays and legal challenges. Furthermore, pending projects such as the Nexus Pipeline, are faced with the prospect of in-service delays as they are unable to receive final approval due to the Federal Energy Regulatory Commission ("FERC") being without a quorum since February 2017.

Pipeline development challenges are also present in Western Canada, as pipeline sponsors struggle to gain the required approvals to build pipelines to the Pacific coast in order to provide a supply option for prospective Liquefied Natural Gas ("LNG") export terminals.

Despite the challenges faced by pipeline developers in bringing new pipelines to market, North American natural gas supply remains robust and existing infrastructure is being reconfigured and enhanced to accommodate customer demands for access to shale supplies and keep natural gas prices low.

#### TransCanada's Proposed EEP and EMP

TransCanada's proposed EEP is expected to transport 1.1 million barrels per day of crude oil from Alberta and Saskatchewan to refineries and port terminals in Eastern Canada. The EEP will include the conversion of approximately 3,000 km of primarily nominal pipe size ("NPS") 42 pipeline on the TransCanada Mainline to oil service and the construction of 1,600 km of new oil pipeline and related facilities. The conversion of natural gas facilities within the Eastern Triangle will result in a shortfall of natural gas transportation capacity which TransCanada proposes to address through the construction of replacement facilities along the Montréal Line portion of the TransCanada Mainline, between the City of Markham, ON and the community of Iroquois, ON as part of the EMP. TransCanada is currently anticipating that the EEP will be in service in 2021.

The last update provided by EGD on July 6, 2015 raised concerns that the EEP and EMP would result in increased costs to the users of the TCPL Mainline through the timing and treatment of the costs associated with the transfer of the assets. These concerns have been addressed through a negotiated settlement agreement between EGD, Union Gas Limited ("Union Gas"), Gaz Métro Limited Partnership, and TCPL that was filed with the National Energy Board ("NEB") on November 5, 2015. The settlement agreement establishes transportation capacity requirements on sections of the TCPL Mainline that are required to provide service to Gazifère and the financial benefits that would result from the EEP and EMP.

The NEB has recently received comments with respect to the draft list of issues related to the EEP and EMP and is now in the process of receiving comments with respect to the hearing process which EGD intends to participate in on behalf of its customers.

#### Transportation Capacity Changes

EGD has contracted for 83,114 GJ/d of new and converted transportation capacity from Dawn to the Enbridge EDA effective November 1, 2017 as part of the open seasons that were conducted by Union Gas Limited and TransCanada. The new transportation capacity will primarily be used to replace some of the more expensive transportation capacity from western Canada that is currently in EGD's gas supply portfolio and facilitate a new Dawn Transportation Service for customers who want to procure their own natural gas supply from Dawn. The new transportation capacity requires the construction of new facilities on both the Union Gas and TransCanada systems which has received regulatory approval and construction is currently anticipated to be completed on time.

#### Conclusion

The natural gas market in North America continues to evolve at a rapid pace and that evolution is reflected in the prudent management of EGD's gas supply plan. Concerns that were previously identified with the EEP and EMP have been addressed through the negotiation of settlement agreements with TransCanada which will be reviewed by the NEB and through the contracting and new transportation services to the Enbridge EDA where natural gas distribution services are provided to Gazifère. EGD will continue to prudently manage its gas supply plan to ensure that Gazifère continues to be provided a safe, reliable, and cost effective supply of natural gas.

Sincerely,

Andrew Welburn  
Manager, Gas Supply & Strategy