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Jean-Benoit Trahan
Manager, Finance, Regulatory and Public Affairs
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 Inc. (“EGI”)¹ within the Enbridge Gas Distribution rate zone (“EGD Rate Zone”). EGI 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 3.4 million customers in Ontario.

North American Natural Gas Market

North American natural gas markets continue to experience significant change as production from shale gas formations in Appalachia, the Gulf region and Western Canada continue to exceed expectations. As a result, the flow of natural gas on the Canadian and U.S. pipeline grid continues to change with the addition of new pipeline infrastructure and different utilization of existing assets. The Energy Information Administration’s (“EIA”) Annual Energy Outlook 2019 states that in the U.S., dry natural gas production continues to increase as a result of the development of shale gas and tight oil plays both in share of production and absolute volume.

The development of abundant and competitively priced natural gas presents consumers, including residential, commercial, industrial and power, with an opportunity to diversify their natural gas supply portfolio. Natural gas prices are forecasted to remain lower than \$4/MMBtu through 2035 and lower than \$5/MMBtu through 2050 due to an increase in lower-cost resources; primarily tight oil plays in the Permian Basin.

New TC Energy Mainline Transportation Service

In May 2019, TransCanada Energy (“TC Energy”) received NEB approval for the North Bay Junction Long Term Fixed Price (“NBJ LTFP”) service. TC Energy’s NBJ LTFP Service offers fixed transportation tolling from the Empress receipt point in Alberta to the North Bay Junction delivery point in Ontario, at a lower rate than traditional long haul fixed transportation. From North Bay Junction, matching short haul firm transportation contracts allow for delivery to EGD rate zone’s delivery areas. The NBJ LTFP service and corresponding

¹ On January 1, 2019 Enbridge Gas Distribution and Union Gas merged to form one utility, referenced in this letter as EGI.

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short haul firm transportation service results in lower transportation tolls compared to traditional long haul firm transportation service.²

TC Energy's New Capacity Open Season 2021

During the second half of 2018 TC Energy and Enbridge Gas Inc. (operating as Union Gas Ltd) held new capacity open seasons for transportation services beginning as early as November 1, 2021 ("NCOS 2021"). TC Energy's NCOS provided services along multiple paths, including Parkway to Enbridge CDA and Parkway to Enbridge EDA, while EGI's NCOS provided transportation service from Dawn to Parkway and Kirkwall.³

TC Energy Mainline Toll Update

Pursuant to the NEB's Decision and Order in RH-001-2014 TransCanada's Mainline tolls are to be updated for the 2018 to 2020 period. In 2018 TC Energy formed a Post-2020 Working Group, which includes TC Energy and a subset of TC Energy Tolls Task Force members. The purpose of the Post-2020 Working Group is to discuss and collaborate on the preparation of a regulatory framework for the National Energy Board's consideration that will govern TC Energy Mainline post-2020 (the current tolling framework of the Mainline Settlement Agreement expires on December 31, 2020⁴).

Conclusion

The natural gas market in North America is evolving at a rapid pace and that evolution is reflected in the prudent management of EGI's gas supply plan. EGI continues to take an active role in managing commodity market and transportation service changes, engaging in thoughtful consultation and negotiation with parties to protect the interests of its ratepayers, including Gazifère. EGI 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,

Nicole Brunner

Manager, Gas Supply

² For further details of the NBJ LTFP service and EGI's rationale, see EB-2019-0137, pages 40-41.

³ For further details on EGI's bids and rationale related to the aforementioned NCOS' see EB-2019-0137 pages 41-42 and 80.

⁴ RH-001-2014, Reasons for Decision, December 18, 2014