

June 24,2020

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. 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 Update

In the first quarter of 2020, steep declines in oil prices combined with global economic slowdown related to the COVID-19 pandemic have shocked markets. This situation has been very fluid and has continued to evolve throughout the year. EGI’s diverse portfolio and execution strategies are designed to be robust and flexible, enabling EGI to react to changing market conditions. EGI is connected to market intelligence resources to stay informed with changing market conditions.

The ongoing development of abundant and competitively priced natural gas from unconventional resources in North America continues to drive new infrastructure and changing utilization of existing assets. This allows EGI the ability to deliver diverse and available supply to their residential, commercial, industrial and power customers. Natural gas prices are forecasted to remain lower than \$4/MMBtu through 2035 and lower than \$4/MMBtu through 2050, down from the \$5 ceiling projected in EIA’s 2019 Annual Energy Outlook.²

TC Energy: Post 2020 Mainline Tolls Update

On December 20, 2019, TC Energy filed the 2021-2026 Mainline Settlement Application (the “Settlement”) with the CER. The Settlement was approved on April 17, 2020. The current tolling framework of the Mainline expires on December 31, 2020. The Settlement addresses tolling and certain service matters on the TC Mainline for the six-year period effective January 1, 2021. For EGI and its customers, the Settlement Agreement provides certainty in the areas of tolling and services until 2026. As well, reducing the renewal notice period is seen by EGI as a factor that somewhat increases the flexibility of TC services.³

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

² EIA 2020 Annual Energy Outlook

³ For further details on TC Energy: Post 2020 Mainline Tolls Update and EGI’s rationale, see EB-2020-0135 Page 21-22

New Sources of Supply to Ontario

New projects that will increase deliveries of supply to Ontario include two projects being developed by National Fuel Gas Company (“National Fuel”) in the U.S. Northeast which will deliver an incremental 660 MMcf/d (719 TJ/d) of supply to the Chippawa receipt point, which could increase market depth at Chippawa and could result in increased deliveries of gas to Dawn

The first of these two projects is the Northern Access project which will add 490 MMcf/d (535 TJ/d) of capacity to the Chippawa receipt point. The project has been forced to revise its in-service date multiple times and is not expected to be in service until at least 2022.

National Fuel’s second project is the recently approved Empire North Project which will provide an incremental 170 MMcf/d (184 TJ/d) of delivery to the Chippawa receipt point. This project has a target in-service date of September 2020.

Conclusion

EGI is continuously developing and monitoring their Gas Supply Portfolio to adapt to an evolving North American energy market. EGI continues to take an active role in managing commodity markets 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,

Dave Janisse
Supervisor, Gas Supply