

June 29, 2021

Benoit Gratton
Manager, Finance, Regulatory and New Initiatives
Gazifère Inc.
706 boulevard Gréber
Gatineau, QC J8V 3P8

Dear Mr. Gratton,

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") 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 3.8 million customers in Ontario.

North American Natural Gas Market Update

In 2020 and 2021 the North American energy markets were disrupted by the COVID-19 pandemic. The demand destruction created from COVID-19 has mainly affected the commercial sector, with many schools, offices, restaurants, and retail outlets closed in several states, and the industrial sector, where demand was down mainly from the chemical and refinery sector. EGI has noted similar impacts in Canada and continues to monitor market intelligence from external sources as well as internal sources to stay informed on changing market conditions. EGI's diverse portfolio and execution strategies are designed to be robust and flexible, enabling EGI to react to changing market conditions.¹

The development of abundant and competitively priced natural gas presents consumers across sectors with an opportunity to diversify their natural gas supply portfolio. Natural gas prices set at Henry Hub are generally seen to be the primary price for the North American natural gas market with locational basis differentials based off the New York Mercantile Exchange ("NYMEX"). Natural gas spot prices at Henry Hub are forecasted to remain between \$3 and \$6 per million British thermal units (MMBtu) according to the EIA's long term forecasts out to 2050.²

¹ See EGI's 2021 Annual Gas Supply Plan Update (EB-2021-0004) for further information related to EGI's gas supply portfolio and execution strategies

² EIA 2021 Annual Energy Outlook

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 Empire North Project which went into service in 2020 and provides an incremental 170 MMcf/d of delivery to the Chippawa receipt point.

Conclusion

EGL is continuously developing and monitoring their Gas Supply Portfolio to adapt to an evolving North American energy market. EGL 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. EGL 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