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Julie-Christine Lacombe
Supervisor, Regulatory Affairs
Gazifère Inc.
706 boulevard Gréber
Gatineau, QC J8V 3P8

Dear Ms. Lacombe,

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”) under the Rate 200 wholesale service agreement with Enbridge Gas Inc. (“Enbridge Gas”) within the Enbridge Gas Distribution rate zone. Enbridge Gas has been providing Gazifère with a safe, reliable, and cost-effective supply of natural gas under this agreement since 1991.

North American Natural Gas Market Update

Through 2022, the natural gas market experienced high prices and volatility due to economies reemerging from the global pandemic, low storage inventory levels, and increased exports of LNG driven largely by global demand increases resulting from the Russia/Ukraine conflict and associated embargoes on Russian natural gas. This was following several years of consistently low prices across the natural gas market.

After reaching peak prices during the summer of 2022, prices began to decrease in the fall of 2022 due to increased natural gas production, a mild start to the winter, and an improved North American storage inventory position. Through the first half of winter this trend continued, resulting in a surplus of North American inventory above the 5-year average and the previous year. This has resulted in natural gas prices being lower through the summer of 2023, relative to recent seasons. While actual and forward natural gas prices have continued to decrease, it is expected that ongoing global geopolitical factors may result in continued volatility in prices relative to pre-2021 levels.

Natural gas prices that trade on the New York Mercantile Exchange (NYMEX) at Henry Hub are the primary price for the North American natural gas market and are used to calculate locational basis differentials. As of January 24, 2023, the NYMEX forward curve ranges from \$3.26 US/MMBtu in the near term to \$4.53 US/MMBtu for next winter’s peak, with a long-term average price of \$3.86 US/MMBtu through 2025.¹

¹ See Enbridge Gas’s 2023 Annual Gas Supply Plan Update (EB-2023-0072) for further information related to Enbridge Gas’s gas supply portfolio and execution strategies.

Energy Transition in the Gas Supply Portfolio

Enbridge Gas recognizes the importance of emissions reduction in Ontario, as well as the important role that Enbridge Gas plays in supporting the achievement of greenhouse gas (GHG) emissions reduction targets. In 2022, Enbridge Gas engaged Guidehouse to assess the feasibility of two pathways to achieving net-zero emissions in Ontario. The study finds that reaching net-zero energy related emissions in Ontario by 2050 is possible, and a diversified pathway that utilizes the electricity and gas systems can do so at a lower cost for consumers, while ensuring the reliability and resilience of Ontario's energy systems. The report shows the continued reliance on natural gas for the province as part of this diversified pathway to meet Ontario's energy needs.

Enbridge Gas has supported the energy transition through the existing Voluntary Renewable Natural Gas (VRNG) program, the inclusion of Responsibly Sourced Natural Gas (RSG) in the gas supply portfolio, and the purchase of hydrogen through the Low Carbon Energy Project.² Moving forward, Enbridge Gas has proposed to evolve the inclusion of low carbon energy in the gas supply portfolio as part of its current rebasing application with the Ontario Energy Board³.

Conclusion

Enbridge Gas is continuously developing and monitoring its Gas Supply Portfolio to adapt to an evolving North American and global energy market. The past year's activities have only increased the importance and value of a diverse supply portfolio, as volatility, risk to security of supply and overall uncertainty for the energy market are on the rise. Enbridge Gas continues to take an active role in managing commodity market and transportation service changes by engaging in thoughtful consultation and negotiation with parties to protect the interests of its ratepayers, including Gazifère. Enbridge Gas 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
Manager, Gas Supply Acquisition

² See Enbridge Gas's 2023 Annual Gas Supply Plan Update (EB-2023-0072) for further information related to Energy Transition in Enbridge Gas's gas supply portfolio.

³ For more information about Enbridge Gas' proposed low carbon energy program, please see EB-2022-0200, Exhibit 4, Tab 2, Schedule 7.