

VIA EMAIL

May 25, 2020

Christine Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Re: Enbridge Gas Inc. (“Enbridge Gas” or “the Company”) July 1, 2020 QRAM:
Notice of Commodity Cost Increase and Request to Forego QRAM Application**

Dear Ms. Long:

Enbridge Gas writes to inform the Ontario Energy Board (“OEB” or “Board”) that based on preliminary estimates the Company anticipates July 1, 2020 commodity cost increases in excess of 25% for typical residential system gas customers in one of its rate zones. In response, and in light of the ongoing COVID-19 pandemic, Enbridge Gas proposes to forego filing the QRAM application effective July 1, 2020 that it would otherwise submit as a normal course of business. In foregoing this application, Enbridge Gas will hold rates normally changed through QRAM constant until the filing of its October 1, 2020 QRAM application.

In accordance with the Board’s Decision in EB-2014-0199, a proceeding of the Board’s own motion to review the Quarterly Rate Adjustment Mechanism (“QRAM”) for gas distributors, Enbridge Gas is required one month in advance of filing a QRAM application to complete a preliminary estimate of the change in the commodity portion of a typical residential system gas customer’s bill. Should this preliminary estimate show a 25% increase (or decrease), Enbridge Gas must file a letter with the Board as soon as possible notifying the OEB of the anticipated increase and describing the cost drivers underpinning the anticipated change. Should the price increase persist at the time of filing a QRAM application in the following month, Enbridge Gas is required to include a plan to mitigate price impacts in its application.¹

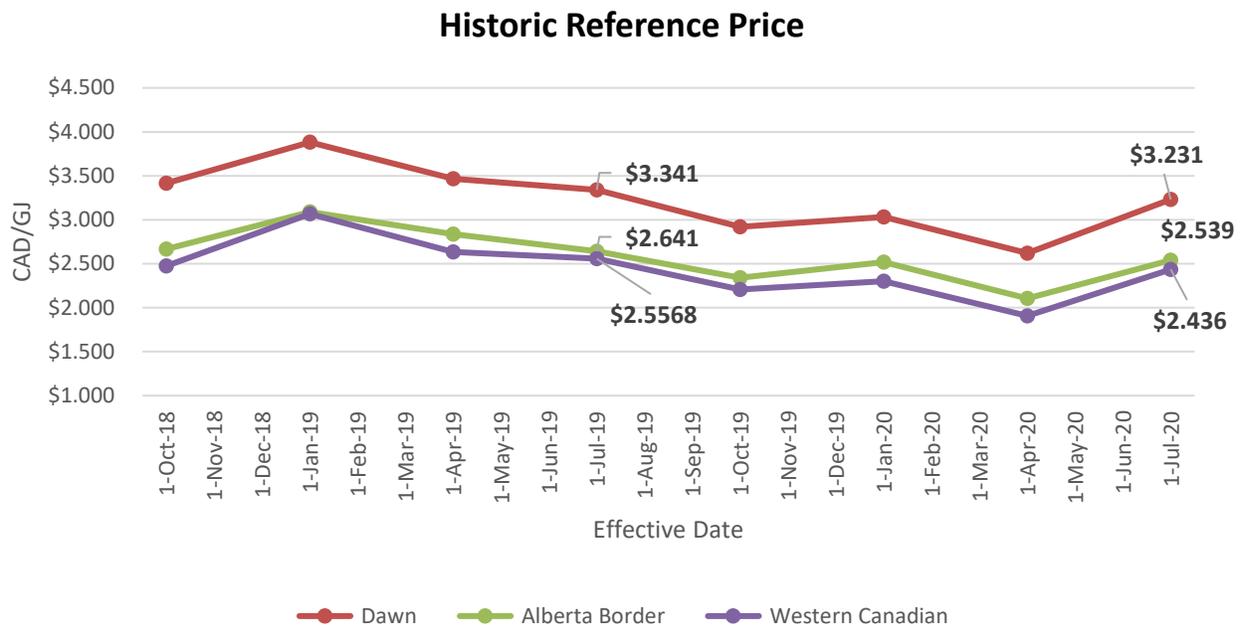
Based on preliminary estimates completed in May, the Company anticipates an increase of 27% to the commodity portion of residential system gas customers’ bills in the EGD rate zone. In the Union rate zones, Enbridge Gas estimates commodity portion increases for residential system gas customers of 22%, 18% and 20% in the Union South, Union North West and Union North East rate zones, respectively. With respect to total annual bill impacts, Enbridge Gas estimates an increase of approximately \$53 (7%) in the EGD rate zone, \$52 (7%) in Union South, \$35 (4%) in Union North West and \$51 (5%) in Union North East.

There are several factors underpinning this change in gas commodity costs. First, gas prices decreased in Enbridge Gas’s April 1, 2020 QRAM application, hitting historic lows

¹ EB-2014-0199 Decision and Order, pages 4-6

in some supply basins, as a result of record levels of gas production in North America, a warmer-than-normal winter and higher-than-normal storage inventory.² As such, despite natural gas prices remaining low relative to historical averages, the increase seen from April 1, 2020 to July 1, 2020 is significant when represented on a percentage increase basis. Please see Figure 1 below, which shows the Dawn Reference Price, Alberta Border Reference Price, and Western Canadian Price used in deriving Enbridge Gas's rates from October 1, 2018 to July 1, 2020.

Figure 1



Second, as a result of the COVID-19 pandemic and associated reductions in economic activity, the U.S. Energy Information Administration (“EIA”) forecasts significant declines in North American natural gas production as low prices discourage producers from engaging in drilling activity, particularly in the Appalachian region in the U.S. Northeast. In the Permian basin, where natural gas production is often a by-product of oil production, low oil prices have driven decreased oil production, leading to commensurate reductions in natural gas production.³ In aggregate these reductions in gas production have led to higher forecast prices in the future, particularly in late 2020 and early 2021.

Enbridge Gas recognizes the COVID-19 pandemic has created significant uncertainty for Ontario families, businesses and communities. In response, Enbridge Gas wrote to the Board on March 25, 2020 to provide notice the Company was suspending disconnections related to non-payment for residential and small business customers

² EB-2020-0077 Exhibit B, Tab 1, Schedule 1, page 1

³ EIA, May 2020 Short-Term Energy Outlook, page 3

until July 31, 2020.⁴ Enbridge Gas wishes to continue supporting Ontario's economy and its customers during this unprecedented time.

Enbridge Gas has proposed foregoing its July 1, 2020 QRAM application in accordance with the Board's requirement that natural gas distributors bring forward mitigation proposals in the face of significant commodity cost increases. Enbridge Gas has also drawn precedent from the Board's June 28, 2018 letter relating to the July 1, 2018 QRAM, in which the Board noted "The disposition of the purchased gas variance accounts for all three gas utilities will also be deferred to the October 1, 2018 QRAM application."⁵ Discontinuing the Company's July 1, 2020 QRAM will not ultimately absolve customers of gas costs incurred, as Enbridge Gas expects these increased gas costs to persist through to its October 1, 2020 QRAM application in which recovery will be sought. However, Enbridge Gas is hopeful that Ontario will have entered a state of economic recovery by October 1, 2020 and be better equipped to manage the increased gas costs the Company incurs on behalf of its customers.

If you have any questions, please contact me at (519) 365-0320.

Yours truly,

(Original Signed)

Mark Kitchen
Director, Regulatory Affairs

cc: Theodore Antonopoulos (OEB)
Pascale Duguay (OEB)
All Interested Parties EB-2008-0106, EB-2018-0305 & EB-2019-0194
EPCOR Natural Gas Limited Partnership

⁴ Enbridge Gas Inc., Letter RE: COVID-19 Disconnection Suspension, March 25, 2020

⁵ EB-2018-0168/0174/0185, Ontario Energy Board Letter RE: July 2018 Quarterly Rate Adjustment Mechanism, June 28, 2018, page 2