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September 21, 2010

VIA COURIER

Ms. Kristen Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Ontario Energy Board File No. EB-2010-0199
2010 Natural Gas Market Review

Further to the Ontario Energy Board's (the "Board") letter dated August 22, 2010, enclosed please find the presentation prepared by Enbridge Gas Distribution for the upcoming Stakeholder Conference scheduled for October 7th and 8th, 2010.

The presentation has been filed through the Board's Regulatory Electronic Submission System (RESS) and paper copies are being sent to the Board via courier.

Please contact the undersigned if you have any questions.

Yours truly,

Bonnie Jean Adams

Bonnie Jean Adams
Regulatory Coordinator

2010 Natural Gas Market Review

Enbridge Gas Distribution
Stakeholder Conference
October 7/8, 2010

Agenda

- **Background**
- **ICF August 18 2010 Market Report**
- **Opportunities and Challenges**
- **Looking Forward**

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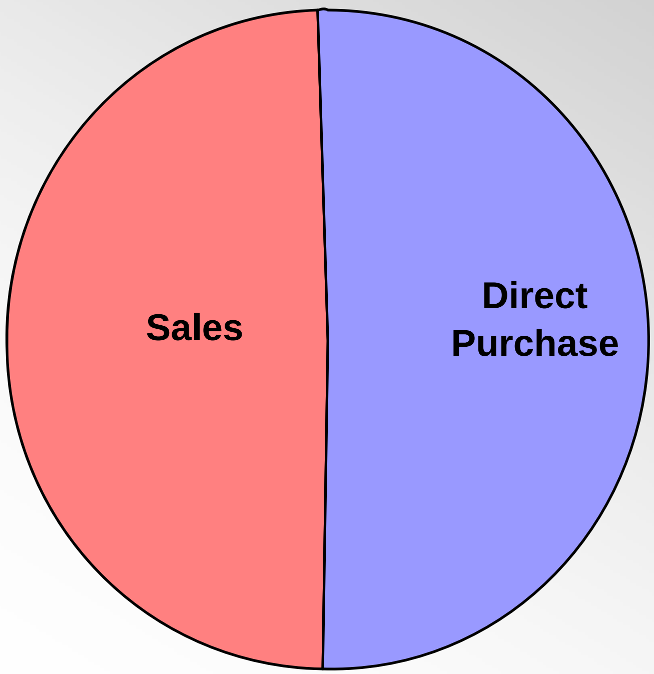
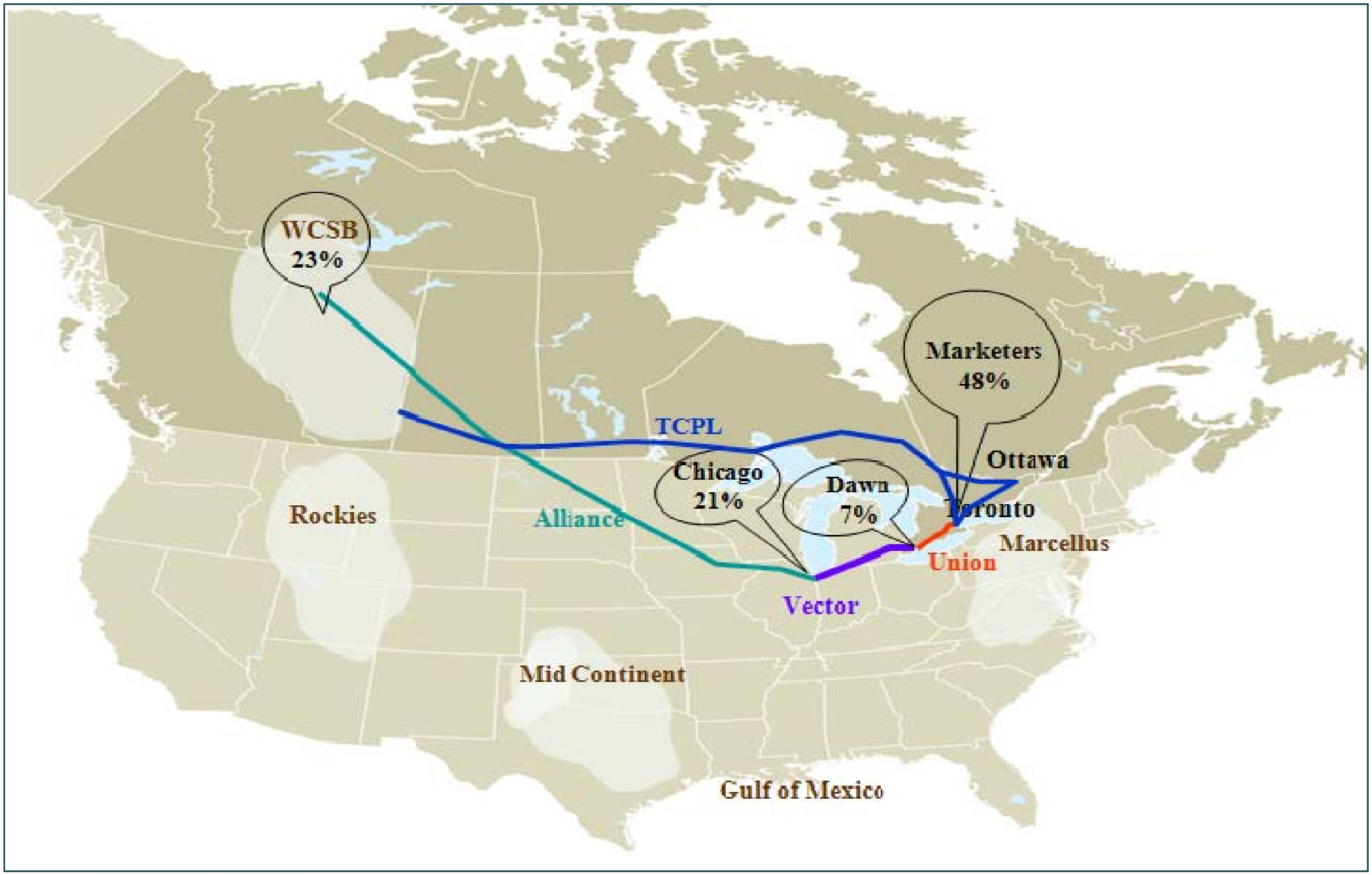
Background
EGD Customer & Demand Profile

Volume % - December 09



- **Average day demand ~ 1.1 MM GJ/d**
- **Marketers provide ~50% of average demand**
- **Peak Day demand ~ 3.5 MM GJ/d**

Background
EGD Gas Supply Portfolio



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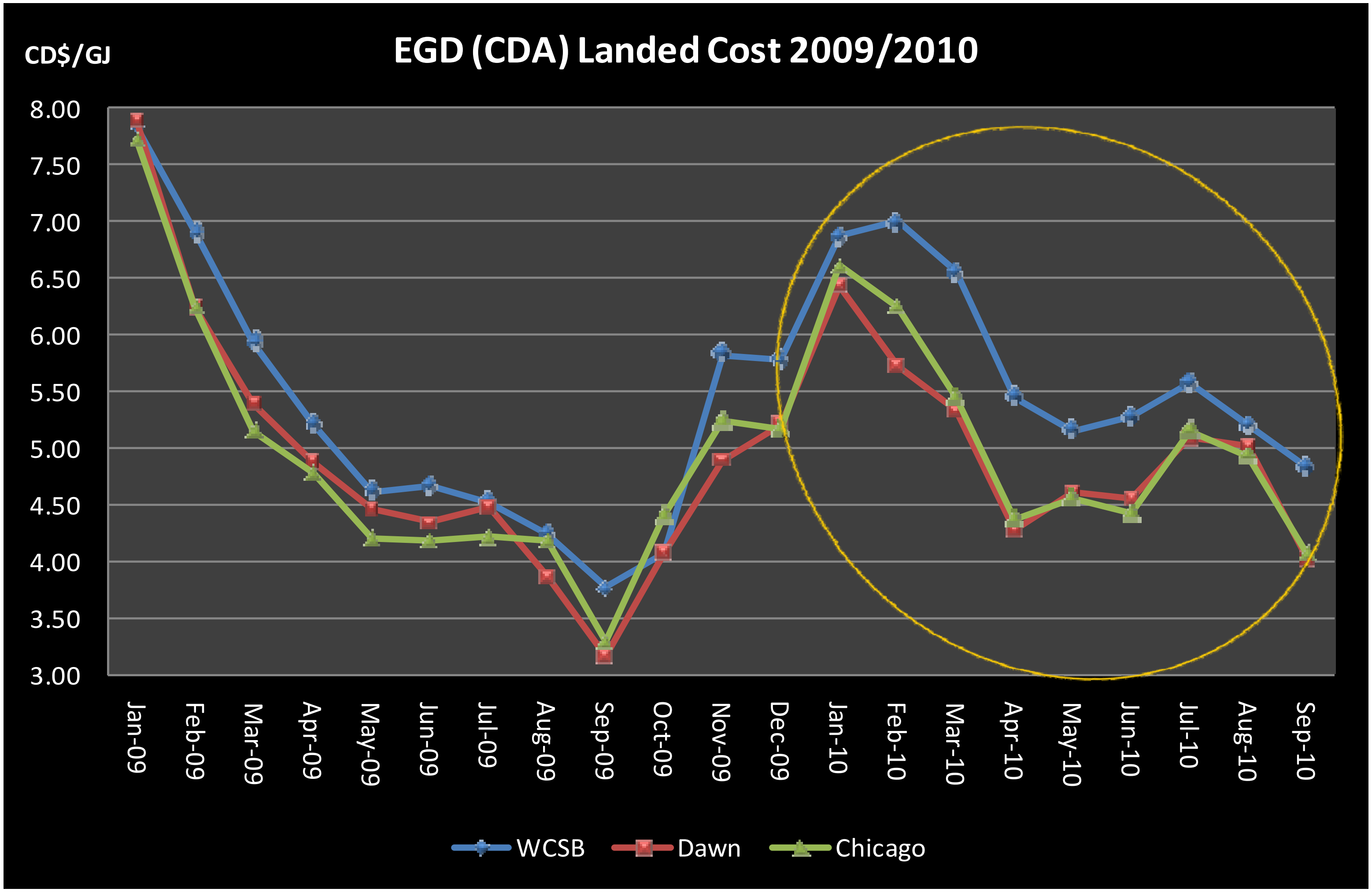
Background
Decline in WCSB competitiveness 2009 - 2010



Background
EGD Transport Path Evaluation Criteria

Criteria	Supply via Dawn	TCPL Mainline	Comments
Diversity of Supply	Greater		Dawn provides access to several growth basins
Operational Flexibility		Greater	TCPL STS service flexibility, more interconnects, access to growth areas of franchise
Contractual Flexibility		Greater	TCPL contracts are renewable annually
Landed Cost		Higher	TCPL tolls are escalating

ICF August 18 2010 Market Review

ICF Key Finding	EGD Comment(s)
Gas Demand Trends • Increased demand led by power sector	• Ontario is poised well to serve increased gas demand for power sector • EGD's distribution system will require greater flexibility to balance load variations and integrate flows from upstream gate stations
Supply Sources • Conventional production continues to decline • Shale principle source of supply growth in North America	• Shale gas is a game changer • Subject to estimation, environmental & regulatory risks
Inter-regional Pipeline Flows • Western Canadian gas remains largest supply source for Ontario but continues to decline • Marcellus shale not a major source of supply for Ontario - Reduced exports to Northeast US allow more gas to stay in Ontario	• Lower Western Canadian exports and market area shale production will result in higher TCPL tolls • Significant producer response to line reversal open seasons at Niagara/Chippawa
Price • Rebound in prices due to economic recovery • Expected prices support supply development • Regional gas prices continue to track Henry Hub with some basis changes	• Shale supply likely to herald a lower volatility environment relative to previous decade • Landed cost differentials between WCSB and other supply will likely continue to widen due to higher TCPL transport costs
Policy Options • Do nothing • TCPL discounts • Diversify away from TCPL	• Continued reliance on TCPL is dictated by geography and current infrastructure • At a minimum, EGD is reliant on TCPL long haul in the short term and TCPL short haul in the long term • Postage stamp ratemaking spreads toll impacts across franchise regardless of physical connectivity • New infrastructure required to diversify away from TCPL • Long term focus on flexibility, adaptability and lower cost options

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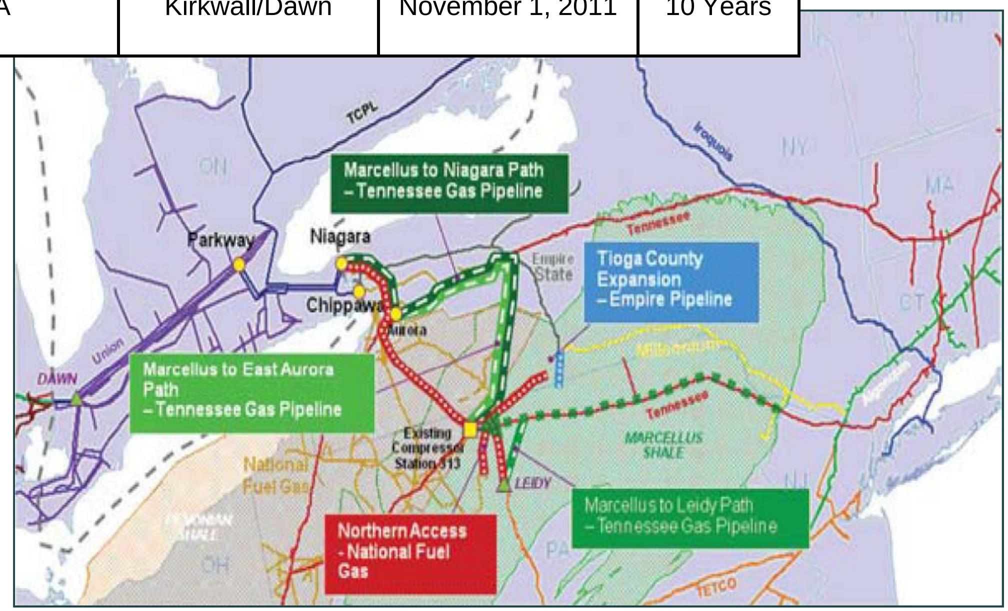
Ontario Access to Marcellus Supply

Pipeline	Producer/Shipper	Capacity (Mcf/d)	Delivery Point	In Service Date	Term
National Fuel Gas Supply Corporation	Statoil Natural Gas (SNG)	320,000	Niagara/Chippawa	June 1, 2012	20 Years
Empire Pipeline	East Resources -Royal Dutch Shell	200,000	Niagara/Chippawa	N/A	N/A
Tennessee Gas Pipeline Company	Cabot Oil & Gas, Anadarko Energy and Seneca Resources	250,000	Aurora	November 1, 2012	15 Years
TCPL	*Open Season*	N/A	TCPL Mainline	June 1, 2012	10 Years
Union	*Open Season*	N/A	Kirkwall/Dawn	November 1, 2011	10 Years



Sources: www.statoil.com, http://magazine.appro.org, http://pipelineandgastechnology.com

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The Opportunity for Ontario

- Greater diversification of supply and lower cost gas
  - Open seasons held by several pipelines that will allow Marcellus gas to be procured at Niagara and transported to Dawn/market area
  - Producer interest in supplying Niagara will foster a competitive market
  - EGD has bid for Niagara to CDA capacity in TCPL's recently concluded open season
- Higher deliverability from production and storage may mitigate winter spreads
- GTA distribution system reinforcement may be structured to meet gas supply diversification goals
- Ontario production & renewable gas

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The Challenge for Ontario

- Higher transportation costs in a lower commodity cost environment
  - Reduction in US exports
- Further diversification while maintaining contractual and operational flexibility

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The Role of the Regulator

- Preapproval of long term contracts as required
- Facilitating new infrastructure
  - Pipelines, renewable gas, gas fired generation, conservation

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Looking Forward

- **Changing energy and regulatory landscape**
  – Gas market turbulence
  – Convergence with evolving electricity market
  – Government policy
- **Need to be nimble**
  – Facilitate diversification of supply
  – Develop policies, infrastructure and/or services to adapt to changes
  – Accommodate environmental initiatives
- **Need to have a wide perspective**
  – Consider overall priorities and longer term cost effectiveness

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