Ontario Petroleum Institute Inc.
555 Southdale Road East, Suite 203
London, Ontario N6E 1A2 ● Telephone (519) 680-1620
opi@ontariopetroleuminstitute.com ● www.ontariopetroleuminstitute.com

September 4, 2019

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Attn: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

Re: Consultation to Review Natural Gas Supply
Ontario Energy (OEB) Board: EB-2019-0137

The Ontario Petroleum Institute (OPI) is the industry association (www.ontariopetroleuminstitute.com) that represents the oil and natural gas exploration, production and hydrocarbon storage industries in Ontario. Ontario has been producing oil since 1858, and natural gas in the 1880's.

The OPI, formed in 1963, has a membership that includes commercial oil and gas production companies, drilling contractors, well and oilfield services, geologists, geophysicists and engineers, environmental consultants, financial/legal services, land services, trades and utilities.

The OPI's primary objective is to encourage the responsible exploration and development of oil and natural gas as part of the sector's contribution to the provincial economy. Ontario's oil and natural gas industry provides $77 million in direct oil and natural gas product revenues, annual investments of $25 - 30 million in capital expenditures, 700 full time jobs, $20 million in salary and wages and 1500 additional indirect jobs as well as generating $7 million in annual royalties, and significant yearly municipal and corporate taxes that play a vital role in the prosperity and well-being of Ontario's economy.

/2

In 2018, Ontario upstream sector companies produced 4.5 billion cubic feet of natural gas to Ontario consumers mostly through sales to Enbridge Gas Distribution Inc. (formerly Union Gas).

The current structure of natural gas pricing, contracts and services has made it impossible for Ontario producers to maintain current levels of production, let alone explore for natural gas. The inequity of the price of gas, the increasing costs associated with the GPA (Gas Purchase Agreement), M13 Contract, and the high cost of constructing meter station connections are obstacles to success. Compounding the situation is the unfairness of municipal tax assessment on pipelines and related gas compression/treating facilities. The sum of these factors has seriously crippled the entire natural gas producing industry in Ontario.

In many rural areas in Southwestern Ontario, OPI member companies could economically connect landowners to natural gas service while constructing the pipeline infrastructure necessary to connect to the existing Enbridge distribution network. It would require that meter station construction costs better reflected the actual costs. Most importantly, it requires that producers receive a natural gas price closer to the value of the burner-tip gas price to customers within the Enbridge system.

The OPI promotes Ontario as a profitable exploration and development opportunity to allow the industry to provide their considerable experience and expertise in communities throughout Southwestern Ontario. In certain areas of Ontario 50% of its original natural gas resources remain to be developed.

The production of these resources would reduce the province's reliance on imported energy. It would expand the natural gas distribution network without burdening existing rate payers with increased rates and, most significantly, it would enable the industry to address a critical problem, the serious decline in production of natural gas in recent years.

The Ontario producers' ability to explore and produce natural gas to remain viable sustains a long-standing, historical industry and supports the Ontario economy.

The OPI is writing to request Enbridge Gas Inc. respond to the following:

<u>Questions</u>

1) How will EGI ensure that locally produced gas, regardless of its source, is treated fairly from a compensation standpoint relative to imported sources? This includes acknowledging the added value for locally produced gas since it is closer to the end use consumers than the Dawn hub.

2) What is the reason for the current price structure in place where Ontario gas producers selling gas to EGI under the GPA contract receive the Dawn reference price less transportation to Dawn rather than Enbridge's in-franchise burner-tip equivalent commodity charge?

3) How will Enbridge ensure that their tariffs and facility-related interconnect charges are just and reasonable for all locally produced gas?

4) How does EGI intend to determine the Monthly Fixed Fees for Ontario producer sites? How will this fee vary between producer sites?

5) Will the variable Fixed Fee be applicable to M13 producers as well as GPA producers?

6) How does EGI intend to move the Ontario GPA contract with local producers into the basket of OEB - approved contracts?

7) How does EGI intend to control the high cost of constructing new meter stations? The cost has increased substantially to the point that it is prohibiting producers' ability to connect new locally produced gas to the EGI system.

Sincerely,

Jim McIntosh, Chair
OPI Producers Committee