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BY E-MAIL

September 6, 2019

Mr. Mark Kitchen
Director, Regulatory Affairs
Enbridge Gas Inc.
500 Consumers Road
Willowdale, ON M2J 1P8
EGIRegulatoryProceedings@enbridge.com

Dear Mr. Kitchen:

**Re: Consultation to Review Natural Gas Supply Plans
Ontario Energy Board File Number: EB-2019-0137**

On July 25, 2019, the Ontario Energy Board (OEB) initiated a consultation to review Enbridge Gas Inc.'s (Enbridge) five-year natural gas supply plan in keeping with the gas supply plan assessment process contemplated in the OEB's [Report of the Board: Framework for the Assessment of Distributor Gas Supply Plans](#).

The consultation provided an opportunity for OEB staff and stakeholders to submit written questions to Enbridge on its five-year gas supply plan. Please find attached OEB staff's questions to be addressed at the upcoming Stakeholder Conference on September 23, 2019.

Yours truly,

Original signed by

Laurie Klein
Policy Advisor, Application Policy & Climate Change

OEB STAFF QUESTIONS
CONSULTATION TO REVIEW NATURAL GAS SUPPLY PLANS
EB-2019-0137

Question 1: Balancing the Gas Supply Framework’s Guiding Principles

In the [Report of the Board: Framework for the Assessment of Distributor Gas Supply Plans](#) (Gas Supply Framework)¹ the OEB states that when assessing a utility’s gas supply plan it will focus on determining whether or not the utility has successfully balanced all of the guiding principles – cost effectiveness; reliability and security of supply; and public policy.

In your presentation, please discuss how Enbridge Gas Inc. (Enbridge) sought to balance the OEB’s three guiding principles when developing its five-year gas supply plan (the Plan).

Question 2: Summary Tables to Compare EGD and Union Rate Zones’ Proposed Supply and Transportation Assets over the Plan Term

OEB staff notes that a couple of summary tables highlighting the similarities and/or differences would make it easier to compare between EGD and Union rate zones. In your presentation, please provide tables that:

- Compare the expiration of the transportation contracts and indicate which rate zones use similar paths and which transportation contracts are for short haul vs. long haul firm transportation services.
- Compare the supply sources (i.e., supply basins) of each rate zone.

Question 3: Evaluation of Potential Supply Options

On page 44, Enbridge’s quantitative exercise for evaluating potential supply options is the following:

- If the supply option is intended to satisfy average day needs, landed costs (\$/GJ/d) are used.
- If the option is intended to meet design day needs, annual costs (\$/GJ/yr) are used.

In your presentation, please discuss why you use different costs to evaluate potential supply options.

¹ EB-2017-0129.

Question 4: Gas Commodity Portfolio

For the EGD rate zone, the procurement plan layers in annual (or multi-year basis), seasonal, monthly and daily purchases each month (section 8.1). Also, Enbridge aims to limit the level of discretionary service (e.g., peaking) in the EGD rate zone to 2% of total deliveries (page 44).

For the Union rate zones, the procurement plan layers in annual (or multi-year basis), seasonal and monthly purchases each month (section 15.1).

OEB staff would like a better understanding of Enbridge's gas commodity portfolio and supplier diversity by rate zone. In your presentation, please provide tables that outline the following information:

- What is the share (in percentages) of your supply contracts that are multi-year, annual, seasonal, monthly, daily and peaking by rate zone over the term of the Plan?
- What are the volumes, contract terms and expiration dates of the multi-year, annual, seasonal, monthly, daily and peaking supply contracts by rate zone over the term of the Plan?
- The level of concentration (i.e., the amount of supplier diversity) of projected gas commodity purchased (in GJ/d) over the term of the Plan by region and counterparty. OEB staff notes that Enbridge could keep the counterparty's name confidential as one way to provide this information (e.g., Enbridge could indicate a different counterparty by stating counterparty A, counterparty B, etc.).

Also, please discuss:

- On page 44, Enbridge states that it aims to limit the level of discretionary service (e.g., peaking) in the EGD rate zone to 2% of total deliveries. Why is peaking service necessary for the EGD rate zone? What are the alternatives? Does Enbridge have a similar peaking service in the Union rate zones? If so, what is the level of discretionary service in each of the Union rate zones?
- For your multi-year gas supply contracts, what are the contract lengths (e.g., one year supply contracts, two year supply contracts, etc.)?
- On pages 64 and 102, Enbridge states that gas supply is currently purchased primarily based on index price contracts. Enbridge further states that it purchases gas supply using fixed price and index price contracts. Why are fixed price gas supply contracts used? What are the advantages / disadvantages of fixed price gas supply contracts? What are the typical contract lengths for fixed price gas

supply contracts? How much of Enbridge's gas supply over the Plan term is expected to be purchased using fixed price contracts?

- On page 102, Enbridge states that the Union rate zones use price trigger contracts when purchasing gas supply. Why are price trigger contracts used? What are the advantages / disadvantages of price trigger gas supply contracts? What are the typical contract lengths for price trigger contracts? How much of the Enbridge's gas supply over the Plan term is expected to be purchased using price trigger contracts? Does the EGD rate zone have similar contracts?
- On pages 64 and 102, Enbridge states that gas supply is currently purchased primarily in the forward market. What other markets does Enbridge purchase gas supply from? What are the advantages / disadvantages of purchasing gas supply in the forward market?

Questions 5: Oversight of Plan Execution

It does not appear that the Plan includes a discussion on your approach to risk management and governance related to the execution of the Plan. In your presentation, please outline how you will ensure that there is appropriate oversight related to the execution of your Plan (e.g., describe your governance and accountability; and policies and processes that describe the checks and balances in place to ensure effective risk management and monitoring with respect to executing the Plan).

Question 6: EGD's Storage Requirement

On page 42, Enbridge states that it conducts a blind request for proposal (RFP) process to replace expiring storage capacity. Given that Enbridge is an amalgamation of the former Enbridge Gas Distribution Inc. and Union Gas Limited, in your presentation, please describe the governance structure (e.g., ring fencing, etc.) that is in place to ensure that the blind request for RFP related to storage capacity is a fair and open process.

Question 7: Potential Flexibility to Amalgamate Receipt and Delivery Points

Given that more than 50% of the transportation contracts that serve the Union rate zones are contracted beyond 2030² and approximately 32%³ for the EGD rate zone, in your presentation please discuss whether this may impact your flexibility to amalgamate your transportation and supply contracts across rate zones?

² Page 100.

³ Appendix B – 764,234 GJ / 2,425,153 GJ = 31.5%.

For example, please discuss whether any potential synergies have been identified to date related to the potential amalgamation of the gas supply plans for the EGD and Union rate zones. Also, please discuss your ability to amalgamate receipt and delivery points for transportation and supply contracts?

Question 8: Voluntary RNG Program

On page 59, Enbridge states that it is currently in the process of developing a voluntary renewable natural gas (RNG) program. In your presentation, please describe this program, what are the timelines and what are the expected volumes.

Question 9: Impact of Federal Government's Clean Fuel Standard

On June 28, 2019, the federal government issued its Clean Fuel Standard Proposed Regulatory Approach⁴. In your presentation, please discuss whether the federal government's Clean Fuel Standard could impact your Plan? If so, please discuss the impact on your Plan. Also, please describe how Enbridge would evaluate whether or not RNG is a viable alternative that should be included in its gas supply requirements.

⁴ <https://www.canada.ca/en/environment-climate-change/services/managing-pollution/energy-production/fuel-regulations/clean-fuel-standard/regulatory-approach.html>.