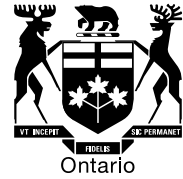


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BY E-MAIL

March 30, 2021

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

Dear Ms. Long:

**Re: Review of 2021 Annual Update to Gas Supply Plan of Enbridge Gas Inc.
OEB File Number: EB-2021-0004**

In accordance with the Ontario Energy Board (OEB) Decision on Cost Eligibility and Procedural Order dated March 16, 2021, please find attached OEB staff questions in the above noted matter.

Yours truly,

KV Viraney

Khalil Viraney
Case Manager

Encl.

ONTARIO ENERGY BOARD STAFF QUESTIONS**March 30, 2021****Question 1: Integrating Legacy Planning Processes**

Enbridge Gas's 2021 Annual Gas Supply Plan (2021 GSP) update indicates on pages 8-9 that over the past two years, Enbridge Gas has worked to integrate its two legacy planning processes (the Enbridge Gas Distribution and Union Gas rate zones) into one; however, since some methodologies required Ontario Energy Board (OEB) approval, Enbridge Gas has not been able to fully align across rate zones. In your presentation, please include the following:

- a) Please identify which methodologies require OEB approval.
- b) For those methodologies that do not require OEB approval, has Enbridge Gas completed the integration process?

Question 2: Demand Impacts of COVID-19

Evidence notes on pages 10-12 that in 2020, North American energy markets were impacted from the COVID-19 pandemic as well as a steep decline in oil prices. The demand destruction from COVID-19 is mainly affecting the commercial sector, with many schools, offices, restaurants, and retail outlets closed. Ontario has experienced a decline of 7% to 12% in natural gas demand due to COVID-19 with the most significant impacts seen in April and May 2020. In your presentation, please discuss the following:

- a) How has Enbridge Gas revised its 2021 GSP Update in light of the demand destruction due to COVID-19?
- b) Has Enbridge Gas observed any differences in the demand destruction between the Enbridge Gas Distribution (EGD) and Union Gas rate zones? If yes, please explain your response.
- c) Has consumption in the residential sector offset to some extent the decrease in the commercial and industrial sector? If yes, please quantify (if possible) the shift in demand from commercial/industrial to residential.

Question 3: ICF Demand Forecast 2021

On page 12, Enbridge cites ICF's forecasts for overall Ontario natural gas demand in 2021 to exceed pre-COVID-19 levels. In your presentation, please discuss the following:

Please explain if Enbridge Gas agrees with the 2021 ICF forecast for the Ontario market.

Question 4: Voluntary Renewable Natural Gas Program

Enbridge Gas has filed an application for a proposed voluntary Renewable Natural Gas (RNG) program that proposes to offer system gas general service customers the option to pay a fixed \$2 monthly charge to fund the incremental costs of procuring RNG. On September 25, 2020, the OEB granted Enbridge Gas approval of the program on a pilot basis until the OEB issues a further decision on the program. Enbridge Gas has indicated on page 17 that it will launch the program in 2021 and begin procuring RNG thereafter. Enbridge Gas forecasts total RNG procurement for the voluntary program to reach approximately 35,000 GJ per year by the third year of the program. In your presentation, please discuss the following:

- a) Has Enbridge Gas launched the RNG program? If not, what is the expected timeline?
- b) Will the RNG be procured within Ontario, outside Ontario, or a combination of both? Please provide a response on a best-efforts basis.

Question 5: Impact of Federal Carbon Charge

As of April 1, 2021, the Federal Carbon Charge that Enbridge Gas must remit to the Government of Canada under the GGPPA for eligible volumes of natural gas will increase from \$30 per tonne of carbon dioxide equivalent (tCO_{2e}) to \$40 per tCO_{2e}. Enbridge Gas indicated on pages 18-22 that the demand forecast underpinning the 2021 Annual Update includes this Federal Carbon Charge in the price-related demand driver variables used in its regression equations. In your presentation, please discuss the following:

- a) Please explain how the 2021 Federal Carbon Charge has impacted the demand forecast for 2021. Please provide the output of the regression equations.

- b) How has the 2021 Federal Carbon Charge impacted the overall gas supply plan outlook for 2021? Has Enbridge Gas made any adjustments to the 2021 GSP as a result of the updated federal carbon charges? If yes, please explain the adjustments.

Question 6: Rate Zone Demand Forecasts

Enbridge Gas has provided on pages 21-22 the annual demand forecast for each rate zone in Table 1. OEB staff developed the following table that compares the annual demand provided in the 5-year gas supply plan (EB-2019-0137) and the annual update. In your presentation, please discuss the following:

- a) Please confirm that the variance analysis provided in Table 1 is accurate. If not, please provide a revised table.
- b) Please explain the significant increase in the forecasted demand in the Union North West contract market from 2022/23 onwards. The increase in the contract market demand from 2021/22 to 2022/23 is 124% and further increases in 2023/24. This increase is observed even when compared to the previous 5-year GSP as noted from Table 1 below.
- c) Please explain the significant decline in demand for the Union North East contract market for the planning period 2022/23 and 2023/24 as compared to the information provided in the previous 5-year GSP (EB-2019-0137).

Table 1 – Annual Demand Forecast (TJ)

	2020/2021			2021/2022			2022/2023			2023/2024		
	5-Yr Plan	Update	Variance	5-Yr Plan	Update	Variance	5-Yr Plan	Update	Variance	5-Yr Plan	Update	Variance
EGD												
General Service	384,233	388,193	3,960	384,182	390,299	6,117	384,703	392,361	7,658	385,403	395,340	9,937
Contract	73,227	70,625	-2,602	72,789	70,148	-2,641	72,353	69,784	-2,569	71,917	69,513	-2,404
Total EGD	457,460	458,818	1,358	456,971	460,447	3,476	457,056	462,145	5,089	457,320	464,853	7,533
Union North West												
General Service	13,886	14,335	449	13,814	14,470	656	13,742	14,484	742	13,741	14,601	860
Contract	1,330	1,636	306	1,372	1,683	311	1,363	3,767	2,404	1,355	4,803	3,448
Total Union North West	15,216	15,971	755	15,186	16,153	967	15,105	18,251	3,146	15,096	19,404	4,308
Union North East												
General Service	35,967	38,290	2,323	35,765	38,646	2,881	35,558	38,671	3,113	35,533	38,961	3,428
Contract	3,683	3,763	80	3,955	3,878	-77	5,198	3,884	-1,314	5,305	3,871	-1,434
Total Union North East	39,650	42,053	2,403	39,720	42,524	2,804	40,756	42,555	1,799	40,838	42,832	1,994
Union South												
General Service	163,321	175,431	12,110	162,482	175,430	12,948	161,632	175,133	13,501	161,596	175,944	14,348
Contract	51,720	54,127	2,407	52,144	56,738	4,594	52,436	57,587	5,151	52,659	55,609	2,950
Total Union South	215,041	229,558	14,517	214,626	232,168	17,542	214,068	232,720	18,652	214,255	231,553	17,298
Total Demand Forecast	727,367	746,400	19,033	726,503	751,292	24,789	726,985	755,671	28,686	727,509	758,642	31,133

Question 7: Rate Zone Supply Sources

Enbridge Gas has provided on pages 15-24 the supply sources assumed in Enbridge Gas's GSP for sales service customers in Table 3. OEB staff developed the following table that compares the supply sources provided in the 5-year GSP and the annual update. In your presentation, please discuss the following:

Sources of Supply

	2020/2021			2021/2022			2022/2023			2023/2024		
	5-Yr Plan	Update	Variance	5-Yr Plan	Update	Variance	5-Yr Plan	Update	Variance	5-Yr Plan	Update	Variance
EGD												
Appalachia	42,361	43,117	756	42,361	43,117	756	42,361	43,117	756	42,477	43,235	758
Chicago	24,994	25,194	200	24,994	25,194	200	24,994	25,194	200	25,062	25,263	201
Niagara Region	72,979	73,355	376	72,979	73,355	376	72,979	73,355	376	73,179	73,556	377
Ontario / Dawn	90,593	101,670	11,077	90,905	103,295	12,390	91,170	104,449	13,279	91,179	105,214	14,035
Peaking / Seasonal	131	82	-49	26	18	-8	45	31	-14	64	48	-16
WCSB	76,701	90,562	13,861	76,807	90,596	13,789	76,472	90,622	14,150	77,141	90,884	13,743
Total EGD	307,759	333,980	26,221	308,072	335,575	27,503	308,021	336,768	28,747	309,102	338,200	29,098
Union North West												
WCSB	13,038	16,314	3,276	12,348	17,914	5,566	11,089	17,596	6,507	11,291	18,812	7,521
Union North East												
Appalachia	19,255	19,255	0	19,255	19,255	0	19,255	19,255	0	19,308	19,308	0
Ontario / Dawn	9,152	11,867	2,715	9,788	11,233	1,445	10,551	13,335	2,784	10,246	10,757	511
WCSB	1,364	1,364	0	1,364	1,493	129	1,364	1,493	129	1,368	1,359	-9
Total Union North East	29,771	32,486	2,715	30,407	31,981	1,574	31,170	34,083	2,913	30,922	31,424	502
Union South												
Appalachia	38,510	38,510	0	38,510	38,510	0	38,510	38,509	-1	38,615	38,615	0
Chicago	30,807	30,807	0	30,807	30,807	0	30,807	30,807	0	30,892	30,892	0
Niagara Region	7,702	7,702	0	7,702	7,702	0	7,702	7,702	0	7,723	7,723	0
Ontario / Dawn	42,852	43,992	1,140	42,170	46,382	4,212	42,386	46,504	4,118	41,148	45,200	4,052
US Mid-Continent	21,950	21,950	0	21,950	21,950	0	21,950	21,950	0	22,011	22,011	0
WCSB	1,095	8,797	7,702	1,095	8,797	7,702	1,095	8,797	7,702	1,098	8,821	7,723
Local Producers	452	0	-452	452	0	-452	452	0	-452	453	0	-453
Total Union South	143,368	151,758	8,390	142,686	154,148	11,462	142,902	154,269	11,367	141,940	153,262	11,322
Total Supply Forecast	493,936	534,538	40,602	493,513	539,618	46,105	493,182	542,716	49,534	493,255	541,698	48,443

- a) Please confirm that the variance analysis provided in Table 3 is accurate. If not, please provide a revised table.
- b) In the 5-year GSP (EB-2019-0137), one of the supply sources included local production. Please confirm if the company does not intend to source local production going forward or if local production is included in the other supply sources. If the company intends to stop procuring local supplies, please provide reasons.
- c) Please explain the proposed increase in sourcing gas from WCSB (Western Canadian Sedimentary Basin) for the EGD and Union rate zones in the current update as compared to the information provided in the previous 5-year GSP (EB-2019-0137).
- d) Will the increased purchases from the WCSB be transported using TC Energy's long-haul firm transportation capacity (FT)? If yes, please explain how the proposed approach aligns with Enbridge Gas's view that FT on the TC Energy Canadian Mainline has not been consistently available due to an increase in FT contracting.

Question 8: Sustainable Natural Gas

On pages 25-26 of its annual update, Enbridge Gas has indicated that it is closely monitoring the development of new certifications which measure a natural gas producer's conformance to a number of standards. These standards measure the impacts to environmental, social and governance (ESG) attributes including air and water quality, carbon emissions, and relations with indigenous communities. The certifications are issued to producers of natural gas and give their customers assurance that their product is reasonably sourced. Natural gas that is certified by these standards is referred to as Sustainable Natural Gas (SNG).

Enbridge Gas's view is that SNG is a very cost-effective solution to improving ESG within the natural gas sector. While the exact pricing of commercial arrangements has not been communicated to the market, Enbridge Gas understands the premiums to be in the \$0.05 per GJ to \$0.15 per GJ range. According to Enbridge Gas, sourcing a portion of its system gas supply portfolio (5%) would have a negligible overall price impact. Enbridge Gas is investigating SNG frameworks and exploring opportunities for the potential inclusion of SNG within its system supply portfolio as early as November 1, 2021. In your presentation, please include the following:

- a) Since SNG supply options are currently limited, where would SNG be sourced from?
- b) Enbridge Gas has estimated the premium for SNG to be in the \$0.05 per GJ to \$0.15 per GJ range. How has Enbridge Gas determined the premium for SNG? If Enbridge Gas enters into a purchase agreement for SNG, would there be any additional/higher costs that are not normally incurred for procuring other supplies?
- c) In early 2020, Énergir, Quebec's largest natural gas utility, entered into the first SNG supply agreement. Is Enbridge Gas aware of where Énergir is sourcing its SNG from? If yes, please provide the source(s).
- d) Enbridge has indicated that it could possibly include SNG in its system supply portfolio as early as November 2021. Is the sourcing of SNG currently included in the annual update? If yes, please identify the quantities and sources similar to Table 3 in the update. Please also provide the estimated cost per GJ,

Question 9: Supply Shortfalls

On pages 35-36, Table 6, Enbridge Gas has provided the demand and supply balance for the EGD rate zone. The forecast from 2020/21 to 2024/25 shows a shortfall in nearly every year resulting from growth in the Enbridge CDA (Central Delivery Area). The supply side shows deliveries from third-party service only in 2020/21. Enbridge Gas has stated that it aims to limit the level of third-party services in the event that third-party services fail to deliver. In your presentation, please discuss the following:

- a) In the past, have third-party service providers failed to deliver? If yes, please provide examples without identifying the third-party.
- b) What are some of the benefits of third-party services?
- c) In Enbridge Gas's opinion, are deliveries from third-party services for a small portion (5%) of the total system supply requirements, an appropriate option to increase the flexibility of the GSP?

Question 10: Supply Options in Enbridge Eastern Delivery Area

On page 39, Table 10, Enbridge Gas provides an evaluation matrix for the Enbridge EDA (Eastern Delivery Area) that evaluates supply options for their reliability, flexibility, diversity and annual costs. In your presentation, please include the following:

- a) For the short-haul Niagara and Iroquois delivery options, there is no available capacity. Please confirm if capacity on these delivery points is available from third-party services.
- b) If third-party services are available at these delivery points, does Enbridge Gas intend to acquire third-party services to manage design day shortfalls in Enbridge EDA and CDA?

Question 11: Landed Cost Difference Between Supply Options

On page 45, Table 10, Enbridge Gas provides the landed cost of the different options along with an evaluation on the basis of reliability, flexibility and diversity. In your presentation, please address the following:

Evaluation Matrix: Supply Options

Option	Relative to Status Quo			Costs (\$/GJ)	Available Capacity
	Reliability	Flexibility	Diversity		
Dawn	-	-	-	4.28	Yes
Dawn LTFP	↔	↔	↔	4.24	Yes
Great Lakes	↔	↔	↔	4.31	No
MichCon	↔	↔	↑	4.40	No
Vector	↔	↔	↔	4.36	No
Panhandle	↔	↔	↔	5.04	Yes
NEXUS	↔	↔	↔	4.36	Yes
Rover	↔	↔	↑	4.48	Yes
Niagara	↔	↔	↔	4.30	No

- a) The landed cost of most of the supply options ranges from \$4.24 per GJ to \$4.48 per GJ. However, the landed cost of Panhandle is \$5.04 per GJ. Please explain the reasons for the higher landed costs for the Panhandle supply option.
- b) The Panhandle supply option is rated neutral in terms of reliability, flexibility and diversity. Please explain how the Panhandle option is an important part of the supply mix.

Question 12: Blind RFP Process Manager Evaluation

Enbridge Gas retained ScottMadden Inc. to review and provide recommendations regarding the annual blind bid process used by Enbridge Gas to conduct and evaluate responses to a request for proposal (RFP) for natural gas storage capacity. Enbridge Gas has filed the ScottMadden report in Appendix B which provides detailed recommendations regarding the planning and execution of Enbridge Gas's blind RFP process. Based on a detailed review, ScottMadden made certain process recommendations regarding the selection of an external RFP manager. These recommendations include:

- Knowledge of and/or expertise in natural gas markets
- Experience in natural gas storage rate, cost and service analysis
- Familiarity with regulatory requirements and associated processes
- Ability to manage a bidder process

In your presentation, please address the following:

- a) Please confirm if the external RFP manager engaged by Enbridge Gas fulfils the criteria and requirements as per ScottMadden's process recommendations.
- b) Is the external RFP manager a former employee of Enbridge Inc, Enbridge Gas Distribution, Union Gas Limited, Spectra Energy or other affiliate companies?

Question 13: ScottMadden Recommendations

In Appendix B, on pages 5-10 of its report, ScottMadden has made a number of recommendations regarding Phase 1, Phase 2 and Phase 3 activities. In its current (2021) GSP Update, Enbridge Gas has noted that it has incorporated recommendations from ScottMadden's report into its blind RFP process that took place during January 2021. In your presentation, please address the following:

Please confirm that Enbridge Gas has incorporated all of ScottMadden's recommendations with respect to Phase 1, Phase 2 and Phase 3 activities. If a recommendation or recommendations have not been adopted, please list the specific recommendation/s and provide reasons for their exclusion.

Question 14: ScottMadden Report Response to OEB Staff Concerns

On pages 32-33 of the final staff report to the OEB (EB-2019-0137), staff expressed some concerns with respect to the annual blind RFP process used by Enbridge Gas to purchase storage in the marketplace. OEB staff noted that the process was not entirely “blind” and the process does not effectively ring fence the company’s gas supply procurement group (who are making the decision to purchase market-based storage) from its own non-utility storage in the Union South rate zone and its affiliates in Ontario. OEB staff recommended that Enbridge Gas retain an RFP manager that has natural gas expertise and the RFP manager would provide Enbridge Gas with the winning storage proposal only. This would eliminate any concerns of bias.

Based on the concerns identified in the OEB staff report, ScottMadden made certain recommendations in Appendix B, pages 9-10 of its report. ScottMadden specifically recommended:

- Revise the bid template and other supporting bid documents which will allow the external RFP manager to conduct Round 1 of the bid evaluations and provide initial rankings and recommendation(s) to Enbridge Gas;
- After the Round 1 analysis by the External RFP manager, the company can review the initial rankings and recommendation(s) and confirm the accuracy and completeness of the top-ranking bids; and
- Conduct Round 2 analysis, if necessary, to obtain additional bid clarification or request refreshed bid submissions for the shortlisted bids.

In your presentation, please include the following:

- a) Please confirm if Enbridge Gas followed the recommendations of ScottMadden for the blind RFP process that took place in January 2021. If not, please explain.
- b) Please explain how ScottMadden’s recommendations align with OEB staff’s suggestion that the RFP manager provide Enbridge Gas with only the winning storage proposal.
- c) Please confirm if the RFP manager provided Enbridge Gas with only the winning storage proposal in the RFP process that took place in January 2021. If not, please provide reasons for not doing so.

Question 15: Landed Cost Analysis for Supply Paths

In Appendix E, Enbridge Gas has provided a landed cost analysis of the different transportation paths for the period 2021-2024. The table includes supply cost (cost of commodity, Column D). For the “Panhandle FZ to Dawn” and “Rover FZ to Dawn” paths, there is a supply cost and an additional commodity charge. In your presentation, please address the following:

Please explain the additional commodity charge for the above two paths that is in addition to the supply cost.

Question 16: Performance Metrics for Monitoring GSP Effectiveness

Enbridge Gas has developed 2019/2020 performance metrics, provided in Appendix H, that reflect the criteria the OEB has established to monitor effectiveness of the GSP and how the guiding principles (cost effectiveness, reliability and security of supply, and public policy) have been achieved. In your presentation, please include the following:

- a) For the guiding principle, “Reliability and Security of Supply”, Enbridge Gas has provided a measure, “Number of days of failed delivery of supply”. This metric has achieved a result of “61”. Please explain what the measure and the result means. Please also explain the factors responsible for failure of supply and how Enbridge Gas dealt with the supply failure.
- b) Please confirm that Enbridge Gas customers were not impacted as a result of the failed delivery of supply.