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VIA RESS and EMAIL

June 9, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Nancy Marconi:

**Re: EB-2022-0072 – Enbridge Gas Inc. (Enbridge Gas)
2022 Annual Update to 5 Year Gas Supply Plan
Enbridge Gas Reply Submission and Update to Annual Gas Supply Plan**

Enclosed please find the Reply Submission of Enbridge Gas filed with the Ontario Energy Board in the above noted proceeding.

Enbridge Gas is also filing an update to the Annual Gas Supply plan, details are provided below:

Gas Supply Plan	Updates
Page 38	The year has been corrected from October 31, 2032 to October 31, 2022. <i>Transportation Contracting Analysis</i> <i>For the period of November 1, 2021 to October 31, 2022 EGI has made the following portfolio changes:</i>

Should you have any questions on this matter please contact the undersigned.

Sincerely,

Richard Wathy
Technical Manager, Regulatory Applications

cc: David Stevens, Aird & Berlis LLP
All Interested Parties EB-2019-0137 (via email)



Enbridge Gas 2022 Annual Gas Supply Plan Update

Reply Submission of Enbridge Gas Inc.

EB-2022-0072

June 9, 2022

A. Introduction and Overview

1. On March 1, 2022, Enbridge Gas Inc. (Enbridge Gas) filed its 2022 Annual Gas Supply Plan Update (2022 Annual Update) in accordance with the Ontario Energy Board (OEB) Framework for the Assessment of Distributor Gas Supply Plans (the Framework). The 2022 Annual Update is the third Annual Update to Enbridge Gas's 5-Year Gas Supply Plan (5-Year Plan). The 2022 Annual Update addresses changes to the market outlook, planning and execution process, and integration updates, and also sets out the historical comparisons of actuals required by the Framework.
2. As contemplated by the Framework, stakeholders were given the opportunity to submit written questions to Enbridge Gas and a Stakeholder Conference was convened for Enbridge Gas to answer questions and provide more information about the 2022 Annual Update. The transcribed Stakeholder Conference was held on May 5 and 6, 2022. The participants included Enbridge Gas, OEB Staff and 14 stakeholders representing consumer groups, gas utilities and a gas transportation company. During the Stakeholder Conference Enbridge Gas's witnesses, Jason Gillett, Nicole Brunner and Steve Dantzer, made presentations addressing the written questions received and answered follow-up questions from stakeholders. Additionally, Enbridge Gas provided written answers to some stakeholder questions before and through the Stakeholder Conference.
3. Following the Stakeholder Conference ten stakeholders submitted written comments.¹ The comments are largely supportive of the 2022 Annual Update, with many stakeholders including suggestions or proposals about discrete items. No stakeholder submits the 2022 Annual Update fundamentally fails to address the Guiding Principles in the Framework. No stakeholder suggests that Enbridge Gas should revise the 2022 Annual Update.
4. The current step in the process is the opportunity for Enbridge Gas to respond to the stakeholder comments received and/or revise its Annual Update based on comments received. Assuming that the same process is followed for the 2022 Annual Update as was employed last year, the next step will be that OEB Staff will prepare its Report on the 2022

¹ The following parties submitted written comments: Building Owners and Managers Association (BOMA); Energy Probe Research Foundation (EP); Environmental Defence (ED); Federation of Rental-Housing Providers of Ontario (FRPO); Industrial Gas Users Association (IGUA); London Property Management Association (LPMA); Ontario Sustainable Energy Association (OSEA); Pollution Probe (PP); School Energy Coalition (SEC); and Vulnerable Energy Consumers Coalition (VECC).

Annual Update, which may include suggestions for improvements to be reflected in the 2023 Annual Update.

5. In their written comments, several stakeholders express their support for Enbridge Gas's 2022 Annual Update and Enbridge Gas's approach to the Stakeholder Conference Process. IGUA notes that "[w]e found EGI's filing and associated Stakeholder Conference Process informative".² SEC notes the prescribed scope of what is reviewed in the Annual Update process, and in that context it comments that "... again this year, SEC found that the Stakeholder Meeting that was held on May 5 and May 6 was helpful in terms of providing participants with better understanding of the Annual Update as well as further insight into EGI's gas supply planning process".³ VECC comments that "... we conclude that overall EGI has a robust and prudent gas planning process and resultant gas plan" and then finishes its Submission by stating "[o]ur summary submission is to note that EGI continues to provide an open and transparent process to explain to consumers their gas supply plans."⁴
6. The suggestions, questions and concerns in stakeholder submissions about Enbridge Gas's 2022 Annual Update were mostly specific to particular items, though there were a couple of broader criticisms included. Where appropriate, this Reply Submission includes Enbridge Gas's specific responses to such items. Failure to respond to any particular item should not be interpreted as agreement from Enbridge Gas.
7. One item touched upon in many of the submissions received relates to the timing of future Gas Supply Plans, including the next 5-Year Plan. Enbridge Gas expects that it may request that the OEB allow for an additional year of Annual Updates (in 2024), before filing the next 5-Year Plan. This would allow the Company to reflect and incorporate the relevant determinations from the upcoming rebasing case (such as demand forecast) into the new 5-Year Plan. Enbridge Gas is not requesting any change at this time but may choose to address timing for future Gas Supply Plans in the 2023 Annual Update.
8. Another area of interest in intervenor comments is the Company's plans and reporting related to Renewable Natural Gas (RNG) and Responsibly Sourced Gas (RSG). Enbridge

² IGUA Submission, page 1.

³ SEC Submission, page 1.

⁴ VECC Submission, pages 1 and 6.

Gas agrees that more will need to be done to encourage greater volumes of RNG and is considering how to address this in the future. No party objects to Enbridge Gas procuring RSG, where the cost is not higher than other available gas supply. The Company will consider how it can report on environmental benefits associated with RNG and RSG.

9. A further area of focus, particularly from FRPO, is on Enbridge Gas's decision to contract for additional capacity on the Vector Pipeline (Vector) and renew existing Vector capacity at a lower price. In this Reply Submission, Enbridge Gas explains why this decision is reasonable and beneficial to the gas supply plan and ratepayers.
10. In the subsections of this Reply Submission that follow, Enbridge Gas uses the same topic headings as it addressed in its Stakeholder Conference presentation. Each section starts with a very brief summary of what was addressed for each topic, and then sets out the Company's response to the stakeholder comments relevant to that topic heading.
11. As described at the Stakeholder Conference, and confirmed by this Reply Submission, Enbridge Gas is committed to continuous improvement of its gas supply planning activities. Enbridge Gas will continue to provide appropriate and responsive Annual Updates to its 5-Year Plan and will ensure the OEB and stakeholders have appropriate and necessary information about the impacts of evolving circumstances.

B. Overview and Process

12. In the first part of the Stakeholder Conference, Enbridge Gas summarized the key items to be discussed from the 2022 Annual Update.⁵ Enbridge Gas again reminded stakeholders about the scope of what is (and is not) part of the Annual Review process, including the fact that there is no OEB approval of the Annual Update requested or provided through the process. Finally, Enbridge Gas provided a market update to discuss changes in natural gas market dynamics in recent months.
13. On the topic of changing market dynamics for natural gas, VECC comments that natural gas prices are becoming more expensive and more volatile. VECC notes that these circumstances may support the OEB re-examining whether gas price hedging by distributors

⁵ Enbridge Gas Presentation, slides 3-6 and 1Tr.8-29.

should be allowed.⁶ Enbridge Gas notes that the question posed by VECC goes beyond the scope of this 2022 Annual Update process. The Company has no current intention to ask the OEB to revisit whether gas price hedging should be permitted.⁷

14. Two parties raise concerns about the Annual Update process. These comments are at odds with the tone of submissions from other parties, who are generally complimentary about the transparency and usefulness of the process.
15. Enbridge Gas does not accept PP's submission⁸ that there are problematic gaps in the information provided by the Company through the process. Enbridge Gas provides a full evidentiary record each year for its Annual Updates. Parties have the opportunity to submit written questions to Enbridge Gas, to be answered at the Stakeholder Conference. Parties make full use of this opportunity. For the 2022 Annual Update, Enbridge Gas received 144 written questions from stakeholders, not including sub-parts, meaning that there were actually around 200 questions. Then, through the two-day Stakeholder Conference process, the Company answers the written questions, as well as further oral questions from participants. For the 2022 Stakeholder Conference, the Company provided a 50 slide presentation and some written answers in advance, and then answered stakeholder questions for more than 8 hours (with transcribed answers). It should be remembered, though, that this is not an adjudicative process. It is reasonable to provide some limit on the evidentiary part of the process. The Company continues to believe that it is a reasonable limitation to decline to provide undertakings to provide even further information after the Stakeholder Conference.⁹
16. Further, contrary to PP's allegation¹⁰, the prefiled evidence each year takes account of and reflects the suggestions for improvements made in previous years.¹¹ Examples of this in the

⁶ VECC Submission, pages 1-2.

⁷ 1Tr.29.

⁸ PP Submission, pages 2-3.

⁹ Enbridge Gas disputes PP's allegation (PP Submission, pages 2-3) that the Company gave an undertaking at the Stakeholder Conference, and then failed to honour that undertaking. No undertaking was given. Enbridge Gas shared the information that it possesses about carbon intensity of procured RNG from StormFisher, but made no commitment to provide any further information. See 2Tr.2.

¹⁰ PP Submission, page 3.

¹¹ The OEB Staff Report each year sets out suggestions for additions and improvements in the subsequent year's Annual Gas Supply Plan Update – Enbridge Gas reflects these suggestions in the next filing.

2022 Annual Update are the discussion of Enbridge Gas's approach to load balancing, IRP, addition of tables showing changes in annual and design day forecast, information about the items that will be included in the rebasing application and the addition of an RNG metric and a three-year average in the scorecard measures. Some of the stakeholder comments and proposals provided in previous years (and in this case) would require OEB approval for changes to current rates or processes (examples are interruptible rates, and the demand forecasting methodology and related processes). Those items will be addressed in the rebasing proceeding.

17. Finally, Enbridge Gas is not able to respond to PP's request that the Company provide a complete list of issues related to the Gas Supply Plan, and to separate these into issues that do and do not require OEB approval.¹² Different parties will have different views as to what is an "issue" in relation to the Gas Supply Plan. In any event, though, Enbridge Gas will be clear in its rebasing application as to what approvals are being sought in relation to gas supply planning items.
18. FRPO's submission focuses on Enbridge Gas's contracting decisions for the Vector Pipeline (Vector). In the course of the submission, FRPO raises questions about items that it requested Enbridge Gas to disclose which were not provided.¹³ Through the course of the Stakeholder Conference, the Enbridge Gas witnesses explained what public information they had that could be provided, and what was not available to be shared. In particular, Enbridge Gas made clear that the information relied upon to make the Vector contracting decisions was included in the 2022 Annual Update filing.¹⁴ While FRPO does not make any specific suggestions as to process improvements, Enbridge Gas wants to be clear that it has provided appropriate, relevant and reasonable information in response to information requests. In fact, Enbridge Gas did further research and review during the course of the

¹² PP Submission, page 8. Note that PP made the same submission last year. Enbridge Gas responded as follows: "On the subject of integration, PP requests that EGI provide a list of the gas supply planning processes that require OEB approval before they can be amended. EGI has provided information about the key items that require OEB approval for amendments and/or integration, including design day weather methodologies, rate design and degree day forecasting methodologies. It is not clear to EGI that it is necessary or helpful to the Annual Review process to require an exhaustive list of items that require OEB approval, particularly when there is clearly a difference of opinion between EGI and stakeholders as to what items are properly part of the gas supply function and what items are part of other processes." – EB-2021-0004, Enbridge Gas Reply Submissions, para. 25.

¹³ See, for example, FRPO Submission, pages 6-7 and 10.

¹⁴ See, for example, 2Tr.16-27 and 48-50.

Stakeholder Conference in response to FRPO's oral questions, and provided follow-up answers after a break¹⁵ and in a written response¹⁶.

C. Harmonization (and Rebasing)

19. The second topic discussed at the Stakeholder Conference addressed the status of Enbridge Gas's integration of gas supply planning and functions. As part of this discussion, Enbridge Gas explained some of the gas-supply related proposals that may be included in the upcoming rebasing application.¹⁷ This led to some discussion about when the next Five-Year Plan will be filed for approval, noting that the current timing (2024) would mean that the rebasing decision implications (expected in late 2023) would not be known in time to be reflected in the Five-Year Plan.
20. Parties are supportive of the Company's efforts to date to harmonize its gas supply functions from the legacy utilities.¹⁸ In response to EP's question¹⁹, Enbridge Gas confirms that through 2019 and 2020 it integrated its gas supply planning and execution teams that perform gas supply functions for the amalgamated utility (for both legacy utilities).
21. Several parties made comments in response to the information provided by Enbridge Gas about items impacting gas supply planning that are planned to be addressed in the rebasing proceeding. These comments generally consist of requests and suggestions for items to be included in the prefiled evidence in the rebasing case.²⁰ Enbridge Gas has noted the suggestions made, and will consider each of these as the evidence for the rebasing case is prepared and completed.
22. On the topic of the timing of the next 5-Year Plan, parties appear to agree with Enbridge Gas that it may make sense to request a one-year extension.²¹ Filing the next 5-Year Plan in the first part of 2025 would allow Enbridge Gas to reflect the findings within the rebasing case (including the demand forecast). It is unlikely that this can happen if the next 5-Year

¹⁵ 2Tr.48-50.

¹⁶ Exhibit J2.1.

¹⁷ Enbridge Gas Presentation, slides 9-12 and 1Tr.30-79. See also the 2022 Annual Update evidence at pages 6-8.

¹⁸ EP Submission, page 2; and LPMA Submission, page 1.

¹⁹ EP Submission, page 2.

²⁰ See, for example, BOMA Submission, page 2; ED Submission, pages 1-2; and LPMA Submission, page 2.

Plan is filed in early 2024.²² Therefore, Enbridge Gas may request that it be permitted to file an Annual Update in 2024, rather than a 5-Year Plan.

23. Enbridge Gas submits that determinations about the timing for the next 5-Year Plan are not needed immediately. Instead, Enbridge Gas proposes that it will provide more details about proposed timing for the next 5-Year Plan in its 2023 Annual Update (which is currently set as the fourth and final Annual Update related to the 2019-2023 Five-Year Plan). By that time, the Company will have filed its rebasing application, and more will be known about the timing of that proceeding. Following (or at the same time as) the 2023 Annual Update process, Enbridge Gas can make a formal request to the OEB to defer the next Five-Year Plan for one year.²³

24. On the topic of the 2023 Annual Update, Enbridge Gas notes that the timing of that process will overlap with the timing of the upcoming rebasing application. The Company expects that it may be sensible to make some changes to the process for the 2023 Annual Update to minimize duplication. More will be known after the rebasing application process is underway. Therefore, the Company may include proposals or suggestions for the 2023 Annual Update process in its 2023 Annual Update filing.

D. RSG, RNG and Hydrogen

25. The third topic discussed at the Stakeholder Conference covered the ways that Enbridge Gas has been looking at RSG, RNG and Hydrogen as part of the gas supply portfolio.²⁴ Enbridge Gas provided information and updates about the Voluntary RNG Program and the Low-Carbon Energy Project (hydrogen blending). Enbridge Gas also addressed the emergence of RSG in the natural gas industry. RSG is gas that is certified as conforming to certain ESG (environmental, social and governance) requirements, based on several certifications that exist. As the Company explained, RSG certified gas is becoming more common, and can be available without paying a specific premium as compared to non-

²¹ IGUA Submission, pages 1-2; LPMA Submission, page 3; and SEC Submission, page 2.

²² Mr. Gillett explained that the Company's gas supply planning process starts in May of the year prior, which means that the rebasing decision would be required by early 2023 to support a filing in 2024 that included the impact of the decision. See 1Tr.75-76.

²³ This formal request in addition to the Annual Update filing would be required because the OEB does not issue approvals in connection with the Annual Update process.

²⁴ Enbridge Gas Presentation, slides 15-22 and 1Tr.79-139. See also the 2022 Annual Update evidence at pages 21-22 and 29-38.

certified gas. All things being equal, this is a benefit for the Company's gas supply, as there can be some assurances of ESG attributes associated with procured RSG.²⁵

26. Stakeholder comments on this topic focus on RNG and RSG.

27. Several parties comment that to date there has been very little RNG included in the Company's gas supply portfolio.²⁶ VECC suggests that part of the reason for this may be regulatory impediments to adding higher-cost gas supplies to the portfolio, and that regulatory changes may be required to encourage or support greater volumes of RNG.²⁷ PP submits that there should be a review of the "policy drivers" related to RNG.²⁸ Enbridge Gas agrees that more will need to be done to encourage and increase the inclusion of RNG in the gas supply portfolio. As stated in evidence, "EGI is evaluating how it can further support the development of an RNG market in Ontario."²⁹ The Company will continue to report on its efforts in this regard in subsequent filings.

28. OSEA submits that Enbridge Gas should explore processes to verify or confirm the carbon intensity of RNG and RSG procured, arguing that GHG emissions should be an important factor in procurement decisions.³⁰ While Enbridge Gas agrees that it would be appropriate to obtain carbon intensity information about procured RNG or RSG where it is available from the producer, it is not clear how the information will be applied as it relates to RSG. There is no available baseline for methane intensity in natural gas production as it varies widely between basin and supplier. For this and other reasons, Enbridge Gas does not have a baseline against which to compare the lifecycle emissions of its current gas supply portfolio.³¹ Thus, while the Company could use information that RNG is "carbon negative" (as is the case for the volume procured in 2021³²) to calculate emissions reductions for end users versus conventional gas supply, it is not clear how information about different life cycle carbon emissions from RSG would be used because it would not be known what gas supply is being replaced. Enbridge Gas therefore does not support adding process and

²⁵ 1Tr.79-85.

²⁶ See BOMA Submission, page 2; PP Submission, pages 7-8; and VECC Submission, pages 4-5.

²⁷ VECC Submission, page 5.

²⁸ PP Submission, page 8.

²⁹ 2022 Annual Update evidence at page 35.

³⁰ OSEA Submission, page 2.

³¹ 1Tr.82 and 111-112. See also 2Tr.75.

³² 2Tr.2.

cost by having a third party confirm carbon intensity of RSG and/or RNG acquired for the existing voluntary program.

29. SEC requests that Enbridge Gas provide more information in the next Annual Update about the carbon intensity of RSG procured, as compared to the overall gas supply portfolio.³³ As explained, this will be challenging. There is no baseline information about specific carbon intensity of the overall gas supply portfolio, and it is not clear what information will be available from RSG suppliers. However, Enbridge Gas notes that the RSG market is rapidly evolving, and disclosure of this type of information from RSG producers may become more common. Enbridge Gas will review information received in the current year when RSG is procured, and will determine whether there is relevant and useful information that can be shared in the 2023 Annual Update.
30. OSEA recommends that Enbridge Gas should develop “value assignments” for RNG and RSG, to compare procurement of RNG and RSG versus conventional gas in a way that gives credit for attributes of RNG and RSG.³⁴ This is not something that was addressed in the 2022 Annual Update or discussed at the Stakeholder Conference. Enbridge Gas is not prepared to take this step without direction or guidance from the OEB.
31. Parties do not object to Enbridge Gas including RSG in its gas supply portfolio, assuming that this does not increase gas supply costs.³⁵ As indicated in the customer survey information included in the 2022 Annual Update filing, most of Enbridge Gas’s customers support the acquisition of RSG as part of the gas supply portfolio, even where the cost is higher.³⁶ Despite this support from customers, Enbridge Gas will continue to procure RSG without impacting gas supply costs.
32. ED requests that Enbridge Gas refrain from issuing marketing material referring to RSG acquisitions, arguing that this could be misleading to consumers.³⁷ Enbridge Gas recognizes its obligation to be accurate in customer communications and marketing materials. That being said, the Company believes that consumers are interested in

³³ SEC Submission, page 1.

³⁴ OSEA Submission, pages 2-3.

³⁵ See, for example, VECC Submission, pages 3-4.

³⁶ 2022 Annual Update evidence at page 34 and Appendix A, pages 16-18.

³⁷ ED Submission, pages 2-3.

understanding evolution of their gas supply, and therefore Enbridge Gas will not commit to ED's request.

33. IGUA suggests that Enbridge Gas consider indicating a request in future gas supply RFPs for suppliers to indicate whether gas being offered is certified, and to what standard.³⁸ Enbridge Gas believes that producers will volunteer this information, since it is a positive attribute. However, Enbridge Gas prefers not to require disclosure of this information in an RFP, since it might discourage some market participants from responding to RFPs. This would then make it more challenging to get the lowest price cost of gas for ratepayers in RFPs. And if Enbridge Gas sought to mitigate this by clearly stating that the Company would not consider RSG certification in the RFP process, this might discourage certified parties and might not be accurate, because Enbridge Gas could in fact consider certification in certain circumstances (price tie, diversity, lower cost, etc.).³⁹

E. Load Balancing

34. Enbridge Gas included evidence in the 2022 Annual Update describing its current approach to load balancing.⁴⁰ This is intended to complement the evidence to be filed in the rebasing proceeding about how Enbridge Gas has considered the opportunity to use market-based alternatives instead of third-party storage. Enbridge Gas provided an overview of its load balancing activities as part of the Stakeholder Conference.⁴¹
35. EP indicates that it reviewed the evidence on Enbridge Gas's current approach to load balancing evidence and EP confirmed that it believes the current approach is appropriate.⁴² No other stakeholders make any submissions or raise any specific concerns with respect to the Load Balancing information presented in the 2022 Annual Update process.

F. Demand

36. The "Demand" topic at the Stakeholder Conference covered the peak day and annual demand forecasts for each rate zone for the next five years, along with the committed supply assets to meet the forecast demand and any forecast excess/(shortfall). Through the

³⁸ IGUA Submission, page 2.

³⁹ 1Tr.99 and 138.

⁴⁰ 2022 Annual Update evidence at pages 9-15.

⁴¹ Enbridge Gas Presentation, slides 25-27 and 1Tr.140-145.

⁴² EP Submission, page 2.

evidence and presentation, Enbridge Gas provided details about the Company's demand forecast for the next five years, including comparisons to forecasts presented in earlier years. Enbridge Gas also provided information about the expected impacts on demand arising from changes in price (including from carbon charges) and changes in weather (compared to forecast).⁴³

37. One addition to the Company's presentation for the 2022 Annual Update is a "waterfall graph" (found at slide 30), which sets out the current contracted assets to meet annual demand, and the timeframe during which each asset is contracted/committed. As seen from this illustration, there is significant flexibility in the gas supply plan to respond in the event of significant changes in demand in future years.⁴⁴ Moreover, the proportion of gas supply that is not underpinned by firm transportation provides in-year and short-term opportunities for adjustments where demand varies.⁴⁵ As noted by LPMA, "the EGI GSP is sufficiently flexible to adapt to changes in demand and supply at this time".⁴⁶

38. EP and LPMA commented that the demand forecasts provided are reasonable, based on information known at the time they were prepared.⁴⁷ EP commented that the information about impacts of changes in gas prices (including from carbon pricing) is reasonable.

39. LPMA suggests that Enbridge Gas provide for more scenario analysis in future years to ensure that the gas supply plan is sufficiently flexible to respond to increasing volatility in both demand and supply.⁴⁸ ED requests that Enbridge Gas provide additional details in its "waterfall graph" to show how peak design day demand is met.⁴⁹

40. In response to these submissions, and as explained at the Stakeholder Conference, Enbridge Gas plans to expand its illustration of future gas supply commitments in the 2023 Annual Update, to show the assets and commitments in place to meet both annual and

⁴³ Enbridge Gas Presentation, slides 30-36 and 1Tr.145-206. See also the 2022 Annual Update evidence at pages 15-29 and Appendices B, C and H.

⁴⁴ 1Tr.145-147 and 165-175.

⁴⁵ As explained by Mr. Gillett, the Company has full flexibility in relation to the purchase of gas commodity, which is done on a maximum of year to year basis – 1Tr.16. This is discussed in more detail at 1Tr.168-169.

⁴⁶ LPMA Submission, page 2.

⁴⁷ EP Submission, page 3; and LPMA Submission, page 2.

⁴⁸ LPMA Submission, page 2.

⁴⁹ ED Submission, page 4.

demand day supply requirements. This graphic or presentation will also indicate the term associated with such assets and commitments. Enbridge Gas believes that this approach will be useful in demonstrating and evaluating how the plan can respond in future years if there are significant changes in demand or supply.

41. VECC notes that Enbridge Gas applies different assumptions of impacts from interruptible customers in the EGD and Union rate zones when determining design day demand.⁵⁰ As explained by the Enbridge Gas witnesses, the long-standing approach is that the Union rate zones have assumed that 100% of interruptible customer demand is removed while the EGD rate zone assumes that 75% of interruptible customer demand is removed.⁵¹ Enbridge Gas plans to present a unified approach as part of the rebasing case, at the same time as other elements of demand forecasting are updated to apply to the full amalgamated utility.
42. Several parties made comments about the long-term demand forecasts that Enbridge Gas provided in the “Market Outlook” section of the 2022 Annual Update evidence. The forecasts in question are seen in graphs that Enbridge Gas reproduced (with permission) from a periodic ICF Canada report to which Enbridge Gas subscribes.⁵² BOMA and ED raise questions about the continuing increases in demand in certain sectors in the long-term forecast.⁵³ PP objects to the fact that Enbridge Gas declined to provide the full underlying report from which demand forecast graphs were reproduced.⁵⁴
43. Enbridge Gas believes it is important to emphasize that the long-term demand forecast information presented in the Market Outlook section of evidence does not underpin or influence the gas supply plan. The information is provided to provide contextual and background information about developments in the gas market that may be impactful in future years. The demand forecasts prepared by Enbridge Gas and presented in the gas supply plan are developed by Enbridge Gas using OEB-approved methodologies.⁵⁵ Therefore, if there are differences between what parties might expect to see in a longer term

⁵⁰ VECC Submission, page 5.

⁵¹ 1Tr.191-197.

⁵² The ICF forecasts are found as Figures 6 to 9 of the 2022 Annual Update evidence, at pages 16-19.

⁵³ BOMA Submission, pages 1-2; and ED Submission, pages 3-4.

⁵⁴ PP Submission, pages 5-6.

⁵⁵ 1Tr.13, 14, 27 and 205.

forecast and what is presented in the ICF graphs, this does not impact the five year demand forecasts in the 2022 Annual Update.

44. Enbridge Gas does not believe that it is relevant or necessary for the Company to produce the full ICF reports from which the demand forecast graphs were reproduced. As stated above, the information presented does not influence the demand forecast that underpins the gas supply plan, so there is no need to test it for “reasonableness” as PP suggests. In any event, while Enbridge Gas has permission from ICF to reproduce a small number of graphs from the paid subscription report, there is no permission to publish it more broadly. Enbridge Gas assumes that ICF would object to publication of the report and/or require substantially more compensation where the report was to be shared with non-subscribers (which would be the case even where the report was shared on a confidential basis).

G. Portfolio and Transportation Contracting Changes

45. In the “Portfolio and Transportation Contracting Changes” part of the Stakeholder Conference presentation, Enbridge Gas provided details about forecast shortfalls in each rate zone, and how these will be addressed, as well as pipeline renewals and purchases over the past year (Vector renewal in the Union rate zone and Vector capacity purchase for both rate zones and TCPL capacity purchase for the Union Northeast rate zone).⁵⁶
46. OSEA submits that Enbridge Gas should include adjustments to RFP bids from other jurisdictions, “to normalize the cost of carbon emissions from the creation of natural gas across jurisdictions with Ontario’s and Canada’s carbon policy”.⁵⁷ OSEA made a similar proposal in the 2021 Annual Update, though related to gas storage at that time. Enbridge Gas does not believe this approach is reasonable or appropriate. The prices submitted in an RFP process are competitive. Providers (including those in Ontario) choose what to charge, and may or may not choose to absorb any carbon pricing that they must pay.⁵⁸ Absent policy direction from the Government, it is not reasonable and it is not in the interest of Ontario ratepayers to require that evaluation of bids from other jurisdictions that reflect Ontario carbon pricing that does not actually apply and which would not be paid.

⁵⁶ Enbridge Gas Presentation, slides 39-46 and 2Tr.4-58. See also the 2022 Annual Update evidence at pages 38-63 and Appendices D to G.

⁵⁷ OSEA Submission, page 3.

⁵⁸ See 2021 Annual Review (EB-2021-0004) at 1Tr.74.

47. LPMA notes that Enbridge Gas is increasing its reliance on Dawn purchases over the course of the five years addressed in the 2022 Annual Update. LPMA acknowledges that this permits Enbridge Gas to avoid entering into upstream transportation contracts with risk of future unabsorbed demand charges (UDC) if demand was to drop substantially. However, LPMA submits that Enbridge Gas and the OEB should monitor reliance on Dawn purchases in the future relative to other supply options.⁵⁹
48. Enbridge Gas agrees that it is important to monitor the level of reliance on Dawn supply, and to maintain a gas supply portfolio that balances cost-effectiveness, security of supply, flexibility, diversity and reliability. This fits with the OEB's Guiding Principles of Cost Effectiveness, Reliability & Security of Supply and Public Policy.⁶⁰ Keeping this in mind, and in response to a question asked by EP⁶¹, Enbridge Gas will maintain a balanced portfolio of gas supply sources so that reliability and security of supply can be maintained at a reasonable cost. One way that this is done is through diversity of transportation paths and supply basins. Access to Dawn is an excellent geographic advantage for Enbridge Gas, and purchases at Dawn are inherently flexible (since there is no associated transportation).⁶² However, the Company recognizes that over-reliance on purchases at any one location (even where that is the least expensive option) would add risk to the gas supply plan. Whether at Dawn or at other supply points (Chicago, Empress, Kensington etc.), Enbridge Gas will contract with a variety of suppliers (sometimes at slightly different costs), in order to ensure that the Company is not unduly exposed to issues arising with any particular supplier. As seen in the Scorecard, the Company is occasionally exposed to failed delivery of supply. However, the diversity of supply sources in the gas supply portfolio means that the failures to deliver have not resulted in any customer impacts.⁶³
49. In summary, Enbridge Gas will continue to maintain a balanced portfolio that meets all of the gas supply planning principles described above. Customers benefit from reliable gas supply, with a reasonable cost.

⁵⁹ LPMA Submission, page 3.

⁶⁰ See discussion at 1Tr.30-31.

⁶¹ EP Submission, page 4.

⁶² See discussion at 1Tr.171.

⁶³ See Performance Metrics Scorecard, page 2 (2022 Annual Update evidence, Appendix I, page 2).

50. The balance of the stakeholder comments on this topic relate to the Vector contracting decisions.
51. VECC finds no evidence of anything untoward or detrimental in the Vector contracting, but encourages Enbridge Gas to continue to provide detailed information about contracting on this route given the potential for conflict of interest where Enbridge is a part-owner of Vector.⁶⁴ Similarly, BOMA indicates that it recognizes there is a natural conflict from Enbridge Gas's "affiliate relationships" and "relies on good governance and OEB oversight to protect ratepayer interests". Enbridge Gas confirms that it has treated contracting with Vector in compliance with the Affiliate Relationships Code, and has provided appropriate and timely disclosure of the arrangements and contracting decisions within this proceeding.⁶⁵
52. EP highlights that Vector is an affiliate of Enbridge Gas, and asks the Company to explain in this Reply Submission why the OEB should have confidence in the contracting decision.⁶⁶ Enbridge Gas has a well-established process for transportation contracting decision which it follows regardless of whether the purchase is from an affiliate. The facts and evidence supporting the Vector contracting decisions are set out below.
53. FRPO goes further and sets out a number of comments and concerns about Enbridge Gas's new and renewed contracting for Vector capacity.
54. FRPO argues that the decisions to renew contracts for Vector capacity (for three years) and to procure new capacity for a five year term are not cost-effective. Among other things, FRPO asserts that Enbridge Gas could have chosen a variety of locations for gas supply, and that gas supply from Chicago is better received through exchange arrangements.⁶⁷ FRPO presents current year and forecast pricing differential data related to Chicago and Dawn pricing, to argue against the reasonableness of Enbridge Gas's decisions to renew and increase Vector capacity.⁶⁸

⁶⁴ VECC Submission, pages 5-6.

⁶⁵ See 2Tr.10-13 and 35-36, as well as pages 38, 39 and 63, and Appendices D and F of the 2022 Annual Update evidence and slides 44 and 45 of the Enbridge Gas Presentation.

⁶⁶ EP Submission, page 4.

⁶⁷ FRPO Submission, pages 3-4.

⁶⁸ FRPO Submission, pages 5-9.

55. FRPO's submissions make no mention of the need for Enbridge Gas to monitor the overall balance of its gas supply portfolio, including the reliance on purchases at Dawn. The impact of FRPO's position is that the Company would end up increasing the proportion of the gas supply portfolio procured at Dawn beyond a level that (as LPMA states) is already high enough that it merits ongoing monitoring. Please see the discussion above at paragraphs 47 to 49 for further details on this topic.

56. Enbridge Gas presented evidence about the Vector contracting decisions, including landed cost analysis, in the 2022 Annual Update evidence and at the Stakeholder Conference.⁶⁹ The decision to purchase and renew Vector supply was guided by the principles of diversity, reliability, flexibility and cost effectiveness. In summary:

- a. Vector held a non-binding open season for existing capacity from January 14th to February 5th, 2021. Enbridge Gas submitted a bid for existing capacity and through subsequent negotiations contracted for 40,000 Dth/d of new capacity from Chicago to Dawn at a toll of 16 cents/Dth for a term of five years beginning November 2021 and expiring October 31, 2026.⁷⁰
- b. This was the first time that Vector's capacity has been made available in a number of years, which allowed Enbridge Gas to purchase the capacity without supporting a facilities build and the long-term commitment that goes along with that.⁷¹
- c. Enbridge Gas contracted for 40,000 Dth/d of Vector capacity starting November 1, 2021, for five years, with the ability to negotiate renewals at that time. Enbridge Gas's negotiated \$0.16/Dth toll is \$0.0718 below the maximum tariff rate on Vector and is the same toll that Legacy EGD contracted for capacity from Milford Junction (the interconnect with NEXUS) to Dawn.
- d. Purchasing this capacity increased Enbridge Gas supply from Chicago.⁷² The incremental purchase of Vector capacity increased the amount of Chicago supply in Enbridge Gas's portfolio from 11% to 14%⁷³, which is aligned with the strategy to have a diversified gas supply portfolio. As described above, Enbridge Gas aims to maintain diversity of supply, transportation paths and terms of contract. While options such as Dawn purchases may be slightly less expensive, that must be balanced against the benefits of diversity. Enbridge Gas is mindful that it holds a

⁶⁹ Details of the Vector contracting decisions are set out at pages 38, 39 and 63, and Appendices D and F of the 2022 Annual Update evidence and slides 44 and 45 of the Enbridge Gas Presentation. Ms Brunner explained the rationale for the Vector contracting decisions on day 2 of the Stakeholder Conference: 2Tr.10-13.

⁷⁰ 2Tr.10.

⁷¹ 2Tr.10-11.

⁷² 2Tr.11.

⁷³ See 2022 Annual Update evidence at page 29, and 2021 Annual Update evidence, at page 24.

significant position at Dawn (25% in 2022), and is always looking at ways to diversify to other points to maintain balance in the portfolio

- e. Vector provides a competitively priced reliable and flexible transportation option that offers supply diversity at Chicago as well as along the Vector route, and has the ability to support and supply this on the market. Vector capacity provides access to supply from 3 different pipelines at Chicago and within path from Rover and NEXUS pipelines, Michcon and Michigan storage facilities.⁷⁴ Arguably, Vector capacity offers more flexible supply options than any other pipeline in the Enbridge Gas portfolio.
- f. An advantage of the Vector capacity is that in addition to diversity of supply options, it also offers the ability to deliver gas at points along its path. In this way, Vector capacity is integral to supplying Sarnia Industrial Line (SIL).⁷⁵ Interestingly, this could be looked at as a supply-side IRPA that reduces the need for facilities that would otherwise be required between Sarnia and Dawn on Enbridge Gas's system.
- g. A further advantage is that Vector pipeline has become bi-directional and capacity within Enbridge Gas control can be relied upon to come to Dawn regardless of Chicago-Dawn price variances.⁷⁶ Therefore, even where suppliers decide to re-direct gas from Dawn to Chicago to gain price advantages, Enbridge Gas will have assurance that its supply delivered on Vector will be available.
- h. Consistent with its usual practice, Enbridge Gas used pricing forecast data from ICF to complete a landed cost analysis.⁷⁷ The ICF data used for purchase evaluation was from the ICF Base Case and is provided to all of their clients who subscribe. The landed cost analysis confirms that at the time of the decision, the landed cost of gas flowing from Chicago along this route would be competitively priced over the five year contract term.
- i. Prior to this, Enbridge Gas held 80,000 Dth/d of Vector capacity for the Union rate zone, and 65,000 Dth/d for the EGD rate zone. As part of the contracting process, Enbridge Gas also negotiated a permanent reduction favourable to ratepayers in the toll of an existing Vector contract effective November 1, 2022. This renewal extends three years from the current expiry, which was November 2022, and secures access to reliable and diversified supply from the liquid Chicago trading hub.⁷⁸
- j. The toll was reduced from \$0.18/Dth to \$0.165/Dth on a permanent basis. This toll reduction is valued at approximately \$1.3 million U.S. over the three-year term, and will apply to all further term extensions.⁷⁹

⁷⁴ This can be seen in part in the map included at Appendix A to the FRPO Submission.

⁷⁵ 2022 Annual Update evidence at page 39.

⁷⁶ 2022 Annual Update evidence at page 39.

⁷⁷ 2022 Annual Update evidence at Appendix D. Discussion of Enbridge Gas's long-time use of ICF forecast data for landed cost analysis is found at 2Tr.24-26.

⁷⁸ 2Tr.12.

⁷⁹ 2Tr.12.

- k. Throughout the decision-making process, Enbridge Gas conducted itself in the same manner as with any other counterparty. No different approach was applied because Vector is an affiliate.⁸⁰

57. As can be inferred from the discussion above, Enbridge Gas does not believe that contracting for exchanges of gas between Chicago and Dawn is a proper replacement for Vector capacity. This does not provide the same security of supply, and it does not allow Enbridge Gas with access to multiple supply points or multiple delivery points (such as the SIL). Contracting for new Vector capacity gives Enbridge Gas assured access to this transportation path. Exchanges do not do the same thing.

58. The 2021 Q1 price forecast information from ICF used by Enbridge Gas to analyze and make the Vector contracting decision indicated that Chicago supply costs will be lower than at Dawn over five years. Enbridge Gas acknowledges that recent gas price transactional information shows that purchasing gas in Chicago may have been about the same as the price at Dawn over the past year.⁸¹ Enbridge Gas also acknowledges that ICF's 2021 Q3 forecast for gas prices shows that the forecast price differential between Dawn and Chicago had become smaller.⁸² Of course, this newer price forecast information from ICF was not available at the time of the contracting decision. Forecasts (and actual experience) can be expected to change from what is expected at the time that a decision is made.

59. FRPO also includes information about forward strip natural gas prices for Chicago and Dawn, dated from October 2021.⁸³ As indicated at the Stakeholder Conference, forward market settlement data is not something that's relied upon by Enbridge Gas when it does long-term landed cost analysis and makes contracting decisions for longer-term contracts such as the Vector contract.⁸⁴ Enbridge Gas does not use this type of forward-looking market data to make long-term contracting decisions, because that data either does not exist or is highly unreliable for five-year terms, as it is based on averages or extrapolations of very few actual forward transactions occurring on the day of settlement. As explained by Mr. Gillett:

⁸⁰ 2Tr.87.

⁸¹ This is seen in the figures included in the table at page 6 of FRPO's Submission (which are taken from the discussion at 2Tr.49.

⁸² This is seen in the last table in the interrogatory response from the DSM proceeding (Exhibit I.5.EGI.ED.12 from EB-2021-0002) reproduced as Attachment 2 to the FRPO Submission.

⁸³ FRPO Submission, page 8.

What we do is we use a five-year forecast from ICF in order to make that landed cost analysis for a five-year term.

If we have a contract that's a year, or less, even, we would look at using market data, because there is more liquidity in terms of the transparency into those trades.

But once you get out a year, it starts to become very unreliable, especially depending on which point you are talking about. And so that has not been the process that we have used over time. It is to use ICF model data because, to us, that is the most reliable way to make long-term contracting decisions.⁸⁵

60. FRPO's submission also indicates concerns that Enbridge Gas has assigned some of its Vector capacity to third party marketers. FRPO suggests that this raises the question of why Enbridge Gas did not simply arrange for exchanges, since assignments of Vector capacity means that the Company does get the benefits from controlling the capacity. FRPO acknowledges that questions about what was actually done in terms of assignments and associated financial consequences can be asked in the 2021 Deferral Account Clearance proceeding.⁸⁶

61. Enbridge Gas agrees that questions about how the Company optimized transportation assets including the Vector capacity are best addressed in the 2021 Deferral Account Clearance proceeding. However, Enbridge Gas notes that assignments of capacity are not something that is forecast or contemplated in the gas supply plan or transportation contracting decision process, but instead is something that is effected when the plan is operationalized to meet actual market and demand conditions.⁸⁷ These optimization activities are performed each gas year based on short-term market conditions and the resulting revenues are captured in the Transaction Services Deferral Account (for LEGD capacity) and the Upstream Transportation Optimization account (for LUG capacity).

62. FRPO finishes by requesting that OEB Staff provide a summary of FRPO's concerns about the Vector contracting decisions to the OEB for consideration, including potential further procedural steps.⁸⁸ Enbridge Gas disputes that this is necessary. The Company has

⁸⁴ 2Tr.51-52.

⁸⁵ 2Tr.85-86.

⁸⁶ FRPO Submission, pages 9-11.

⁸⁷ 2Tr.29-30.

⁸⁸ FRPO Submission, pages 11-12.

provided ample explanation and support for the Vector contracting decisions, and this does not appear to be a matter of concern for most stakeholders.

H. Supply and Storage Portfolio

63. In its 2022 Annual Update evidence and at the Stakeholder Conference, Enbridge Gas presented information about the sources of supply in the 2021/2022 Gas Supply Plan, as well as the forecast of UDC inherent in the Plan (because firm supply is required to some delivery areas for peak day that will not be needed at other times).⁸⁹ Enbridge Gas also provided a summary of the 2022 “blind RFP” process to procure market-based storage services for the EGD rate zone.

64. EP is the only party to provide comments on this topic, stating simply that it has no concerns about the process through which Enbridge Gas obtained third-party storage.⁹⁰

I. Performance Metrics

65. The final topic addressed at the Stakeholder Conference was Enbridge Gas’s Performance Metrics for the first 3 years of the 5-Year Plan. The Performance Metrics results were presented in evidence and summarized at the Stakeholder Conference.⁹¹

66. Stakeholders did not raise concerns or make comments about any of the EGI’s Performance Metrics results for the past three years.

67. PP provides several more general submissions about Performance Metrics.

68. First PP suggest that additional metrics should be added to provide information about whether “public policy outcomes are being met”.⁹² PP makes four specific suggestions, which are listed below, along with Enbridge Gas’s response.

- a. *Specific municipal access to RNG* – Assuming that this proposed metric is asking how many municipalities have access to RNG, Enbridge Gas submits that this item is not part of the gas supply plan, which is aimed at securing system supply for Enbridge Gas customers.

⁸⁹ Enbridge Gas Presentation, slides 49-51 and 2Tr.58-69. See also the 2022 Annual Update evidence at pages 26-29 and 41-42.

⁹⁰ EP Submission, page 4.

⁹¹ Enbridge Gas Presentation, slides 54-56 and 2Tr.69-80. See also the 2022 Annual Update evidence at page 70 and Appendix I.

⁹² PP Submission, page 6.

- b. *GHG Reductions due to RNG procurement* – Enbridge Gas is open to adding this reporting item to the Performance Metrics, based on the difference between emissions from conventional gas supply and RNG and will consider this as part of its 2023 Annual Update where available.
- c. *Number of infrastructure projects deferred/avoided by supply side IRPAs* – This is not part of the gas supply plan – reporting on infrastructure projects impacts from IRP is better addressed through IRP reporting as part of the OEB's IRP Framework. Enbridge Gas could consider including reporting on new supply side IRPAs implemented in a year⁹³ (recognizing that some existing gas supply arrangements could be considered as IRPAs). This might be done in the narrative section of the Annual Update, or in the Performance Metrics.
- d. *Annual and cumulative lifecycle GHG emissions reductions from gas supply procurement, including RSG* – For the reasons set out earlier in this Reply Submission, Enbridge Gas is not able to quantify emissions reductions from RSG in a way that can be reported.⁹⁴

69. PP also suggests that the Performance Metrics scorecard could be enhanced by providing greater context on the desired range or results for each metric and quantifying the tangible benefits related to the outcomes achieved.⁹⁵ For the 2023 Annual Update, Enbridge Gas will consider whether it would be possible and helpful to add some guidance as to target results for some of the Performance Metrics.

All of which is respectfully submitted this 9th day of June 2022.

⁹³ 2Tr.77.

⁹⁴ This is also discussed at 2Tr.75.

⁹⁵ PP Submission, page 7.