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VIA RESS and EMAIL

December 7, 2023

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

Dear Nancy Marconi:

Re: EB-2023-0326 – Ontario Energy Board (OEB) Hearing on the OEB's own Motion regarding Enbridge Gas Inc.'s (Enbridge Gas) 2021 Vector Contracting Decision - Enbridge Gas Argument in Chief

In accordance with the OEB's Notice of Hearing and Procedural Order No. 1 for the above noted proceeding, enclosed please find the Argument in Chief filed by Enbridge Gas.

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

Sincerely,

(Original Signed)

Richard Wathy
Technical Manager, Regulatory Applications

cc: David Stevens, Aird & Berlis LLP
All Interested Parties EB-2023-0072 (2023 Annual Update to 5 Year Gas Supply Plan)

EB-2023-0326

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF a Hearing on the Ontario Energy Board's own Motion regarding Enbridge Gas Inc.'s 2021 Vector Contracting Decision.

ENBRIDGE GAS INC.

ARGUMENT IN CHIEF

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A. OVERVIEW

1. In early 2021, Vector Pipeline held a non-binding Open Season for existing capacity. Enbridge Gas submitted a bid for existing capacity and through subsequent negotiations contracted for new and renewed Vector capacity. This proceeding asks whether this decision was prudent.

2. The OEB's Framework for the Assessment of Distributor Gas Supply Plans (GSP Framework) sets out the OEB's "Guiding Principles for the Assessment of Gas Supply Plans".[1] The Company's decision to purchase and renew Vector supply is entirely consistent with the OEB's gas supply planning principles, and it meets Enbridge Gas's gas supply planning goals of diversity, reliability, flexibility, and cost-effectiveness.

3. With reference to these goals, specific benefits to ratepayers from the 2021 Vector contracting decision include the following[2]:
   a. Diversity: Purchasing the new Vector capacity increased Enbridge Gas supply from Chicago. This was the first time that Vector capacity had become available in many years. The incremental purchase of Vector capacity increased the amount of Chicago supply in Enbridge Gas's portfolio from 11% to 14%, which is aligned with the strategy to have a diversified gas supply portfolio. 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 significant position at Dawn (25% in 2022 and 26% in 2023) and is always looking at ways to diversify to other points to maintain balance in the portfolio.

   b. Reliability: Both the new and renewed Vector capacity are firm transportation underpinned by one of the most reliable pipeline operators that Enbridge Gas contracts with. 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. In addition to diversity of supply options, it also offers the ability to deliver gas at points along its path. Vector capacity is integral to supplying Enbridge

[1] Report of the Ontario Energy Board – Framework for the Assessment of Distributor Gas Supply Plans (GSP Framework), EB-2017-0129, pages 7-8.
[2] This summary is an updated version of the Conclusion section of the Company's Reply Submission in the 2023 GSP Update (EB-2023-0072) – more details (and evidentiary references) are found in the body of this Argument in Chief.

Gas's Sarnia Industrial Line (SIL). 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.

c. Flexibility: In addition to flexibility to flow gas along the diverse route options discussed above, Enbridge Gas was able to purchase this capacity without supporting a facilities build and the long-term commitment that goes along with that. This is especially relevant given that many of the upstream transportation paths leading to Enbridge Gas's system are fully contracted and therefore would require facilities expansions and associated long term contracts in order for Enbridge Gas to increase its supply diversity using those paths.

d. Cost-effectiveness: Vector capacity was the lowest-cost available option at the time for supply diversity and supporting SIL design day demand. The toll paid is the same as Enbridge Gas had already been paying for only part of the Vector path (from Milford Junction to Dawn), with the advantage of additional supply diversity at Chicago and along the path. Furthermore, as part of the contracting process, Enbridge Gas also negotiated a permanent toll reduction of an existing Vector contract effective November 1, 2022. This toll reduction is favourable to ratepayers and is valued at approximately $1.3 million U.S. over the three-year term and will apply to all further term extensions.

4. The Company's 2021 Vector contracting decision was supported by landed cost analysis prepared at the time of the decision.[3] The landed cost analysis shows that the forecast costs of the Vector contracting decision was less than other transportation paths (though modestly more costly than Dawn purchases). The landed cost analysis undertaken by Enbridge Gas for the 2021 Vector contracting decision is consistent with the reporting and analysis for new and renewal upstream transportation contracts that Union Gas agreed upon in a Settlement Agreement in its 2007 rates proceeding.[4] This landed cost analysis has been used consistently since that time, and no party has argued to amend the Settlement Agreement that established the parameters of this landed cost analysis. If

[3] 2022 GSP Update (EB-2022-0072), Appendices D and G.
[4] See EB-2005-0520 Decision with Reasons, June 29, 2006, Settlement Agreement, Issue 3.1 and Appendix B.

changes are required to the evaluation approach, this is a policy determination better addressed in a Framework type process.

5. In the utility context, prudence of expenditures has been equated with reasonableness.[5] Essentially, the prudence analysis for a committed expense is to ask whether the decision was reasonable under the circumstances that were known or ought to have been known by the utility at the time the decision was made.[6]

6. The record of the earlier consultations leading up to this hearing shows that OEB staff agrees that the Vector contracting decision was prudent. Most other stakeholders have either agreed with Enbridge Gas, or taken no position.

7. Enbridge Gas presented information about the 2021 Vector contracting decision in the 2022 Annual Gas Supply Plan Update (2022 GSP Update).[7] FRPO raised questions and concerns in that case, and Enbridge Gas provided responses and explanations. The OEB Staff report to the OEB in the 2022 GSP Update concluded that the Vector contracting decision met the OEB's gas supply planning principles and that the concerns raised by FRPO in that case did not merit further procedural steps such as a hearing.[8] The OEB endorsed the OEB Staff report and agreed that no further procedural steps were needed.[9]

8. In the 2023 Annual Gas Supply Plan Update (2023 GSP Update), FRPO again argued that the 2021 Vector contracting decision was not prudent.[10] Enbridge Gas provided a full response.[11] The OEB Staff report to the OEB in the 2023 GSP Update reviewed all the submissions received and (again) concluded that the Vector contracting decision was prudent.[12] However, OEB staff noted that "material prudence decisions" are typically made by OEB Commissioners and referred the matter to be determined in this proceeding.

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[5] EB-2020-0290 Decision and Order (Ontario Power Generation), page 26.
[6] *Enbridge Gas Distribution v. Ontario Energy Board*, 2006 CanLII 10734 (ON. CA), paras. 10-11.
[7] 2022 GSP Update (EB-2022-0072), pages 38-39 and 63 and Appendices D and G.
[8] 2022 GSP Update (EB-2022-0072), OEB Staff Report to the Ontario Energy Board, Review of 2022 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, pages 2 and 40.
[9] 2022 GSP Update (EB-2022-0072), OEB Letter dated September 7, 2022.
[10] 2023 GSP Update (EB-2023-0072), FRPO Submissions on Vector Contracting & Gas Supply Framework, August 14, 2023.
[11] 2023 GSP Update (EB-2023-0072),Enbridge Gas Reply Submission, August 28, 2023.
[12] 2023 GSP Update (EB-2023-0072), OEB Staff Report to the Ontario Energy Board, Review of 2023 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, pages 2 to 3 and 12 to 14.

9. The evidence supports the OEB staff conclusion that the 2021 Vector contracting decision made by Enbridge Gas was prudent. The decision was reasonable and consistent with the OEB's own gas supply planning principles, and has provided Enbridge Gas customers with gas supply diversity and reliability since the contracts became effective in November of 2021.

10. While Enbridge Gas maintains that there is no basis to find that the 2021 Vector contracting decision was imprudent, if the OEB decides otherwise, the cost consequences that the OEB can consider/change are limited. Costs associated with the Vector contracts have been considered and determined in several ways, on a final basis. Enbridge Gas relies on these completed processes as signals that costs and activities are reasonable.

    a. The 2021 Vector contracting decision was presented and discussed in the 2022 GSP Update and the OEB endorsed the OEB staff report stating that the 2021 Vector contracting decision was prudent. The OEB closed off the 2022 GSP Update process without any hearing to determine prudence.

    b. Revenues associated with optimizing the Vector contract costs have been credited to ratepayers through the completed or settled disposition of 2021 and 2022 deferral accounts.

    c. The costs associated with the Vector contracts are part of the Company's gas supply costs, which are included in the PGVA and disposed of regularly through the QRAM process.

11. In all of these circumstances, there is no proper basis to revisit gas supply costs related to the Vector contracts for 2021 or 2022. To do so now would be impermissible retroactive ratemaking of costs already recovered on a final basis.[13]

12. Even the 2023 costs to date associated with the Vector contracts have passed through to customers through QRAM proceedings. The Company submits, therefore, that at most what should be at issue are solely future transportation contract costs associated with the new Vector contracts added in 2021. Even in that scenario, though, the costs associated with the contracts must take into account all amounts credited to ratepayers from optimization of the contract costs. The annual fixed cost of the new Vector capacity purchased is

[13] *Union Gas Limited v. Ontario Energy Board*, 2015 ONCA 453 (CanLII), at paras. 83-86.

approximately $3 million. To date, approximately $1 million of optimization revenue associated with these contracts was refunded to ratepayers in each of the first two years.

13. Finally, Enbridge Gas notes that this is an extraordinary proceeding, because parties have already exchanged submissions in the 2023 GSP Update on the same issue as being considered now. While Enbridge Gas has some indication of the arguments that FRPO (and potentially others) may make in support of their position, the Company cannot be certain in that regard and will therefore not assume what FRPO and others will say, and instead will wait and respond to such submissions in Reply Argument.

B. DETAILS OF THE 2021 VECTOR CONTRACTING DECISION

14. In its report to the OEB at the end of the 2022 GSP review process, OEB staff supported the 2021 Vector contracting decision. OEB staff went on to suggest that Enbridge Gas could provide additional information to establish reasonableness of the Vector pipeline contracting decision in the 2023 Annual Update. OEB staff recommended that Enbridge Gas provide a calculation of the net premium that it expected to pay relative to purchasing gas at Dawn using the information that it had available when it was making its contracting decision. It also suggested Enbridge Gas provide the actual cost premium paid for Vector contracted capacity relative to Dawn purchased gas for the 2021-2022 period, while acknowledging that this information is "… not central to the review of the reasonableness of the contracting decision".[14]

15. Subsequently, as part of the Settlement Proposal for the Company's 2021 Deferral and Variance Account Clearance Application, Enbridge Gas agreed that within its 2023 GSP Annual Update filing, it would also include the following information[15]:
    a. The forward market pricing data at Chicago and Dawn available to Enbridge Gas at the time of the final decision to extend the existing Vector contract and enter into a new Vector contract.
    b. The landed cost of supply to date under the new and renewed Vector capacity as compared to the market price at Dawn.

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[14] 2022 GSP Update (EB-2022-0072), OEB Staff Report to the Ontario Energy Board, Review of 2022 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, page 40.
[15] EB-2022-0110, Exhibit N1, Tab 1, Schedule 1, page 12.

c. Information about the utilization and/or assignment of the new and renewed Vector capacity to date.

16. In Appendix F to its filing in the 2023 GSP Update, Enbridge Gas filed the required evidence described above. The following paragraphs summarize the evidence provided. Further detail is found at the referenced Appendix F from the 2023 GSP Update, a copy of which is attached for convenience as Attachment 1.

17. In early 2021, Vector Pipeline held a non-binding Open Season for existing capacity. Vector capacity had been sold out for years, making this a rare opportunity to obtain additional supply diversity from the Vector path without making a commitment to a new build (which would require a longer contract and therefore less contracting flexibility).

18. At that time, Enbridge Gas evaluated the opportunity presented by the Vector RFP for new capacity and completed the landed cost analysis that is filed in the 2022 GSP Update.[16] The analysis was completed using the standard approach that Enbridge Gas (and formerly Union Gas) has used since it was endorsed and approved in a Settlement Agreement in the Union Gas 2007 rates proceeding.[17] The landed cost analysis showed the landed costs of the new and renewed capacity to be lower than all other available alternatives to Dawn.

19. Enbridge Gas submitted a bid for existing capacity and through subsequent negotiations contracted for 40,000 Dth/d of 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. 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 toll reduction to an existing contract renewal for 80,000 Dth/d of Union rate zone capacity effective November 1, 2022. The renewal extended the term of the existing contract by three years from the then current expiry, which was November 2022.[18]

20. Enbridge Gas discussed this contracting decision and its rationale in detail in its 2022 GSP Update filing.[19] In summary, Enbridge Gas outlined the following points in support of the contracting decision:

[16] 2022 GSP Update (EB-2022-0072), Appendices D and G.
[17] See EB-2005-0520, Settlement Agreement, Issue 3.1 and Appendix B.
[18] 2023 GSP Update (EB-2023-0072), Appendix F, page 1.
[19] 2022 GSP Update (EB-2022-0072), pages 38-39 and Appendix D and Enbridge Gas Reply Submission, pages 15-20. Detailed again in Appendix F to the 2023 GSP Update (EB-2023-0072).

a. Purchasing the new Vector capacity increased Enbridge Gas supply from Chicago. The incremental purchase of Vector capacity increased the amount of Chicago supply in Enbridge Gas's portfolio from 11% to 14%, which is aligned with the strategy to have a diversified gas supply portfolio. Enbridge Gas aims to maintain diversity of supply, transportation paths and terms of contract. While options such as Dawn purchases may have been slightly less expensive, that must be balanced against the benefits of diversity. Enbridge Gas is mindful that it holds a significant position at Dawn (25% in 2022) and is always looking at ways to diversify to other points to maintain balance in the portfolio.

b. Vector capacity provides a competitively priced, reliable and flexible transportation option that offers supply diversity at Chicago as well as along the Vector route. Vector capacity provides access to supply from 3 different pipelines at Chicago[20] and within path from Rover and NEXUS pipelines, Michcon, and Michigan storage facilities. Vector capacity offers a degree of flexible supply options different than any other pipeline in the Enbridge Gas portfolio.

c. Vector offers the ability to deliver gas at points along its path and is integral to supplying Enbridge Gas's Sarnia Industrial Line (SIL).

d. Vector pipeline is bi-directional and capacity within Enbridge Gas control can be relied upon to deliver to Dawn regardless of Chicago-Dawn price variances. Therefore, even where suppliers decide to redirect gas from Dawn to Chicago to gain price advantages, Enbridge Gas will have assurance that its supply delivered on Vector will be available to meet the needs of its customers.[21]

21. In response to the additional information requests from the 2022 Deferrals Settlement Proposal, Enbridge Gas's evidence in the 2023 GSP Update indicated the following:

a. At the time of contracting, landed supply transported on the new and renewed Vector capacity had an expected total premium over Dawn supply for the new and renewed contracts over the 5-year term ending October 31, 2026 of $0.09 CAD/GJ, or $15.6 million using the landed cost analysis informed by a natural gas price forecast prepared by ICF. The forecasted landed cost of the Vector capacity at the time of

[20] Alliance Pipeline, Northern Border Pipeline Company, Guardian Pipeline.
[21] 2023 GSP Update (EB-2023-0072), Updated Appendix F, page 1.

contracting was the lowest of available options for supply diversity in Enbridge Gas's gas supply portfolio. These premiums assume that gas is purchased in Chicago and flowed each day to Dawn.[22]

b. Enbridge Gas has utilized the Vector capacity in a manner consistent with the management of all upstream transportation services contracted by Enbridge Gas. This includes purchasing and flowing gas supply to meet customer demands and releasing and selling unutilized capacity on a temporary basis to either reduce Unabsorbed Demand Charges (UDC) costs that would otherwise occur had the pipe been left empty and not been released or to optimize the upstream transportation portfolio for ratepayers.[23]

22. Further evidence about the Vector contracting decision has been provided through the Stakeholder Conference process in the 2022 GSP Update and the evidence and interrogatory process in the 2023 GSP Update.

23. Enbridge Gas has explained that at times the short-term market conditions in Chicago have influenced gas prices to be above the levels forecasted at the time of the 2021 Vector contracting decision. Importantly, though, Enbridge Gas has actively mitigated the impacts and taken appropriate action to reduce cost impacts to ratepayers using the same approaches taken with other upstream transportation paths in its portfolio. For Vector capacity (which is subject to FERC rules), this is done through Asset Management Agreements (AMAs) where Enbridge Gas temporarily assigns its Vector contracts but also transacts for an exchange of gas from Chicago to the Enbridge Gas system. The temporary assignment of Vector capacity by Enbridge Gas does not reduce the reliability and security of supply afforded by owning firm transportation capacity into the Enbridge Gas system, nor does it reduce the long-term portfolio benefits of supply diversity that the Vector contract provides.[24] In other words, the temporary assignment of the capacity under these AMAs in

[22] 2023 GSP Update (EB-2023-0072), Appendix F, pages 3-4. Enbridge Gas also provided information about cost differentials assuming use of the forward market settlement prices available at the time of contracting, but cautioned (and continues to caution) that this information was not robust and complete in a way that can be relied upon - 2023 GSP Update (EB-2023-0072), Appendix F, page 6.
[23] *Ibid*, page 5.
[24] 2023 GSP Update (EB-2023-0072), Exhibit I.STAFF.1 and Exhibit I.STAFF.2.

no way suggests that the capacity is not being used or is not providing benefits to the gas supply portfolio.

24. Any margins that Enbridge Gas earns through optimization of the Vector transportation contracts are shared 90/10 in favour of ratepayers through the Transactional Services Deferral Account (EGD Rate Zone) and the Upstream Transportation Optimization Account and Transactional Services Deferral Account (Union Rate Zones). As outlined in the evidence, over $1 million of AMA related revenues earned during the gas year November 2021 to October 2022 has been (or will be) credited to ratepayers from optimization of the new Vector capacity.[25] At the same time, Enbridge Gas has purchased gas at Chicago and received gas at Dawn through exchanges and has also maintained the ability to use the Vector path to serve the Sarnia market/SIL at times of peak demand where existing capacity from Dawn is limited.

D. PROCESS TO DATE

25. This is the third proceeding where the question of the prudence of the 2021 Vector contracting decision has been directly raised as an issue, even after no additional concerns were raised by stakeholders and OEB staff concluded that the 2021 Vector contracting decision was prudent.

26. In the 2022 GSP Update, FRPO raised concerns about the 2021 Vector contracting decision in its submissions. Enbridge Gas provided responses to the items noted by FRPO. As required by the OEB's GSP Framework, OEB staff reviewed all evidence and submissions and then published its "Staff Report to the Ontario Energy Board, Review of 2022 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan". In the 2022 Report, OEB staff did not adopt FRPO's concerns about the Vector contracting decision, noting that although the cost of that option may be higher than purchases at Dawn it also results in incremental supply diversity.[26] On that point, OEB staff concluded that "[t]he Gas Supply Framework is clear that there are multiple objectives that a GSP must balance and purchasing more gas at Dawn will impact diversity of supply".[27] Finally, OEB Staff noted that no other stakeholders had raised concerns about the 2021 Vector contracting decision and indicated

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[25] 2023 GSP Update (EB-2023-0072), Appendix F, Updated Attachment 3.
[26] 2022 GSP Update (EB-2022-0072), OEB Staff Report to the Ontario Energy Board, Review of 2022 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, page 40.
[27] *Ibid*.

that "the concerns raised by FRPO do not merit further procedural steps such as a hearing in the review of the 2022 Annual Update".

27. In September 2022, the OEB issued a letter endorsing the 2022 GSP Update Report from OEB staff, stating as follows:

> *Following consideration of the OEB Staff Report, the OEB has determined that there are no issues that require a hearing at this time. Therefore, the issuance of the OEB Staff Report makes the conclusion of the consultation.*[28]

No mention was made of any issues that were reserved or carried over to a future proceeding.

28. In the 2023 GSP Update, FRPO again raised concerns about the 2021 Vector contracting decision in its submissions. FRPO's submissions were very similar to the argument already made in the completed 2022 GSP Update consultation. No other party in the 2023 GSP Update process made substantive submissions on this topic, though SEC adopted the FRPO submissions and IGUA "deferred" to FRPO. Again, Enbridge Gas provided comprehensive submissions in response to FRPO. OEB staff reviewed all evidence and submissions and then published its "Staff Report to the Ontario Energy Board, Review of 2023 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan". In the 2023 Report, OEB staff expressly found that the Vector contracting decision was prudent.[29] OEB staff further found, however, that FRPO had raised a "material prudence issue" and this is something typically determined by a panel of Commissioners rather than OEB staff.[30] Therefore, OEB staff recommended a hearing process for the 2023 GSP Update, solely on the question of the prudence of the 2021 Vector contracting decision.

29. In summary, OEB staff has twice found that the 2021 Vector contracting decision was prudent. The 2022 GSP Update process is complete, and there were no matters reserved for future determination by the OEB. The 2023 gas year is now complete (as of October 31, 2023). Enbridge Gas has continued to use the Vector transportation assets within its gas supply portfolio, and has passed along the associated costs through the QRAM process each quarter. At no time has any rate or charge been classified as interim.

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[28] 2022 GSP Update (EB-2022-0072), OEB Letter dated September 7, 2022.
[29] 2023 GSP Update (EB-2023-0072), OEB Staff Report to the Ontario Energy Board, Review of 2023 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, page 12.
[30] *Ibid*., page 13.

E. PRUDENCE

30. The sole issue in this proceeding is whether Enbridge Gas's 2021 Vector contracting decision was prudent.[31] The facts described above support the finding that the 2021 Vector contracting decision was prudent. The Vector capacity plays an important part in Enbridge Gas's gas supply plan. In making the 2021 Vector contracting decision, Enbridge Gas followed the evaluation process created, agreed and approved in the 2007 Rate Case. Adding the new Vector capacity was (and is) consistent with the gas supply planning principles from the OEB's GSP Framework.

31. It would be extraordinary to find that a gas supply contracting decision was not prudent. Notwithstanding the large number of gas supply contracts held by Enbridge Gas, the OEB has not found a gas supply contract to be imprudent since the Enbridge Consumers Gas RP-2002-0032 (2002) rate case, over 20 years ago. In that case, the OEB found that the utility's decision to contract for capacity on the new Alliance pipeline was not prudent, but also found that a decision to contract for capacity on the Vector pipeline was prudent.[32]

32. The circumstances of the RP-2002-0032 proceeding are different from the present circumstances. For example, the previous case involved Enbridge Consumers Gas committing to a new pipeline on a new path that had not yet been built. That meant that Enbridge Consumers Gas was taking on additional risks (cost overruns, length of contract, effective date) compared to contracting for an existing pipeline. The OEB found that Enbridge Consumers Gas had not adequately protected itself against the unique risks of a new pipeline[33]. Additionally, the OEB was concerned in the 2002 case that the utility's parent company (which also owned the Alliance pipeline) had pressured Enbridge Consumers Gas to commit to the new pipeline.[34] In contrast, as of 2021 the Vector pipeline has been used by Enbridge Gas for many years. There are no timing or operational risks. While the Vector pipeline is partly owned by Enbridge Inc., there is absolutely no evidence in this case that there was any pressure from the parent company for Enbridge Gas to make

[31] Notice of Hearing and Procedural Order No. 1, November 15, 2023, page 2.
[32] RP-2001-0032 Decision with Reasons, dated December 13, 2002, pages 65-69.
[33] *Ibid*., pages 65-67.
[34] *Ibid*., pages 56-58 and 68.

new commitments for Vector capacity. Enbridge Gas conducted itself in full compliance with the requirements of the Affiliate Relationships Code for Gas Utilities.[35]

33. The RP-2002-0032 proceeding and the subsequent appeals to the Ontario Divisional Court and Court of Appeal set out the approach that is generally followed by the OEB in determining the prudence of expenditures.[36] Key aspects of the review include the following:
    - To be prudent, a decision must have been reasonable under the circumstances that were known or ought to have been known to the utility at the time the decision was made.
    - Hindsight should not be used in determining prudence, although consideration of the outcome of the decision may legitimately be used to overcome the presumption of prudence.
    - Prudence must be determined in a retrospective factual inquiry, in that the evidence must be concerned with the time the decision was made and must be based on facts about the elements that could or did enter into the decision at the time.

34. OEB has likened the prudence test to the question of whether an expenditure was reasonable.[37]

35. On the facts of this case, it is clear that the 2021 Vector contracting decision was prudent. The decision was reasonable under the circumstances known (or ought to have been known) at the time that it was made.

36. Importantly, the 2021 Vector contracting decision took into account and is consistent with the OEB's guidance and expectations for gas supply contracting decisions.

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[35] 2022 GSP Update (EB-2022-0072), 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.
[36] RP-2001-0032 Decision with Reasons, dated December 13, 2002, page 62. Endorsed by the Divisional Court: *Enbridge Gas Distribution v. Ontario Energy Board*, 2005 CanLII 4941 (ON SCDC), para. 10; and the Court of Appeal: *Enbridge Gas Distribution v. Ontario Energy Board*, 2006 CanLII 10734 (ON. CA), paras. 10-11.
[37] EB-2020-0290 Decision and Order (Ontario Power Generation), page 26, citing *ATCO Gas and Pipelines Ltd. v. Alberta (Utilities Commission)*, 2015 SCC 45, paras. 34-35.

37. In the Union Gas 2007 Rate Case, the parties entered into a Settlement Agreement that set out the reporting and evaluation that the utility would use for new upstream transportation contracts in the future. Appendix B to the Settlement Agreement set out the Incremental Transportation Contracting Analysis that would be used and presented the OEB.[38] The approach used since that time has included a landed cost analysis in the same form as presented for the Vector contracting decision.[39] For determining landed costs for all options associated with longer term contracts, the utility has always used gas price forecast information from ICF. Futures pricing is not used, because it is not sufficiently robust or reliable. This is explained in detail in Appendix F to the 2023 GSP filing, where Enbridge Gas notes that forward market data is highly unreliable for longer terms, and represents transaction prices rather than forecasts of future prices.[40]

38. It is not imprudent for Enbridge Gas to continue to use the existing approach to landed cost analysis. Taking a different approach now, and relying on futures pricing for landed cost analysis, would be a departure from historic OEB-approved practices. If parties believe that a new and different approach should be used, this is something better addressed in a review of the GSP Framework. It is not something that is fairly used to attack the prudence of a decision already made.

39. In their Report on the 2023 GSP Update, OEB staff endorsed Enbridge Gas's approach, stating:

> *OEB staff agrees with Enbridge Gas also that it is inappropriate to make long-term contracting decisions based on short-term market conditions (which is the result of using forward market settlement pricing as suggested by FRPO). For this reason, OEB staff is of the view that the cost effectiveness of the contracting decisions is properly evaluated based on the landed cost analysis originally undertaken by Enbridge Gas. Therefore, nothing has changed in the current consultation, and the same premium for Vector supply is expected to be paid as was the case in the 2022 Annual Update.*[41]

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[38] See EB-2005-0520 Decision with Reasons, June 29, 2006, Settlement Agreement, Issue 3.1 and Appendix B.
[39] Recent examples include EB-2020-0135, 2020 Annual Gas Supply Update, Appendix C (new GLGT capacity landed cost analysis), EB-2021-0004, 2021 Annual Gas Supply Update, Appendix D (new Nexus capacity landed cost analysis), Appendix E (Vector capacity renewal landed cost analysis), Appendix F (new NGTL capacity landed cost analysis),and EB-2022-0072, 2022 Annual Gas Supply Update, Appendix F (new TCPL capacity landed cost analysis).
[40] 2023 GSP Update (EB-2023-0072), Appendix F, pages 3-4.
[41] 2023 GSP Update (EB-2023-0072), OEB Staff Report to the Ontario Energy Board, Review of 2023 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, page 13.

40. Landed cost analysis is not the only relevant factor considered by Enbridge Gas in making (and evaluating) gas supply contracting decisions. In the GSP Framework, the OEB said that a principle-based approach to gas supply planning is an effective means of guiding the distributors' approach to developing a gas supply plan. The OEB set out three guiding principles that should be balanced in determining the gas supply plan – cost effectiveness; reliability and security of supply and public policy. There are multiple dimensions to each of these guiding principles – importantly, though, none is paramount. As stated by the OEB, cost-effectiveness does not necessarily mean lowest costs and reliability does not mean reliability at any cost.[42]

41. The Company's decision to purchase additional Vector supply is entirely consistent with the OEB's gas supply planning principles and with Enbridge Gas's gas supply planning goals of diversity, reliability, flexibility, and cost-effectiveness. Enbridge Gas has consistently used these gas supply planning goals for its 5-Year Gas Supply Plan and for each of the following four GSP Annual Updates. OEB staff has endorsed this approach, and the OEB has endorsed each of the OEB staff reports about the GSP consultations.

42. In the Overview section of this Argument in Chief (see paragraph 3), Enbridge Gas summarized the ways that the 2021 Vector contracting decision fits with the relevant gas supply planning principles. More information is set out in Appendix F to the 2023 GSP filing (see Attachment 1 to this AIC). The Company will respond to positions of other parties in Reply.

43. In the 2023 GSP Update process, OEB staff reviewed the submissions from Enbridge Gas (and from FRPO) and agreed with Enbridge Gas that the 2021 Vector contracting decision was prudent, taking into account the relevant gas supply planning principles. This is the same conclusion that OEB staff reached in the 2022 GSP Update process. It is worthwhile to repeat OEB staff's conclusions from the 2023 GSP Update process:

> *As set out in OEB staff's report with respect to the Review of Enbridge Gas's 2022 Annual update to the GSP, OEB staff believes that the Vector contracting decision may result in higher costs relative to purchases at Dawn. However, the Vector pipeline contracting decision results in incremental supply diversity relative to Dawn purchased gas. The OEB's Gas Supply Framework is clear that there are multiple objectives that a GSP must balance and purchasing more gas at Dawn will impact diversity of supply. Accordingly, OEB staff's view is that the*

[42] GSP Framework, pages 7-8.

Vector contracting decision was prudent, based on information available to Enbridge Gas at the time that the decision was made.[43]

….

OEB staff's view of the benefits provided by the Vector contract with respect to reliability and security of supply is unchanged. OEB staff stated in its report with respect to the Review of Enbridge Gas's 2022 Annual update to the GSP that increased purchases from Dawn, as suggested by FRPO, may not be the most appropriate option. While it may reduce costs, it may not be in line with the other objectives set out in the Gas Supply Framework (reliability, flexibility and diversity) and therefore might expose the supply portfolio to increased risk. Enbridge Gas's evidence in the current consultation, as described in its reply argument (and summarized above, supports the notion that the Vector contract supports reliability and security of supply. Therefore, nothing has changed in the current consultation; the cost premium paid for Vector supply must be balanced against achieving reliability, flexibility and diversity benefits.[44]

44. Taking all the relevant information into account, it is clear that Enbridge Gas's 2021 Vector contracting decision was prudent/reasonable. It was made in way that is consistent with past practice and with the direction and guidance of the OEB set out in the GSP Framework. The resulting additional Vector capacity is a useful and necessary addition to the Company's gas supply plan.

45. Enbridge Gas submits that a finding that the 2021 Vector contracting decision was not prudent would have a chilling effect on future gas supply contracting.

46. The Company's gas supply function is not done on a for-profit basis. Costs are passed through to ratepayers without benefit to Enbridge Gas. The OEB has approved a landed cost analysis approach that the utility should use to inform contracting decisions. The OEB has issued a GSP Framework setting out the factors that the utility should consider when making gas supply planning decisions. Enbridge Gas has acted consistently with that guidance. The OEB has created an annual gas supply planning consultation process for the utility to present its plans and for OEB staff to issue an annual report setting out their observations, conclusions and recommendations. OEB staff has endorsed the Company's 2021 Vector contracting decisions in each of the last 2 GSP Updates.

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[43] 2023 GSP Update (EB-2023-0072), OEB Staff Report to the Ontario Energy Board, Review of 2023 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan, page 12.

[44] *Ibid.*, page 13.

47. In these circumstances, a finding that the 2021 Vector contracting decision was not prudent would send the message that past gas supply contracting decisions are indefinitely open for review and re-review, and that the factors considered in such re-reviews are fluid.

48. Ratepayers are not best served when the utility makes only the lowest cost gas supply decisions - the GSP Framework expressly recognizes this. However, that would be the likely outcome where the utility finds itself at risk after it follows the guidance from the GSP Framework but the OEB disallows costs based on arguments from ratepayer groups that they would have made different contracting decisions.

49. Furthermore, the prospect that gas supply contracting decisions can be subject to OEB review where a single party challenges their prudence undermines the efficiency that is meant to be gained though the Annual GSP Update process.

E. IMPACT OF A FINDING OF IMPRUDENCE

50. For all the reasons set out above, Enbridge Gas submits that there is no basis to determine that the 2021 Vector contracting decision was unreasonable/imprudent.

51. However, the OEB has asked the parties to address how any cost consequences should be determined and addressed if the 2021 Vector contracting decision is found to be imprudent.[45]

52. If the OEB decides that the 2021 Vector contracting decision was imprudent, then any cost consequences should be prospective only, and limited to the net transportation costs for the incremental Vector capacity (not for the pre-existing and renewed capacity).

53. The 2021 Vector contracting decision was presented and discussed in the 2022 GSP Update and the OEB endorsed the OEB staff report stating that the Vector contracting decision was prudent. The OEB closed off the 2022 GSP Update process by accepting and endorsing the OEB staff report. Revenues associated with optimizing the Vector contract costs have been credited to ratepayers through the completed or settled disposition of 2021 and 2022 deferral accounts. Enbridge Gas relies on these completed processes as signals that costs and activities related to the incremental Vector contracts are reasonable, at very least for 2021 and 2022.

[45] Notice of Hearing and Procedural Order No. 1, November 15, 2023, page 2.

54. Additionally and in any event, as stated in the Overview, the costs associated with the Vector contracts are part of the Company's gas supply costs. These costs are included in the PGVA and disposed of regularly (each three months) through the QRAM process. The costs are recovered through the final gas supply rates paid by customers. Effectively, all costs related to the incremental Vector capacity up to October 1, 2023 have been approved and recovered on a final basis.

55. In all of these circumstances, there is no proper basis to revisit gas supply costs related to the Vector contracts up to now. Up to the present time, there has been no indication that costs related to Vector contracts are being recovered on an interim basis, or on the understanding that these costs are subject to later adjustment. To require refunds now would be impermissible retroactive ratemaking of costs already recovered on a final basis.[46]

56. The Company submits, therefore, that at most what should be at issue are future transportation costs associated with the incremental capacity from the Vector contracts added in 2021. Even there, though, two adjustments should be made.

57. First, the measure of the costs that could be credited to ratepayers should be limited to the transportation costs for the incremental Vector capacity, which amounts to approximately $3 million annually (not the renewed capacity, which resulted in a cost reduction to ratepayers relative to status quo). This should not include gas commodity costs, since the location and timing of gas commodity purchases associated with the Vector capacity is a separate decision from the transportation contract. Owning Vector capacity does not require Enbridge Gas to purchase gas commodity at any point along the Vector pipeline. Rather, commodity purchase decisions are made independently and according to the guidance in the Framework.

58. Second, the measure of the costs that could be credited to ratepayers must take into account any revenues or benefits achieved by Enbridge Gas from optimizing the new Vector capacity. Each year, Enbridge Gas has been able to achieve around $1 million of benefit for ratepayers from optimizing the Vector capacity. It would not be fair to have Enbridge Gas absorb the Vector capacity costs and also credit associated optimization benefits to ratepayers.

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[46] *Union Gas Limited v. Ontario Energy Board*, 2015 ONCA 453 (CanLII), at paras. 83-86.

F. RELIEF SOUGHT

59. Enbridge Gas respectfully requests that the OEB determine that the 2021 Vector contracting decision was prudent, and that no further review or financial consequences or adjustment are appropriate or necessary.

All of which is respectfully submitted this 7th day of December 2023.

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David Stevens, Aird & Berlis LLP
Counsel to Enbridge Gas

ATTACHMENT 1 – APPENDIX F FROM 2023 GSP FILING

Appendix F - Vector Contracting Decision

In early 2021, Vector Pipeline held a non-binding Open Season for existing capacity. EGI submitted a bid for existing capacity and through subsequent negotiations contracted for 40,000 Dth/d of 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. Prior to this, EGI 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, EGI also negotiated a permanent toll reduction to an existing contract renewal for 80,000 Dth/d of Union rate zone capacity effective November 1, 2022. The renewal extended the term of the existing contract by three years from the then current expiry, which was November 2022.

EGI discussed this contracting decision and its rationale in detail in its 2022 Annual Gas Supply Plan Update filing.[1] In summary, EGI outlined the following points in support of the contracting decision:

i. Purchasing this capacity increased EGI supply from Chicago. The incremental purchase of Vector capacity increased the amount of Chicago supply in EGI's portfolio from 11% to 14%, which is aligned with the strategy to have a diversified gas supply portfolio. EGI aims to maintain diversity of supply, transportation paths and terms of contract. While options such as Dawn purchases may have been slightly less expensive, that must be balanced against the benefits of diversity. EGI is mindful that it holds a significant position at Dawn (25% in 2022) and is always looking at ways to diversify to other points to maintain balance in the portfolio.
ii. Vector capacity provides a competitively priced, reliable and flexible transportation option that offers supply diversity at Chicago as well as along the Vector route. 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. Arguably, Vector capacity offers more flexible supply options than any other pipeline in the EGI portfolio.
iii. Vector offers the ability to deliver gas at points along its path and is integral to supplying EGI's Sarnia Industrial Line ("SIL").
iv. Vector pipeline is bi-directional and capacity within EGI control can be relied upon to deliver to Dawn regardless of Chicago-Dawn price variances. Therefore, even where suppliers decide to redirect gas from Dawn to Chicago to gain price advantages, EGI will have assurance that its supply delivered on Vector will be available to meet the needs of its customers.

During the stakeholder conference for the 2022 Annual Gas Supply Plan Update and subsequent submissions, FRPO submitted a number of comments and concerns about EGI's new and renewed contracts for Vector capacity which were centered around the higher cost of landed supply from Chicago on the Vector pipeline relative to purchasing gas at Dawn.

In its report to the OEB, OEB staff stated:

[1] EB-2022-0072

"Overall, OEB staff is the view that the Vector pipeline contracting decision may result in higher costs relative to purchases at Dawn. However, the Vector pipeline contracting decision results in incremental supply diversity relative to Dawn purchased gas. The Gas Supply Framework is clear that there are multiple objectives that a GSP must balance and purchasing more gas at Dawn will impact diversity of supply."

"OEB staff is of the view that the concerns raised by FRPO do not merit further procedural steps such as a hearing in the review of the 2022 Annual Update."[2]

OEB staff went on to suggest that EGI could provide additional information to establish reasonableness of the Vector pipeline contracting decision in the 2023 Annual Update and recommended that EGI provide a calculation of the net premium that it expected to pay relative to purchasing gas at Dawn using the information that it had available when it was making its contracting decision. It also suggested EGI provide the actual cost premium paid for Vector contracted capacity relative to Dawn purchased gas for the 2021-2022 period.[3]

Subsequently, as part of the settlement agreement for the Company's 2021 Utility Earnings Sharing and Disposition of Deferral & Variance Accounts, EGI agreed that within its 2023 Gas Supply Plan Annual Update filing, it would include the following information:

i. The recommended information about the Vector contacting decision that is described at page 40 (paragraph 3) of the OEB Staff Report to the Ontario Energy Board in the Review of the 2022 Annual Update to Enbridge Gas Inc. Natural Gas Supply Plan (EB-2022-0072).
ii. The forward market pricing data at Chicago and Dawn available to EGI at the time of the final decision to extend the existing Vector contract and enter into a new Vector contract.
iii. The landed cost of supply to date under the new and renewed Vector capacity as compared to the market price at Dawn.
iv. Information about the utilization and/or assignment of the new and renewed Vector capacity to date.

The following sections respond to both OEB staff's recommendations within their report in the 2022 Annual Gas Supply Plan Update and EGI's commitments within the settlement agreement for the 2021 Utility Earnings Sharing and Disposition of Deferral & Variance Accounts.

Forecasted Cost of Vector contracts relative to Dawn purchases

When EGI evaluates the cost of contracting opportunities for upstream transportation capacity to meet average day demand, it uses landed-cost analysis which compares the total cost of purchasing gas commodity and transporting it to EGI's pipeline system to the cost of alternatives, including the purchase of supply at Dawn. Landed cost includes the cost of transportation demand charges,

[2] EB-2022-0072, OEB Staff Report to the Ontario Energy Board, p. 40
[3] Ibid

applicable variable transportation charges, the cost of fuel, and a forecasted cost of gas commodity over the term of the contract being evaluated.

When forecasting the cost of gas commodity, EGI uses a gas price forecast developed by an independent third party (in this case, ICF). Natural gas price forecasts are completed by independent third parties and are based on detailed supply and demand models. Natural gas price forecasts are primarily based on market fundamentals and incorporate information from multiple sources across the natural gas market, including forward market settlement data and factors impacting future supply and demand.

EGI cannot rely upon forward market settlement data when it performs long-term landed cost analysis. This forward market data either does not exist or is highly unreliable for longer terms as it is based on averages or extrapolations of very few actual forward transactions occurring on the day of settlement.

It is important to recognize that forward market settlement prices are not forecasts of future prices, but rather represent the price that individual buyers and sellers were willing to transact at the current time for a future delivery or receipt of natural gas. Market prices may be influenced by a number of factors including, but not limited to, expectations of individual buyers and sellers of future supply and demand factors and factors independent to the individual counterparties who are executing transactions.[4]

The predictive value of forward market settlement prices is higher at locations and time periods that are significantly traded, which tend to be at liquid supply hubs with highly-traded financial markets (i.e. NYMEX Henry Hub) and for forward contracts which settle within the upcoming year. This forward market data is only available for short terms at the Dawn Hub.

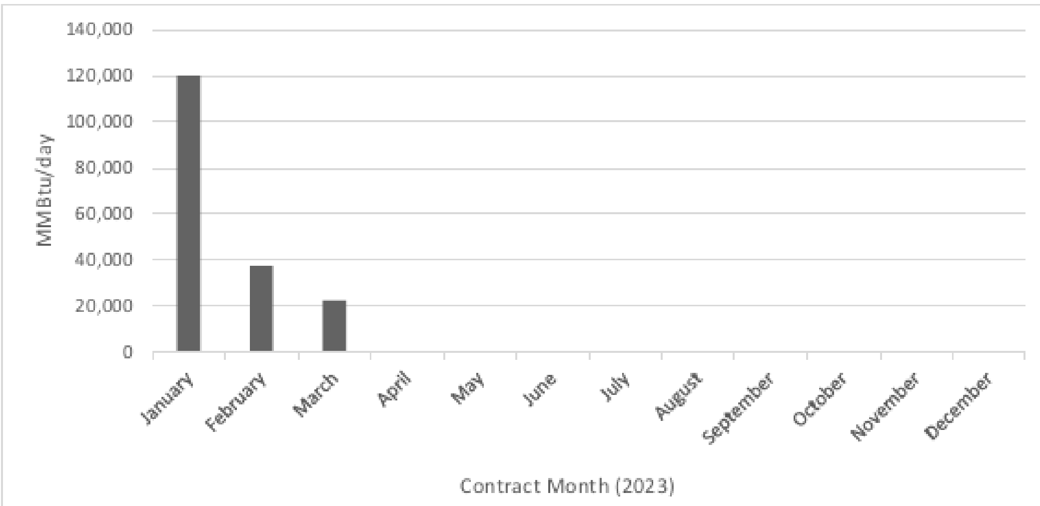
Figure 1 depicts the traded volume of Dawn forward basis swaps which represent the forward price differential between Dawn and the benchmark NYMEX Henry Hub futures contract and demonstrates the decline in actual forward trades as the time period between transaction date and delivery date increases. In this particular example, there were no Dawn basis swap transactions cleared through the Intercontinental Exchange beyond the end of the current winter period. Market settlement prices for these months are therefore manufactured by price reporting agencies by trending historic data and extrapolating trade data from earlier months.

While this information may be useful for technical analysis to assess short term decisions such as transactions for volume delivered in the prompt month or season, the lack of liquidity supporting market settlement pricing makes the information inferior to a fundamentals-based market pricing

[4] It is noteworthy that at the time of EGI's contracting decision for Vector capacity, the Chicago market was experiencing a significant price spike as a result of Winter Storm Yuri, which significantly impacted supply and demand across a broad region of the U.S. Events such as this can impact forward market settlements as buyers and sellers transacting on forward markets are uncertain about the long-term market implications of the current event.

forecast such as that provided by ICF. As a result, EGI does not use this short-term forward market data when assessing a long-term decision such as EGI's purchase of five-year Vector pipeline capacity.

Figure 1 - Dawn Basis Traded Volume on December 9, 2022



EGI filed the landed cost analysis for the Vector contracting decision as part of the 2022 Annual Gas Supply Plan Update. The landed-cost analysis showed an expected premium for purchases of natural gas commodity transported on the Vector pipeline of $0.09 CAD/GJ relative to purchasing gas at Dawn. A detailed breakdown of this forecasted premium by month is included at Appendix F Attachment 1 while the actual cost premium is outlined later in this document.

Appendix F Attachment 2 depicts the same landed-cost comparison as Appendix F Attachment 1, but instead of using the ICF natural gas price forecast, the natural gas commodity prices represent the forward market settlement prices that were available to EGI at the time of the Vector contracting decision. Using forward market settlement prices, the landed-cost analysis in Appendix F Attachment 2 shows an expected premium for purchases of gas commodity transported on the Vector pipeline of approximately $0.26 CAD/GJ relative to purchasing gas at Dawn. /u

The forecasted premium using the ICF forecast and using forward market prices represent a total premium on new and renewed capacity over the 5-year term ending October 31, 2026 of $15.6 million and $44.9 million, respectively. The forecasted landed cost of the Vector capacity at the time of contracting was the lowest of available options for supply diversity in EGI's gas supply portfolio.[5] Furthermore, the <u>total five year</u> forecasted premium for Vector capacity versus Dawn, regardless of /u

[5] Only TCPL Niagara capacity had a lower landed cost than Vector among upstream supply options and at the time of the Vector contracting decision, no capacity was available on this path.

whether ICF forecast or forward market settlement data is used, is less than 1% of annual gas costs incurred by EGI for its system portfolio.

Utilization of Vector transportation contracts

EGI has used the contracted Vector pipeline transportation services in a manner consistent with the management of all upstream transportation services contracted by EGI. Primarily, EGI has purchased gas supply in Chicago and used the Vector contracts to transport this gas to its franchise area. During winter months, EGI relies upon deliveries of this supply from the Vector pipeline at the Vector St. Clair interconnect to serve the design day demands of the local Sarnia market. On days where gas is not required to meet demands in the local market, it is transported to Dawn and either used to meet demand in other areas of EGI's system or injected into storage.

During periods where upstream supply deliveries to EGI's pipeline system were not required to meet local market demands upstream of Dawn, EGI released this upstream pipeline capacity when supply upstream of Dawn was priced higher than the cost of purchasing supply at Dawn. During these periods, EGI purchased supply at Dawn instead of the upstream supply location and released the associated transportation capacity to the secondary market to reduce gas costs for customers. The released value from these transactions was credited to the cost of transportation.

EGI also released and sold unutilized upstream transportation capacity on the secondary market to minimize UDC in the Union rate zone. The value generated from these transportation releases was credited to the UDC Variance Account, mitigating the overall UDC impact to ratepayers.

Finally, EGI released upstream transportation capacity for the purposes of optimizing its upstream transportation portfolio. These releases were completed using Asset Management Agreements (AMA) whereby EGI released upstream capacity to third parties and those parties agreed to exchange natural gas purchased at the upstream supply zone to the delivery location. The third party paid EGI for these AMAs, and the resulting revenue was credited to either the Upstream Transportation Optimization Account (for capacities contracted for the Union rate zones) or the Transactional Services Deferral Account (for capacities contracted for the EGD rate zone).

EGI required the AMA contract to include provisions to guarantee the same quality of service at the delivery point that is provided by the released upstream transportation capacity. Furthermore, since EGI released its firm upstream capacity to the third party, it had assurances that the third party owned firm capacity to facilitate the service. Finally, in the event of default by the third party, EGI had the right to recall the capacity so that it could be used to deliver supply to the delivery point.

The result was that EGI was able to obtain benefits from short-term market fluctuations, which were shared with ratepayers, while continuing to possess the same level of reliability afforded by owning long-term firm upstream transportation capacity. This activity aligns with the OEB direction when establishing the deferral accounts noted. In summary, these AMAs result in no impact to supply diversity and security of supply and reduced gas costs to EGI's ratepayers.

During the 2021 – 2022 gas year, EGI used its Vector pipeline capacity through each of the above-described activities, which resulted in gas costs for ratepayers being lower than they would otherwise have been. Information about the specific utilization of the new contracts by month is included in Appendix F, Attachment 3 and described in the next section of this evidence.

Actual Cost of Vector capacity

Appendix F Attachment 3 includes a detailed calculation of the actual cost of the new Vector capacity for the 2021 – 2022 gas year. This calculation does not include the renewed capacity, as the renewal did not become effective until November 1, 2022. The actual cost of gas purchased and flowed on the new Vector capacity for the 2021 – 2022 gas year is compared to the price of gas at Dawn[6] during the same period. The calculation includes, where applicable, revenues obtained from the release of transportation capacity. Where revenues were obtained through an upstream transportation optimization transaction, such as an AMA, only the ratepayer portion of revenues (90%) have been included in the calculation.

In total, the new Vector capacity resulted in a total premium of $6.2 million over the 2021 – 2022 gas year or approximately $0.48 CAD/GJ purchased. This represents approximately 0.002% of gas costs to ratepayers during this period. /u

It is important to note that this premium is for a single year of the contracted capacity and may not be representative of future premiums or discounts that may result from the Company's decision to contract for capacity. The 2021 – 2022 gas year included a warmer than normal winter period and no notable regional events that resulted in price spikes. While periods such as this can result in premiums paid for supply diversity, there are periods where the opposite is true and significant savings are obtained by having supply diversity.

Conclusion

EGI affirms the prudency of its 2020 Vector contracting decision and will continue to conduct similar analysis of opportunities to maintain diversity and security of supply for its customers. Once upstream contracting decisions have been made, EGI will continue to optimize costs for ratepayers, as it has for its Vector capacity, such that the diversity and security of supply in its portfolio is maintained and cost to ratepayers is minimized. This practice supports the objectives of the Framework and has protected the interests of EGI's customers by resulting in a reliable and cost-effective portfolio.