

May 11, 2021

VIA RESS

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Dear Ms. Long:

Re: EB-2021-0004: OEB Consultation to Review Annual Update to Enbridge Gas Inc.'s (EGI) Five-Year Natural Gas Supply Plan.

Industrial Gas Users Association (IGUA) Written Comments.

As legal counsel to IGUA we participated in the April 13-14 Stakeholder Conference during which EGI answered questions related to its Annual Update to its five year (2020-2025) Gas Supply Plan (GSP).

As indicated in our March 2, 2021 letter indicating IGUA's intent to participate in this GSP review, IGUA's participation on gas supply planning matters is informed by the fact that IGUA's members obtain their gas supply primarily under direct purchase (rather than system supply) arrangements. Nonetheless, IGUA's members are directly impacted by gas supply planning related load balancing, storage and overrun services and by the impacts of gas supply planning on gas delivery obligations. IGUA's members are also impacted by the influence which EGI's gas supply planning and implementation activities have on the liquidity and robustness of the Ontario gas market, including with respect to alternative sources of gas supply and initiatives towards the use/blending of alternative fuels with Ontario's natural gas supply.

Nexus Transportation Costs

We appreciate the efforts in this proceeding of Mr. Quinn on behalf of the Federation of Rental Housing Providers (FRPO) to clarify information regarding the tolls currently being paid by EGI, and recovered from customers, for capacity on the Nexus pipeline. The Nexus pipeline is affiliated with EGI, and thus it is even more important to ensure transparency in respect of the tolls being paid.

In December, 2015 the OEB provided pre-approval for recovery by (then) Union Gas and (then) Enbridge Gas Distribution of the cost consequences of long term transportation contracts on the then proposed Nexus pipeline.¹ The OEB's approval was based on forecast Nexus tolls derived from forecast Nexus construction cost, and included provision for an increase in recovery from customers of up to 15% of the then forecast tolls. EGI has since 2018 been recovering from customers costs for Nexus tolls equal to the initially forecasted Nexus tolls plus 15%. It appears that EGI has never provided external evidence in support of the 15% increase in Nexus toll recovery.

In response to inquiries herein led by FRPO, EGI has provided an April 12, 2019 FERC filing by Nexus Gas Transmission, LLC which indicates that the actual construction costs of the greenfield portions of the Nexus pipeline exceeded by well in excess of 15% the construction cost estimates that were the basis of the forecast tolls presented at the time of the OEB's approval of the cost consequences of the Nexus contracts. This material indicates the appropriateness of the 15% increase, relative to the tolls initially forecast at the time of the OEB's approval of the cost consequences of the Nexus contracts, in Nexus tolls being recovered from EGI customers.

“Sustainable Natural Gas” (SNG)

At pages 25-26 of its 2021 GSP Update EGI indicates that it has been “*closely monitoring the development of new certifications which measure a natural gas producer’s conformance to a number of standards*”. These subject standards listed by EGI include:

- Corporate governance, accountability & ethics
- Human rights, social impacts and community development
- Fair labour and working conditions
- Indigenous people’s rights
- Climate change, biodiversity and environment
- Project life cycle management

EGI has referred to natural gas supply so certified “*sustainable natural gas*”. At the Stakeholder Conference EGI indicated that it would appreciate feedback on whether it should pursue its investigation and consideration of inclusion of SNG in its gas supply.

IGUA’s members, as large volume direct purchase gas customers, are already, to the extent valuable to them, able to source ESG certified natural gas from a number of marketers, and so are not directly impacted by this topic. We therefore offer only two brief comments:

1. First, it does not seem appropriate to refer to this certified natural gas as “*sustainable*”. The term “*sustainable*” in connection with fuel is generally understood to refer to decarbonized fuel. This certified natural gas is not necessarily nor primarily decarbonized fuel.
2. Second, recovery from customers of any premium paid by EGI for any type of supply or service should be considered only upon demonstration by EGI of the benefits accruing to

¹ EB-2015-0166/0175

ratepayers from payment of that premium. If EGI believes that there are benefits to ratepayers which justify the cost premium payable for certified natural gas, it should bring forward for review evidence of those benefits as compared to incremental supply costs.

Conclusion

IGUA appreciates the opportunity to participate in this review and provide these brief comments on EGI's 2021 GSP update.

Yours truly,



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- M. Millar (OEB Staff)
- Participants of Record

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