

Update to Heat Content of Natural Gas

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1 **Background:**

2 For a number of years, Enbridge Gas Distribution Inc. (Enbridge) and, by extension, Gazifère
3 have used the same heat content value for natural gas for the purpose of determining the cost
4 of their gas supply plans and calculating Mean Daily Volume (MDV) delivery obligations for
5 Direct Purchase customers. In recent years, the heat value of gas received by Enbridge from its
6 upstream suppliers has been increasing.

7 The Ontario Energy Board (OEB) has approved the following changes for Enbridge:

- 8 • updated heat content value to be used for Direct Purchase MDV delivery obligations
9 starting July 2017; and
- 10 • updated heat content value to be used to determine the cost of Enbridge's 2018 gas
11 supply plan and each year thereafter; and
- 12 • the updated heat value used will be the average heat value for the previous twelve
13 months ending March 31st and will be updated effective à 1st every year.

14 **Why is Update to Heat Content of Natural Gas Needed:**

15 For the purposes of determining the cost of its gas supply plan and for calculating the MDV
16 delivery obligations of its Direct Purchase customers, Enbridge has used a standard conversion
17 factor of 37.69 MJ/m³ for a number of years. While this standard conversion factor has been
18 generally satisfactory over the period of its use, the heat content value of gas received by
19 Enbridge has begun to rise recently. The OEB has approved an updated heat content for
20 Enbridge's services, including Rate 200 service, as well as, an approach to update the heat
21 content annually.

22 Not updating for a higher heat content could result (everything else being equal) in larger
23 balances recorded in the Purchased Gas Variance Account (PGVA). As well, Direct Purchase
24 customers would under-deliver (relative to their actual demand at the meter) and the cost of
25 the making up the shortfall in deliveries would also be recorded in the PGVA and recovered
26 primarily from system supply customers.

Proposal:

1 Gazifère proposes to update its heat content value to make it equal to the heat content of gas
2 used for Rate 200 service and to also use the updated heat content to establish MDV delivery
3 obligation for Direct Purchase customers.

4 The new approach will be communicated to Direct Purchase customers in a timely manner.
5 Each year the updated heat value will be communicated and posted in advance.

6 For purposes of determining the cost of Gazifère's 2019 gas supply plan, the Company proposes
7 to use the updated heat value (which is calculated by Enbridge as the average heat value for the
8 twelve months ending March 31st).

9 The same process would apply with respect to the 2020 forecast year and every year
10 thereafter. A new heat value will be determined in the summer of 2019 (calculated as the
11 average heat value for the twelve months ending March 31st, 2019) and be used to determine
12 the cost of the gas supply plan and establish the MDV delivery obligation for Direct Purchase
13 customers effective July 1, 2019.

14 **Requested Approval:**

15 Given that an annual update to the heat content of natural gas will lead to lower balances in
16 the PGVA and in an improved reflection / matching of Direct Purchase MDV delivery obligation
17 with their actual demand at the meter, Gazifère requests approval to use updated heat content
18 of natural gas to:

- 19 • determine the cost of its gas supply plan; and
20 • establish MDV delivery obligation for Direct Purchase customers.

21 This approach will fully align the updates to heat content of natural gas between Rate 200
22 service and for Gazifère's purposes of gas supply plan and establishment of MDV delivery
23 obligation for Direct Purchase customers.