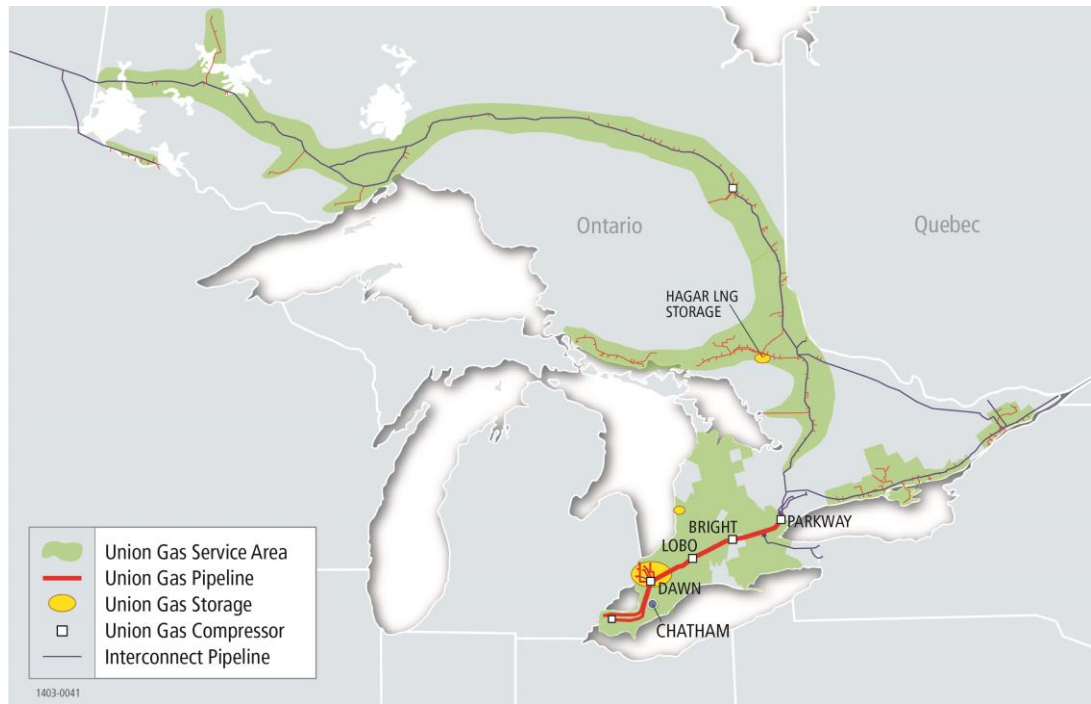




Extending Natural Gas Service to Red Rock First Nation

May 23, 2017



1.4 Million
Retail Customers

1.2Tcf
Pipeline Throughput

65,390 km / 40,630 mi
Distribution Pipe

165 Bcf
Storage Capacity

4,850 km / 3,015mi
Transmission Pipe

- Major Canadian natural gas storage, transmission and distribution company based in Ontario
- Over 100 years of experience and safe service to customers
- Dawn Storage facility – largest underground storage facility in Canada
- Dawn Hub, one of the top-5 physically traded hubs in North America
- Assets of \$7.2 billion, ~1.4 million customers, ~2,300 employees
- One of Canada's Top 100 Employers 2011-2017
- An Enbridge company

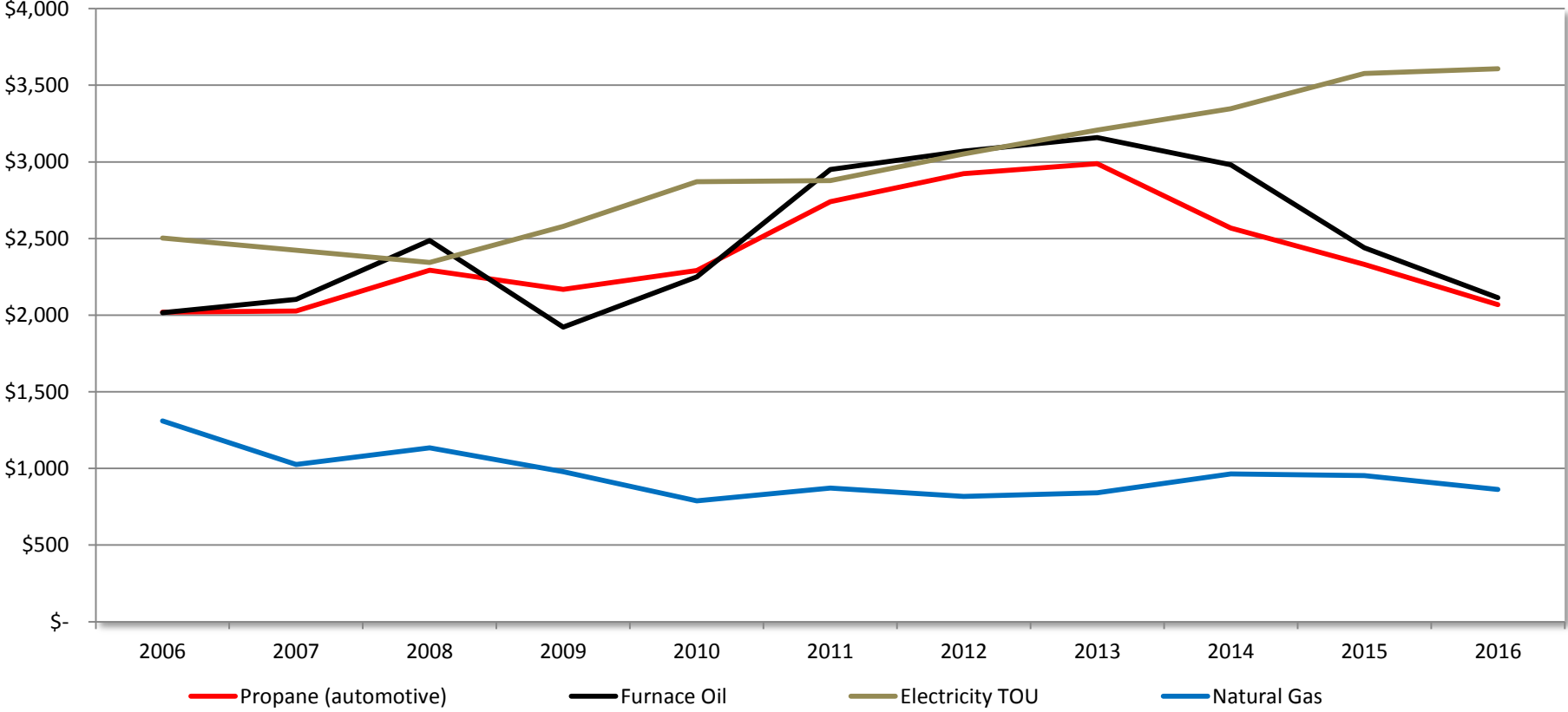
Natural Gas 101

- Expanding access to natural gas supports local economic growth, creating jobs and improving the lives of Ontario families
- Natural gas continues to be the low cost, reliable and clean energy solution
- Union Gas' rates are regulated and are currently the lowest in Ontario
- Compared to propane and heating oil, natural gas has the lowest greenhouse gas emissions
- Natural gas is an abundant and reliable source of energy
- Our customers are currently paying the lowest natural gas costs in the province



Cost Comparison

Average Ontario Estimated Annual Cost of Energy (annual average use of 82 GJ)



What is the OEB?

- The Ontario Energy Board (OEB) is an independent regulatory body which has jurisdiction over production, distribution, transmission and storage of natural gas in Ontario
- OEB approves natural gas rates quarterly
- Within Union Gas' regulatory framework, **existing customers can not subsidize the costs of new customers**
- Other utilities operate under a different regulatory framework
- Economic model is approved by the OEB
- OEB sets specific metrics we need to achieve



Ontario Energy Board
Commission de l'énergie de l'Ontario

Community Expansion: Timeline

2014

- The Ontario government first indicated it would commit funding, \$30 million in grants and \$200 million in interest free loans, to support expansion of natural gas infrastructure to rural and northern communities and first nations

2015

- The OEB asks gas utilities to submit proposals for regulatory flexibility to support community expansion to rural and remote communities
- Union Gas is the first, and only, gas utility to submit an application for regulatory flexibility with a proposal to serve up to 30 new communities

2016

- The OEB suspends hearings on Union Gas' community expansion proposal and announces a generic hearing to decide on a new framework for community expansion
- OEB conducts generic hearings – Union Gas actively champions our proposal
- OEB issues decision on generic hearings, granting some regulatory flexibility. Our proposal is not approved

2017

- Union Gas completed a thorough review of the OEB decision
- The Ontario Government announces \$100 million in grants to help move projects forward.
- In March we filed our first application for expansion to the OEB

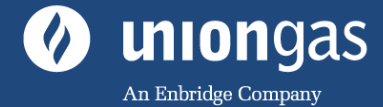
OEB Decision

	UG Proposal	OEB Decision
Minimum Profitability Index (PI)	0.40	1.0
Temporary Expansion Surcharge (TES)*	\$0.23 per m ³	Special Project Rates; a surcharge mechanism is also allowable
Incremental Tax Equivalent (ITE)*	Required to reduce PI to 0.40. Otherwise PI is 0.80.	Voluntary
Forecast Attachments	Shared Risk	Union Gas Risk

* Union proposed a surcharge term of a minimum of 4 years to a maximum of 10 years.



Ontario's Natural Gas Grant Program



The Program:

- Ontario is helping to expand access to natural gas across the province
- \$100m grant program for municipalities, First Nations and unincorporated areas
- \$70m for community expansion; \$30m for economic development opportunities
- Applications to be submitted by natural gas distributor
- Cost of converting equipment and connecting individual properties are not eligible for coverage



Partnering on Grant Application

Our Commitment to Red Rock First Nation:

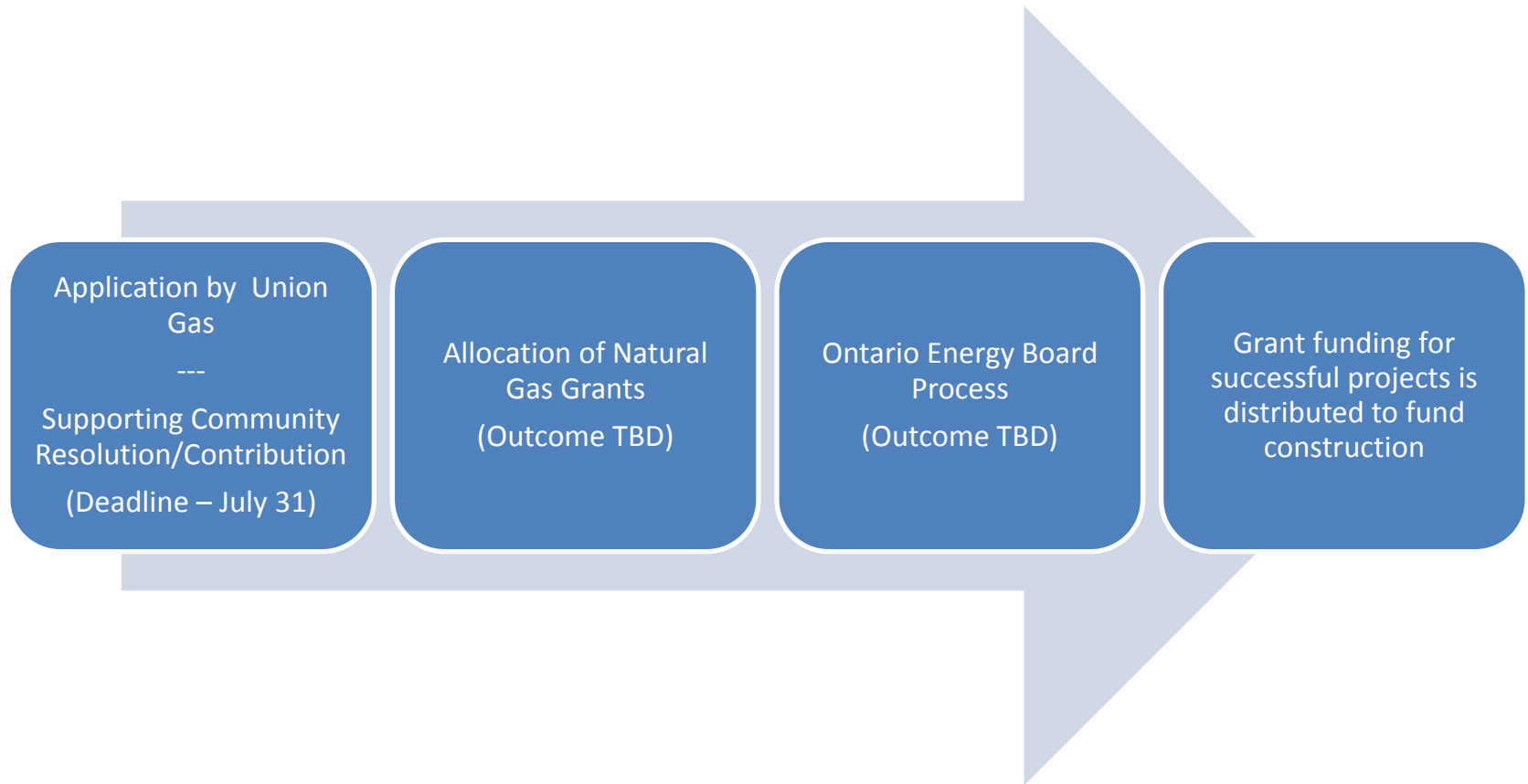
- Union Gas would submit grant application with relevant data
- If successful, Union Gas would submit the project to the Ontario Energy Board for final approval

What We Need From Red Rock First Nation:

- Demonstration of support for project via a Band Council Resolution
- Make a financial contribution towards project costs
 - Contribution must be equivalent to Payment in Lieu of Tax recovered from new natural gas infrastructure over ten-year period



Natural Gas Grant Program: Timeline



What would expansion look like?

Customer Volumetric Surcharge Rate: \$0.23/m³
(approx. \$500 annually per average customer over an existing customer)

Surcharge Term: TBD years

First Nation: \$TBD equivalent to the incremental increase in Payment in Lieu of Taxes for minimum of 10 years (as per grant requirements)

Government Aid: \$TBC – Union Gas will submit this amount to the Provincial government

Timing: 2019 at the earliest pending approvals

Current Taxes paid by Union: IF APPLICABLE

We:

- Are prepared to partner with your community on an application to the Natural Gas Grant Program (Due before July 31, 2017)

Our Ask of You:

- Demonstration of support for project via a supportive Band Council Resolution
- Make a financial contribution towards project costs
 - Contribution must be equivalent to Payment in Lieu of Taxes recovered from new natural gas infrastructure over ten-year period





Q&A

