

March 25, 2019

Ontario natural gas prices are decreasing

Natural gas customers across Ontario will see changes on their bills beginning April 1, 2019. The natural gas prices for all utilities and rate zones are decreasing.

The changes relate in part to the quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM) for customers of Ontario's rate-regulated natural gas utilities: Enbridge Gas Inc. (including the rate zones of both the former Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited)* and EPCOR. The Ontario Energy Board (OEB) does not allow utilities to earn a profit on the sale of gas. They must pass through the price they pay to buy natural gas on the open market to their customers with no markup. With the exception of the Union South rate zone and EPCOR, the changes also reflect lower transportation costs to move the natural gas commodity from the supply source to Ontario.

The price decreases are primarily driven by a decrease in forecasted gas prices over the next 12-month period.

Beginning April 1, 2019, residential customers using the typical** amount of natural gas each year will be charged less as follows:

- -\$55.54/year (-6.0%) on average for customers in the EGD rate zone
- -\$20.77/year (-2.73%) on average for customers in the Union South rate zone
- -\$76.18/year (-7.31%) on average for customers in the Union North East rate zone
- -\$51.71/year (-5.68%) on average for customers in the Union North West rate zone
- -\$10.59/year (-1.2%) on average for EPCOR customers

The bill impact for individual customers will vary depending on how much natural gas they use.

About the QRAM

Natural gas is a commodity traded on North American markets. Market prices rise and fall based on current supply and demand. Major weather events can also affect the market price.

Every three months, natural gas utilities ask the OEB to adjust their commodity rates to cover:

- **Future costs.** Utilities estimate the market price for natural gas over the next 12-month period.
- **Past costs.** Utilities also track the difference between actual and forecast commodity prices. This “true up” may be called the *Gas Price Adjustment* or *Cost Adjustment* on the bill. It can increase or lower the rate accordingly. For example, if a utility collected more from customers than it paid for gas in the past, the difference is credited back to customers through a lower rate. Likewise, if not enough was collected by the utility, the rate will be higher.

Because forecasting is done in advance of when utilities actually purchase natural gas, it is never exact. Utilities apply to the OEB for adjustments to be made to their commodity rates so that rates track more closely with market prices.

Federal Carbon Charge

Ontario customers will not see charges relating to the federal government's carbon pricing program reflected on their April 1, 2019 natural gas bills.

The gas utilities have each filed separate applications to increase natural gas rates to recover costs associated with that program. These applications are currently under review by the OEB.

* EGD and Union Gas Limited amalgamated effective January 1, 2019 to become Enbridge Gas Inc. Enbridge Gas Inc. is maintaining the pre-existing rates zones of both of the former companies (i.e., the EGD, Union North West, Union North East and Union South rate zones).

** The typical residential customer: Annual usage for a typical residential customer is 2,400 m³ for the EGD rate zone; 2,200 m³ for the Union South, Union North East, and Union North West rate zones; and 2,009 m³ for EPCOR.

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