

September 19, 2019

Ontario natural gas bills are decreasing

Natural gas customers across Ontario will see changes on their bills beginning October 1, 2019.

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. Other factors contributing to the October 1, 2019 bill changes are described below.

Beginning October 1, 2019, the annual bill impact for residential customers using the typical** amount of natural gas will be:

- -\$51.52/year (-5.3%) on average for customers in the EGD rate zone
- -\$65.39/year (-7.9%) on average for customers in the Union South rate zone
- -\$70.44/year (-6.7%) on average for customers in the Union North East rate zone
- -\$23.65/year (-2.5%) on average for customers in the Union North West rate zone
- -\$36.47/year (-4.7%) 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

Reasons for Rate Changes

The changes associated with price of the natural gas commodity (the QRAM) are primarily caused by downward pressure on commodity prices associated with increased gas production in the United States.

Some temporary rate adjustments also affect the bill. These relate in part to the disposition of the utilities' 2016-2018 cap and trade variance accounts as approved by the OEB in August 2019. These adjustments will appear on customer bills over the October, November and December 2019 period only. In addition, for the Union rate zones only, charges to recover amounts related to the 2016 Demand Side Management conservation programs that were approved by the OEB in April 2019 are continuing.

Table 1: Annual Bill Impacts for Residential Customers***

	EGD	Union South	Union North East	Union North West	EPCOR
QRAM	(\$50.96)	(\$65.77)	(\$70.82)	(\$23.47)	(\$39.97)
Temporary Rate Adjustments	(\$0.56)	\$0.38	\$0.38	(\$0.18)	\$3.50
Total Annual Bill Impact	(\$51.52)	(\$65.39)	(\$70.44)	(\$23.65)	(\$36.47)

Notes

* 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.

*** Charges related to the federal government's carbon pricing program have started appearing on customer bills as of August 1, 2019. This change is not reflected in the annual bill impacts described above.

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