

March 26, 2020

## Ontario natural gas prices are changing

Natural gas customers of Enbridge Gas Inc. (Enbridge) and EPCOR Natural Gas Limited Partnership (EPCOR) across Ontario will see changes on their bills beginning April 1, 2020.

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 Enbridge (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 April 1, 2020 bill changes are described below.

Beginning April 1, 2020, the total annual bill impact for residential customers using the typical\*\* amount of natural gas will be:

	EGD	Union South	Union North East	Union North West	EPCOR
Total QRAM (A)	-\$47.76	-\$52.95	-\$53.53	\$12.75	-\$23.74
Federal Carbon Charge (B)	\$47.04	\$43.13	\$43.13	\$43.13	\$39.40
<b>Annual Bill Impact (A+B)</b>	<b>-\$0.72</b>	<b>-\$9.82</b>	<b>-\$10.40</b>	<b>\$49.25</b>	<b>\$15.66</b>
Temporary Rate Adjustments (C)	-\$11.43	\$0.55	-\$22.40	-\$60.23	-
<b>Total Annual Bill Impact (A+B+C)</b>	<b>-\$12.15</b>	<b>-\$9.27</b>	<b>-\$32.80</b>	<b>-\$10.98</b>	<b>\$15.66</b>
	<b>-1.3%</b>	<b>-1.2%</b>	<b>-3.3%</b>	<b>-1.2%</b>	<b>1.9%</b>

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 caused by downward pressure on commodity prices associated with a warmer than forecast winter and the true up for past costs.

Enbridge and EPCOR are also implementing an increase in the federal carbon charge\*\*\* effective April 1, 2020, that was approved earlier this year on an interim basis. Among other things, the federal *Greenhouse Gas Pollution Pricing Act* requires Enbridge and EPCOR to pay a carbon charge to the federal government for volumes of natural gas that they deliver to customers. All of the money collected for this charge goes to the federal government.

The total annual bill impact is also affected by temporary rate adjustments related to the disposition of Enbridge's 2018 deferral and variance accounts as approved by the OEB in February 2020. These adjustments will appear as a one-time adjustment on customer bills in the EGD rate zone in April 2020, and will appear on customer bills in the Union rate zones over the next six months from April to September 2020.

### 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 m<sup>3</sup> for the EGD rate zone, 2,200 m<sup>3</sup> for the Union South, Union North East and Union North West rate zones and 2,009.4 m<sup>3</sup> for the EPCOR customers.

\*\*\* Effective April 1, 2020, the federal carbon charge is 5.8700 ¢/m<sup>3</sup>. This charge increases annually each April as set out under the federal *Greenhouse Gas Pollution Pricing Act*.

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