



BACKGROUND

Natural Gas Rate Changes – April 2017

Ontario natural gas prices are changing, but still lower than previous years

The vast majority of natural gas customers across Ontario will see changes on their bills below or close to the rate of inflation beginning on April 1, 2017.

The amount of the rate change will vary between utilities and how much natural gas individual customers use. Residential customers using the typical* amount of natural gas each month can expect to see their monthly bills rise as follows:

- + \$0.67 for Enbridge Gas Distribution customers
- + \$0.81 for Natural Resource Gas (NRG) customers
- +\$1.68 for Union Gas Southern customers
- + \$3.40 for Union Gas North East customers
- + \$4.19 for Union Gas Northwest customers

Despite these rate changes, overall, customers are still paying significantly less than they were at peak periods in 2009 and 2014, when natural gas costs were higher in Ontario due to factors including high market prices and unusually cold weather.

The changes will take effect on April 1, 2017 for customers of Ontario's three natural gas utilities – Enbridge Gas Distribution, Union Gas and Natural Resources Gas (NRG). The changes reflect the routine quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM).

TYPICAL RESIDENTIAL CUSTOMER BILL IMPACTS

The following chart shows the average overall monthly bill impacts, including a breakdown of the Quarterly Rate Adjustment Mechanism (QRAM), cap and trade interim rates as well as rate adjustments. These totals are based on a typical* residential customer for each utility. Exact impacts will depend on how much natural gas customers use each month.

Utility	April 1, 2017 QRAM (Commodity)	Cap and Trade**	Utility Rate Adjustment (Delivery)	Combined Average Monthly Bill Impact
Enbridge	+\$0.67	no change	N/A	+\$0.67
Union Gas Southern Zone	\$1.68	no change	N/A	+\$1.68
Union Gas North West Zone	+\$4.19	no change	N/A	+\$4.19
Union Gas North East Zone	+\$3.40	no change	N/A	+\$3.40
NRG	+\$0.81	no change	N/A	+\$0.81

*Annual usage for a typical residential customer of Enbridge is 2,400 m³, for NRG is 2,009 m³ and for Union is 2,200 m³.

** Interim Cap and Trade rates are included in the "Delivery to You" line of natural gas bills and have not changed from January 2017.

The QRAM

As a commodity, natural gas prices fluctuate daily and can change significantly over the course of a year, rising and falling based on factors such as weather and supply and demand.

Every three months, natural gas companies apply to adjust their rates to cover the cost of the market price of natural gas. Adjusting the rates each January 1, April 1, July 1 and October 1 helps smooth the price to shield customers from sharp price swings that can occur on the market. Utilities are not allowed to earn a profit on the commodity cost of natural gas so these costs are passed on to customers by utilities without a mark-up.

QRAM adjustments for each utility are as follows:

- +0.89% for Enbridge customers, reflecting an increase in transportation and commodity costs, as well as changes to the load balancing and commodity cost true ups from prior periods
- +1.1% for NRG customers, reflecting an increase in gas supply charges
- +2.52% for Union Gas South customers, reflecting the expiration of a rebate credit from April 2016 that is partially offset by lower commodity forecast costs
- +3.88% for Union Gas North Eastern customers, reflecting an increase in gas supply charges that is partially offset by lower commodity forecast costs
- +5.33% for Union Gas Northwest customers, reflecting the expiration of a rate adjustment (credit) from April 2016 and increasing commodity and transportation costs

ABOUT CAP AND TRADE

After being introduced on January 1, 2017, the interim rates for cap and trade included in the “Delivery to You” line of the bill remain unchanged.

Utility Rate Adjustments

There are no changes to the distribution rates – reflected in the “Delivery to You” and “Customer Charge” lines on the bill – for this period.

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