



BACKGROUND

Natural Gas Rate Changes – January 2017

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

The Ontario Energy Board (OEB) is announcing changes to natural gas rates beginning Jan. 1, 2017. Natural gas customers across Ontario will see increases on their bills in the New Year, but overall, prices will remain lower in 2017 than they have been during recent peak periods – even when factoring in the cost of cap and trade.

The changes include the routine quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM) – which has taken place every three months since 2001.

Other changes beginning in the New Year will also impact natural gas bills, including interim rates for cap and trade and a rate adjustment for utility operations for Enbridge and Union Gas. Union Gas is also changing its rate zones to better reflect where it buys natural gas from and how it transports it to its customers.

Despite all of these changes, overall, customers will still be paying significantly less than they were in 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.

TYPICAL RESIDENTIAL CUSTOMER BILL IMPACTS

The following chart shows the average overall monthly bill impacts in addition to a breakdown of each of the monthly impacts of the OEB’s Quarterly Rate Adjustment Mechanism (QRAM), cap and trade interim rates, as well as a rate adjustment for Enbridge and Union Gas. 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	Jan. 1, 2017 QRAM	Cap and Trade	Rate Adjustment	Average Monthly Bill Impact
Enbridge (province-wide)	-\$1.03	\$6.70	\$0.73	\$6.40
Union Gas Southern Zone	\$2.88	\$6.16	\$1.11	\$10.16
Union Gas North West Zone				
Previously Fort Frances	\$1.25	\$6.17	-\$0.67	\$6.76
Utility	Jan. 1, 2017	Cap and Trade	Rate Adjustment	Average Monthly

	QRAM			Bill Impact
Previously Western Zone	\$1.01	\$6.17	\$1.46	\$8.74
Previously Northern Zone	\$0.87	\$6.17	-\$2.39	\$4.65
Union Gas North East Zone				
Previously Northern Zone	\$8.29	\$6.17	-\$0.93	\$13.54
Previously Eastern Zone	\$8.11	\$6.17	-\$4.19	\$10.09
NRG	\$1.29	\$5.68	N/A	\$6.98

ABOUT 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. These costs are passed on to customers by utilities without a mark-up.

The QRAM portion of today's announcement is a routine rate adjustment – a process that's been in place since 2001. It is based on the actual price of gas in the last quarter and a forecast of natural gas market prices for the upcoming year.

For Enbridge customers, the bill impacts of QRAM actually result in a decrease, while others will see increases ranging from \$0.87 to \$8.29, depending on their utility.

ABOUT CAP AND TRADE

The provincial government's cap and trade program, which is intended to reduce GHG emissions in Ontario, begins in January 2017.

The OEB has granted interim rates for each of the three utilities so they can participate in the cap and trade market and meet their obligations when the program comes into effect. The OEB has [issued a notice](#) across the province inviting customers to participate in a hearing in 2017 to determine final rates.

Cap and trade costs will add between about \$5.68 and \$6.70 on average per month on typical residential customers' natural gas bills, based on the interim rates. The exact costs will depend on how much natural gas a customer uses each month.

Both [Union Gas](#) and [Enbridge](#) have indicated they will be meeting the OEB's expectation to include an on-bill message about cap and trade, which includes a direct link to information already available about cap and trade costs (i.e. the cost per cubic metre of natural gas and the average cost impact of cap and trade for the

typical customer) on their websites. Charges related to the recovery of cap and trade compliance costs will also be separately identified on each utility's rate sheet, which are available on the utility's website.

ABOUT RATE ADJUSTMENTS

For Enbridge and Union Gas customers, part of the change is a result of a small rate increase to fund their local operations.

ABOUT UNION GAS RATE ZONES

North American natural gas markets are changing, with increasing natural gas production in areas closer to southern Ontario, and therefore less reliance on production from Western Canada.

Following review and approval by the OEB, Union Gas has introduced a change in rate zones to better reflect the mix of natural gas supply markets and transportation pipelines available to serve each area. Union Gas is making this change so customer costs in each area are better aligned with the true cost of natural gas supply and the transportation services that serve them.

As of Jan. 1, 2017, customers currently in one of the four previous northern rate zones (Northern, Eastern, Western and Fort Frances), will be divided geographically into two new rate zones: North West (west of Kapuskasing) and North East (Kapuskasing to North Bay). Therefore, Union Gas customer rates will vary depending on where they are located.

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