

June 27, 2017

## **Natural Gas Rate Changes – July 2017**

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### **Ontario natural gas prices are changing**

The majority of natural gas customers across Ontario will see increases on their bills beginning on July 1, 2017.

The impact of the rate change for individual customers will vary depending on how much natural gas they use each month and the utility that serves them. Residential customers using the typical amount of natural gas each year can expect to see an average change in their monthly bills as follows:

- + \$3.02 for Enbridge Gas Distribution customers
- + \$2.07 for Natural Resource Gas customers
- +\$3.29 for Union Gas Southern customers
- + \$3.34 for Union Gas North East customers
- - \$0.14 for Union Gas North West customers

The changes will take effect on July 1, 2017 for customers of Ontario's three rate-regulated natural gas utilities – Enbridge Gas Distribution, Union Gas and Natural Resource 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).

The Ontario Energy Board (OEB) does not allow utilities in Ontario 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.

## Typical Residential Customer Bill Impacts

The following chart shows the average monthly bill impact for customers of the three natural gas utilities relative to rates in effect as of April 1, 2017, broken down by the Quarterly Rate Adjustment Mechanism (QRAM), cap and trade interim rates and delivery rate adjustments. These totals are based on a residential customer who uses the typical\* amount of natural gas each year for each utility. The impact of the rate change for individual customers will depend on how much natural gas they use each month.

Utility	July 1, 2017 QRAM (Commodity)	Cap and Trade**	Distribution Rate Adjustment (Delivery)	Combined Average Monthly Bill Impact
<b>Enbridge</b>	\$3.02	<i>no change</i>	<i>no change</i>	\$3.02
<b>NRG</b>	\$2.07	<i>no change</i>	<i>no change</i>	\$2.07
<b>Union Gas Southern Zone</b>	\$3.29	<i>no change</i>	<i>no change</i>	\$3.29
<b>Union Gas North East Zone</b>	\$3.34	<i>no change</i>	<i>no change</i>	\$3.34
<b>Union Gas North West Zone</b>	-\$0.14	<i>no change</i>	<i>no change</i>	-\$0.14

\*Annual usage for a typical residential customer is 2,400 m<sup>3</sup> for Enbridge, 2,009 m<sup>3</sup> for NRG and 2,200 m<sup>3</sup> for Union.

\*\* Interim rates to cover utility cap and trade costs are included in the delivery line of natural gas bills and have not changed from January 2017.

### The QRAM

Natural gas is a commodity that is 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 3 months, natural gas utilities ask the OEB to adjust their commodity rates to cover:



- **Future costs.** Utilities estimate how much gas they expect their customers to use, based on previous years. Then they estimate the market price for natural gas over the next 12-month period.
- **Past costs.** Utilities also review the difference between what they previously forecast their customers would pay and what their customers actually paid. 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 so far in advance of when utilities actually purchase natural gas, it is never exact. The OEB adjusts commodity rates periodically throughout the year so there’s less likelihood that customers or the utility will owe a large amount at a given time.

The bill impact of the QRAM adjustments for typical residential customers of each utility and the main reasons for each are as follows:

- an increase of 3.9% for Enbridge customers, reflecting an increase in the cost of natural gas and true ups from prior periods
- an increase of 2.7% for NRG customers, reflecting an increase in the cost of natural gas
- an increase of 4.8% for Union Gas South customers, reflecting an increase in the cost of natural gas and true ups from prior periods
- an increase of 3.7% for Union Gas North East customers, reflecting an increase in the cost of natural gas and true ups from prior periods
- a decrease of 0.2% for Union Gas North West customers, reflecting a decrease in the cost of natural gas partially offset by true ups from prior periods

## About Cap and Trade

Interim rates to cover utility cap and trade costs were introduced on January 1, 2017. They are included in the delivery line of the bill and remain unchanged.

## Utility Distribution Rate Adjustments

No changes to utility distribution rates are occurring on July 1. These rates are included in the delivery and customer or monthly charge lines of the bill.



## **CONTACT**

### **Media Inquiries**

416-544-5171

[uebmedia@ueb.ca](mailto:uebmedia@ueb.ca)

[www.ueb.ca/newsroom](http://www.ueb.ca/newsroom)

### **Consumer Inquiries**

416-314-2455

1-877-632-2727

[www.ueb.ca](http://www.ueb.ca)

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