

June 20, 2019

## Ontario natural gas bills are changing

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Natural gas customers across Ontario will see changes on their bills beginning July 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 July 1, 2019 bill changes are described below.

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

- \$9.93/year on average for customers in the EGD rate zone
- \$0.12/year on average for customers in the Union South rate zone
- -\$7.51/year on average for customers in the Union North East rate zone
- -\$3.25/year on average for customers in the Union North West rate zone
- \$0.98/year on average for EPCOR customers

The bill impact for individual customers will vary depending on how much natural gas they use.

### Reasons for Rate Changes

#### 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.

### Other rate changes

Some temporary charges will also affect the bill. In April 2019, the OEB approved the recovery of amounts related to the 2016 DSM conservation programs of EGD and Union Gas.\* There are also some temporary costs passed through in a prior period that are now fully collected from customers in the Union South, North East and North West zones.

In addition, starting July 1, 2019 each gas utility must collect \$1 per month from each of their customers to contribute towards the cost of eligible gas expansion projects under recent changes to the *Ontario Energy Board Act, 1998*.

**Table 1: Total Annual Bill Impacts for Residential Customers (QRAM and other rate changes)**

	EGD	Union South	Union North East	Union North West	EPCOR
QRAM (including true up)	-\$8.11	-\$8.52	-\$7.86	-\$23.19	-\$11.02
Gas Expansion	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00
<b>Total(A)</b>	<b>\$3.89</b>	<b>\$3.48</b>	<b>\$4.14</b>	<b>-\$11.19</b>	<b>\$0.89</b>
Total Temporary Charges (B)	\$6.04	-\$3.36	-\$11.65	\$7.94	NA
<b>Total Annual Bill Change (A+B)</b>	<b>\$9.93</b>	<b>\$0.12</b>	<b>-\$7.51</b>	<b>-\$3.25</b>	<b>\$0.98</b>

### Federal Carbon Charge

Ontario customers will not see charges relating to the federal government's carbon pricing program reflected on their July 1, 2019 natural gas bills.

The gas utilities have each filed separate applications to increase natural gas rates to recover costs associated with that program. These applications are currently under review by the OEB.

### 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 m<sup>3</sup> for EPCOR.

### Contact Us

#### Media Inquiries

Phone: 416-544-5171

Email: [oebmedia@oeb.ca](mailto:oebmedia@oeb.ca)

#### Consumer Inquiries

416-314-2455/1-877-632-2727

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

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