

June 25, 2020

## Natural gas prices for July 1, 2020

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Customers of EPCOR Natural Gas Limited Partnership (EPCOR) will see a decrease on their bills beginning July 1, 2020. Natural gas prices for customers of Enbridge Gas Inc. (Enbridge) are not changing on July 1, 2020.

The change for EPCOR customers relates to the 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 to earn a profit on the sale of gas. They must pass through the price they pay to buy natural gas to serve their customers with no markup.

The total bill impact of this change for an EPCOR residential customer who uses the typical amount of 1,780 cubic metres of natural gas per year is a decrease of approximately \$2.61 on an annual basis. The bill impact for individual customers will vary depending on how much natural gas they use.

Enbridge [informed](#) the OEB in May that based on preliminary estimates, it anticipated significant increases in the commodity portion of the bill. In light of the ongoing COVID-19 pandemic, Enbridge proposed foregoing the filing of its July 1, 2020 QRAM application, and to hold prices constant until the filing of its October 1, 2020 QRAM application. In a [letter](#) dated June 5, 2020, the OEB accepted that it would be prudent to dispense with Enbridge's July 1, 2020 QRAM application.

The decision to forego Enbridge's July 1, 2020 QRAM application also affects EPCOR, since EPCOR is a system gas customer of Enbridge. EPCOR took this decision into account when filing its own July 1, 2020 QRAM application.

### 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.

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