

September 24, 2020

Ontario natural gas prices are changing

Natural gas customers of Enbridge Gas Inc. (Enbridge) and EPCOR Natural Gas Limited Partnership (EPCOR) across Ontario will see increases on their bills beginning October 1, 2020.

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 Enbridge (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 October 1, 2020 bill changes for Enbridge customers are described below.

Beginning October 1, 2020, the total annual bill impact for residential customers using the typical** amount of natural gas will be:

	EGD	Union South	Union North East	Union North West	EPCOR (Aylmer)
Total QRAM (A)	\$28.99	\$43.70	\$33.82	\$6.68	\$7.00
Temporary Rate Adjustments (B)	\$21.72	\$13.46	\$35.86	\$73.69	-
Total Annual Bill Impact (A+B)	\$50.71	\$57.16	\$69.68	\$80.37	\$7.00
	5.5%	7.4%	7.2%	8.7%	1.0%

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

EPCOR also filed a QRAM application for prices effective October 1, 2020 for Southern Bruce. This is the first commodity price change since EPCOR's rates for Southern Bruce were last approved in 2020 (EB-2019-0264) in the context of its 10-year rate plan that was approved by the OEB in 2019. The table above does not report the bill impact for EPCOR's Southern Bruce customers as there are no residential customers connected to the Southern Bruce infrastructure at this time. Connections for residential customers will begin in the fall of 2020.

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.

Reasons for Rate Changes

The changes associated with the price of the natural gas commodity (the QRAM) are caused by upward pressure on commodity prices associated with a decrease in natural gas production which has led to higher futures pricing. The QRAM is the only rate change for customers of EPCOR (Aylmer) for October 1, 2020.

If Enbridge used current market prices for forecasting purposes, its customers would have seen increases ranging from 17.5% to 33.4% on the commodity portion of their bill, depending on the rate zone. The OEB has approved a rate mitigation plan proposed by Enbridge Gas which reduces that impact to range from 13.2% to 23.7%, depending on the rate zone. Bill mitigation is a tool used by the OEB to protect consumers from having large bill increases at one time, for example by phasing in the increase over a period of time.

For the Union North West rate zone only, the OEB has also approved an additional rate mitigation plan proposed by Enbridge to further reduce the bill impact. As a result, this group of residential customers will see an increase in the total bill impact of 8.7% instead of 15.8%.

For Enbridge, the total annual bill impact is also affected by temporary rate adjustments previously approved by the OEB relating to:

- the disposition of Enbridge's 2018 and 2019 deferral and variance accounts***, with one temporary credit expiring in September 2020 for the Union rate zones and a temporary charge being applied in all rate zones until December 2020; and
- a temporary charge being applied in the EGD and Union South rate zones to fund two pipeline replacement projects until December 2023.

The federal carbon charge of 5.87¢/m³ is not changing October 1, 2020. This charge increases annually each April as set out under the federal *Greenhouse Gas Pollution Pricing Act*.

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 m³ for the EGD rate zone, 2,200 m³ for the Union South, Union North East and Union North West rate zones, and 1,780 m³ for EPCOR's Aylmer customers.

*** Deferral accounts track the cost of a project or program which the utility could not forecast when the rates were set. When the costs are known, the utility can then request OEB approval to recover the costs in rates. Variance accounts track the difference between the forecast cost of a project or program, which has been included in rates, and the actual cost. If the actual cost is lower, then the difference is returned to customers as a credit. If the actual amount is higher, then the utility can request OEB approval to recover the difference through rates.

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