

June 27, 2022

Market Prices for Natural Gas Continue to Rise: OEB approves cost recovery over 12 months for EPCOR customers

The Ontario Energy Board (OEB) has approved new natural gas prices for EPCOR Natural Gas Limited Partnership's (EPCOR) customers in EPCOR's Aylmer and South Bruce service areas.

Several factors give rise to the rate change approved as part of the OEB's Quarterly Rate Adjustment Mechanism (QRAM). Natural gas prices remain high because of sustained global demand for North American liquefied natural gas and uncertainty in the global energy landscape.

The International Energy Agency (IEA) is warning of continued significant upward pressure on prices beyond this quarter¹, and production in North America has not been able to keep up with demand, while storage levels across North America remained below the 5-year average.

The OEB's recent approval of a rate mitigation plan for Enbridge Gas Inc. (Enbridge)² will affect EPCOR's Aylmer customers, since EPCOR purchases much of its natural gas for its Aylmer customers from Enbridge. Accordingly, for EPCOR's Aylmer customers, the OEB approved natural gas prices that reflect Enbridge's approved rate mitigation plan.

For EPCOR's South Bruce customers, the OEB approved natural gas prices that reflect market prices. Without further rate mitigation, the percentage change for the typical residential customer in the South Bruce rate zone is aligned to that experienced by customers in the Aylmer zone.

The OEB does not allow utilities to earn a profit on the sale of natural gas.

As noted in Table 1, beginning July 1, 2022, the total annual bill impact* for residential customers using a typical amount of natural gas in each rate zone will be:

Table 1

	EPCOR Aylmer	EPCOR South Bruce
Annual Usage for a Typical Residential Customer	1,780 m ³	2,149 m ³
Total Quarterly Rate Adjustment Mechanism (QRAM) (A)	\$138.90	\$222.95
Temporary Rate Adjustment Changes (B)	\$0.00	\$0.00
Total Annual Bill Impact (A+B)	\$138.90	\$222.95
Percentage Change	13.6%	13.0%

*Bill impacts will vary depending on how much natural gas individual customers use. Natural gas use is lowest during the summer months.

¹ <https://www.iea.org/reports/gas-market-report-q2-2022>

² [EB-2022-0150, Decision and Order, June 16, 2022. See the related Backgrounder.](#)

Current QRAM

The OEB approved EPCOR's proposal that its July 2022 QRAM rates for the Aylmer service territory be based on Enbridge's OEB-approved rate mitigation plan for the same period.

Rate mitigation is a tool used by the OEB to help protect consumers from experiencing large bill increases all at once. Mitigation provides customers with temporary relief by smoothing out cost recovery over a longer period.

The bill impact for a typical EPCOR Aylmer residential customer who uses 1,780 cubic metres of natural gas per year is an increase of approximately \$138.90 (or 13.6%) per year.

In the January 2022 QRAM for EPCOR's South Bruce service territory, the OEB approved a rate mitigation plan that deferred the recovery of \$380,000 in past costs to a future period. In EPCOR's April 2022 QRAM, the OEB determined that the \$380,000 in past costs should be recovered over the typical 12-month smoothing period. In today's Decision, the OEB approved EPCOR's preferred proposal which continues the recovery of the balance over the remaining nine months, ending March 2023.

The bill impact for a typical EPCOR South Bruce residential customer who uses 2,149 cubic metres of natural gas per year is an increase of approximately \$222.95 (or 13.0%) per year.

EPCOR's proposals for both Aylmer and South Bruce customers uses the standard QRAM approach of recovering Purchased Gas Commodity Variance Account³ balances over 12 months. The OEB has found that this approach strikes a balance between ensuring that consumers receive appropriate market price signals and protecting the interest of consumers that purchase their natural gas from EPCOR.

About the QRAM

Natural gas is a commodity that is bought and sold on North American energy markets. At any given time, its price fluctuates based on a variety of factors including supply and demand, seasonal changes, levels of stored natural gas, and major weather events. Enbridge and EPCOR update their forecast of market prices every three months and use that forecast to seek the OEB's approval of their proposed changes to natural gas commodity prices. These proposed changes cover:

- **Future costs:** This is based on a forecast of market prices for natural gas over the next 12-month period.
- **Past costs:** This is based on the difference between what the utility previously forecast that their customers would pay and what their customers actually paid. This kind of adjustment is needed because the gas prices charged to customers are based on forecasts, which are never exact. This may be called the Gas Price Adjustment or Cost Adjustment on your 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.

The OEB does not allow utilities to earn a profit on the sale of natural gas.

Resources to Support Natural Gas Customers

A number of special programs are available in Ontario to help low-income energy consumers:

³ 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 or higher, then the utility can request OEB approval to return the difference to customers as a credit or to recover the difference through rates.



- **Low-income Energy Assistance Program (LEAP)**
This program provides a one-time grant towards a customer's electricity or natural gas bill if they're behind on their bill and may face having their service shut off. It is for emergency situations.
- **Special rules for low-income customers**
Electricity utilities, natural gas utilities and unit sub-metering providers must follow special rules to support low-income customers; for example, waiving security deposits and allowing longer payment times under arrears payment plans.

About the OEB

The OEB is committed to delivering public value through careful regulation and independent adjudicative decision-making, which contributes to Ontario's economic, social and environmental development. With respect to natural gas prices and the reliability and quality of gas service, we set rates for the natural gas that customers of EPCOR and Enbridge use in their homes and businesses, and we also set the rates that they charge for the delivery of natural gas to their customers.

Contact Us

Media Inquiries

Phone: 416-544-5171
Email: oebmedia@oeb.ca

Consumer Inquiries

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

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decisions and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order(s) issued today, which are the official OEB documents.

Ce document est aussi disponible en français.

