

March 21, 2018

Ontario natural gas prices are dropping

Natural gas customers across Ontario will see reductions on their bills beginning April 1, 2018.

The changes relate to the routine quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM) – for customers of Ontario's three rate-regulated natural gas utilities: Enbridge Gas Distribution, Union Gas and EPCOR. 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.

These adjustments result in the following changes for a residential customer using the typical* amount of natural gas each year relative to rates in effect as of March 31, 2018:

- - \$4.07/month on average for Enbridge Gas Distribution customers
- - \$3.24/month on average for Union Gas-South customers
- - \$4.80/month on average for Union Gas-North East customers
- - \$3.66/month on average for Union Gas-North West customers
- - \$2.57/month on average for EPCOR customers

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

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 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 in advance of when utilities actually purchase natural gas, it is never exact. The OEB adjusts commodity rates periodically throughout the year so that rates track more closely with market prices.

Cap and trade

Natural gas utilities recover their cap and trade costs through rates approved by the OEB. Those rates are not changing on April 1 but may change in the future.

Reasons for Rate Changes

On a percentage basis, the bill impacts for typical* residential customers of each utility and the main reasons for the changes are as follows:

- - **5.15% for Enbridge:** this is due to a decrease in the forecast price of natural gas and an adjustment for differences in past forecast gas prices relative to actual costs.
- - **4.9% for Union Gas-South:** this is due to a decrease in the forecast price of natural gas , an adjustment for differences in past forecast gas prices relative to actual costs, and changes in forecasts and adjustments relating to transportation and/or storage.
- - **5.4% for Union Gas-North East:** this is due to a decrease in the forecast price of natural gas , an adjustment for differences in past forecast gas prices relative to actual costs , and changes in forecasts and/or adjustments relating to transportation and storage.
- - **4.6% for Union Gas-North West:** this is due to a decrease in the forecast price of natural gas, an adjustment for differences in past forecast gas prices relative to actual costs, and changes in forecasts and adjustments relating to transportation and/or storage.
- - **3.4% for EPCOR:** this is due to a decrease in the forecast price of natural gas and an adjustment for differences in past forecast gas prices relative to actual costs.

*** The Typical Residential Customer**

Annual usage for a typical residential customer is 2,400 m³ for Enbridge, 2,009 m³ for EPCOR and 2,200 m³ for Union.

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