ONTARIO ENERGY BOARD | COMMISSION DE L'ÉNERGIE DE L'ONTARIO

December 20, 2017

Ontario natural gas prices are changing

Natural gas customers across Ontario will see changes on their bills beginning on January 1, 2018.

The changes include 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 (formerly NRG). The 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.

Changes that impact the delivery line of natural gas bills will also come into effect in the New Year for customers of all three utilities.

Together, these adjustments result in the following changes for a residential customer using the typical* amount of natural gas each year:

- + $58.03/year, or +$4.84/month, for Enbridge Gas Distribution customers
- - $28.23/year, or -$2.35/month, for Union Gas-South customers
- - $6.15/year, or -$0.51/month, for Union Gas-North East customers
- - $24.13/year, or -$2.01/month, for Union Gas-North West customers
- - $19.70/year, or -$1.64/month, 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 that is 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 3 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 there is less likelihood that customers or the utility will owe a large amount at a given time.

Reasons for Rate Changes

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

- **+ 6.5% for Enbridge:** this is due to an increase in the forecast price of natural gas (+$12.30), an adjustment for differences in past forecast prices relative to actual costs (-$5.48) and adjustments to the delivery line (a distribution rate adjustment of +$24.14 annually and the end of a temporary credit to customers of +$27.07).
- **- 3.5% for Union Gas-South:** this is due to a decrease in the forecast price of natural gas (-$2.37), an adjustment for differences in past forecast prices relative to actual costs (-$25.65), and a lowering of rates to recover cap and trade costs (-$0.21).
- **- 0.6% for Union Gas-North East:** this is due to a decrease in the forecast price of natural gas (-$2.42), an adjustment for differences in past forecast costs relative to actual costs (-$3.15) and a lowering of rates to recover cap and trade costs (-$0.58).
- **- 2.5% for Union Gas-North West:** this is due to a decrease in the forecast price of natural gas (-$3.21), an adjustment for differences in past forecast costs relative to actual costs (-$20.34) and a lowering of rates to recover cap and trade costs (-$0.58).
- **- 2.2% for EPCOR:** this is due to a decrease in forecast gas supply charges (-$19.17) and a lowering of rates to recover cap and trade costs (-$0.53).

Background on the Increase for Enbridge Customers

In 2014, the OEB determined that Enbridge had over collected from ratepayers for costs associated with site restoration. The OEB ordered Enbridge to provide a refund to ratepayers of the over-collected amount. This refund has been given to ratepayers through a roughly $27 annual credit beginning in 2014. By January 2018, Enbridge will have fully refunded ratepayers and therefore the approximately $27 credit will no longer apply.

The rates to cover the costs of Enbridge's utility operations are also increasing.

Typical Residential Customer Bill Impacts

The following chart shows the average annual bill impact for customers of the three natural gas utilities relative to rates in effect as of December 31, 2017, broken down by the QRAM, cap and trade and other delivery line adjustments. These totals are based on a residential customer who uses the typical* amount of natural gas each year for each utility. The impact of the rate change for individual customers will depend on how much natural gas they use.

Utility	January 1, 2018 QRAM (Commodity)	Cap and Trade	Other Delivery Line Adjustments	Typical* Combined Annual Bill Impact
Enbridge	*$6.82*	*No change on Jan. 1, 2018*	*$51.21* *($24.14 distribution rate increase and end of $27.07 credit)*	*$58.03*
Union Gas-South	*-$28.02*	*-$0.21*	*N/A*	*-$28.23*
Union Gas-North East	*-$5.57*	*$-0.58*	*N/A*	*-$6.15*
Union Gas-North West	*-$23.55*	*-$0.58*	*N/A*	*-$24.13*
EPCOR	*-$19.17*	*-$0.53*	*N/A*	*-$19.70*

OEB Decision on Utility Cap and Trade Plans
Rates to cover utility cap and trade costs were introduced on January 1, 2017. The January 1, 2018 changes to EPCOR and Union's rates to cover cap and trade costs reflect the OEB's decision on their 2017 cap and trade plans. There is no change to the rates to cover cap and trade costs for Enbridge customers on January 1, 2018.

***The Typical Residential Customer**
Annual usage for a typical residential customer is 2,400 m^3 for Enbridge, 2,009 m^3 for EPCOR and 2,200 m^3 for Union.

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