

December 27, 2019

Ontario natural gas prices are changing

Natural gas customers of EPCOR Natural Gas Limited Partnership (EPCOR) will see decreases on their bills beginning January 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). 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 January 1, 2020 bill changes are described below.

Beginning January 1, 2020, the total annual bill impact for EPCOR's residential customers using the typical amount of natural gas (2,009 m³) will be a decrease of \$57.60/year (7.0%) on average.

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 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 price of the natural gas commodity (the QRAM) are caused by upward pressure on commodity prices associated with a colder than normal November, which in the case of EPCOR is more than offset by the true up for past costs. EPCOR is also implementing delivery rate changes effective January 1, 2020 that were approved earlier this year.

The total annual bill impact is also affected by some temporary rate adjustments coming to an end in 2019 and other temporary rate adjustments beginning on January 1, 2020.

Annual Bill Impacts for Residential Customers Using 2,009 m³ per Year

	EPCOR
Total QRAM (A)	-\$13.19
2020 Delivery Rates (B)	-\$39.53
Annual Bill Impact (A+B)	-\$52.72
Temporary Rate Adjustments	-\$4.88
Total Annual Bill Impact (A+B+C)	-\$57.60

The OEB's decision on Enbridge Gas Inc.'s QRAM application was issued on December 19, 2019, and is available [here](#).

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