

[REDACTED]

Subject:

FW: Letter of Comment Re : EB-2016-0296

From: Josh Wasylyk

Sent: February 2, 2017 2:11 PM

To: [REDACTED]

Subject: RE: Letter of Comment Re : EB-2016-0296

Dear Pesi Dumlavwalla,

Thank you for your email. As part of the OEB's standard process to review requests for rate increases from all utilities, including Union Gas, the OEB considers the need for the rate increases in association with the impacts those increases will have on customers. The OEB's decisions are guided by the OEB's mandate to approve rates that are just and reasonable. In doing so, the OEB considers many areas, including the prudence of the proposed expenditures, the need of the proposed amounts, the timing of any system improvements, the market cost of natural gas, and the value any requested expenditures will provide customers. In the event that a utilities' costs are increasing, the OEB carefully examines the reasons for the requested increases to ensure any increased expenditures are reasonable and appropriate.

The OEB announced changes to natural gas rates beginning Jan. 1, 2017. Natural gas customers across Ontario saw increases on their bills in the New Year, but overall, prices will remain lower in 2017 than they have been during recent peak periods – even when factoring in the cost of cap and trade.

The changes include the routine quarterly adjustment for the market price of the natural gas commodity – known as the Quarterly Rate Adjustment Mechanism (QRAM) – which has taken place every three months since 2001.

Other changes beginning in the New Year will also impact natural gas bills, including interim rates for cap and trade and a rate adjustment for utility operations for Union Gas. The rate adjustment for utility operations was about \$1 per month. Union Gas is also changing its rate zones to better reflect where it buys natural gas from and how it transports it to its customers. The gas supply charge increased from 11.5706 cents/m³ to 16.0178 cents/m³ primarily because this charge now includes the costs of transporting gas to Union's delivery area. As a result of this change, the transportation charge previously included in your bill was eliminated. The net effect of this change was minimal.

Despite all of these changes, overall, customers will still be paying significantly less than they were in peak periods in 2009 and 2014, when natural gas costs were higher in Ontario due to factors including high market prices and unusually cold weather.

I hope this helps to provide a bit of perspective on the OEB's process.

Josh

Josh Wasylyk | [REDACTED]
[REDACTED] [REDACTED] [REDACTED]
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