

# ONTARIO ENERGY REPORT Q1 2016

JANUARY – MARCH 2016  
OIL AND NATURAL GAS

## Regular Gasoline and Diesel Provincial Average Retail Prices (\$/L)

Regular Gasoline	\$0.91
Diesel	\$0.92

Source: Ministry of Energy Fuel Prices.

## Natural Gas Effective Prices (¢/m<sup>3</sup>)

Union Gas	9.48¢
Enbridge	11.75¢

Source: OEB Natural Gas Rates effective January 1, 2016.

## Average Natural Gas Spot Price (\$/GJ)

Dawn (ON)	\$2.73
Henry Hub (US)	\$2.61
AECO (AB)	\$1.74

Source: Dawn and AECO from Canadian Enerdata Ltd.;  
Henry Hub from U.S. Energy Information Administration.

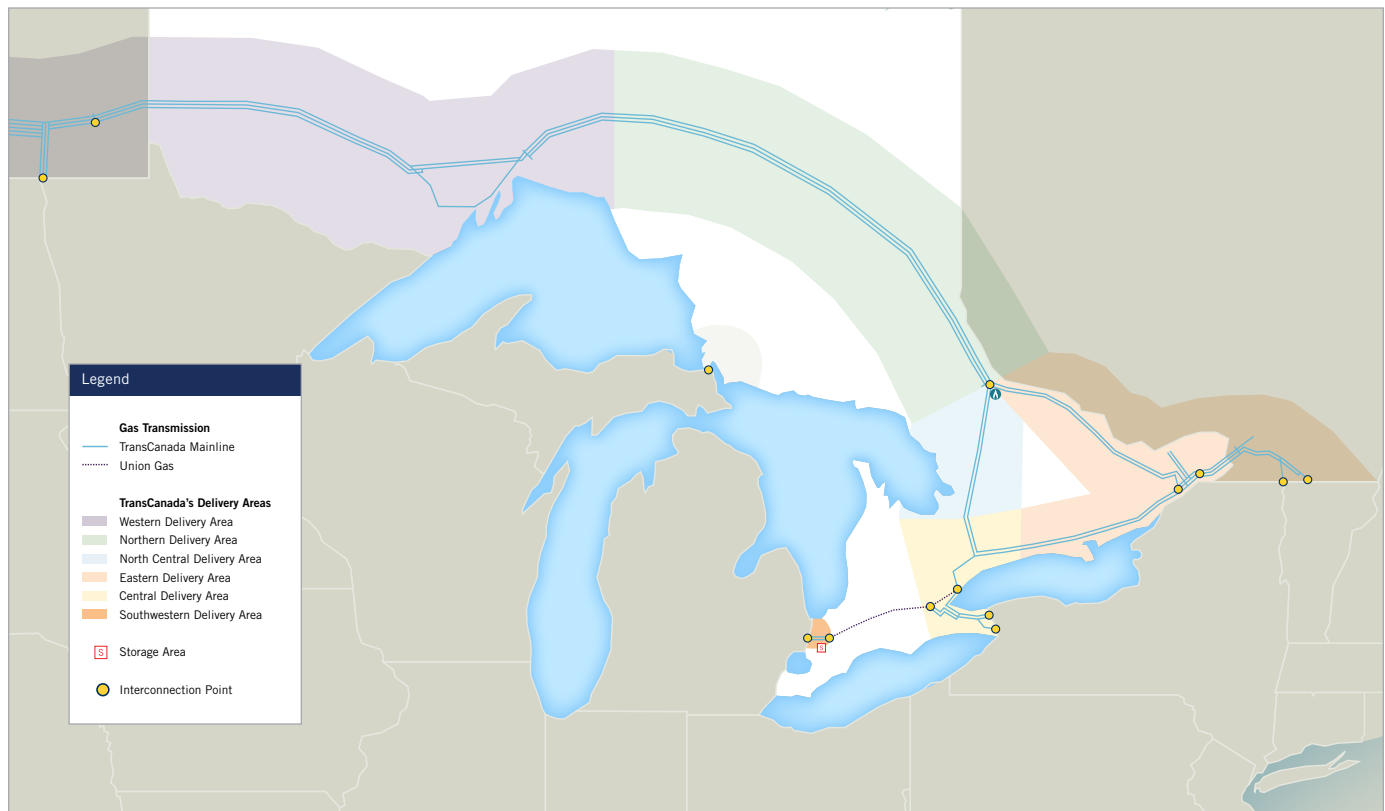
## Eastern Canada Natural Gas Storage Balance (at quarter end)

# 143.4 Bcf

(for week ending March 25, 2016)

Source: Canadian Enerdata Ltd.  
In Eastern Canada, natural gas is stored primarily at Dawn hub near Sarnia.

## Natural Gas Transmission Infrastructure



# Regular Gasoline Retail Prices

## Q1 Ontario Average Regular Gasoline Retail Price (\$/L)

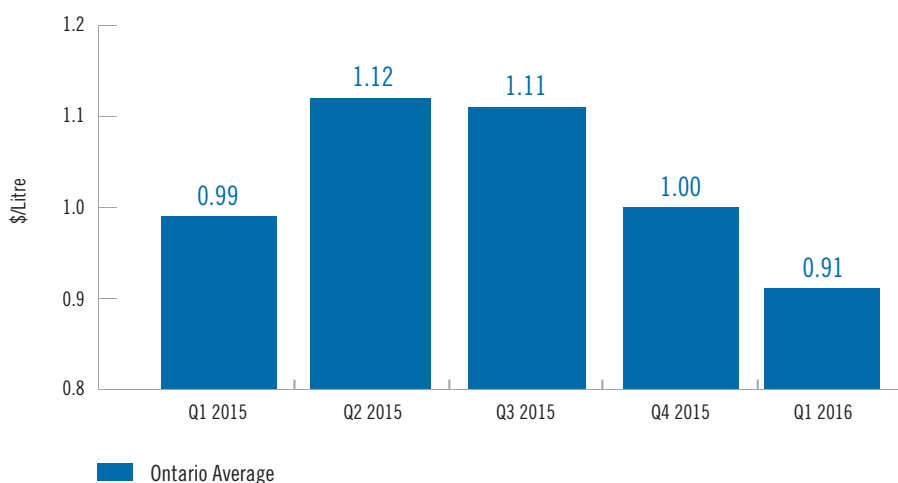
Year (Q1)	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto Average	Ottawa	Sudbury	Thunder Bay
2007	0.91	0.90	0.96	0.90	0.91	0.93	0.99
2008	1.05	1.05	1.10	1.04	1.06	1.07	1.11
2009	0.82	0.81	0.85	0.82	0.79	0.83	0.87
2010	0.98	0.98	1.02	0.98	0.96	1.01	1.01
2011	1.17	1.17	1.22	1.17	1.17	1.21	1.23
2012	1.26	1.26	1.30	1.26	1.24	1.31	1.27
2013	1.27	1.26	1.31	1.27	1.25	1.31	1.29
2014	1.29	1.28	1.33	1.29	1.28	1.33	1.33
2015	0.99	0.98	1.03	0.99	0.97	1.02	1.05
<b>2016</b>	<b>0.91</b>	<b>0.90</b>	<b>0.96</b>	<b>0.93</b>	<b>0.87</b>	<b>0.95</b>	<b>0.96</b>

Source: Ministry of Energy Fuel Prices. All prices in Current Dollars per litre. Provincial, Southern and Northern Ontario averages are weighted by population.

Toronto<sup>1</sup> regular unleaded gasoline retail prices in Q1 2016 were 5.7 cents per litre (¢/L) lower than in Q1 2015. This was the result of lower crude costs (-10.2 ¢/L) and lower taxes (-0.7 ¢/L), which more than offset higher refining margins (+4.0 ¢/L) and higher retail margins (+1.2 ¢/L). Crude oil costs would have fallen another 2.1 ¢/L had it not been for a 10% decline in the value of the Canadian dollar relative to the U.S. dollar from Q1 2015 to Q1 2016. Canadian crude oil and wholesale gasoline costs are affected by the CDN/US exchange rate because these commodities are traded on a North American and international basis.

Note: Retail gasoline prices are affected by crude oil prices, wholesale gasoline prices, and competition in the local retail gasoline market. Prices vary from city to city because of differences in market size and structure, costs, and the degree of local competition.

## Ontario Average Regular Gasoline Price



1. Toronto was selected for the pump price analysis because it is the largest gasoline market in Ontario.

# Retail Diesel Prices

## Q1 Ontario Average Diesel Retail Prices (\$/L)

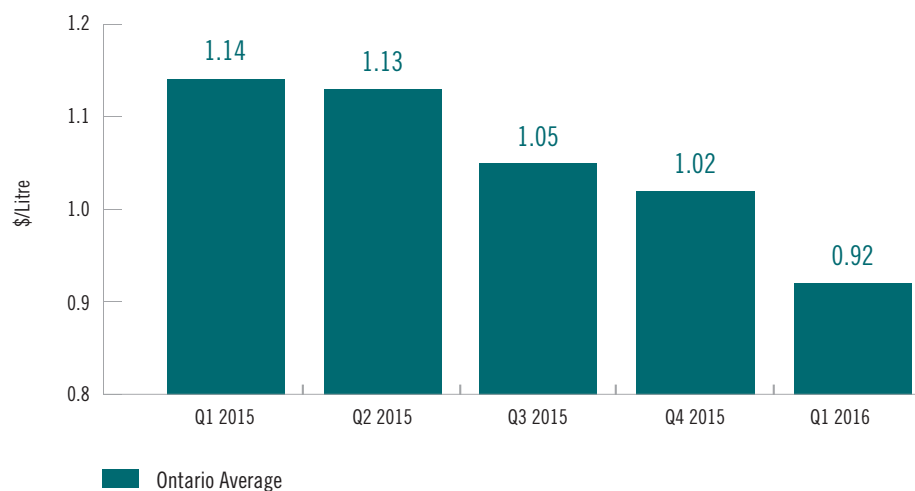
Year (Q1)	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto Average	Ottawa	Sudbury	Thunder Bay
2007	0.92	0.91	0.93	0.92	0.91	0.92	N/A
2008	1.13	1.13	1.14	1.13	1.14	1.14	N/A
2009	0.86	0.85	0.90	0.86	0.86	0.90	0.89
2010	0.96	0.95	0.97	0.95	0.96	0.98	0.96
2011	1.21	1.21	1.22	1.21	1.21	1.22	1.21
2012	1.30	1.30	1.32	1.29	1.32	1.32	1.31
2013	1.32	1.32	1.34	1.31	1.34	1.35	1.34
2014	1.41	1.41	1.46	1.41	1.42	1.46	1.48
2015	1.14	1.14	1.16	1.14	1.15	1.15	1.16
<b>2016</b>	<b>0.92</b>	<b>0.92</b>	<b>0.94</b>	<b>0.92</b>	<b>0.91</b>	<b>0.93</b>	<b>0.93</b>

Source: Ministry of Energy Fuel Prices. All prices in Current Dollars per litre. Provincial, Southern and Northern Ontario averages are weighted by population.

Toronto<sup>1</sup> retail diesel prices in Q1 2016 were 21.2 ¢/L lower than in Q1 2015. This was the result of lower crude oil costs (-10.2 ¢/L), lower refining margins (-8.7 ¢/L) and lower taxes (-2.4 ¢/L), which more than offset higher retail margins (+0.2 ¢/L). Crude oil costs would have fallen another 2.1 ¢/L had it not been for a 10% decline in the value of the Canadian dollar relative to the U.S. dollar from Q1 2015 to Q1 2016. Canadian crude oil and wholesale diesel costs are affected by the CDN/US exchange rate because these commodities are traded on a North American and international basis.

Note: Retail diesel prices are affected by crude oil prices, wholesale diesel prices, and competition in the local retail diesel market. Prices vary from city to city because of differences in market size and structure, costs, and the degree of local competition.

## Ontario Average Retail Diesel Price



1. Toronto was selected for the pump price analysis because it is the largest gasoline market in Ontario.

# Natural Gas Effective Price for Enbridge and Union<sup>1</sup>

Q1 ¢/m <sup>3</sup>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Union Gas <sup>2</sup>	24.83	22.77	31.34	11.19	13.49	11.17	10.78	13.31	18.99	<b>9.48</b>
Enbridge	30.61	24.50	29.16	12.91	12.25	11.15	10.73	11.74	18.32	<b>11.75</b>

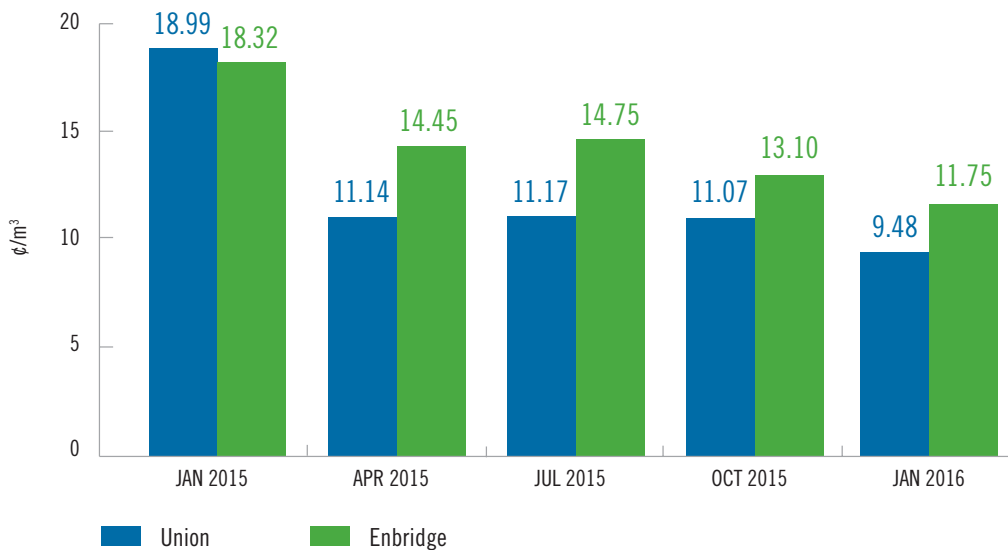
Source: OEB Natural Gas Rates effective January 1, 2016.

The rate adjustment that took place for the first quarter, effective January 1, 2016, reflected events that took place over 2015 that affected natural gas prices.

Union’s effective price decreased from the previous quarter as a lower forecast commodity price for natural gas offset a slightly higher cost adjustment for previous undercharging.

The decline in Enbridge’s price was due to a lower forecast commodity cost, which offset a higher cost adjustment for previous undercharging.

## Natural Gas Effective Prices

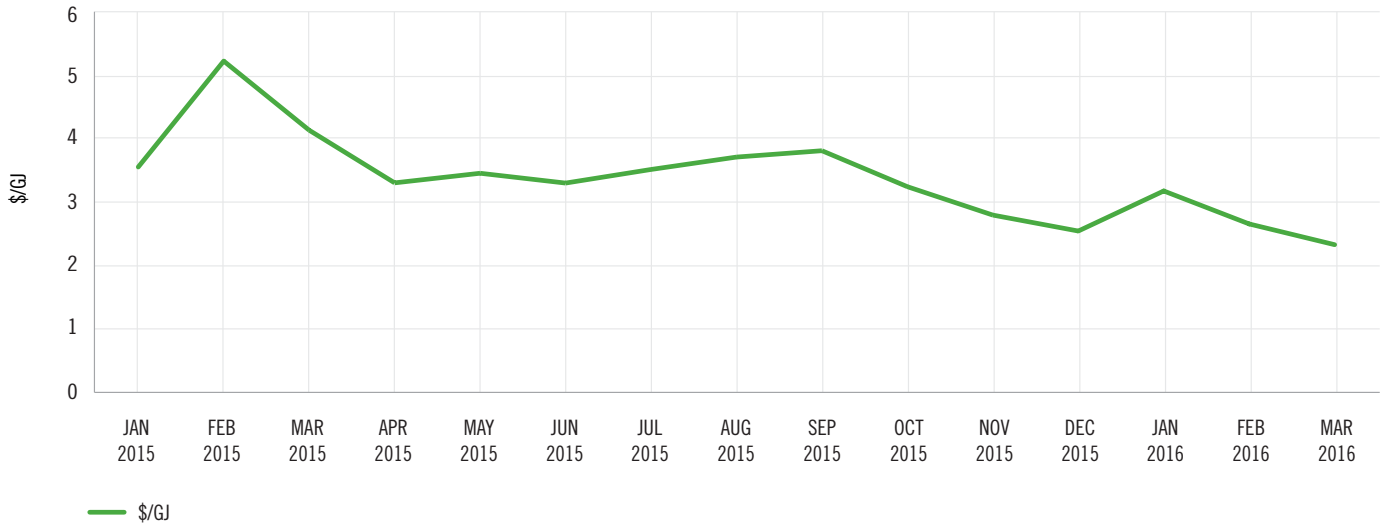


1. Enbridge and Union are highlighted because they serve the most customers in Ontario. For more information on the Ontario Energy Board’s Quarterly Rate Adjustment Mechanism (QRAM) prices please see [www.ontarioenergyboard.ca/OEB/Consumers/Natural+Gas/Natural+Gas+Rates](http://www.ontarioenergyboard.ca/OEB/Consumers/Natural+Gas/Natural+Gas+Rates)

2. Reflects Union Gas’ Southern Rate Zone

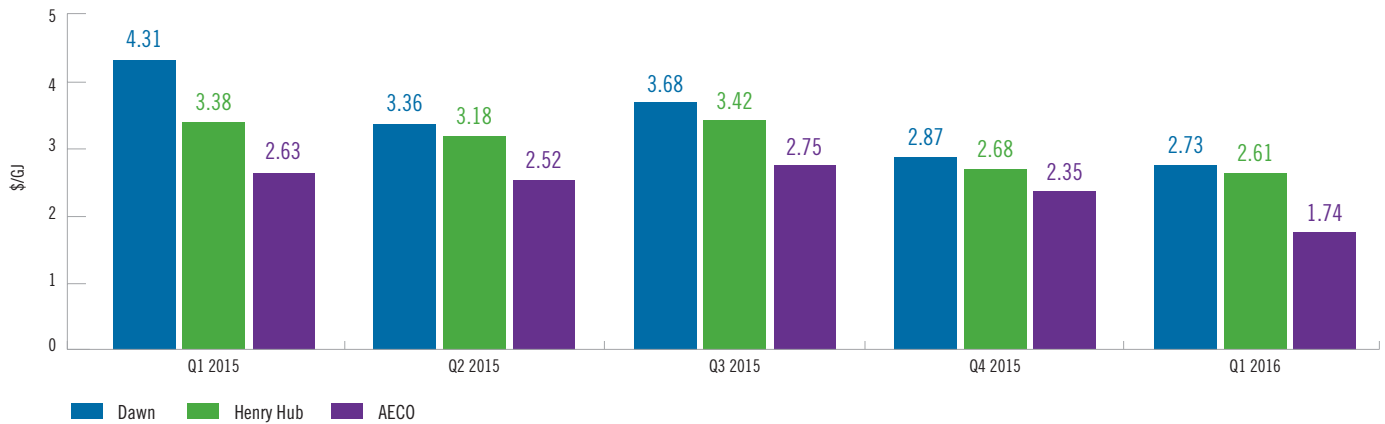
# Average Natural Gas Spot Prices

Monthly average prices at Dawn, ON (\$/GJ)



Source: Canadian Enerdata Ltd.

Quarterly average natural gas spot prices at select trading hubs (\$/GJ)



Source: Dawn and AECO prices from Canadian Enerdata Ltd.; Henry Hub prices from U.S. Energy Information Administration.

## Quarterly average natural gas spot prices at select trading hubs (\$/GJ)

Trading Hub	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Dawn (ON)	4.31	3.36	3.68	2.87	2.73
Henry Hub (US)	3.38	3.18	3.42	2.68	2.61
AECO (AB)	2.63	2.52	2.75	2.35	1.74

Source: Dawn and AECO from Canadian Enerdata Ltd.; Henry Hub from U.S. Energy Information Administration.

Natural gas prices at Dawn hub were approximately 63% lower in Q1 2016 than in the same quarter last year.

This reflects continuing strong production in regions exporting natural gas to Ontario, a warmer than normal winter and high Eastern Canadian natural gas inventories compared to a year earlier.

## Annual average natural gas spot prices at select trading hubs (\$/GJ)

Trading Hub	2015	2016 to end of Q1
Dawn (ON)	3.56	2.73
Henry Hub (US)	3.16	2.61
AECO (AB)	2.56	1.74

Source: Dawn and AECO from Canadian Enerdata Ltd.; Henry Hub from U.S. Energy Information Administration.

## Natural gas price forecasts for select trading hubs, 2016 – 2018

Trading Hub	2016	2017	2018
Dawn (ON)	US\$1.87/MMBtu	US\$2.60/MMBtu	US\$3.05/MMBtu
Henry Hub (US)	US\$2.28/MMBtu	US\$2.93/MMBtu	US\$3.38/MMBtu
AECO (AB)	C\$1.86/GJ	C\$2.97/GJ	C\$3.49/GJ

Source: Canadian Enerdata Ltd. as of January 1, 2016.

# Eastern Canada Natural Gas Storage Balances

(as of quarter end)

Storage Survey Week	Storage Level (Billion Cubic Feet)	Storage Level vs. Same Week the Year Before (%)	Storage Level vs. Total Capacity (%)
Q1 2015 – March 20, 2015	48.5	213%	18%
Q2 2015 – June 26, 2015	123.0	127%	44%
Q3 2015 – Sept 25, 2015	233.9	105%	84%
Q4 2015 – Dec 25, 2015	257.7	116%	92%
Q1 2016 – March 26, 2016	143.4	196%	51%

Source: Canadian Enerdata Ltd.

In Eastern Canada, natural gas is stored primarily at Dawn, ON with a small amount of storage in New Brunswick. The New Brunswick storage does not service the Ontario natural gas market.

While natural gas storage levels in Eastern Canada declined substantially in Q1 2016 they remain nearly three times higher than for the same time period as last year.

According to seasonal patterns, storage levels normally peak in late October or early November as withdrawals for natural gas heating begin to outpace storage injections. Prices are also more likely to see a cyclical rise during the winter heating season.