

ONTARIO ENERGY REPORT Q4 2016

OCTOBER – DECEMBER 2016
OIL AND NATURAL GAS

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

Regular Gasoline	\$1.03
Diesel	\$0.99

Source: Ministry of Energy Fuel Prices.

Natural Gas Effective Prices (¢/m³)

Union Gas (southern)	10.89¢
Enbridge	10.64¢

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

Average Natural Gas Spot Price (\$/GJ)

Dawn (ON)	\$4.75
Henry Hub (US)	\$3.99
AECO (AB)	\$2.96

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)

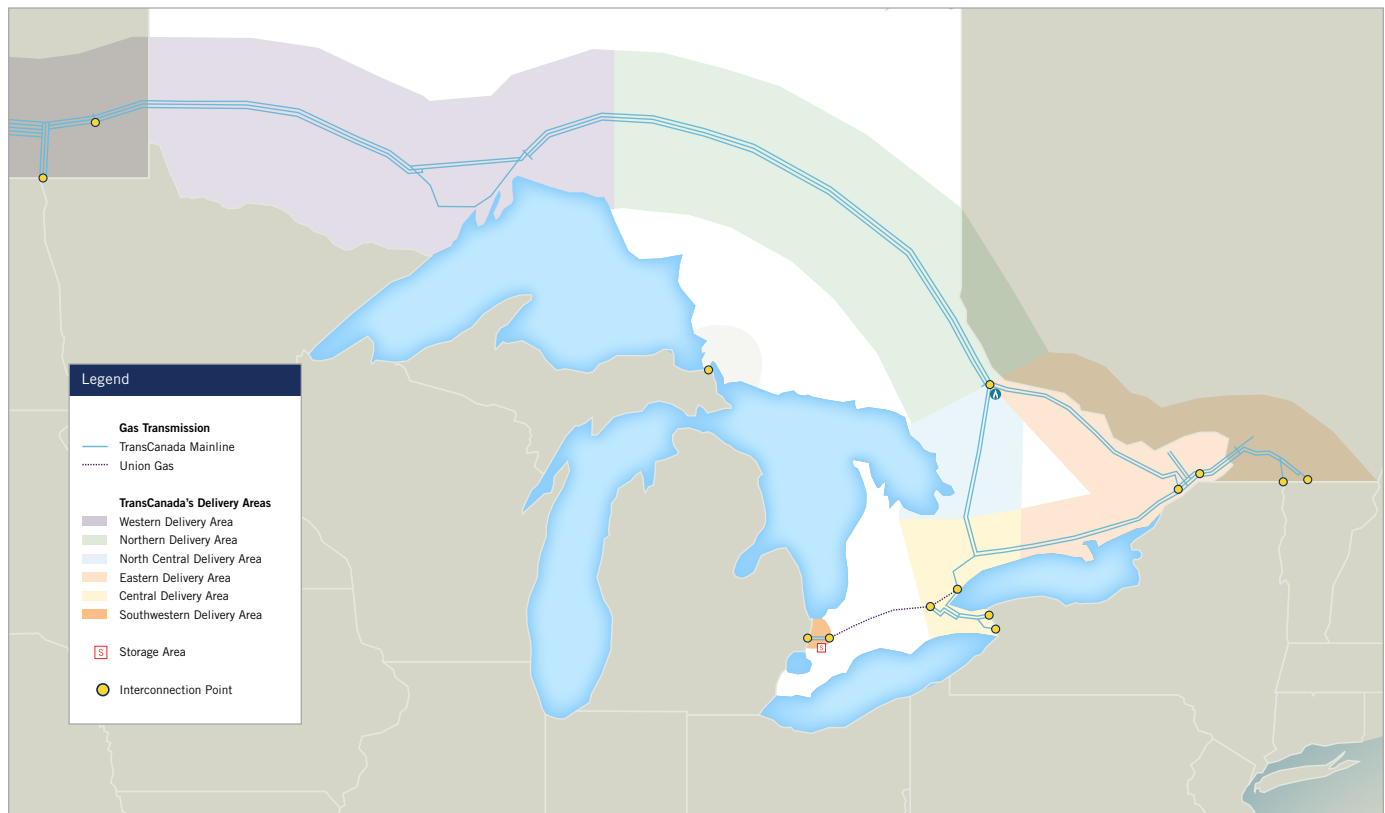
231.8 Bcf

(for week ending December 23, 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

Q4 Ontario Average Regular Gasoline Retail Price (\$/L)

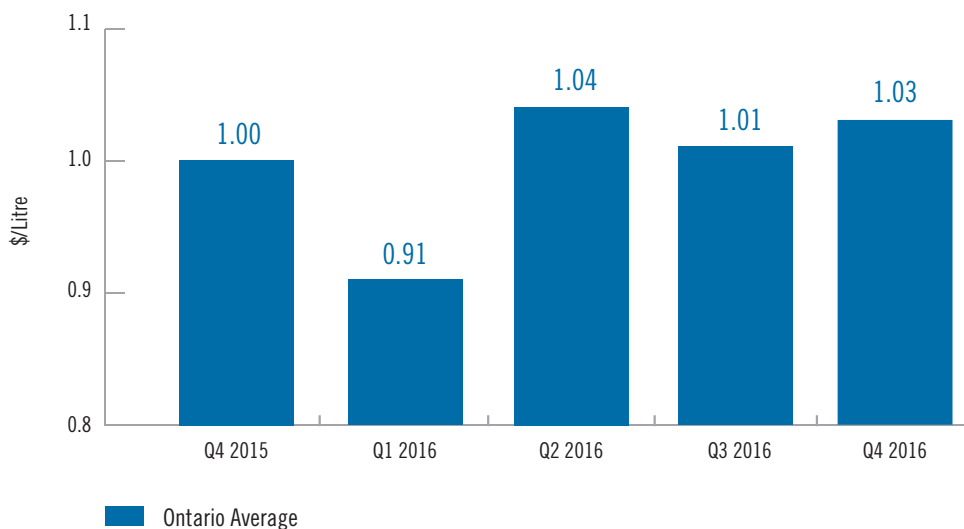
Year (Q4)	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto Average	Ottawa	Sudbury	Thunder Bay
2007	1.00	1.00	1.05	0.99	1.01	1.01	1.08
2008	0.86	0.85	0.95	1.27	0.83	0.92	1.00
2009	0.96	0.95	0.99	0.95	0.93	0.96	0.99
2010	1.08	1.08	1.11	1.02	1.09	1.08	1.13
2011	1.21	1.21	1.27	1.28	1.20	1.26	1.26
2012	1.23	1.22	1.31	1.28	1.21	1.29	1.33
2013	1.26	1.25	1.32	1.30	1.24	1.32	1.31
2014	1.12	1.11	1.20	1.32	1.07	1.17	1.24
2015	1.00	0.99	1.08	1.01	0.96	1.04	1.15
2016	1.03	1.02	1.06	1.04	1.01	1.07	1.07

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

Toronto¹ regular unleaded gasoline retail prices in Q4 2016 were 2.7 cents per litre (¢/L) higher than in Q4 2015. This was the result of higher crude oil costs (+5.1 ¢/L), slightly higher retail margins (+0.4 ¢/L) and slightly higher taxes (+0.3 ¢/L), which more than offset lower refining margins (-3.1 ¢/L). There was virtually no change in the value of the Canadian dollar relative to the U.S. dollar from Q4 2015 to Q4 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

Q4 Ontario Average Diesel Retail Prices (\$/L)

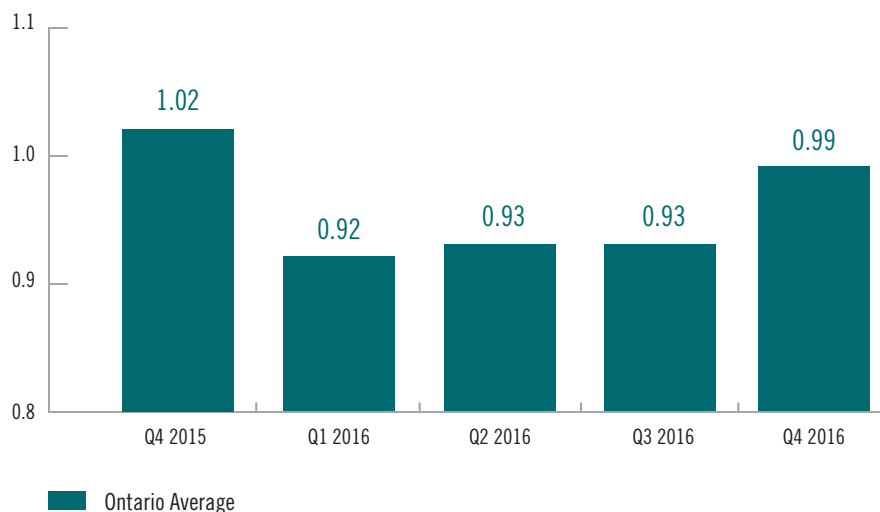
Year (Q4)	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto Average	Ottawa	Sudbury	Thunder Bay
2007	1.02	1.01	1.04	1.01	1.02	1.03	N/A
2008	1.03	1.03	1.10	1.03	1.04	1.08	1.13
2009	0.93	0.92	0.95	0.92	0.93	0.95	0.96
2010	1.07	1.07	1.09	1.07	1.07	1.09	1.08
2011	1.27	1.27	1.30	1.27	1.29	1.29	1.33
2012	1.24	1.23	1.27	1.23	1.25	1.25	1.31
2013	1.30	1.29	1.34	1.29	1.31	1.33	1.38
2014	1.22	1.21	1.25	1.21	1.22	1.22	1.32
2015	1.02	1.01	1.05	1.02	1.01	1.03	1.10
2016	0.99	0.98	1.01	0.99	0.98	0.98	1.07

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

Toronto² retail diesel prices in Q4 2016 were 2.3 ¢/L lower than in Q4 2015. This was the result of lower refining margins (-7.7 ¢/L) and slightly lower taxes (-0.3 ¢/L), which more than offset higher crude oil costs (+5.1 ¢/L) and slightly higher retail margins (+0.6 ¢/L). There was virtually no change in the value of the Canadian dollar relative to the U.S. dollar from Q4 2015 to Q4 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



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

Natural Gas Effective Price for Enbridge and Union³

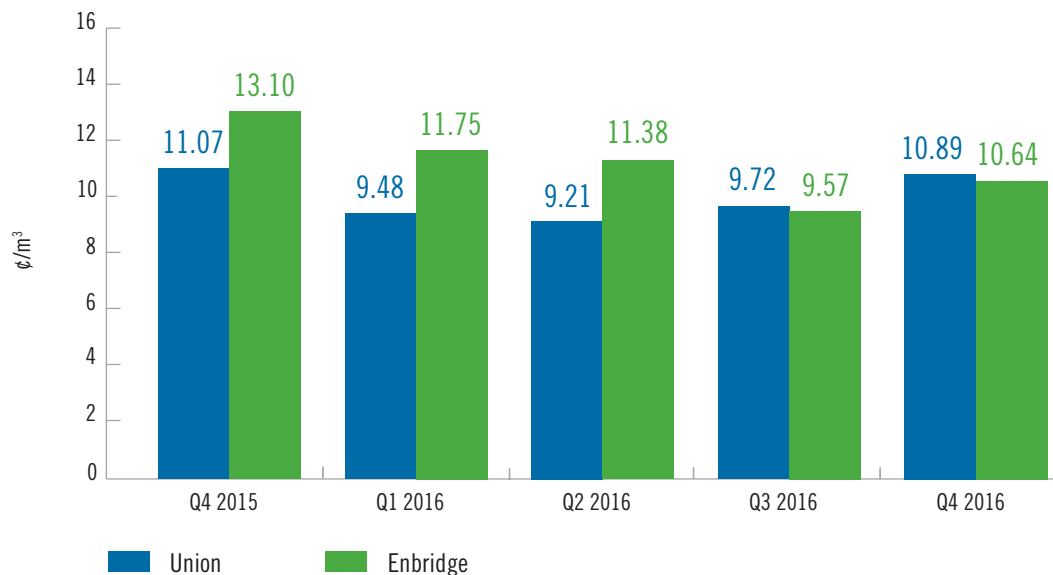
Q4 ¢/m ³	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Union Gas ⁴	24.93	35.11	11.34	13.19	12.74	9.58	12.29	19.21	11.07	10.89
Enbridge	26.01	35.46	12.95	13.78	12.23	8.81	11.46	17.68	13.10	10.64

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

The rate adjustment that took place for the fourth quarter, effective October 1, 2016, includes an adjustment to the gas supply charge, which is based on a forecast of market prices over the next 12 months. It also includes an update to the cost adjustment factor, which is the mechanism to account for any differences between forecast and actual commodity costs.

Enbridge's and Union's effective price increases were primarily attributable to forecast natural gas price increases over the next 12 months and to the disposition of deferral account balances.

Natural Gas Effective Prices by Quarter (¢/m³)

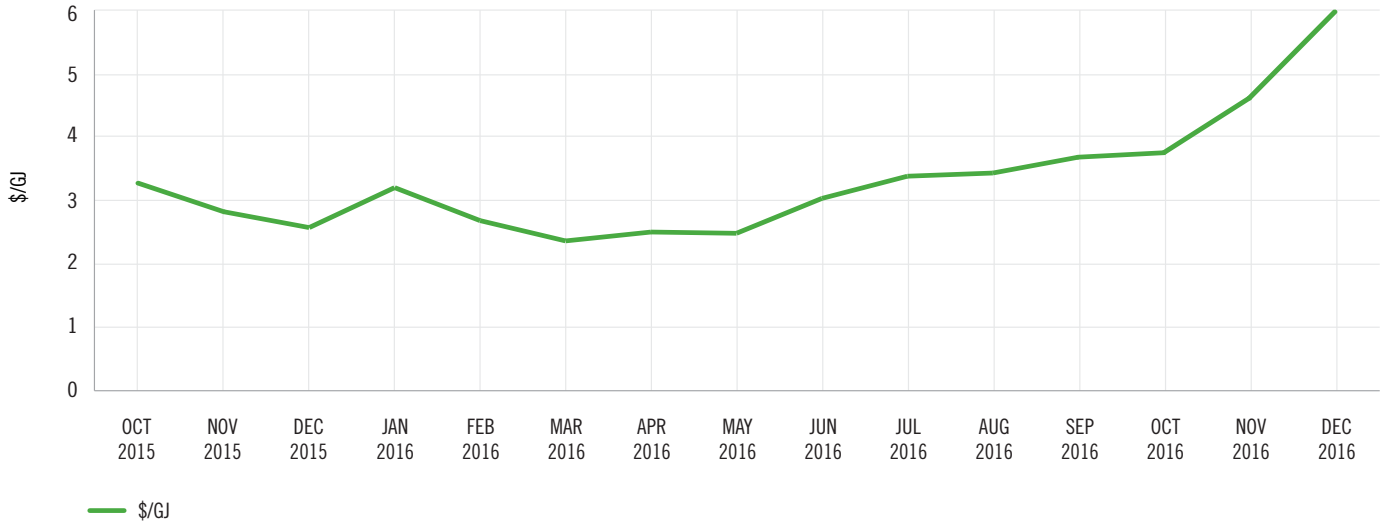


3. Enbridge and Union are highlighted because they serve the vast majority of customers in Ontario. For more information on the Ontario Energy Board's Quarterly Rate Adjustment Mechanism (QRAM) prices please see www.ontarioenergyboard.ca/OEB/Consumers/Natural+Gas/Natural+Gas+Rates.

4. Reflects Union Gas' Southern Rate Zone

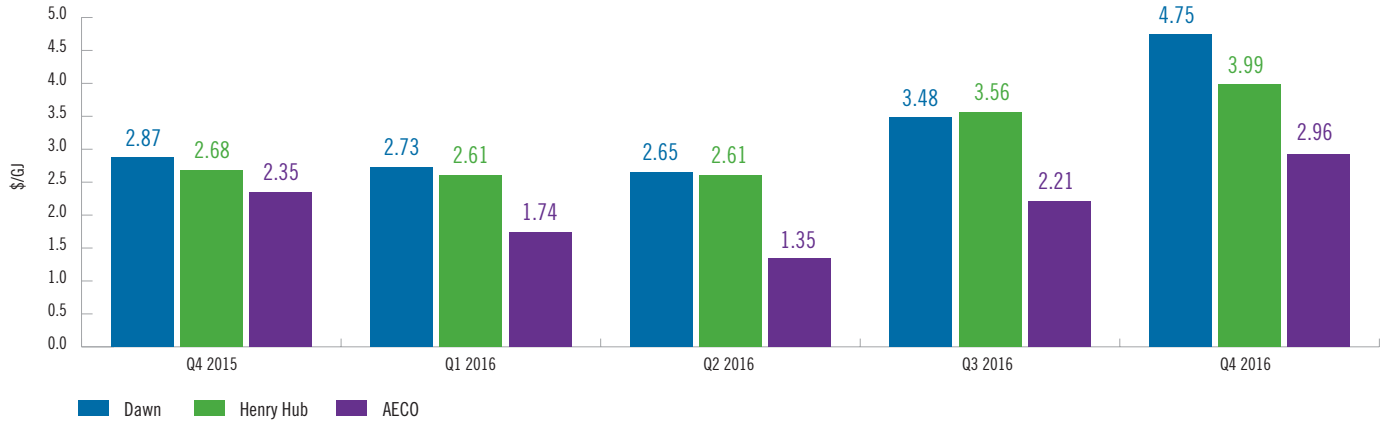
Average Natural Gas Spot Prices

Monthly average natural gas spot 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	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Dawn (ON)	2.87	2.73	2.65	3.48	4.75
Henry Hub (US)	2.68	2.61	2.61	3.56	3.99
AECO (AB)	2.35	1.74	1.35	2.21	2.96

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

The Q4 increase in daily spot natural gas prices at the three trading hubs can be attributed to:

- Colder than normal weather at the start of the Q4 winter heating season in Ontario, Quebec and the eastern US increased demand and raised natural gas prices; and
- Increased electricity consumption in the U.S. northeast which put pressure on natural gas supply.

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

Trading Hub	2015	2016 to end of Q4
Dawn (ON)	3.56	3.27
Henry Hub (US)	3.16	3.19
AECO (AB)	2.56	2.06

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

Natural gas price forecasts for select trading hubs, 2017–2018

Trading Hub	2017	2018
Dawn (ON)	US\$3.82/MMBtu	US\$3.84/MMBtu
Henry Hub (US)	US\$3.45/MMBtu	US\$3.46/MMBtu
AECO (AB)	C\$3.30/GJ	C\$3.32/GJ

Source: Canadian Enerdata Ltd. as of December 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
Q4 2015 – Dec 25, 2015	257.7	116%	92%
Q1 2016 – March 26, 2016	143.4	196%	51%
Q2 2016 – Jun 24, 2016	181.3	147%	65%
Q3 2016 – Sept 23, 2016	257.8	110%	92%
Q4 2016 – Dec 23, 2016	231.8	90%	82%

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.

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. Utilities buy a certain amount of natural gas during the summer months when the price is cheaper. The supply is stored, and then delivered to customers during the colder months.