

ONTARIO ENERGY REPORT Q3 2014

JULY – SEPT 2014
OIL AND NATURAL GAS

Oil and Natural Gas Highlights – Third Quarter 2014

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

Regular Gasoline	\$1.32
Diesel	\$1.28

Source: Ministry of Energy Fuel Prices.

Natural Gas Effective Prices for Retail Companies (¢/m³)

Union Gas	¢22.59
Enbridge	¢18.52

Source: OEB Natural Gas Rates effective July 1

Average Natural Gas Spot Price (US\$/MMBtu)

Dawn (ON)	\$4.08
Henry Hub (US)	\$3.94
AECO (AB)	\$3.69

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

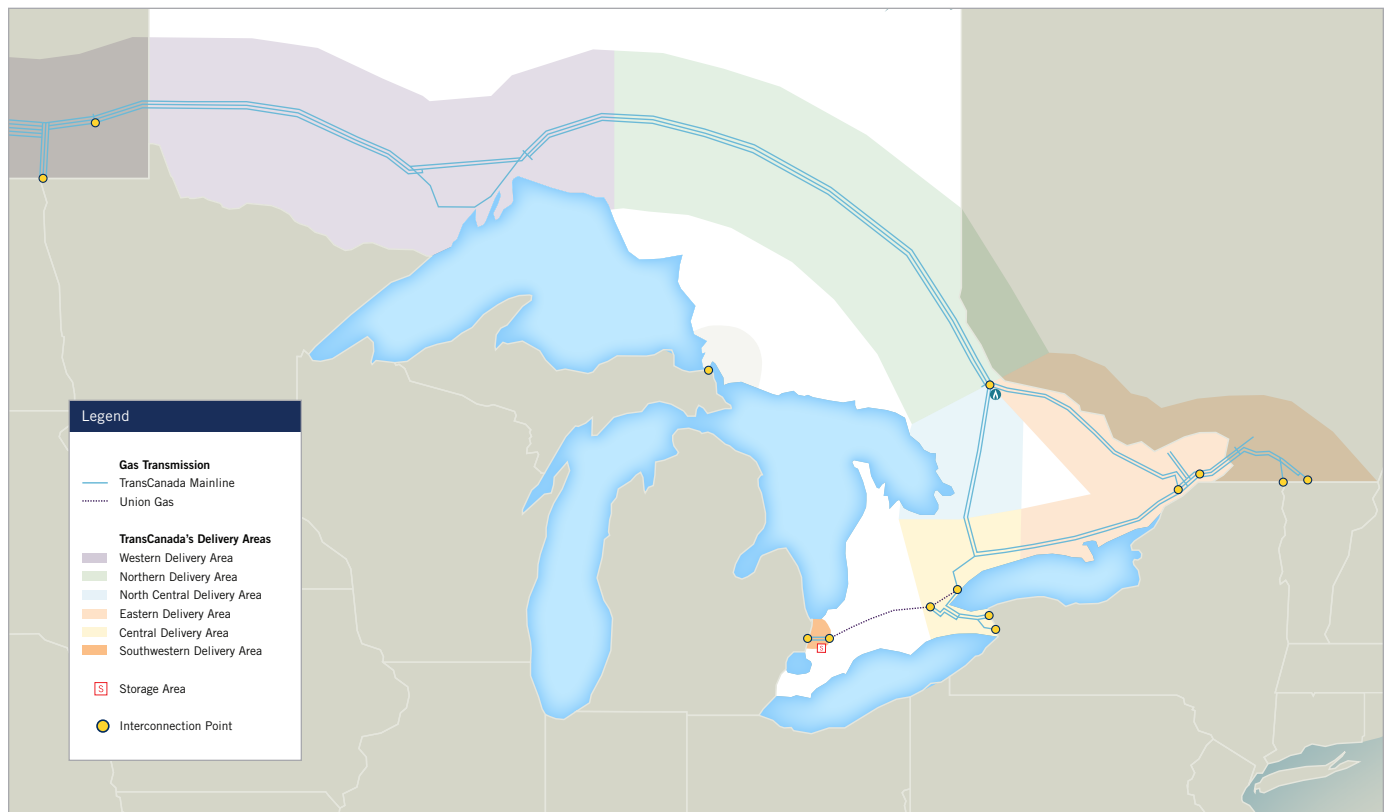
Eastern Canada Natural Gas Storage Balance (at quarter end)

223.0

Bcf of Gas in Storage (for Week Ending September 19, 2014)

Source: Canadian Enerdata Ltd.'s monthly Canadian Gas Price Reporter. For Eastern Canada natural gas is primarily at Dawn, ON

Natural Gas Transmission Infrastructure



Regular Gasoline Retail Prices

Q3 Ontario Average Regular Gasoline Retail Price

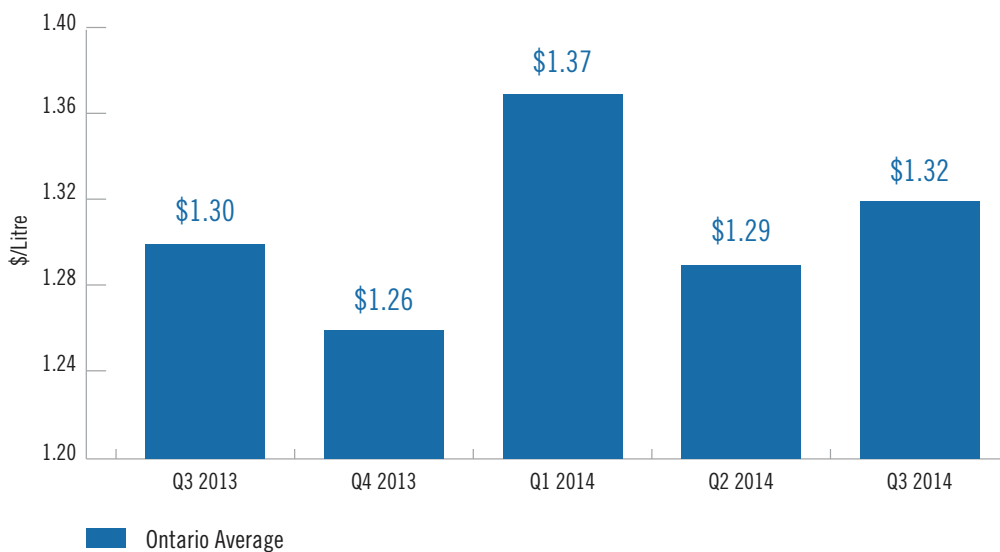
Year \$/L	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto	Ottawa	Sudbury	Thunder Bay
2005	1.00	0.99	1.06	0.99	1.00	1.02	1.08
2006	0.99	0.98	1.06	0.98	1.00	1.01	1.14
2007	1.00	0.99	1.07	0.99	1.00	1.01	1.14
2008	1.27	1.27	1.34	1.27	1.24	1.30	1.36
2009	0.95	0.94	1.01	0.95	0.91	0.97	1.05
2010	1.02	1.01	1.06	1.02	1.01	1.04	1.08
2011	1.28	1.27	1.32	1.28	1.27	1.31	1.32
2012	1.28	1.27	1.33	1.28	1.24	1.32	1.35
2013	1.30	1.29	1.35	1.30	1.29	1.34	1.37
2014	1.32	1.31	1.39	1.32	1.29	1.38	1.41

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 Q3 2014 were 2.5 cents per litre (¢/L) higher than in Q3 2013. This was the result of higher refining margins (+2.5 ¢/L), retail margins (+0.8 ¢/L), and taxes (+0.3 ¢/L), which more than offset lower crude oil costs (-1.1 ¢/L). Crude oil costs would have fallen more had it not been for a 4.6% decline in the value of the Canadian dollar relative to the U.S. dollar from Q3 2013 to Q3 2014. 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. Gasoline prices have fallen significantly in Q4 2014, driven by declines in world and North American crude oil prices.

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 Retail Price



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

Retail Diesel Prices

Q3 Ontario Average Diesel Retail Price

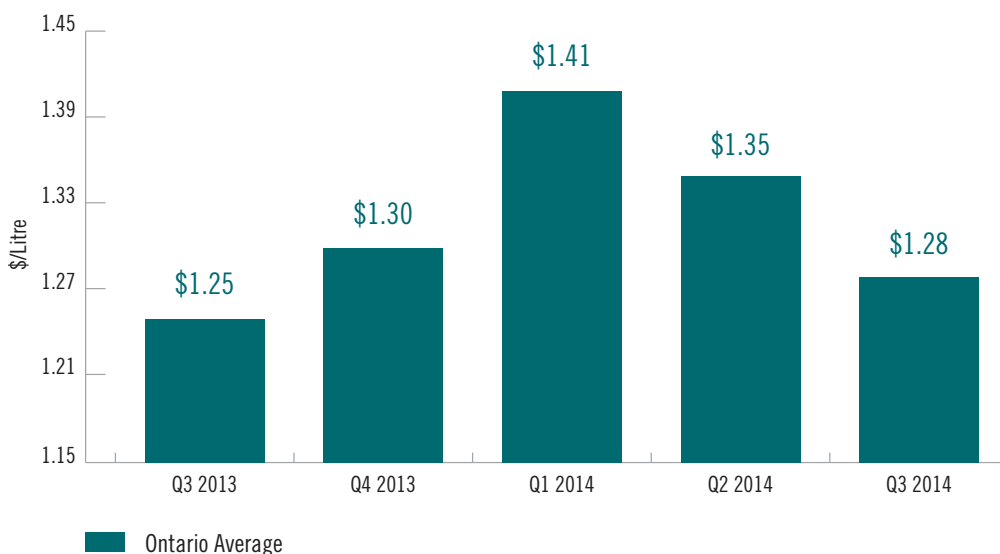
Year \$/L	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto	Ottawa	Sudbury	Thunder Bay
2005	0.94	0.94	0.95	0.94	0.93	0.97	N/A
2006	0.99	0.99	1.01	0.99	0.99	1.00	N/A
2007	0.95	0.95	0.97	0.95	0.95	0.96	N/A
2008	1.33	1.32	1.37	1.33	1.33	1.36	1.37
2009	0.89	0.88	0.91	0.89	0.89	0.91	0.91
2010	0.99	0.99	1.01	0.99	1.00	1.00	1.01
2011	1.23	1.23	1.24	1.23	1.24	1.25	1.24
2012	1.21	1.21	1.25	1.21	1.22	1.23	1.27
2013	1.25	1.25	1.29	1.25	1.27	1.28	1.33
2014	1.28	1.27	1.32	1.27	1.29	1.28	1.38

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 Q3 2014 were 2.2 ¢/L higher than in Q3 2013. This was the result of higher retail margins (+6.1 ¢/L) and taxes (+0.3 ¢/L), which more than offset lower refining margins (-3.0 ¢/L) and crude oil costs (-1.1 ¢/L). Crude oil costs would have fallen more had it not been for a 4.6% decline in the value of the Canadian dollar relative to the U.S. dollar from Q3 2013 to Q3 2014. 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 Diesel Retail 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

Q3 ¢/m ³	2006	2007	2008	2009	2010	2011	2012	2013	2014
Union Gas ⁴	32.44	27.50	36.77	15.34	13.09	13.77	8.80	11.85	22.59
Enbridge	27.83	26.23	38.15	14.72	16.21	13.08	8.47	12.90	18.52

Source: OEB Natural Gas Rates effective July 1

Each quarter, natural gas utilities apply for a quarterly rate adjustment (QRAM) to reflect the difference between the forecasted price for natural gas in the next 12 months and how much it actually costs.

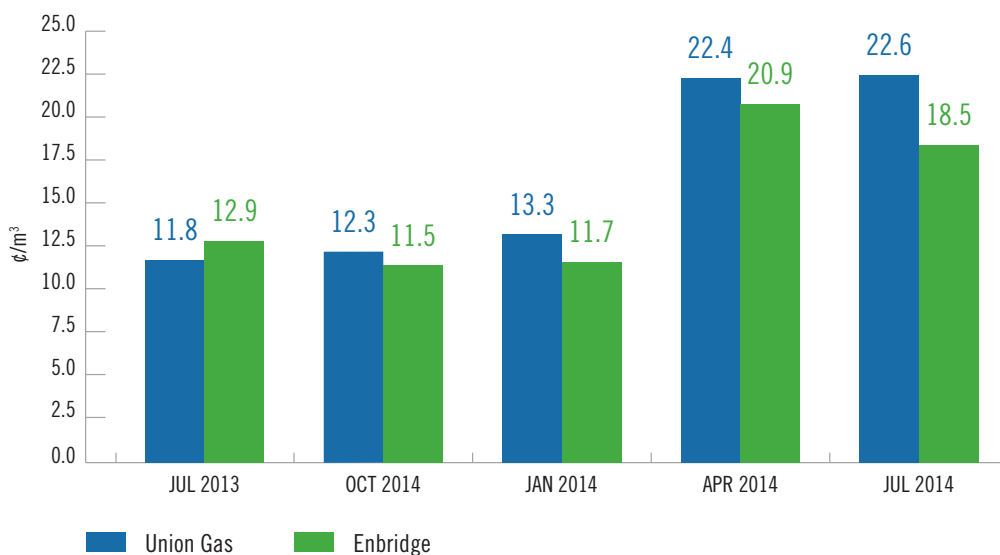
The rate adjustment that took place for the second quarter, effective July 1 2014, reflected events that took place in the first half of 2014 that affected natural gas prices.

Union's price increased slightly from the previous quarter, and was significantly higher than the historical price. This was due to the effects that colder than normal weather had on natural gas demand and supply during the winter of 2014. As a result of the weather, Union paid higher prices for its planned purchases of natural gas. In addition, due to high customer demand, Union was required to buy more gas than would normally be required at the higher prices.

The increase in Enbridge's price was also due to the higher costs incurred in the first part of 2014 due to much colder than normal weather. The weather increased customer demand and natural gas prices. In its second quarter QRAM application, Enbridge also stated that natural gas prices moving forward are expected to be higher than previously forecasted due to the depletion of gas supplies during the winter of 2013-2014.

Following the April QRAM period, the Ontario Energy Board reviewed its methodology to determine if changes were needed to manage steep and sudden increases to gas supply costs. As the process was under review at the time, there was no formal July QRAM. Enbridge's April rates had been approved on an interim basis only while the Board considered options to smooth the bill impact. Enbridge's updated gas supply rates came into effect on July 1, 2014 to reflect the Board's decision to allow customers more time to repay the amount Enbridge under-collected in the 1st quarter.

Natural Gas Retail Prices



3. Enbridge and Union are highlighted because they serve the most customers in Ontario. For more information on 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

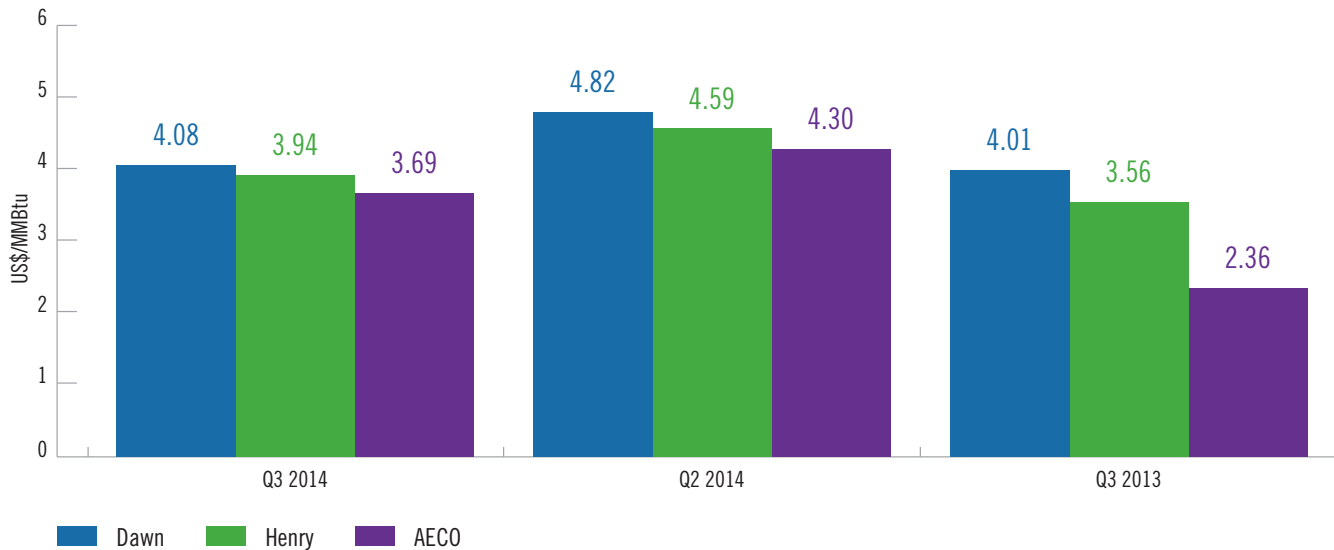
Average Natural Gas Spot Prices – Quarterly Comparison

Trading Hub US\$/MMBtu	Q3 2014	Q2 2014 (Previous Quarter)	Q3 2013 (Previous Year)
Dawn (Ontario)	4.08	4.82	4.01
Henry Hub (US)	3.94	4.59	3.56
AECO (Alberta)	3.69	4.30	2.36

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

Natural gas prices dropped in Q3 2014 compared to Q2 2014 with moderate weather in much of North America this summer and record US shale gas production. Year-to-date average 2014 natural gas prices are significantly higher than in 2013 due to Q1 2014 natural gas prices that peaked during the prolonged, colder than average winter of 2014.

Natural Gas Spot Prices – Quarterly Comparison



Average Annual Natural Gas Spot Prices

Trading Hub US\$/MMBtu	2014 Year to Date – End of Q3	2013 Annual Average
Dawn (Ontario)	6.94	4.07
Henry Hub (US)	4.57	3.73
AECO (Alberta)	4.37	3.08

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

2014-2015 Commodity Price Forecasts

Natural Gas Hub	Date	2014 Forecast	2015 Forecast
Dawn, Ontario	Oct 1/14	US\$5.52/MMBtu	US\$4.01/MMBtu
Henry Hub, Louisiana	Oct 1/14	US\$4.55/MMBtu	US\$4.22/MMBtu
Alberta AECO	Oct 1/14	C\$4.48/GJ	C\$4.37/GJ

Source: Forecasts from Canadian Enerdata Ltd.'s October 2014 Canadian Gas Price Reporter.

Eastern Canada Natural Gas Storage Balances

(as of quarter end)

For Week Ending	Bcf of Gas in Storage	% in Storage vs. Same Week Prior Year	% Full vs. Storage Capacity
Q3-Sep 19 2014	223.0	120%	87%
Q2-Jun 20 2014	97.2	110%	38%
Q3-Sep 20 2013	186.5	N/A	73%

Source: Storage data from Canadian Enerdata Ltd.'s monthly Canadian Gas Price Reporter. For Eastern Canada, natural gas is stored primarily at Dawn, ON with a small amount of storage in New Brunswick

Natural gas in storage at the Dawn, Ontario hub near Sarnia increased significantly in Q3 2014 compared to Q2 2014, as gas production ramped up after substantial storage drawdown in the very cold winter of 2014.

Gas production has been particularly heavy this summer/fall in the Northeast U.S. Marcellus Shale formation (Pennsylvania and West Virginia). Ontario is importing increasing amounts of U.S. shale gas from Marcellus and from the Utica Formation (Ohio). Still, the majority of the province's natural gas continues to be supplied from the Western Canadian Sedimentary Basin.