

ONTARIO ENERGY REPORT Q4 2014

OCT – DEC 2014
OIL AND NATURAL GAS

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

Regular Gasoline	\$1.12
Diesel	\$1.25

Source: Ministry of Energy Fuel Prices.

Natural Gas Effective Prices (¢/m³)

Union Gas	19.21¢
Enbridge	17.68¢

Source: OEB Natural Gas Rates effective Oct 1.

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

Dawn (ON)	\$4.04
Henry Hub (US)	\$3.77
AECO (AB)	\$3.18

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

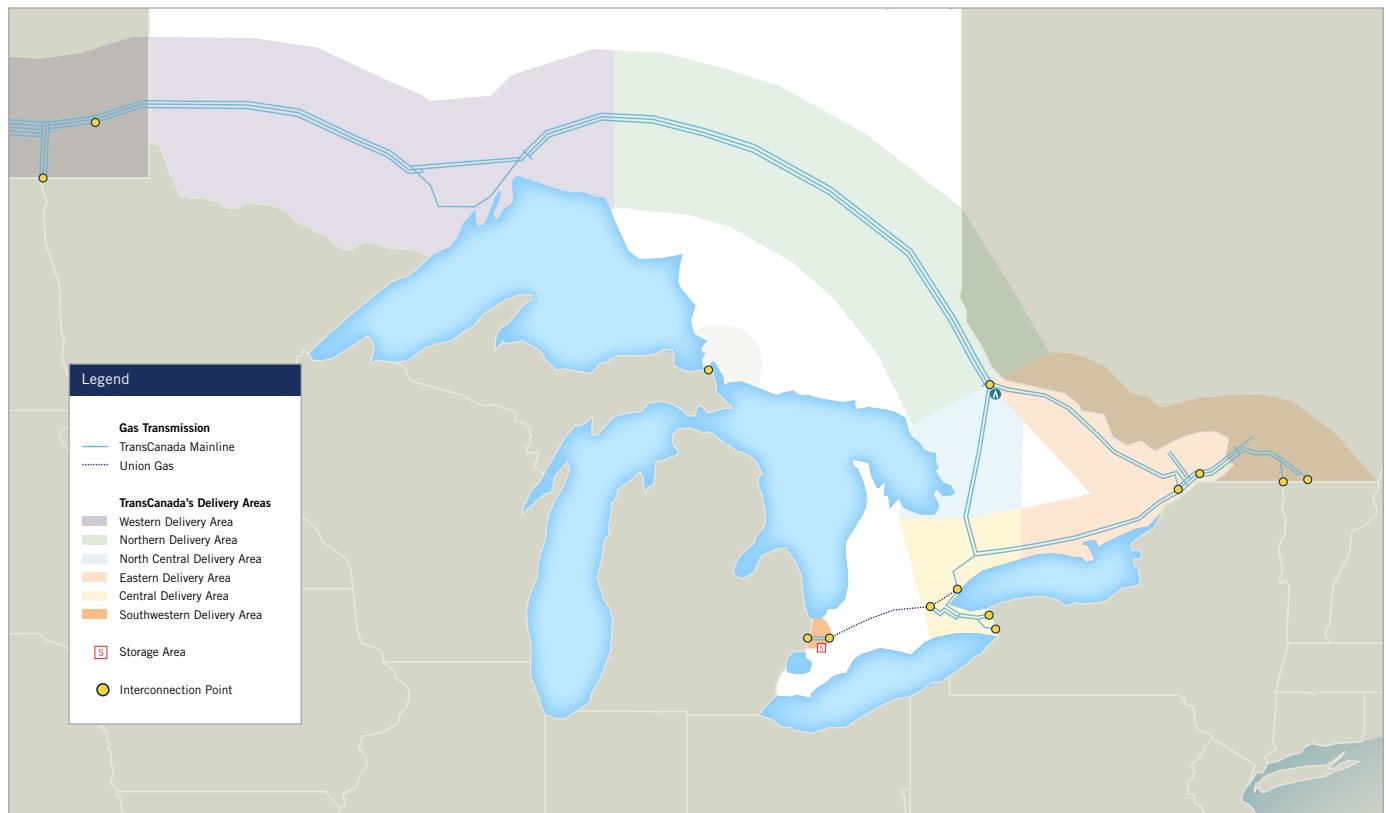
Eastern Canada Natural Gas Storage Balance (at quarter end)

221.9

Bcf of Gas in Storage (for Week Ending December 26, 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

Q4 Ontario Average Regular Gasoline Retail Price

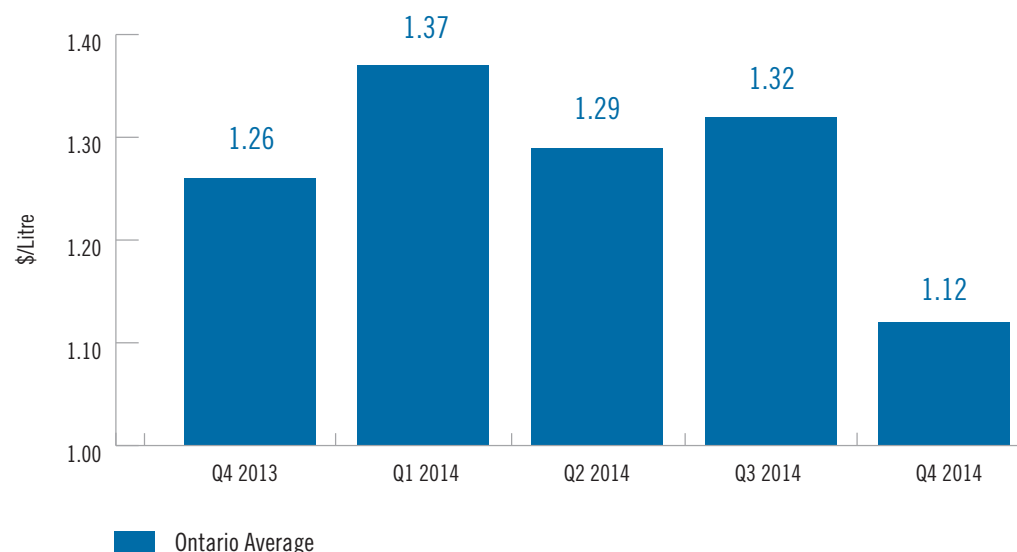
Year (Q4) \$/L	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto	Ottawa	Sudbury	Thunder Bay	Toronto West	Toronto East
2005	0.92	0.91	0.97	0.92	0.91	0.97	0.98	0.92	0.92
2006	0.86	0.86	0.91	0.86	0.87	0.86	0.96	0.86	0.86
2007	1.00	1.00	1.05	0.99	1.01	1.01	1.08	0.99	0.99
2008	0.86	0.85	0.95	0.86	0.83	0.92	1.00	0.86	0.86
2009	0.96	0.95	0.99	0.96	0.93	0.96	0.99	0.96	0.96
2010	1.08	1.08	1.11	1.08	1.09	1.08	1.13	1.08	1.09
2011	1.21	1.21	1.27	1.21	1.20	1.26	1.26	1.21	1.21
2012	1.23	1.22	1.31	1.22	1.21	1.29	1.33	1.22	1.22
2013	1.26	1.25	1.32	1.26	1.24	1.32	1.31	1.26	1.26
2014	1.12	1.11	1.20	1.12	1.07	1.17	1.24	1.13	1.12

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 2014 were 13.6 cents per litre (¢/L) lower than in Q4 2013. This was the result of lower refining margins (-8.6 ¢/L), lower crude oil costs (-3.9 ¢/L), and lower taxes (-1.6¢/L), which more than offset higher retail margins (+0.5 ¢/L). Crude oil costs would have fallen more had it not been for a 7.6% decline in the value of the Canadian dollar relative to the U.S. dollar from Q4 2013 to Q4 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.

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 Price

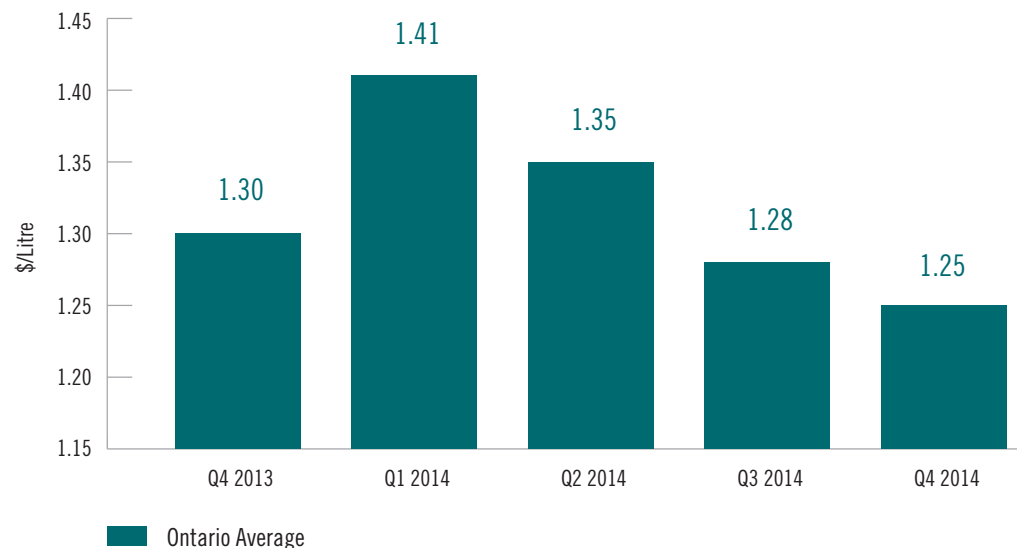
Year (Q4) \$/L	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto	Ottawa	Sudbury	Thunder Bay	Toronto West	Toronto East
2005	0.96	0.96	0.98	0.96	0.95	0.99	N/A	0.97	0.96
2006	0.89	0.89	0.91	0.89	0.88	0.90	N/A	0.89	0.88
2007	1.02	1.02	1.04	1.01	1.02	1.03	N/A	1.01	1.02
2008	1.10	1.03	1.10	1.03	1.04	1.08	1.13	1.02	1.03
2009	0.95	0.92	0.95	0.92	0.93	0.95	0.96	0.92	0.93
2010	1.09	1.07	1.09	1.07	1.07	1.09	1.08	1.06	1.08
2011	1.30	1.27	1.30	1.27	1.29	1.29	1.33	1.26	1.28
2012	1.27	1.23	1.27	1.23	1.25	1.25	1.31	1.23	1.23
2013	1.34	1.29	1.34	1.29	1.31	1.33	1.38	1.29	1.29
2014	1.25	1.21	1.25	1.21	1.22	1.22	1.32	1.21	1.21

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

Toronto¹ retail diesel prices in Q4 2014 were 7.8 ¢/L lower than in Q4 2013. This was the result of lower refining margins (-10.2 ¢/L), lower crude oil costs (-3.9 ¢/L), and lower taxes (-0.8 ¢/L), which more than offset higher refining margins (+7.7 ¢/L). Crude oil costs would have fallen more had it not been for a 7.6% decline in the value of the Canadian dollar relative to the U.S. dollar from Q4 2013 to Q4 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 Retail Diesel Price



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

Natural Gas Effective Price for Enbridge and Union¹

Q4 ¢/m ³	2006	2007	2008	2009	2010	2011	2012	2013	2014
Union Gas ²	31.52	24.93	35.11	11.34	13.19	12.74	9.58	12.29	19.21
Enbridge	22.51	26.01	35.46	12.95	13.78	12.23	8.81	11.46	17.68

Source: OEB Natural Gas Rates effective Oct. 1.

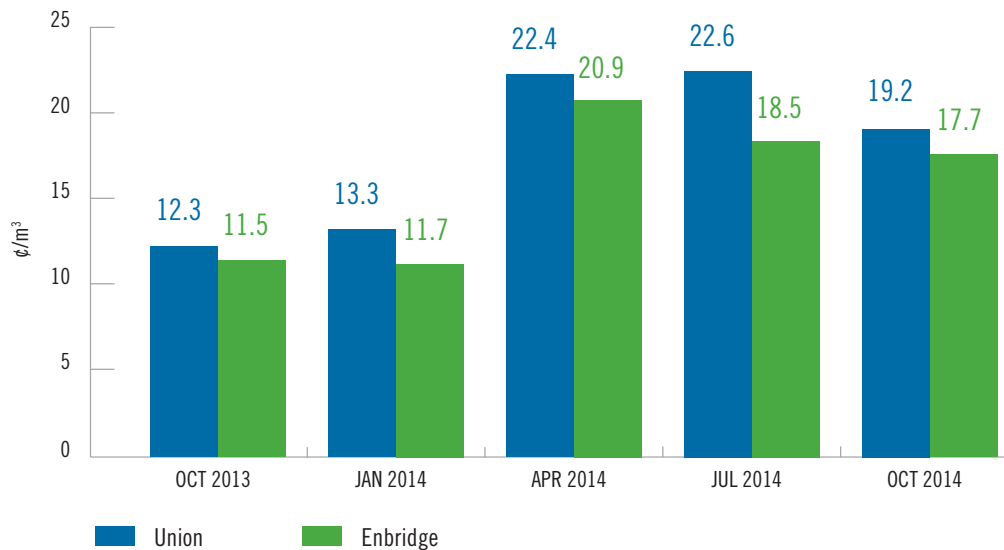
Each quarter, gas distributors adjust the gas supply charge based on a forecast of market prices over the next 12 months. Additionally, the “gas supply cost adjustment” is updated. This is a true-up mechanism to account for differences between the forecast and actual costs from the previous quarter. The effective gas supply price is a combination of the forecast natural gas price and the gas supply cost adjustment.

The rate adjustment that took place for the fourth quarter, effective October 1 2014, reflected events that took place over 2014 that affected natural gas prices.

Union’s effective price decreased from the previous quarter as a result of lower projected costs for natural gas.

The decrease in Enbridge’s price was also due to lower projected costs for natural gas.

Natural Gas Effective Prices



1. 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

2. Reflects Union Gas’ Southern Rate Zone

Average Natural Gas Spot Prices

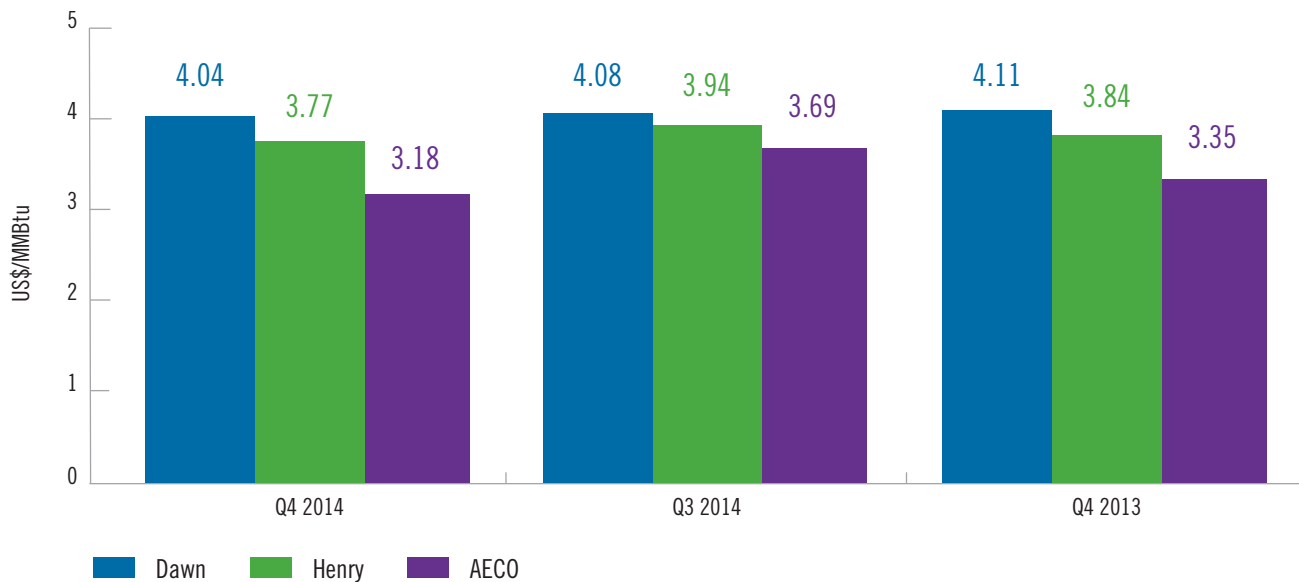
Average Natural Gas Spot Prices – Quarterly Comparison

Trading Hub US\$/MMBtu	Q4 2014	Q3 2014 (Previous Quarter)	Q4 2013 (Previous Year)
Dawn (ON)	4.04	4.08	4.11
Henry Hub (US)	3.77	3.94	3.84
AECO (AB)	3.18	3.69	3.35

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

Natural gas prices dropped further in Q4 2014 compared to Q3 2014 with moderate weather in much of North America in the fall and early winter. At the same time, US shale gas production continued at a record pace.

Natural Gas Spot Prices – Quarterly Comparison



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

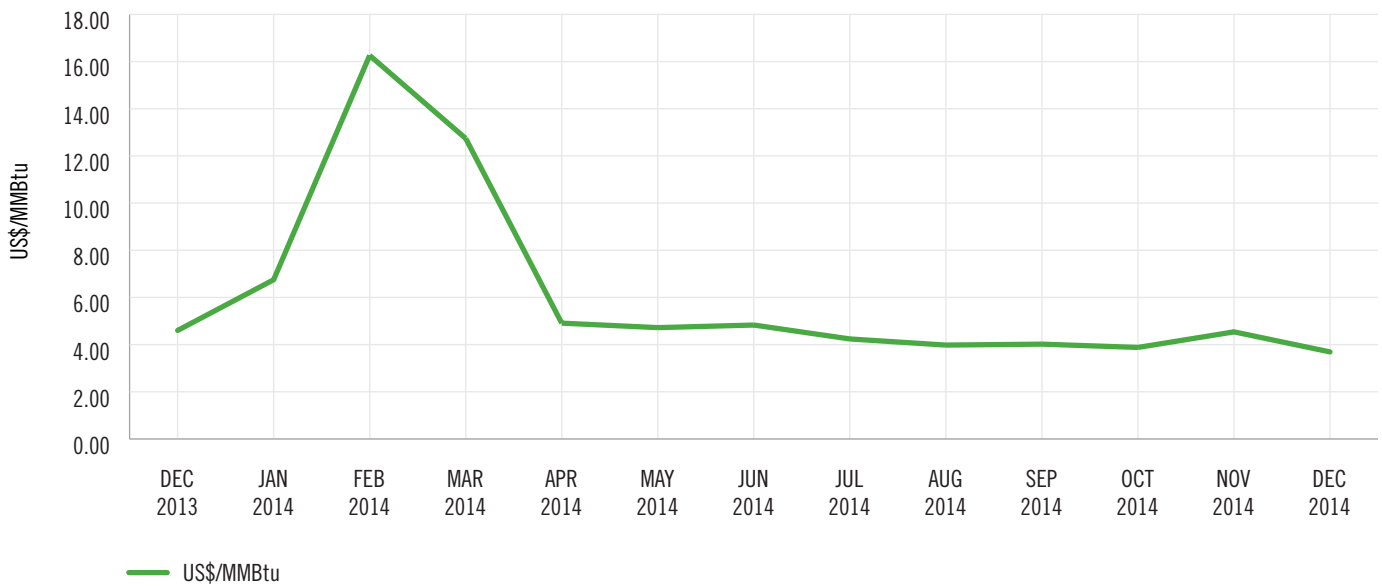
Average Annual Natural Gas Spot Prices

Trading Hub US\$/MMBtu	2014 Year to Date – End of Q4	2013 Annual Average
Dawn (ON)	6.21	4.07
Henry Hub (US)	4.37	3.73
AECO (AB)	4.07	3.08

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

Average 2014 natural gas prices were higher than in 2013 due to Q1 2014 natural gas prices that peaked during the prolonged, colder than average winter of 2014.

Average Natural Gas Spot Prices at Dawn, ON



Source: Canadian Enerdata Ltd.'s monthly Canadian Price Reporter.

2014-2015 Commodity Price Forecasts

Trading Hub	Date	2015 Forecast	2016 Forecast
Dawn (ON)	Feb 2/15	US\$3.15/MMBtu	US\$3.41/MMBtu
Henry Hub (US)	Feb 2/15	US\$3.00/MMBtu	US\$3.27/MMBtu
AECO (AB)	Feb 2/15	C\$2.79/GJ	C\$3.09/GJ

Source: Forecasts from Canadian Enerdata Ltd.'s January 2015 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
Q4-Dec 26 2014	221.9	50%	82%
Q3-Sep 19 2014	223	120%	87%
Q4-2013	148.2	N/A	58%

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 in Eastern Canada – primarily at the Dawn, Ontario hub near Sarnia – dropped a bit in Q4 2014 compared to Q3 2014 as the natural gas heating season began. However, gas production/supply remained strong through the fall and into December, with temperatures generally above seasonal averages. As a result, there was significantly more gas in Eastern Canadian storage heading into this winter than last.

There was more record gas production during Q4 2014 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.