

# ONTARIO ENERGY REPORT Q1 2019

JANUARY – MARCH 2019  
OIL AND NATURAL GAS

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

Regular Gasoline	\$1.05
Diesel	\$1.14

Source: Ministry of Energy, Northern Development and Mines (ENDM) Fuel Prices

## Natural Gas Prices with Storage and Transportation Costs (¢/m<sup>3</sup>)

Enbridge Gas Inc. Union Gas (Union) South Zone	18.77¢
Enbridge Gas Distribution (EGD) Zone	19.56¢
EPCOR	17.96¢

Source: OEB Natural Gas Rates effective January 1, 2019

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

Dawn (ON)	\$3.69
Henry Hub (US)	\$3.68
AECO (AB)	\$2.45

Source: Dawn and AECO from Canadian Enerdata Ltd., as reported to Bloomberg; Henry Hub from U.S. Energy Information Administration.

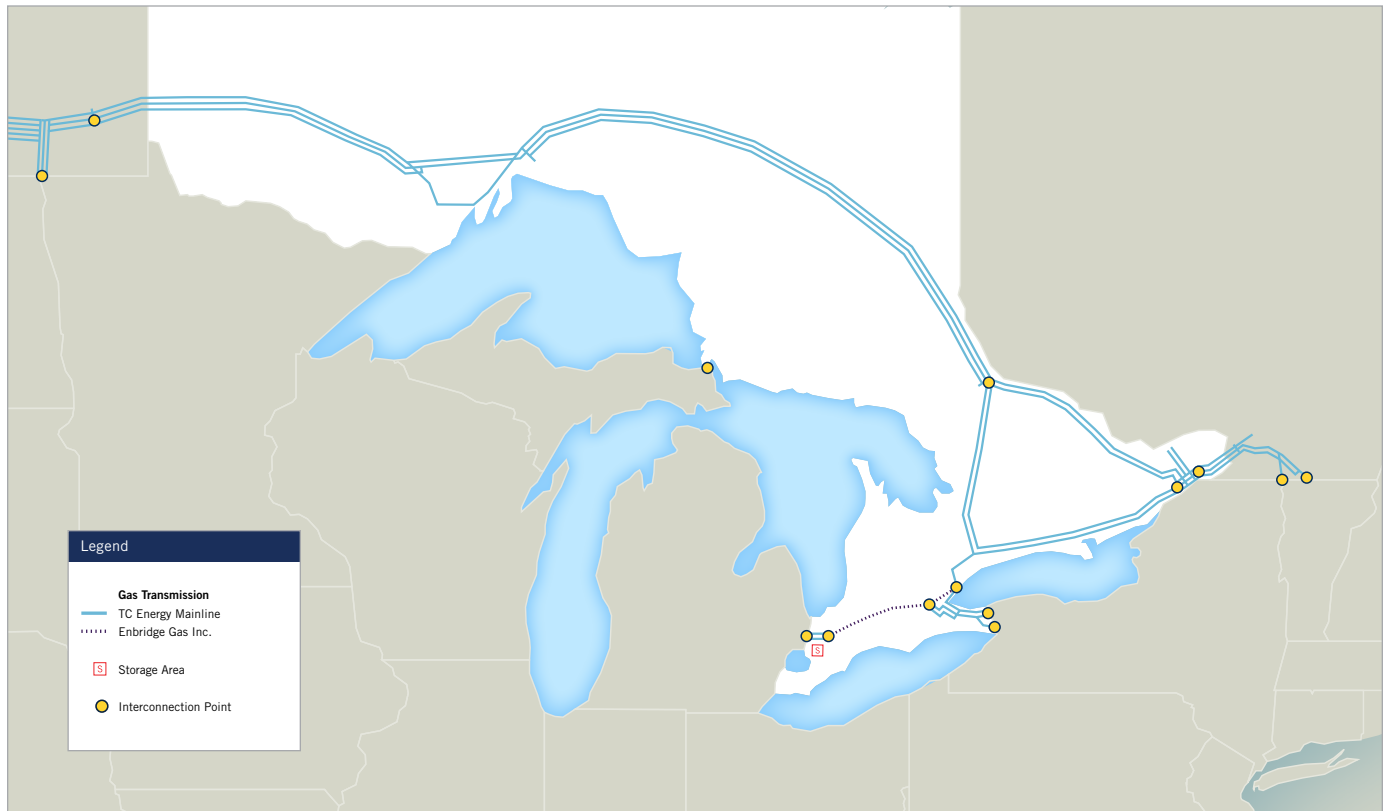
## Eastern Canada Natural Gas Storage Balance (at quarter end)

# 1.156 Million Cubic Metres

(for week ending March 29, 2019)

Source: Canadian Enerdata Ltd., as reported to Bloomberg.  
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 Prices (\$/L)

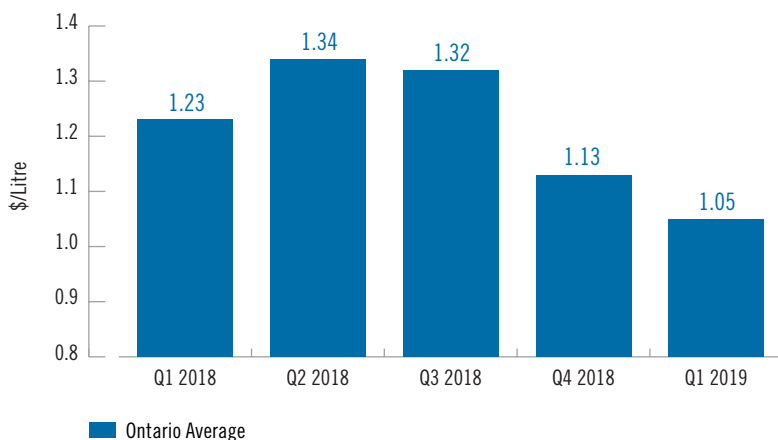
Year (Q1)	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto Average	Ottawa	Sudbury	Thunder Bay
2010	0.98	0.98	1.02	0.98	0.96	1.01	1.01
2011	1.17	1.17	1.22	1.17	1.17	1.21	1.23
2012	1.26	1.26	1.30	1.26	1.24	1.31	1.27
2013	1.27	1.26	1.31	1.27	1.25	1.31	1.29
2014	1.29	1.28	1.33	1.29	1.28	1.33	1.33
2015	0.99	0.98	1.03	0.99	0.97	1.02	1.05
2016	0.91	0.90	0.96	0.93	0.87	0.95	0.96
2017	1.08	1.08	1.11	1.09	1.04	1.10	1.13
2018	1.23	1.23	1.23	1.24	1.22	1.22	1.24
<b>2019</b>	<b>1.05</b>	<b>1.05</b>	<b>1.10</b>	<b>1.07</b>	<b>1.01</b>	<b>1.08</b>	<b>1.19</b>

Source: ENDM. All prices in Current Dollars per litre. Provincial, Southern and Northern Ontario averages are weighted by population. [ontario.ca/data/fuels-price-survey-information](http://ontario.ca/data/fuels-price-survey-information)

Toronto<sup>1</sup> regular unleaded gasoline retail prices in Q1 2019 were 17.4 cents per litre (¢/L) lower than in Q1 2018. This was the result of lower crude oil costs (-10.7 ¢/L), lower wholesale margins (-5.0 ¢/L) plus applicable taxes (-2.0 ¢/L), offset in part by higher retail margins (+0.3 ¢/L). Crude oil costs would have fallen by 1.7 ¢/L more than they did, had it not been for a 5% decline in the value of the Canadian dollar relative to the U.S. dollar from Q1 2018 to Q1 2019. 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)

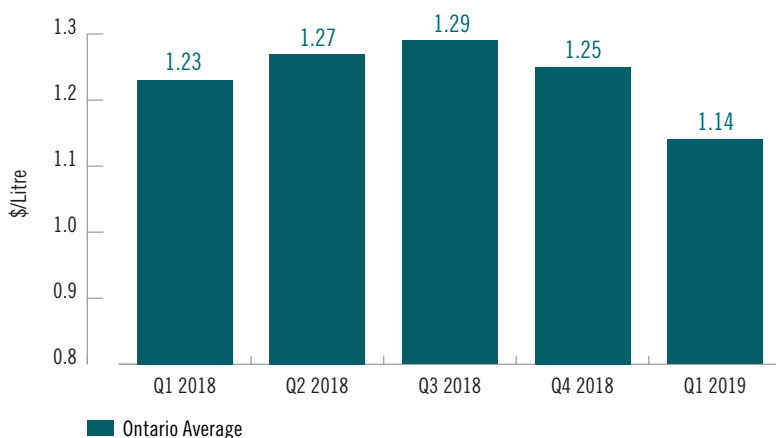
Year (Q1)	Ontario Average	Southern Ontario Average	Northern Ontario Average	Toronto Average	Ottawa	Sudbury	Thunder Bay
2010	0.96	0.95	0.97	0.95	0.96	0.98	0.96
2011	1.21	1.21	1.22	1.21	1.21	1.22	1.21
2012	1.30	1.30	1.32	1.29	1.32	1.32	1.31
2013	1.32	1.32	1.34	1.31	1.34	1.35	1.34
2014	1.41	1.41	1.46	1.41	1.42	1.46	1.48
2015	1.14	1.14	1.16	1.14	1.15	1.15	1.16
2016	0.92	0.92	0.94	0.92	0.91	0.93	0.93
2017	1.09	1.09	1.10	1.09	1.07	1.08	1.12
2018	1.23	1.23	1.27	1.23	1.23	1.24	1.32
<b>2019</b>	<b>1.14</b>	<b>1.13</b>	<b>1.21</b>	<b>1.13</b>	<b>1.15</b>	<b>1.12</b>	<b>1.27</b>

Source: ENDM Fuel Prices. All prices in Current Dollars per litre. Provincial, Southern and Northern Ontario averages are weighted by population. [ontario.ca/data/fuels-price-survey-information](http://ontario.ca/data/fuels-price-survey-information)

Toronto<sup>2</sup> retail diesel prices in Q1 2019 were 10.0 ¢/L lower than in Q1 2018. This was the result of lower crude oil costs (-10.7 ¢/L) plus applicable taxes (-1.1 ¢/L), offset in part by higher wholesale margins (+1.0 ¢/L) and higher retail margins (+0.8 ¢/L). Crude oil costs would have fallen by 1.7 ¢/L more than they did, had it not been for a 5% decline in the value of the Canadian dollar relative to the U.S. dollar from Q1 2018 to Q1 2019. 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 Prices with Storage and Transportation Costs for Enbridge Gas Inc., and EPCOR

Q1 ¢/m <sup>3</sup>		2015	2016	2017	2018	2019
Enbridge Gas Inc.	Union South Zone <sup>3</sup>	23.01	13.21	17.43	16.65	<b>18.77</b>
	EGD Zone <sup>4</sup>	26.53	19.05	17.91	18.05	<b>19.56</b>
EPCOR <sup>5</sup>		23.73	18.70	17.46	16.82	<b>17.96</b>

Source: OEB Natural Gas Rates effective January 1, 2019

Each quarter, natural gas utilities adjust their gas supply charges based on a forecast of natural gas market prices over the next 12 months. Some components of these rates, such as the transportation charge, may change at the same time. Other components follow a different timeline, like delivery rates, which generally change once a year. Additionally, the “gas supply cost adjustment” is updated through the Ontario Energy Board’s (OEB’s) Quarterly Rate Adjustment Mechanism (QRAM),<sup>6</sup> which captures any differences between forecast and actual commodity costs.

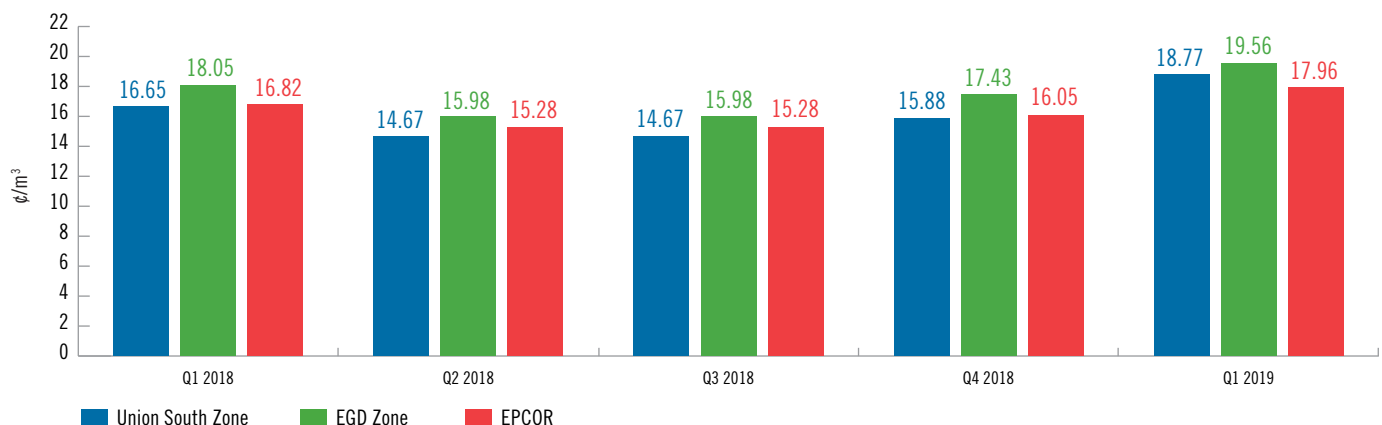
Following approval from the OEB, effective January 1, 2017, the OEB approved price for the Southern Rate zone combined commodity and transportation costs into one gas supply charge going forward. For consistency of reporting, storage and transportation costs have been included in this section for all rate zones.<sup>7</sup>

The OEB determined that the scheduled QRAM adjustment set to occur on July 1, 2018, would be postponed (i.e., Q3 2018 rates would remain unchanged from Q2 2018 rates) in anticipation of the end of Ontario’s cap-and-trade program. Union Gas (Union), Enbridge Gas Distribution (EGD) and EPCOR customers therefore saw no change in the commodity, storage, or transportation components of their bills between Q2 2018 and Q3 2018.

The OEB resumed quarterly rate adjustments for Q4 2018, in conjunction with the removal of cap-and-trade costs, effective October 1, 2018. The removal of cap-and-trade costs resulted in a reduction of about 3.3 ¢/m<sup>3</sup> from the delivery charge component of natural gas bills.

Effective January 1, 2019, EGD and Union amalgamated to become Enbridge Gas Inc., however EGD and Union will continue to operate as distinct rate zones for the immediate term.

## Natural Gas Price, Including Storage and Transportation by Quarter (¢/m<sup>3</sup>)



Source: OEB, Enbridge Gas Inc.

3. Union’s rate class is residential Southern Rate Zone (M1).

4. EGD’s rate class is residential Rate Number 1. The storage component is an estimate provided by Enbridge.

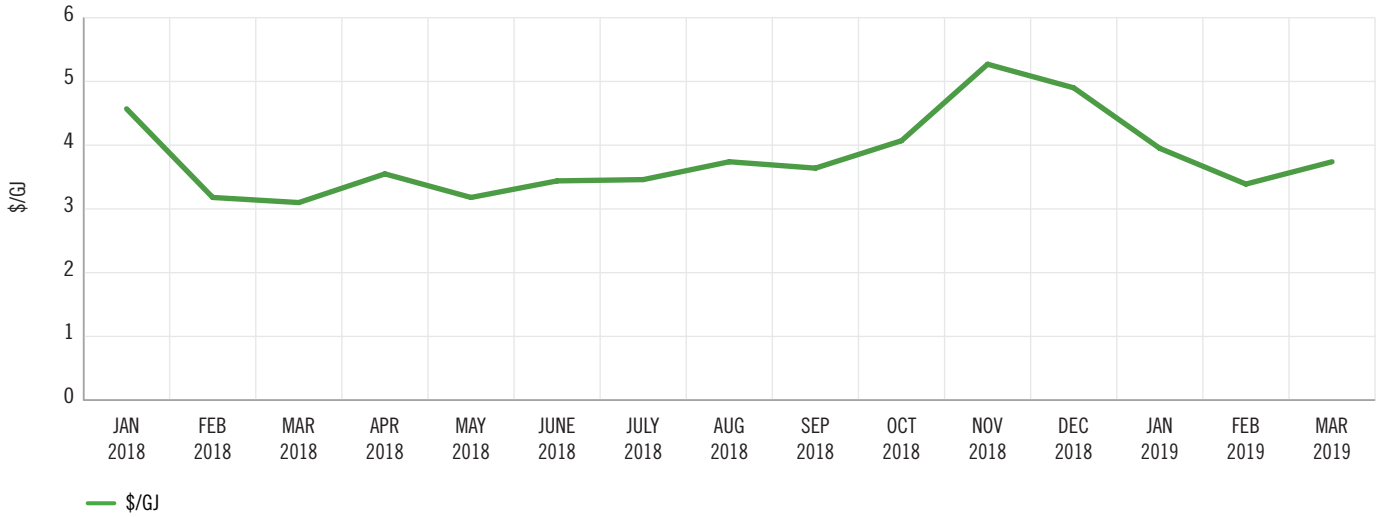
5. On August 3, 2017, the OEB released its decision approving the application by Natural Resource Gas Limited (NRG) to transfer its natural gas distribution system assets and OEB regulatory approvals to EPCOR. On November 1, 2017, the transaction was completed.

6. For more information on the OEB’s 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)

7. EGD pricing includes an estimated storage component.

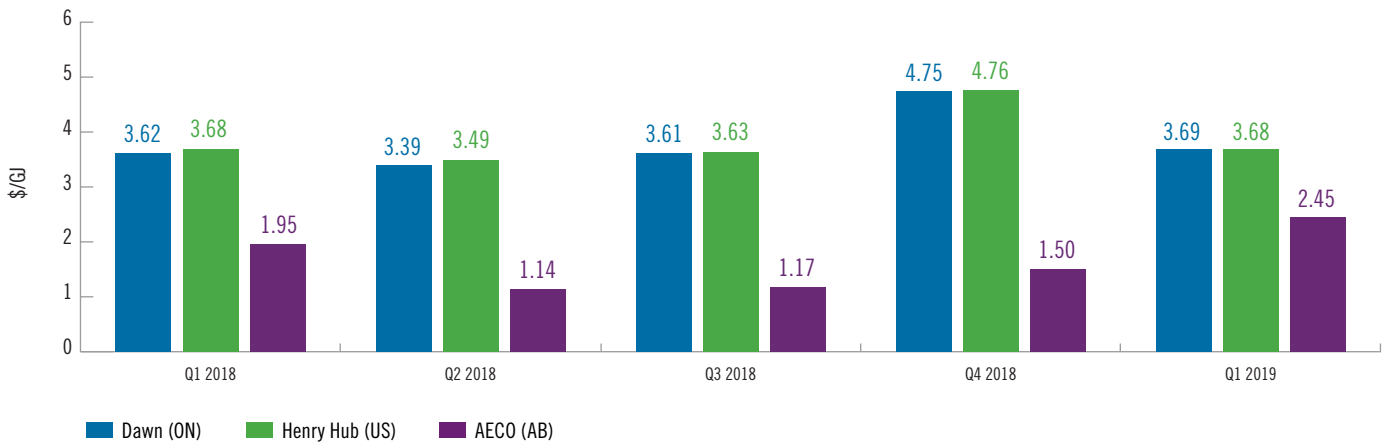
# Average Natural Gas Spot Prices

Monthly Average Natural Gas Spot Prices at Dawn, ON (\$/GJ)



Source: Canadian Enerdata Ltd., as reported to Bloomberg.

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 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Dawn (ON)	3.62	3.39	3.61	4.75	3.69
Henry Hub (US)	3.68	3.49	3.63	4.76	3.68
AECO (AB)	1.95	1.14	1.17	1.50	2.45

Source: Dawn and AECO from Canadian Enerdata Ltd., as reported to Bloomberg; Henry Hub from U.S. Energy Information Administration

Natural gas prices at the Dawn hub have decreased by roughly 22% since Q4 2018.

## Annual Average Natural Gas Spot Prices at Select Trading Hubs (\$/GJ)

Trading Hub	2018	2019
Dawn (ON)	3.62	3.69
Henry Hub (US)	3.68	3.68
AECO (AB)	1.95	2.45

Source: Dawn and AECO from Canadian Enerdata Ltd., as reported to Bloomberg; Henry Hub from U.S. Energy Information Administration

## Natural Gas Price Forecasts for Select Trading Hubs, 2020-2021 (\$/GJ)

Trading Hub	2020	2021
Dawn (ON)	3.88	4.11
Henry Hub (US)	3.83	4.17
AECO (AB)	2.06	2.34

Source: Deloitte Price Forecast - Resource Evaluation & Advisory - March 31, 2019.

# Eastern Canada Natural Gas Storage Balances

(as of quarter end)

Storage Survey Week	Storage Level (million cubic metres)	Storage Level vs. Same Week the Year Before	Storage Level vs. Total Capacity
Q1 2018 - Mar 23, 2018	1.7	69.3%	21.9%
Q2 2018 - Jun 22, 2018	2.7	64.2%	33.8%
Q3 2018 - Sep 21, 2018	6.5	93.7%	81.5%
Q4 2018 - Dec 21, 2018	6.4	98.0%	80.3%
Q1 2019 - Mar 29, 2019	1.2	66.3%	14.5%

Note: Maximum Storage Capacity for Eastern Canada is 7.98 mcm.

Source: Canadian Enerdata Ltd., as reported to Bloomberg.

Note: Previous versions of this chart displayed natural gas storage data in billion cubic feet (bcf)

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.