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Ontario Energy Board

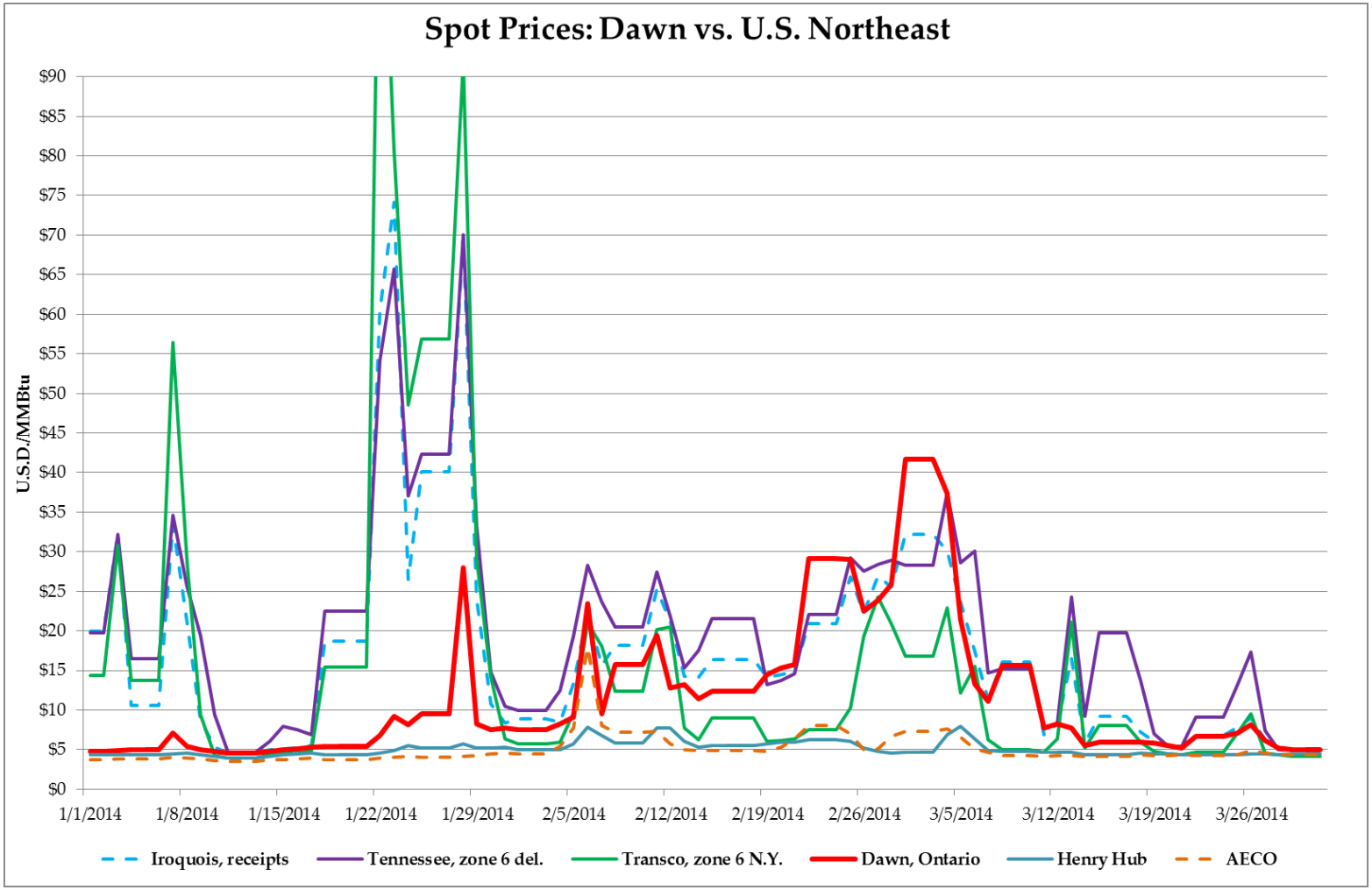
2014 Natural Gas Market Review

Stakeholder Conference

Winter 2013/14 Natural Gas Prices – Session 2/ Panel 1

Ontario Energy Board
2300 Yonge Street, 25th Floor
Toronto, Ontario M4P 1E4
West Hearing Room / ADR Room
December 3-4, 2014

Winter Season Overview—Prices (Dawn vs. U.S. Northeast)



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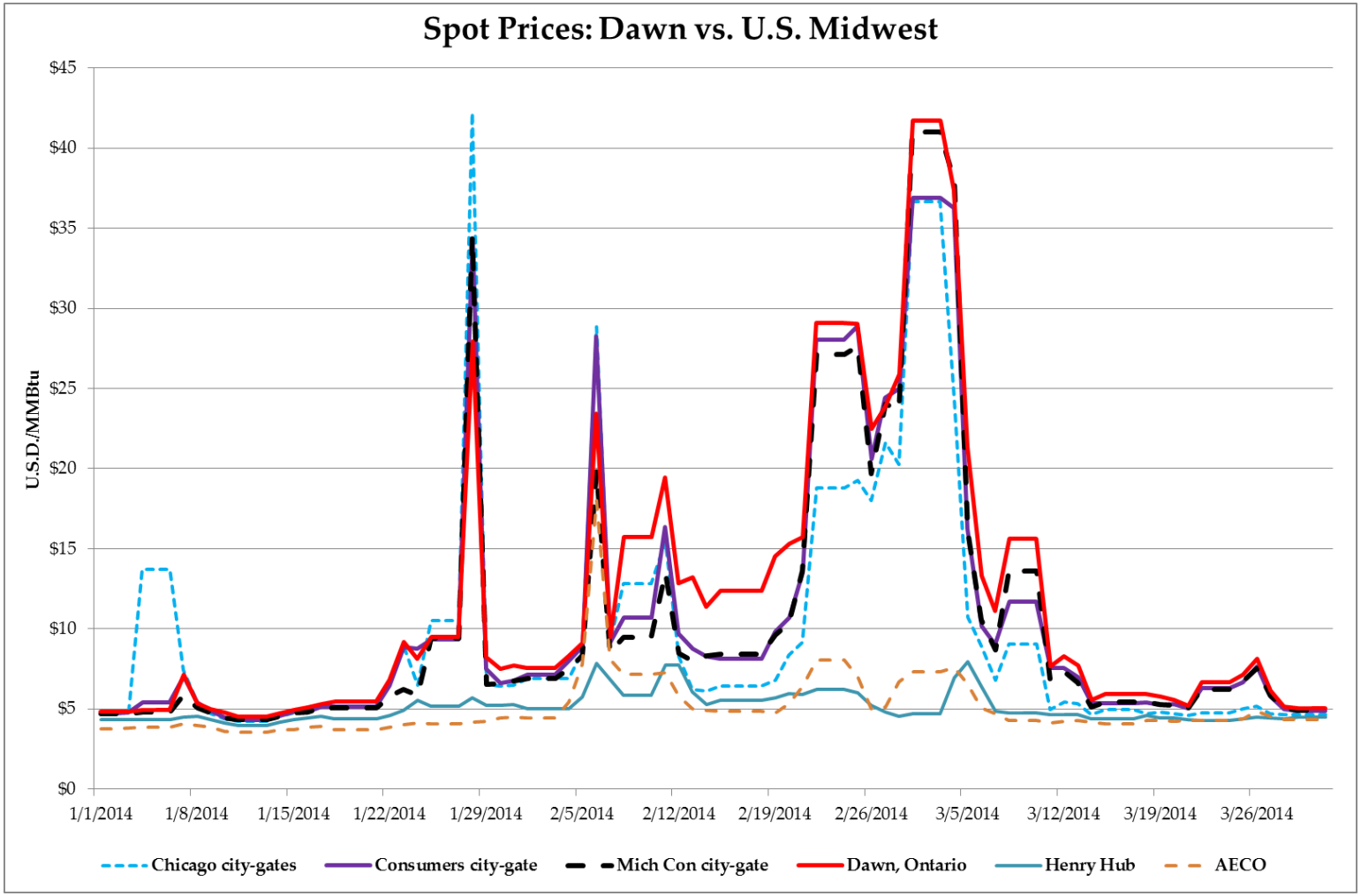
Winter Season Overview—Prices (Dawn vs. U.S. Midwest)



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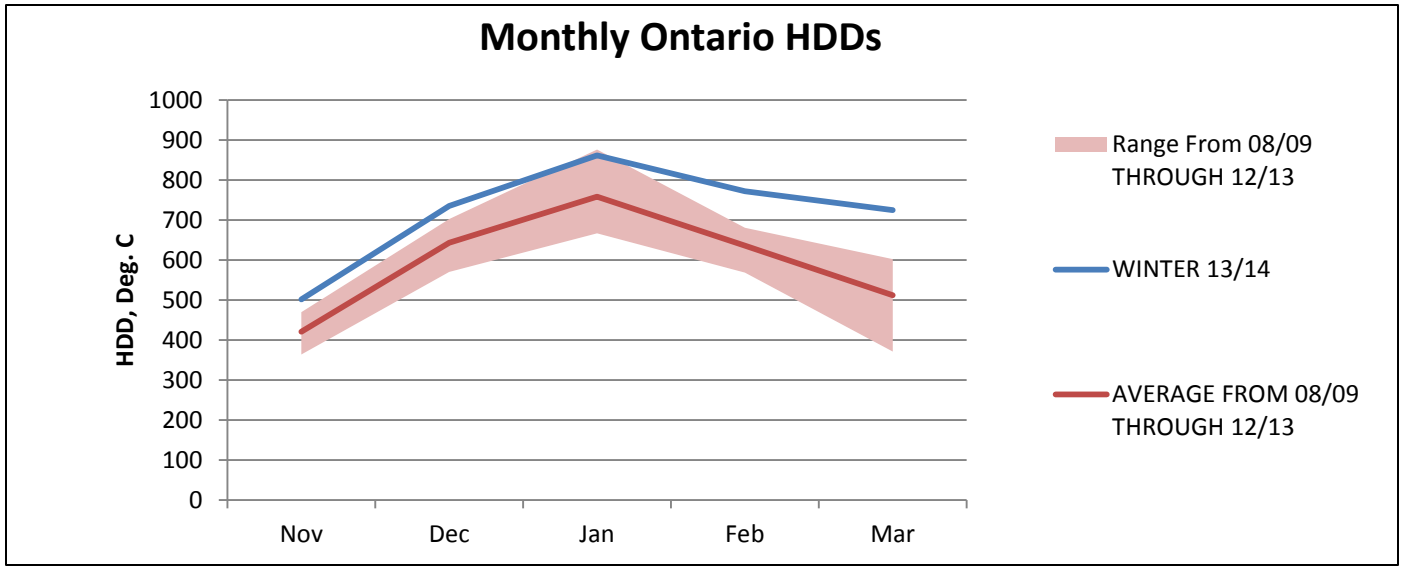
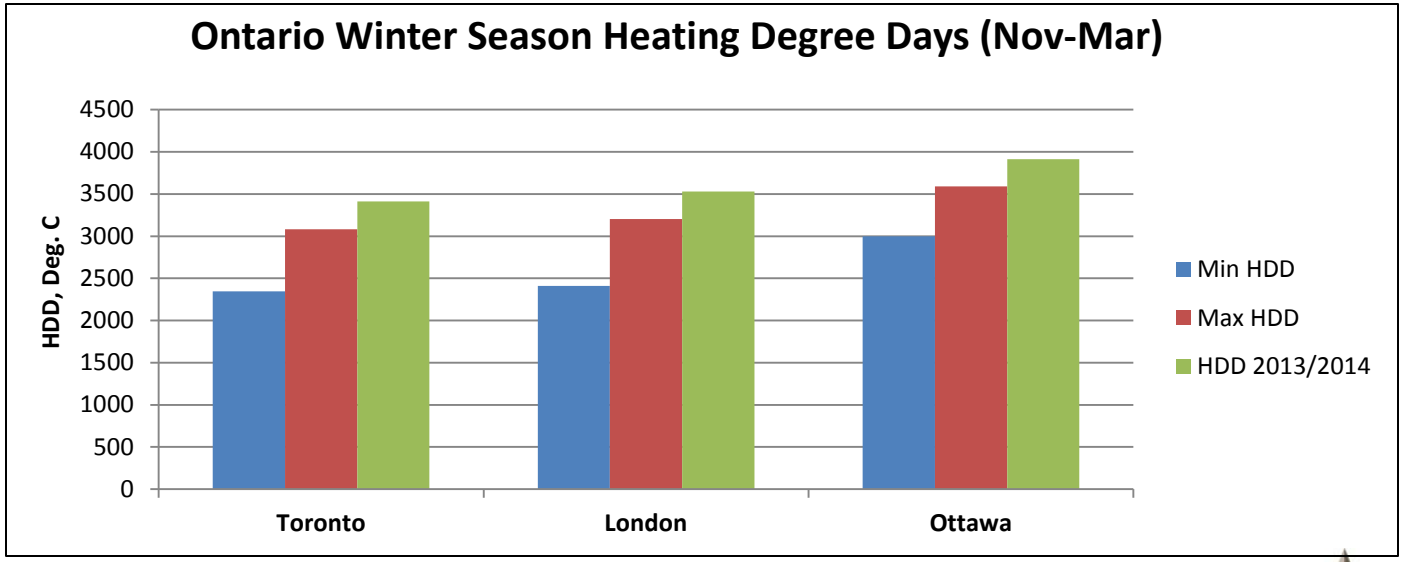
Winter Season Overview—Temperature—Ontario





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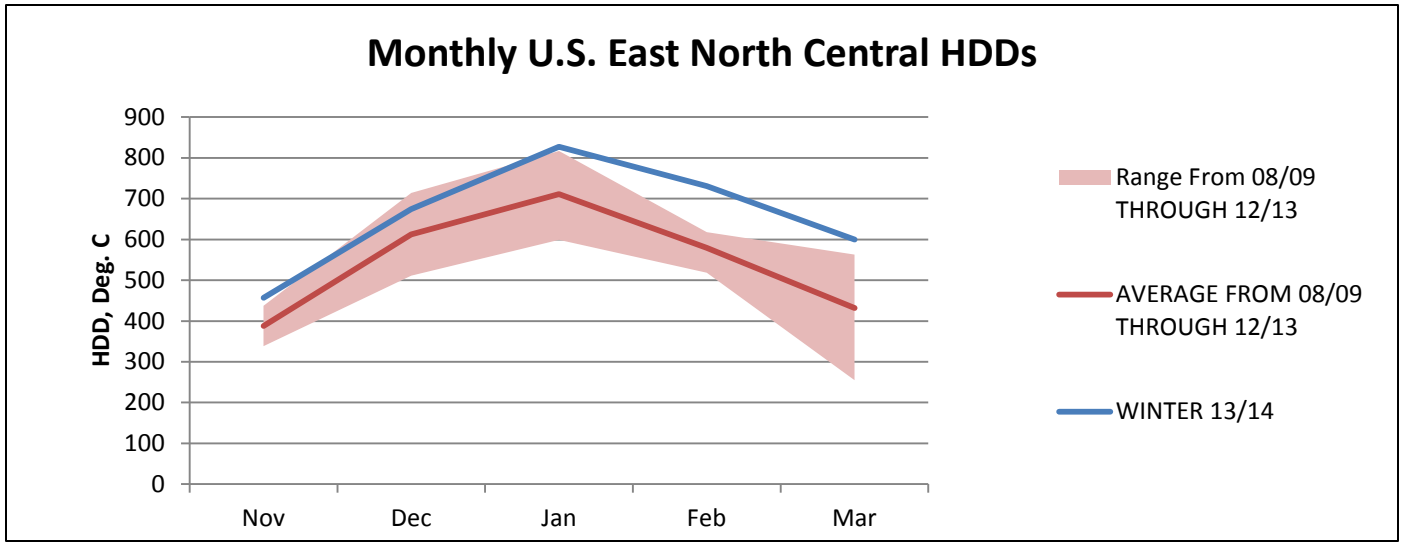
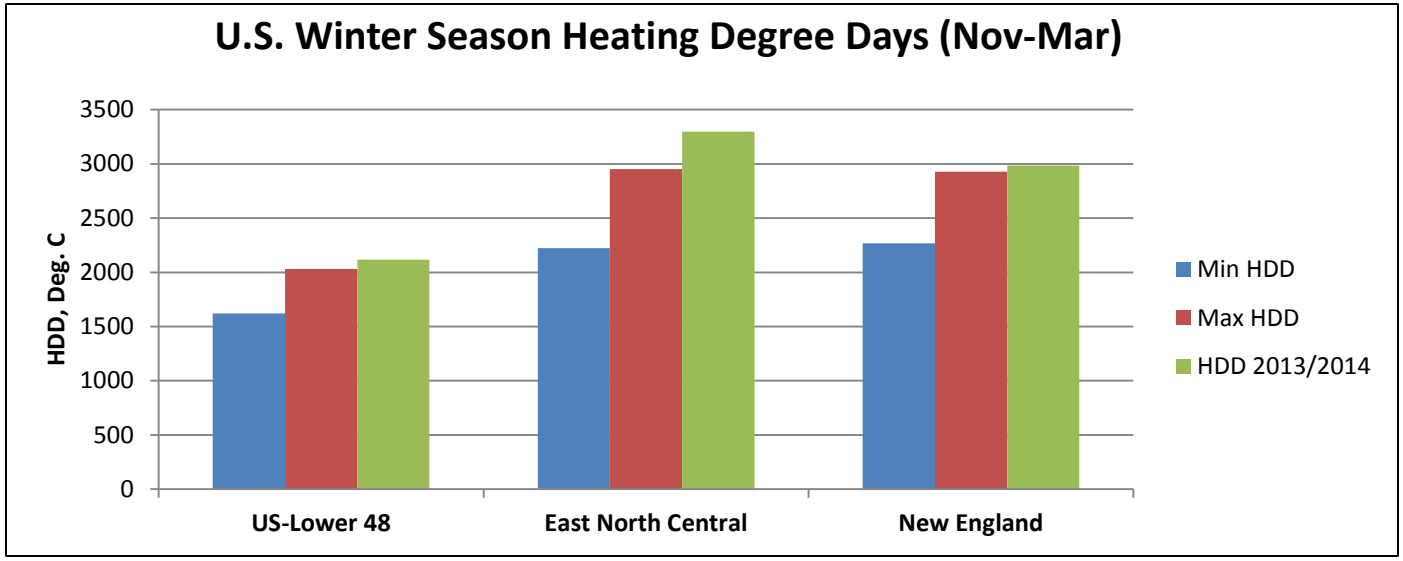
Winter Season Overview—Temperature—U.S.





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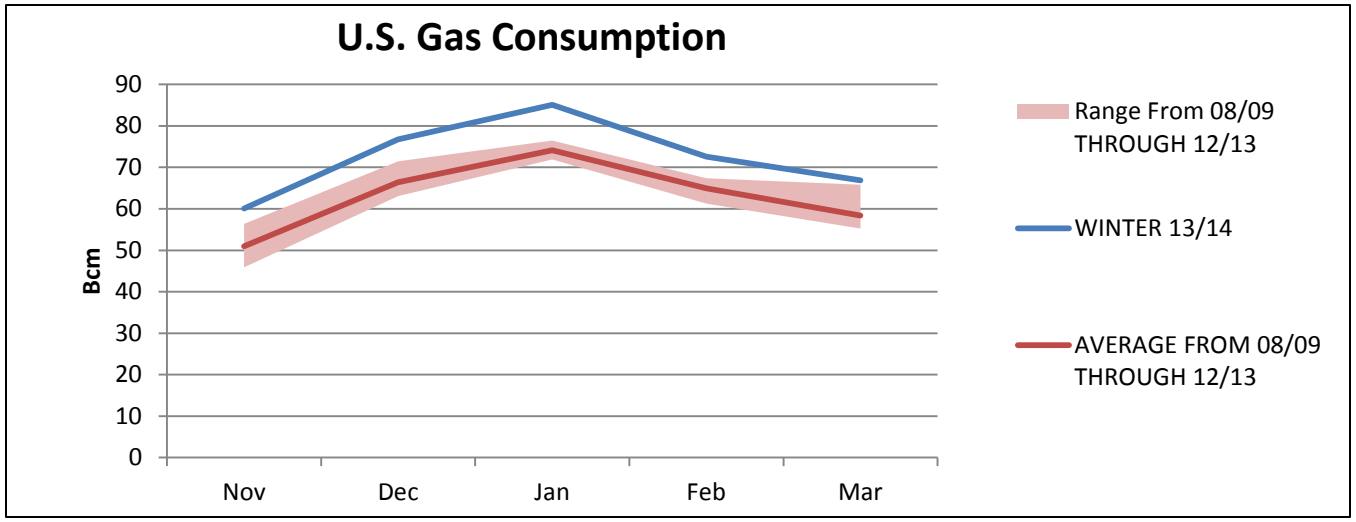
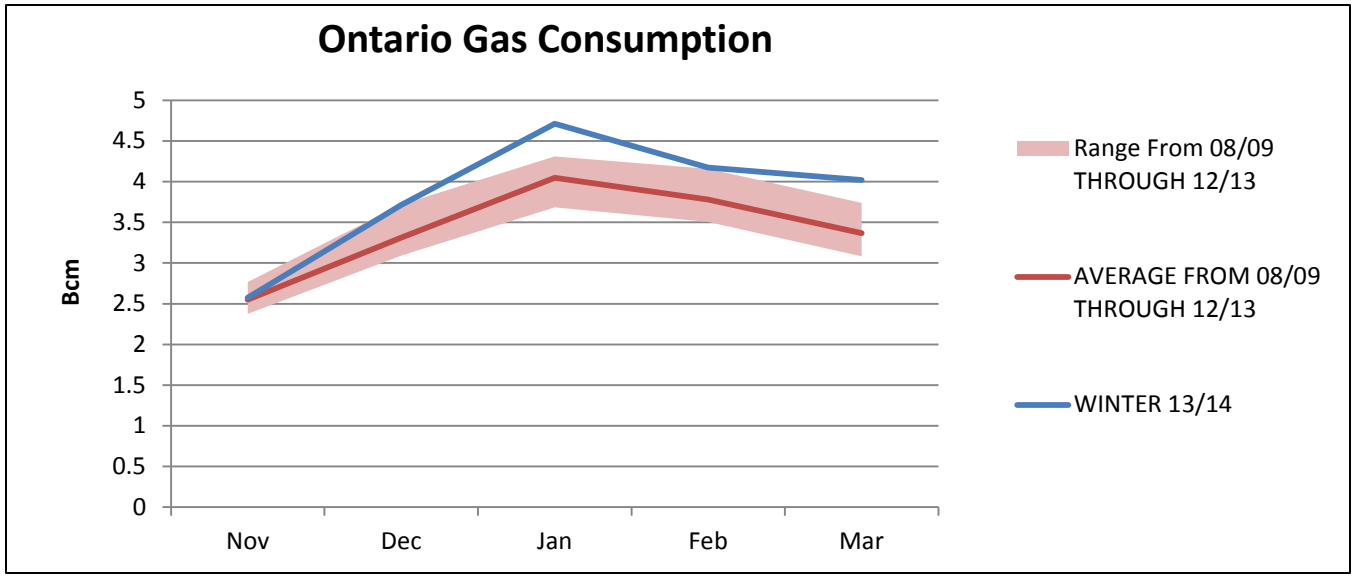
Winter Season Overview—Gas Demand





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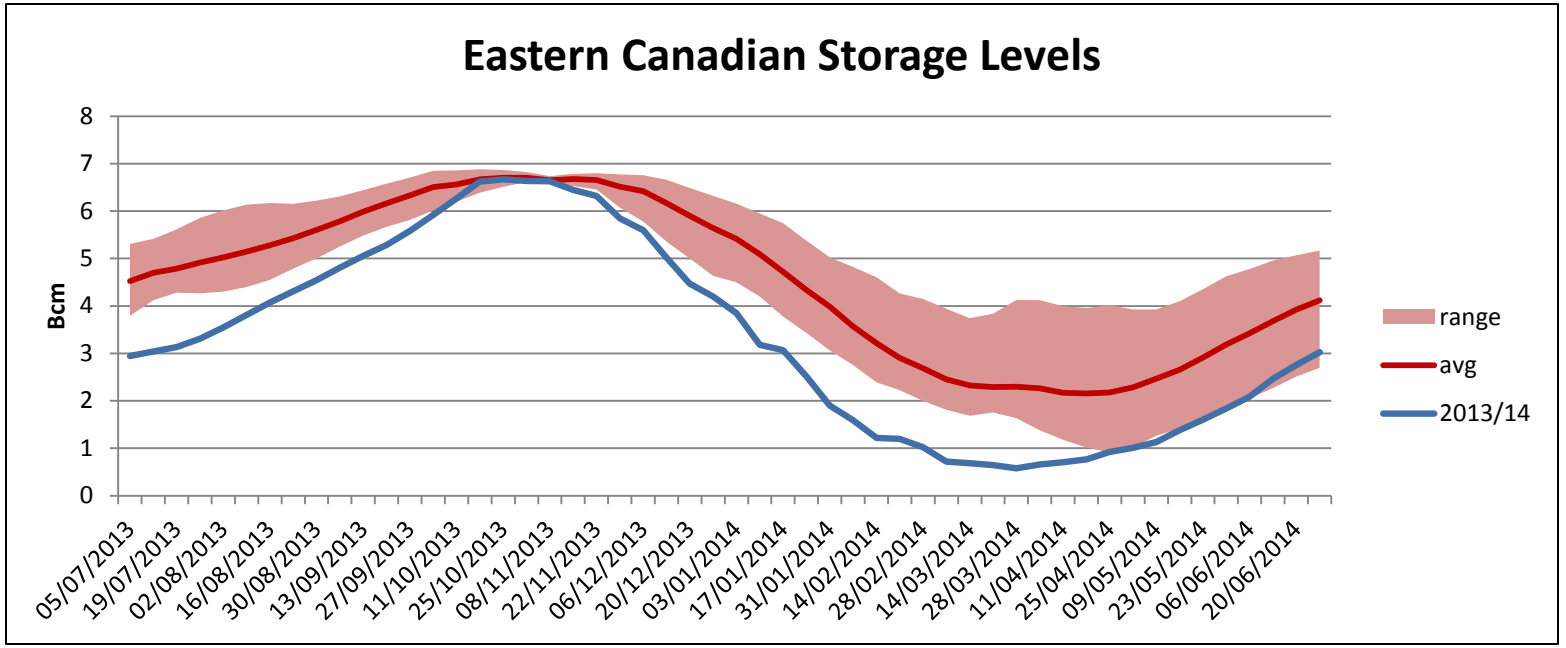
Winter Season Overview--Storage



Date	Average Storage Level (Bcm)	2013/14 Storage Level (Bcm)	Average Withdrawal for Month (Bcm)	2013/14 Withdrawal for Month (Bcm)	2013/14 withdrawals as percent of normal withdrawals	Avg. Year Percent of Avg. Nov. 1	2013/14 Percent of Avg. Nov 1
11/1/2013	6.7	6.6				100%	99%
11/29/2013	6.5	5.8	0.2	0.8	427%	97%	87%
12/27/2013	5.6	4.2	0.9	1.6	188%	84%	63%
1/31/2014	4.0	1.9	1.7	2.3	139%	59%	28%
2/28/2014	2.7	1.0	1.3	0.9	68%	40%	15%
3/28/2014	2.3	0.6	0.4	0.4	115%	34%	9%

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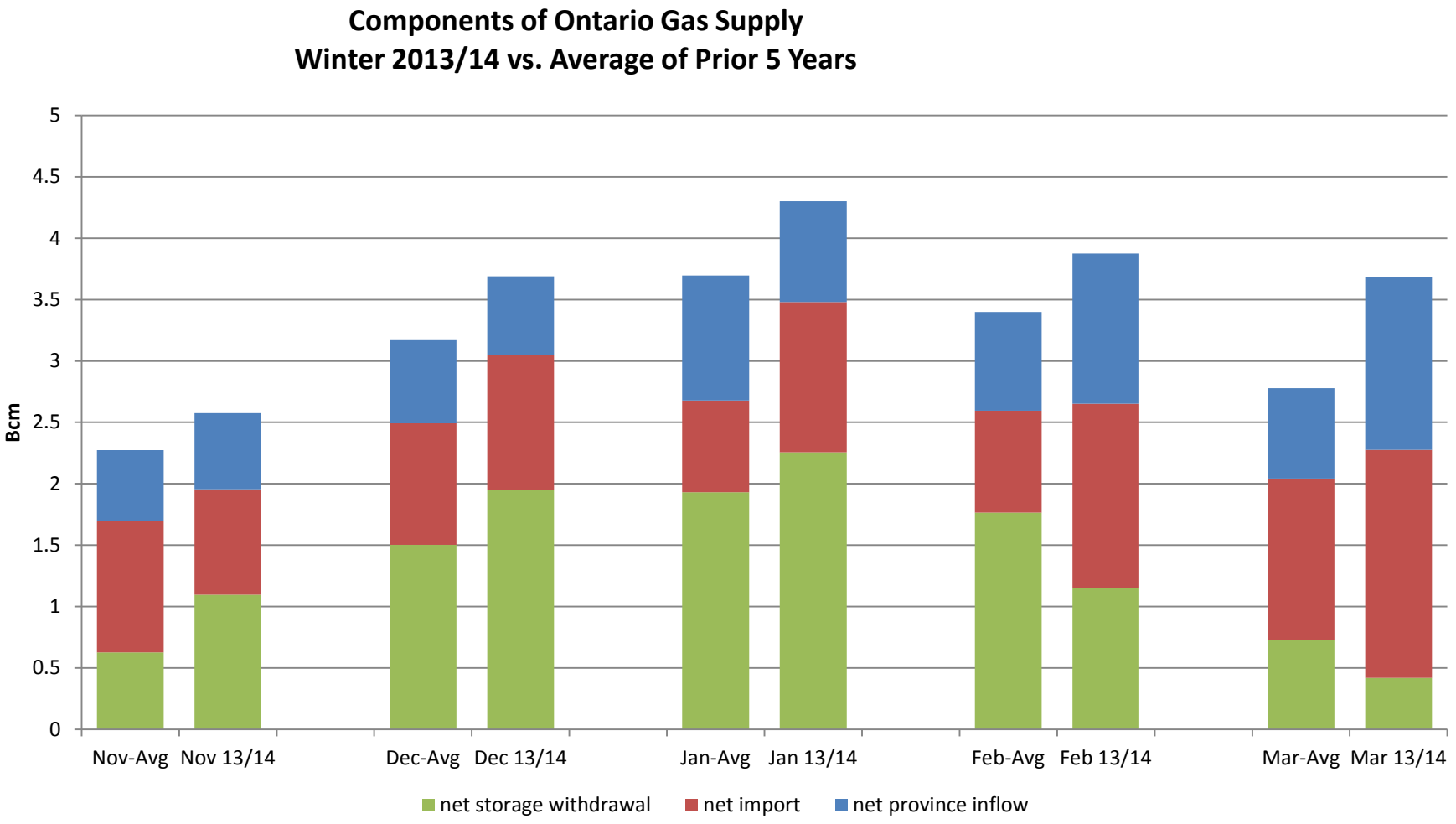
Winter Season Overview—Gas Supply Mix



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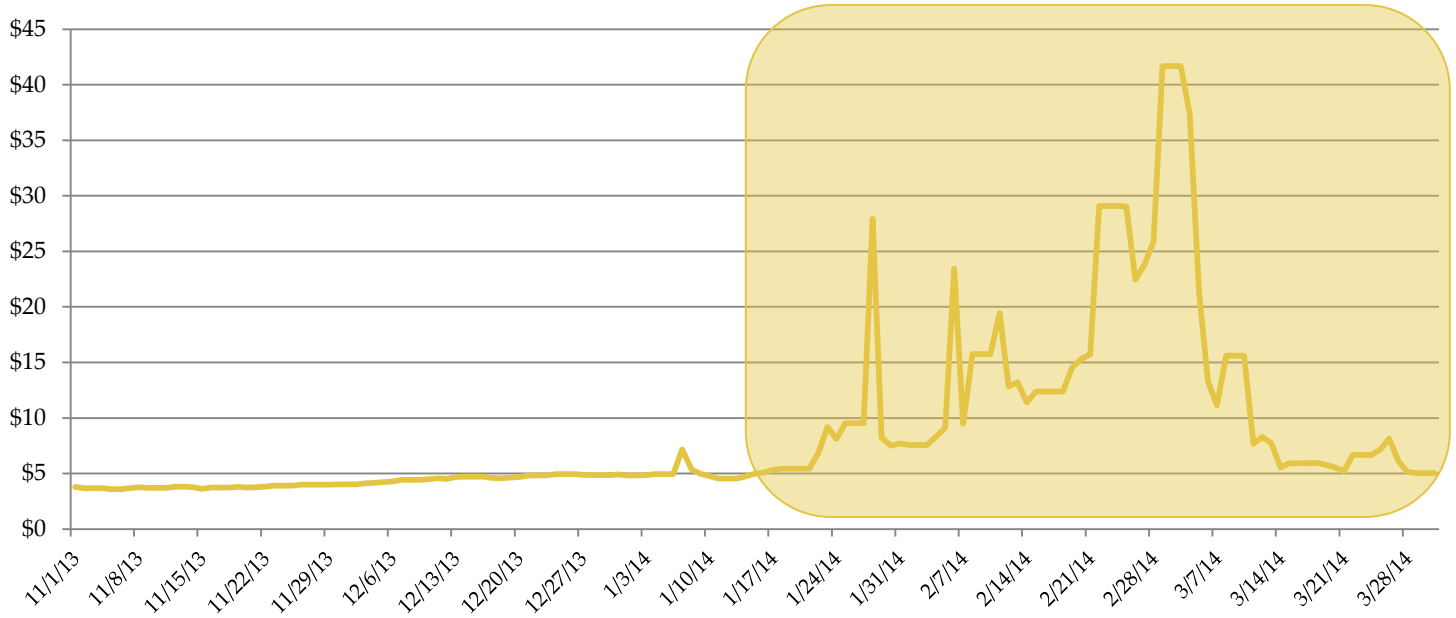
Pricing at Dawn 11/1/13 to 3/31/14



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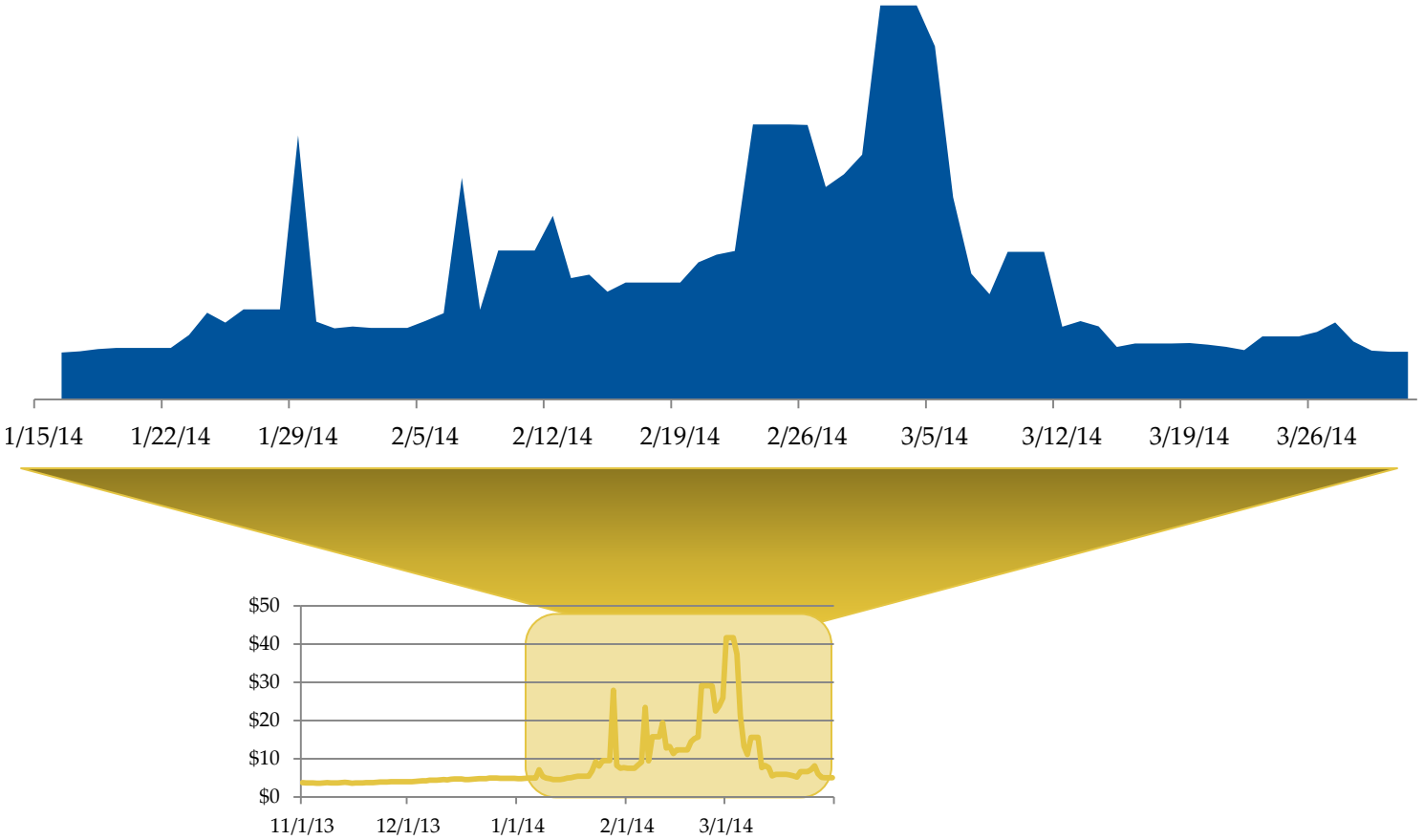
January 22nd through March 13th is a period of large price swings and continually elevated prices



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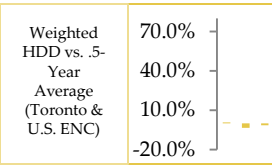
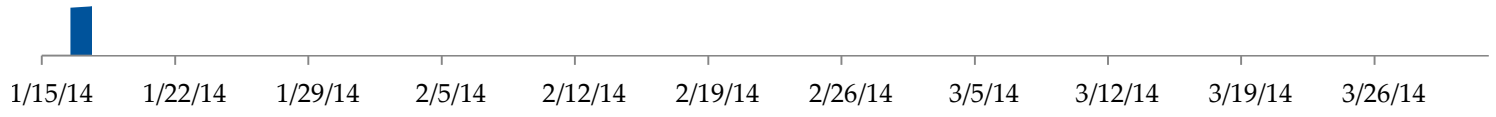
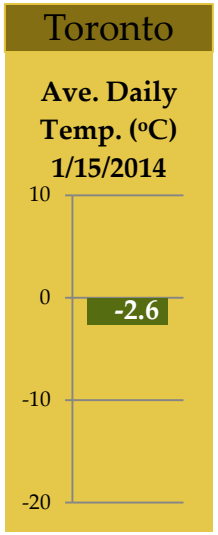
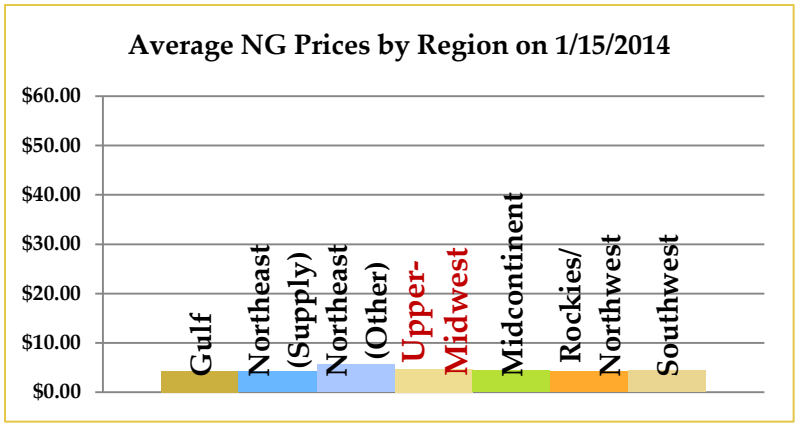
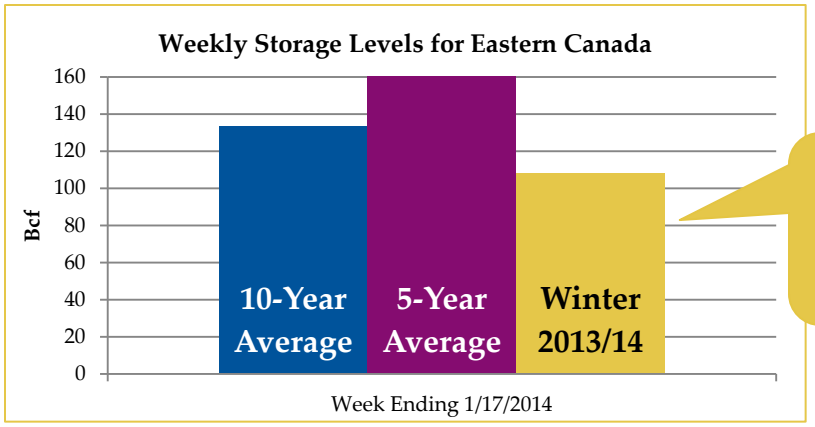
Prices in Mid-January start off low, with natural gas prices below $5.00 for most regions











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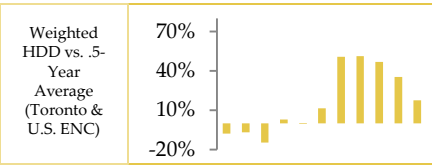
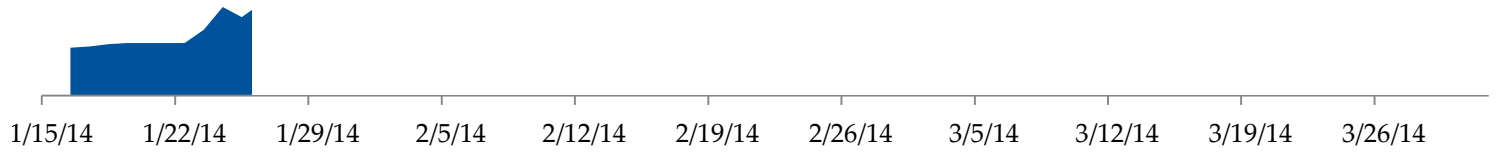
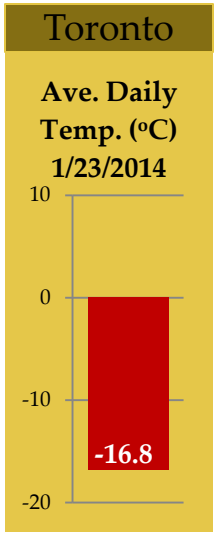
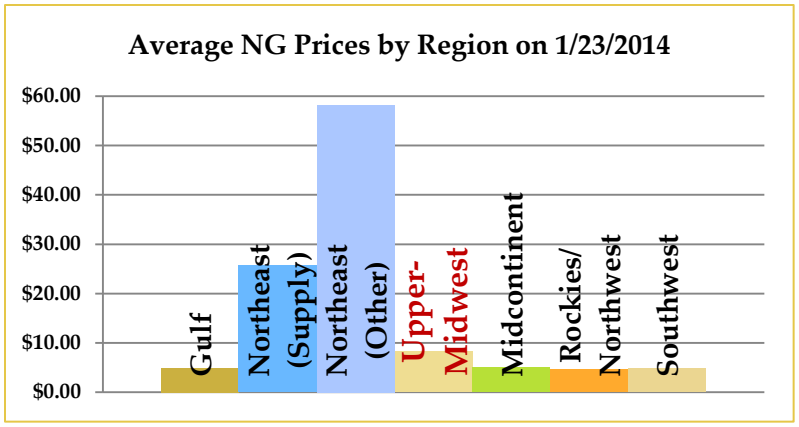
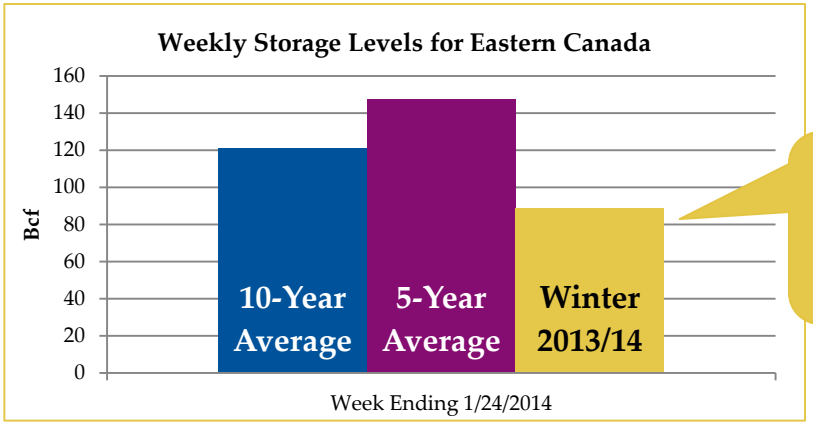
Prices in January first see a bump on January 23th, when temperatures in the U.S. Northeast and Ontario drop











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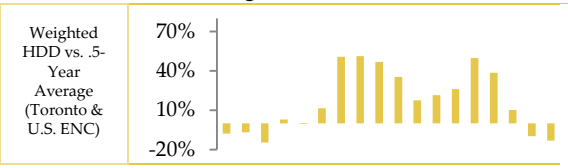
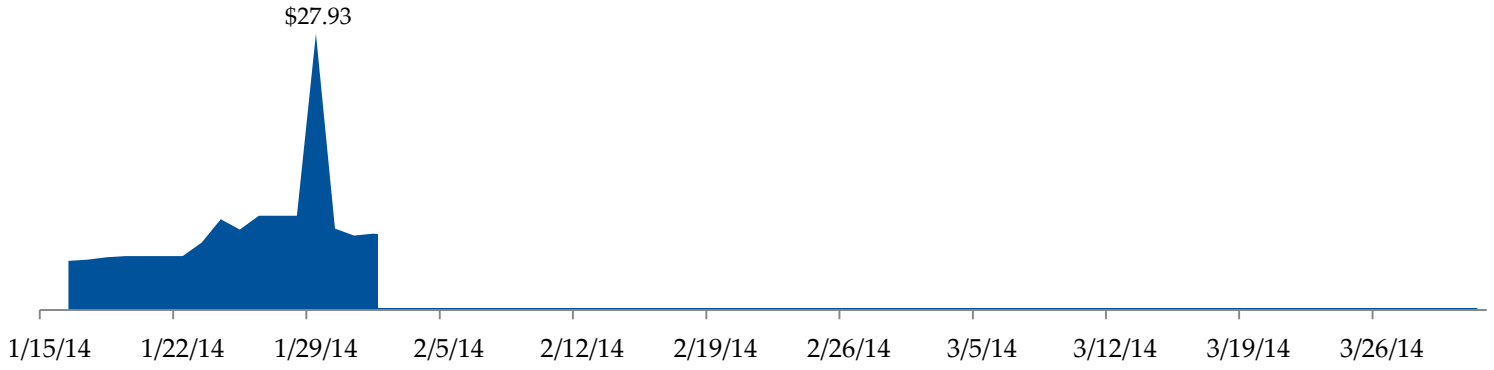
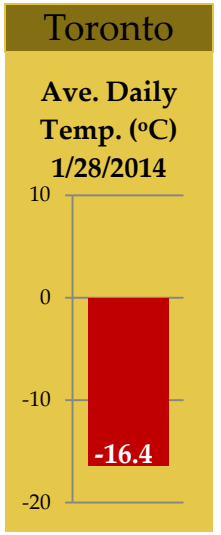
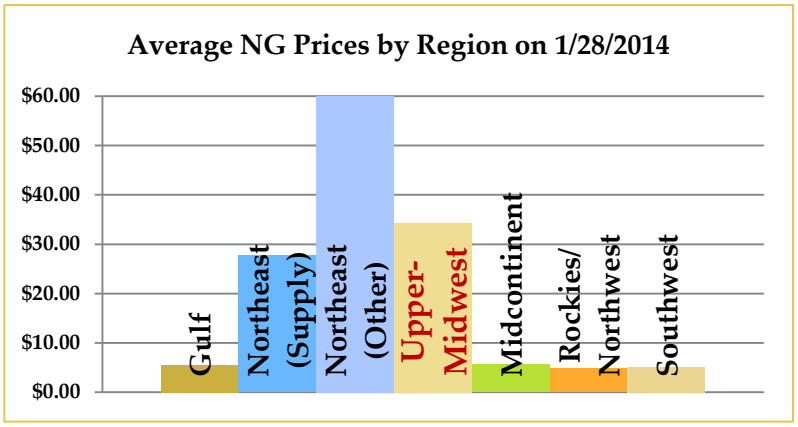
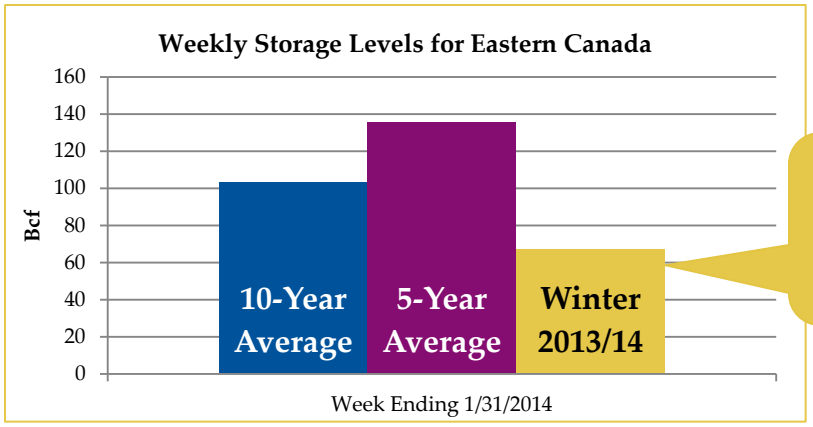
The break on the TCPL line along with extremely cold weather on January 28th increased prices in the U.S. Northeast and Upper-Midwest











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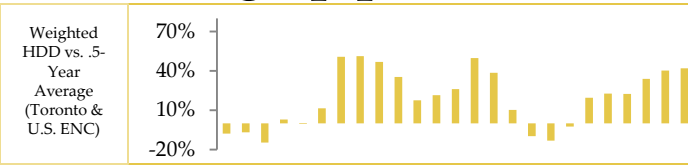
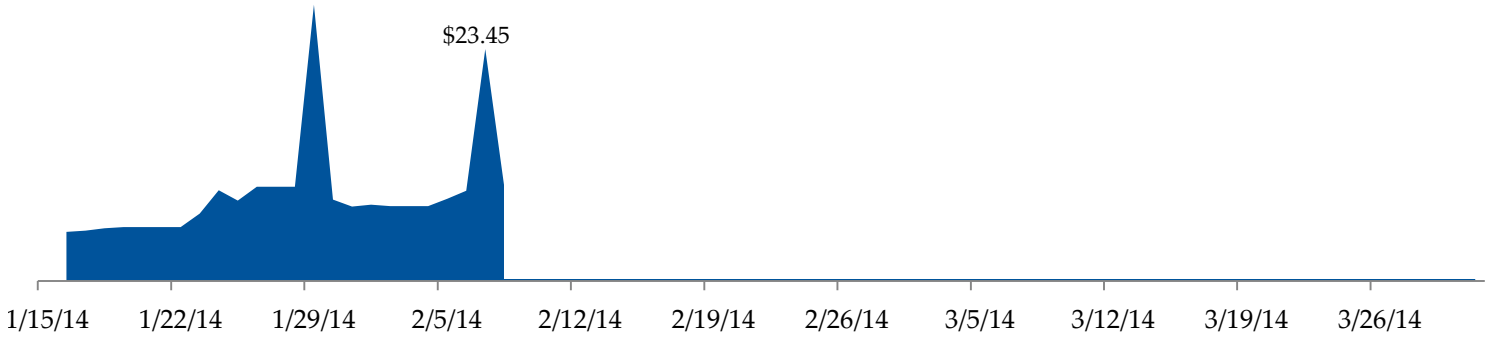
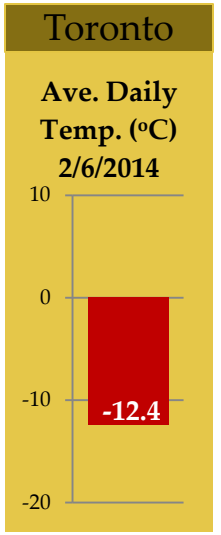
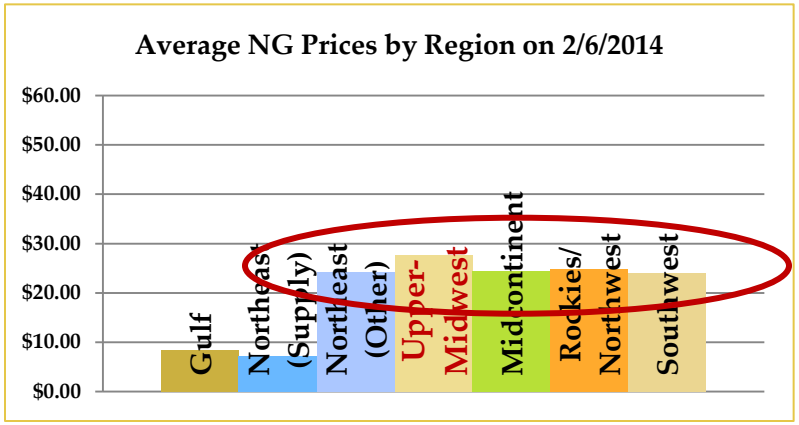
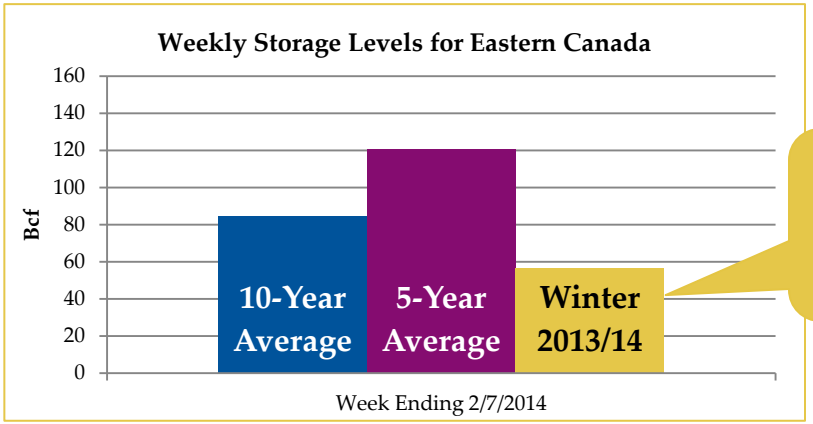
On February 6, 2014 U.S. HDD was at 43% above its 5-year average, driving up prices across North America











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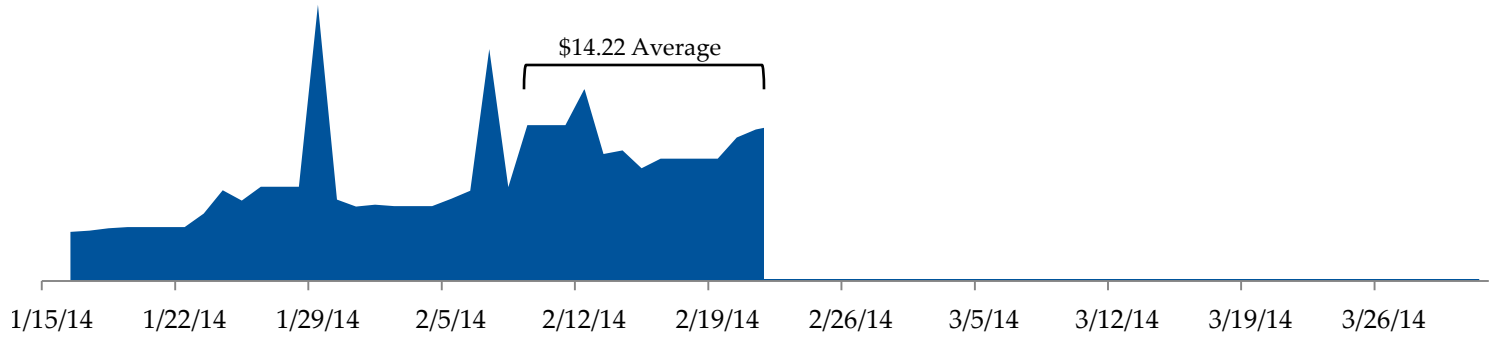
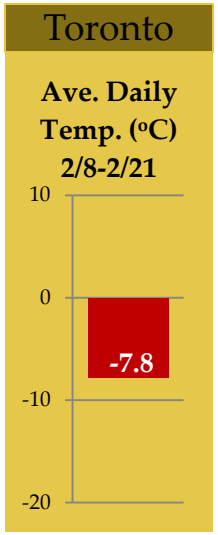
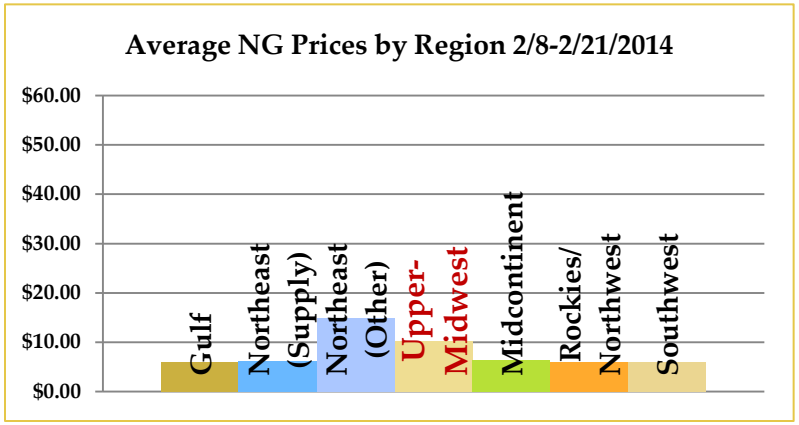
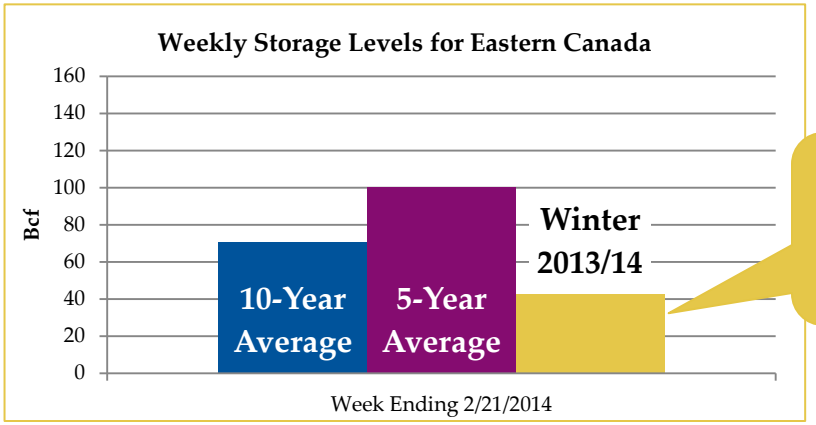
Sustained cold weather drives storage lower and keeps prices elevated









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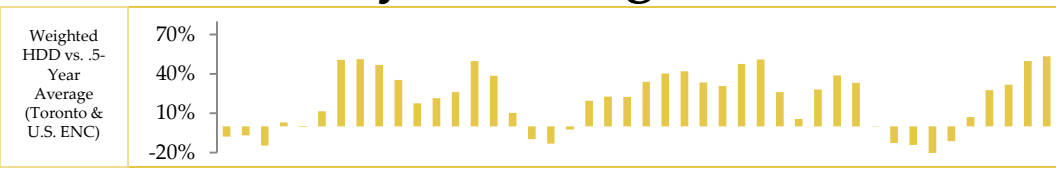
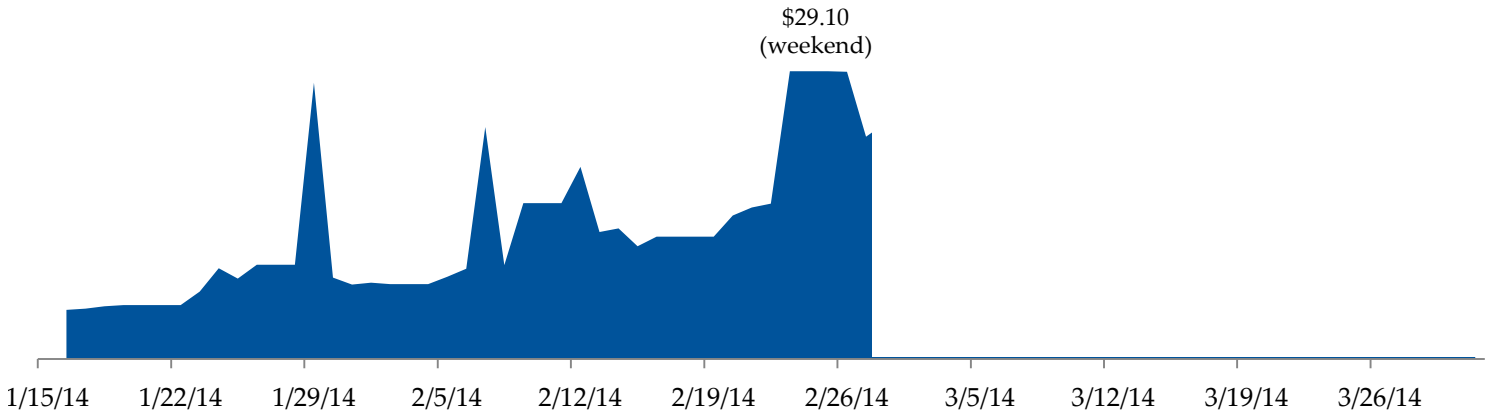
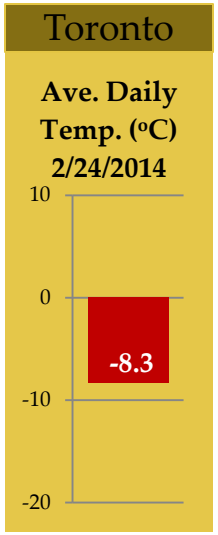
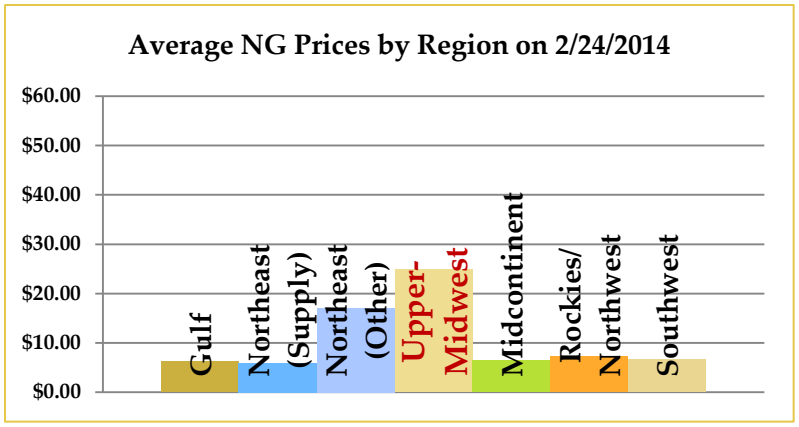
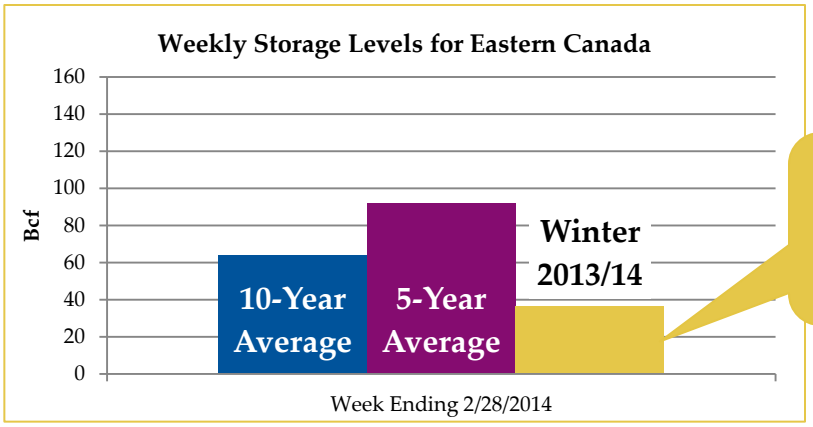
HDD in Toronto and the U.S. East North Central (ENC) reach 50% above the 5-year average











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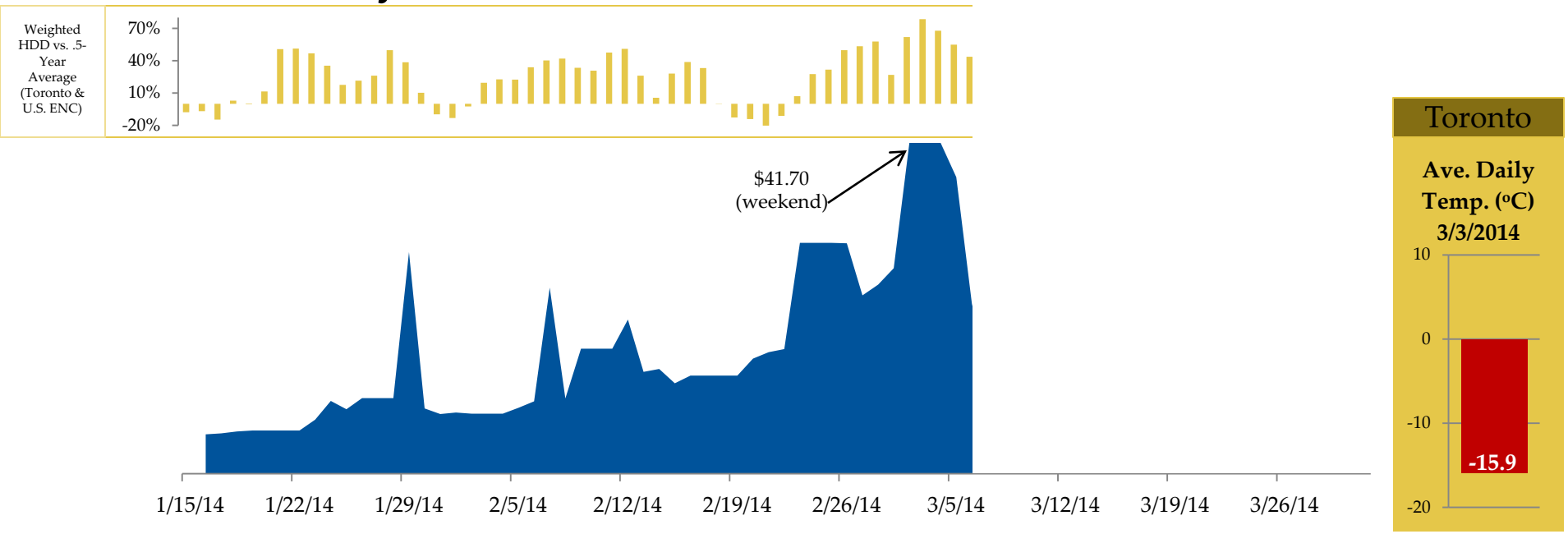
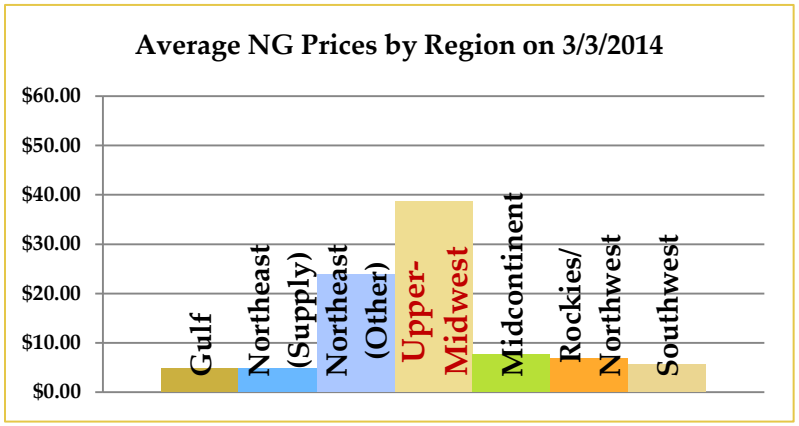
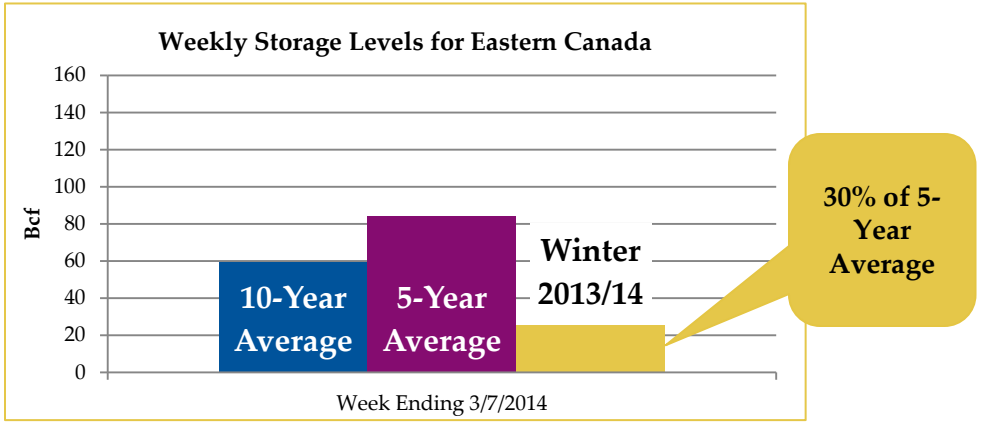
HDD in Toronto and the U.S. ENC reach 75% above the 5-year average for this time of year







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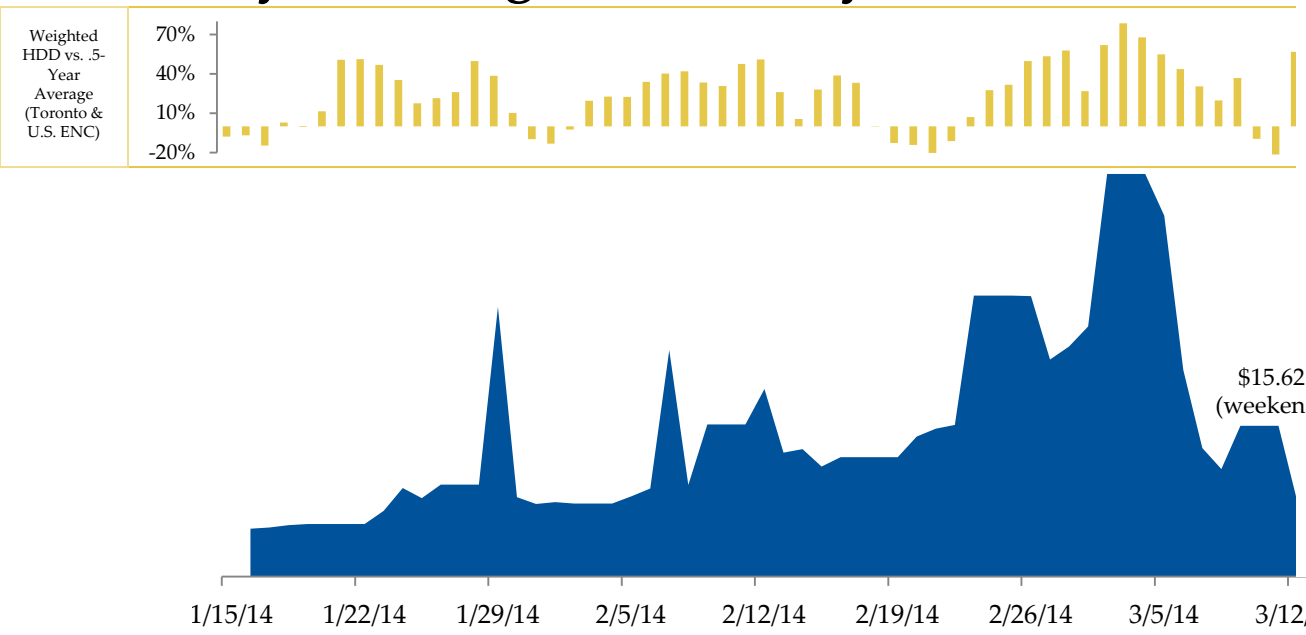
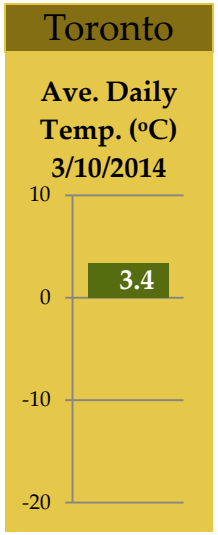
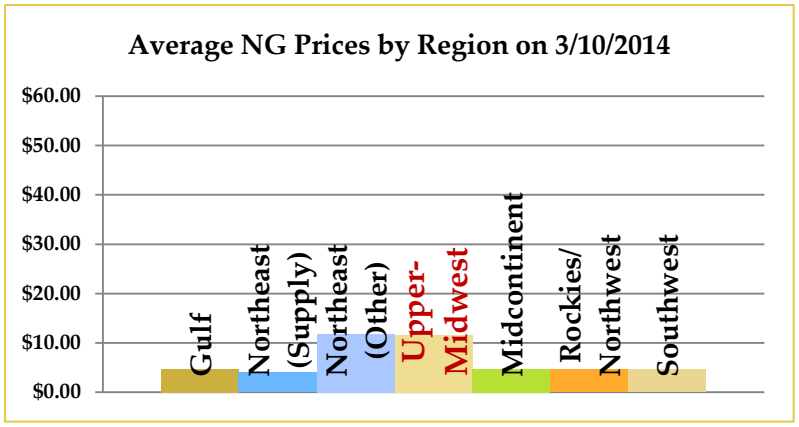
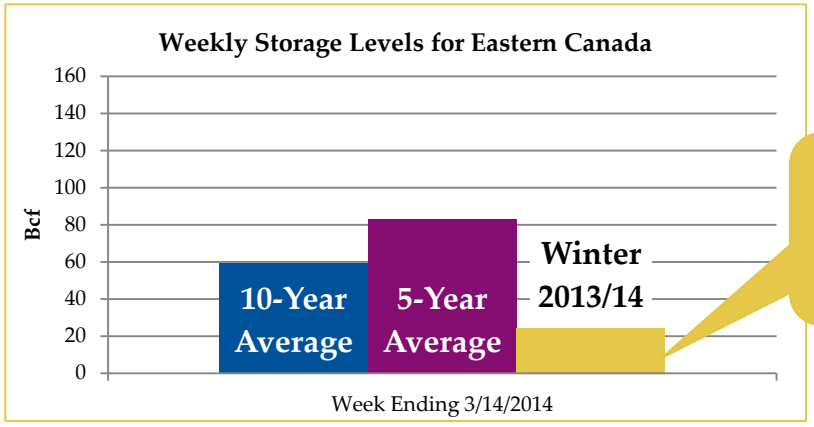
HDDs begin to fall in Toronto and the U.S. ENC, but still remain above their 5-year average on most days









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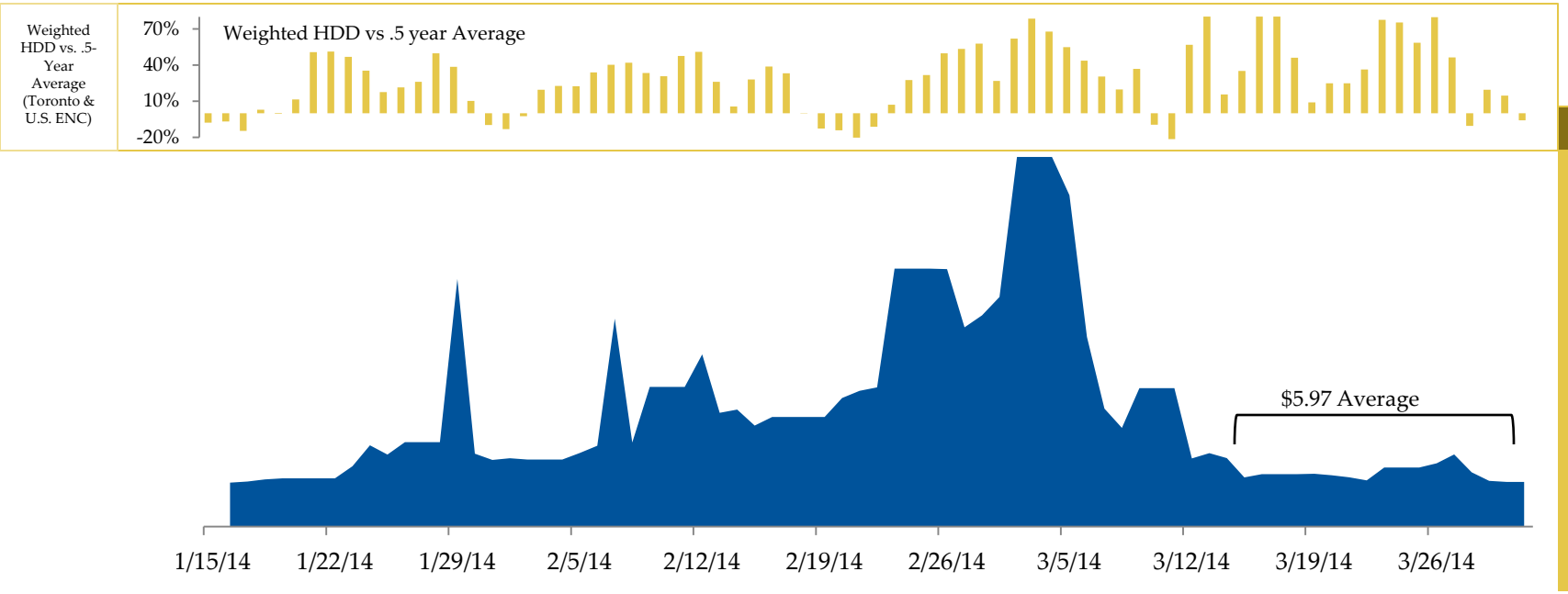
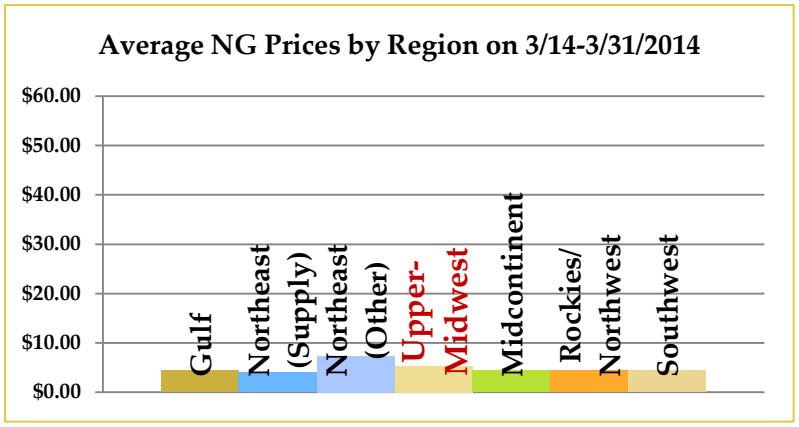
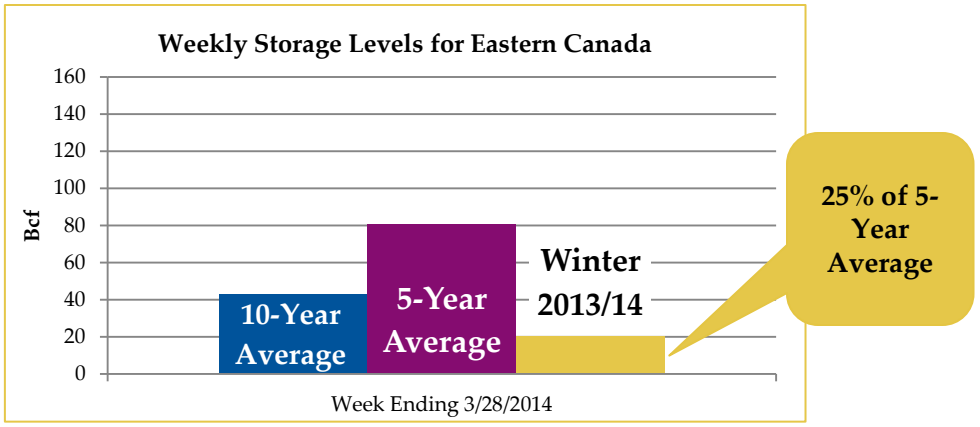
Although HDD in Toronto and U.S. ENC remain above average, prices at the end of March remain low due to less extreme weather in the U.S.







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Why?

- Extreme widespread instantaneous weather over the Eastern US and Ontario
- Strong Midwest demand impacted prices at Dawn and incented increased storage withdrawals in Ontario
- Large early withdrawals necessitated additional spot purchases on persistent cold
- Annual 'Checkpoint' balancing by Union direct purchase customers coincided with on-going need to meet demand on weather
- Increased interruptible transport tolls at Empress eventually lead to more supply to be met from the U.S. Northeast and Midwest, which eventually supported Dawn prices
- The winter of 2013/14 appeared to be the coincidence of early, widespread and persistent and historical high demand as a result of regional weather conditions
- It is not clear whether the same price impacts would have occurred had Ontario utility supply plans called for more base storage and/or firm transportation, however both may have helped. Some increased costs however would have been incurred by the utilities for both storage and transportation.
- More conservative (perhaps ratable) supply plan storage management may also have helped.

QRAM

» The Quarterly Rate Adjustment Mechanism (QRAM) is Ontario's mechanism to allow gas distributors to recover their actual gas costs.

» The cost factors that could potentially be impacted by operational, managerial and regulatory policies, procedures, directives and decisions of a gas distribution company or its regulator include the following:

- weather assumptions,
- design day criteria,
- demand forecasts,
- firm transportation planning criteria,
- storage level planning,
- use of peaking supplies, and
- procurement mechanisms for incremental supply.

» Choices made with respect to these factors likely involve cost and risk trade-offs dependent on an entity's risk profile and the array of potential risks.

Key CONTACTS

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