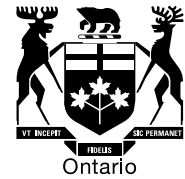


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BY E-MAIL

January 25, 2016

Patrick McMahon
Manager, Regulatory Research and Records
Union Gas Limited
50 Keil Drive North
Chatham ON N7M 5M1
pmcmahon@uniongas.com

Dear Mr. McMahon:

**Re: Union Gas Limited (Union Gas)
Certificate of Public Convenience and Necessity with the City of Kitchener
EB-2015-0296**

Union Gas filed an application with the OEB seeking a franchise agreement and certificate of public convenience and necessity (Certificate) to serve natural gas to Kitchener residents in the area of the municipality bounded by the Grand River (north and west boundary), Highway 401 (south boundary) and the municipal boundary of the City of Kitchener (east boundary). In the application, Union Gas acknowledged that it had been serving these customers without a Certificate or a franchise agreement since 1959. There are currently approximately 1,100 customers served by Union Gas in this area¹.

The *Municipal Franchise Act* (MFA) governs the circumstances under and the way in which arrangements may be made by a municipal corporation for the supply of service by a public utility to its inhabitants by a company. The purpose of the MFA is to ensure that the OEB retains oversight of the construction of hydrocarbon pipelines in Ontario for reasons including safety, regulatory policy and the avoidance of the unnecessary proliferation of gas works. The need for a Certificate under the MFA provides the OEB with the opportunity to assess the need for a gas pipeline and the competency of the proponent to construct the line safely.

¹ Staff Report No. FCS-15-152 to the Finance & Corporate Services Committee, dated October 8, 2015

Section 8(1) of the MFA states that a Certificate is necessary before any person can construct works to supply gas in a municipality. The Certificate grants the right to construct infrastructure for the purposes of supplying gas to consumers in the service territory specified.

In addition, section 9 of the MFA provides for the granting of a municipal franchise agreement to a natural gas distributor for the right to construct gas works within a municipality.

By operating without either a municipal franchise agreement or a Certificate, Union Gas was not in compliance with sections 8 and 9 of the MFA. The OEB granted both the franchise agreement and the Certificate on January 21, 2016, and therefore this situation has now been remedied.

While the OEB expects all utilities to comply with the MFA, the OEB will not pursue this matter any further. Union Gas has provided an important service to these customers since 1959 without a guarantee of a secure market and without infringing on the rights of any other public utility. The City of Kitchener also supported the continued service to these customers by Union Gas as part of the application. However, the OEB is concerned that this situation continued for such a long period of time. The OEB expects that Union Gas will review all of its service territory to ensure that this situation does not exist in other parts of the province.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary