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March 21, 2016

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto Ontario
M4P 1 E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2016-0004 - Further to the Evidence submitted by MoCreebec Eeyoud on March 4, 2016, MoCreebec Eeyoud submits the following additional comments:

With regard to Issue #3: Should the OEB consider exemptions or changes to the EBO 188 guidelines for rural and remote community expansion projects? MoCreebec Eeyoud submits that:

- a) The Provincial Government has set out a goal of ensuring that Ontario consumers in communities that currently do not have access to natural gas are able to share in affordable supplies of natural gas. The OEB should expand the EBO 188 guidelines to include explicit mention of First Nations that do not currently have access to natural gas and would benefit significantly by being able to share in affordable supplies of natural gas, including the unique needs and situations of both "road connected" and "remote" First Nations that do not yet have all-season road connections.
- b) The overall net cost to receive natural gas for a road-connected First Nation can be more than double that of a traditional natural gas pipeline distribution solution, and far more for remote First Nations. The added costs of LNG or CNG production, transportation and storage create a very different supply and distribution environment than in southern communities.
- a) The intent of EBO 188 is to facilitate the expansion of natural gas service while holding other customers harmless from the cost of new connections. The alternative of a Universal Service Fund approach to awarding gas expansion/connections fits with the intent of EBO 188. However, a Universal Service Fund may result in new natural gas distribution entities that focus on the specific market realities and needs of rural, remote and First Nation customers. Rural, remote and First Nation focused distributors would have higher initial capital costs and higher operating costs and would not fit with the portfolio approach for gas expansion/connections currently outlined in EBO 188.

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- b) In other jurisdictions, globally, Universal Service Funds can enable uniquely situated and responsive distribution entities to serve the specific needs of unserved customers, or enable incumbent firms to adapt their customer service approach to unique geographies and circumstances. The OEB should therefore move forward with the intent of EBO 188, but create a Universal Service Fund approach that focuses on the Province's goal of ensuring that Ontario consumers in communities that currently do not have access to natural gas are able to share in affordable supplies of natural gas.
- c) Costs that should be included in the economic assessment for providing natural gas service to communities should include costs that reflect the realities of serving rural, remote and First Nations communities, including flexibility for non-pipeline natural gas delivery. Non-pipeline natural gas capital costs would include:
- Vehicles and transportation equipment to transport natural gas beyond pipelines - truck, rail, marine shipping methods and associated CNG/LNG containers
 - LNG and/or CNG storage facilities at community distribution points and waypoints for LNG and/or CNG storage to service clusters of communities
 - LNG vaporizers at community distribution points
 - Other capital items necessary to transport and distribute LNG/CNG to rural, remote and First Nation communities
- d) Communities eligible for Universal Service Fund must align with the Province's goal of ensuring that Ontario consumers in communities that currently do not have access to natural gas are able to share in affordable supplies of natural gas. MoCreebec Eeyoud submits the following considerations:
- Communities where households are paying more than 2 times the average of similar households for heating should be prioritized for service - and this would include most unserved First Nations in Ontario.
 - Communities that can take advantage of natural gas service to reduce electricity loads for heating and therefore bring more renewable generation into the local transmission grid, should also be prioritized for service - and, again, this would include most unserved First Nations in Ontario. This would also add positive environmental and climate change action considerations to prioritizing communities for service.
 - Finally, communities that can support both local natural gas distribution for home heating and natural gas replacement for diesel powered electricity generation should be prioritized for service - and this would include most unserved remote First Nations in Ontario.

- e) Rate structures for rural, remote and First Nations may need to reflect the more expensive operational costs of providing service. Globally, Universal Service Fund experiences show that rural, remote and Indigenous customers are willing and able to pay higher rates for services in relation to urban customers because the cost of alternatives are high. If the cost of heating a home in northern Ontario is currently 10 times the cost of heating a southern Ontario home, the northern customer will be willing and able to pay a comparatively higher rate for natural gas service. However, some Universal Service Funds contribute to both capital costs and higher operational costs in order to help level or offset the costs to customers, regardless of location. MoCreebec Eeyoud submits that operational costs can be offset from a Universal Service Fund to keep costs to customers at no more than two times the cost of equivalent southern Ontario service.

Respectfully,



per
Allan Jolly
Chief
MoCreebec Eeyoud