



DIRECT LINE: Nick Melchiorre (807) 625-8883
EMAIL: nmelchio@wmnlaw.com

March 21, 2016
Our File No. 65152

Ontario Energy Board
23 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Attention: Ms. Kristen Walli, Board Secretary
boardsec@ontarioenergyboard.ca

Dear Ms. Walli:

Re: NOACC Coalition Evidence
EB-2016-0004

We act as external counsel for the following parties with respect to the above noted matter:

- Northwestern Ontario Associated Chambers of Commerce (“NOACC”);
- Northwestern Ontario Municipal Association (“NOMA”); and
- Common Voice Northwest (“CVNW”);

(collectively the “NOACC Coalition”), an intervenor in this proceeding.

We have reviewed the Draft Issues List and submit this evidence in accordance with the Decision and Procedural Order No. 2, issued by the Board on March 9, 2016.

The NOACC Coalition reserves its right to file supplemental evidence on any additional issues that may be added to the Issues List by the Board.

Yours very truly,

WEILER, MALONEY, NELSON

Per: 
NICK A. MELCHIORRE

NAM/hs
Enclosures
Copies to follow via Purolator courier

Weiler, Maloney, Nelson

AND IN THE MATTER OF Application under the Ontario Energy Board's own motion to consider potential alternative approaches to recover costs of expanding natural gas service to communities that are not currently served.

EVIDENCE OF THE NOACC COALITION:

(The Northwestern Ontario Associated Chamber of Commerce, the Northwestern Ontario Municipal Association and Common Voice Northwest)

March 21, 2016
WEILER, MALONEY, NELSON
Barristers and Solicitors
1001 William Street, Suite 201
Thunder Bay ON P7B 6M1

Nick A. Melchiorre
Telephone: (807) 625-8883
Facsimile: (807) 623-4947
Email: nmelchio@wmnlaw.com

1 **1 INTRODUCTION**

2
3 The purpose of this evidence is to respond to the Ontario Energy Board’s (“OEB” or the
4 “Board”) procedural Order No. 1 dated February 10, 2016 and Procedural Order No. 2
5 dated March 9, 2016 in the above noted Proceeding.
6

7 **2 EVIDENCE OF THE NOACC COALITION**

8
9 The NOACC Coalition is a formal coalition of interested organizations that focuses on
10 issues related to Northwestern Ontario including issues related to energy. The NOACC
11 Coalition represents the interests of the residential and commercial ratepayers, and in the
12 case of communities that do not yet have access to natural gas, prospective future
13 residential and commercial ratepayers, from Kenora and Rainy River located in the west to
14 Marathon, in the east. NOMA’s membership extends further east and includes Hornepayne
15 and White River.
16

17 Amendments to the regulatory framework regarding cost recovery of the expansion of the
18 natural gas transmission and distribution system to rural and remote communities, as
19 proposed by the OEB in the within Proceeding, will have a material and disproportionate
20 affect on Northwestern Ontario and the members of the NOACC Coalition specifically.
21 Within the respective membership of the NOACC Coalition there are at least 13
22 communities, including 521 member businesses, which do not have access to natural gas
23 and a further 13 communities that require expansion to the existing natural gas distribution
24 system.¹
25

26 The current regulatory framework with respect to cost recovery of the expansion of natural
27 gas service (the “Current Regulatory Framework”) results in many rural and remote
28 communities in the Northwest, including businesses and residents within those

¹ See Tab 1 attached hereto, titled “Coalition Member Communities without Natural Gas Service”, 2016.

1 communities, not being able to receive natural gas service, due to, for example, not
2 meeting current Profitability Index requirements. As a result, communities are forced to
3 bear the burden of contributing to the cost of such expansion, which is much greater than
4 the cost which some of those communities can reasonably afford, or find alternatives to
5 natural gas service being the more expensive electricity, oil, diesel and propane.

6
7 As examples:

- 8
9 1. In April of 2015, the Municipality of Neebing inquired with Union Gas with
10 respect to the cost of expanding natural gas service to a small part of said
11 municipality, the Contribution in Aid of Construction required to be incurred
12 by the above noted Municipality was estimated to amount to
13 \$76,530,060.00.²
14
- 15 2. A less dramatic example, also in 2015, is the Municipality of Red Rock,
16 where the Contribution in Aid of Construction (CAC) was estimated at
17 \$350,000.00³. While the CAC noted above for Red Rock seems, at first
18 glance, to be minimal, such a CAC is an overwhelming expenditure for Red
19 Rock, a community with a population of 942.
20
- 21 3. Due to the high cost of expansion of natural gas, communities such as
22 Marathon must consider other alternatives, including but not limited to
23 liquefied natural gas.⁴
24

25 However, funding to assist communities in the expansion of natural gas service, can have
26 a profound impact on the ability of those communities without natural gas service to
27 sustain, grow and prosper⁵, which results in economic benefits to Ontario as a whole.

² See Tab 2 attached hereto, being emails from Union Gas to the Municipality of Neebing, dated April 29, 2015.

³ See Tab 3, attached hereto, being email from Union Gas to the Municipality of Red Rock, dated November 17, 2015.

⁴ See Tab 3a attached hereto, being Letter From Marathon, dated March 18, 2016.

1
2 As a result, the above noted municipalities decided the expansion was not viable or
3 affordable.⁶ The economic opportunities lost as a result of decisions not to expand natural
4 gas service, as a result of the Current Regulatory Framework, ripples through each
5 affected community and affects residents, businesses and the municipalities themselves.

6
7 Not only does this lack of access to natural gas service make heating homes and
8 businesses substantially more expensive, it creates environmental, social and economic
9 barriers to the growth and prosperity of the residents and businesses located in those
10 communities as well as those communities themselves.

11
12 Recent regional planning in the Northwest has identified natural gas expansion as a
13 potential generation option.^{7 8} Such expansion could provide industry, in particular the
14 mining and forestry industry, access to a more affordable and cleaner source of energy to
15 remain competitive provincially, nationally and globally, better protect the environment and
16 acts as a catalyst for economic and commercial expansion and growth.⁹ Such planning and
17 its potential economic growth must be included as a factor considered by the OEB when
18 deciding to approve expansion of natural gas to rural and remote communities.

19
20 The economic benefit to Ontario as a whole, in the form of increased businesses located in
21 areas with natural gas, increased tax revenue, decreased operating costs (in the form of
22 energy savings to businesses and individuals), and other economic benefits are
23 numerous.¹⁰ In 2012, Union Gas expanded natural gas service to the Municipality of Red
24 Lake.¹¹ The above noted expansion resulted in social and economic benefits both to

⁵ See "Towns turn to natural gas", *The Chronicle Journal*, (March 16, 2016), http://www.chroniclejournal.com/news/towns-turn-to-natural-gas/article_23ccc96c-eb89-11e5-92fa-7747672c4552.html#.VumaFBsGGSc.mailto.

⁶ See Tab 4, attached hereto, being Administrative Report of the Municipality of Neebing, dated May 1, 2015.

⁷ See Tab 5a attached hereto, titled "North of Dryden IIRP", dated January 27, 2015.

⁸ See Tab 5b attached hereto, titled "Greenstone Marathon IIRP", dated June 15, 2015.

⁹ See Tab 5 attached hereto, being EDCO 2016 Conference Union Gas Presentation – Role of Natural Gas in Attracting and Retaining Business in Ontario, February 3, 2016.

¹⁰ See Tab 6 attached hereto, titled "Union Gas Presentation - Important Role of Natural Gas in Ontario's Energy Future".

¹¹ See Tab 7 attached hereto, being Union Gas News Release – October 30, 2012 – Completion of Red Lake Pipeline Project.

1 businesses (for¹² and not-for profit¹³) and individual community members.¹⁴ However, the
2 expansion of natural gas service to the Municipality of Red Lake, due to the Current
3 Regulatory Framework, required a tremendous amount of time and resources and the
4 cooperative partnership involving the private sector and three levels of government.¹⁵
5 Unfortunately, unlike the Municipality of Red Lake, many remote and rural communities in
6 Northwestern Ontario do not have access to the resources or partners with resources
7 required to affordably connect to natural gas service under the Current Regulatory
8 Framework. As a result, the residents and businesses located in the aforementioned rural
9 and remote communities are particularly disadvantaged.

10

11 The NOACC Coalition appreciates that, historically, decision-makers were generally not
12 willing to broadly socialize the costs associated with extending natural gas service to areas
13 that did not pass the economic test. The NOACC Coalition will submit to the OEB that
14 rational expansion of natural gas service includes options, such as:

- 15 1. use of a surcharge or subsidy on the commodity cost of natural gas to fund system
16 expansions;
- 17
18 2. provide the potential allowance for recovery of the revenue requirement associated
19 with expansion costs in rates prior to the end of any incentive regulation plan term
20 once the assets are used and useful;
- 21
22 3. use regulatory economic tests that provide the flexibility needed to take a long-term
23 view or manage additions on a portfolio basis; and
- 24

¹² See Tab 8 attached hereto, being Goldcorp Inc. News Release – November 1, 2012 – Going Greener in Red Lake.

¹³ See Tab 9 attached hereto, being Red Lake Hospital Media Release – Gas – dated April 10, 2014.

¹⁴ See video Youtube, “An energy game changer in Red Lake”, (November 19, 2014), online: www.youtube.com/watch?v=qLqosnmkcA8.

¹⁵ See Tab 10 attached hereto, being FEDNOR Article/Report – Gold and Natural Gas: Building a Pipeline to Better Business in Red Lake, dated 2015-08-31.

- 1 4. accept the potential consideration of individual projects with a “Profitability Index” of
2 less than 0.8 and/ or a portfolio of expansion projects with a PI of less than 1.0.¹⁶
3
4 5. creation of a specific designated fund to support the cost of natural gas expansion
5 to rural and remote communities (and Projects) with a PI of less than .8 (or a PI less
6 than the PI which is ultimately decided, as a result of this Proceeding, and the
7 contribution to said fund by all gas ratepayers in Ontario.

8
9 As an example of situations in other industries (i.e. telecommunications) in which the fund
10 referenced in No. 5 above was successfully implemented and utilized, see Tabs 12¹⁷ and
11 13¹⁸, in which Thunder Bay Telephone (as it was called at the time), was able to use such
12 a fund to decrease the overall cost to individual consumers for single line roll out lines, by
13 requiring all of its customers to contribute to said cost on each telephone bill.

14
15 The position of the NOACC Coalition, as aforesaid, is shared by many communities and
16 businesses in Northwestern Ontario, including but not limited to the individual members of
17 NOACC and NOMA and those communities who were able to provide the NOACC
18 Coalition with letters or resolutions in support of the position of the NOACC Coalition as
19 aforesaid, prior to the filing of the evidence of the NOACC Coalition.¹⁹

¹⁶ See Tab 11 attached hereto, being KPMG Report titled “Jurisdictional Review of Natural Gas Distribution System Expansion” dated March 31, 2015.

¹⁷ See Tab 12 attached hereto, being Telecom Decision CRTC 96-6 August 7, 1996.

¹⁸ See Tab 13 attached hereto, being Canadian Radio-Television and Telecommunications Commission Order 98-703 dated July 17, 1998.

¹⁹ See Tab 14 attached hereto, being letters and resolutions in support of the NOACC Coalition from Kenora, Atikokan, Ignace, Albertson, Chapple, Schreiber and Marathon.