

ONTARIO ENERGY BOARD

GENERIC PROCEEDING ON NATURAL GAS
EXPANSION IN COMMUNITIES THAT ARE NOT SERVED

INTERROGATORY RESPONSES OF
THE NORTHWESTERN ONTARIO ASSOCIATED CHAMBER OF COMMERCE, THE
NORTHWESTERN ONTARIO MUNICIPAL ASSOCIATION
AND COMMON VOICE NORTHWEST
(THE "NOACC COALITION")

EXHIBIT S10

TO ONTARIO ENERGY BOARD STAFF (BSTAFF)

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THE NORTHWESTERN ONTARIO ASSOCIATED CHAMBER OF COMMERCE,
THE NORTHWESTERN ONTARIO MUNICIPAL ASSOCIATION AND
COMMON VOICE NORTHWEST (THE "NOACC COALITION")
RESPONSES TO INTERROGATORIES OF
ONTARIO ENERGY BOARD STAFF (BSTAFF)

INTERROGATORY #1

Ref: Evidence of the NOACC Coalition, page 3; Appendix Tab 2

The evidence of the NOACC Coalition states that Union Gas estimated that a contribution in aid of capital in the amount of \$76,530,060.00 would be required to serve the Municipality of Neebing.

Union's calculation of the appropriate contribution in aid of capital assume that if the expansion were conducted there would be 399 residential conversions (249 immediately and up to 150 more in the future) plus 10 small commercial conversions. Under the NOACC Coalition's proposal, would Union's existing ratepayers be expected to provide a subsidy of \$76,530,060.00 to connect these customers? If a lower subsidy is proposed, how would such a subsidy be calculated? What tests should the OEB adopt to determine which expansions are reasonable?

RESPONSE

- (a) The NOACC Coalition's proposal, if adopted, would see all current and future natural gas customers contribute to the expansion fund, not just the utility they receive service from. Further, the answer is yes, the full \$76.5 million cost of providing service to the residents of the Municipality of Neebing would be eligible for the fund. So too would applications on behalf of the ratepayers of Pickle Lake, Sioux Lookout, Nakina, Schreiber, Terrace Bay, Marathon, Manitouwadge and Wawa to name just a few communities in the Northwest without natural gas service. In addition, there are a number of First Nation communities in the vicinity of these municipalities that would also have the opportunity to obtain the service.

- (b) As 100% of the cost of bringing natural gas to a community is proposed to be covered under the expansion fund, there is no need for a lower subsidy level.
- (c) With regards to the tests that should be adopted to determine which expansions are reasonable the following was the answer to the Interrogatory issued by the Industrial Gas Users Association.
- (a) ““Rational expansion of natural gas services” means a design that meets the objective of connecting rural and remote communities to natural gas service. In Northwestern Ontario, such a design would be coordinated with First Nation, Municipal, Provincial and Federal levels of government. Barriers to overcome include the higher capital costs attributable to expansion caused by distance, geography and population density. To be rational it would not only connect the rural and remote communities, but also supplement renewable energy projects and connect new and existing mining and forestry loads. A rational expansion would also be guided by provincial policy. For example, approved by the Lieutenant Governor in Council, Order-in-Council No 209/2011. The Growth Plan for Northern Ontario, 2011, was prepared and approved under the Places to Grow Act, 2005, to take effect on March 3, 2011. The following are relevant extracts from the Plan:

“Efficient, modern infrastructure is critical to Northern Ontario's future. Transportation, education, health, energy, water and wastewater infrastructure, information and communications technology and community infrastructure are the building blocks for economic growth. Investment in Northern Ontario's energy generation and transmission infrastructure supports the growth and development of the energy sector and also provides secure and reliable energy supply for all sectors of the northern economy.”

“5.2 Co-ordinated, Strategic Infrastructure Investments

5.2.1 Infrastructure planning, land-use planning, and infrastructure investments will be co-ordinated to implement this Plan. Infrastructure includes, but is not limited to: transportation systems, water and wastewater infrastructure, waste management systems, energy infrastructure,

community infrastructure, and information and communications technology infrastructure.

5.2.2 In Northern Ontario, the Province will give priority to infrastructure investments that support the policies in this Plan....

5.2.4 Infrastructure planning and investments will contribute to a culture of conservation by, wherever feasible, utilizing approaches and technologies that reduce energy and water use, increase efficiencies, and promote intensification and brownfield site redevelopment.

5.2.5 All municipalities are encouraged to co-ordinate with neighbouring communities and industry to improve the long-term viability and sustainability of infrastructure investments.”

The NOACC Coalition recognizes that the expansion of natural gas into those communities currently without it will take a number of years and significant funds and planning. If the OEB agrees with the position of the NOACC Coalition that an expansion fund should be created and that every existing and future ratepayer in Ontario is to pay into the fund, it will take time to build up a fund that will be sufficient to fund the expansion of the system.

The NOACC Coalition also believes that those communities with plans for expansion that triggered this consultation should be the first to have their projects implemented. The second wave should be those communities, including those in Northwestern Ontario, who have been in formal discussions with one of the utilities and are well advanced in the planning.

There also needs to be a provision to establish priority expansions where an existing or new industry (mine, forest operation etc.) proposes to expand or locate in a community and requires natural gas service to enable the project to proceed. Such projects, where there is significant economic impact beyond the borders of the community, should receive priority support for access to the expansion fund.

The expansion fund should be designed to provide a subsidy for the cost of providing the service from the closest bulk transmission facility to the property line of the new customer.

The expansion fund should be managed by an industry-consumer group called the Natural Gas Expansion Fund Management Committee (NGEFMC) with members appointed by the following: Association of Municipalities of Ontario, Ontario Chamber of Commerce, Consumers Association of Canada, Union of Ontario Indians, Ontario Indigenous Friendship Centres and the Utilities. Other organizations may also be invited to participate on the initiative of the Ontario Energy Board.

The NGEFMC should be provided with the ability to borrow funds, secured by future ratepayer payments into the Expansion Fund, in order to support the pent up demand for connections to the natural gas system.”

INTERROGATORY #2

Ref: Evidence of the NOACC Coalition, Lake Superior – Northshore Communities – LNG Backgrounder, March 18, 2016, Pg. 2

The evidence while discussing the provision of natural gas service to the Lake Superior Northshore communities notes that the present value of the economic and environmental benefits from delivering gas to municipalities on the North shore and in Central Ontario would be in the range of \$500 million.

Please provide the basis for the claimed \$500 million of economic and environmental benefits from natural gas service in the communities noted above.

RESPONSE

The costs and benefits outlined in the LNG Backgrounder provided by the Town of Marathon are indicative only, and are not based on an empirical study specific to expanding natural gas service to communities on the North Shore or in Central Ontario.

The quantification of the benefits was influenced by two sources. (1) The annual residential energy savings provided in the application and pre-filed evidence by Union Gas Limited for its proposed Community Expansion Program (EB-2015-0179, Exhibit A, Tab 1, Table 1, P. 18, filed 2015-07-23), which were applied to the projected number of potential customers over a period of 25 years. (2) Findings by the Conference Board of Canada that every dollar of investment in natural gas exploration, production, transportation, distribution, and consumption is expected to generate approximately one dollar in real GDP growth over a period of 25 years. (The Role of Natural Gas in Powering Canada's Economy, December 2012, http://www.integritybc.ca/wp-content/uploads/2012/12/13-181_NaturalGasinCanada.pdf).

Further study would be required to provide more precision related to the costs and benefits associated with expanding natural gas service to communities on the North Shore or in Central Ontario.

END