

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 INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

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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
INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

INTERROGATORY #1

Ref: NOACC Coalition Evidence, page 5, line 14.
NOACC Coalition's evidence refers to "*rational expansion of natural gas service*".

- (a) Please indicate what NOACC Coalition means by "*rational*" in this context.
- (b) Please juxtapose the explanation provided in response to part (a) of this interrogatory with what NOACC Coalition believes would be irrational expansion of natural gas service.

RESPONSE

- (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.

- (b) An irrational expansion is one that does not meet the objective of expansion of natural gas in rural and remote communities. This where the needs of the communities in Northwestern Ontario are not met because the costs of bringing natural gas to those communities without it, is significantly more expensive than bringing it to communities in southern Ontario.

INTERROGATORY #2

Ref: NOACC Coalition Evidence, page 6, point numbered 5.
NOACC Coalition advocates creation of a fund to support the cost of natural gas expansion to rural and remote communities, to be funded by all gas ratepayers in Ontario.

- (a) Does NOACC Coalition have a position on how much each gas ratepayer should be required to contribute to the recommended fund? If so, how was that position determined? If not, what considerations should apply to such a determination?
- (b) Would funding of such a fund through additional government allocations (i.e. in addition to the current \$30 million grant funding and \$200 million Natural Gas Access Loan Fund) as an alternative to gas ratepayer funding be acceptable to NOACC? If not, why not.
- (c) Should the proposed funding be limited to pipeline infrastructure or should other gas service expansion approaches (LNG, CNG, biogas, community district energy) be eligible for funding?

RESPONSE

- (a) The NOACC Coalition does not have sufficient knowledge of the costs associated with either capital construction or the ongoing rates charged by the utilities so is not in a position to provide a proper answer to the first part of 2 (a).

With regard to the considerations on how much each gas ratepayer should pay the following are some key elements:

- (i) It should not be so excessive that it becomes an undue burden to the gas ratepayer. It should be no greater than 2% of the total cost of the gas bill.
- (ii) It should be a separate line in the bill sent to each gas ratepayer.

- (iii) The % should be based on a long term plan for the connection of all communities' south of the Undertaking to some form of natural gas distribution system. It will likely be at the minimum a 20 year plan.

- (b) The current \$30 million grant funding and \$200 million loan fund are important elements facilitating the expansion of natural gas to Ontario communities. It must be recognized as such and factored into the amount that is required to complete the expansion outlines in 1(a) above. Both the \$30 million and \$200 million AND the gas ratepayer expansion fund levy is required. As indicated in the evidence filed by the NOACC Coalition costs in Northern Ontario, both the distance costs and the construction costs are well above what the Ontario Government is providing through their two funds.

- (c) It is the position of the NOACC Coalition that Natural Gas is required in all of the communities in Northwestern Ontario and that the method of delivering the gas to each community should be incorporated into the overall funding approach. Specifically, where it is extremely expensive to connect a community to the bulk gas transmission pipeline, such as the North Shore of Lake Superior, the cost of establishing an LNG or CNG delivery service should be eligible for the expansion fund. Community district energy, where there is no access to natural gas, and where there is opportunity for the creation of an in-community piped distribution system for the delivery of heat, should also be eligible for the fund.

INTERROGATORY #3

Ref: NOACC Coalition Evidence, page 6, lines 9 through 13.

The evidence refers to CRTC determinations regarding funding for Thunder Bay Telephone for “*single line rollouts*”.

Please provide specific references to those portions of the cited CRTC decisions (copies of which are included in Tabs 12 and 13 of NOACC Coalition’s filed appendices) that NOACC Coalition asserts supports its position on subsidies for natural gas expansion.

RESPONSE

TAB 12 CRTC

C. Recovery of the Start-up Costs for Equal Access

To provide interconnection to the toll carriers, the independents will have to modify their networks, systems and procedures which will cause additional costs to be incurred. Start-up costs, such as the cost of modifying switches, will occur once, generally near the outset of competitive entry.

The Commission notes that the PUCs proposed to use the equal access component of the 1997 OTA CAT for the years beyond 1997. The Commission rejects the PUCs' proposal because it would result in rates which would not reflect the individual PUCs' costs but rather an average of the OTA members' costs in 1997.

The Commission notes that the independents assign to the Toll BSC the ongoing costs they incur to connect IXCs to their networks. With the implementation of equal access for the use

of IXCs and their customers, the Commission considers it reasonable for the independents to also assign the costs of implementing equal access to the Toll BSC and to provide for the recovery of those costs over a ten-year period. The Commission notes that assigning the start-up costs of equal access to the Toll BSC is different from the practices approved for Stentor-member companies which assign these costs to the Utility segment. However, the Commission finds that a single rate for the recovery of the start-up costs of equal access and switching and aggregation costs based on Phase III costs, as outlined in Section D below, will be easier for the small independents to implement because it will make use of a costing approach that is already in place.

Accordingly, the Commission directs the small independents to assign the start-up costs of equal access to the Toll BSC and to provide for the recovery of those costs over a ten-year period.

IX EXTENDED AREA SERVICE

INTERROGATORY #4

Ref: NOACC Coalition Evidence, Tab 5a (*IESO North of Dryden Integrated Regional Resource Plan*, January 27, 2015).

Ref: NOACC Coalition Evidence, Tab 5b (*IESO Greenstone-Marathon Area Integrated Regional Resource Plan Interim Report for the Near-Term (2015-20)*, June 22, 2015).

Please explain the connection of the IESO documents included at the captioned references to NOACC Coalition's position on the issues raised in this proceeding. Please include citations to those portions of the documents which NOACC Coalition considers relevant to these considerations, and for each such citation explain the relevance.

RESPONSE

Ref: NOACC Coalition Evidence, Tab 5a (*IESO North of Dryden Integrated Regional Resource Plan*, January 27, 2015).

Please refer to the following pages in the above noted document:

15,16, 59, 61,62,70,74,82-87, 89-92,95,98-103 (Ring of Fire), 107

The pages noted above (except for 98-103) identify options put forward by the IESO (formerly OPA) for the generation of electricity by CNG. The sections also relate to the lack of piped natural gas being available in the Pickle Lake area. These are examples of where an energy agency of the Government of Ontario has identified shortfalls in the service available to Ontario communities. The overall report also documents the current electrical infrastructure and its shortcomings as compared to other parts of the Province. The Northwest is treated differently in all forms of energy than the rest of the province and needs solutions that reflect the unique situations found in this area.

Interestingly enough the OPA recommended natural gas generation be considered in their next planning cycle however in another paragraph talks about the capacity of the gas line for 30 MW of gas generation only. This acknowledges the inadequacy of both the transmission lines and the gas pipeline to serve future industrial loads North of Dryden in the Red Lake area. The north is full of these types of examples of inadequate infrastructure.

Page 82 “The OPA also recommends that the potential long-term options of incremental natural gas-fired generation at Red Lake or a new transmission line be re-evaluated in the next planning cycle (1-5 years) for the North of Dryden sub-region of the Northwest region. This analysis will consider an updated forecast. The economics of additional gas-fired generation compared to a new transmission line will depend on the amount of load that materializes – gas generation is scalable, while transmission has greater economies of scale if enough demand is present for a sufficient level of utilization. Re-evaluating options in future planning cycles is consistent with OEB requirements in the Transmission System Code, Distribution System Code and the OPA license.”

Page 92 “In order to meet the required LMC for the Red Lake subsystem under the high scenario, additional gas generation at Ear Falls or Red Lake would be required in the long term compared to the reference scenario. However, it should be noted that based on information from the existing industrial customer gas pipeline capacity is not available to support gas-fired generation beyond 30 MW.”

With regards to pages 98-103 which explore options for powering the Ring of Fire development area, it is the view of the NOACC Coalition that this project is outside the framework of the proposed expansion fund as both the Provincial and Federal Governments are working towards the development of the necessary infrastructure required to take advantage of the mineral wealth located there.

Ref: NOACC Coalition Evidence, Tab 5b (*IESO Greenstone-Marathon Area Integrated Regional Resource Plan Interim Report for the Near-Term (2015-20)*, June 22, 2015).

Please refer to the following pages in the above noted document:

29-42

The pages noted above identify options put forward by the IESO (formerly OPA) for the generation of electricity by natural gas. The section shows the inadequacy of the electrical service to the Greenstone area and the importance of access to affordable natural gas as a means to generate electricity.

END