

EB-2016-0137
EB-2016-0138
EB-2016-0139

**MUNICIPALITY OF KINCARDINE, MUNICIPALITY OF ARRAN-
ELDERSLIE, TOWNSHIP OF HURON-KINLOSS
("SOUTHERN BRUCE MUNICIPALITIES")**

FINAL WRITTEN SUBMISSIONS

January 25, 2018

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**SOUTHERN BRUCE MUNICIPALITIES
FINAL WRITTEN SUBMISSIONS**

1. We make these submissions on behalf of the Municipality of Kincardine, the Municipality of Arran-Elderslie and the Township of Huron-Kinloss (the “**Southern Bruce Municipalities**”) in respect of applications brought by EPCOR Southern Bruce Gas Inc. (“**EPCOR**”) for Orders of the Ontario Energy Board (the “**OEB**” or the “**Board**”) approving” its franchise agreements with, and Certificate of Public Convenience and Necessity for, the Southern Bruce Municipalities (the “**Applications**”).

2. In Procedural Order No. 9, the Board made provision for Parties to file written submissions following the filing of responses to interrogatories the Parties believe to be essential in assisting the panel’s deliberations regarding the proposals to serve the areas covered by the Applications.

Background & Context for the Southern Bruce Municipalities’ Final Submissions

3. These submissions represent the culmination of an intensive, lengthy and arduous 7-year process for the Southern Bruce Municipalities in their collective quest to achieve the provision of natural gas services for the benefit of their respective residents, institutions, farms and businesses.

4. The Southern Bruce Municipalities are very pleased that the Board has embraced the approach pioneered by the Southern Bruce Municipalities: the introduction of competition for natural gas expansions in Ontario. The municipalities and their taxpayers comprising the Southern Bruce Municipalities have already benefited significantly from this competitive approach. Specifically, the competitive solicitation approach undertaken has resulted in the elimination of the requirement for the South Bruce Municipalities to incur approximately \$75 million in contributed capital costs which otherwise would have been paid to the incumbent gas utility under the former paradigm for natural gas expansion projects in Ontario.

5. The Southern Bruce Municipalities represent the largest communities in Southern Ontario which do not have access to natural gas. Notwithstanding the fact that natural gas is produced and

stored just south of the region and natural gas pipelines from Western Canada pass by in close proximity towards the major population centres in Southern Ontario, the region remains an island, not included in the southwestern Ontario natural gas network. This has had significant negative economic consequences for the region. In the residential sector, space and water heating costs are much higher than in other areas of the province, reducing income available for expenditures in other areas and generally lowering the living standard of households in the area. In the commercial and industrial sectors it has raised operating costs, creating a competitive disadvantage to doing business in the region from the point of view of retention of existing businesses and attraction of new businesses.

6. On May 19, 2015, the Southern Bruce Municipalities received the results of a six-month competitive Request for Information process which identified multiple potential developers from across North America to construct, own and operate a new natural gas distribution utility to serve the Southern Bruce Municipalities.

7. On September 21, 2015, the Southern Bruce Municipalities announced that they had selected EPCOR as the proponent to bring natural gas to their communities and signed a Municipal Franchise Agreement with EPCOR shortly thereafter.

8. It has now been close to two years since the Southern Bruce Municipalities signed the Municipal Franchise Agreement with EPCOR. There exists a continuous, growing urgency to provide the residents and businesses in the Southern Bruce Municipalities with access to natural gas.

9. The competitive solicitation process that the Southern Bruce Municipalities undertook to solicit proposals, carefully evaluate each proposal, select a proponent and award franchise agreements involved a significant expenditure of time, effort and finances on the part of these municipalities. The Southern Bruce Municipalities ultimately awarded franchise agreements to

EPCOR and continue to consider EPCOR as the preferred company to provide natural gas service to their communities.

The EPCOR and Union Gas Proposals

10. The Southern Bruce Municipalities have reviewed the Common Infrastructure Plan (“CIP”) proposals of EPCOR and Union Gas Ltd. (“Union”) as well as responses to interrogatories on the CIP proposals.

11. In its Partial Decision and Procedural Order No. 6, the Board decided to establish a CIP as the basis for determining proponents’ successful revenue requirements. The Board also decided, in its Decision on Preliminary Issues and Procedural Order No. 8, that the successful proponent will be held to three comparison criteria when filing its rates application. The three comparison criteria are: \$/m³, number of customer years and cumulative volume.¹ For the Southern Bruce Municipalities, the central determining question is the fixed price that natural gas customers will pay, particularly residential customers, for the first 10 years of operations (the Board’s first criterion).

12. From the information provided by the proponents it is clear that EPCOR is guaranteeing the lowest fixed cost option:

1. Cumulative 10 Year Revenue Requirement per Unit of Volume (\$/m³)

EPCOR \$0.2209

Union \$0.2444

¹ August 22, 2017 Decision on Preliminary Issues and P.O. No. 8, page 4.

2. Customer Years

EPCOR 42,569

Union 54,171

3. Cumulative Volume

EPCOR 342,187

Union 286,910

13. Since EPCOR's proposal will result in the lowest fixed effective unit rate per unit of volume, it should be declared as the successful proponent by the Board. This criterion represents the best information and proxy regarding what rates customers in the Southern Bruce Municipalities service areas ultimately will pay.

14. In addition, the Southern Bruce Municipalities have consistently emphasized the importance of maximizing the number of local farms in Southern Bruce who are provided with access to natural gas. EPCOR's CIP proposal presents a breakdown of the small agricultural customer and large/industrial agricultural customer classes² while Union's CIP proposal and interrogatory responses have consistently provided agricultural customer counts as part of a larger commercial customer segment.³ The Southern Bruce Municipalities remain concerned that the Union CIP proposal has a lower potential to capture key agricultural loads when compared to EPCOR's proposal. Provision of natural gas service to this consumer segment is a key aspect of the Southern Bruce Municipalities' economic development objectives.

² EPCOR Responses to interrogatories filed January 11, 2018 at pages 1-2.

³ Union Corrected responses to interrogatories filed January 12, 2018, Exhibit 1.Union.1 at pages 1-3.

15. On October 27, 2017, the Southern Bruce Municipalities filed correspondence with the Board in this matter that appended a table comparing the potential agricultural business connections on EPCOR and Union's proposed natural gas routes, based on proximity of natural gas routes to key agricultural businesses. Union has filed no response to this table. The table indicates that EPCOR is able to serve 15 potential agricultural customers on its proposed natural gas line whereas Union's proposed route would serve only 8 agricultural loads. For ease of reference, the Southern Bruce Municipalities have reproduced this table and append it to these submissions as Attachment "A".

16. In its "Summary of Metrics and CIP Criteria" table issued by the Board on January 19, 2018, the Cumulative 10 year revenue requirement per unit of volume without industrial customers shows a comparison of \$0.5633/m³ (EPCOR) to \$0.5290/m³ (Union). The Southern Bruce Municipalities submit that this comparison should have no impact on the Board's deliberations since it is neither reasonable nor realistic to assume that industrials will not become customers of the new natural gas service.

17. Further, although it appears that Union has committed to servicing a larger area than that estimated by EPCOR (as described in Union's Corrected Interrogatory Response 4), the Southern Bruce Municipalities submit that this additional area largely consists of part-time, seasonal properties accessed by private roads. The Southern Bruce Municipalities submit it is unrealistic to assume that these seasonal homes will convert to natural gas given they are vacant from the late fall and throughout the winter months.

18. In addition to bringing natural gas to the Southern Bruce Municipalities, EPCOR has expressed that it will undertake other value-added initiatives that will directly benefit the residents, farmers and businesses in these communities. These include working with an agro-business to develop a CHP facility to expand a revitalized greenhouse enterprise⁵ and exploring

⁴ Exhibit 1, Union I Corrected Interrogatory, page 3, table 2.

⁵ EPCOR CIP proposal dated October 16, 2017, at pages 7 and 37-38.

construction cost saving opportunities arising from multi-utility synergies related to expanding the telecommunications fibre network in Kincardine.

19. Furthermore, beyond the considerations described above, it is respectfully submitted that the Board should respect the choice already made by the Southern Bruce Municipalities and select EPCOR as the winning proposal. The decisions made by local municipal governments are important as the articulation of what is in a community's best interest. In the end it is the municipalities who award the franchises under the *Municipal Franchises Act*⁶. The Board should recognize, in the circumstances of this case, the unanimous decisions of all three municipal councils, as the democratically elected representatives for their communities, which have clearly and consistently decided that EPCOR will best serve the Southern Bruce Municipalities.

20. The Southern Bruce Municipalities, like other communities and in particular those in rural Ontario, already have firsthand experience managing the consequences of imposed energy decisions. For example, the *Green Energy Act, 2009*⁷ essentially trumped local planning standards and land use requirements and deemed municipal consultation to be all but irrelevant. The result has been the imposition of energy initiatives that have negatively impacted our residents and, in some cases, divided neighbours and communities. In this case the unanimous decisions of the three Southern Bruce local governments must be considered a compelling factor, especially since EPCOR is guaranteeing the lowest fixed effective unit rate per unit of volume.

21. Finally, prospective natural gas providers will consider the Board's decision in this proceeding very carefully regarding whether competition in natural gas expansion in Ontario exists in fact. If Union (which will be amalgamating with Enbridge) is selected as the large winning incumbent utility, potential new entrants may be discouraged from considering entering the Ontario market in the future. The Southern Bruce Municipalities submit that the Board's

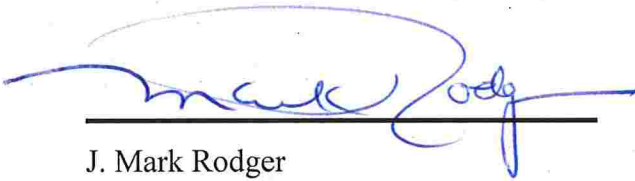
⁶ RSO 1990 c.M 55 at s. 8(1)

⁷ SO 2009, c. 12, Sched. A

decision in this case will have a critical impact on whether competition in natural gas expansion has any future viability in Ontario.

22. For all these reasons the Southern Bruce Municipalities respectfully submit that Board select EPCOR as the successful proponent. The Southern Bruce Municipalities look forward to EPCOR filing its Leave to Construct application as soon as possible.

All of which is respectfully submitted.



Counsel to the Municipality of Kincardine, the Municipality of Arran-Elderslie and the Township of Huron-Kinloss

Attachment "A"⁸

Potential Agricultural Business Connections Based on Proximity of Natural Gas Route(s)¹

#	Agricultural Business	Potential Connections on:	
		Unions Route	EPCORs Route
1	Calhoun Hidden Creek Farms	✓	X
2	Maxwell Beef Farms	✓	X
3	Snobelen Tiverton Elevator	✓	✓
4	Lurganview Farms Inc.	✓	✓
5	Murray Wilken (North of Concession 4)	X	✓
6	Murray Wilken (South of Concession 4)	X	✓
7	Prehnbrook Farms Ltd.	X	✓
8	Brucelea Poultry Farms Ltd.	X	✓
9	Snobelen Farms Ltd.	X	✓
10	Wehrmann Farms Ltd.	X	✓
11	Schlegel - East of Riply on Concession 6	X	✓
12	P.D. Schlegel Limited	X	✓
13	Michael Smith	✓	✓
14	Hans Ulrich Schwarz	X	✓
15	753522 Ontario Inc.	✓	✓
16	Paul MacIntyre	✓	✓
17	Snobelen Farms Ltd. - Lucknow	✓	✓
	Total	8	15

Note:

1 - Table based on known businesses along transmission/distribution route(s).

⁸ As originally filed with the Board by the Southern Bruce Municipalities in correspondence dated October 27, 2017.