

September 10, 2021

Sent Via E-mail
Registrar@OEB.ca

Ms. Christine Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: The Corporation of the Town of Marathon; Application to Construct Natural Gas Pipeline;
OEB File Number: EB-2018-0329**

We are writing on behalf of the Corporation of the Town of Marathon (the “**Corporation**”) in its own capacity and as the representative of the Township of Manitouwadge, Township of Schreiber, Township of Terrace Bay and the Municipality of Wawa (together with the Corporation, the “**Municipalities**”) to update the Ontario Energy Board (“**OEB**” or “**Board**”) and parties to Proceeding EB-2018-0329 on the status of the Municipalities’ project to construct and operate a new natural gas distribution system to distribute natural gas within their communities (“**Project**”).

In its 2019 application for authorization to construct, own and operate a natural gas distribution system, the Municipalities proposed that approvals be granted through a two-phased approach to reflect the fact that the new utility incorporated for this purpose, Lakeshore Natural Gas Inc. (“**Lakeshore**”), was not yet operational and, therefore, could not yet demonstrate financial capacity and technical capability. In its February 27, 2020 Phase 1 decision, the Board accepted the Municipalities’ evidence on matters related to Project need, environmental and routing issues and municipal franchise agreements but did not accept its evidence on economic feasibility and gas supply. The Board also decided to issue Certificates of Public

Convenience and Necessity until evidence of when financial capacity and technical capability information was available.

The Board's decision caused the Municipalities and Lakeshore to reconsider their approach to the Project. Their August 2020 Submission of Project information in support of a request for Section 36.2 community expansion funding from the Government of Ontario addressed the Board's concerns about gas supply, economic feasibility and other issues. Specifically, new gas supply evidence reflected the results of a competitive gas supply procurement process that concluded in July, 2020 with the selection of Certarus Ltd., an established supplier of compressed natural gas in northern Ontario. Customer attachment and volume (demand) forecasts were updated to reflect current energy prices and a more conservative forecast of customer attachments. Construction cost estimates were updated to reflect the passage of time and the results of detailed site investigations. The Project schedule was updated to reflect more current Project milestones, including a new in-service date of November 2022. The forecasts of demand, revenue requirements and rates reflected all of these changes.

On June 9, 2021, five months later than originally expected, the Government of Ontario announced its funding decision. Despite having the lowest funding request per customer, the highest total number of forecast customers (10 Years) and the highest estimated annual fuel cost savings (10 years) from amongst the 210 projects that were submitted, the Lakeshore Project was, inexplicably, not among the 28 projects selected for funding.

Once again and in the space of just over one year, the Municipalities find themselves having to re-group and re-assess. The need for a less expensive and more reliable source of energy in northern Ontario remains and the Project enjoys the support of local agencies, institutions, businesses and Indigenous communities. Importantly, it continues to have the support of Certarus Ltd., its chosen gas supplier. The model that underlies the Project is highly scalable and the Municipalities expect that, over time, the proposed distribution system could be expanded to connect to other municipalities and Indigenous communities in the region. The Project advances the Government of Ontario's energy and economic development policies to expand access to natural gas across Ontario, making Ontario communities more attractive for job creation and new business growth. Be this as it may, however, the Project cannot advance without low cost financing.

In the two months since the release of the Government's funding decision, the Municipalities have had a series of meetings with elected and unelected representatives at the Ontario Ministry of Energy and the Ministry of Northern Development, Mines, Natural Resources and Forestry to discuss the way forward for the Project. The Municipalities have also engaged various provincial and federal governmental funding

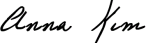
agencies with the aim of identifying other sources of financing, including the Northern Ontario Heritage Fund (“NOHF”) which provided funding for the early stage development of the Project in the period 2018-2020. In its discussions with the Minister of Energy, the Municipalities proposed a new approach to the construction of the Project that would allow for a more gradual roll-out over a three-year period. This approach has the advantage of spreading the required funding over a longer period.

In the next month and a half, the Municipalities will be scheduling further meetings with provincial and federal ministers, elected officials and funding agencies. Each of the Municipalities will be asked to confirm its commitment to the Project and given the opportunity to withdraw should this be in the best interests of its ratepayers. Finally, the Municipalities will explore other partnership opportunities with Northern Ontario stakeholders.

The Municipalities hope to reach a “go-no go” decision about the Project by the end of October, 2021 and will advise the Board accordingly. If the decision is to proceed with the Project, the Municipalities expect to move quickly, including preparing and filing a Phase 2 OEB application that would incorporate, by reference, much of the evidence from Proceeding EB-2018-0329, as well as from its Community Expansion Submission.

Yours truly,

Dentons Canada LLP

DocuSigned by:
 On behalf of Helen Newland
9652C4D408AC46D...

Helen T. Newland

Partner

HTN/ak

cc. Daryl Skworchinski
Ritchie Murray (OEB)