



Ontario | Commission
Energy | de l'énergie
Board | de l'Ontario

BY EMAIL

May 28, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ritchie Murray:

**Re: Ontario Energy Board (OEB) Staff Submission
Sedum Master Inc.
Request for the approval of a Municipal Franchise Agreement with, and
Limited Certificate of Public Convenience and Necessity for, the Township
of Blandford-Blenheim
OEB File Number: EB-2025-0090**

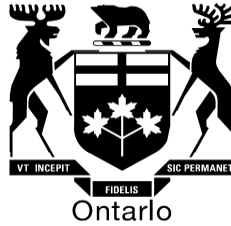
Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Natalya Plummer
Advisor, Natural Gas

Encl.

cc: All parties in EB-2025-0090



ONTARIO ENERGY BOARD

OEB Staff Submission

Sedum Master Inc.

**Application for the Approval of a Municipal Franchise Agreement
with, and a limited Certificate of Public Convenience and Necessity
for, the Township of Blandford-Blenheim**

EB-2025-0090

May 28, 2025

OEB Staff Submission

Overview

On February 14, 2025, Sedum Master Inc. (Sedum Master) filed an application with the OEB under sections 8 and 9 of the *Municipal Franchises Act*, seeking orders for the approval of a franchise agreement with, and a limited certificate of public convenience and necessity for, the Township of Blandford-Blenheim.

Sedum Master operates a greenhouse located at 855217 Gobles Road (Concession 2 N Part Lot 19) in the Township of Blandford-Blenheim. Sedum Master seeks additional supply of natural gas for two expansions that it completed to the greenhouse facility. Enbridge Gas Inc. (Enbridge Gas) is currently servicing the greenhouse facility but Sedum Master states that there have been limitations in Enbridge Gas's capacity to provide the additional volumes of natural gas required by the expanded greenhouse facility.

Sedum Master plans to construct a 4.5 km pipeline from a nearby Enbridge Gas delivery station to provide the additional volumes of gas required for the expanded greenhouse facility. Sedum Master states that it will maintain and operate the proposed pipeline for its exclusive use.

The OEB issued a notice of hearing on March 10, 2025. Enbridge Gas was granted intervenor status.

For the reasons set out below, OEB staff submits that that the OEB should approve the application but submits that the franchise agreement should be based on the standard terms and conditions of the Model Franchise Agreement (Model), without amendment.

Request for the Approval of a Municipal Franchise Agreement

The OEB's *Natural Gas Facilities Handbook* notes that a person is not permitted to provide gas distribution service within a municipality in Ontario unless, among other things, the requirements of the *Municipal Franchises Act* have been met. These include obtaining a franchise from the municipality in which the works are to be located and having the terms and conditions of the franchise approved by the OEB.

Sedum Master applied to the council of the Township of Blandford-Blenheim for a franchise agreement permitting Sedum Master to construct and operate works for the distribution and transmission of natural gas and the right to extend and add to the works in the Township of Blandford-Blenheim. On July 8, 2022, the Council of the Township of Blandford-Blenheim passed a resolution approving the submission of Sedum Master's proposed by-law and franchise agreement to the OEB.

The proposed franchise agreement that Sedum Master has requested that the OEB approve includes some variances from the Model. In response to an OEB staff interrogatory about the rationale for Sedum Master's requested variances from the Model, Sedum Master stated that "there were only three changes made to the Model Franchise Agreement— minor in nature, and all with a view to more accurately reflecting the narrow scope of the CPCN being sought by Sedum. The changes should provide comfort to Enbridge Gas (to make the nature of Sedum Master's activities in the Municipality clear), the Municipality and the Board." Sedum Master outlined the proposed changes as follows:

- a) Sedum Master states that the defined term "Gas Company" was changed to "Sedum" throughout (over 50 times). Sedum Master states that this is a helpful clarification in that it reflects the fact that Sedum Master is not a gas distributor, and the pipeline that Sedum Master will build is solely for the purpose of only serving itself (Sedum Master) and no other customer.
- b) Sedum Master explains that the reference to the "gas system" being for the distribution, storage and transmission of gas has been narrowed to reference only "distribution" – making clear that Sedum is not seeking to do anything other than self-supply via the pipeline to be built and that this change is reflected in three places.
- c) Sedum Master states that the references to gas delivery to "inhabitants of the Municipality" by a pipeline "in or through the Municipality" have been deleted and replaced with text to note that the pipeline will deliver gas only to Sedum Master. Sedum Master explains that this change is found in the definition of "gas system" and sections 2 and 3 of the agreement.

OEB Staff Submission

OEB Staff submits that the application meets the filing requirements set out in section 2.4 of the OEB's *Natural Gas Facilities Handbook*. As noted in the Handbook, the OEB adopted the Model following significant input from interested stakeholders (including municipalities) and has applied it consistently in efficiently administering the many franchise agreements across the Province. The OEB's long-held view is that the Model best meets the public interest by providing fair treatment of both the civic duties of a municipality and a gas distributor's ratepayers, and the OEB has stated that the Model framework "is preferable to a piecemeal approach of negotiating terms specific to a franchise". OEB staff submits that the proposed changes are not consistent with the OEB's general approach of adhering to the Model in gas franchise applications. In OEB staff's respectful view, the franchise application should be approved and the franchise agreement should be based on the standard terms and conditions of the Model, without amendment.

Request for a Limited Certificate of Public Convenience and Necessity

Enbridge Gas holds a certificate for the Township of Blandford-Blenheim dated July 16, 2010.¹ Enbridge Gas is currently providing natural gas service to Sedum Master's greenhouse facility. Sedum Master states that it needs additional volumes of natural gas for expansions it completed to its greenhouse facility but that there have been limitations in Enbridge Gas's capacity to supply the additional volumes of natural gas. Sedum Master plans to construct a 4.5 km pipeline from a nearby Enbridge Gas delivery station to provide the additional volumes of gas required for the greenhouse facility. Sedum Master has requested an order from the OEB approving a certificate limited in geographic area to the pipeline route.

Sedum Master stated that limitations on Enbridge Gas's capacity to supply its greenhouse facility with the required volumes of natural gas have proven problematic as Sedum Master has continued to expand its greenhouse facility and grow its business. Sedum Master states that in 2015, it sought additional supply from Enbridge Gas for an expansion it completed to its greenhouse facility and was advised that no further quantities were available on a timely basis. Sedum Master installed propane to meet the expanded load. Sedum Master states that it completed another expansion to the greenhouse in 2021, and that heating has been also temporarily supplied using propane. Sedum Master states that the continued use of propane is not appropriate to support the expansions to its greenhouse facility.

Sedum Master states that it has explored numerous alternatives for service to the greenhouse facility with Enbridge Gas but none have proven feasible for Sedum Master, with the exception of the proposed pipeline. In a response to an OEB staff interrogatory about why the proposed pipeline is the best option for the additional volumes of gas required for the greenhouse facility, Sedum Master provided a description of the following proposals that were considered:²

- 2016 Proposal from Union Gas: This proposal consisted of 2.5 km of 4-inch pipe (from Concession 2 and West ¼ Line Road from Burford to Gobles, then north to Sedum Master). The estimated cost for this proposal was \$118,000, which was acceptable to Sedum. However, Union Gas later advised this route was not feasible because of existing electricity lines.
- 2020A Proposal from Union Gas: This proposal consisted of utilizing lands of a neighbouring farmer that would host a metering station for that farmer and Sedum. Sedum would then be responsible for constructing a gas line from that station to Sedum Master (a distance of 4.8 km). The estimated cost for this was \$357,000, which was acceptable to Sedum. However, Enbridge soon after revised the proposal (see immediately below).

¹ EB-2010-0211

² Sedum Master Response to OEB Staff 1-d)

- 2020B Proposal from Enbridge: This proposal consisted of putting a station at County Road 22 and Concession 3, then running a pipeline east on Concession, and south on Gobles Road to Sedum Master. The estimated cost for this was \$1 million (based on a 20-year minimum annual volume commitment from Sedum Master). This was not acceptable to Sedum Master.
- 2021 Proposal from Enbridge: Enbridge revised its 202B Proposal – eliminating the surcharge but increasing the estimate to \$2 million. This was not acceptable to Sedum Master.

Sedum Master states that the estimated capital cost for the proposed 4.5 km pipeline to provide the additional volumes of gas required for its greenhouse facility is \$500,000+HST.³ Sedum Master states that its preference is to be able to construct the pipeline in the summer/fall of 2025 with the objective of completion by October 2025.⁴

Is this a case of system bypass?

As outlined in the OEB's *Natural Gas Facilities Handbook*, a system bypass occurs when a customer (typically a large industrial customer) seeks to obtain natural gas distribution or transmission service from someone other than the utility that holds the certificate for that territory. The customer may instead seek service from another party (which may be a different natural gas utility) or install and operate its own facilities.

Enbridge Gas requested that Sedum Master confirm that the application is a bypass of its system in its interrogatories to Sedum Master filed on April 30, 2025. In its response to Enbridge Gas filed on May 14, 2025, Sedum Master stated the following:

The Sedum pipeline is not a bypass. A bypass occurs only where a gas customer is located within a utility's service area, and that customer seeks to obtain supply from a source other than the incumbent utility. That is not the fact scenario at issue here. Sedum's facility lies within Enbridge's service area, and Sedum is currently an Enbridge Gas distribution customer. That will not change once Sedum's pipeline is constructed. Sedum will continue to be an Enbridge Gas distribution customer and Enbridge will continue to earn distribution revenues from Sedum. This would only be a bypass if Sedum's pipeline were to connect to a gas transportation line, allowing Sedum to cease being an Enbridge customer. That is not happening here.⁵

³ Sedum Master Response to OEB Staff 3-a)

⁴ Sedum Master Response to OEB Staff 1-f)

⁵ Sedum Master Response to Enbridge Gas 1-h)

OEB Staff Submission

Considerations of a system bypass may be relevant in assessing whether the application should be approved, such as: whether the incumbent gas distributor can meet the operating needs of the customer; whether any of the distributor's assets will be stranded; and whether approving the application would materially harm existing ratepayers or otherwise not be in the public interest. OEB staff is of the view that overall, the application is not a bypass of Enbridge Gas's system as Sedum Master will remain a customer of Enbridge Gas.

OEB staff submits that the evidence on record indicates that Enbridge Gas is not able to meet the operating needs of Sedum Master at a cost that is reasonable to Sedum Master and within the required timeline. OEB staff notes that Sedum Master has indicated that it will remain a customer of Enbridge Gas and thereby it does not appear that any of the incumbent distributor's assets will be stranded or that approval of the application will materially harm existing ratepayers.

Does Sedum Master Have the Financial and Technical Capacity to Develop, Construct, Operate and Maintain the Proposed Pipeline?

Section 3.8 of the *Natural Gas Facilities Handbook* provides as follows:

New entrants (i.e., applicants who have not previously been granted a certificate by the OEB), are required to file additional information to enable the OEB to assess whether they have the technical and financial capacity to construct, operate and maintain gas works. This is required in addition to any other information required by this Handbook.

In response to an OEB staff interrogatory about Sedum Master's financial and technical capacity to develop, construct, operate and maintain the proposed pipeline, Sedum Master stated:

The pipeline to be constructed, owned, operated and maintained by Sedum Master is for Sedum Master's exclusive benefit. It will not be used to serve any other person or Enbridge Gas customer (i.e., it is not an open access line). Sedum Master will not be a rate-regulated utility. There are two implications of this:

(1) Ensuring the financial and technical capacity of a new utility applicant that will provide an essential service to the public is not at play in this application. Sedum Master's agricultural operation is the only entity impacted by the pipeline. Sedum Master has every incentive to ensure the financial and technical capacity to construct, operate and maintain the pipeline.

(2) Sedum Master is a third-generation family business that pioneered an environmentally friendly vegetative sedum mat that is used on almost all green roofs in North America (i.e., Sedum supplies the green vegetative mats ready for roof installation – and also provide supply a large amount of cuttings to other national and international growers to propagate on Sedum’s behalf). Sedum Master’s business requires a large greenhouse facility to produce the quantity and quality of cuttings and sedum mats required by its customers, located in Canada, the United States and increasingly in Holland – a distribution hub for European flora. To supply its growing customer base Sedum Master must run its greenhouse facility at full capacity throughout the year, including the winter months, to supply finished products to European markets in late February and early March. (In the past, Sedum had shut its operations from Christmas to mid-March). The proposed pipeline will allow Sedum to economically continue its operations through the winter season, and continue to expand its exports to European markets.

OEB Staff Submission

Given that Sedum Master will fund the construction of the proposed pipeline and station work and that it has no customers other than itself, OEB staff is of the view that the detailed financial and technical information that would typically be required for a new entrant is not required in this specific circumstance given that there is no risk to ratepayers from the approval of the requested certificate.

Do the facilities require LTC approval?

Pursuant to section 90 of the *Ontario Energy Board Act, 1998* and O. Reg. 328/03, General, made under that Act, no person shall construct a hydrocarbon line without first obtaining from the OEB an order granting leave to construct the hydrocarbon line if any of the following criteria is met:

1. The proposed hydrocarbon line is more than 20 kilometres in length
2. The proposed hydrocarbon line is projected to cost more than the amount prescribed by the regulation (currently \$2,000,000)
3. Any part of the proposed hydrocarbon line
 - a. Uses pipe that has a nominal pipe size of 12 inches or more, and
 - b. Has an operating pressure of 2,000 kPa (approx. 290 psig) or more

OEB Staff Submission

OEB staff submits that leave to construct approval from the OEB for the proposed pipeline is not required because the pipeline is 4.5 km in length and the estimated capital cost is \$500,000+HST. The pipeline is proposed to have an operating pressure of 883 kPa and a nominal pipe size of under 12 inches.

Conditions of Approval

The *Ontario Energy Board Act, 1998* permits the OEB, when making an order, to “impose such conditions as it considers proper.” As part of its interrogatories, OEB staff provided draft conditions of approval that it submitted to Sedum Master should be considered by the OEB when determining whether to deny or approve the application.

In its response to interrogatories, Sedum Master stated that conditions 1 and 2 are acceptable but requested that condition 3 be revised as follows:

Sedum Master shall designate one of its employees **or a representative** as project manager who will be responsible for the fulfillment of these conditions. Sedum Master shall provide the employee’s **or representative’s** name and contact information to the OEB. The project manager will be responsible for the fulfillment of the conditions of approval on the site.

OEB Staff Submission

OEB staff is supportive of Sedum Master’s proposed revision to the third condition of the draft Conditions of Approval.

~All of which is respectfully submitted~