

Ministry of Energy,
Northern Development
and Mines

Office of the Minister

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DEC 12 2019

MC-994-2019-935

Mr. Robert Dodds
Vice-Chair
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Mr. Dodds:

I write in my capacity as the Minister of Energy, Northern Development and Mines with the support of the Associate Minister of Energy in order to exercise the statutory power I have under section 35 of the *Ontario Energy Board Act, 1998* ("Act") to require the Ontario Energy Board ("Board") to examine and report back to the Ministry of Energy, Northern Development and Mines ("Ministry") with information on potential projects to expand access to natural gas distribution systems for new customers.

Background

On September 18, 2018, the Government announced it would take action to expand natural gas distribution to communities that are not currently connected to a natural gas distribution system.

The *Access to Natural Gas Act, 2018*, which amended the Act, provides a mechanism to financially support the expansion of natural gas distribution for projects that would otherwise be considered uneconomic under existing policies.

Ontario Regulation 24/19, *Expansion of Natural Gas Distribution Systems* ("Regulation"), under the Act supports natural gas expansion by imposing a \$1 per month charge on existing natural gas customers. The nine projects currently listed in the Regulation are eligible for financial support, subject to receiving any necessary Board approvals. Several of these projects are currently under construction.

In order to build on the progress to date, the Government intends to further increase access to natural gas by making additional new projects eligible for financial support. The Government intends to make use of the same mechanism articulated in the current Regulation; namely, the collection of \$1 per month from existing natural gas customers.

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The Government intends for approximately \$130 million to be made available to support new natural gas projects that can reasonably be expected to commence construction between 2021 and 2023.

Section 35 Report

Therefore, pursuant to my authority under s.35 of the Act, with the support of the Associate Minister of Energy, I require the Board to examine and report back to the Ministry with information about additional natural gas expansion projects that the Government could consider as potential candidates for financial support.

It is the Government's intention that financial support be limited to potential natural gas expansion projects that would, under existing policies, be considered uneconomic.

I expect the Board to apply its expertise in developing a process to solicit information from proponents about proposed natural gas distribution expansion projects, and to analyze the proposed projects with a focus on assessing whether they can be implemented substantially as proposed. This should include a call for a demonstrated commitment by the proponent that it would be willing to be held to the project cost, timelines and volumes forecasts as set out in their project proposal. The Board's approach should consider the following:

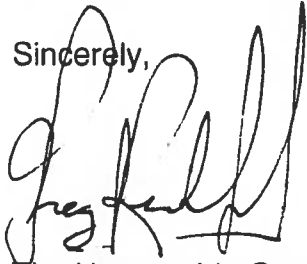
1. The number of customers (in terms of customer count, volume of gas to be distributed, and customer type) that would be connected by each proposed project;
2. The total cost of each proposed project, as well as the dollar amount of support needed for each proposed project to meet the Board's profitability threshold;
3. The proposed construction start date and construction period for each proposed project, as the Government's focus is on projects that can reasonably be expected to start construction by 2023, allowance being made for the timelines typically applicable to the process of obtaining regulatory approvals;
4. The project proponent's demonstrated experience, technical expertise and financial ability to build and operate a natural gas distribution system;
5. Support for the proposed project from Band Council(s) and/or local government, as applicable, demonstrated through a written expression of support and/or a commitment to financial support;
6. If a proposed project is in an area where a Certificate of Public Convenience and Necessity exists, the proponent must be the Certificate holder unless the Certificate holder does not propose a project for the area; and
7. The extent to which the project proponent expects that the proposed project would reduce the household energy cost burden in the project area.

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I expect the Board to issue a call for information in early 2020, including details of the information to be filed by interested project proponents. The Board should consider a minimum 90-day window for information submissions. I also ask that, in developing its approach, the Board be mindful of the Government's focus on minimizing regulatory burden for stakeholders.

It is my expectation that the Board will report back to the Ministry no later than August 31, 2020. The information provided by the Board will be taken into account, along with other considerations, to make a determination on future expansion projects. If there is a need to consider further projects for expansion, the Ministry may request that the OEB proceed with a second call for information and report back to the Ministry.

Sincerely,



The Honourable Greg Rickford
Minister of Energy, Northern
Development and Mines



The Honourable Bill Walker
Associate Minister of Energy

c: Mary Anne Aldred, Chief Operating Officer & General Counsel