



**Ontario Energy
Board**

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**Commission de l'énergie
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BY : EMAIL AND WEB POSTING

February 18, 2015.

To: All Applicants and Potential Applicants for Expansion of Natural Gas Distribution

Re: Expansion of Natural Gas Distribution

The Provincial Government has set out a goal of ensuring that Ontario consumers in communities that currently do not have access to natural gas are able to share in affordable supplies of natural gas. In an effort to facilitate enhanced access to natural gas for rural and remote communities and businesses in the province, the Ontario Energy Board (the "Board") is inviting parties with the appropriate financial and technical expertise to propose one or more plans for natural gas expansion.

In this context and depending on the nature and scope of any proposals made, the Board is aware that regulatory flexibility may be required. The Board will hear requests for regulatory flexibility or appropriate exemptions in the context of an application made for approvals pertaining to expansion portfolios and specific projects.

Background

In the Long Term Energy Plan the Ontario Government signaled that it would look at opportunities to expand natural gas service within the Province to areas that are not currently served. In support of this objective, the Government, through the Minister of Economic Development, Employment and Infrastructure, will be making available;

- \$200 million in Natural Gas Access Loans over two years to help communities partner with utilities to extend access to natural gas, and
- \$30 million in "Natural Gas Economic Development Grants" to accelerate projects with clear economic development potential.

- Proponents should develop proposals that, while ensuring safety and reliability, are cost effective and incorporate flexibility with respect to cost recovery (e.g. ROE, depreciation period, recovery of capital contribution, etc.).
- Proponents should develop proposals that include measures that foster predictability and cost certainty from a consumer perspective.
- Proponents should develop proposals that minimize impacts on existing natural gas ratepayers as a result of new expansion projects.

The Board is considering the need and manner in which to provide clarity for municipalities and potential new service providers on the processes needed to be taken to expand access to natural gas and will communicate further on this.

Invitation to Submit Application

The Board encourages parties interested in distributing natural gas to unserved rural and remote communities to submit an application seeking one or more required approvals (e.g. certificate of public convenience and necessity, franchise agreement, leave to construct) for the Board's consideration.

Subsequent to any Board approval of the above applications, a company would be required to apply to the Board for an order approving just and reasonable rates for the sale of gas and provisions of gas distribution services.

A summary of the requisite approvals is found under Appendix A of this letter.

Any questions relating to this letter should be directed to **Jason Craig** at jason.craig@ontarioenergyboard.ca at 416-440-8139. The Board's toll-free number is 1-888-632-6273.

Yours truly,



Peter Fraser
Vice President, Industry Operation Performance

Appendix – A Description of Approvals

Certificate of Public Convenience and Necessity

In order to provide natural gas distribution services to consumers in Ontario, a company must apply to the Board for a certificate of public convenience and necessity for the service territory that is to be served.

The certificate of public convenience and necessity grants the gas distributor the right to construct infrastructure for the purposes of supplying gas to consumers in the service territory specified.

Numerous examples of certificate of public convenience and necessity applications can be found on the Board's website.

Franchise Agreement

In order to provide natural gas distribution services to consumers in Ontario, a company must also enter into a municipal franchise agreement with a municipality. The municipal franchise agreement is signed by both the municipality that is agreeing to be served and the distribution company.

The Board has the authority to approve the municipal franchise agreement. The municipal franchise agreement sets out the right for a natural gas distributor to operate works and add to works for the distribution of gas within the boundaries of a municipality.

In 2000, a Model Franchise Agreement ("MFA") was developed for use across the province.

The MFA sets out the obligations of the gas distributor in regard to the technical, construction, safety, and operational aspects of the natural gas distribution system within the municipality. The terms of the MFA ensure coordination between the municipality and the utility with regards to construction, operation and maintenance of the system. The standard term of the MFA is 20 years.

The model franchise agreement and examples of franchise agreement applications can be found on the Board's website.