



FOR IMMEDIATE RELEASE

Kincardine, Arran-Elderslie and Huron-Kinloss councils receive report on extending natural gas services to their communities

August, 25 2014

Today the municipal councils of Kincardine, Arran-Elderslie and Huron-Kinloss received a report prepared by their legal counsel and consultant team concerning the feasibility of extending natural gas distribution services to their communities.

The detailed report considers a wide range of issues related to this initiative, including the results of customer surveys which were conducted in all three communities earlier this summer. Two specific options to provide gas services are assessed in the report: a proposal by Union Gas to connect the communities to its existing system located to the north and south of the municipalities and a second proposal, called the “Northern Cross Option”, which would convert and expand upon an existing natural gas gathering system in the area into a gas distribution network jointly owned by the three municipalities.

A central finding of the report is that Provincial and/or Federal Government financial assistance and changes to existing Ontario regulatory requirements are likely necessary to make the options economically viable or to mitigate various risks associated with the creation of new natural gas utility.

In 2013 Ontario released its latest Long Term Energy Plan for the province which included a commitment to work with municipalities to pursue options to expand natural gas infrastructure to service more communities in rural and northern Ontario. As part of its platform during the recent provincial election, the Ontario

Liberal Party pledged to expand access to natural gas services with \$200 million over two years for a Natural Gas Access Loan and \$15 million in each of 2015-16 and 2016-17 for a Natural Gas Economic Development Grant.

The report recommends that the municipalities commence discussions with provincial and federal government officials with a view to establishing an approach and means to secure expanded gas services in the area. It is expected these discussions will commence later this fall.

Mayor Larry Kraemer said “the issue is simple: our communities need natural gas. We will continue to face economic disadvantages without it. The report presented today is a clear signal to the provincial and federal governments that our councils have taken this issue very seriously. We have done our homework and we now have a much clearer picture of what it will take to bring gas to our residents and businesses. We need Ontario and the Government of Canada to step up to make this happen.”

Mayor Mitch Twolan said “it is very important to us that members of the public have access to the report. Once our advisors incorporate Council’s feedback into the report, it will be finalized and released to the public. We expect this will happen before the end of September”.

Mayor Paul Eagleson said “we have already held some discussions with our residents about extending gas services. The report allows us to take this public consultation to the next level. There will be more opportunities to meet with and receive the input of the public in the weeks and months ahead. We intend to post the full report and supporting documents on the internet so that everyone will have easy access to these materials. Information about new developments will also be posted online to keep everyone up to date”.

For More Information Contact:

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Backgrounder & Timeline

- The region of Bruce County comprising Kincardine, Huron-Kinloss and Arran-Elderslie is one of the few areas of Southern Ontario which does 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.
- The lack of access to natural gas has had important 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.
- **Winter-Summer 2012:** The Municipalities receive a proposal from Union Gas to expand natural gas services to their communities. Union's proposal is not considered viable given the very significant cash contribution required to be paid to Union Gas by the Municipalities.
- **December, 2013:** Ontario Government's current **Long Term Energy Plan** is released. This Plan includes the commitment that **"The government will work with gas distributors and municipalities to pursue options to expand natural gas infrastructure to service more communities in rural and northern Ontario."**
- **Fall 2013 - Winter 2014:** Public open houses and stakeholdering commences concerning the natural gas initiative. There appears to be considerable local support for bringing natural gas to the communities.
- **Winter, 2014:** Municipalities receive presentations on a second natural gas distribution system option, called the Northern Cross Option, which builds

upon and converts an existing gas gathering system into a distribution network to be constructed in three distinct phases.

- **February, 2014:** The Municipalities receive a privileged legal report from their legal counsel, Borden Ladner Gervais LLP. This report considers the legal, regulatory, shareholder and governance considerations associated with the municipalities establishing their own **Municipal Services Corporation** to distribute natural gas in their respective communities.
- **March, 2014:** The Municipalities enter into a **Memorandum of Understanding** to share costs associated with developing a comprehensive feasibility/business case study for a natural gas distribution utility.
- **May – August, 2014:** Legal and expert consultants are retained to prepare the business case which includes detailed customer surveys (residential, commercial, institutional and industrial customers), load (gas demand) forecast, creation of a financial model based on current Ontario Energy Board regulatory and rate setting requirements, phase 1 technical due diligence, and conversion cost analysis.
- **August 25, 2014:** Consultants present their draft report to all three municipal councils. The report is expected to be finalized in September and then made publically available.