



Backgrounder

Generic Proceeding on Community Expansion (Natural Gas)

Overview

On Thursday, Nov. 17, 2016 the Ontario Energy Board (OEB) issued a decision that enables utilities to recover costs of natural gas expansion to rural and remote communities, increasing energy options for residential and commercial consumers.

Key Details of the Decision

- The OEB decision establishes an equitable funding process to help natural gas companies expand to communities that don't have access to service.
- Approximately 76 per cent* of Ontarians currently use natural gas as their primary heating source. There is potential for many Ontarians to benefit from this decision.
- The OEB has always had a process in place that allows companies to recover the cost of expanding their network to serve new customers while ensuring existing customers are not subsidizing those costs.
 - The existing process works well for areas that are naturally growing and are close to existing natural gas service areas, but it is less effective for more isolated areas that lack a guaranteed customer base and require significant infrastructure investments.
 - The OEB decision determined that stand alone rates or surcharges that reflect the costs of expansion to those isolated areas will be more effective and should be established by the utility.
 - The fundamentals of this decision are the same as the existing process – costs will not be subsidized by existing natural gas customers. In both cases, new customers will pay the cost of expansion through a rate structure that reflects that cost.
- Gas companies approved by the OEB to expand to new communities must provide a long-term commitment (for example, 10 years) to maintain rate stability to ensure that rates are reflective of long-term costs. The proponent would have to bear the risk for that long-term period, if the forecast of customers attaching to the distribution system does not materialize or actual costs are higher than forecasted.
- Increasing access to alternate energy sources gives Ontarians more options to meet their needs and potentially reduce their energy costs.

**Source: Statistics Canada, Census Data 2011*



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

Background on Natural Gas Expansion

As part of its 2013 Long-Term Energy Plan, the Ministry of Energy committed to work with gas distributors and municipalities to look at options to expand natural gas infrastructure to serve more communities in Ontario.

In a letter dated February 17, 2015, the Ontario Minister of Energy encouraged the OEB to examine opportunities to facilitate access to natural gas services to more communities. In response, the OEB issued a letter on February 18, 2015 inviting proponents to seek approval for gas expansion projects that might not otherwise meet the OEB's current economic guidelines, and to suggest ways that such projects could be funded.

In July 2015, Union Gas applied to the OEB for approval of some specific natural gas expansion projects. Union Gas' application included a number of proposed mechanisms to fund those projects. One of the mechanisms Union proposed was having existing natural gas customers pay a portion of the costs to connect and serve new customers.

During a hearing on the Union Gas application, the OEB determined that changes proposed by Union Gas could affect all—both current and future—gas consumers and distributors in the Province.

In January 2016 the OEB indicated it was going to temporarily put on-hold the Union Gas 2015 application until after it could hold a broader public hearing on how best to recover the costs associated with providing gas to communities that currently do not have access.

On February 5, 2016 the OEB issued a public notice of hearing, inviting all interested parties to participate.

During a nine-day oral hearing from May 5-13, 2016, the OEB heard evidence from 28 interested parties, including customer groups, environmental organizations, municipalities, First Nations, industry associations and utility companies. The OEB also accepted written submissions until July 11, 2016 and received comments from 24 participants.

The OEB's decision establishes general principles to be applied to all future applications by natural gas companies interested in expanding to new communities. Union Gas has been asked to advise the OEB on how it proposes to proceed with its application, in light of the OEB's decision on community expansion.

CONTACT

Media Inquiries

416-544-5171

oebmedia@ontarioenergyboard.ca

Consumer Inquiries

416-314-2455

1-877-632-2727

www.OntarioEnergyBoard.ca