



Eastern Ontario Wardens' Caucus

Position Paper

February 2017

Expansion of Natural Gas to Rural Areas

The Eastern Ontario Wardens' Caucus (EOWC) is requesting that the Minister of Energy implement a Provincial Policy change to allow a reasonable subsidy to be charged to existing natural gas customers to help pay for Natural Gas Expansion in small rural communities. Furthermore, the EOWC wishes to work together with the Province to ensure the Provincial investment in Renewable Natural Gas includes projects in Rural Eastern Ontario. The Ontario Government has recently committed \$100 million in grants towards natural gas expansion, which is an excellent first step.

In October 2016, the EOWC initiated a partnership with the Ontario Federation of Agriculture (OFA) and the Western Ontario Wardens Caucus (WOWC) to work with the Province to increase natural gas expansion across rural Ontario, through a fair and equitable system. These groups have identified the critical importance of expanding the rural natural gas infrastructure to provide an affordable and reliable source of energy to support economic growth in the region.

Almost every rural municipality in Ontario is presently facing challenges related to rural natural gas expansion. Access to natural gas is needed to allow rural Ontario to be sustainable in the long term and is vital to foster future growth.

Background

In order to grow the economy of Eastern Ontario, our residents and businesses need access to natural gas. According to the Ontario Federation of Agriculture (OFA) access to natural gas could save rural residents, businesses and farms \$1 billion annually.

The Ontario Energy Board (OEB) has recently ruled (November 17, 2016) to not allow any charges to be added to existing customers to cross subsidize the expansion of the natural gas distribution network in Ontario. The OEB has given distribution companies the ability to charge new customer a higher "stand alone" rate to recover capital costs.

Discussion

High energy prices, specifically electricity, are putting rural municipalities at a competitive disadvantage. Our rural economies need access to natural gas in order to be sustainable and foster future growth.

The Ontario Energy Board rulings have not given distribution companies the financial tools to expand to most rural areas on their own. The OEB's latest ruling (November 2016) has not allowed natural gas distribution companies to make a lower rate of return. They also have also not allowed natural gas distribution companies to charge existing customers for pipeline expansion. Unfortunately, the new tools added, e.g. standalone rates, do not give distribution companies enough capital to make rural expansion projects feasible.

The Province's *Climate Change Action Plan* targets funds to be invested in Renewable Natural Gas. This is for the capture and use of methane from agricultural plant residues, farm manure, sewage treatment plants, landfills, green bins and the forest industry. Eastern Ontario has an abundance of these resources and needs to be part of the solution.

The province is going to be collecting large amounts of revenue from carbon pricing starting January 1, 2017. Rural Eastern Ontario is going to be paying their fair share of this and, in exchange, the region need investment to help reduce our carbon footprint. The Province's 2017 estimate is \$158 per household x 380,000 households in Eastern Ontario = \$60 million.

The proceeds from the sale of Hydro One Networks (\$2 billion) need to be shared with the residents of Rural Ontario. According to OFA data, half of Hydro One's share value is made up of distribution assets located in rural Ontario. These funds could go a long way to expanding natural gas availability.

Conclusion

The expansion of natural gas in Eastern Ontario will help provide both energy cost price relief and economic opportunity. The future investment in Renewable Natural Gas is important both economically and environmentally for Eastern Ontario. With the sale proceeds from the sale of Hydro One and carbon pricing, the province has the revenue streams to fund a significant investment in natural gas expansion for Eastern Ontario.