

November 27, 2018

Lindsay McAlear
Ministry of Energy, Northern Development
and Mines
77 Grenville Street, 6th Floor
Toronto ON M7A 2C1

Dear Ms. McAlear:

Re: ERO 013-3975 Access to Natural Gas Act, 2018 (Bill 32)

The Ontario Federation of Agriculture is the leading advocate and voice for 38,000 farm families and businesses across Ontario. Access to natural gas infrastructure is critical for these farm families and for our rural and remote communities.

Because of this, the fundamental objective of *Bill 32* has been a key OFA priority for many years and we appreciate the opportunity to address it.

Clean, abundant and affordable natural gas is readily available to urban customers. However, with only 20% of rural Ontario serviced, expanding natural gas access across Ontario must be a provincial infrastructure priority. It is one of the most important investments that the Province can make in its rural businesses, farms and residents.

If natural gas were available across the province, it would free-up well over \$1 billion in energy spending as new disposable income each year and greatly boost business opportunities for over 425,000 customers. Rural access to the distribution network will also enable renewable natural gas production to power distributed energy resources and lend additional economic support for further pipeline expansions.

OFA supports the *Bill 32* proposal to create a Natural Gas Expansion Support Program funded through rate-payer payments, with regulatory amendments to the Ontario Energy Board Act outlining program criteria. This program must target all rural, remote and northern customers. Energy is one of the largest expenses in rural, northern and remote Ontario.

The support *Bill 32* proposes, as upfront aid-to-construction, will make expansion viable. These expansions require significantly more aid-to-construct dollars compared to urban projects due to lower customer densities.

A \$2 monthly customer (or \$0.003/M³ volumetric charge) cross subsidy to fund rural, remote and northern pipeline infrastructure or compressed or liquid gas solutions where more appropriate is not onerous. Funds should be used to finance the aid-to-construction needed for individual community and sub-community level expansions to be deemed viable – as defined by OEB regulations.

The OEB previously considered using higher project-specific new customer rates. However, high stand-alone rates for rural, remote and northern customers will stifle or eliminate any potential savings from conversion to gas. This results in prohibitively long customer ROIs with fewer new customers connecting, thereby increasing the stand-alone rates needed. OFA recommends the government reject or severely limit the size of any project-specific customer rate.

Because of the importance of this initiative to Ontario's rural competitiveness, way of life and well-being, OFA recommends establishing a 20-year program to generate at least \$75 million each year for gas expansion. This annual investment would help connect some 425,000 customers over the 20-year span. Beginning in year two, an average of \$50 million more in direct economic savings are annually generated to reinvest in local communities. This investment pays dividends almost immediately.

Working with distributors and the Eastern and Western Ontario Wardens Caucuses, we identified a concept of smart expansion: developing programs that combine community expansion opportunities with economic development opportunities. This means expansion projects and routing that will capture homes and businesses and farms. In doing so, the distributors maximize the economic potential of small towns and outlying areas.

Utilities must not oversee the prioritizing of expansions without government, regulator and rural/northern stakeholder input. The OEB must encourage utilities to plan smart expansion, by, for example, providing increased consideration to expansions that contain both a community and a business/agricultural component. This long-term focus will generate strategic development to support continued expansion.

The provincial government must work with natural gas distributors and rural stakeholders to develop fair and equitable ways to install natural gas pipelines throughout rural and remote Ontario over the next 20 years. *Bill 32* represents an excellent beginning for the Province's strategic investments in rural Ontario.

On behalf of OFA's 38,000 farm family businesses, we look forward to continuing work with rural community stakeholders, utilities and government to ensure *Bill 32* accurately reflects the best interests of agricultural, rural, northern and remote communities, and Ontario long-term energy policy objectives.

Sincerely,



Keith Currie
President

cc: Hon. Monte McNaughton, Minister of Infrastructure
Hon. Greg Rickford, Minister of Energy, Northern Development and Mines
Hon. Todd Smith, Minister of Economic Development, Job Creation and Trade
Hon. Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs