Presentation to
The Honorable Jeff Leal, Ontario Minister of Agriculture, Food & Rural Affairs

Location: York Room at the Royal York Hotel
Date: Tuesday February 24, 2015
Time: 4:05 pm

Presentation by the:
Municipality of Morris-Turnberry
Municipality of Huron East
Township of North Huron
Municipality of Central Huron
County of Huron
February 24, 2015

Honourable Jeff Leal
Minister of Agriculture, Food & Rural Affairs,
11th Floor,
77 Grenville Street,
TORONTO, ON M7A 1B3

Subject: Presentation to the Minister of Agriculture, Food & Rural Affairs, in regard to a Rural Expansion of Natural Gas to the Rural Area

Presenter: Warden Paul Gowing, County of Huron,
Mayor of Municipality of Morris-Turnberry

Municipality of Morris-Turnberry: Nancy Michie, Administrator Clerk-Treasurer
Jim Nelemans, Councillor
Sharen Zinn, Councillor

Municipality of Huron East: Bernie MacLellan, Mayor
Joe Steffler, Deputy Mayor

Municipality of Central Huron: Jim Ginn, Mayor
Peggy Van Mierlo-West, CAO

Township of North Huron: Neil Vincent, Reeve

County of Huron: Brenda Orchard, CAO
Scott Tousaw, Director of Planning and Development

MPP Huron-Bruce: Lisa M. Thompson
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Purpose of Meeting

To present to the Minister of Agriculture, Food and Rural Affairs, a proposal for a Rural Extension of a Natural Gas line to Walton, a hamlet in Huron County; specifically we are requesting:

1. Regulatory changes to enable the rural extension of the Natural Gas service;
2. A status report on the 2014 announcement of the provincial government’s investment in natural gas expansion ($200 million in loans and $30 million in grants, over a two year period).

Background:

Huron County is located in southwestern Ontario, on the coast of Lake Huron, known as Ontario’s West Coast. Huron County covers approximately 3,400 square kilometers.

Huron County offers a strong economy, a low cost of living, numerous career and business opportunities and a healthy lifestyle; all within a setting of exceptional charm and natural beauty. The rural lifestyle makes Huron County the perfect place for business and family. Huron County is one of most ‘rural’ areas in Ontario.

Agriculture is one of the largest and most important sectors within Huron County and continues to be the most productive county in Ontario. Huron County has a long history of successful agricultural development.
Challenges:

The Municipalities are facing the following challenges:

- increasing trend towards urbanization
- modest or negative population growth
- an older population
- youth migration to the cities, due to lack of employment
Natural Gas in the Rural Areas of Huron County:

One of the key needs for the sustainability and growth for the rural areas in Huron County is access to natural gas. The County and the Municipalities represented here today have been working with Union Gas in this regard.

The primary challenge facing this undertaking relates solely to the physical distance between the Hamlet of Walton and the closest pipeline in Blyth with available capacity. The hurdle which must be overcome is that this distance is approximately 13 km. Understandably, this distance has a direct impact on the capital cost of the undertaking.

Proposal for Natural Gas Extension:

In 2014, the Municipality of Morris-Turnberry received a request to extend the Natural Gas Line from Blyth, Ontario to Walton, Ontario. The closest main with available capacity is currently located on the Blyth Road (Huron County Road 25) in Blyth, located in North Huron.

The Companies requesting the expansion are:

1. **Millstone Crop Services Limited**: A Grain drying and storage facilities in Blyth and Walton, located in Morris-Turnberry and Huron East.

2. **Huether Farms Inc**: A cash crop farming operation, located in Morris-Turnberry, Huron East and Central Huron.

3. **McGavin Farm Equipment**: An equipment business in Walton, located in Morris-Turnberry.

There are several other property owners who also wish to connect to the gas line, should it be extended.

A meeting was held with Union Gas in 2014, the property owners making the request, the County of Huron and the four municipalities represented here today.
Approximate location of Walton

Current location of ‘high pressure’ Gas mains in the area
Businesses initiating the request for a Natural Gas Line Extension:

Mill Stone Crop Services Limited
Investigation by Union Gas:

Union Gas has advised that they will require a capital contribution of **$4.3 million** to proceed with the project. The expansion is expensive because of the distance from the existing gas pipeline (13 km from Walton) and the capacity requirements for high pressure gas lines.

Union Gas feels that the most conservative approach would be:

- a 4” steel high pressure gas main and
- a pressure reducing station at Walton and
- a lower pressure 4” polyethylene gas main within Walton

Union Gas would require an economic analysis of anticipated revenue for the project. Union Gas is working on the premise that there would be 25 residential, 3 small commercial and a grain dryer operation, at Walton. There are also several farms between Blyth and Walton who are interested in connecting to the gas service. If the revenues exceed the costs over a projected cash flow, the project may proceed.

Legislation:

Extension of services including natural gas is highly regulated and is subject to numerous policy controls implemented by the Province through the Ontario Energy Board and various other agencies. In dialogue with Union Gas, a number of ideas have been developed that would make a significant contribution to improved economic feasibility and willingness to extend natural gas infrastructure to service communities like Walton.

These ideas include:

- Allowing the utilities to earn their regulated rate of return on the incremental capital investments required to extend the gas system, beginning in the year in which investments are made.
• Approval of a volumetric rate surcharge for a specific time period of up to 10 years to enable customers who will receive the benefit of the infrastructure extension to contribute to economic viability of the project from a portion of the savings available to them each year. This is the same approach the municipalities use for water/wastewater service extensions (i.e. capital surcharge).

• Relaxation of current minimum economic thresholds required to allow a project to be considered economically feasible, suggesting project minimum profitability index be reduced to 0.6 (from 0.8) and portfolio minimum be reduced to 0.9 (from 1.1)

• Willingness of the host municipality to agree to administer the share of the capital costs of the project funded through the Provincial government’s investment program. Example being the Tile Drainage Loan program.

Although the gas utilities have initiated dialogue with the Ontario Energy Board about how barriers to rural expansion of the gas system might be addressed, a framework or process to address and gain approval for the most appropriate solutions has not been defined to this point.

**Provincial Funding:**

In 2014, the Provincial government announced an ‘Investment in Natural Gas Expansion’ program of $200 million dollars in loans and $30 million in grants to provide natural gas to rural Ontario. **We applaud you for your initiative.**

To our knowledge, the criteria for this program have not been released and this program has not been implemented. This program could be part of the answer to address this issue.
**In Summary:**

We are hereby urging the Provincial government of Ontario to give consideration to this matter, an issue that greatly effects rural development, by considering:

1) Regulatory changes to allow expansion of Natural Gas to the Rural Areas of Ontario.
2) Implementation of the Investment Program for Natural Gas to provide funding to the rural areas of Ontario.

The Municipality of Morris-Turnberry, Municipality of Central Huron, Municipality of Huron East, Township of North Huron and the County of Huron, thank you for this opportunity to make this presentation to you. We are hopeful that the Province of Ontario will support our initiative.

We are committed to work to generate economic development activity and jobs for our residents.

We are of the belief that the extension of Natural Gas lines into our rural communities will assist our entrepreneurs to create sustainable industry.

End of presentation