



SUBJECT: Proposal for Natural Gas Expansion – Cedar Springs Road Area

TO: Committee of the Whole

FROM: Capital Works

Report Number: CW-61-17

Wards Affected: 3

File Numbers: 825-02

Date to Committee: June 26, 2017

Date to Council: July 10, 2017

Recommendation:

Approve the resolution attached as Appendix A to capital works report CW-61-17.

Purpose:

A Healthy and Greener City

- Environmental and Energy Leadership

Background and Discussion:

The province is helping to expand natural gas access to more communities in Ontario through a new \$100 million Natural Gas Grant Program as part of the *Moving Ontario Forward* initiative.

The objective of the grant program is to support the building of new natural gas infrastructure in order to expand access to more communities.

Applications for the grant program are to be made by natural gas distributors or suppliers and must be made by July 31, 2017. All applications must be accompanied by a supporting resolution from the municipality.

Distributors/suppliers are required to work with the municipality to determine the demand for the natural gas expansion and are required to survey households to gauge potential customer interest at various rates and associated savings in energy costs.

Distributors/suppliers will determine the cost of providing servicing as well as mapping out required approvals from the Ontario Energy Board and estimated timelines.

The grant application should be net of any contributions from the municipality. The program guidelines indicate that the municipal contribution should be equivalent at a minimum to the property taxes that would be recovered on the new gas transmission infrastructure being built for a period of 10 years.

Multiple applications to service the same geographic project area can be made by different distributors or suppliers to enhance competition. The Ontario Energy Board would ultimately determine the best distributor/supplier to service the area.

Strategy/process

Staff and the Ward 3 councillor met with Union Gas officials to discuss a proposal by Union Gas to expand natural gas infrastructure to the area of Cedar Springs Road (as indicated on the map attached). The new customers would be charged a surcharge on natural gas rates for a period of 40 years. Union Gas has estimated that the increase in property taxes for the new pipeline infrastructure is equivalent to \$1,000 per year.

Subject to approval of the project by the Ontario Energy Board, the City would consider as part of the municipal contribution, entering into a Municipal Capital Facilities agreement under section 110 of the *Municipal Act, 2001* to exempt from taxation the taxes to be levied for municipal and school purposes on the proposed pipeline infrastructure for a period of 10 years.

Financial Matters:

Should Union Gas or another distributor/supplier be successful in the grant application, the city would look to entering into a Municipal Capital Facilities agreement to exempt from taxation the taxes that would otherwise be levied for the new infrastructure for a period of 10 years. At this time, the estimate from Union Gas is approximately \$1,000 per year for 10 years.

Source of Funding

Should a proposal to expand natural gas to the area under the grant program be successful, the municipal contribution would be equivalent to the tax revenue that would otherwise be realized from the expansion infrastructure for a period of 10 years.

Connections:

Heating systems in the area proposed under this application currently predominantly utilize either propane or home heating oil. Natural gas produces less CO₂ emissions when compared with conventional heating oil and propane and is a significantly more economic fuel source for property owners. In this manner Natural Gas provides a viable alternative to bridge towards lower carbon heating alternatives. In conjunction with this property owners should continue to be encouraged to make thermal upgrades to existing building envelopes or re-builds and the integration of renewable sources.

Public Engagement Matters:

The distributor/supplier making an application is required to survey households/businesses to gauge potential customer interest at various rates and associated savings in energy costs. As well, the applicant is required to ensure appropriate approvals are received from other agencies (ie. Niagara Escarpment Commission, etc.). Union Gas has advised that they have undertaken the required survey's in support of their application and will apply for the necessary regulatory approvals prior to any construction.

Conclusion:

This report provides Council with a resolution to support an application to expand natural gas access to the Cedar Springs Road area.

Respectfully submitted,

Allan Magi

Executive Director – Capital Works

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Appendices:

A. Resolution

B. Map of proposed natural gas expansion area

Notifications:

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Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.