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OEB Releases Report on Potential Projects to Expand Access to Natural Gas Distribution

By Fred D. Cass

The Ontario Energy Board has released its Report to the Minister of Energy, Northern Development and Mines and to the Associate Minister of Energy on Potential Projects to Expand Access to Natural Gas Distribution. The Report was the result of a letter dated December 12, 2019, in which the Minister, with the support of the Associate Minister, required the OEB to report back to the Ministry with information about natural gas expansion projects that the government could consider as potential candidates for financial support.

The December 2019 letter set out a number of matters to be considered by the OEB. These included the number of customers that would be connected by each project, the total cost of each project, the amount of financial support needed for each project to meet the OEB's profitability threshold, the proposed construction start date and construction period for each project (given the government's focus on projects reasonably expected to start construction by 2023), support for each project from Band Council(s) and/or local government, and the extent to which each project is expected by its proponent to reduce the household energy cost burden in the project area.

The Report identifies 210 potential natural gas expansion projects. Roughly 60% of the projects are situated in southwest and southeast Ontario and the rest are located elsewhere across the province. Seven of the proposed projects include service to on-reserve First Nation communities.

The Report provides a summary of information for each of the 210 projects, including the project proponent, the total funding support required, the total number of forecast customers in year ten, the estimated annual fuel cost savings in year ten and the estimated annual greenhouse gas impacts in year ten. In aggregate, the 210 projects potentially would connect about 44,000 new customers, with an average of 209 customers per project, and would require approximately \$2.6 billion in funding support. The funding support required for each project ranges from approximately \$320,000 to over \$125 million. According to the Report, each of the proposed projects, without funding support, would be uneconomic under existing policies.

On the subject of implementation considerations, the Report says that, based on information received from project proponents, the OEB has not identified any significant impediments to the implementation of the projects substantially as proposed. In particular, the Report notes the commitment of all proponents to being held to their project costs and gas volume forecasts by way of a ten-year rate stability period for each proposed project.

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