

The Corporation of the City of Kawartha Lakes

Council Report

Report Number CAO2017-003

Date: June 27, 2017
Time: 2:00 p.m.
Place: Council Chambers

Ward Community Identifier:

Subject: Council Support Resolution - Ontario Natural Gas Grant Program
Enbridge Proposed Natural Gas Service Expansions to Fenelon Falls and Bobcaygeon

Author Name and Title: Ron Taylor, CAO

Recommendation(s):

RESOLVED THAT Report CAO2017-003 – **Enbridge Proposed Natural Gas Service Expansions to Fenelon Falls and Bobcaygeon**, be received;

THAT the City of Kawartha Lakes supports natural gas expansion projects within the City;

THAT the City of Kawartha Lakes will contribute financially to natural gas expansion projects approved by the Ontario Energy Board and serving the communities of Fenelon Falls and Bobcaygeon at a cost not exceeding the municipal portion of the property tax that would be recovered on the new natural gas infrastructure being built to serve Fenelon Falls and Bobcaygeon for a period of 10 years, commencing when those property taxes first become due; and

THAT the Mayor be authorized to provide a letter in support of Enbridge Gas Distribution's applications to the Ontario Energy Board for natural gas expansion projects serving Fenelon Falls and Bobcaygeon.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

The Ministry of Infrastructure of Ontario recently released a \$100 million Natural Gas Grant Program to expand access to natural gas infrastructure to more communities in the Province. There is one intake being held to allocate these grants, with an application deadline of July 31, 2017. A copy of the Program Guidelines is attached as Appendix A to this report.

As highlighted in the program guidelines, grant applications will only be considered where municipalities make a financial contribution towards the project costs, and provide a supporting Council resolution.

A letter from Enbridge entitled "Update on Community Expansion and the Ontario Natural Gas Grant Program", dated May 12, 2017, is attached as Appendix B.

This report provides details of the Province's natural gas expansion grant program, and recommends Council support and City financial contribution to Enbridge-led natural gas expansion projects serving Fenelon Falls and Bobcaygeon.

Rationale:

At the August 11, 2015 Council meeting, Enbridge provided a presentation and update to Council respecting their plans to expand natural gas services to Fenelon Falls and Bobcaygeon. The following resolutions were passed:

RESOLVED THAT the deputation of Steve McGill of Enbridge Gas Distribution regarding Enbridge Gas Distribution Natural Gas Expansion, Items 10.1.8 and 10.1.9 on the Agenda, be received.

CARRIED CR2015-843

RESOLVED THAT the memorandum from Mayor Letham regarding Enbridge Gas, be received;

THAT this Council recognizes the benefit of access to natural gas to the City of Kawartha Lakes, in attracting new industry and creating jobs, creating more affordable commercial transportation and agricultural options and offering lower energy prices to residents and employers; and

THAT this Council fully supports the efforts of Enbridge Gas Distribution before the Ontario Energy Board in seeking to address current regulatory rules and guidelines that limit Enbridge's ability to extend service to unserved communities in rural Ontario, like Fenelon Falls and possibly Bobcaygeon in the City of Kawartha Lakes.

CR2015-852

Fenelon Falls

Enbridge proposes to construct up to 37 km of pipeline to serve Fenelon Falls (including installations in both the City of Kawartha Lakes (CKL) and Township of Brock). In CKL, approximately 29km of pipeline is proposed, originating near the intersection of Highway 7 and Taylor's Road in Oakwood, and terminating in Fenelon Falls near the intersection of Bond Street and County Road 121/Colborne Street.

Updated Fenelon Falls project information is available on the Enbridge project website: <https://www.enbridgegas.com/about/pipeline-and-construction-projects/fenelon-falls.aspx?redirect=/fenelonfalls>.

The proposed pipeline would service the Fenelon Falls community, as well as several communities and properties located generally along the proposed pipeline route.

An Environmental Assessment (EA) was completed for this expansion project, making it "shovel-ready" for installation in 2018-19 (with OEB approval and grant funding secured).

Bobcaygeon

Enbridge proposes an approximate 27km pipeline expansion originating near Cowan's Drive and Peace Road in Cowan's Bay, and terminating in Bobcaygeon near the intersection of Highway 36 and Front Street East.

The proposed pipeline would service the Bobcaygeon community, as well as several communities and properties located generally along the proposed pipeline route.

An Environmental Assessment (EA) for this expansion project is anticipated for completion in September 2017, making the project potentially "shovel-ready" for installation in 2019 (with OEB approval and grant funding secured).

Other Alternatives Considered:

Council could provide no support resolution and no commitment to funding for the proposed expansion projects. This action is not in keeping with previous Council support resolutions, and would result in Enbridge's grant applications for the Fenelon Falls and Bobcaygeon projects being unsuccessful. These natural gas expansion projects would remain financially unviable at this time.

Financial/Operation Impacts:

Enbridge paid property taxes to the City in the amount of \$513,236 in 2016.

The total estimated additional taxes to be paid annually on the new pipeline associated with the projects are approximately \$254,202 for Fenelon Falls and \$303,809 for Bobcaygeon. These taxes would continue to be payable by Enbridge annually, once they become due.

The City would provide an annual grant to Enbridge to a maximum of the equivalent municipal tax component only, for a ten-year period.

Enbridge has estimated the average annual 10-year municipal grant contribution being \$137,269 for Fenelon Falls and \$164,056 for Bobcaygeon (assuming a municipal tax share equivalent of approximately 54%). This is generally in keeping with the proportionate share paid by Enbridge to CKL for pipelines to-date. The estimated contribution to the projects by CKL would total approximately \$3 Million over the ten-year period.

MPAC is responsible to calculate assessment values that municipal taxes are levied on. The formula used to assess pipelines is derived from legislated rates that are calculated based on the type of pipe and outside diameter of the pipe. The legislated rate is multiplied by the length of the pipe to obtain the assessed value.

Providing an annual grant back to Enbridge equivalent to the City portion of taxes payable for the new infrastructure annually would have no negative impact on the taxpayer, and provides an appropriate local incentive to build-out the infrastructure. Tax revenue would be realized on the infrastructure following the expiration of the ten-year term.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

Expanding natural gas to other urban areas within the City (and to smaller settlements and rural/agricultural properties along the expanded pipeline route) provides affordable and efficient infrastructure, and contributes to Council's goal of establishing a vibrant and growing economy.

The Ontario Federation of Agriculture (OFA) and the Eastern Ontario Wardens Caucus (CKL is a member) have both highlighted natural gas expansion as critical infrastructure to grow and expand agriculture and rural economies.

Servicing Implications:

Natural Gas remains an important and affordable energy source serving residents and businesses in the City. Expansion of this important infrastructure should be encouraged to Fenelon Falls and Bobcaygeon, and may provide for additional future pipeline expansion further north in the City.

Consultations:

Director of Corporate Services
Director of Public Works
Director of Engineering & Assets
Enbridge

Attachments:

Appendix A – Natural Gas Grant Program Guidelines



App A 2017 Program
Guidelines.pdf

Appendix B – May 12, 2017 Letter - Enbridge



App B Enbridge
Update on Community

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Department Head: Ron Taylor, CAO