

May 12th, 2017

Re: Update on Community Expansion and the Ontario Natural Gas Grant Program

This letter is follow up to previous communications about natural gas expansion in Ontario and meant to update you specifically on our plans for natural gas expansion in the City of Kawartha Lakes.

As you are aware, Enbridge has interest in completing a number of potential expansion projects which to this point have not been financially feasible – two of these projects being Fenelon Falls and Bobcaygeon.

In an effort to make these projects feasible, Enbridge participated in the Ontario Energy Board's (OEB) EB-2016-0004 community expansion proceeding in 2016, requesting necessary regulatory changes. Enbridge proposed a revised regulatory framework that included:

- An ongoing volumetric surcharge to allow new customers to pay for the capital costs of service over time;
- A mechanism that would allow municipalities to contribute toward the capital costs of service over time through a property tax rebate; and
- A modest subsidization of natural gas expansion by existing customers.

Two of the three financing mechanisms were supported by the OEB in its decision – the volumetric customer surcharge and the municipal tax contribution. The OEB did not support the concept of cross-subsidization – instead reaffirming that costs of natural gas expansion to new communities are exclusively the responsibility of those benefitting from the project. While the supported financing mechanisms did improve project feasibility across the board, financial feasibility was not improved to the extent that projects can proceed without additional financial support.

Since my last communication, the Government of Ontario has launched its 2017 Natural Gas Grant Program and initiated its application process. The Program requires that an application for funding be submitted by a Natural Gas Distributor or Supplier. After review of the eligibility criteria, we plan to submit grant applications under the Expansion Projects Stream (\$70M available) to make the projects to serve the communities of Fenelon Falls and Bobcaygeon possible.

We would like to meet with you to provide an update on our plans for the Fenelon Falls and Bobcaygeon projects, along with what has transpired at the OEB and in Government to provide for the opportunity to complete these natural gas expansion projects.

This update will include an introduction to the eligibility criteria under the Grant Program – namely what is required of the municipal council for us to proceed with a grant application (letter

of support and Council Resolution). Specifically, the Council must demonstrate its support of the two new financing mechanisms referenced earlier. We do plan to appear before Council in June to speak to the above as well.

All of the materials associated with the 2016 OEB proceeding – including the full decision, can be found on the [OEB website](#) under docket EB-2016-0004. Information on The Government of Ontario's Natural Gas Grant Program can be found on the [Infrastructure Ontario website](#).

Please contact me at 416-758-7958 or mark.wilson@enbridge.com to discuss these matters further and/or arrange for a time to meet. We are most interested in answering any questions that you may have regarding natural gas expansion.

We look forward to serving new customers in the City of Kawartha Lakes.

Sincerely,

A handwritten signature in black ink, appearing to be 'M. Wilson', written in a cursive style.

Mark Wilson
Sr. Advisor, Municipal Affairs