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**Official Report
of Debates
(Hansard)**

G-5

**Journal
des débats
(Hansard)**

G-5

**Standing Committee on
General Government**

Access to Natural Gas Act, 2018

1st Session
42nd Parliament

Wednesday 31 October 2018

**Comité permanent des
affaires gouvernementales**

Loi de 2018 sur l'accès
au gaz naturel

1^{re} session
42^e législature

Mercredi 31 octobre 2018

Chair: Dave Smith
Clerk: Sylwia Przewdziecki

Président : Dave Smith
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Wednesday 31 October 2018

Mercredi 31 octobre 2018

The committee met at 1500 in committee room 2.

**ACCESS TO NATURAL GAS ACT, 2018
LOI DE 2018 SUR L'ACCÈS
AU GAZ NATUREL**

Consideration of the following bill:

Bill 32, An Act to amend the Ontario Energy Board Act, 1998 / Projet de loi 32, Loi modifiant la Loi de 1998 sur la Commission de l'énergie de l'Ontario.

EPCOR UTILITIES

The Chair (Mr. Dave Smith): We are here for Bill 32, An Act to amend the Ontario Energy Board Act, 1998. Our first presenter is Epcor. Could you please come up to the table and introduce yourselves. Your 10 minutes will start once you introduce yourselves.

Ms. Jennifer K. French: Who's first for questions?

The Chair (Mr. Dave Smith): Sorry, the Progressive Conservatives will ask the first set of questions, then the NDP, and we'll rotate back and forth with each presenter.

Mr. Steve Stanley: Thank you, Chair Smith and members of the Standing Committee on General Government. I'm Steve Stanley, senior vice-president with Epcor Utilities. With me is Susannah Robinson, vice-president of Epcor Ontario and our senior executive based in Ontario.

We are pleased to be given the opportunity to speak to the committee today and provide our support for Bill 32. Epcor believes Bill 32 represents a rational approach to facilitate natural gas access expansion in Ontario.

Today, we would like to discuss our southern Bruce natural gas distribution project, which is the largest expansion project under development in Ontario.

Of importance is the competitive process that was used to select Epcor as the successful gas utility in southern Bruce. This competitive process not only significantly reduced the costs associated with this project, which will result in savings to consumers, but it also encouraged new ideas and innovation on how natural gas expansion projects are approached. This has resulted in strong local support from the municipalities that will be served by this system.

We believe Bill 32 supports the use of a competitive process in selecting the utility that is best able to provide the greatest value to the region. This will ultimately lead

to the lowest cost for consumers, and requires the utility to obtain local support.

Prior to further discussion on the southern Bruce project, I would like to briefly introduce Epcor. As shown in slide 2 of the handout, Epcor is a Canadian-based electrical, natural gas and water utility company, with large operating hubs both in western Canada and Arizona. With over \$10 billion of assets and 3,400 employees, Epcor is a credible player in the North American utility industry.

We focus our growth in regions which we believe have opportunities to develop into large operating hubs. We are currently focused on growing our presence in Ontario and Texas, as both locations are growing, require significant utility infrastructure investment, and both jurisdictions are open for business.

We have made good progress in Ontario with the acquisition of both a natural gas utility and an electrical distribution company in the last year, along with being selected to develop the gas utility in southern Bruce. We are looking to continue to grow our presence in Ontario and believe that our multi-utility approach—electricity, gas and water—is unique in the industry and ultimately provides a platform to efficiently provide utility services to a region.

I will now turn it over to Susannah, who will further expand on the southern Bruce project.

Ms. Susannah Robinson: Thank you, Steve. As Steve mentioned, I am here in Ontario. I am responsible for Epcor's Ontario operations on the gas and power side. Just to reiterate Steve's comments, we certainly support Bill 32, but we do have some remarks we would like to share with the committee today.

Bill 32 should align with the intent of Bill 34, which enables locally endorsed infrastructure. I would say this partnership—you'll hear from the mayors later on—is certainly a model example of how we've worked with the community over the past several years in order to get the project to the state it is in today.

We've already advanced through a lengthy and complex competitive process, both with the municipalities and with the Ontario Energy Board, and we did receive approval from the energy board to proceed with the project. That was a competitive process that we went through with Union Gas in order to demonstrate that we were the preferred party.

Government support for the project is critical to its success. We were granted, in the previous gas grants, an amount to help with the project. As I said, it is critical, and Bill 32 certainly now provides a conduit for that support. So we're grateful for that.

In terms of access to the provincial rate base, it provides for a competitive process, which, as Steve mentioned, drives down costs and ratepayer impacts. In the competitive process with the Ontario Energy Board, our rates were more competitive than Union Gas's rate. Certainly, different proponents bring different things. Certainly, the incumbent gas companies may have economies of scale, but we bring other things, such as a multi-utility approach. While we hold the franchise for south Bruce, we don't hold the franchise on innovation, so we think it's important that others bring innovation to the table. When other utilities looked at south Bruce, it was really a non-starter. I think you'll hear that story. Original estimates were three times what the cost billed is today.

Access to the rate base mirrors respect for the current system. The RRRP system in electricity, which supports fair energy rates for rural customers, signals that Ontario is open for business to entrants such as ourselves.

I won't go through in detail, respectful of the time, the project milestones found on page 4. But you can see the lengthy process, starting in 2011, that we went through with the municipalities, both competing through a municipal process for the opportunity to build out the gas, and then through the Ontario Energy Board.

Again, just one note: On our 2012 bullet, you'll see that the original estimate that Union required was \$86 million from the municipality in order to complete that project. That was in 2012 dollars.

We currently have filed our leave to construct with the Ontario Energy Board and our competitive rates. These rates are, I believe, the first rates in natural gas that were going to remain constant for the next 10 years. Any risk, Epcor will bear on that. That is, again, a unique element to this project. It's important that we proceed in a timely fashion, so we appreciate Bill 32.

Just in summary: Bill 32 is unique. It is supported locally. It upholds the spirit in Bill 34. We do have our certificates of public convenience and necessity approved by the energy board. Again, I mentioned the dual competitive process that we went through. It is the largest unserved area, currently, of the province, with approximately 12,000 customers currently and a number of industrial customers in the area.

Bill 32 enables a pathway to supporting infrastructure development. We believe that the regulations should reflect the hard work and the regulatory heavy lifting and local enthusiasm for the project.

We want to advance the project. We have the decision on the franchise, and we hope that will be respected in the regulation. New entrants are vital to these rural projects. They bring innovation. We're prepared to do heavy lifting where sometimes the incumbents are not, as an opportunity to get an entryway into the province. Hopefully, we can move forward expeditiously and deliberately in order to get a schedule that allows the project to move forward.

The Chair (Mr. Dave Smith): Thank you very much. We'll start with the government side. Mr. Coe.

Mr. Lorne Coe: Thank you, Chair, and through you to the delegation: Thank you so much for coming to Queen's Park and making your presentation. I'm pleased to see that you support and you're not recommending changes to Bill 32. We note the observations in your slide deck.

Would you, in supporting Bill 32 and the approach that is in it—does it encourage you to consider future investments in rural communities in Ontario? If so, can you talk a little bit about the nature of those?

Mr. Steve Stanley: Yes. As we said, we are targeting Ontario as one of the areas where we see significant growth opportunities. I think we're encouraged by Bill 32, because it does allow competition and that's something we're quite willing to compete on. Also, Ontario does have a significant portion of the population that still does not have access to gas, so that does present an opportunity to us. We also see, as we talked about, this multi-utility—there are other opportunities that we're seeing on the infrastructure side in terms of utilities. We're very willing to invest in that.

Mr. Lorne Coe: Thank you for the answer. Do you think the government's plan, as it's articulated in Bill 32, to expand natural gas has an advantage over the previous government's approach? If you do agree with that—and your slide deck was seen to indicate that—how so?

Mr. Steve Stanley: I think it opens it up for a much broader range of expansion in the natural gas field. There was initially, I think, a limited amount of dollars that were put forward in the grant program. If you looked at the funding available for all of the projects that have been out there, it probably wasn't sufficient to go forward, so this does give that opportunity to further expand natural gas reach within the province.

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Mr. Lorne Coe: Chair, through you, to MPP Hogarth, please.

The Chair (Mr. Dave Smith): Ms. Hogarth.

Ms. Christine Hogarth: Okay—oh. Sorry. I'm just going to pass it on to MPP Lecce.

The Chair (Mr. Dave Smith): Mr. Lecce.

Mr. Stephen Lecce: Thank you, Chair, and thank you both for coming today to deputize. You spoke earlier, specifically Mr. Stanley, about how this bill will enable greater scope, participation and access to affordable natural gas. In your own community, could you further contextualize the economic development opportunity that may be leveraged by accessing affordable natural gas?

Mr. Steve Stanley: If you look at the document that we handed out, specifically on south Bruce, we're projecting on the rates that we put in to the Ontario Energy Board that the average household will save approximately \$800 to \$1,800 annually, depending on what source of fuel they're using right now. Even in the lowest case, this is a significant savings for families in this region.

In addition, fuel and energy is a very expensive thing for industries in the area. In many cases, the energy costs for a lot of the industries—there's a large ethanol facility

in the region, and greenhouses, as well as many agricultural ones for grain drying. That has the potential to actually reduce energy costs by about 40%, is the estimate in terms of what they're currently doing. Most importantly, it will put them on a level playing field with other industries in Ontario.

Mr. Stephen Lecce: Right.

The Chair (Mr. Dave Smith): Before any more questions, I will remind everyone to speak into the mike, please. Unfortunately we've got the heating system going fairly high, and it makes it difficult for many people to hear.

Mr. Lecce, do you have another question?

Mr. Stephen Lecce: I do, Chair.

Just a final question: You noted a 40% reduction in savings, and the application of that was for the consumer. Would you contextualize, from a business perspective, how this can unleash economic development potential and job creation in sectors of the economy that otherwise have faced some difficulty over the past decade or so?

Mr. Steve Stanley: As I mentioned, probably most important is that industry in this region don't have a competitive advantage in terms of what they're dealing with, with other industries that have access to natural gas. I think you'll hear from the mayors that that has actually stopped industries from going into the region at times, because there is not access to natural gas. Their other fuel sources tend to be much more expensive than what you see on natural gas.

Mr. Stephen Lecce: Thank you.

The Chair (Mr. Dave Smith): Ms. French?

Ms. Jennifer K. French: Thank you very much. Welcome to Queen's Park. I'm glad to have your submission in front of me, and I look forward to carefully reviewing it.

But while I've got you: I appreciate that your project had already been approved by the previous government. I had the opportunity to meet with folks from the ministry, and we asked questions about the 12 projects that had been approved. Our understanding is that only three of them that they outlined to us have currently been approved to go forward. You're not on that list, that we're aware of. What is the current state of things with this particular government? Is this your first opportunity to come forward and have this conversation?

Mr. Steve Stanley: I guess there are two paths to approval. The project has been approved through the Ontario Energy Board in terms of selecting us as the utility to develop that project there and requiring us, then, to put in what's called a "leave to construct," which we've done. In terms of the funding part of it, that was tied to this leave to construct that was put in in September. So what we're looking at now is Bill 32, to be able to supply the required additional funding to make the project economical, the \$22 million that was originally provided to us in a grant from the previous government.

Ms. Jennifer K. French: In going forward under Bill 32—I appreciate that you were talking about the competitive opportunities, but it isn't clear from the bill—I mean,

it certainly wasn't clear when we met with the ministry—what the role of the OEB will be in going forward. The approval process that you've been through and the assurances and the hoops that you have jumped through to get to this point—I'm not clear on whether that will put you ahead of the game to ensure that you can go forward with your project.

I'm wondering if you have any questions about what that will look like to ensure that your project can move forward, because I'm sitting here recognizing that you're making a case for your project to be among those to actually happen, to bring this opportunity to your communities.

Mr. Steve Stanley: I guess what we've asked for—and you talked about it in the summary here, that we've asked that the decisions that the OEB has made to date are respected in terms of going forward. We and the communities have been working on this a long time. This is probably the furthest advanced project that's there and the first one that's gone through a competitive process. I think there's a lot of trust that the costs and so forth are reasonable and just. That's what we're asking for—that Bill 32 respect the work that has been done to date through the OEB.

Ms. Jennifer K. French: Have you had conversations with this government about Bill 32 before today?

Mr. Steve Stanley: Yes.

Ms. Jennifer K. French: Okay. Have you had any reassurance that those decisions will be respected?

Mr. Steve Stanley: We've asked that they are. We haven't received assurances at this point that they will be.

Ms. Jennifer K. French: Okay. How am I for time?

The Chair (Mr. Dave Smith): You've got a minute left—just over.

Ms. Jennifer K. French: A minute left. I have lots of thoughts; now I have to form a question.

In terms of the industry piece and competition, I'm again not clear what the ratepayer base is going to be that funds this. If it's strictly residential—that was sort of indicated in our meetings with the ministry. Do you have any knowledge or any clarity from your conversations with the government on where that funding would come from, like if it's strictly residential?

Mr. Steve Stanley: I believe the bill talks about all classes of customers.

Ms. Jennifer K. French: Including industry? Is that in your—

Mr. Steve Stanley: I think it says that all consumers and classes of consumers are required to contribute. That's what's in the bill as it states right now.

Ms. Jennifer K. French: Well, it's left to regulation who will be on the hook for that. I guess we'll wait and see.

Mr. Steve Stanley: Yes.

Ms. Jennifer K. French: Thank you. Time?

The Chair (Mr. Dave Smith): Ten seconds.

Ms. Jennifer K. French: Thank you for coming.

The Chair (Mr. Dave Smith): Thank you very much. That concludes the time that we have for this presentation.

ONTARIO CHAMBER OF COMMERCE

The Chair (Mr. Dave Smith): Could I have the Ontario Chamber of Commerce come to the table, please? Introduce yourself, and once you introduce yourself, your time will start. You have 10 minutes to present.

I'd like to remind everyone to please bring the microphones as close to your face as possible when you're speaking because of the background noise. Thank you very much.

Ms. Michelle Eaton: Hello. My name is Michelle Eaton. I am the vice-president of communications and government relations at the Ontario Chamber of Commerce. Can everyone hear me okay? Okay, great. As Ontario's business advocate, I'm pleased to be here today to comment on Bill 32, the Access to Natural Gas Act, 2018. On behalf of the OCC and the Ontario chamber network, thank you for this opportunity to speak today. I really appreciate it and so do our members.

For more than a century, the Ontario Chamber of Commerce has supported economic growth in Ontario by advocating for business priorities at Queen's Park on behalf of our 60,000 members in 135 communities across Ontario. The OCC and our members have long recognized that natural gas is both a clean and affordable option for powering homes and businesses across this province. Year after year at our annual general meeting, in fact, the Ontario chamber network has voted unanimously in support of expanding access to natural gas to rural communities.

1520

Last year, this resolution was again passed unanimously with support of all of our chamber members. As the resolution explicitly states, natural gas access will fuel new economic growth.

Not only has this resolution been supported by our friends in northern and rural Ontario, it has received strong support from chambers throughout the rest of the province, which recognize that affordable energy is fundamental to equitable regional economic development, which in turn is critical to the prosperity of our province. Expanding access to natural gas is also a key interest for many of our members for whom the lack of affordable energy is a persistent challenge in their competitiveness and ability to create jobs and drive economic growth.

The message we've been hearing from our members and the message to government from us has been loud and clear: Ontario's business community strongly supports the expansion of natural gas across Ontario.

Not surprisingly, however, this has been a key feature of our advocacy work for some time now. This is an ask we've asked loudly and persistently because of its importance to the prosperity of our province. Most recently, when the government was newly formed, we sent blueprint letters to the newly formed cabinet. These are our blueprints of how to keep Ontario open for business, outlining our priorities for the government. Natural gas expansion was something that was featured prominently in all of these letters.

I'm here today to tell you what Bill 32 means for our business community in Ontario. Access to affordable

electricity is a necessity for all Ontarians. Between 2006 and 2015, the total cost of electricity service in the province grew by 32%. Electricity costs are most acute in rural and Indigenous communities, where they have simply become unsustainable for many of those ratepayers. This has direct and dire consequences for our economy. It leaves Ontarians with less money in their pockets, and that means less money to spend in our respective communities. It also means leaving businesses with less money to invest in job creation and economic growth in their communities. To put it bluntly, the existing lack of affordable electricity critically undermines the competitiveness of our province as a place to live, a place to work and a place to run a business.

In addition to being affordable, natural gas is a clean source of energy. Natural gas enabled Ontario to transition off of coal-fired generation, and it provided a source of on-demand power to our wind and solar sources. As a flexible, low-carbon energy source, natural gas will be instrumental in helping Ontario balance affordability with environmental objectives.

When implemented, Bill 32 will encourage private distributors to partner with communities to develop projects that expand natural gas throughout rural and northern Ontario. Until now, the cost of investing in capital expansion projects meant this was simply not viable for most private suppliers. Leveraging private sector resources and expertise will ensure that Ontario's energy systems are sustainable and that they generate efficiencies for ratepayers in the long term.

Additionally, by unlocking private sector participation, Bill 32 will provide substantial savings to government, which will help restore fiscal balance and allow for the implementation of other essential infrastructure projects, such as broadband.

Expanding access to natural gas will drive economic growth in rural and northern Ontario by strengthening business competitiveness, accelerating job creation and making life more affordable for people in those communities. Under the new program, an estimated 78 communities and 33,000 households are expected to directly benefit with new access to natural gas. This means that these Ontarians will no longer be left behind.

Bill 32 will also have widespread economic spillover effects for the rest of Ontario by creating opportunities for regional economic development that has thus far been limited by a lack of access to reliable and affordable power. To give one example for you: Northwestern Ontario has the potential to undergo massive growth in its mining sector, which would generate tax revenue and boost GDP for the rest of the province. Until now the cost and availability of existing fuel sources has made such growth a significant challenge. Bill 32 will allow rural and northern communities to realize their potential and become economic drivers for Ontario.

In conclusion, Bill 32, the Access to Natural Gas Act, 2018, sends a clear signal that Ontario is open for business. Thank you very much for your consideration. We look forward to a timely implementation of the bill, and we look

forward to continuing to work together to support evidence-based policies that encourage prosperity across the province.

The Chair (Mr. Dave Smith): Thank you very much. We will start with Ms. French again.

Ms. Jennifer K. French: Again, welcome to Queen's Park. Just so that I'm clear from the committee, were there notes?

Ms. Michelle Eaton: No.

Ms. Jennifer K. French: Okay, just making sure I wasn't missing that.

Thank you for your presentation. Certainly I think everyone in this room has heard from businesses and communities that are calling for affordable energy and power. Your example of northwestern Ontario—I think most of us in this room had a chance to meet with the miners yesterday and heard from them that the cost of energy is, for them, astronomical and is quite a deterrent. I would imagine that most of your members are smaller-scale power users, but still, this is what we've heard is their number one issue.

We certainly support access to natural gas and the concept of expansion, because we've been hearing it for years. But in terms of this bill, most of it is left to regulation in terms of the nitty-gritty—you know, who will cover the costs in terms of the ratepayer base, as I mentioned earlier—and the actual design details, the role of the OEB. Do you have any recommendations for this government or concerns about things that should be factored in to protect your members and to protect the communities as they're designing this?

Ms. Michelle Eaton: What I would say is that this is something we've been hearing from our members. The ask for expansion has been something that we've heard year after year, loud and clear. So we welcome the introduction of the bill.

This is just the beginning. It's actually been a great news week for Ontario with last week's announcement of the Making Ontario Open for Business Act. It looks like the government is moving forward on an aggressive agenda to really open up opportunities for economic prosperity. We will continue working collaboratively with the government as the bill moves forward.

Ms. Jennifer K. French: Some of our concerns we had tried to address—and we met with ministry folks trying to get specifics on what will be decided in regulation. It seems that there will be little to no OEB involvement. They said that the OEB would be consulted, along with distributors and interested parties. Do you have thoughts on what you would like to see as the OEB's role? Recognizing that your members want expansion, but if there are pieces about protection or who decides which projects go ahead—because if it's the large distributors, I wonder what that would look like for some of our more entrepreneurial endeavours.

Ms. Michelle Eaton: I think that the whole business community has a role to play. I mean, this isn't on the shoulders of business alone, as we move forward. Our members will look forward to being consulted. During the

process, we've worked collaboratively with the Minister of Infrastructure's office as we've advocated for this bill. We hope that that strong relationship continues.

Ms. Jennifer K. French: Of the \$100 million from the previous government's commitments, one of the things the ministry said was that only the remaining \$55 million to \$60 million left over from cancelling the Natural Gas Grant Program might go to broadband or would be available. We were left to wonder which projects—if they were only the existing ones, for example, SWIFT, which had already been committed, or if we were talking about new broadband. If there's anything you'd like to get on the record about your want for broadband?

Ms. Michelle Eaton: It's certainly of interest for our members, especially in rural and remote communities. That's something that we hope to work together with the government on. Thank you very much.

The Chair (Mr. Dave Smith): You still have a minute.

Ms. Jennifer K. French: I still have a minute?

The Chair (Mr. Dave Smith): Yes—53 seconds, 52, 51—

Ms. Jennifer K. French: Okay. You had given one example of northwestern Ontario, the mining sector. Can you take this opportunity to maybe expand on some of the other, as you said, widespread economic spillover effects for a more local or rural example? A smaller example, perhaps?

1530

Ms. Michelle Eaton: Thank you for your question. It's a great question.

Ms. Jennifer K. French: Thanks.

Ms. Michelle Eaton: If you think about what a business owner could save—I grew up in southwestern Ontario, on a farm. If you think of a small town business owner, if they're saving money, they're reinvesting that money into growing their business, growing their employees and reinvesting in their community. The multiplier effect is unknown right now, but it could have substantial impacts for our communities in rural and northern areas of the province—

The Chair (Mr. Dave Smith): Thank you. I'm sorry; we've come to the end for that.

Ms. Jennifer K. French: Sorry.

Ms. Michelle Eaton: All good.

The Chair (Mr. Dave Smith): Ms. Hogarth?

Ms. Christine Hogarth: Thank you, Ms. Eaton, for being here. I really appreciated your deposition today. I actually also want to thank the Ontario chamber for all the work you do. You work with small communities and you work with larger communities, but you also advocate for your 60,000 members in a non-partisan way. When the government gets it right, you share that, but when the government gets it wrong, you'll also share that. Over the years, you've done a lot of work to help improve some of the policies that governments have done, so I thank you for your advocacy work for the betterment of our province.

Ms. Michelle Eaton: Thank you.

Ms. Christine Hogarth: You've previously advocated—you talked about your policy paper, your blueprint.

I was just wondering: You talked about 78 communities that are going to benefit from the expansion. Why is it so important to those communities?

Ms. Michelle Eaton: Thank you very much for your question. Natural gas expansion is important for Ontario's business community to create jobs and spur economic development opportunities that will continue to help grow these communities into the future. No person and no community should be left behind simply because of where they're located, right? The business community and government all have a part to play to help encourage that economic growth in our communities across Ontario.

Ms. Christine Hogarth: Okay. How does this legislation, in your opinion or in your members' opinion, signal that Ontario is open for business?

Ms. Michelle Eaton: At the Ontario Economic Summit last week, we certainly appreciated the Premier's "Open for Business" signs that he unveiled. Listen, this is really welcome news, because it means that we're putting more money back in the wallets of taxpayers. We're giving business opportunities to contribute to the development of their communities. It's something that our members have long advocated for, year after year at our AGM, and it's why it was so important to include in a number of our blueprint letters to the new cabinet, to reinforce that this is fundamental for the future of our province.

Ms. Christine Hogarth: Thank you. I'm going to defer to my colleague Mr. Kramp.

The Chair (Mr. Dave Smith): Mr. Kramp?

Mr. Daryl Kramp: I should say that your testimony today is like music to my ears.

The Chair (Mr. Dave Smith): Mr. Kramp, could you speak into the microphone, please? Sorry.

Mr. Daryl Kramp: Thank you.

Your testimony today is like music to my ears, and the reason I say that, of course, is that I do share a little bit of history with you. I'm a past president of a regional chamber of commerce, dealing with all of the issues that you have just been dealing with. From another perspective, I came from a rural community, similar to some of our other guests who will be here today, that did not have natural gas. It was just highly, highly problematic. In a number of areas, we were going strictly downhill. We were not competitive. The energy sources we did have were polluting.

And then, eureka! Natural gas came. It was literally like a breath of fresh air. We had an industry locate. All of a sudden there were a hundred jobs, and they were energy-intensive. They could not have existed without natural gas. I've got a plethora of success stories I'd like to relate today, but you're not here to hear me; we're here to hear the witnesses.

I did appreciate you endorsing the fact that it is an indication that we're open for business. A very, very quick one, then: Obviously I believe but—can you give me a yes or no—do you believe this is critical to the actual prosperity of business in our province?

Ms. Michelle Eaton: Absolutely.

Mr. Daryl Kramp: Okay.

Ms. Michelle Eaton: And I think what you raised about competitiveness was a very key point. This allows for greater competitiveness for our businesses across the province.

Mr. Daryl Kramp: Right, and we've seen areas, of course, where they burn wood, coal etc. Do you personally, and does your organization, believe this is a clean source of energy?

Ms. Michelle Eaton: It is a clean source of energy that's more affordable for Ontarians, and it's going to open up a lot more opportunities for Ontario business.

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Michelle Eaton: It has helped us get away from coal, and it has provided a sustainable source of energy for our wind and solar resources. So it's very welcome news for us.

Mr. Daryl Kramp: So you're finding it's a complementary form of energy that absolutely is part of the overall long-term solution for us?

Ms. Michelle Eaton: Absolutely.

Mr. Daryl Kramp: Thank you very much. No more questions.

The Chair (Mr. Dave Smith): Thank you very much. This ends this presentation.

MR. TOM ADAMS

The Chair (Mr. Dave Smith): Next up we have Mr. Tom Adams. Please come to the table for us and introduce yourself. Your 10 minutes will start as soon as you start to speak.

Mr. Tom Adams: Thank you, Mr. Chairman and committee members. My name is Tom Adams. I appear as an unaffiliated private citizen. I'm an energy consultant specializing in consumer concerns. My principal client is Poteck Power Corp., a power bill audit company. We help commercial and institutional customers who have been overcharged for power. I also undertake consulting work in electricity, and journalism work in electricity and gas markets, mostly in eastern Canada. I have no consulting engagements in the natural gas field.

Bill 32 appears to be a reaction to a natural gas delivery subsidy initiative of the previous Wynne government. Just to recap what that was, it was applied as a fixed, one-time, taxpayer-funded budget item to subsidize the expansion of natural gas delivery in certain identified rural regions.

My purpose here today is to argue for scrapping Bill 32 entirely. The Wynne government's approach is not an approach that I prefer. However, by comparison to Bill 32, the Wynne government's approach for promoting gas delivery expansion was transparent, constrained, targeted, efficient and accountable.

Bill 32 would create a blank cheque for the government of the day to impose hidden taxes of unlimited size on existing natural gas customers to fund benefits for a chosen few. Those hidden taxes will be dressed up as regulatory charges, attempting to circumvent the constitutional prohibition on indirect taxation. Customers who pay these hidden charges will receive zero benefit of any kind from

the higher costs they incur—all pain, no gain, except for those who get the subsidies.

Where have we seen this before? McGuinty's Green Energy and Green Economy Act did exactly the same thing: off-book funding for initiatives of government, paid for with hidden taxes on electricity. Also paralleling the Green Energy Act, the financial structures allowed by Bill 32 could create windfalls for certain energy companies.

Some regulatory economics might help explain the potential for windfalls—apologies in advance for my use of jargon. In the normal life of gas utilities, investment costs to support potential new expansion projects are compared with cash flows net of operating costs forecast to arise from those projects. Where the expected cash flows are insufficient to carry the investment costs required, the potential customer seeking service is required to pay a contribution in aid of construction to support the utility investment. Where the private benefit of gas service to the customer exceeds the contribution in aid, customers will typically pay the upfront charge in order to get the necessary pipe built.

Here's the trick: After more than 100 years of regulatory jurisprudence in Ontario and elsewhere working out the complexities behind the simplified version of the story I've just given you, regulators have determined that utilities are not allowed to earn a rate of return on contributed capital. The previous Wynne government's taxpayer-funded program was structured as a contribution in aid of construction. This structure reduced the capital added to the utility rate base, and therefore eliminated the risk of utility windfalls and reduced the long-term impact on ratepayers.

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While the loose financial arrangements set out in the regulations section of Bill 32 might allow the minister to follow this sensible approach, the bill would also permit rate base treatment and therefore windfalls. Bill 32 is a recipe for unaccountable government action. All of the economic implications of Bill 32 would arise from regulations not directly in the act—regulations where government actions are hard to track. New powers in the bill would give the minister unlimited opportunities to hide the costs in the darkest corners of utility accounts. The costs would be diluted across potentially millions of non-participant Ontario ratepayers. Nothing in Bill 32 would provide the slightest opportunity for due process for disadvantaged consumers.

Figuring out what new gas expansions are justified is one of a wide range of complex commercial and regulatory questions that gas systems manage every day. Bill 32 declares that the normal investment processes should be thrown out. My question is, what's next? Are you going to mess with cost allocation, rate design, metering or depreciation schedules? How about working capital? How about operating costs? Are you going to meddle with all of those things too?

It seems obvious that the purpose of Bill 32 is to expand the political benefits of Wynne's rural subsidy program while shifting the costs off of the government's books. A

far better course of action would be for this government to respect regulatory traditions and restore processes managing and overseeing gas system expansion based on over 100 years of commercial and regulatory practice. Politicizing gas investments risks bringing to the gas world all of the stability and discipline that question period has provided to Ontario's electricity system.

Private gas distribution investment supervised by independent, professional public utility regulation has been a winner for Ontario. Gas has been almost entirely an apolitical topic in this province for 100 years. You might consider strengthening what works. Have we learned nothing from Ontario's experience with a politicized power system? If you must intervene in gas distribution expansion decisions, I urge you to abandon Bill 32 and adopt the far less harmful Wynne version.

Earlier this week, I had the unhappy task of testifying before the committee on social policy with respect to Bill 34, which claims to repeal the Green Energy Act. The upshot of that presentation was to urge the committee to completely reconsider the legislation. It brings me neither pleasure nor income to tell you that Bill 32 should be treated in exactly the same way.

The Chair (Mr. Dave Smith): Thank you very much. We'll start with Mr. Lecce.

Mr. Stephen Lecce: Thank you very much, Mr. Adams, for your presentation today. I understand, having done a mild amount of research, sir, that you are a pre-eminent expert in this field, so we take your opinion, certainly, under advisement.

I do want to get your perspective, sir, on the future of natural gas as part of the energy mix in this province. Obviously I think where we can agree is that it is going to remain an important part of energy and what will fuel our industry and our consumers for years or decades to come, certainly. I want to know that, especially given—and permit me, because I think it is germane—that there was a leaked memo two years ago—I think you commented on this at the time—by the former government that suggested that we ought to be phasing out natural gas to the province. I want to know, is that a realistic premise?

I'm not sure if you're laughing at the question or my emphasis in the question, but there are other elements, certainly in the Leap Manifesto, and there are other elements in the political left, if you will, that really do believe in ridding natural gas from the province of Ontario. I think most people in small and medium-sized enterprises and most consumers in rural parts would submit it as affordable and as viable. Do you accept that premise? What is the future?

Mr. Tom Adams: I think natural gas has played a very, very important role in Ontario, and it's likely to continue to do so for the foreseeable. A secure, stable, affordable and reliable supply of natural gas is absolutely critical. Ontario's got a lot of strengths to work from. We're not coming out of this raw.

Mr. Stephen Lecce: Thank you, sir. In the past—and I think you reiterated this point, Mr. Adams—you called the former government's natural gas program bad policy. I

know you've touched on it, and just as a student of history, I'm curious to understand what were the main lessons learned that ought not be repeated or issues that you thought exacerbated the affordability crisis in the province of Ontario when it comes to energy. Because, as the chamber mentioned, the prices—I'm not exactly sure the period of time, but she suggested a 40% increase. We know that electricity, writ large, has gone up dramatically in Ontario. How does that make worse or compound a problem when it comes to affordability of energy sources in the province of Ontario?

Mr. Tom Adams: In recent times, natural gas has been like a protection for customers. A lot of the reason why electricity demand is going down is because of load switching, fuel switching. People have been shifting loads to natural gas as a way of mitigating their exposure to rising electricity costs. This pattern was repeated in the early 1990s. When Darlington came onto the rate base, we also saw a big spike in electricity prices, and there was a huge migration to natural gas that happened also at that time. So natural gas has been a hedge for energy consumers against the vicissitudes of the rising costs of electricity.

Mr. Stephen Lecce: Just a final question for you, sir: Could you just give context, globally—I'm interested in the comparators—of the use of natural gas as part of the energy mix in the fuel industry? Obviously, as was mentioned, we have an interest in incenting job creation, investment and the growth of our economy after some years of contraction in specific industries, particularly manufacturing, where natural gas is, of course, a beneficiary. Could you just talk about how natural gas globally, be it in trading competitors that are relevant to Ontario or otherwise, has played an important part of the competitive advantage they offer their industry?

Mr. Tom Adams: Well, that's an easy one. In the price of natural gas, we've gone through an extended period where, although natural gas has historically been prone to a lot of price volatility, the price has been very well behaved for a long period of time.

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Tom Adams: The demand for gas globally has been growing for a lot of reasons, partly the environmental attributes' attractiveness relative to other fossil fuels, but also the improvements in the efficiency of utilisation. All of these factors contribute to a customer value proposition. I'm here, really, speaking on behalf of the interests of customers on the existing gas system.

The Chair (Mr. Dave Smith): Thank you very much. Ms. French?

Ms. Jennifer K. French: Welcome, Mr. Adams. I appreciated your passion, certainly, on this file. You made a few interesting points that I would like to delve into a little bit more. As I mentioned before, I had the opportunity to have a briefing on this bill with the ministry, and we had a number of questions and concerns, especially because very little is in statute and most is left to regulation. One of the things that we did ask, though, was about whether or not—the government says it might be a dollar on the bill—that is a regulatory charge or if that could be

considered a tax. As you can imagine, I don't think the government or the ministry wants us to call this a tax, but in order for it to be considered a regulatory charge, it would have to be a benefit. The ministry did say that people would benefit from the expansion through lower gas prices. I'm not convinced that there would be lower gas prices, so could you speak a little bit about the concept of a tax or a regulatory charge?

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Mr. Tom Adams: Yes, I'm very uncomfortable with the idea that adding more customers to the system is going to bring down the costs for the customers that are paying for that subsidy. I really don't see the connection.

Ms. Jennifer K. French: No, and frankly, we were concerned as well because I would say that typically, increased demand increases the cost of a scarce commodity. The ministry said, "Not necessarily." So duking it out over whether or not to call it a tax or a regulatory charge will be interesting.

During the select committee, the former Liberal government had sought an opinion from former Supreme Court Justice Binnie on whether the clean energy adjustment was considered a tax or a regulatory charge. Anyway, the memo suggested that it wouldn't be considered a regulatory charge. One would wonder if this government is getting the same opinion.

Mr. Tom Adams: Yes, I think we've got to be really careful about keeping—one of the reasons we should be keeping politics off of the utility bill is this problem of transgressing constitutional prohibitions on indirect taxation. Every time government is in there meddling and sending favours to their friends at the expense of everybody else, they're running the risk that a class action suit or something else will come along and the courts will look askance at a charge that's dressed up to look like a utility charge or a regulatory charge, but is actually the cost of a government initiative, which would appropriately be a tax-borne charge.

Ms. Jennifer K. French: Historically, as you've mentioned, the regulatory role has kept any industry from expanding willy-nilly. If we're not clear on the OEB's role or regulatory involvement—if this bill goes forward, what would you like to see the OEB's role be? Because now it sounds consultative in nature in only.

Mr. Tom Adams: Yes. The bill, on its face, would leave the best possible scenario for the board to be at least monitoring and giving us some disclosure on how these things work.

The way it works today is the board supervises gas expansion using a variety of cost-effectiveness tools, including portfolio tools. They're looking at the overall rate of return on geographic collections of expansion projects in order to make evaluations about cost-effectiveness. It's not done on a customer-by-customer basis. That model arose from a lot of litigation that goes back several decades, some of which I was involved in.

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Tom Adams: Following the model that exists today for cost-effectiveness evaluation, using that for tracking, might give us some transparency.

Ms. Jennifer K. French: Ten seconds?

The Chair (Mr. Dave Smith): Fifteen seconds.

Ms. Jennifer K. French: Okay. I share your concern as well with the government taking all of the province's skin out of the game and shifting all of the burden to the ratepayers as opposed to taxpayers, and basically checking out of accountability. I appreciate you making that comment.

The Chair (Mr. Dave Smith): Thank you. That ends the time we have for this presentation.

ONTARIO FEDERATION OF AGRICULTURE

The Chair (Mr. Dave Smith): Our next presenter is the Ontario Federation of Agriculture. Please introduce yourself. You'll have 10 minutes when you start to speak.

Mr. Pat Jilesen: Good afternoon, Chair, and ladies and gentlemen. My name is Pat Jilesen. I'm a director with the Ontario Federation of Agriculture. The OFA represents the interests of 38,000 farm families across Ontario and works closely with the rural communities in which our members live and work.

Thank you for the opportunity to comment on Bill 32. Access to natural gas infrastructure for rural and remote communities, and for agricultural operations, has been a goal of the OFA for many years. We commend this government for its commitment, through Bill 32, to bring energy cost relief to rural Ontario by enabling privately funded natural gas expansion to small, rural and remote communities. We have often said that an investment in natural gas infrastructure may be the most important investment that can be made in rural Ontario.

Clean, abundant and affordable natural gas is readily available to urban customers. However, with only 20% of rural Ontario serviced, expanding natural gas access across Ontario must be a provincial infrastructure priority. Energy is one of our largest expenses on the farms. If natural gas were available across the province, it would free up well over \$1 billion in annual energy spending and greatly boost business opportunities. That is a new \$1 billion in disposable income across rural Ontario every year. Pipeline access will also enable renewable natural gas production—or, biogas—to power distributed energy resources and lend additional economic support for further expansions.

However, without the support Bill 32 proposes, the upfront aid to construction costs needed to make expansions viable put these projects beyond reach. Bill 32 is needed to enable natural gas expansion. A \$1 to \$2 monthly charge will enable rural, remote and northern expansions, including pipeline infrastructure, or compressed or liquid natural gas solutions where more appropriate. Funds would also be used to make the aid to construction large enough for individual community or sub-community level expansions to be deemed viable as defined by OEB regulations.

Ontario needs this smart investment for smart expansion. Working with distributors, the Eastern Ontario

Wardens' Caucus and the Western Ontario Wardens' Caucus, we identified the concept of smart expansion; that is, developing programs that combine community expansion opportunities with economic development opportunities. This means developing natural gas expansion projects and routing that will capture not only homes, but also businesses and our farms. In doing so, the distributors maximize the economic potential of small towns and surrounding areas.

Investing in small communities improves rural Ontario's physical and social infrastructure, providing opportunities to work and live in communities throughout the province. This is not just good for rural Ontario, it also alleviates strains on Ontario's urban centres. Rural Ontario and our agri-food industry is alive with innovation, opportunity and economic potential, and the more success in its rural areas, the better and more prosperous everyone becomes across the province.

We caution that utilities alone must not oversee the prioritizing of expansions without government, regulator and rural stakeholder input. The OEB must encourage utilities to plan for smart expansion by considering expansions that contain both a community, and a business and agricultural component. Smart community expansion can happen when the proposal captures all components of a community: its homes, its businesses and its agriculture operations. The provincial government needs to work with natural gas distributors and rural stakeholders to develop fair and equitable ways to install natural gas pipelines throughout rural and remote Ontario over the next 20 years. This represents an excellent beginning for the province's renewed relationship with rural Ontario.

On behalf of the OFA's more than 38,000 farm families and farm businesses across Ontario, we look forward to continuing our work with rural community stakeholders, utilities and government to ensure Bill 32 reflects and promotes the best interests of agricultural, rural and remote communities, and Ontario's long-term energy policy objectives.

The Chair (Mr. Dave Smith): We'll start with questions, then. Ms. Kusendova?

Ms. Natalia Kusendova: Hello, and thank you so much for being here today. On behalf of myself, as well as all of my colleagues here today, I want to thank you for your presentation and, as well, thanks to all of the members of your organization for the hard work that they do. Certainly, our government does appreciate how much work and effort it does take to grow our produce and bring it to our Ontario families' tables. We are in great appreciation of that work.

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As you know, our Premier has toured our province and has toured rural Ontario and has consulted with many stakeholders and rural families, farmers and local businesses. He was actually at the plowing match, where he announced the expansion of natural gas. That was a good-news story for our farming community. We talked about Ontario's competitiveness, and we talked about our skyrocketing hydro rates and the work we did on the

previous bill. We spoke to many farming communities, as well, about how unaffordable hydro rates are making their businesses uncompetitive.

Can you please tell us a little bit about how this expansion and access to natural gas, which will benefit 78 communities and about 33,000 households, will affect your industry and how it will help your businesses thrive?

Mr. Pat Jilesen: Thank you for the question, Natalia. It's a very good one.

Obviously, natural gas is a cost and energy is a cost on our farms. Natural gas represents a major savings on energy. When it comes to heating, with regard to electricity, I believe it's four times less expensive than electricity to heat. We use natural gas on our grain dryers to dry the crop down so that we can store it and get it to you guys. It just represents a savings and an opportunity for us to grow as well. It also represents an opportunity for investment in rural Ontario and on our farms that we see could be our competitive advantage.

Ms. Natalia Kusendova: Absolutely. Do you expect farmers and business owners to reinvest those savings into further expanding, or maybe into better technology, cleaner technology?

Mr. Pat Jilesen: Absolutely, in many ways. On the surface, when we save some money and find savings in our communities, we tend to spend them in our communities, and that includes within the province, so that in itself is a good thing.

Certainly, there are opportunities. If we can get that infrastructure in place, those pipelines that we need to get the natural gas to us, there is an opportunity in investing in biogas opportunities, where we can capture methane from cattle, turn it into natural gas and put it back into the line. It's something that could be really good for the environment. Renewable natural gas is not a new thing, but it's something I think this province could get their hands on and work with.

Ms. Natalia Kusendova: We know that allowing for expansion to natural gas will save around \$800 to \$2,500 per family. Do you think that these savings will also allow families to buy more locally grown foods and contribute to a healthier Ontario?

Mr. Pat Jilesen: It's a very good question. I'm glad you brought that up.

As Ontario farmers, we want to grow what Ontario wants to consume, what Ontario wants to eat. To us, it's really important that when we do see savings, like I mentioned earlier, on our farms—that gives us an opportunity to reinvest. What we do is we reinvest in our communities. People tend to reinvest in their communities, spend the money in their communities, and through that we can see excellent economic growth.

Ian has something to add.

Mr. Ian Nokes: Thank you. My name is Ian Nokes. I'm a research analyst at the Ontario Federation of Agriculture, and one of my files is energy.

Beyond farmers, you talked about rural communities—and I'm going to say rural, remote and northern communities. We need to also understand that a lot of people retire

or move to rural areas, are on fixed incomes, and we've heard that they struggle with electricity costs and heating costs. It's almost, I would say, vital and critical that we provide this abundant source of affordable fuel to these people. So it's not like—if you gave me \$2,000 a year, I might buy a TV, and that will benefit somebody in another continent who built the TV.

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Ian Nokes: But it's very important that these people have the ability to buy food with the money they save.

Ms. Natalia Kusendova: Thank you.

The Chair (Mr. Dave Smith): Mr. Kanapathi?

Mr. Logan Kanapathi: Thank you for coming out and making your wonderful presentation. I know you mentioned in your presentation about how access to natural gas in rural communities would be very important. It's been long overdue. I don't know why we have been—

The Chair (Mr. Dave Smith): I'm sorry, we've run out of time. I'm sorry. We'll have to move over to Ms. French.

Ms. Jennifer K. French: Thank you and welcome. It's nice to have you here and I appreciate the submission. I also appreciate, certainly, the work that your members do across our communities. We all appreciate eating, and as you said, Ontario wants to grow what Ontarians not just eat, but consume, we'll say. So thank you for that. We rely and depend on you. We have a very vocal member of our caucus who is a dairy farmer, John Vanthof, and he's very good at ensuring the rest of our caucus has a full and total appreciation of the needs of northern, rural and agricultural Ontario.

To that end, one of the concerns that I have raised in the Legislature during debate—and we will certainly be challenging this government to make the change when we come forward with amendments—is the fact that this is a bill where we've heard a lot about how the goal is to support and help rural, northern, remote and agricultural Ontario, and none of those words appear in the bill. I'd like to—you're here advocating for your members, but would you like to also see the actual, in-writing commitment in this piece of legislation to ensure that it indeed accomplishes what we all hope it will?

Mr. Pat Jilesen: Well, thank you for the question. It's a very good point, actually.

Of course, it's my understanding, and I believe it's the OFA's understanding, that the intent of this bill and the spirit of this bill is to get natural gas infrastructure expanded into rural, remote and northern communities, where it's needed.

Ms. Jennifer K. French: I'm crossing my fingers as you say that.

Mr. Pat Jilesen: You're crossing your fingers and I am too. I've been crossing my fingers for 14 years, with several announcements about natural gas infrastructure improvements in rural Ontario.

What I see here is a good step forward. Certainly I'd love to have more clarity in everything I read, and I understand your concern. My hope is that this is what will lead

to the natural gas expansion and infrastructure that rural Ontario needs, that northern communities and remote communities and agriculture need, for the benefit of all Ontarians.

Ms. Jennifer K. French: As I mentioned earlier, I'm sure that everyone in this room has had the opportunity to meet with your members and hear about specific examples of what a difference it would make—not just the competitive advantage but that sustainable reinvestment in their community and a predictable piece.

Just a side thought: When I was, again, sitting with the ministry and asking specific questions about who would cover the cost of the expansion—because we know that classes of ratepayers will cover the cost, but we're not sure which classes. Our impression—and the government can correct me or this can come out as we'll see in regulations—is that it will be the residential base, and that industrial consumers would be excluded from the charge.

Where would that leave farms? A hobby farmer, I would say, is residential, but agricultural industry I would—do you have thoughts on this? Would you like any clarity?

Mr. Pat Jilesen: Thank you again for the question. It's an interesting thought. To me, a farmer is a farmer is a farmer. All farmers are the same. Whether you have a half-acre plot that you're selling at a roadside or a larger operation, 99% of them are owned by families and to me, they're all farm families and they're farmers.

When it comes to the recovery of those costs for infrastructure, I think there have been a lot of ideas suggested in the past about what we need to do to raise funds to make sure that this happens. To me, so far, this looks like a great path forward. Between a \$1 to \$2 cost to the average family per year—you're crossing your fingers again, but to me—

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Pat Jilesen: —it sounds like a very responsible way of making sure this happens, again, to the benefit of all Ontarians, not just rural Ontario.

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Ms. Jennifer K. French: To your point with \$1 or \$2 sounding reasonable, should that indeed be the cost: We don't know over how many years that cost will be borne by what ratepayer base. Again, it remains to be seen. Thank you.

The Chair (Mr. Dave Smith): Thank you very much. This ends the time for this presentation.

I would like to apologize to the members of the opposition. I went out of order. For the next two presentations, they will be asking first.

MUNICIPALITY OF KINCARDINE

MUNICIPALITY OF ARRAN-ELDERSLIE

TOWNSHIP OF HURON-KINLOSS

The Chair (Mr. Dave Smith): Our next presenters are the southern Bruce municipalities. Please introduce

yourself. As soon as you start to speak, your 10 minutes will begin.

Mr. Mark Rodger: Good afternoon, Mr. Chairman and members of the committee. My name is Mark Rodger, and I'm a partner at the law firm Borden Ladner Gervais. I have been acting for the three municipalities that constitute this group.

To my left is Mayor Anne Eadie, the mayor of the municipality of Kincardine. To my right is Mayor Mitch Twolan, the mayor of Huron-Kinloss. Mayor Paul Eagleson of Arran-Elderslie was to join us, but he sends his regrets. He cannot make it today.

I've also circulated a slide deck, but given the time, I'll just do a summary for this committee.

Bill 32 was introduced just over a month ago, but for our group, this represents the next step in a seven-year journey to get access to natural gas for our part of southern Ontario. I want to just briefly describe the collective efforts that we've undertaken over that period.

If you think of where we are in south Bruce, we're kind of like the hole in the doughnut in terms of natural gas. There is natural gas all around us, but other than a very, very small part of Arran-Elderslie, we don't have gas. This represents a very significant barrier and brake on economic development and growth in our area, and it imposes significantly higher energy costs on homes, on farms, on businesses and on the MUSH sector. You're going to hear more about this from the mayors shortly.

That's what we've been working on. Under the previous regime, the option that we had from Union Gas was that they said, "We're happy to build you a gas distribution system in your area. The whole price of the project is about \$125 million, and you three municipalities have to contribute \$75 million cash to make it happen." This is what my friend Mr. Adams was talking about as the contributed capital. Thus, it wasn't going to happen. There was no way these small communities could afford that.

So we said as three councils, "Is there another way? Is there a creative way that we could approach this problem?" What we did is, we created a comprehensive business case to show that gas in our area would be viable, but we needed a little bit of help. We had a business case. We engaged in public consultations in the three communities. We had great support from our people, farms and businesses.

Then we did something that no other Ontario municipality had ever done before. We created a request for proposal and we went out to the market. All across Canada and the United States, we handed out our business case and said, "Look, we're going to go to the market, and we want you to give us proposals on how you might meet our needs in southern Bruce." We did get proposals from Canada and the United States. We went through a negotiation process and, in the end, we chose Epcor as our provider, whom you heard from earlier today.

That was the first kind of competitive process in Ontario's history to attract a gas consumer. And the upside for us? Well, that \$75-million contributed capital? That went away. We avoided that whole cost because of the

approach we had taken. That benefited the municipalities and it benefited our taxpayers.

Now, what are the benefits of what we have done? Well, we will enhance the competitiveness of our citizens, businesses and farms by providing access to lower-cost energy options. We estimate that, for our three municipalities alone, the savings amount to approximately \$25 million per year. It's very significant.

But the enactment of Bill 32 is the critical next step in this process. I would just add that we've seen this before in Ontario. On the electricity side, we have something called rural rate assistance. We recognize as a province that it costs more money to put electricity lines to rural and northern Ontario and other parts in southern Ontario, and we say as a province we're going to have a policy that we're going to help those communities. We're not going to say, "No, they weren't entitled to electricity." We're all going to help, and I see Bill 32 as an analogy of what we've done for several years on the electricity side. But without Bill 32, our project in south Bruce will fail.

Others have taken you through the lengthy regulatory process we've already gone through with the OEB. That process will not change with Bill 32. You'll still have to run through a competitive process, you'll still need a leave-to-construct approval and you'll still need to establish rates.

But it is of note that—who said that small communities can't make a difference—what these three municipalities have done is they've changed the whole landscape for gas expansion. It's now no longer based on one monopoly provider. It's now opened up to competition and the markets.

In terms of our own commitment—also, I want the committee to understand this—Epcor, whom you heard from earlier, has already invested about \$5 million in this project for our communities. The municipalities themselves have invested \$1.6 million into the process to date, so the communities working together really have made a contribution.

In summary, Mr. Chairman—and then I'll turn it over to the mayors—in our view, Bill 32 inherently recognizes the unfairness and the adverse economic impact of having our part of southern Ontario having no access to gas. Our project will not succeed, in all likelihood—or proceed—without this legislation. If that were to happen and if our project were to fail, there are going to be a number of negative consequences. First, we're going to waste the innovative, comprehensive, multi-year, co-operative efforts of the three municipalities to get to this point. Secondly, we're going to lose Epcor as a significant new investor in this province. Don't we all need that—significant new credit-worthy parties to invest in our communities?

If Bill 32 is not enacted, you may as well forget about any further competitive procurement, because no other new entrants would come to the table if this help was not there. Finally, our citizens, farms and businesses in the MUSH sector will end up paying an extra \$25 million a year without this relief.

Therefore, it's critical that this legislation happen. Our citizens are solidly in support of it. Our councils are solidly

in support of it. When we've held public meetings over the years, the biggest question we get from the public is, "How fast can the natural gas start flowing?"

With that, I'll turn it over to Mayor Eadie.

Ms. Anne Eadie: Thank you. I've been on the natural gas initiative in our municipality, with Huron-Kinloss and Arran-Elderslie, since 2011, as deputy mayor and mayor. Back in 2011, we decided it was absolutely crucial. That was the missing piece that we needed: natural gas in our communities. Did we ever dream it would take so long? But we have persevered. We've been innovative. We are excited to be this close and to having Epcor selected as our preferred provider.

In the municipality of Kincardine, on beautiful Lake Huron, our slogan is "Great Energy. Balanced Life." For those of you who don't know, the municipality of Kincardine is an energy hub for Ontario. We are proud to be the host community to Bruce Power, the largest operating nuclear power plant in the world. Bruce Power produces over 30% of Ontario's electricity. It is undergoing a \$13-billion MCR, or major component replacement, that will benefit all of Ontario.

The municipality of Kincardine is also a willing host for a proposed OPG deep geological repository for low- and intermediate-level waste. We are also home to over 200 windmills in the municipality of Kincardine. Our neighbour, Huron-Kinloss, has about 40. So our residents and non-nuclear businesses wonder why we do not have access to the benefits of natural gas, when our municipality provides so much for Ontario's electricity for other communities. We want to have equal access to the more affordable benefits of natural gas for our residents, businesses, municipal buildings, schools etc.

Our municipality of Kincardine and the general area is experiencing growth in our non-nuclear businesses as well. A couple of examples: 7Acres, a marijuana business, had about 20 workers three years ago and, with their expansion, they hope to have up to 500 in a couple of years; and we have Superheat, a worldwide company with its headquarters in the municipality of Kincardine, and other head offices in Chicago and Los Angeles, California—but its headquarters is in the municipality of Kincardine, and they want to grow as well. I could give you more examples—but to remain competitive, our businesses need natural gas, or some of them say they might have to consider moving out of our area of rural Ontario to where they can get access to natural gas.

The Chair (Mr. Dave Smith): Thirty seconds.

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Ms. Anne Eadie: I'm going to turn it over to my fellow mayor.

Mr. Mitch Twolan: I've been at this for seven years. This has been quite a painstaking process, to say the least, but we just got re-elected again this week by the taxpayers of both of our municipalities. A topic of discussion at all of our all-candidates meetings was, "When is natural gas coming?" We said we would still try our very best to bring it to our municipalities. Thus, I think that's probably part of the reason why we're sitting here.

The Chair (Mr. Dave Smith): Thank you very much. Ms. French?

Ms. Jennifer K. French: If there was anything you wanted to add, just as your last thought there? You ran out of time.

Mr. Mitch Twolan: Sorry. I was just going to give a list of all the committees I sit on as past warden of Bruce county and all that, and how it all fits into bringing natural gas to our communities.

Ms. Jennifer K. French: Congratulations on your reelection and being back to continue to advocate. You all represent a beautiful part of the world. I've never heard it called the "hole of the doughnut"; I think of it as far lovelier than just a hole in a doughnut. But thank you very much for joining us.

I appreciate actually hearing both sides of this particular project; first, of course, hearing from Epcor, and now from you. Should Bill 32 pass, what do you expect the process to look like to be able to bring natural gas to your communities?

Mr. Mark Rodger: As Epcor described earlier, they already have two thirds of the approvals from the OEB. The final approval, where Epcor is already before the energy board, is this leave to construct, which deals with the technical engineering, and the rates. Bill 32 wouldn't change that. This would be a regulation that would set out this funding mechanism, but that would be independent of the board's work. We'd still have to go through that final approval. Our hope is that we get the final OEB approval over the course of the winter, so that we could start to lay pipe in the spring.

Ms. Jennifer K. French: Now, because I'm not clear, based on what we see in this piece of legislation as written, and not yet seeing the regulations—we are not clear on what the role of the OEB will be. Your anticipated next steps involving the OEB. Have you had any sense that that indeed will be the next chapter for you?

Mr. Mark Rodger: No, the OEB process won't change with Bill 32, just like it doesn't change for rural rate assistance on electricity. This becomes part of the law, and the OEB applies that law. For example, on the electricity subsidy, it's paid by all ratepayers in Ontario. That's independent of the OEB's process, so we would go through the OEB process the same way regardless.

Ms. Jennifer K. French: Okay. Also, I appreciate hearing the backstory of how you did decide to branch out and pursue something different to be able to make a difference in your community. Are there any differences that you would like to see? You've been here today. You've heard some of my concerns about what we don't know in regulation. Is there anything that you would like clarity on or that you would like to see shored up before we wait and see? Is there anything in terms of the design or interested parties that would be involved in the process?

Mr. Mark Rodger: Really, the detail will be in the regulations, and I think that as long as the regulations deliver this final piece of the puzzle to expand gas, that would be our win. Frankly, what I like about the government's proposal as opposed to the former government's

proposal is that this is much broader, so I think that we're going to see gas expansion to many more communities than under the Wynne government's one-time \$100-million grant.

Ms. Jennifer K. French: Okay. Any other thoughts that you'd like to get on the record?

Ms. Anne Eadie: I just want to say that we are very pleased that the Ontario government wants to support rural Ontario. We haven't mentioned the agriculture sector. We are an agricultural area, of course, and it has been covered under the federation of agriculture. My farm family and relatives ask me constantly, "Is there a chance we're getting natural gas up our concession?" It would really help grain dryers etc. It is crucial that our natural gas project starts next year as planned. We have developers waiting, residents waiting on the decision. Our whole subdivision that I live in is asking, "Are we finally getting natural gas?" It's crucial to the support of our tremendous growth that will happen over the future decades. But our restaurants, our non-nuclear businesses—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Anne Eadie:—need to support our growth. I can't stress how crucial it is to our southern Bruce project.

The Chair (Mr. Dave Smith): Twenty seconds.

Ms. Jennifer K. French: Okay.

If that's all that you wanted to say, thank you very much for coming today.

The Chair (Mr. Dave Smith): Mr. Kanapathi.

Mr. Logan Kanapathi: Thank you for coming out and making a presentation. Congratulations on your victory in being elected as mayor.

You talked about how this project is desperately needed in rural communities like your municipality. I'm a former councillor from the city of Markham. How does natural gas expansion benefit your constituents and make their lives more affordable? Could you elaborate on that, please?

Mr. Mitch Twolan: I'm the vice-chair of the Grey Bruce Health Unit. To give you one example, when you have a choice to make between paying \$800 for a hydro bill or putting your children in snowmobile suits to go to bed, that affects the family makeup of what we're all about all across Ontario.

Another example is, I sit on the local source water protection committee. By putting natural gas into some of our communities, you will actually lessen the threat for people who are on oil-fired furnaces and all that by taking them out. So that would cause less of a threat to our drinking water systems.

I know SWIFT was mentioned today. I sit on the SWIFT board of directors. We actually see synergies, possibly, down the line with burying fibre and natural gas all around rural Ontario and northwestern Ontario.

One other one is, as past warden of Bruce county—we're the largest landlords for social housing. We have social housing units that are on baseboard electric, and of course we get funding from the province to help us fund social housing. So it is a cost on all the taxpayers of

Ontario now. This would actually lessen the costs for the taxpayers of Ontario.

So those are just a couple of examples.

The Chair (Mr. Dave Smith): Mr. Kramp.

Mr. Daryl Kramp: Let me congratulate you for thinking outside the box. If you do the same old thing, you get the same old thing. You've certainly moved the yardstick dramatically forward, so you ought to be congratulated. It can sometimes be rather difficult to swim upstream. In this particular case, you have a government that has listened. We need to think differently in order to be able to deal with the differences we have across this province. We don't have, as you say, a cookie-cutter approach. There are dramatic differences from one side to the other.

I was very, very fortunate. We went through a similar process as yours 20 years ago to get natural gas through our area, and it made a huge, huge difference, and I know it will to yours.

I'm going to use a little comparison between hydro and natural gas. Originally, hydro rates were calculated based on a density rate. If you were in a rural area, you paid more because you didn't have the people there to support that. We understood that, quite frankly, if we moved more to a blended rate, you shared the pain, you shared the gain, and there was a much better, more equitable situation. Do you not view this point as basically finding a way to be equitable in cost over the long term? A few more people might pay a little bit, but we're going to have a larger gain for our entire population, and that comes back in many, many ways, whether it is cost savings for our utilities, for our schools, for our hospitals, for our institutions. I would just ask for your perspective on that.

Mr. Mark Rodger: Yes, I do see a direct analogy between Bill 32 and rural rate assistance, which we've had for electricity. In the electricity case, we've said as a province that it's simply not fair that certain parts of the province would not have access to electricity because it's more expensive to bring it to those customers. This, in a sense, brings that same principle to natural gas. Frankly, it's long overdue.

1630

Mr. Daryl Kramp: Thank you very much. I really don't have any more questions on this, other than to congratulate you for, as I said, thinking outside the box. Hopefully this will be a lesson for many, many other communities as well, because we can't always do the same thing and expect that same answer. We have to evolve. We have to change. You have done that. You have put forward an amazing proposal. On behalf of this government, I thank you. We've reacted accordingly.

Ms. Anne Eadie: I'd like to thank you—or are we done?

The Chair (Mr. Dave Smith): No, you have 30 seconds.

Ms. Anne Eadie: Okay. I'd like to thank you for your perspective, because I've always lived in rural Ontario, and I truly believe that if it benefits rural Ontario, it will benefit the rest of the province. From our agriculture to our

provision for energy, to our tourism, it's not an isolated thing.

The Chair (Mr. Dave Smith): Thank you. That ends the time that we have for this presentation.

ONTARIO GREENHOUSE VEGETABLE GROWERS

The Chair (Mr. Dave Smith): Next up we have the Ontario Greenhouse Vegetable Growers. If you could come up to the table, please introduce yourselves. You'll have 10 minutes as soon as you introduce yourself.

To remind everyone, we'll start questions again with the NDP, because of my mistake earlier.

Mr. George Gilvesy: Good afternoon, Mr. Chair and members of the committee. It looks like I made a good choice not to put a tie on today.

We thank you for the opportunity to contribute to the standing committee's review of Bill 32. Ontario Greenhouse Vegetable Growers represents approximately 200 farmers responsible for nearly 3,000 acres of greenhouse tomatoes, peppers and cucumbers across the province.

By the way, I should introduce myself. I'm George Gilvesy. I'm chair of the Ontario Greenhouse Vegetable Growers, and I have with me Dr. Justine Taylor, who is our science and government relations manager.

With farm gate sales of \$850 million in 2017, we supported 13,000 jobs—a contribution of \$1.5 billion to the economy—and a consistent track record of growth. The sector is a valuable economic driver for the province. The sector has a well-earned reputation for excellence and has established a significant market in the United States, with over 70% of what our members currently produce going for export.

Our sector continues to be poised for growth. Over the next five years, we estimate the sector could expand by 900 acres, resulting in over \$1 billion in direct construction investment, an additional annual contribution of over \$500 million to the economy and the creation of over 3,700 new jobs. However, it is critical that Ontario's energy infrastructure is supportive of a growth agenda, and we look forward to working with government to keep greenhouses growing in Ontario.

We would like to thank the current government for recognizing the importance of Ontario's energy infrastructure for businesses and consumers across the province. Previous provincial policies surrounding natural gas and electricity infrastructure development acted as deterrents to investment and growth insofar as economic development was not a key consideration in the Ontario Energy Board's mandate. I want to make it perfectly clear: With today's technology, vegetable greenhouse production cannot expand without natural gas. That's a hard stop.

OGVG was pleased by the September 18 announcement entitled, "Ontario Supporting Communities by Expanding Access to Natural Gas." We believe the actions discussed in that announcement will help drive economic development and growth in the private sector.

The OGVG membership consists of greenhouses across Ontario that are large and small, most of which use natural gas for heat and as a source of clean carbon dioxide to ensure maximum plant productivity. Accordingly, natural gas supply and its infrastructure are of critical importance to the greenhouse sector.

Although OGVG represents greenhouses across the province, nearly 85% of our membership occurs in the Windsor-Essex, Chatham-Kent and Sarnia-Lambton regions. These areas, as well as others, have been supply-constrained for many years, and this inhibits their competitiveness and growth potential. To accommodate, greenhouse operators will utilize interruptible supply contracts, less efficient backup fuels or both.

The greenhouse sector was pleased by the improved access to natural gas through projects including the Kingsville transmission reinforcement, Chatham-Kent rural pipeline expansion and the Panhandle reinforcement. These projects, however, provide short-term solutions.

The OEB currently does not allow natural gas distributors to speculate when developing infrastructure, such that all their supply is essentially contracted for before the project is even under way. This leaves little room for development and economic development planning as businesses must wait for the next lengthy OEB approval process to be completed. We hope this system can be modernized to reduce red tape and accommodate sector- and region-specific considerations.

Ontario's business climate can be further improved by removing roadblocks that impede the development of combined heat and power, otherwise known as CHP. CHP uses natural gas to efficiently produce heat, electricity and carbon dioxide, all of which are key greenhouse inputs. This synergy leads to over 94% overall efficiency and supports the greenhouse sector's move toward year-round production. This is an opportunity.

We look forward to Ontario's endeavours to modernize its energy infrastructure and open to business, as it presents an opportunity to remove restrictive barriers and drive greenhouse competitiveness to the next level, including CHP.

When making changes to Ontario's regulations, it is essential to understand the real-world impacts of the proposed changes to ensure they do not inadvertently hurt the wallets of residents and businesses. That's why OGVG is keen to learn more about the specific changes proposed by Bill 32, An Act to amend the Ontario Energy Board Act, 1998. Since our members occupy a variety of different rate classes, we hope that administrative changes do not significantly disproportionately impact specific rate classes.

One aspect of Bill 32 to further explore is the scale of the described compensation for the distributors; namely, how much compensation will they receive, and what will the costs to the consumers be? We agree that compensation should be collected through reasonable instalment payments throughout the year as this will help businesses with long-term planning.

Lastly, we urge that any money collected in excess is fairly reimbursed to those that overpaid.

OGVG agrees that the provincial government should enable private sector participation in the expansion of natural gas. We expect this to improve access to natural gas in supply-constrained areas, provide competitive energy prices in Ontario, and continue to enable predictable long-term energy prices. We expect that a reliable and cost-effective supply of natural gas is key to the continued growth of the greenhouse sector, and will benefit Ontario's businesses and residents as well.

We thank you for this opportunity to comment. We look forward to doing business in Ontario, and look forward to your questions.

The Chair (Mr. Dave Smith): Thank you very much. We'll start with Ms. French, then, please.

Ms. Jennifer K. French: Thank you, and welcome to Queen's Park. I'm taken back in time to the last session. We did have the opportunity to talk a fair bit in the Legislature about the challenges faced by the greenhouse industry. Certainly, when you talked about not just competitiveness, but the ability to even continue to do business—tied, of course, to the immensely unpredictable energy cost world and landscape—that was not lost on us. So I'm glad that you're still here, and I'm glad that you are still representing members who are strengthening our communities.

The communities that you listed—Windsor-Essex, Chatham-Kent, Leamington, Sarnia-Lambton—a question for you specifically about one of the projects. The Chatham-Kent rural pipeline expansion project: Have you heard anything? Have you received any assurances from the government or your networks that that will go forward? We asked the ministry directly and didn't get the assurance, so I was hoping that you might know.

Dr. Justine Taylor: No, unfortunately, we don't have an update for that. As far as I know, it's in the OEB process and it's working its way through those channels. That's as much as we know at this point.

Ms. Jennifer K. French: Okay. Well, I got to ask questions first, so maybe the government would like to offer some assurances while you're here, but we'll see.

You were talking about your members occupying a number of different rate classes now. But with how the regulations will take shape and with what the responsibilities for different classes of ratepayers will look like in terms of recovering the cost and paying for this expansion, do you have—I appreciate your comments about—how did you word it?—reasonable instalment payments, but could you maybe expand on what you would like to see in terms of protections and in terms of predictability, recognizing that predictability is key in your industry and others?

1640

Dr. Justine Taylor: Sure. I think predictability is exactly the point of that comment, so—I'm going to sit closer.

Ms. Jennifer K. French: Please.

Dr. Justine Taylor: It's not really the focus of this hearing, but we have had issues in the past with the way that the DSM process is run through the regulator. That's

the demand side management, the program that pays for conservation efforts. That is typically billed after the fact. Borrowers often refer to it as the 13th bill, and they don't really have a sense of how much it will cost or when that bill will come because it's a process that runs through the OEB. So it's this huge, unpredictable lump sum that is just requested of them. That's an example, I think, of how unpredictable billing can be problematic for our members.

Ms. Jennifer K. French: We had asked if the folks paying for this are going to be limited to a geographic region surrounding a project or if it's going to be the entire ratepayer base across Ontario and for how long. Are we approving projects all at the same time and then all of us covering the costs all up front? All of this remains to be seen. I hope that you will be able to be considered an "other interested party" as the government is moving forward.

Is there anything else that you would like to see clearly stated in the regulations or ahead of time?

Dr. Justine Taylor: I think we're just looking forward to seeing some clarity in the regulations, to see exactly how it will impact our members. Because our members are so far-ranging, from small to large across different rate classes, it will really take some analysis on our part to figure out what the impacts will be on each of our various segments.

Ms. Jennifer K. French: Okay. I echo your call for continued growth of the sector and wish you well. If there's nothing else, then that's my time.

The Chair (Mr. Dave Smith): Mr. Lecce?

Mr. Stephen Lecce: Thank you both for coming today. It was insightful to listen. My very honourable colleague asked for assurances, and I want to assure you both, George and Justine, that what we're not going to do is make the problem worse. We are not going to impose a carbon tax on your industries. We are not going to support cap-and-trade, which has made it more difficult. We are not going to support measures that increase the price of electricity in this province. We are not going to support additional costs on labour in this province through Bill 148, which we know has exacerbated costs for industry.

For me, this is not an abstraction. I think it would be very fascinating to understand the costs borne because of those taxes and regulations, and the impact on food affordability in the province. Please challenge me if you disagree, but I think an untold story from this discussion is the cost associated with all of these new taxes and regulations on the end user and consumer. For moms and dads, for families, for young people on fixed incomes and for our pensioners, I would submit that raising costs on you is actually raising costs on the consumers of the province.

If you can, contextualize, for people on the front lines of growing every day and the expenses associated, why this bill, as part of our broader amendments, will help make food more affordable for the consumer and ultimately support local product in the province of Ontario.

Mr. George Gilvesy: Yes, certainly labour and energy make up our two biggest costs in greenhouse production.

Anything the government can do to help us keep those costs in check is going to go to helping the consumer as far as the price of food.

The one caveat with that is that we're working in a global environment; we're dealing with competitors out of Mexico, the United States, Canada. We're all integrated in this supply chain, so the price of food is not really driven here in Ontario; however, we have to be competitive with those people trying to get into our markets.

The Chair (Mr. Dave Smith): Mr. Coe.

Mr. Lorne Coe: Good afternoon. Thank you very much for an excellent presentation. I'm on page 2 of your presentation and it reads, "We would like to thank the current government for recognizing the importance of Ontario's energy infrastructure on businesses and consumers across the province." It goes on further to say, "Previous provincial policies surrounding natural gas and electricity infrastructure development acted as a deterrent to investment and growth insofar as economic development."

In your opinion, are there economic development opportunities within your sector which are likely to materialize if natural gas is readily available?

Mr. George Gilvesy: Well, natural gas and the whole infrastructure gambit are an opportunity for us, including water and wastewater opportunities, for infrastructure. The reality is that greenhouses right now can be built anywhere. It's typically Ontario growers who would like to continue growing their businesses here in Ontario, but the reality is that they're being courted by every state in the United States who want them to build their greenhouses there. That's the competitive environment our members are looking at, but they want to do business here first. We need to clear the path for them to be able to do that. Offering them up the right price on natural gas, electricity infrastructure and those other ancillary supports is critical.

Mr. Lorne Coe: Thank you for that answer. Chair, through you, to MPP Hogarth, please.

The Chair (Mr. Dave Smith): Ms. Hogarth.

Ms. Christine Hogarth: Thank you both for being here today. We appreciate your comments. The food industry is such an important industry for our consumers and for the people of Ontario. You're growing vegetables, a healthy alternative, and what we want to make sure is that people can buy these vegetables at a reasonable cost, because we want people to grow up in a healthy environment and we want people to shop local. In our grocery stores, we see the Ontario signs: "Buy local produce."

You talked a little bit about your competitors. Can you talk a little bit more about why natural gas as a source of energy is especially important for the greenhouse industry? Maybe talk about the employees. Does it help create jobs in the community? And how many jobs?

Mr. George Gilvesy: We spoke in our brief about the opportunities that we have. The outlook is still for about another billion dollars in direct construction, with an annual contribution of \$500 million, with the creation of 3,700 new jobs. That's still the opportunity out there as we see it.

Natural gas is one piece of that. Like I said, in the current technology of fuels, it is the best source there is. It's the most cost-effective there is. We are constantly looking for new technology in our sector—believe me, when it's that much of your line item, you're always looking for effective options—but right now, natural gas is the best source of energy to provide energy for our greenhouses.

Ms. Christine Hogarth: Thank you. I actually have no further questions.

The Chair (Mr. Dave Smith): Okay. Thank you very much, then. That ends the time that we have for this presentation.

ONTARIO HOME BUILDERS' ASSOCIATION

The Chair (Mr. Dave Smith): Next up we have the Ontario Home Builders' Association. If you could come up to the table and introduce yourselves. When you start to speak, that's when your 10 minutes will begin. You have 10 minutes for your presentation.

Mr. Stephen Hamilton: I'm not on the agenda, but my name is Stephen Hamilton, and I'm the manager of government relations at the Ontario Home Builders' Association.

Mr. Joe Vaccaro: Mr. Chair and members of the committee, good afternoon. My name is Joe Vaccaro. I serve as the CEO of the Ontario Home Builders' Association. Joining me today, introducing himself, is Stephen Hamilton. OHBA represents 4,000 member companies across a network of 29 local associations from Windsor to Ottawa, from Thunder Bay to Niagara.

Early last year, OHBA launched our #homebeliever campaign. Home believers are people who believe in the great Canadian dream of home ownership. We launched our campaign because we heard from people across the province that the dream of home ownership was slipping out of reach. The response to the campaign has been tremendous. Thousands of people across the province, along with the majority of MPPs, have signed our #homebeliever pledge supporting housing choice and supply across Ontario to help all of us achieve the great Canadian dream of home ownership.

We are pleased to be here today to speak in support of Bill 32, An Act to amend the Ontario Energy Board Act. OHBA supports this legislation because it's good for #homebelievers. When the government announced the legislation, OHBA was proud to lend a supportive quote which stated, "The decision to extend natural gas services will support future housing supply and choice in rural and northern communities, while providing homeowners and businesses with an affordable and reliable heating option that will keep their everyday costs down."

There are a number of reasons why we are enthusiastic about supporting the legislation. Over the past several years, OHBA has shared with MPPs our concerns regarding real challenges to delivering housing supply in

Ontario. Adding to this, the increasing mountain of regulations that are imposed on builders and renovators, and the high cost of red tape and taxes have made increasing housing supply and providing more affordable housing choices more difficult.

The issue of affordability is not limited to just the purchase price of a new home. The ability of homeowners to live comfortably after they have taken possession and to operate their homes is equally as important.

Natural gas is the primary heating source in Ontario. It is a reliable, affordable and safe source of home heating. For many Ontarians in urban areas, like myself, we take our ability to use safe, clean and affordable natural gas for granted. However, in many communities across Ontario, they do not have the option of natural gas. According to government information, the result is that those families exceed their heating bills \$800 to \$2,500 more per year. This impacts their daily affordability and makes it more difficult for them to enjoy their daily life.

1650

Increasing natural gas distribution to new communities will also provide the development and building community with new opportunities to make business investments in areas of the province where it once didn't make sense. Extending natural gas infrastructure creates a corridor of development and opportunities for home builders, commercial developers and industrial employment. Business responds to consumer demand and will invest in new projects where there is infrastructure in place. This has the potential to provide new construction jobs, employment and housing, along with a permanent tax base, in areas of the province that had to rely on less reliable forms of heating.

Make no mistake: The government's approach to natural gas expansion is a clear sign that Ontario is open for business and that this government is looking to attract business investments across Ontario.

Expanding opportunities and choice in rural and northern communities is a stark contrast to the previous government's approach on the natural gas file. You will recall that, only two years ago, the past government left many confused as to their official position on natural gas in Ontario. Some even speculated that the previous government was intent on eliminating natural gas use in Ontario. This confusion was not helpful. The reality is that eliminating natural gas would dramatically increase housing costs for families across the province.

Stephen.

Mr. Stephen Hamilton: Thank you, Joe.

The market-based approach outlined by government would enable more private sector participation in the expansion of new natural gas networks. We believe this approach works well for natural gas distribution and will work well in the delivery of other critical infrastructure.

For instance, this government's announcement on October 25 to build a new Mimico GO station in Etobicoke provides for the type of investment that maximizes private sector dollars. In this case, they will be able to build an important new GO station that will alleviate

congestion and make it easier for commuters to get to work, while the capital costs will be paid by the private sector. In return, the private sector will create a new mixed-use, transit-oriented community, which will mean better transit options for everyone. We all know it is good public policy to add housing supply and choice to a transit line, so we are encouraged that the government made that decision.

The natural gas announcement, along with other recent announcements, signals that Ontario is open for business. Bill 47, which was tabled last week, will modernize the apprenticeship and skilled trades system. This is another measure that cuts red tape, provides new opportunities for small businesses and will grow Ontario's economy. In particular, we are excited that the government has finally moved to lower the journey-person-to-apprentice ratios. This means our industry will finally have a system in place to close the skilled trades gap in Ontario. This means employers can finally bring apprentices into their small businesses and train the next generation of skilled trades workers. This opens up thousands of opportunities for youth and people looking for new employment opportunities.

With that, thank you for giving OHBA the opportunity to speak on this pro-growth, pro-homebeliever legislation that will make life more affordable and provide new housing opportunities in rural and northern communities.

I think it's notable, as one of the last deputants made a remark—the mayor of Kincardine, Anne Eadie, is already hearing from developers in her community that natural gas expansion is going to bring new housing options and new development. It's something that they're really encouraged by. I'm really happy to see it coming straight from municipalities.

Nevertheless, there's more work to be done to improve housing supply and choice across Ontario. We appreciate how quickly the government has moved on a number of issues—like Bill 32, which we're speaking about today, and Bill 47—to create a positive environment.

Thank you for your time today, and we look forward to your questions.

The Chair (Mr. Dave Smith): Thank you very much. We'll start with Mr. Kramp.

Mr. Daryl Kramp: Thank you, gentlemen, for coming here today.

I think the key word that I heard come from you today is "affordability." If you don't have an affordable cost in your building, you do not have capacity for people to be able to buy, because you have to be able to pass that on. It's that simple. So each and every way that we can help reduce the costs to make it affordable for families, for young people, for new homebuyers, for upgrades, whatever—I think we have to take a look at it all.

I'm very, very pleased our government has taken a number of initiatives. I don't want to digress off this issue because this is critically important, but I take a look from formerly serving on municipal council as well, and you've got to get a building permit and something that should take three to six months takes three to six years due to red tape

that's just literally out of control. Well, we have absolutely put a moratorium on red tape, as you know. You have only seen the start of where we're going with red tape. I think your industry can take a good, favourable impression of what's coming down the line.

As well, the costs—affordability coming back. We've seen the shortage of trades and what that leads to. Of course, we're addressing that by amending our apprentice ratios, which I think will then factor into being affordable too. Even zoning—the Planning Act hasn't changed for 20 years; it hasn't moved in accordance with the realities of the shifting demographics. I think we're moving along that way.

What we're talking about here today of course is the natural gas expansion. I say this is a key tool in your overall tool box moving forward, but we have so many areas. In your urban core, you have mass centralized building because that's the only area where you've been able to access these kinds of services. But we're seeing more and more now, if you build it, they will come. The communities that are starting to have the availability of the services, there's a business case for you to move there. That's the way that we can keep our young people there, because they will have a future, they will have businesses to operate, they will be able to be closer to their universities and/or their community colleges. This is a huge, huge issue.

Coming back to affordability: In the price of a new home, the first thing that people take a look at if they're going to purchase a home is, "Can I afford my mortgage payment? What's it going to cost me? What's the capital investment here? What's the interest rate?" One of the challenges, of course, that we have is, we have seen costs escalate and escalate too many times. We've seen—of course the hydro rates were strictly prohibitive and now that we're moving hopefully into a direction where we're going to be able to access natural gas for your industry and for the homeowner, I think we can hope to see a recognition that there will be an affordability factor again.

Coming back to that affordability factor—because if there is not an affordability factor for housing, you gentlemen can't survive. You have to be able to build and to continue to build. Otherwise you just simply lay off people and then we get into that downward spiral. If we're able to enact this legislation and able to bring the cost effectiveness down, the affordability factor, do you think that that will have a minimal impact on your housing costs or a major and/or significant impact?

Mr. Joe Vaccaro: Speaking to our membership who are interested in seeing this legislation go forward and the expansion of gas services—it's a big part of their capital price at the front end, right? Their having to actually connect that home in rural Ontario to a pipeline is very, very expensive, and so it takes away lots of opportunities, well within a built area and an official plan area. There are simply areas in those rural communities where you have the ability to build a home there but the connection costs are so prohibitive, why would you do that?

What this means now is that people who want to stay in that community and who are looking for a different type

of housing option have that ability. Members can bring that choice to the marketplace in a much different way.

But I would also say that the development quarter that is created by a utility like a gas line going in is a huge opportunity for things like broadband, for things like other services along that corridor. So look at that corridor as being more than just simply about gas. It's also about what other services you can bring with that.

Mr. Stephen Hamilton: Just to add to that, you mentioned what are the main considerations that new homebuyers face when they're purchasing a home, and obviously one of the big ones is utility costs, right? I think this opens up a lot of new housing options for consumers when they're looking to purchase a home instead of having to move to an area that's far away from their work and far away from their family or where they were going to school. Now they can live closer to home—

The Chair (Mr. Dave Smith): Thank you very much. We've come to the end of the time.

Ms. French.

Ms. Jennifer K. French: Thank you both very much for coming. I want to tell you that I am a #homebeliever and I signed the pledge, and I'm happy to tweet that out.

1700

Also, I appreciate much of what you said about how there is much to be done to improve housing supply and choice. I represent a community, as sure I'm we all do, with housing challenges. Our current inventory doesn't necessarily meet the needs of our community. Certainly, we're working on that. To have affordable housing is important.

I know that your organization was with the Premier making this announcement, so clearly there is strong support from your organization. I have a question for you about some of the opportunity for home building when it comes to—I've said this a couple of times today and certainly have said it ad nauseam in the Legislature. We're talking about rural, remote and northern—it isn't written in the bill. That is maybe the spirit and the intent; that's what we've been told. But are there also opportunities for your industry—not so much in remote or rural areas but in existing communities and in suburbs, is there opportunity for expansion in some of our suburbs?

Mr. Joe Vaccaro: I would say that based on the structure of this legislation, it provides the opportunity for those natural gas lines to be amortized and funded in a way that doesn't make it prohibitive to do that sort of work. There are a number of suburbs that are strictly on electrical heating at this point. This provides a funding mechanism by which you can move natural gas into that community and move people off electrical onto a more affordable option. So there are options there. I think what's also important is that we have an unbelievable network of 29 local associations—

Ms. Jennifer K. French: Sorry. I didn't catch what you said.

Mr. Joe Vaccaro: We have an unbelievable network of 29 local associations. For some of our locals like Windsor-Essex, for some of our locals like Chatham-Kent,

the Sudburys and the Sault Ste. Maries, there are opportunities that they are looking at. It all starts with the ability to extend that natural gas line out, connect more communities and then provide a different choice along that corridor. So many of them in those communities are very interested in seeing how this moves forward and then, obviously, the details to follow.

Ms. Jennifer K. French: But you haven't heard that it's only for—like exclusively for—northern or rural or remote communities?

Mr. Joe Vaccaro: We haven't had those kinds of discussions at this point. We're just looking at the legislative structure, and that structure provides an opportunity in terms of how you create the capital project. We haven't looked at those details. The framework of the legislation is pretty straightforward. The intent has been well stated and for the communities that we are speaking to, from a local association perspective—those rural and northern communities view this as a great opportunity in terms of what they can provide in the marketplace.

Ms. Jennifer K. French: I think, as we have talked earlier today and heard from other folks about who would cover the cost and for whom, and benefit for whom—because benefiting a northern community or a remote community and the expansion, the growth of communities, I see that as a positive. Even in Oshawa, I want people in the rest of the province to have access to affordable energy. But if this becomes an incentive, a financial carrot, for developers and development, I'm not sure how I or my constituents would feel about subsidizing development in areas that already have access to affordable energy. Do you have thoughts on that?

Mr. Joe Vaccaro: I don't know how that would work itself out through this specific piece. Again, most of the urban areas are well covered by natural gas in one way or another. Massive expansion is happening in places like Durham, supported by natural gas. So I guess I'd have to wait and see how that works. I will say that—

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Joe Vaccaro:—the opportunity to extend natural gas in those rural and northern communities is more than just about housing. It's about business opportunities, as you heard from other deputants today. I think there's just a great opportunity to move those things forward and benefit everyone involved.

Ms. Jennifer K. French: Thank you.

The Chair (Mr. Dave Smith): Thank you. That ends the time that we have for this presentation.

ENBRIDGE GAS DISTRIBUTION

The Chair (Mr. Dave Smith): Next up, we have Enbridge Gas. If you could come up to the table and introduce yourselves. Your 10 minutes will start when you introduce yourself.

Ms. Malini Giridhar: Good afternoon. My name is Malini Giridhar. I'm the vice-president of market development, regulatory and public affairs at Enbridge Gas Distribution.

Thank you for the opportunity to present on behalf of Enbridge on this very important piece of legislation. My comments today will cover two topics—an overview of Enbridge’s proposal for natural gas community expansion that is focused on two things, two critical pieces. The first is to deliver affordable energy to more communities and businesses in Ontario and the second is to do this in a timely and an efficient manner.

I’ll also provide some targeted feedback on Bill 32, the Access to Natural Gas Act, aimed at two things: ensuring proponents receive compensation for full infrastructure investment costs and ensuring that ratepayers are treated fairly by ensuring companies can only spread costs over their own customer base.

But first, a little bit about Enbridge. As you may know, Enbridge Inc. is North America’s premier energy infrastructure company. In Ontario, regulated utilities including Enbridge Gas Distribution and Union Gas in total serve approximately 3.7 million retail customers. They do so actually largely in Ontario, but also in Quebec and New Brunswick. We are also involved in the transportation of crude oil and electricity infrastructure, including renewable power generation with wind and solar assets.

In Ontario, we employ over 4,500 Ontario-based employees. We are a significant driver of economic activity in the province. In 2017, Enbridge invested over \$1 billion in capital in Ontario on items such as pipe, system-integrity-related investments etc., and we also spent over \$1 billion in operating and administrative expenses in terms of employee salaries, procurement of services, power consumption etc. Our footprint in communities in Ontario and our expertise in safely delivering reliable and affordable natural gas positions us very well to help the government in this particular initiative and with respect to this bill.

Our proposal for community expansion would have us bringing natural gas to up to 28 communities and up to 21,000 homes and businesses by the end of 2022. These numbers could grow to 70 communities over 10 years and a potential of over 33,000 customers. Our proposal would also limit the cost to existing ratepayers, starting with a few pennies a month and growing to no more than \$1 a month in years five and beyond, and then gradually declining from that number over the life of the assets as they depreciate. The proposal would also result in annual energy savings of over \$800 to \$1,400 over electricity, fuel oil or propane costs for residential customers in these expanding communities who switch to natural gas.

Enbridge would invest over \$650 million over 10 years, both from Enbridge and Union Gas. Most importantly, we can achieve these results with no new government grants or subsidies and we can do it quickly. Our proof of our ability to deliver is that we started after receiving a grant for Fenelon Falls and Moraviantown in April of this year. Moraviantown already has access to natural gas, and the first customer in Fenelon Falls will be piped in November of this year.

Moving on to our feedback on the legislation, we respectfully propose two amendments to the legislation.

With respect to Bill 32, here are two targeted areas. The first one has to do with section 3, which addresses compensation: The program must ensure the full recovery of annual net revenue requirements for community expansion projects, beginning at the time investment occurs. In plain language, what this means is that the bill must ensure that the distributor is able to recover the entire revenue deficiency associated with the capital that’s invested in these projects. However, in its current version, Bill 32 would only enable the distributor to be compensated for the lost revenue resulting from the rate reduction—that’s in courts; that’s language from there—that is afforded to the expansion customers and not the full cost of infrastructure investment. Simply put, what this means is, the distributor would only recover the costs associated with 60% of the investment rather than the whole investment.

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In order to invest an average of \$65 million per year in these projects over 10 years, we require recovery of the full revenue requirement resulting from the investment once it’s made. Otherwise, other capital opportunities would outcompete these projects for the required capital, as would be the case with any corporation. To correct for this, wording in section 3 needs to be changed from “A gas distributor is entitled to be compensated for lost revenue resulting from the rate reduction provided under subsection (2)” to “A gas distributor is entitled to be compensated for revenue deficiencies resulting from qualifying investments.”

The second amendment that we would like is in subsection 6(f), and it has to do with regulations on cross-company subsidization. It is our view that the recovery of revenue deficiency must be restricted to the rate areas in which an investment occurs. Bill 32 currently leaves open the possibility that customers from one distributor will be required to subsidize customers of another distributor. It is our view that cross-company subsidies are inappropriate. In a competitive world, McDonald’s would not be required to raise their prices in order to provide a subsidy to Burger King to enable them to build a new restaurant next door.

It’s quite simple, really. When we attach customers—customers are expensive to attach on day one. What happens is our existing customers do cross-subsidize new customers when they come on, but over time, the new customers share in the costs of providing service to all customers, and that enables the costs to go down, more customers to be attached and lower rates to be charged.

By way of example, both Enbridge Gas and Union Gas over the last 20-odd years have doubled the number of customers they serve, and their annual rate increases, on average, have been below inflation. This is because while customers are expensive to add, over time, they bring benefits to the existing customer base. When we have cross-subsidies from one company to another company, the customers of one company provide a subsidy to customers of another company, but they never see the benefits of lower rates or lower costs from the other company.

Taking the characteristics of public utilities into account, a cross-utility subsidy would simply amount to a

tax—a tax paid by the customers of the incumbent utility to the benefit of another distributor.

In conclusion, Enbridge looks forward to working with the decision-makers to build on Bill 32 and to ensure that its enabling regulations can be finalized prior to year-end. We would very much look forward to getting started on our community expansion program—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Malini Giridhar: Thirty seconds—okay.

What we're really looking for is clear and unambiguous guidance to the OEB on how expansion projects can be funded, and a maximum level of annual cross-recovery from pre-existing ratepayers of an amount not to exceed \$12 per year. Then, further details will be provided in our written submissions to the committee. Thank you.

The Chair (Mr. Dave Smith): Thank you very much for that. Ms. French.

Ms. Jennifer K. French: Hi, and welcome. Just so that I'm clear, we didn't receive a written submission.

The Clerk of the Committee (Ms. Sylwia Przewdziecki): No.

Ms. Jennifer K. French: Okay. I wonder if I could ask you—because your amendments were obviously very specific and I was not able to type them fast enough. If you have a copy of your presentation, I wonder if we could make it available to committee members, if you were fine with that.

Ms. Malini Giridhar: Absolutely.

Ms. Jennifer K. French: Okay. First that.

I'd like you to briefly walk me through an example of this cross-company subsidization. I understand the picture of McDonald's and Burger King, but I also recognize that when we're talking about natural gas distribution, we're dealing with you, a significant monopoly. We've heard from some smaller distributors. Are they the Burger King in this? Can you give me actual company or actual project examples so I'm clear?

Ms. Malini Giridhar: With respect to a competing entity or just—

Ms. Jennifer K. French: Well, as you said, when you attach customers, it's expensive. I understand the concept of Burger King and McDonald's, but in this case, I think of Enbridge and merged partners being McDonald's—I don't know who the Burger King is in this. Can you give me an actual project or actual company-to-company example?

Ms. Malini Giridhar: There is one instance currently, and that has to do with Epcor, which is seeking to receive a cross-subsidy from our customers in order to serve south Bruce.

Ms. Jennifer K. French: Okay. While I've got you, as it stands now, TransCanada has filed an application to the NEB that would block construction of the Nipigon LNG project. I wondered if you believe that the Nipigon LNG project does violate its agreements with TransCanada.

Ms. Malini Giridhar: I would not be able to comment on that. My apologies. I'm not familiar with the issue.

Ms. Jennifer K. French: I was making the connection with the larger, established, merged distributors because in

that case where you've got the Enbridge, Union, Gaz Métro and TransCanada—I wonder if it is appropriate that they be allowed to dictate whether small northern municipalities in Thunder Bay and Algoma get access to natural gas. With that happening on the side and having the conversation about the cross-company subsidization, I wondered if there was a connection that we could—

Ms. Malini Giridhar: I'm not aware of any connection.

Ms. Jennifer K. French: Okay.

Do we already have a copy of that? Are we able to make copies? She had agreed to submit her—

The Chair (Mr. Dave Smith): She would have until 6 p.m. on Monday, November 12—

Ms. Jennifer K. French: Right, but I had asked if she could make it available to the committee. Can we copy that and have it today?

The Chair (Mr. Dave Smith): She would have until 6 p.m. on Monday, November 12, to present it to us. Any time up till then—

Ms. Jennifer K. French: I had asked her if she was willing. She said yes. I'm asking the Clerks if we could have a copy today.

The Chair (Mr. Dave Smith): She has until 6 p.m. on Monday, November 12, to submit it to us, and it is her choice as to when she would want to submit that.

Ms. Jennifer K. French: Okay.

Ms. Malini Giridhar: We could make it available tomorrow. I'm not sure if we have—

Ms. Jennifer K. French: I would just like to be clear on the amendments. I didn't want to have that get lost in the mix, which is why I was asking if we could have that today. Okay.

Was there anything else that you wanted to share with us that you've thought of since or that you wanted to further expand on from your presentation?

Ms. Malini Giridhar: Yes, I think I might just share this: Enbridge is a regulated monopoly. The characteristic of regulated monopolies is that as they expand, they have economies of scales, which allows us to lower costs. Because our rates recover costs, our rates are able to rise by less than inflation because of these economies of scale. That is the essential nature of a regulated monopoly, and that is true of most energy services—because we put in large capital investments and we attach customers over time.

In this particular instance of cross-subsidization between companies, we have a framework with the Ontario Energy Board where Enbridge is required to abstain from the actual cost of serving a new customer—which is, let's say, about \$70 a year, but in fact, assume that it is more expensive—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Malini Giridhar: —to serve the customer: about \$150. In this particular situation when you also have cross-subsidization, you have a situation where the higher costs of a competing entrant have to be cross-subsidized by the incumbent, which means we have less money to go around

and we take longer to bring gas. So the desire to bring gas on a timely basis to these communities—

The Chair (Mr. Dave Smith): Thank you very much. Mr. Lecce.

Mr. Stephen Lecce: Thank you for coming today. It's good to see you.

I just wanted to enumerate for the record, because there has been some commentary about affordability and the costs associated with the transition to natural gas—I think it's important that the people of this province know that, for an average residential consumer in the province—and certainly you corroborate this—the transition from electricity, electric heating, propane or oil to natural gas will result in a saving. That saving could be \$800 to \$2,500 per person. I just want to make that clear.

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Do you agree that this bill will liberalize access to natural gas for more people in the province of Ontario?

Ms. Malini Giridhar: Absolutely, I do agree with that.

Mr. Stephen Lecce: Do you support the role of the private sector in leveraging greater access to affordable natural gas?

Ms. Malini Giridhar: Very much. That has been the model with which we've been able to get to 3.7 million customers in Ontario, by leveraging private capital. It's very cost-effective.

Mr. Stephen Lecce: I understand. Philosophically, we would certainly accept that.

Ms. Malini Giridhar: Yes.

Mr. Stephen Lecce: We think we ought to be leveraging with the private sector to deliver a result that is at a more economical cost to the taxpayers, so thank you for that.

You will recall, perhaps, as an expert in this—and anyone at this table—that in 2016 there were documents by the former government that were leaked vis-à-vis the future of natural gas in the province. There are over three million people who use this affordable form of energy. Could you just expand on if the government in the near future, medium-term or short-term, were to make that transition, essentially were to kill the future of access to natural gas, what that would mean for the cost borne by working people and your customers, among others, in the province of Ontario?

Ms. Malini Giridhar: Absolutely. I can provide you with a couple of numbers that are pretty stark. Converted into electricity terms, natural gas is delivered for something like three and a half cents per kilowatt hour—if you were to convert it to electricity—and electricity is delivered for about 12 cents per kilowatt hour, so natural gas is between a third to a fourth cheaper than electricity.

Also, natural gas infrastructure delivers significantly more energy to our customers. The electricity grid delivers something like 26,000 megawatts to 30,000 megawatts of electricity. Natural gas delivers up to 90,000 megawatts of energy, which means that the electricity grid would have to triple. We already know that electricity is three to four times more expensive than natural gas so that would have

a very severe impact on the affordability of energy in this province.

Mr. Stephen Lecce: Absolutely. Just a final question: When we look at decision-making for yourself and how your company invests in prospective investments or capital projects before your corporation, obviously viability of the project and profitability are contemplated—not exclusively, but it's part and parcel of your decision-making. I'm curious to get perspective from you on the mechanisms by which government gets natural gas to First Nations communities, because often in cases, I think you'll agree, there's not a critical mass of population. We have an interest to liberalize access in rural, remote and First Nations communities, full stop. We want all people to the extent possible to have access to affordable energy.

Walk me through some of the public policy options you would propose to the government, given that it may not be marketable or affordable—or, rather, profitable—but it's obviously in the provincial interest to get access to those communities.

Ms. Malini Giridhar: Yes. The proposal that we have improves the economic feasibility of getting to these communities by using our existing base of 3.7 million customers to provide a small subsidy—not exceeding a buck a month—to compensate for the lower economic feasibility of these communities. You know, there are substantial benefits to these communities, as we've talked about, because they save so much on energy. What that means is those pocketbook savings could then drive economic activity in these communities far beyond the cost that was actually incurred to serve them. In the long term, I think that definitely, from a public policy perspective, we should try and find a way of getting—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Malini Giridhar: —affordable energy to more communities.

Mr. Stephen Lecce: I just want to note that you mentioned in your deposition that the minister—or the government—ought not to exceed \$8, if I'm not mistaken. As I understand, the minister did provide, in a former speech, that it would not exceed \$1. He said that on the record, as I understand. I think it's important for you to hear that, knowing that there is a ceiling that he has intimated, at least at this stage, now that we're going through the consultation period.

Ms. Malini Giridhar: That's right. No more than \$1 a month.

Mr. Stephen Lecce: That's right.

The Chair (Mr. Dave Smith): Thank you very much. We've come to the end of that.

To Ms. French: I'm not able to compel someone to provide the documentation. However, we've just been informed that we will receive an email and that email will be distributed to everyone, so you should have it later on today.

Ms. Jennifer K. French: Thank you.

The Chair (Mr. Dave Smith): Thank you very much for your time. We've come to the end of this presentation.

TOWN OF MARATHON

The Chair (Mr. Dave Smith): Next we have the town of Marathon. If you could come to the table for us, please, and introduce yourself. When you introduce yourself, your 10 minutes will begin.

Mr. Joshua Samuel: Good afternoon. My name is Joshua Samuel. I've been authorized to speak on behalf of the town of Marathon today about a project called the North Shore project. Unfortunately, Marathon CAO Daryl Skworchinski could not be here in person to testify due to the tight timeframes to appear. He sends his regrets and appreciates the opportunity for his community's interests to be heard in this regard.

A handout about the North Shore project is available for distribution to the members.

I am the president of the general partner of Northeast Midstream LP. We are the private sector partner with the town of Marathon and four other northern Ontario municipalities. We're involved in a public-private initiative to extend natural gas service along the North Shore of Lake Superior.

The northern Ontario municipalities leading the North Shore project include Marathon, Schreiber, Terrace Bay, Wawa and Manitouwadge. The municipalities are located along the Highway 17 corridor between Thunder Bay and Sault Ste. Marie. The combined population of the municipalities is approximately 11,000 people. Energy costs are a critical concern for residents, businesses and the municipalities themselves. At present, they don't have access to natural gas in any form.

The North Shore municipalities have signed agreements with Northeast Midstream which will result in the buildout and operating of a regional natural gas delivery system supplied by liquefied natural gas, or LNG. LNG for the North Shore project will be supplied from an LNG production plant near Nipigon, Ontario. The plant is being built by a subsidiary of Northeast Midstream with financial support from the province of Ontario through the Natural Gas Grant Program.

The North Shore project is a transformative public-private partnership to support economic development in northern Ontario through the expansion of natural gas to off-pipeline communities. The estimated capital cost is \$65 million to connect 5,600 potential customers. It's one of the highest-impact, least-cost-per-customer expansion projects under consideration in Ontario.

Project development is well advanced. Pending passage of Bill 32, we expect to submit an application to the Ontario Energy Board for all of the necessary approvals to construct the facilities and have them operating by 2020.

This is a community-led initiative. It's been fully endorsed by the community and their councils. It's estimated to save businesses and residences about \$247 million over 40 years. Most of the money will stay within the municipalities. The project will contribute an estimated \$37 million toward the provincial GDP. This is comparable to creating about 700 full-time jobs. It will cut GHG emissions by about 17,000 tonnes of CO₂ per year, which is the equivalent of taking about 3,600 cars off the road.

The project has scale. It's a distribution model that begins with five communities but can be expanded, where feasible, to include additional northern municipalities, First Nations and developments such as the Ring of Fire.

During the previous generic hearing on natural gas expansion, the Ontario Energy Board considered the merits and mechanics of cross-subsidies to help fund community expansion. The North Shore municipalities participated as a group. The two incumbent utilities at the time were Union Gas and Enbridge Gas Distribution. Each proposed a similar approach to finance in-franchise expansion projects using a rate rider paid by their existing customers. Each utility would select, develop and build its own expansion projects. The cost of the community expansion project by each utility would be shared by the newly connected customers, the existing customers of the utility and the local governments. We just heard that today.

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The incumbent utilities argued that only an in-franchise or intra-utility subsidy program developed and implemented by the utilities could strike the appropriate balance between the interests of expansion customers and existing customers, and be in the public good. Various municipalities, First Nations and new entrants took exception. They intervened. They argued that intra-utility subsidies, as proposed by Union and Enbridge, were not in the public interest. An intra-utility regime would authorize incumbent utilities to exploit their market power and frustrate, delay and deny access to new natural gas facilities for communities and First Nations. It would also create an insurmountable barrier to potential new entrants without an existing rate base.

These concerns have only become more grave as Enbridge announced it will move forward with the amalgamation of Enbridge Gas Distribution and Union Gas, effective January 1, 2019. The single Enbridge utility will control access to virtually every natural gas consumer in Ontario. Its customer base will be almost three times the customer base of Hydro One.

The intervenors instead supported a universal or cross-utility—or, as we refer to it, a cross-company—subsidization regime as a way to balance the interests between the incumbent utilities, the communities and the new entrants. We believe that a universal approach is consistent with two primary government policies: first, that Ontario is open for business; second, that local communities are to be heard on energy infrastructure decisions as it relates to them.

Giving unilateral control to the new Enbridge mega-utility to effect community expansion would certainly not indicate that Ontario is open for business. It would also firmly slam the door on communities that have forged alternative public-private partnerships after Union or Enbridge repeatedly ignored, delayed, denied or refused access to natural gas. The fact is, the North Shore project would not be where it is today, or would likely ever have been considered at all, if it had been left in the hands of Union or Enbridge.

The government has clearly indicated that cross-subsidies are necessary under the OEB Act. There are two

programs that are precedents for this. One is the Rural and Remote Rate Protection Program and the other is the Ontario Electricity Support Program. Both programs are cross-utility subsidies specifically mandated by the act, and they both have a history that suggest that bill-paying customers are much more concerned about the total cost of the subsidy than whether the subsidy is going to another customer within the utility or a different utility at all.

The North Shore municipalities strongly support cross-utility subsidization to expand natural gas service to rural communities, as contemplated in Bill 32. The North Shore municipalities therefore recommend the two following amendments to Bill 32 or its associated regulations:

First, we recommend that Bill 32 and/or its regulations should clearly mandate the cross-utility subsidy for natural gas so that it's clear and unambiguous. We say this for the following reasons:

- (1) Communities without natural gas service should have timely access.
- (2) They should not be captive to Enbridge.
- (3) They should be able to attract private sector partners that share their mutual interests.
- (4) Sometimes, Union and Enbridge do not come up with the strongest project proposals and others do.
- (5) The efforts by communities should not be impeded or delayed by a mega-utility.

The Chair (Mr. Dave Smith): Thank you very much. We've come to the end of that presentation.

Ms. Kusendova.

Ms. Natalia Kusendova: Thank you so much for being here, and thank you for a very informative presentation. I was happy to hear that what we're doing here is in line with our government's mandate, which is being open for business and also committed to transparency and accountability, as you've mentioned in your presentation.

Just looking at the different benefits that are listed here, such as saving northern residents and businesses \$247 million on energy bills over 40 years—that's a significant estimate—and mobilizing a capital investment of \$65 million in local distribution infrastructure, which is also a significant investment, I just wanted you to, if you could, please expand your thoughts about how natural gas expansion will benefit your constituents and make life more affordable.

Mr. Joshua Samuel: One thing at present: Energy is a very large percentage of the household income of northern Ontario residents, much more so than in the south. The other thing is that most of these people are actually on electricity because, 20 years ago, there was a program to put them on electricity.

The costs that they're paying are prohibitive. It's not just, in fact, residents; it affects municipalities, hospitals and schools, all of which are paying very high bills for energy when their peers in other communities are not. That has a negative impact on economic development and on growth and on job creation.

Ms. Natalia Kusendova: You did mention that this bill, if passed, would benefit about 11,000 consumers in the four municipalities. Do you expect the savings from

switching to natural gas to be significant enough to allow families to re-invest in the community and drive economic prosperity and growth?

Mr. Joshua Samuel: We do. I think that the average community would save about \$1 million a year in terms of net savings—about \$7 million a year. That's a lot of money. I don't care who you are; that's a lot of money. Most of that money will stay in the community. It will either be re-invested through their homes and businesses or through other methods, but it's a significant number.

Ms. Natalia Kusendova: Thank you. I would like to pass it to MPP Hogarth.

The Chair (Mr. Dave Smith): Ms. Hogarth.

Ms. Christine Hogarth: First of all, thank you very much for being here. I'm someone who was born in Thunder Bay, and I lived in Sault Ste. Marie. I've travelled the North Shore probably for about four years, so I understand some of the needs of that community.

I think that's an excellent example of why this government is moving forward with such legislation. It is to help people in their homes. Most homes are heated by electricity, as you say. Heating is not a luxury. It may be a little cool out here today, but I'm sure that in Marathon there's a lot of snow on the ground. So for those businesses that have to survive and the people who have to survive in those communities, heating is not a luxury—and it starts early. It starts at the end of August. I remember going to camp in the summer, and we already had the heat on in mid-August. I'm sure you can comment on that.

I just want to talk a little bit more about the people and the businesses that this bill and this legislation will help. Can you expand on some savings that will be found, and what will they do to those small towns, where you're trying to keep people in those communities versus having them leave because it's just too expensive to live?

Mr. Joshua Samuel: That's a good point. I think one of the interesting things about the communities is that they are aging communities. There's a policy that makes sense, which is to try and keep people in their homes and make it affordable for them to stay in their homes. But \$5,000-a-year energy bills is not an affordable way to keep somebody in a house, and forcing somebody who's over 70 to chop wood is probably not in their best health interests, in some cases.

I think it affects the elderly, it affects the communities and it also affects—

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Joshua Samuel:—having economic development to attract and retain younger people who can maintain those communities.

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Ms. Christine Hogarth: Thank you.

The Chair (Mr. Dave Smith): Ms. French.

Ms. Jennifer K. French: Hi, and welcome. I think you may have been in this space when I had asked a question of an earlier submission, so I guess I'd like to revisit that with your perspective, if I may, because my understanding is that Marathon and these northern communities would

be—or the intent was that these municipalities would be connecting to the Nipigon LNG project. Is that correct?

Mr. Joshua Samuel: The LNG would come from the Nipigon LNG project, yes.

Ms. Jennifer K. French: So the point is that the northern communities would be connecting to it?

Mr. Joshua Samuel: Yes.

Ms. Jennifer K. French: Okay. Do you have thoughts, then, on the fact that TransCanada has filed an application to the NEB that would block the construction of that project?

Mr. Joshua Samuel: To answer that fully, I have to take off my town of Marathon hat and put on my Northeast Midstream hat.

Ms. Jennifer K. French: It's Halloween; you may wear whatever you would like.

Laughter.

Mr. Joshua Samuel: Nipigon LNG is a subsidiary of Northeast Midstream and is building the LNG plant in Nipigon. What has occurred is that Nipigon requested service from TransCanada, which TransCanada frustrated, citing a no-bypass agreement in a National Energy Board settlement which said that basically TransCanada and three LDCs—Union, Enbridge and Gaz Métro—will not bypass each other.

The onus then became on us, Nipigon, to demonstrate that we were not in a current or potential franchise area of an LDC that was party to the agreement, which was fundamentally uncompetitive, because why would a company need to ask permission of another company to enter a market? We're not talking about Burger King and McDonald's here. There is no Burger King, okay?

The result of that was that Nipigon actually made that application for an order from the NEB to order TransCanada to serve us, which is extraordinary.

Ms. Jennifer K. French: It is. I was—

Mr. Joshua Samuel: It's an open-access pipeline.

Ms. Jennifer K. French: Do you think that TransCanada, Enbridge-Union as a merged entity and Gaz Métro should be allowed to dictate whether small northern municipalities in Thunder Bay, Algoma and other areas should have access to natural gas?

Mr. Joshua Samuel: No, they should not.

Ms. Jennifer K. French: Is that our time?

The Chair (Mr. Dave Smith): No.

Ms. Jennifer K. French: Oh, good.

The Chair (Mr. Dave Smith): You still have two minutes.

Ms. Jennifer K. French: That's fantastic.

I think that we've had some interesting conversations today about partnerships and the potential for innovation and thinking outside the box, certainly, as we've heard from municipalities. One of the other things that we've heard—and I think you may have also mentioned it—is that you would like, as municipalities, to be heard and be involved in the decisions that will impact and affect your communities.

As it stands now, the “wait until regulations” piece frustrates me because I would like to know who the interested

parties actually would be. In this case, we don't know what the OEB involvement would be. Gas distributors have been included, and just “other interested parties.” Would you like to see language that ensures that municipalities would be involved in the decision-making process in terms of who they can choose to work with?

Mr. Joshua Samuel: I think that the concept around inter-utility subsidization and making that clear would be sufficient in that regard. I do believe, though, that it is important to have an arm's-length clearing house to effect the cross-utility subsidization.

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Joshua Samuel: So the payments and disbursements should be made to and from an independent party, and not through a utility.

Ms. Jennifer K. French: We've had a history of regulation and we've had a history of that third-party piece. I hope that the government hears your thoughts on that and considers that fully as they move forward with their regulations. Thank you.

Mr. Joshua Samuel: Thank you.

The Chair (Mr. Dave Smith): Thank you very much. That concludes the time that we have for this presentation.

SOUTH CENTRAL ONTARIO REGION ECONOMIC DEVELOPMENT CORP.

The Chair (Mr. Dave Smith): Our final presenter is the South Central Ontario Region Economic Development Corp. If you could come up to the table for me, please, and introduce yourselves. Once you start to introduce yourself, your 10 minutes will begin.

Ms. Kimberly Earls: Thank you for having me here today. My name is Kimberly Earls and I'm here representing the South Central Ontario Region Economic Development Corp. Our board chairman, Mayor Stephen Molnar, sends his regrets that he wasn't able to attend today. Thank you again for having us here.

SCOR EDC is a not-for-profit corporation owned by the counties of Brant, Elgin, Middlesex, Norfolk and Oxford. We represent largely small urban and rural communities. We're comprised of five counties and 28 municipalities, and within those municipalities and counties, we have approximately 285 communities, which are home to about 490,000 adult residents.

We're located on the north shores of Lake Erie and are within a two-hour drive of around six million people who live in Ontario, and about a three-hour drive to six US-Canadian border crossings, which puts us in the proximity of 130 million North American consumers.

Our communities have a long-standing tradition of agriculture and manufacturing expertise and innovation. The communities came together as a result of the decline in the tobacco industry, and have taken great strides in diversifying our economy over the last 10 years. Our economic base has traditionally been agriculture and manufacturing, and the region is home to diverse crops and diverse markets, both domestic and globally.

The need for improved infrastructure in rural Ontario, and specifically in our region, is imperative, and it's something that we have been advocating for for many years. The expansion of the natural gas program is an integral part of that needed infrastructure in our region and, indeed, in all of Ontario.

SCOR EDC supports Bill 32, the Access to Natural Gas Act, as it will not only benefit the residents, but provide them with an opportunity to have alternative energy sources that the rest of Ontario and our larger urban neighbours enjoy.

The farms and rural businesses that are in our area rely heavily on sound infrastructure, and we need competitive energy rates to be able to continue and grow our businesses. Natural gas is approximately one quarter to one half the cost of electricity. It is significantly lower in cost than oil and propane. We're pleased to see some strides being made in offering rural communities the same options that are available in the larger urban centres. Expanded gas lines in rural Ontario would give farmers access to savings for heating barns, operating grain dryers and generating electricity on an as-needed basis.

Energy is one of the largest inputs for farms and agricultural businesses, and is a significant cost for rural communities and our local business owners. By having the opportunity to switch to natural gas, residential consumers could save between \$800 and \$2,500 a year, which is a significant savings. Estimated cost savings for farms and businesses is also substantial.

These changes would potentially enable natural gas connections to over 70 of our communities that do not have full access at the moment or have no access at all. That would be connecting approximately 33,000 households.

The expansion of the natural gas program has been something that is largely impacting our agricultural businesses and our farm communities in our area. Having the private distributors as a partner would also, we feel, facilitate job creation in the area and provide us with competitiveness both locally and abroad.

1750

The Chair (Mr. Dave Smith): Okay, thank you very much. We will start with Ms. French.

Ms. Jennifer K. French: Thank you very much and welcome. I certainly appreciate the balance of voices here today echoing much the same thing, that we need to see access to affordable—predictably affordable—energy, to your point about our farmers and your mixed community, residential and agricultural business and everyone in between, needing to have that kind of predictable and affordable access.

I would like to actually get your thoughts on something else, as we wind down the day. One of the things that you didn't mention, but I'm sure you have thoughts on—and I promise to connect it—is on broadband. I just wondered, while you're here, if we could have some of your thoughts on that. I know, with the \$100-million grant that no longer is being allocated to natural gas expansion, we had some questions of the ministry on how much that is left from

that would go to broadband expansion, and we weren't clear on that. I would just like to hear your thoughts on the need, if there's a need, for broadband.

Ms. Kimberly Earls: Absolutely, thank you. That's one of the clear needs in our area, also, for infrastructure, not just in the south central Ontario region, the five-county region, but east and all of rural Ontario. In order for us to be competitive, we desperately need that investment. I'm sure you're all aware of the SWIFT initiative. Certainly, being able to take some of those savings and put that towards that broadband initiative would create a huge competitive advantage in our area, not only for our farms and our agricultural businesses, which desperately rely on reliable broadband, but also for our small businesses, our manufacturing. Right now, we're at a bit of a competitive disadvantage competing with other, larger urban centres or looking to our neighbours in the south because we don't have the reliable, ubiquitous broadband, and so definitely that would—

Ms. Jennifer K. French: And I hope that you have, indeed, been a partner with this government and that this is not your first conversation?

Ms. Kimberly Earls: Absolutely.

Ms. Jennifer K. French: Okay, good. Bearing that in mind, with the SWIFT funding that you mentioned—I know that the \$90 million had been committed in 2016. Presumably that cash hasn't started to flow yet, but have you—

The Chair (Mr. Dave Smith): Sorry, I need to interject. We're discussing Bill 32 so you need to bring this to Bill 32.

Ms. Jennifer K. French: Okay. So as I had said, the Ministry of Infrastructure had told us in a meeting that the \$100 million that had been allocated for natural gas funding—we had asked for clarification about how much of that would be invested in broadband. Have you received assurances from the government in your conversation that that \$90 million will be committed to SWIFT?

The Chair (Mr. Dave Smith): That isn't a part of Bill 32. I'm okay with giving latitude towards it but you need to bring it to Bill 32.

Ms. Jennifer K. French: I finished my question so if she doesn't want to answer, that's fair.

The Chair (Mr. Dave Smith): You can reword the question so it comes to Bill 32, but the way it stands right now it doesn't deal with Bill 32. I'm sorry.

Ms. Jennifer K. French: My understanding, when we talked to the ministry, was that the Natural Gas Grant Program would be repurposed for broadband expansion. So as we're here discussing Bill 32 and natural gas expansion—this is the replacement for the former \$100-million program—I wondered if you had heard anything about that funding.

Ms. Kimberly Earls: Personally, I'm not part of the SWIFT project team, so I wouldn't feel comfortable speaking to that, but I believe there has been some investment in that area.

Ms. Jennifer K. French: Okay. I have no idea how much time I have left, but do you have anything else you wanted to get on the record while you have an opportunity?

The Chair (Mr. Dave Smith): About 40 seconds.

Ms. Kimberly Earls: I think I've—

Ms. Jennifer K. French: Then thank you very much for coming.

Ms. Kimberly Earls: Thank you so much.

The Chair (Mr. Dave Smith): Mr. Lecce?

Mr. Stephen Lecce: Thank you, Ms. Earls, for being here. It was alluded to earlier by my colleague from Oshawa about the importance of consultation. I very much appreciate that you corroborated the point that we have been partnering and listening through this process. In fact, at AMO, the Minister of Infrastructure and I met with over 100 delegations and municipalities right across Ontario, principally in rural parts but also suburban and urban.

Of course, at the International Plowing Match, the Premier and the Minister of Agriculture—who, if I'm not mistaken, you may know; I think he's your local member in Oxford—held consultations with farmers and rural small business folks to talk about the benefits of expanding natural gas where that announcement was made. I think to build on the principle of consultation is important. It's why we're here, en masse, to listen.

I'm very interested to know from you, Ms. Earls: Given that we know that just the removal of the cap-and-trade carbon tax is going to put \$80 back into consumers' pockets and \$260 back into business pockets, explain to us how this legislation will ultimately put more money back into people in your community's pockets and, conversely, speak about it in the context of competitiveness, which is a word you used that got my attention earlier.

Ms. Kimberly Earls: Sure. Absolutely. Having the investment in the natural gas expansion bill and having those dollars back in our business communities and our agricultural communities—our farmers and our manufacturing sector are hard-working. I think 78% of our business community is small business enterprises, so certainly, every dollar that they're able to invest in the growth of their business, in job creation is absolutely appreciated in the end.

Mr. Stephen Lecce: Thank you, ma'am.

I'm not asking you to quantify it—that may be a bit tough; but do your analyses foresee job creation as a net effect of this legislation? Would you see businesses expand and able to better compete in a global marketplace?

Ms. Kimberly Earls: Absolutely. I believe especially, again, that our agricultural businesses, our value-added on-farm businesses and those that are support services around those communities and businesses absolutely rely

on the opportunity to have affordable energy for us to have the same opportunities in rural Ontario that our larger neighbours enjoy.

Mr. Stephen Lecce: In the context of competitiveness, you framed that as a hindrance to getting investment to your community. I know that there's a lot of work being done by the economic development corporation to build bridges and expand trade opportunities, export opportunities. Maybe you could give an example, if you have one illustrative one, of where a business has said to you, foreign or domestic, "We're not moving there because of the lack of access to affordable energy"—if you know. You may not, but I'm sure there are plenty of examples.

Ms. Kimberly Earls: Perhaps I wouldn't be able to speak specifically to one that denied investment, but for instance, we have a growing wine industry within our region. Certainly, those operations require large energy inputs. Being that many of those farms do not have access to the natural gas, it certainly hampers growth and definitely hampers our ability to remain competitive, as every business must, and to then seek those export opportunities or those other further opportunities.

I would say, in that regard, I couldn't give a specific example about an investment that was a missed opportunity, but having access to the natural gas, I know, specifically in the wine industry, would spur growth, job creation and the ability to export.

Mr. Stephen Lecce: I just want the record to note that we very much support Ontario's wine industry, ma'am, so thank you very much for coming today.

The Chair (Mr. Dave Smith): Thank you very much. You have a minute left, if there's anything else.

I'm sorry. Mr. Kramp.

Mr. Daryl Kramp: Thank you. If we have just a minute, could I possibly offer a summation that I wonder if you would agree with? Very, very simply, this bill would make it competitive for business and affordable for families. Would you agree with that?

Ms. Kimberly Earls: Absolutely.

Mr. Daryl Kramp: Thank you.

The Chair (Mr. Dave Smith): Thank you very much. If there's nothing else, then that would be the end of this presentation.

Since this is our last presentation of the day: The deadline for filing written submissions is 6 p.m. on Monday, November 12. For filing amendments to the bill, they must be given to the Clerk of the Committee by 12 noon on Thursday, November 15.

We will be adjourned, then, until 2 p.m. on November 19.

The committee adjourned at 1759.

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