



Community Expansion Lambton Shores

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Agenda

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Before We Go

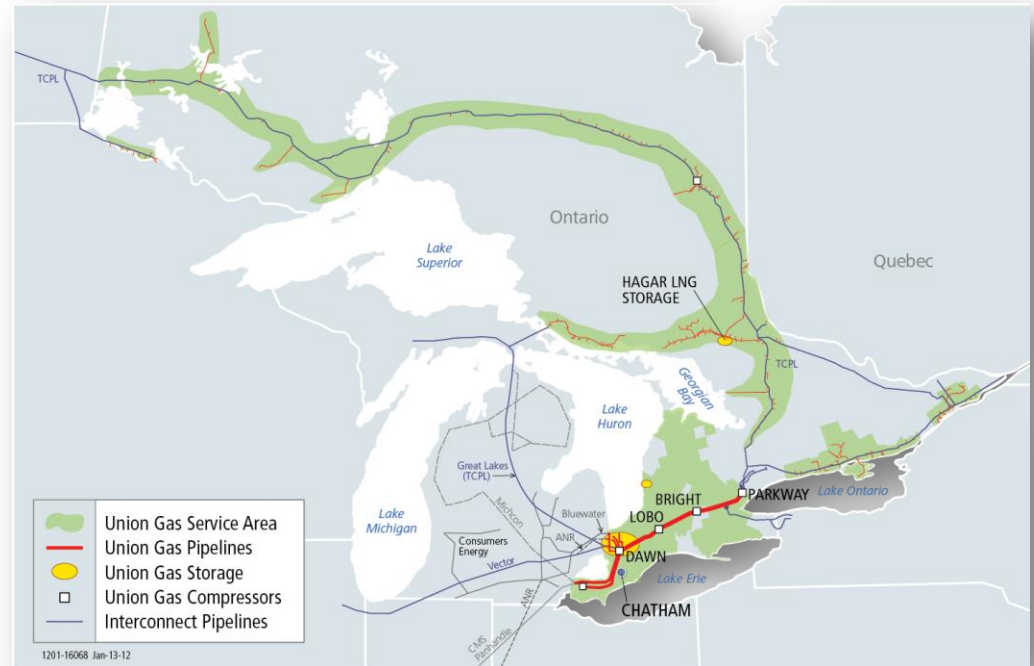
Q&As



Union Gas at a Glance

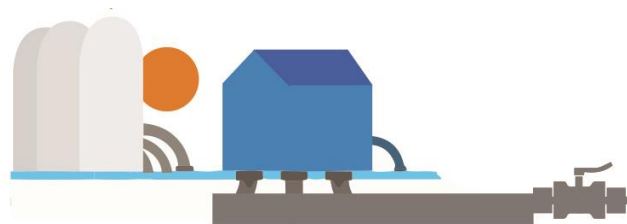


- Major Canadian natural gas storage, transmission and distribution company based in Ontario
- Over 100 years of experience and safe service to customers
- Dawn Storage facility – largest underground storage facility in Canada
- Dawn Hub, one of the top-5 physically traded hubs in North America
- Assets of \$7.2 billion, ~1.4 million customers, ~2,300 employees
- One of Canada's Top 100 Employers 2011-2016



Retail Customers	1.4 million
2015 Pipeline Throughput	1.2 Tcf
Distribution Pipe	64,800 km / 40,270 mi
Storage Capacity	160 Bcf
Transmission Pipe	4,811 km / 2,988 mi

Overall Benefits of Natural Gas



TOP 5 BENEFITS OF NATURAL GAS

1. LOWER ENERGY PRICE

Access to new, massive deposits of natural gas found in across North America, through advanced technology has translated into

\$ RECORD LOW GAS COSTS

Natural gas is more affordable now than it was a decade ago and experts agree that natural gas will continue to be competitively priced well into the next



10 YEARS.

2. STRONGER ECONOMY



Affordable natural gas is helping to invigorate our economy. The natural gas industry supports millions of North American jobs and has the potential to create even more.



3. SAFETY



Stringent safety standards govern the use of natural gas. The pipelines are the safest mode of transporting energy when compared to rail and road, according to independent studies.

4. CLEANER ENVIRONMENT



Cleanest burning conventional fuel that exists.



Produces 45% less carbon dioxide than coal for power generation.



25% fewer GHG emissions than diesel or gasoline for transportation.



Produces almost no sulfur dioxide or particular matter.



Provides low-emission backup generation sources like solar & wind.

5. ENERGY SECURITY



New supplies of natural gas are found in abundance right here in North America, and can play a large role in easing our nation's dependence on foreign energy sources.

Enough natural gas to export and use at for the next

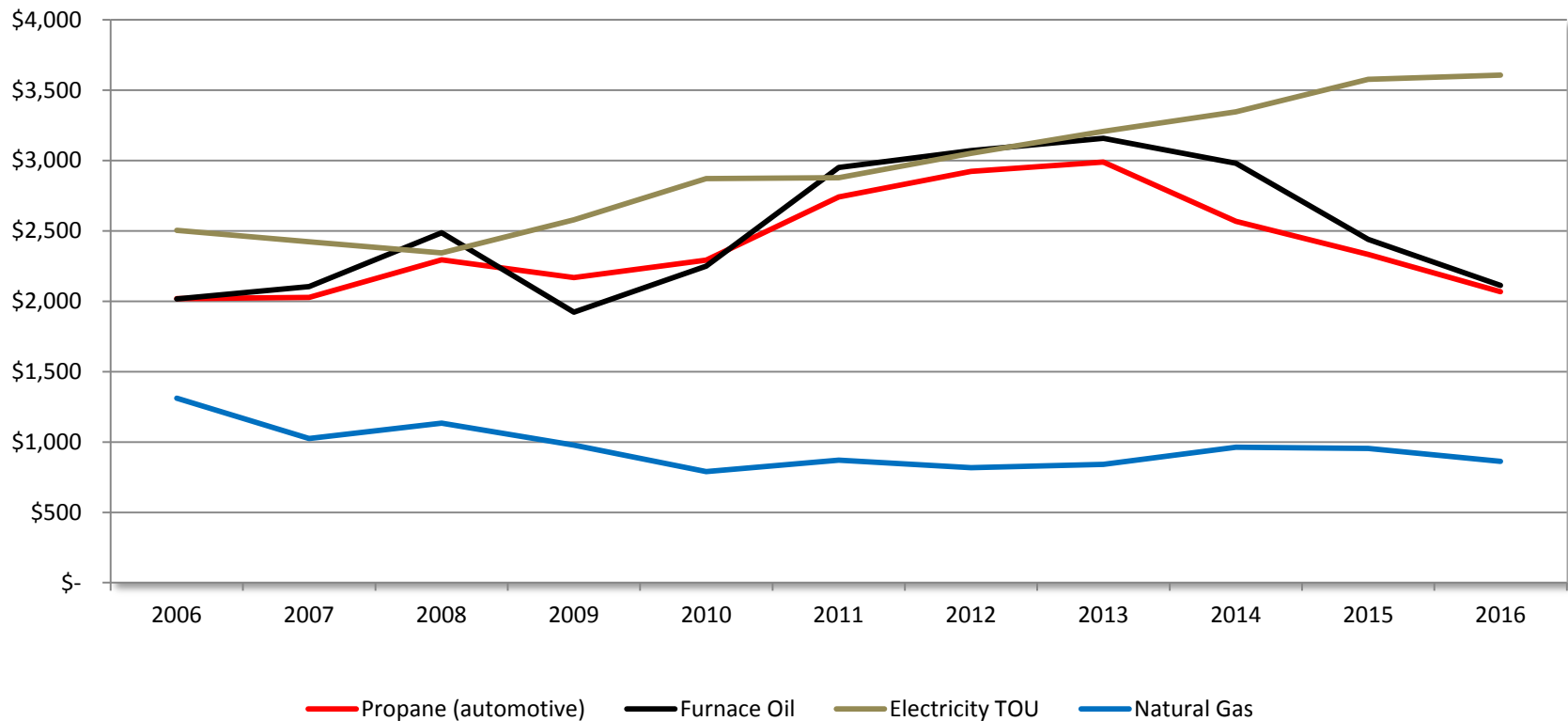
150 YEARS



Cost Benefits of Natural Gas



**Average Ontario
Estimated Annual Cost of Energy**
(annual average use of 82 GJ)



**Natural gas is the most affordable form of energy
for residential / business use**

What is the OEB?

- The Ontario Energy Board (OEB) is an independent regulatory body which has jurisdiction over production, distribution, transmission and storage of natural gas in Ontario
- OEB approves natural gas rates quarterly
- Within Union Gas' regulatory framework, **existing customers can not subsidize the costs of new customers**
- Other utilities operate under a different regulatory framework
- Economic model is approved by the OEB
- OEB sets specific metrics we need to achieve



Ontario Energy Board
Commission de l'énergie de l'Ontario

Community Expansion: Timeline



2014

- The Ontario government first indicated it would commit funding, \$30 million in grants and \$200 million in interest free loans, to support expansion of natural gas infrastructure to rural and northern communities and first nations

2015

- The OEB asks gas utilities to submit proposals for regulatory flexibility to support community expansion to rural and remote communities
- Union Gas is the first, and only, gas utility to submit an application for regulatory flexibility with a proposal to serve up to 30 new communities

2016

- The OEB suspends hearings on Union Gas' community expansion proposal and announces a generic hearing to decide on a new framework for community expansion
- OEB conducts generic hearings – Union Gas actively champions our proposal
- OEB issues decision on generic hearings, granting some regulatory flexibility. Our proposal is not approved

2017

- Union Gas completed a thorough review of the OEB decision
- The Ontario Government announces \$100 million in grants to help move projects forward.
- In March we intend to file our first application for expansion to the OEB

OEB Decision

	UG Proposal	OEB Decision
Minimum Profitability Index (PI)	0.40	1.0
Temporary Expansion Surcharge (TES)*	\$0.23 per m ³	Special Project Rates; a surcharge mechanism is also allowable
Incremental Tax Equivalent (ITE)*	Required to reduce PI to 0.40. Otherwise PI is 0.80.	Voluntary
Forecast Attachments	Shared Risk	Union Gas Risk

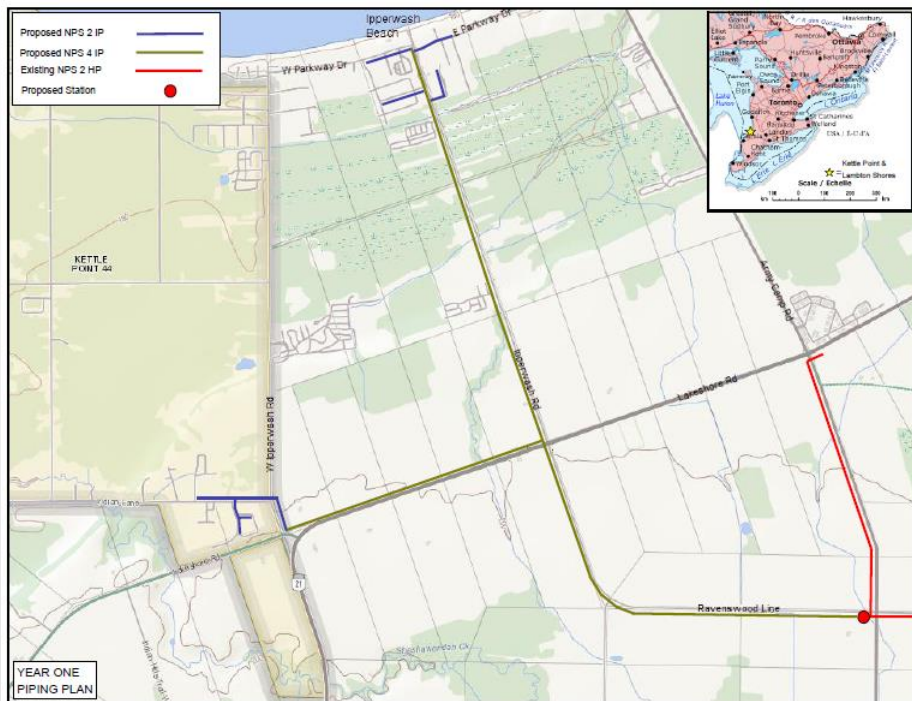
* Union proposed a surcharge term of a minimum of 4 years to a maximum of 10 years.



- Cross subsidization from other natural gas customers is not permitted
- This means:
 - System expansion surcharge (SES) would have to be applied at higher rate and/or for a significantly longer period of time
- Continue to review project design to service forecasted customers, manage costs and ensure viable projects.
- Any reinforcement costs to existing infrastructure need to be included in the economic analysis
- Municipal contributions are voluntary but would help offset costs to customers

Project Map

Lambton Shores & Kettle Point



380 households

0 businesses

\$300k in total savings per year

Capital Cost: \$2.1 million

Customer SES Rate: .23 cents/m3

Surcharge Term: 12 years

Municipal: \$0

Government Aid: \$0

Timing: Late 2017 at the earliest

Current Taxes: \$160,000

Estimated Addl. Taxes: \$16,000

Looking Ahead



We:

- Remain committed to having continued dialogue with all partners to bringing natural gas to your community
- Finalized our revised approach for your community
- Plan to file our reactivated application in March 2017 which includes the Lambton Shores & Kettle Point Project

Our Ask of You:

- Letter of support to include in OEB filing



Expanding access to natural gas supports local economic growth, creating jobs and improving the lives of Ontario families

- Natural gas continues to be the low cost, reliable and clean energy solution
- Union Gas' rates are regulated and are currently the lowest in Ontario
- Natural gas is the lowest emitter of GHGs compared to propane and heating oil
- Natural gas is a reliable source of energy and is abundant.
- Our customers are currently paying the lowest natural gas costs in the province
- Thank you for your continued support



Q&A



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