



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Growth Management Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 10, 2017
SUBJECT/REPORT NO:	Union Gas Limited Natural Gas Expansion to Sheffield Rural Settlement Area - Ministry of Infrastructure Natural Gas Grant Program (PED17110) (Ward 14)
WARD(S) AFFECTED:	Ward 14
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SUBMITTED BY:	Tony Sergi Senior Director, Growth Management Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATIONS

That the proposed Union Gas Limited Natural Gas Expansion Project, with no financial contribution from the City of Hamilton to the Project, and subject to the submission of the City of Hamilton's letter to the Natural Gas Grant Program Application, attached as Appendix "B" to this Report PED17110, be endorsed.

EXECUTIVE SUMMARY

As part of the Moving Ontario Forward, the Province of Ontario is helping fund the building of new natural gas infrastructure to expand access to more communities and to accelerate projects with economic development potential, including agri-business and rural business projects through the new \$100 million Natural Gas Grant Program.

The purpose of this Report is to advise Council of the application by Union Gas Limited to the Province of Ontario Natural Gas Grant Program in order to permit the expansion of natural gas services to the Sheffield Rural Settlement Area as shown on the map attached as Appendix "A" to Report PED17110.

Alternatives for Consideration – N/A

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Staff was unable to document the financial implications of the Natural Gas Grant Program and request for Financial Contribution, due to internal deadlines and availability of Council meetings. As such, the City was not provided sufficient time to complete a thorough financial analysis and evaluation of the potential implications of making a financial contribution to this Project.

In particular, albeit the City did receive mapping and high level tax information from Union Gas Limited at the beginning of June, additional information, including but not limited to, the type, length, and diameter of the pipeline, and the rate applied for property assessment purposes would be required together in consultation with the Municipal Property Assessment Corporation (MPAC) in order to validate the estimated property tax figure provided.

Staffing: A working group within the existing staff complements will be established to assist Union Gas Limited for the expansion of natural gas services to the Sheffield Rural Settlement Area, if required.

Legal: Staff were unable to evaluate the potential legal implications of this Project. Insufficient time was provided for review of the proposed route with the appropriate staff and agencies, in order to determine any potential resulting legal agreements, securities, etc. that may be required to facilitate the Project.

HISTORICAL BACKGROUND

As part of the Moving Ontario Forward, the Province of Ontario is helping fund the building of new natural gas infrastructure to expand access to more communities and to accelerate projects with economic development potential, including agri-business and rural business projects through the new \$100 million Natural Gas Grant Program.

The Grant program will support natural gas expansion projects in municipalities, First Nations and unincorporated areas. Projects to expand natural gas pipelines as well as liquefied or compressed natural gas infrastructure are eligible. All applications for this Grant program are due to the Province of Ontario by July 31, 2017.

Union Gas Limited has applied for an “Expansion Grant” for natural gas service expansions for the Sheffield Rural Settlement Area. As required under the Grant program, a supporting Council Resolution is required.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

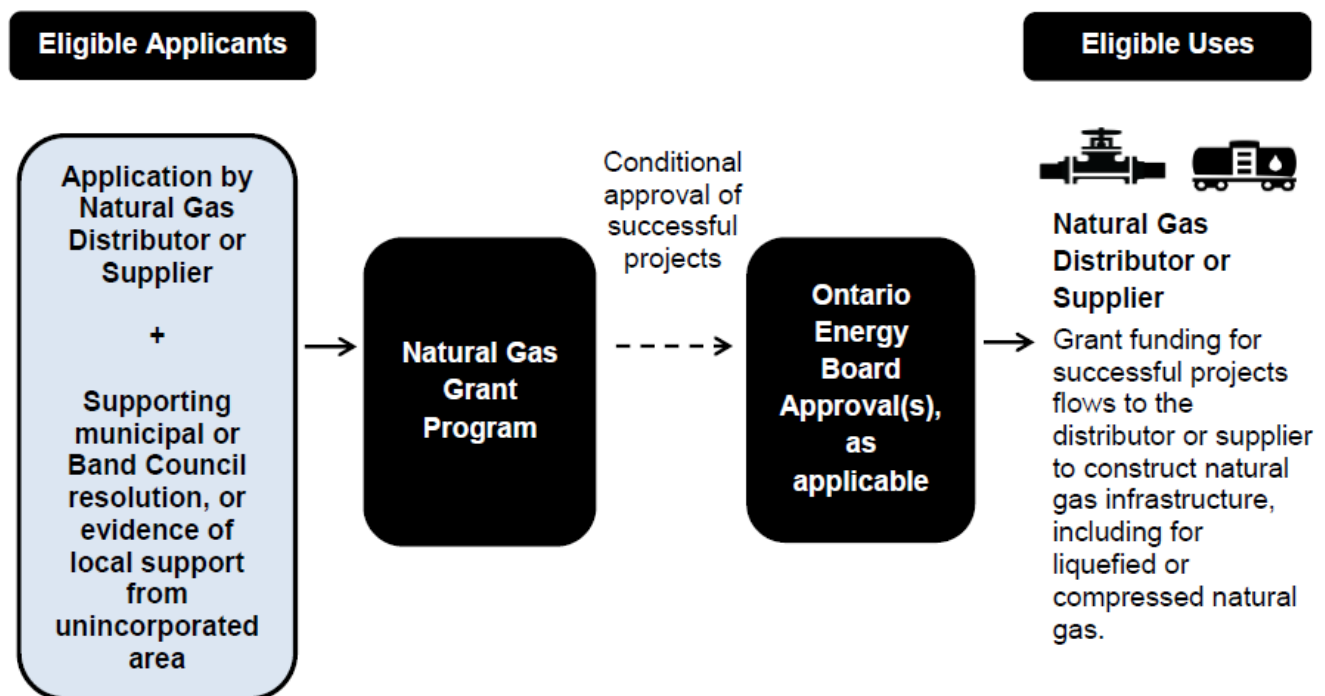
Lastly, of note, grants for your home, farm, rental unit(s) or other property you own, or for the cost of converting heating equipment such as furnaces, ducting and baseboard heating, and connection of individual properties to pipelines are not eligible under the Grant program.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

As mentioned above, as part of the Moving Ontario Forward, the Province of Ontario is helping fund the building of new natural gas infrastructure to expand access to more communities and to accelerate projects with economic development potential, including agri-business and rural business projects through the new \$100 million Natural Gas Grant Program. Applications for the Grant program must be made by the natural gas distributor or supplier.

Applications must be received by the Province no later than July 31, 2017. Generally, projects will be subject to project specific time-lines included in individual grant agreements for successful projects, with eligible expenses to be incurred no later than March 31, 2021.

A flow-chart of the Grant process is provided below:



Source: Ministry of Infrastructure – Natural Gas Grant Program 2017 Program Guidelines

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The process generally will follow the following steps:

- (a) Assess the demand and benefits;
- (b) Determine costs and timelines;
- (c) Determine financial need;
- (d) Submit application form and supporting documentation;
- (e) If successful, seek approval(s) from the Ontario Energy Board; and,
- (f) Enter into contract with the municipality.

The Grant program will provide funding under two separate application streams being the Expansion Projects Stream (\$70 million planned allocation^{*}) and the Economic Development Project Stream (\$30 million planned allocation^{*}).

Of note, the proposed Union Gas Limited natural gas expansion to the Sheffield Rural Settlement Area will be proceeding under the Expansion Projects Stream documented below.

Expansion Projects Stream (\$70 million planned allocation^{*}):

- Support projects that are primarily about converting residential customers to natural gas. Only projects to service unserved communities are eligible.

**These are initial allocations and may be changed based on program demand.*

All projects must be for net new connections or increased volumes of natural gas. Prospective connections (e.g. connections to new residential or commercial developments that have not yet been built) should be excluded from applications under the Expansion Projects Stream.

Notwithstanding, under both streams, grant funding may be used towards:

- Capital projects to build new natural gas pipelines or compressors and other related capital works; and,
- Capital projects to build liquefied or compressed natural gas infrastructure, including pipelines, compressors, liquefaction facilities, regasification facilities, storage facilities and other related capital works.

Operational and maintenance costs and the cost of purchasing gas are not eligible under the Grant program. Full list of eligible costs will be provided as part of grant agreements.

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Applications under the Expansion Projects Stream will be evaluated on the following criteria:

- Cost-Effective Access (Primary) – number of new connections made possible, relative to the amount of grant funding requested;
- Energy Affordability (Primary) – how much the community is currently paying in annual heating costs relative to other parts of the Province;
- Project Revenues and Customer Engagement (Secondary) – extent to which various rate options were considered and whether the proposed rate(s) reflects feedback from the community being served.

NOTE: The appropriateness of rates is determined by the Ontario Energy Board outside of this application;

- Greenhouse Gas Emissions (Secondary) – impact they will have on greenhouse gas emissions. All projects will report on which fuel source are being converted to natural gas and the estimated impact on greenhouse gas emissions, along with any conservation measures that will be implemented or made available to newly connected customers (e.g. participation in demand side management programs);
- Partnership and Innovation (Secondary) – how does the project leverage partnerships and innovative approaches to make the project more economical (i.e. lower project costs or improve project revenues) or to provide better outcomes.

Examples include contributions from third parties (exclusive of rates and contributions from municipalities), providing assistance to help consumers convert heating equipment, contributions in aid of construction from property owners, partnering with nearby communities, timing project construction to leverage other municipal works occurring along the same corridor (e.g. wastewater, telecommunications), support a new technology such as renewable natural gas, etc.; and,

- Geographic (Tertiary) – additional consideration for projects in northern areas or First Nations Reserves.

With respect to the role of the municipality in the Grant program, applications will only be considered where municipalities:

- **Make a financial contribution towards project costs** – The contribution should be, at a minimum, equivalent to the property tax that would be recovered on the new infrastructure being built for a period of 10 years. How this contribution will be made (e.g. upfront or over time, through municipal loans, etc.) is up to the discretion of the municipality in consultation with the distributor or supplier. Alternatively, municipalities may provide evidence separately or as part of the application form to explain why making such a contribution is not feasible;

- **Provide a supporting Council Resolution** – This resolution must include:
 - The municipality is supportive of the projects to provide natural gas access to areas under their jurisdiction, irrespective of the distributor or supplier proposing to do so; and,

 - (Where applicable) the municipality will make a financial contribution to the natural gas expansion project that is approved by the Ontario Energy Board. The contribution will be, at a minimum, equivalent to the property tax that would be recovered on the new natural gas infrastructure being built for a period of 10 years beginning from the time that property taxes first become due; and,

- **Provide supporting evidence of economic development benefits** – Evidence that natural gas access will bring to the community and / or region (for applications under the Economic Development Stream only). As this is not an Economic Development Stream application, the City of Hamilton is not required to undertake this exercise.

The natural gas distributor or supplier should enter into a contractual agreement with municipalities making contributions to the natural gas expansion project.

Of additional note, municipalities are expected to estimate the amount of property taxes that would be recovered over ten years for the purpose of completing the application form but are not required to specify this amount as part of the municipal resolution since the actual amounts may vary.

For additional details regarding the program guidelines, please consult the link below and follow the additional links:

<http://www.infrastructureontario.ca/NGGP/>

RELEVANT CONSULTATION

The City of Hamilton received a map of the proposed Natural Gas Expansion Project on May 29, 2017. Of note, supporting tax information from Union Gas remains outstanding at this time.

In order to determine if a financial contribution is to be made, the City's Corporate Services Department must undertake a review of such a contribution. In addition, the Source Water Protection, Public Works Department and the Development Planning Heritage and Design, Planning and Economic Development Department, have identified high-level concerns with the proposed expansion, as documented in the Analysis and Rationale for Recommendation Section below.

Of note, unfortunately, due to internal deadlines and availability of Council meetings, the City was not provided sufficient time to complete a thorough financial analysis and evaluation of the potential implications of making a financial contribution to this Project.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

As documented above, in order for Union Gas Limited to apply under the Ministry of Infrastructure Natural Gas Grant Program for extension of natural gas services to the Sheffield Rural Settlement Area, the municipality must provide a Council Resolution supportive of the Project(s) and identify if a financial contribution to the project costs will be provided.

In review, due to internal deadlines and availability of Council meetings, the City was not provided sufficient time to complete a thorough financial analysis and evaluation of the potential implications of making a financial contribution to this Project. As per Section 4 of the Application Guideline, the municipality may provide evidence either separately or as part of the application form to explain why making such a contribution is not feasible.

Accordingly, staff has prepared the letter of comment in response to the above requirements attached as Appendix "B" to Report PED17110.

Of note, the attached letter documents additional concerns, being insufficient time for review of the proposed natural gas expansion route with respect to natural heritage and cultural / built heritage.

In particular, the Project area meets five (5) of the ten criteria used by the City of Hamilton and Ministry of Tourism, Culture and Sport for determining archaeological potential; therefore, an archaeological assessment would be required as part of this Project.

Additionally, the Project Area is also located immediately adjacent to a number of historic properties (churches, businesses, and a school) and a number of former farmsteads that have the potential to lead to deposited historical material (G. Culham, J.G. Cochrane, W. Carismore, D. Lundy, L. Grummet, J. Keachie, and W. Main).

Furthermore, staff was not provided sufficient time to evaluate partnering with respect to the timing of project construction, in order to leverage other municipal works occurring along the same corridor, as per Section 6 of the Application Guideline.

Lastly, Source Water Protection, Public Works Department have also advise that the Sheffield Rural Settlement Area is highly sensitive to groundwater contamination given portions of the community have exposed bedrock at surface, and this bedrock is known to be karstic (i.e. highly fractured bedrock which can allow for rapid migration of contaminants at or near the surface).

As a result, in order to determine potential impacts, a Groundwater Impact Assessment is required to be completed, documenting the depth of installation, installation and construction methods, potential dewatering needs for installation or ongoing maintenance, and a discussion on pipeline contents (pure methane, liquefied petroleum gas, etc.). This is required to identify the potential risks to groundwater contamination, and if mitigation strategies would be necessary.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" – Proposed Natural Expansion Route to the Sheffield Rural Settlement Area

Appendix "B" – Letter of Comment for Ministry of Infrastructure Natural Gas Grant Program Application regarding expansion to the Sheffield Rural Settlement Area.

GP/AC/acs