
HALDIMAND COUNTY

Report EDT-06-2020 Request to Support Projects for the Natural Gas Expansion Support Program

For Consideration by Council on May 19, 2020



OBJECTIVE:

To seek Council's support for four proposed natural gas expansion projects in Haldimand County that Enbridge Gas Inc. (Enbridge) intends to submit to the Natural Gas Expansion Support Program.

RECOMMENDATIONS:

1. THAT Report EDT-06-2020 Request to Support Projects for the Natural Gas Expansion Support Program be received;
2. AND THAT the following resolution be endorsed:

WHEREAS Haldimand County has identified opportunities for natural gas expansion and growth in Lake Erie Industrial Lands (Nanticoke) and Dunnville area given their strategic location;

AND WHEREAS existing natural gas infrastructure in Nanticoke, specifically the Lake Erie Industrial lands and Dunnville areas is limited and is a detriment to expanding existing businesses or attracting new large customers;

AND WHEREAS the Lake Erie Industrial Lands were recently identified by the Province of Ontario as provincially significant employment lands;

AND WHEREAS the communities of Featherstone and Springvale are currently without natural gas service and the residents of both areas and Haldimand County are supportive of obtaining natural gas service to these residents;

AND WHEREAS having limited access to natural gas puts Haldimand County at a distinct disadvantage to attracting new investment and making energy more affordable for rural residents;

AND WHEREAS Ontario's Natural Gas Expansion Support Program provides an opportunity for funding to help make natural gas expansion in Haldimand County more affordable for residents and businesses;

AND WHEREAS Enbridge Gas Inc. has recommended that Haldimand County's contribution toward the project costs equivalent to the municipal portion of property taxes recovered on the new infrastructure for a period of ten (10) years would demonstrate the community's support for the proposed project,

NOW THEREFORE BE IT RESOLVED THAT the two applications submitted by Enbridge Gas Inc. for the hamlets of Featherstone and Springvale be fully supported;

AND THAT an annual grant to Enbridge Gas Inc., equivalent to the annual incremental property tax that would be recovered on the new natural gas infrastructure for Featherstone and Springvale projects be approved for a period of 10 years;

AND THAT upon confirmation that Featherstone and Springvale projects are successful through the Natural Gas Expansion Support Program a Municipal Capital Facilities agreement and by-laws be established and presented to Council for endorsement;

AND THAT the two applications for Haldimand-Nanticoke and Haldimand-Dunnville, submitted by Enbridge Gas Inc. to the Natural Gas Expansion Support Program, be supported and the request for a financial contribution for the projects be supported in principle, with details of the County's financial support, in terms of both duration and amount, to be confirmed once project details are finalized;

AND THAT upon confirmation that the Haldimand-Nanticoke and Haldimand-Dunnville projects are successful through the Natural Gas Expansion Support Program a Municipal Capital Facilities agreement and by-laws will be established and presented to Council for endorsement;

AND THAT a copy of this resolution be forwarded along with the applications being made by Enbridge Gas Inc. to the Ontario government's Natural Gas Expansion Support Program;

AND THAT the Expression of Interest forms for anticipated increased gas capacity at the Lake Erie industrial lands and North Caledonia Employment lands, be approved.

Prepared by: Lidy Romanuk, BA, EcD, CEcD, Manager, Economic Development and Tourism

Respectfully submitted: Mike Evers, MCIP, RPP, BES, General Manager of Community & Development Services

Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

In December 2019, the Government of Ontario announced its plans to further increase access to natural gas by making financial support available for new expansion projects through the Natural Gas Expansion Support Program. Enbridge is seeking support from Haldimand County (Attachment 1) for four proposed projects—two residential focused (Springvale and Featherstone) and two business focused (Haldimand-Nanticoke and Haldimand-Dunnville). To support Enbridge's application to the Natural Gas Expansion Support Program, staff is recommending financial support for the two residential projects. Staff is further recommending support of the two business projects and that the request for a financial contribution for these projects be supported in principle with details of the County's financial support in terms of both duration and amount, be confirmed once the project details are finalized.

Lastly, as Enbridge is now planning natural gas expansion projects across Haldimand County for the next five to ten years, they have recommended that the timing is right to include any future needs that may result from the North Caledonia Employment Lands feasibility study approved by Council through the 2020 Capital budget earlier this year. This has resulted in Enbridge requesting an Expression of Interest to be completed for the potential future development of the North Caledonia Employment Lands in addition to the above noted projects.

BACKGROUND:

Enbridge and County staff have been working together on various projects across the County dating back to 2017. That work has resulted in positive progress as it relates to the following projects, which are the subject of this report:

1. Featherstone – This project was identified by Union Gas (now Enbridge Gas Inc.) following an internal review and determining that there was a large customer base not served by natural gas.

This project was brought forward and received Council support in 2017 including approval for a financial contribution equivalent to the taxes over a ten year period. This application was submitted to the earlier Natural Gas Grant Program but unfortunately, the project was not approved at that time as only a few number of shovel ready projects went forward.

2. Springvale – This project was identified following two community meetings in 2018. Following the first meeting, staff connected with Union Gas (now Enbridge Gas Inc.) to advise of the community's interest and request to have access to natural gas. Union Gas completed an internal review of the area and identified a suitable project to submit to this round of the Natural Gas Expansion Support Program.
3. Haldimand-Nanticoke and Haldimand-Dunnville – Over the past several years, Enbridge has been working with staff to understand the long term natural gas requirements as it relates to economic development and business attraction. The outreach to Enbridge has been a result of several instances including:
 - Missed development opportunities that were unable to proceed as a result of limited or no gas capacity;
 - The need to address natural gas capacity at the Lake Erie Industrial lands (identified by the Province as Provincially Significant Employment Lands) to improve business attraction efforts;
 - Several businesses reaching out (including two substantive greenhouse operations from Dunnville that connected with the Ward Councillor) with concern that plans to expand their businesses were on hold as a result of limited or no natural gas capacity available at their current location; and
 - Enbridge Gas Inc. assisting staff with the completion of the Job Site Challenge application that was recently submitted to the Province for the Lake Erie Industrial Lands.

This work has now culminated in Enbridge finalizing its project applications for the Ontario Energy Board (OEB) as it relates to Featherstone and Springvale, complete with a request to the County for support in the form of a resolution to support these projects and to provide financial support to the projects via an annual grant to Enbridge Gas Inc., equivalent to the annual incremental property tax that would be recovered on the new natural gas infrastructure for a period of 10 years.

For the Haldimand-Nanticoke and Haldimand-Dunnville projects, the background work has allowed things to progress to the point where Enbridge Gas Inc., is now seeking Expression of Interests from new and existing businesses to determine the incremental growth planned for the next five to ten years. Once this information is compiled Enbridge will then be in the position to determine if one or both projects are viable; the best route for the expansion of the pipelines; and, finalize the design of the proposed projects. Enbridge is seeking County support in the form of an Expression of Interest for Lake Erie Industrial Park for the gas requirements as identified in the Job Site Challenge application. Enbridge is also seeking the County's support for the Haldimand-Nanticoke and Haldimand-Dunnville projects. It is recommended that the request for any financial contribution to the Haldimand-Nanticoke and Haldimand-Dunnville projects be supported in principle with details of the County's financial support to be determined once the project details are finalized.

Lastly, as Enbridge is now planning natural gas expansion projects across Haldimand County for the next five to ten years, they have recommended that the timing is right to include any future needs that may result from the North Caledonia Employment Lands feasibility study approved by Council through the 2020 Capital budget earlier this year. This has resulted in Enbridge requesting an Expression of Interest to be completed for the potential future development of the North Caledonia Employment Lands in addition to the above noted projects.

ANALYSIS:

In December 2019, the Government of Ontario announced its plans to further increase access to natural gas by making financial support available for new expansion projects. The Government's Natural Gas Expansion Support Program provides an opportunity for additional projects to be eligible for financial support to serve communities that are not currently connected to natural gas distribution.

Enbridge is applying to the Province's Natural Gas Expansion Support Program for four projects in Haldimand County which are detailed below. As part of this application process, Enbridge is requesting that Haldimand County lend its support by providing an annual grant payment (for a period of 10 years) that is equivalent to the annual incremental property tax that would be recovered on the new natural gas infrastructure. The value of that contribution is described below along with project details:

Residential Focused Projects

1. Featherstone – Includes approximately 11.5 km of pipeline and 388 customers in the project scope. The annual estimated incremental tax property tax (to be granted back to Enbridge) would be \$5,500.
2. Springvale – Includes approximately 9.5 km of pipeline and 129 customers in the project scope. Based upon estimates provided by Enbridge, it is anticipated that the annual estimated incremental property tax for this project would be \$7,200.

Business Focused Projects

There are two business focused projects that Enbridge is currently exploring – Haldimand-Dunnville and Haldimand-Nanticoke (Lake Erie Industrial Park and major businesses in Dunnville area such as large greenhouse operations). Maps of the general study area can be found within Attachments 2 and 3. These projects are focused on large volume natural gas users. Enbridge has completed some preliminary outreach to businesses in these study areas and determined that there is a need for increased natural gas capacity. Currently, Enbridge is reaching out to all large account users within the study areas to complete an Expression of Interest and non-binding bid form that indicates their natural gas requirements for the next five to ten years. Once received, Enbridge will then be in the position to determine if one or both projects are viable; the best route for the expansion of the pipelines; and to finalize the design of the proposed projects. The projects will be finalized by the end of May to submit to the Natural Gas Expansion Support Program by the June 3, 2020 deadline. Since the project areas and routes have not yet been defined for the two business expansion projects, the incremental tax amount is unable to be calculated until the bid forms are received and Enbridge finalizes the design for each project. It is important to note that these are much larger projects, and as such, the incremental tax rate will be higher as well. Property tax for pipelines are determined by the diameter and material of the pipe as well as the length.

Enbridge is requesting the support of Haldimand County on these applications, which covers all the projects (residential and business focused). As noted above, a key part of this request for support is in the form of a financial contribution from the County. That contribution is more specifically detailed as follows:

For the Featherstone and Springvale projects, Enbridge will pay the incremental property tax annually on the new project facilities as owed to Haldimand for the life of the asset once constructed. If Council approves the request to grant back an amount equal to the County's portion of the incremental property tax, it would be for the first ten (10) years only. After 10 years, Haldimand County would then retain all future property tax payments related to these projects. It is also important to note that Haldimand County would only ever have to make payments if the project was awarded the funding from the Natural Gas Expansion Support Program and then constructed. The exact nature of the payments and timing will be negotiated through a Municipal Capital Facilities Contribution Agreement, which would be

entered into once a project was tentatively awarded funding under the program. Enbridge has indicated that approval of this grant request would demonstrate municipal support for the projects (a critical part of the application review process) and would also make the projects more economical, thus more certain.

For the Haldimand-Nanticoke and Haldimand-Dunnville economic development projects the same financial contribution is being requested by Enbridge. It is staff's recommendation that the request for a financial contribution for these projects be supported in principle, with details of the County's financial support, in terms of both duration and amount to be confirmed once the project details are finalized.

It is important to note several things regarding the grant request as it relates to the *Municipal Act*:

- Municipalities are permitted to provide an exemption from taxation under s. 110 (6) of the *Municipal Act* and enter into an agreement under subsection 110 (1) of the Act for the provision of municipal capital facilities including municipal local improvements and public utilities;
- The passing of a by-law permitting the municipality to enter into an agreement is required and the Clerk of the municipality shall give written notice of the by-law to the Minister of Finance;
- Upon confirmation of the Featherstone and Springvale projects being successfully approved through the Natural Gas Expansion Support Program, a Municipal Capital Facilities Contribution Agreement and accompanying by-law would be created and brought forward for Council's approval;
- Upon confirmation of the Haldimand-Nanticoke and Haldimand-Dunnville projects being successfully approved through the Natural Gas Expansion Support Program and Enbridge providing further details on the projects final design and confirmation of County's estimated financial contribution, a Municipal Capitals Facilities Contribution Agreement and accompanying by-laws would be created and brought forward for Council's approval;
- The County would provide a grant in the amount of the County's portion only of the property tax received annually on the new infrastructure for a period of ten years. As the County would not realize any new tax for these projects, if not constructed and without the Natural Gas Expansion Support Program, doing so is essential in maintaining a revenue neutral position.

An additional element of support required for the business expansion projects is the completion of an Expression of Interest form. This form is required by Enbridge to understand and design new gas expansion projects for increased gas capacity for future development projects, including those anticipated for the Lake Erie Industrial lands as it relates to the Job Site Challenge application, as well as the potential future development of the North Caledonia Employment lands. The same form is also being completed by all large natural gas users (Businesses) so that Enbridge can determine where increased capacity is required and develop the appropriate expansion project. Due to Enbridge's requirement for forms to be submitted by May 13, 2020, so that they then in turn finalize these projects these forms were previously completed and signed by the CAO conditional on Council approval which is now being sought through this report. (Attachments 4 and 5)

FINANCIAL/LEGAL IMPLICATIONS:

To demonstrate support of the proposed natural gas expansion projects, Enbridge is asking Haldimand County to make an annual grant payment equivalent to the County's portion of the annual incremental property taxes that would be recovered on the new natural gas infrastructure being built for a period of 10 years. As the County would not realize the new tax for these projects without the Natural Gas Expansion Support Program there is no real lost revenue. Tax revenue will be realized from these projects after the 10 year period for the remainder of the life of the infrastructure. Current estimates, as provided by Enbridge, are approximately \$5,500 for Featherstone and \$7,200 for Springvale. Estimates for Haldimand-Nanticoke and Haldimand-Dunnville are unavailable at this time, as noted above.

Confirmation of the County's financial contribution for the Haldimand-Nanticoke and Haldimand-Dunnville projects will be provided for Council's review and approval once the project details are finalized. The ultimate assessment and resulting property taxes will be determined by MPAC after construction is completed. Additionally, it is anticipated for the business focused projects that the expanded natural gas line will see new development which will generate new incremental tax revenue to the County. The *Municipal Act* does permit a municipality to enter into an agreement for the provision of municipal capital facilities for the purpose of tax exemptions to public utilities, and further, a municipality would be required to enter into a Municipal Capital Facilities agreement and enact a by-law to enter into an agreement. The Clerk shall give written notice of the by-law to the Minister of Finance.

STAKEHOLDER IMPACTS:

The residents of Featherstone and Springvale will benefit by having access to natural gas to heat their homes. Increasing the natural gas infrastructure in Haldimand County will support existing businesses with their expansion plans and provide an opportunity for the attraction of new investment into our communities.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

ATTACHMENTS:

1. Letter from Enbridge Gas Inc. requesting support.
2. Haldimand-Dunnville Expansion Project Expression of Interest and Capacity Request Form.
3. Haldimand-Nanticoke Expansion Project Expression of Interest and Capacity Request Form.
4. Lake Erie Industrial Park Expression of Interest and Capacity Request Form.
5. North Caledonia Expression of Interest and Capacity Request Form.