

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

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**Official Report  
of Debates  
(Hansard)**

IN-21

**Journal  
des débats  
(Hansard)**

IN-21

**Standing Committee  
on the Interior**

Keeping Energy Costs Down  
Act, 2024

1<sup>st</sup> Session  
43<sup>rd</sup> Parliament  
Monday 8 April 2024

**Comité permanent  
des affaires intérieures**

Loi de 2024 visant à maintenir  
la facture énergétique  
à un niveau abordable

1<sup>re</sup> session  
43<sup>e</sup> législature  
Lundi 8 avril 2024

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Chair: Aris Babikian  
Clerk: Thushitha Kobikrishna

Président : Aris Babikian  
Greffière : Thushitha Kobikrishna

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE  
ON THE INTERIOR**

**COMITÉ PERMANENT  
DES AFFAIRES INTÉRIEURES**

Monday 8 April 2024

Lundi 8 avril 2024

*The committee met at 0900 in committee room 1.*

**KEEPING ENERGY COSTS DOWN  
ACT, 2024**

**LOI DE 2024 VISANT À MAINTENIR  
LA FACTURE ÉNERGÉTIQUE  
À UN NIVEAU ABORDABLE**

Consideration of the following bill:

Bill 165, An Act to amend the Ontario Energy Board Act, 1998 respecting certain Board proceedings and related matters / Projet de loi 165, Loi modifiant la Loi de 1998 sur la Commission de l'énergie de l'Ontario en ce qui concerne certaines instances dont la Commission est saisie et des questions connexes.

**The Chair (Mr. Aris Babikian):** Good morning, ladies and gentlemen. I call this meeting of the Standing Committee on the Interior to order. We are meeting today to resume public hearings on Bill 165, An Act to amend the Ontario Energy Board Act, 1998 respecting certain Board proceedings and related matters. Are there any questions before we begin?

**STATEMENT BY THE MINISTER  
AND RESPONSES**

**The Chair (Mr. Aris Babikian):** Seeing none, I will now call on the Honourable Todd Smith, Minister of Energy, as the first witness.

Minister, you will have up to 20 minutes for your presentation, followed by 40 minutes of questions from the members of the committee. The questions will be divided into two rounds of 7.5 minutes for the government members, two rounds of 7.5 minutes for the official opposition members, and two rounds of five minutes for the independent members of the committee.

Minister, the floor is yours.

**Hon. Todd Smith:** Thank you, Chair. Good morning, everyone. Happy eclipse day.

It's great to be able to be here to talk a little bit more about Bill 165, the Keeping Energy Costs Down Act. To get us started here today, I thought I'd share the key drivers behind this bill, which was introduced for one simple reason: to protect future homebuyers, who could have seen tens of thousands of dollars added to the price of a new home as a result of a very disappointing Ontario Energy

Board decision. At the same time, however, we're going to go a bit further. We're also introducing necessary updates to the existing legislation to support broader public engagement in OEB decisions and to help build housing and other infrastructure faster, save money and protect customer choice.

As the demand for energy continues to grow across Ontario due to strong economic and population growth, our government is working hard to ensure a reliable supply of affordable energy is available for all Ontario families and businesses now and into the future.

The fact is, as the primary heating source for approximately 70% of homes across the province, natural gas will continue to play an important role in meeting Ontario's energy demands. That's why I was so disappointed in the Ontario Energy Board decision just before Christmas that would effectively increase the cost of new homes and businesses by requiring new owners to pay 100% of the cost of a natural gas connection up front. In short, the decision would have upended a long-standing precedent, which otherwise would allow natural gas connection costs to be paid over 40 years. Just to put that into perspective, that practice has been in place since I graduated from high school in 1988, a long time ago. The knock-on effects of this change would be unfortunate, as well. Increased costs could slow or even halt the construction of new homes, including affordable housing. That's not acceptable for our government, as we work to build 1.5 million new homes by 2031 for Ontario's growing population.

Our government was also elected with a mandate to rebuild Ontario's economy, to keep costs down for people and businesses, something I'm proud to say that we have been able to do since forming government six years ago. At a time when Ontarians are already dealing with high interest rates and inflationary pressures, along with the impact of federal policies like the carbon tax, which went up last Monday morning, one week ago—an increase of 23% to the federal government's carbon tax—we simply can't allow any action that would further increase costs on the people of Ontario. That's why, when the Ontario Energy Board released its decision back in December, I promised that our government would take steps to reverse it, and we actually took those steps within minutes of receiving that decision. That's exactly what the Keeping Energy Costs Down Act would do.

With Bill 165, we're proposing legislation that would allow us, through regulation, to change the revenue horizon,

which is the period which connection costs can be paid back—or the amortization period, as you would know it—back to the previously set 40-year period, which, as I said, has been in precedence since 1988. Reversing the OEB decision would save, on average—this is right from the OEB decision itself—\$4,400 on the upfront costs of a new home, but we know that there will be significantly more savings, even ten of thousands of dollars, for a home in rural Ontario, where lots of homes and farms and businesses are actually further set back from the existing natural gas lines just because of the size of the properties that we're talking about in rural parts of the province.

The Ontario Energy Board's decision also raises concerns about public and stakeholder engagement in the board's decision-making process. In fact, in the decision itself—which, I should point out, was a split decision, two to one, which rarely happens at the OEB—the dissenting commissioner noted that the decision on natural gas connection costs was reached without input from the province's Independent Electricity System Operator. This is the organization that actually manages our electricity system across the province. The IESO wasn't consulted on the feasibility of the rapid adoption of electric heating in new residential developments. I think they would be an important body to entertain at the hearing.

Again, the IESO is responsible for managing Ontario's power system in real time and planning for the province's future energy needs, something that we've tasked them to do over the last number of years that I've been the energy minister. I think we can all agree that it would make sense to seek the advice of the IESO on the ability of the grid to support the increased demand from a forced and rapid switch to electric heating, especially when combined with the growing uptake of electric vehicles and electrification of industrial processes, which is happening at a rapid rate as well.

This is an important point: Even though the IESO had applied for intervenor status in the hearing, it seems that the commissioners didn't seek their advice or input at all in their final decision. The IESO had applied to participate in the process but was never asked by the commissioners to come and testify at the commissioners' hearing.

That same commissioner, the one with the dissenting opinion, also noted that potentially impacted sectors, like home builders, were also not consulted on the potential impact of a zero-year revenue horizon—taking it from 40 years of amortization to zero.

That's why the Keeping Energy Costs Down Act would ensure future decisions are made with adequate input and consultation, by requiring the Ontario Energy Board to carry out broader engagements when conducting both natural gas and electricity hearings. In addition, if passed, the government may propose regulations that ensure the OEB has processes in place for specific stakeholders or economic sectors, such as housing, transit, low-income Ontarians, construction and government agencies, to make certain that they're not only aware of proceedings or other consultations, but that they're invited to participate. It would also allow the government to ask for a separate

hearing on any matter of public interest related to natural gas or electricity within the OEB's jurisdiction.

I'd also like to point out that in making its decision, the Ontario Energy Board went ahead and made a major energy policy decision without waiting for the government's response to the final report of the Electrification and Energy Transition Panel, Ontario's Clean Energy Opportunity. This is an organization that had been commissioned back in April 2022 by my ministry to provide advice on how best to support the transformation of the energy sector and to advise on opportunities to enable investment, keep energy costs down, and create a more competitive and predictable business environment in the province. The panel's recommendations and our government's response will have a significant impact on the sector and Ontario's planning decisions.

In fact, one of the panel's key recommendations urges the government to develop a natural gas policy statement, clarifying for utilities, investors and customers the role of natural gas in Ontario's energy future. That's why, in addition to giving government time-limited authority to reset the revenue horizon for 40 years, Bill 165, if passed, would also allow the government, through regulation, to require an OEB panel to reconsider the issue at a future date. This will allow time for the government to introduce a natural gas policy statement, as recommended by the Electrification and Energy Transition Panel, providing further direction to the Ontario Energy Board on the long-term role of natural gas in Ontario. These proposed changes will make it clear that it is government that sets energy policy and not the regulator, not the OEB.

#### **0910**

The Keeping Energy Costs Down Act also proposes changes that would ensure that customers are not required to make upfront payments or contributions for gas transmission projects that may serve them and are critical to the province's economic growth. These changes would preserve the historical treatment of natural gas transmission projects under OEB jurisdiction, and those projects are specified by government direction. This will provide better economic development opportunities and help Ontario to continue to attract critical investments in sectors like the greenhouse sector in southwestern Ontario—in particular, in the Niagara region—and in automotive industries in southwestern Ontario and right across the province. The changes, if passed, will also provide reassurance to communities and to businesses that they can rely on Ontario's energy system.

Finally, the Keeping Energy Costs Down Act would also update the Ontario Energy Board's leave-to-construct process, making reliable and affordable energy options available to communities, homes and businesses in a more cost-effective and timely manner. As it currently stands, developers in Ontario must get leave-to-construct approval from the Ontario Energy Board if the expected cost of a pipeline project will be \$2 million or more. This process is actually an outdated one. The outdated cost threshold is causing delays for cities and towns all over Ontario in

getting natural gas to future development sites or current development sites, active development sites.

Mayors and councils—especially at ROMA, the Rural Ontario Municipal Association, and the bigger one, which will be in Ottawa this summer, AMO—have told us that they're frustrated by the amount of time and money that it takes for new economic development initiatives. This includes a number of different projects, like transit projects, community expansion projects, new housing developments, connections for low-carbon fuel blending, as well as residential and business customer connections.

The fact is, gas pipeline project costs in Ontario have significantly increased due to high labour and materials costs over the past 20 years, since this process has been in place, and \$2 million is no longer a meaningful threshold. So, if passed, through Bill 165, the government would introduce regulations to streamline the leave-to-construct process by exempting pipeline projects that cost between \$2 million and \$10 million.

I want to stress, however, that both the government of Ontario and the OEB are committed to ensuring that Indigenous communities have a continued opportunity to bring their views forward and to inform any decisions that may impact their rights or interests through this refined process. That's why these changes are going to maintain the crown's obligation related to rights-based consultation with Indigenous communities, ensuring opportunities remain for their input into proposed new projects.

Overall, modernizing this outdated process would reduce delays and costs for economic development initiatives, including new industries that are seeking to locate to Ontario municipalities as well as create jobs in our communities.

Increasing the cost threshold to \$10 million would also more closely align Ontario with other Canadian jurisdictions, like British Columbia, where the thresholds are \$15 million for natural gas and \$20 million for electricity.

Overall, the Keeping Energy Costs Down Act and the changes it proposes represent this government's ongoing commitment to creating a world-class energy system in Ontario, a system that's reliable, affordable and clean—one of the cleanest in the world—and they represent our government's ongoing commitment to creating a system that meets Ontario's growing energy needs while driving innovation and moving our economy forward.

Since day one, we have worked to reduce energy costs, lower taxes, cut red tape and give consumers more opportunities to manage their energy use and control their costs. While that may seem like common sense, I can tell you that common sense has not always prevailed in Ontario's energy planning.

In fact, it's easy to remember when the previous Liberal government, supported by the NDP, presided over the fastest-rising hydro prices in North America. The price of electricity tripled during that 15-year period. The average hydro bill, between 2003 and 2018, tripled in Ontario, and families saw their bills increase by more than \$1,000 per year. It's a big part of the reason why I'm sitting here now as the Minister of Energy and why our government was

elected back in 2018. That was a time when sky-high electricity costs chased 300,000 manufacturing jobs out of the province to other lower-cost jurisdictions.

As a matter of fact, with the booming auto sector that we now have in Ontario, where multi-billion dollar investments are being made in our province—that wasn't always the case. Back in 2018, we were told by CEOs of the big automakers that Ontario was the least competitive jurisdiction in North America to build cars. We've been able to turn that around and now see these multi-billion dollar investments in our province.

This legislation is just another way that we're delivering on the work that we've been doing since day one to make energy and housing in the province more affordable. Just think, we've cut the gas tax through December of this year in the recent budget. We're saving families \$312 a year through our Ontario Electricity Rebate. We're investing an additional \$50 million in the Ontario Electricity Support Program, which is delivered by the Ontario Energy Board to help those who need it most. We've rolled out the Clean Home Heating Initiative, with incentives of up to \$4,500 per household to roll out electric air source heat pumps paired with an existing natural gas furnace. We've scrapped the previous Liberal government's cap-and-trade carbon tax that punished people and businesses. And unlike the new Liberal leader, Bonnie Crombie, who continues to support a federal carbon tax, we've introduced legislation to protect the people of Ontario from any future carbon tax.

All of that work and a lot more has paved the way for us to move boldly forward as a leader in economic growth and reliable, affordable and clean energy. That's why we enjoy one of the cleanest electricity systems in the world. And it's why, quite honestly, last summer, I was able to introduce Powering Ontario's Growth, laying out our government's plan to provide families and industries with the reliable, low-cost and clean power that we need to power Ontario's future. Powering Ontario's Growth builds on the key strengths of our system, including our diverse supply mix made up of nuclear, hydro, natural gas, renewables and, soon, batteries. We have the largest procurement of battery storage in Canada's history in the market now, through the IESO. This builds on the significant action that our government has already taken to meet demand through the end of the decade with major projects and procurements, including a massive \$342-million expansion of energy efficiency programs and the largest energy storage procurement, as I mentioned, in Canada's history. And it builds Ontario's international leadership in nuclear power and small modular reactors.

The deputy and I were just at the SMR Canada conference in Calgary early last week, where we were talking about the work that's under way right now at Darlington to build the western world's first small modular reactor, or SMR. The SMR is built on our legacy as the birthplace of the Candu reactor, which is still among the safest and most reliable reactors in the world today, and on our reputation as a world-leading source of life-saving, cancer-fighting medical isotopes.

Again, I just have to stop on nuclear for a minute, because when you think about nuclear and natural gas, we've got to recognize the incredible role that they both play in our system. In fact, together, they make up about 65% of our electricity production in the province, with 55% at this moment coming from nuclear and about 10% coming from natural gas, which follows the load, which peak follows.

If the opposition members from the NDP on this committee had their way, they would shut down, tomorrow, nuclear and natural gas, potentially putting tens of thousands of people out of work and pushing families into energy poverty—and I know we're all waiting for the eclipse today, but there would be blackouts on a regular basis in our system. In fact, the NDP energy critic was out just a couple of months ago promoting a town hall that called nuclear harmful to human health and the environment. Imagine that.

Imagine the record of our Candu reactors. They're the reason why we were able to phase out coal in this province, because they are a baseload, non-emitting energy supply that you can count on to be there 365 days a year, seven days a week, 24 hours a day.

**The Chair (Mr. Aris Babikian):** One minute.

0920

**Hon. Todd Smith:** They've got to know that they're also producing these life-saving medical isotopes.

Our natural gas workers also help keep the lights on and the heat on during these cold winter nights.

Let me get back to the Keeping Energy Costs Down Act, just for a moment. It builds on powering Ontario's growth and the work that we're already doing to ensure that we'll continue to have affordable, reliable and clean energy for all Ontarians, and to ensure this province remains an attractive place for businesses to invest and families to call home.

The Keeping Energy Costs Down Act will preserve customer energy choices by ensuring that natural gas remains an available and affordable option for consumers, and keeping new home prices down, which is something that we've committed to do in the province.

Thank you for your time, Chair. I'm happy to take questions from the committee members this morning.

**The Chair (Mr. Aris Babikian):** We will start the first round of questioning with the official opposition. You have seven and a half minutes.

**Mr. Peter Tabuns:** Minister, as you know, Enbridge wants to increase bills for customers by over a billion dollars with this new rate, and the Ontario Energy Board said, "No, you aren't going to increase the rate for existing customers—four million of them—by a billion dollars for the capital works that you're proposing."

If you overrule the Ontario Energy Board, won't you agree that customers' bills will be \$1 billion higher than they would be if you left the decision alone?

**Hon. Todd Smith:** No, actually. This decision maintains the status quo that has been in place since 1988, 36 years ago. This process has been in place for 36 years. It's working.

It has seen natural gas expanded into our communities, and it offers more choice for the people of Ontario.

**Mr. Peter Tabuns:** You do know that the company, Enbridge, is taking the OEB to court because they want that extra quarter of a billion dollars a year of revenue. They actually are asking for more money. You do understand that, don't you?

**Hon. Todd Smith:** What I am here to tell you about today—through Bill 165—and that's what I'm talking about today, Bill 165. The Keeping Energy Costs Down Act will preserve a system that has been in place for almost 40 years. It will protect the costs for new home buyers in our province by at least \$4,400—I know you don't think that's substantial or significant. But that is a significant cost in a time when we need new homes to be built in our province.

**Mr. Peter Tabuns:** How does it keep the cost down for the existing four million customers if Enbridge wants to charge an extra quarter of a billion dollars a year?

**Hon. Todd Smith:** This is the process that has been in place for almost 40 years in our province. It's the same process that's in place for other infrastructure, as well. I don't know if you have issues with other infrastructure in our province. This is the process that is going to keep homes affordable in our province and at the same time keep electricity costs down.

I pointed out in my remarks that this was something that wasn't necessary for the OEB to rule on at this point in time, given the fact that they knew the work of the Electrification and Energy Transition Panel was coming.

We've taken a very integrated approach to energy planning, ensuring that we're hearing from everyone in the system. Clearly, that wasn't the case with the—

**Mr. Peter Tabuns:** Excuse me, Minister. I'm trying to get a clear answer.

Enbridge wants another billion dollars from customers. The OEB has said you can't justify it. If you overrule the OEB, people's gas bills will go up. You understand that. Enbridge asked for an increase in their rates so that they could pay these capital costs. The OEB said, "No, you can't charge customers more"—so if you overturn, you're adding more than a billion dollars over the term of this rate period to the bills that people pay. You have told everyone—and you're correct; people are hard-pressed.

Why are you advocating for an increase in the gas bills of four million customers of Enbridge?

**Hon. Todd Smith:** I know we have had some conversations in the Legislature about this very fact: It is somewhat unbelievable that you, as the energy critic who wants to phase out natural gas tomorrow, is the one asking these questions. You believe that natural gas and nuclear are harmful to the health of the people of Ontario.

What we are doing by continuing this process is ensuring there's choice there for the people of Ontario. Not everybody wants to hook up to a natural gas line; I understand that. In fact, I even have an open-air heat pump at my home in the Oak Hills. I can't get natural gas where I am because the gas lines don't go there. If I had the choice, would I love the opportunity? There are many, many people, as I



mentioned in my remarks, who are coming to us at all of the municipal conferences, begging for us to have natural gas expanded in their communities.

**Mr. Peter Tabuns:** I understand that. You've consistently dodged the question.

If, in fact, Enbridge gets its way, its customers will pay more money. You understand that. In the rate period we're talking about—

**Hon. Todd Smith:** So you're saying we shouldn't build any infrastructure at all, Mr. Tabuns?

**Mr. Peter Tabuns:** Oh, no. I'm saying—

**Hon. Todd Smith:** Because that's what happens—

**Mr. Peter Tabuns:** —should the customers get—

**Hon. Todd Smith:** Somebody has to pay for it. You do understand that?

**Mr. Peter Tabuns:** Yes. Excellent point. Why should the customers pay for it? Why not the shareholders?

**The Chair (Mr. Aris Babikian):** Can I interrupt the committee members for a second?

I will hold your time; I will freeze your time. But I kindly ask you to keep decorum of the meeting and give the witness the opportunity to answer the questions the committee members are going to ask.

**Mr. Peter Tabuns:** Chair, I understand that. I will just note that when the minister is trying to run out the clock, that is a problem.

**The Chair (Mr. Aris Babikian):** Well, that's his privilege; the same way it is the privilege of the committee members to ask any questions. It is the privilege of the minister or the witness to answer the way they wish to answer their question.

We will start your time again. Go ahead.

**Mr. Peter Tabuns:** Thank you.

As you may understand, in 2002, the OEB ruled that the shareholders had to pay for the cost of a pipeline that was not really considered a prudent investment. So, in fact, there is a real ability on the part of the OEB to say, "Hey, shareholders, this may not be a good decision for customers. You shareholders can carry the can." If you were to say, Minister, "Hey, if you want to make this investment, shareholders, you put the money down"—not the customers, not the people who are trying to pay their mortgage and rent, now looking at an increase in their Enbridge bill.

You consistently dodge this question; I don't know how you dodge the math. If this decision that you want to put forward goes through, people will be paying higher gas bills. You understand that?

**Hon. Todd Smith:** This is the most responsible and pragmatic approach. It has been the practice for almost 40 years in our province that new infrastructure gets paid by the existing customer base. This ensures that there is affordable infrastructure going into our community—that's legacy infrastructure, that is going to provide those customers with the choice. Nobody is saying anybody has to hook up to the line.

We do know, in communities right across the province—the Eastern Ontario Wardens' Caucus and south-western Ontario wardens' caucus have both written to us in support of Bill 165.

Keeping costs down for new home builders across the province and keeping costs down for customers across the province—it's something that we've done since we came into power. That's why we're seeing economic growth in our community—

**The Chair (Mr. Aris Babikian):** One minute.

**Hon. Todd Smith:** —again, because we're back to being a predictable, reliable, affordable energy sector where investments can occur again. We're seeing the results: multi-billion dollar investments and new homes being built. We have to encourage even more homes to be built, because we're in a crisis.

**Mr. Peter Tabuns:** So, Minister, your choice is to increase the bills for customers and say to shareholders, "You can take advantage of the customer base. You can charge them whatever you want. We get to take profit on the money that you pay. We don't take any risk."

You are actually advocating for and you've just acknowledged that it's the customers who will pay the cost of the expansion—customers that you and everyone in this room regularly recognize are having a hard time.

Why do you want to increase the bills for the customers of Enbridge Gas when there are other alternatives, like their shareholders, for instance?

**Hon. Todd Smith:** Why do you want to rip the natural gas out of the ground? Why do you want to eliminate that as an option for the people of Ontario? You have clearly said that for years. You're against nuclear. You're against—

**The Chair (Mr. Aris Babikian):** Thank you very much, Minister. The time is up.

We will move to the independent members. MPP Schreiner.

**Mr. Mike Schreiner:** I appreciate the minister being here today.

As the minister has noted, for 40 years, the OEB has protected consumers. Let's be clear, Chair: The OEB's primary job is to protect consumers. Bill 165 is going to take the unprecedented step, for the first time in that 40 years, and overturn an independent decision of the regulator to protect gas consumers in this province. This bill will essentially force a \$600 fee increase on existing Ontario gas customers, to give a company with revenues last year of \$43.69 billion and gross profits of \$16.5 billion, whose CEO makes a paltry salary of \$19 million, a subsidy of \$2 billion.

**0930**

So my question—through you, Chair—to the minister is, why should the people of Ontario who are gas customers in this province pay an extra \$600 to heat their homes to subsidize a multi-billion dollar oil and gas company?

**Hon. Todd Smith:** I can appreciate the member from the Green Party and his question today.

This is reverting back to the process that has been in place for 36 years to pay for natural gas infrastructure. This is nothing new.

The decision that was made by the OEB—in a split decision, again—was to go from 40 years' amortization to zero. There's nothing pragmatic, there's nothing reasonable about this.

We've been trying to take a very pragmatic approach to the energy transition. That's why we named the Electrification and Energy Transition Panel. There's work that has to happen—there's no question—and we've undertaken that work through the EETP, that panel that I referenced, and then the work that the IESO has done on the Pathways to Decarbonization report and the off-gas reports that they've sent me to eliminate or at least reduce the use of natural gas in our province. This is a very pragmatic way to approach this.

**Mr. Mike Schreiner:** Through you, Chair, to the minister: Do you agree that the purpose of the OEB is to protect consumers? Yes or no?

**Hon. Todd Smith:** I absolutely do, but they're not expected to step into energy policy.

**Mr. Mike Schreiner:** In the process of protecting consumers from seeing a \$600 increase in their electricity bill, the OEB made a decision. The minister said it's a split decision, but even the dissenting voice said the amortization time should be cut in half because of the risk exposure that the people of Ontario face because they have stranded gas assets.

Once again, I want to ask the minister—through you, Chair—how the minister can explain to gas customers across this province why the government is going to take the unprecedented step of overturning an independent decision and increasing our gas bills by \$600.

**Hon. Todd Smith:** Because it's not the Ontario Energy Board's decision—

**Mr. Mike Schreiner:** To protect customers?

**Hon. Todd Smith:** —or prerogative to set natural gas policy or policy in that matter. The OEB knows this, and the sector knows this. That's why we've been largely supported, by stepping in here until the natural gas policy is set by our government.

The Electrification and Energy Transition Panel, in its own report, has indicated to us that natural gas has to play a role in our system for many years to come; so has the IESO, and the IESO was never consulted in this process.

**Mr. Mike Schreiner:** Through you, Chair, to the minister: Will the minister say no to increasing gas prices for existing customers by \$600?

**The Chair (Mr. Aris Babikian):** One minute.

**Hon. Todd Smith:** I think it's really important for the member to understand that if we were to do. Potentially, what the OEB has ruled on, it could create incredible challenges for our electricity system—something that wasn't considered in their decision. It's unfathomable to me that by pushing folks to electrification or electricity heat pumps in an untimely fashion could create some challenges on our electricity grid—and the IESO was never consulted in that process.

**Mr. Mike Schreiner:** Chair, the minister has talked about choices for consumers. Well, what about having consumers have their choice of a heating system than will save them 13% on their bills?

**Hon. Todd Smith:** They have that choice.

**Mr. Mike Schreiner:** The minister is saying no to that.

**Hon. Todd Smith:** No, they have that choice, and I have said that throughout my presentation here this morning. If people want to choose to have an open-air heat pump at their home, they can do that. But people should be able to choose to have natural gas in their communities. What this decision was ultimately going to do was, it was going to eliminate that decision—

**The Chair (Mr. Aris Babikian):** Thank you, Minister. The time is up.

We'll move to the government side now. You have seven and a half minutes. MPP Yakabuski.

**Mr. John Yakabuski:** Thank you, Minister, for joining us this morning for your presentation.

Quite frankly, I was shocked, and I've been here for a long time—some people would say too long. My father was here when the Ontario Energy Board was created. The members of the opposition are right, as you have confirmed, that the role of the energy board—it was founded to protect consumers, but it was never founded to write policy. Since, as you say, 1988—that was a Liberal government, that went through an NDP government, that went through a Conservative government, that went through a Liberal government and now a Conservative government, and never before did the OEB decide that it was their mandate to rewrite government policy. When this came forward to us, as MPPs, I was shocked, and I am shocked, actually, at the socialists for thinking that somehow spreading costs among the masses, sort of like we do in our health care system or when we build transit or when we build highways—how they're asking us now to take the gigantic costs and make each individual responsible for that. That is not only going to add significant costs to that dwelling, and certainly in rural Ontario, but it would even make it quite likely that some people will choose—"I can't afford that. I can't afford to hook up the natural gas in rural Ontario." Some people who live half a mile off the highway or the road are going to pay for the price of a house to get hooked up to natural gas.

We're doing something that has been done—this is what has been done for almost 40 years.

Maybe if you could just clarify a little more how important it is, Minister, that a system that has worked, that has allowed us to spread natural gas throughout the province, just as we did with our hydro system, as Bell did with the telephone system, to make sure that we could get it to rural—we'd never have had hydro in rural Ontario if we weren't spreading those costs out when they were developing it. Maybe you could expand on that, Minister.

**Hon. Todd Smith:** That's right. That's why the NDP is ideologically driven in this debate and is not looking at the full picture. They want to eliminate natural gas from our province entirely.

We have communities across Ontario that are begging for us—I see that my former parliamentary assistant at energy, Mr. Sarrazin, is here today. He has taken many, many meetings at AMO and ROMA over the years from communities that are asking us to install natural gas in their community, for a whole host of reasons, one being that people want to have this as a reliable, affordable way

to heat their homes. They have that prerogative right now, but under the decision that was made by the OEB, that would be much more challenging. I think, more importantly, mayors and councillors in those communities are also trying to build more homes, and the last thing they want to see is the price of those homes go up even more, by a decision that was made by the Ontario Energy Board.

That is a government policy that we have made—to keep the price of home ownership affordable. We have also made a policy to ensure that home heating and energy costs are affordable. We can do both. And that's what this bill is intended to do: Keep the price of energy affordable and ensure that we have affordable housing in our communities, so that young people out there can afford to get into the housing market.

**The Chair (Mr. Aris Babikian):** MPP McGregor.

**Mr. Graham McGregor:** I thank the minister for being here today. Thank you for your leadership in ensuring we have a stable, clean, affordable energy sector for Ontarians.

I appreciated the minister giving us context about the situation we were in in 2018, when we saw hydro prices triple under the Liberals and NDP, and we saw 300,000 manufacturing jobs flee Ontario.

Now we're in a world where, under this government's leadership, we have 700,000 more people working today than when this government took office.

We hear the pragmatic approach from the minister about different types of energy—obviously, supporting our natural gas sector, supporting our nuclear sector. Certainly, this caucus supports the nuclear sector; I don't know if we can say the same for our friends in the opposition. We've seen where their path leads us to higher prices, higher energy prices, jobs fleeing the province, but we haven't heard quite enough yet about what that means for the hard-working men and women who are in the natural gas and nuclear sectors.

If we were to take the approach of the opposition and be against nuclear, against natural gas, throwing barriers and hurdles in the way to stop infrastructure growth, the way that they've asked us to do, what would that mean for the workers who actually work in the sector?

**Hon. Todd Smith:** It would obviously be very, very difficult for them, because that work would evaporate.

We know that the critic for the NDP has been on record in the past as being an anti-natural gas member of our Parliament, but also an anti-nuclear member of our Parliament—something that is gaining momentum all around the world.

We have 70,000 people in our province who are working in the nuclear sector, many of them as nuclear operators, many as nuclear engineers, contractors, power workers, boilermakers, skilled trades, who are working every day in ensuring that we have that dense electricity supply that you get from a nuclear power plant. It takes up a few acres of land but produces massive amounts of energy, in gigawatts, to our province.

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We saw, under the NDP and the Liberals, over 15 years, where they went a different route. They ended up going with feed-in tariffs to spread wind and solar projects all across Ontario—which are intermittent, unreliable forms of electricity supply, and really produce no jobs except for during the construction phase.

In our natural gas sector, we have workers who are out there every day installing pipelines to provide affordable home heating to our communities and ensuring that those pipelines are going to—

**The Chair (Mr. Aris Babikian):** One minute.

**Hon. Todd Smith:**—things like grain dryers that our farmers are using to ensure that they can dry their crops in an affordable way, and also going from a more emitting energy source, home heating fuel or diesel fuel, to a less emitting natural gas supply. These things all make sense.

Our policy is intended to support the workers and the new home buyers, but it's also intended to support a reasonable cost of electricity and a reliable system that new investors will be able to count on as they make these multi-billion dollar investments in our province.

**The Chair (Mr. Aris Babikian):** You have 27 seconds.

**Mr. Graham McGregor:** Thank you, Minister. It makes a ton of sense for me, and I appreciate the context around that.

I think we're good on our time.

**The Chair (Mr. Aris Babikian):** Now we'll move to the second round of questioning. We will start with the official opposition. MPP Shaw.

**Ms. Sandy Shaw:** I really just have to say that it's astonishing, this morning, to watch the minister and the Conservative members of the committee twist themselves in knots to side with Enbridge. You were standing here defending Enbridge.

The facts are clear—and the minister admitted it: Enbridge wants to increase the gas bills of all Ontarians by \$600.

Let's talk about Enbridge. Enbridge made \$4.5 billion in profit last year. The CEO earns \$19 million. The member from Brampton talked about loss of jobs. Enbridge laid off almost 1,000 employees. Where did those jobs go? You are still siding with a company that has had layoffs while they're hugely profitable.

Let's be really clear: Enbridge is a regulated monopoly. The only thing that stands between us and the increases that you're supporting is the Ontario Energy Board. That's an independent regulator. You know that they took 14 months to come up with this decision. I also would like to note that these are hard-working public servants. I'm sure you had a chance to meet Richard Dicerni. I know that we were shocked by his sudden death. They worked hard, defending people who have to pay these rates.

The Premier himself said something that was appalling, given the hard work of these public servants defending us. He said, first of all, that the OEB has no right making policies, and that the folks who made these policies will be taken care of. Is that an ominous threat? I don't know what that means, but I took it as a threat.

My question to you is, given all of the facts in front of you, why are you allowing Enbridge to write policy in the province of Ontario?

**Hon. Todd Smith:** Well, to the contrary; we're ensuring that homeowners have an ability to get into the housing market—something that, apparently, the NDP really don't care too much about.

On the issue of jobs: The NDP would wipe out natural gas jobs across the province entirely, and while at it, they would also wipe out our highly paid nuclear jobs across the province.

We have to fix this situation.

The Premier was absolutely correct. The OEB is not there to write policy. That is the job of us in the government—that's the job, as members of provincial Parliament. Perhaps one day, in a year far, far away, the NDP will get an opportunity to do that again. But as of right now, the people of Ontario have put their trust in us to ensure that homes are being built and that energy costs are low and that we have the opportunity for further economic development.

**The Chair (Mr. Aris Babikian):** MPP Shaw.

**Ms. Sandy Shaw:** Minister, I just would like to say, pride goeth before a fall.

With that, I would like to pass it back to MPP Tabuns.

**Mr. John Yakabuski:** Can we let the minister answer the questions, please, Chair, without being interrupted with a quip?

**Ms. Sandy Shaw:** That was a quote.

**Mr. John Yakabuski:** By who?

**Ms. Sandy Shaw:** The Bible. Read it sometime.

**The Chair (Mr. Aris Babikian):** May I ask the committee members: Please, if you have any questions—

**Ms. Sandy Shaw:** Chair, is this my time?

**The Chair (Mr. Aris Babikian):** No, it is on hold. Don't worry, your time will be saved.

First of all, ask your questions through the Chair, please. Secondly, let's keep the decorum of this meeting. Let's give everyone the opportunity to ask their questions and answer the questions. There is no restriction as to how you can ask the questions—and there is no restriction for the witnesses to answer their questions.

We will start the clock again.

MPP Tabuns.

**Mr. Peter Tabuns:** Thank you, Chair, and through you: If Bill 165 passes and the OEB decision is reversed, will existing Enbridge customers pay higher gas bills than they would if the OEB decision were upheld—and if so, how much higher?

**Hon. Todd Smith:** These costs are actually going to be amortized over 40 years, which has been the practice for 36 years, which is the practice for building new infrastructure in our province, and has been for years and years and years. It doesn't matter what kind of infrastructure it is; the OEB has had this process in place.

We've made it very, very clear today that it shouldn't be the Ontario Energy Board setting the policy. That's why we are setting a natural gas policy, as was recommended by our Electrification and Energy Transition

Panel—to bring forward this natural gas policy later this year, and then the OEB will have the opportunity, at that point, to make a decision.

**Mr. Peter Tabuns:** Do you support Enbridge's long-term plan to replace fossil gas with renewable natural gas or hydrogen?

**Hon. Todd Smith:** They're working on that right now in Markham—actually, there is a hydrogen-blending facility, with 3,600 homes in a test pilot. So, yes, absolutely, they're working towards injecting hydrogen into their natural gas lines.

**Mr. Peter Tabuns:** Minister, do you support that policy?

**Hon. Todd Smith:** We have supported that policy through the Hydrogen Innovation Fund that we've introduced.

**Mr. Peter Tabuns:** And the renewable natural gas—do you support that policy as well?

**Hon. Todd Smith:** Absolutely, yes. Do you?

**Mr. Peter Tabuns:** I look forward to asking the question on this side someday, sir.

Anyway—

*Interjections.*

**The Chair (Mr. Aris Babikian):** Quiet, please.

Go ahead, MPP Tabuns.

**Mr. Peter Tabuns:** The question, again: Will you support lower gas bills for customers or will you protect higher profits for Enbridge?

**Hon. Todd Smith:** We've ensured lower gas bills for customers, through various mechanisms.

In the face of massive, massive increases—you may recall this: Particularly during the pandemic and following the invasion of Ukraine, gas prices soared around the world; however, we maintained a very reasonable rate of increase here in Ontario through smoothing mechanisms that spread that out over a longer period of time—something which, apparently, you're not in favour of doing, given the nature of your questions here today.

**Mr. Peter Tabuns:** Again, through you, Chair: Does the minister support higher gas prices for customers, which will mean higher profits for Enbridge, or does he support maintaining costs to customers so that they won't have to deal with extra expenses?

**Hon. Todd Smith:** We can do two things at once in this government. We can ensure that we have affordable new homes being built across our province and are supporting low costs of economic development opportunities, and ensure that we have a stable, reliable energy system—something that we have proven to investors that is there for them. We're going to continue to see multi-billion dollar investments and new homes going up as a result.

**Mr. Peter Tabuns:** So is the extra quarter billion that Enbridge wants going to come out of thin air, or will it come out of the pockets of existing customers?

**Hon. Todd Smith:** This is a process that has been in place for 36 years in our province, and apparently, the NDP believe that they should blow it up. They somehow believe that going from 40 years of amortization to zero is reasonable. We don't believe that. The dissenting commissioner doesn't believe that.

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The Independent Electricity System Operator needs to be consulted on a drastic decision, a radical decision, like the one that we received from the OEB just before Christmas.

That's why we're going to put our policy in place, and there will be a decision made on it by the OEB after that.

**Mr. Peter Tabuns:** Does the minister recognize that the role of the OEB is to protect customers dealing with a monopoly utility? That is their role—to protect customers against imprudent or expensive or unreasonable expenses on the part of—

**The Chair (Mr. Aris Babikian):** Unfortunately, MPP Tabuns, your time is up.

We'll move to the independent members. MPP Schreiner.

**Mr. Mike Schreiner:** I know the Auditor General has criticized the government's climate plan as being insufficient. That being said, the plan, I believe, wants the government to be net zero by 2050. Am I correct with that?

**Hon. Todd Smith:** We are working towards that, certainly, and we're going to do it in a rational, reasonable, responsible way.

**Mr. Mike Schreiner:** Thank you. I appreciate that.

That means, under a 40-year amortization for the expansion of fossil gas infrastructure—by the way, I'd like to note that methane gas is a more highly potent greenhouse gas pollution than even CO<sub>2</sub> is. That would take out this particular amortization schedule to at least 2065. That's 40 years from now—well, 2064, but when this comes into effect, 2065.

Do you think it's either pragmatic or rational in any way to overturn a decision to protect consumers that's in line with the government's own climate plan goal of being net zero by 2050?

**Hon. Todd Smith:** We have to have a natural gas policy in place, something that we're going to be rolling out. The Electrification and Energy Transition Panel indicated that natural gas is going to be around for a long time.

I don't know if you fully understand—and maybe you can explain to me what your definition of net zero is. That doesn't mean that we're not going to have natural gas by 2065. There's a very real possibility that we will have natural gas in 2065, with the implementation of carbon capture and utilization and storage and many other technologies that are being developed, including the advancement of our small modular reactors and nuclear fleets that are going to continue to drive down emissions in places like the oil sands and other petrochemical—

**The Chair (Mr. Aris Babikian):** MPP Schreiner, the floor is yours.

**Mr. Mike Schreiner:** Thank you, Chair.

I certainly understand what net zero means.

Let me get this correct. The OEB has been there to protect consumers. The government says, "No, we don't want you to protect consumers anymore." And immediately, we're going to see gas bills go up by \$600 because of this bill. Even the dissenting OEB commissioner said the amortization time should, at the very least, be cut in half,

to 20 years, because of—even the government's own climate policy. So not only are we seeing a \$600 bill increase for consumers, but those existing gas customers who will still be on the gas network will likely see their costs go up even more because they're going to be left holding the bag of a stranded asset, and/or customers are going to have to pay the retrofit costs of going from gas heating to electrified heating.

I'm just curious about how you can justify to the consumers of gas of this province that you're going to subject them not only to a \$600 bill increase, but to the risk of holding the bag of a stranded asset.

**Hon. Todd Smith:** Mr. Chair, my friend is assuming the outcome of a future OEB hearing, something that we promised that we will have once we have our natural gas policy in place.

Later this year, we'll be making it very clear where the government stands, as a result of the panel's report back to us on the future of natural gas in our system. The OEB will reconvene once that policy is clear, and then I hope an OEB hearing that includes the ISEO and the construction sector—many of the witnesses you will hear over the next couple of days at this committee—

**The Chair (Mr. Aris Babikian):** One minute.

**Hon. Todd Smith:** —will be coming forward, talking about the impact on home building and—

*Interjection.*

**The Chair (Mr. Aris Babikian):** MPP Schreiner, go ahead.

**Mr. Mike Schreiner:** I'd like to shift to grain drying for a second, because this is a huge issue for farmers in Ontario.

Even the Grain Farmers of Ontario are now looking at electrified grain drying. You're starting to see electrified grain drying happen in the US. One of the biggest barriers is access to three-phase power.

Is the government doing anything to make three-phase power available in rural Ontario so they can utilize new technologies that would save them money?

**Hon. Todd Smith:** Absolutely, we're working on that.

The other thing to keep in mind—and I think this speaks volumes to where we're at on the lack of foresight on behalf of, maybe, some of the opposition parties—is that the IESO, the system operator, has to play an important role in any of these decisions that are being made, in informing the Ontario Energy Board.

If farmers are going to electric furnaces to dry their grains, that's obviously going to create a massive load for the system, as we are seeing with the electric furnaces that are going into our steelmaking processes.

**The Chair (Mr. Aris Babikian):** We'll move to the opposition side. MPP Bresee.

**Mr. Ric Bresee:** Thank you to the minister for his presentation.

Minister, in your presentation, you mentioned the idea of a rational transition, and I greatly appreciate that statement.

You know my riding very well. You know the rural areas of Ontario. That \$444 extra cost that would be

applied if this bill doesn't pass will be borne by suburban-type homes. But in our areas, in the rural areas, those numbers will be significantly higher.

One of the pieces that keeps on coming back to mind is, as much as the opposition are talking about the added cost to carry these charges for 40 years, I'm thinking about the added cost to the mortgage of the new homeowner—again, in my area, I don't think it's going to be \$444; I think it's going to be more like \$10,000. If you add a \$10,000 extra cost to the mortgage of the average homeowner right now, over the 25 years of that mortgage or 20 years of that mortgage—you're talking about \$85 a month, or \$1,000 a year, added to the cost of the mortgage for those individuals.

So as much as the opposition is trying to deny Enbridge carrying that mortgage for 40 years, carrying that cost and dividing it across the users, I think it would be much more damaging—do you agree that it would be much more damaging to the purposes of getting more people in homes right now?

**Hon. Todd Smith:** Yes, there's no question. We've introduced Bill 165 to ensure that we have that balance.

We've taken a very responsible and rational approach to energy planning in the province, ensuring that there is that rational transition in this sector, and taking the time, through our panel—incidentally, the panel met with over 200 different groups over the year that they were putting their report together, and that includes every sector. We appreciate the work that David Collie and that team did to help us inform our natural gas policy going forward.

Absolutely, this is going to have a huge impact on new home buyers in areas like ours.

The member from Peterborough would tell you that he would probably have to put half a kilometre, I think, of pipeline—

**Mr. Dave Smith:** It's 900 metres.

**Hon. Todd Smith:** Oh, 900 metres, okay, close—even more—to get the pipeline to his house. That's going to have an incredible cost that, if he were building a new home there, would go on his mortgage and make the price of that home increasingly more unaffordable for a new home buyer.

So we're trying to walk and chew gum at the same time here. Something that we can do in this government is ensure that we're keeping the cost of a new home down and at the same time continuing with the practice that has been very responsible, as well, for building new infrastructure in our province.

**The Chair (Mr. Aris Babikian):** MPP Sarrazin.

**Mr. Stéphane Sarrazin:** Thank you, Minister, for the great presentation and the answers you're providing us.

I think it's really confusing here—some people talk about the price of natural gas that will come up, but I guess we're talking more right now about the 40-year amortization on projects than, actually, the gas price. If I understand correctly, gas prices are still going through OEB, through their cost of service—I don't know if that's the right term—but they do apply every five or 10 years, so I don't think it will affect them.

Also, it seems like the opposition is telling us that it wants to get rid of natural gas and is not for nuclear. I was looking at the Gridwatch application and right now, as we speak, 48% of electricity is generated by nuclear power, 12% by natural gas at this time, and 0.2% by solar power.

So how do you think we could bring some manufacturing jobs to this province without the 60% of reliable energy that we can provide to these big companies?

**Hon. Todd Smith:** That's why we're making the investments in new nuclear, like the small modular reactors that are going to provide 1.2 gigawatts of electricity onto our grid as we build out those four SMRs at the Darlington site, but also the nearly five gigawatts of electricity generation—clean, reliable, affordable base-load power—that we're going to be adding at the Bruce nuclear station, which is already the world's largest operating nuclear facility, bringing that to close to 12 gigawatts coming out of that facility. That's power that's there when you need it. Those Candu reactors at Bruce are pumping out about 850 megawatts of electricity as we speak. Right now, each individual reactor is producing that. It's also why we've embarked on our refurbishment program, which is world-class.

We're seeing these multi-billion dollar investments that are providing low-cost electricity on our system coming back not just on budget; they're coming in on budget and they're coming in early—six months early, in some cases.

We've proven to the world that Canada is the best when it comes to nuclear power. We have to have it.

I worry greatly about what would happen to those programs under an NDP-Liberal coalition, or an NDP or a Liberal government. At the same time, they would also potentially wipe out our natural gas, which is not just providing the load-following on our electricity grid, but is also providing home heating to 70% of our homes across the province. We have to have it for the time being. There are opposition parties that would love to rip it out of the ground today and move to electric arc furnaces. We would be in a whole lot of trouble if that was the case.

**The Chair (Mr. Aris Babikian):** One minute.

**Hon. Todd Smith:** These nuclear projects take a number of years to complete. We're working with the federal government to ensure that we're getting through that impact assessment phase and the regulatory phase as quickly as possible so we have the power that we need.

**The Chair (Mr. Aris Babikian):** MPP Smith.

**Mr. Dave Smith:** I know we only have about 30 seconds left, and I want to bring a little brevity in.

You were talking about 12 gigawatts; not 1.21 gigawatts of power needed to take a DeLorean back in time?

**Hon. Todd Smith:** Yes. Thanks, McFly.

**The Chair (Mr. Aris Babikian):** Any further questions?

**Hon. Todd Smith:** Thanks. I look forward to the rest of the testimony here today, Chair.

**The Chair (Mr. Aris Babikian):** Thank you, Minister, for your time.

That concludes our session for this morning. We will take a recess, and we will reconvene at 1 o'clock.

*The committee recessed from 1003 to 1300.*

**The Chair (Mr. Aris Babikian):** Good afternoon, members and guests. The committee will resume its public hearings on Bill 165, An Act to amend the Ontario Energy Board Act, 1998 respecting certain Board proceedings and related matters.

Our remaining presenters have been scheduled in groups of three for each one-hour time slot. Each presenter will have seven minutes for their presentation. After we have heard from all three presenters, the remaining 39 minutes of the time slot will be for questions from the members of the committee. The time for the questions will be broken down into two rounds of seven and a half minutes for the government members, two rounds of seven and a half minutes for the official opposition, and two rounds of four and a half minutes for the independent members as a group.

Before I ask the witnesses to start their testimony, I am going to ask for unanimous consent from the committee on an issue which we are going to face today. There are some organizations that have more than one representative; I can recall three, at least. If I can have unanimous consent from the committee members for the entire day—that way it will ease our job, and we will continue with our hearings. Is there consent?

**Mr. Dave Smith:** Before you do the vote, Chair—

**The Chair (Mr. Aris Babikian):** Yes?

**Mr. Dave Smith:** We have panels of three—if two people from each come, can we accommodate six at the end of the table?

**The Chair (Mr. Aris Babikian):** No, they are not coming at the same time. For example, in this session, we have two people from Enbridge—

**Mr. Dave Smith:** You're asking for unanimous consent for the rest of the day?

**The Chair (Mr. Aris Babikian):** That's right.

**Mr. Dave Smith:** Then would it be possible for an organization that may not have given you a heads-up to say that they wanted to bring two presenters—it would be possible for that?

I guess this is more for the Clerk: Are we able to make accommodations—

**The Chair (Mr. Aris Babikian):** I don't see any difficulty. If we face that issue, we can address it at that time. But at least for now, we have two organizations which are already seated, and I think we can accommodate them for now.

MPP Tabuns?

**Mr. Peter Tabuns:** Chair, just so I'm very clear: You're asking permission to allow more than one person to speak or be present on behalf of a witness?

**The Chair (Mr. Aris Babikian):** Correct.

**Mr. Peter Tabuns:** And, in general, you are aware of who is coming in advance? That is correct?

**The Chair (Mr. Aris Babikian):** Do you want me to go through the list?

**Mr. Peter Tabuns:** No, I can see the list. But you understand who is coming in advance, so you understand how much room you have and what has been requested?

**The Chair (Mr. Aris Babikian):** Yes, that's right.

**Mr. Peter Tabuns:** Then I don't have a problem with your request.

**The Chair (Mr. Aris Babikian):** Any other questions or debate on this issue? MPP Shaw.

**Ms. Sandy Shaw:** I'm assuming—the answer is obvious—that they still will be sharing the same amount of time, even if they have two.

**The Chair (Mr. Aris Babikian):** Correct—the seven and a half minutes.

**Mr. Dave Smith:** The only concern I have, Chair, is that if we had a couple of extra people come and we couldn't accommodate everyone at the table, if we do unanimous consent to say yes, then—

**The Chair (Mr. Aris Babikian):** We have three people here for it.

**Ms. Sandy Shaw:** That's why Peter was saying we know, we see who's coming, right?

**Mr. Dave Smith:** Right. It doesn't necessarily—

**Mr. Peter Tabuns:** If they booked in advance.

**Mr. John Yakabuski:** We're not expecting surprises. We already know who has got more than one. We're looking to accommodate and allow those people who have already indicated that they have more than one. And if we have a problem, then we'll figure it out.

**The Chair (Mr. Aris Babikian):** You have the list of the witnesses with you. Some of them will be here personally, and some of them will be virtual. For the ones who are virtual, we will not have any spacing problems.

For now, the first panel—we have enough place to accommodate them. And when I look at the list, we have the 4 o'clock panel—three, five, six. Which one is—

*Interjection.*

**The Chair (Mr. Aris Babikian):** One of them is in person; the other two are virtual. So we don't have any issue on that panel, also.

I'm looking at the rest of the list, and the rest of the list is one person per organization, so we don't have an issue of accommodating the space for the witnesses.

**Mr. Dave Smith:** I have no objection to it. I'm just pointing it out to make sure that we have a provision for that. That's all.

**The Chair (Mr. Aris Babikian):** So we have unanimous consent?

**Interjection:** We do.

ENBRIDGE

ENVIRONMENTAL DEFENCE

ONTARIO HOME BUILDERS'  
ASSOCIATION

**The Chair (Mr. Aris Babikian):** Now I will call on the first panel. From Enbridge, we have Malini Giridhar and Trevor Esdaile; from Environmental Defence, Keith Brooks and Kent Elson; and from the Ontario Home Builders' Association, Neil Rodgers.

I would like to call upon Enbridge to start.

**Ms. Malini Giridhar:** Thank you. Good afternoon. My name is Malini Giridhar. I'm the vice-president of business development and regulatory at Enbridge Gas. I'm here today to speak to aspects of Bill 165 that will serve as guardrails to ensure energy affordability, resilience and reliability. I will also speak to something the legislation does not address, which is a critical barrier to providing energy access for new housing and economic development.

First, about Enbridge Gas: We have a long and proud history of serving Ontario. We are in three quarters of Ontario's homes. We are in daycares, schools, hospitals, community centres and long-term-care facilities. We are in the businesses and industries that are the backbone of Ontario's economy and prosperity—local shops and restaurants, family-run farms, greenhouses, steel and concrete manufacturers, and automotive factories.

We must remember that in Ontario natural gas delivers twice the energy of electricity at a quarter of the cost. We know Ontarians want to see an energy system that continues to lower its emissions over time, and they also want a system that continues to be safe, reliable and cost-effective. We believe our natural gas infrastructure has a critical role to play to balance these goals. Achieving this balance requires energy providers, regulators and governments to work together. Bill 165, if passed, would provide some important guardrails for that responsible, collaborative approach.

On behalf of Enbridge, I would like to commend the government of Ontario for acting for the interests of all Ontarians by advancing this bill. The bill temporarily reverses to status quo one aspect of the Ontario Energy Board's decision in our 2024 rates application that removes affordable access to natural gas. This part of the decision requires customers to pay thousands of dollars of connection costs in upfront charges instead of through energy rates over a period of time, which is standard practice for regulated utility services.

A very important guardrail to ensure that we take a collaborative and reasonable approach is to issue a natural gas policy statement that is crystal clear in providing the government's direction on the role of natural gas in Ontario's energy system today and as the energy transition continues. Once the government has issued that statement, it intends to require the OEB to reconsider and rule on the appropriate revenue horizon for gas connection costs. At this point, the temporary reversal to status quo will cease.

Our concern about an abrupt shift to a zero-year revenue horizon from 40 years is threefold: First, it would have an immediate impact on the cost of new homes; second, it could significantly slow down overall residential development just as the province attempts to address a generational housing crisis; third, it raises some important questions about the capacity of the electricity system to meet a sudden spike in residential demand. That is why Enbridge Gas supports this temporary reset and looks forward to the clarity that the government's policy statement will provide.

Another important guardrail is language in Bill 165 that speaks to the importance of broader engagement on the part of the OEB. We believe in the importance of a fair regulatory framework. Engaging the right stakeholders and the right economic sectors at the right time can only help the board develop a more complete understanding of the impacts of every possible decision. The absence of the right voices can be significant.

As the dissenting commissioner noted, "The rationale provided in the majority decision to support zero is predicated on understanding considerations and circumstances facing developers. The rationale is conjecture as no developers intervened or filed evidence in this proceeding."

Commissioner Duff continued: "Is the scenario of no-new-gas-connections, replaced by construction of all-electric developments, feasible? For example, would electricity generators, transmitters, distributors and the IESO be able to meet Ontario's energy demands in 2025? I don't know."

She did not know because none of these industry participants were invited to provide their perspective on preparing to electrify new home construction beginning in less than a year.

Just for some perspective, if the 1.5 million new homes proposed over 10 years were all electric, a very conservative estimate is that an additional 750 megawatts in electric demand would need to be added annually—something that's not being planned for at this time.

Enbridge Gas believes that the most cost-effective and resilient approach requires gas and electric systems to work together.

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I would be remiss if I did not raise one of the critical barriers in the decision that Bill 165 does not address. The decision strips our capital budget of \$250 million in 2024 and puts at risk billions of dollars of capital over the next five years. This will significantly constrain our ability to invest in energy projects that could help address Ontario's housing affordability crisis and support economic development, competitiveness and emissions reductions. Serving our 3.9 million existing customers safely and reliably will always be our priority, and that's where we will direct our dollars first. If there is no remaining capital to support growth projects across Ontario, greenhouses—

**The Chair (Mr. Aris Babikian):** One minute.

**Ms. Malini Giridhar:**—grain dryers, industrial parks and new businesses or housing developments seeking access to natural gas will be at risk.

Strategic investments in energy infrastructure must be backed by a supportive regulatory environment that incentivizes and facilitates those investments and also ensures the availability of capital to meet Ontario's growing energy demand.

That is why, in addition to the approach put forward in Bill 165, the development of a provincial policy statement on the role of natural gas would be critical. That statement will provide much-needed clarity and guidance for investors and regulators and will support a responsible, collabor-



orative approach that will allow us to keep the lights on, the heat flowing and the wheels turning, while reducing our carbon footprint and ensuring a prosperous future for generations to come.

Thank you. I welcome any questions you have.

**The Chair (Mr. Aris Babikian):** Thank you.

Now I call on Environmental Defence to make their presentation.

You have seven and a half minutes. Please identify yourself and your organization.

**Mr. Keith Brooks:** Thank you, Chair, and thank you, members of the committee. My name is Keith Brooks. I'm the programs director at Environmental Defence Canada. I'm joined today by Kent Elson, a lawyer and counsel to Environmental Defence. We're a Canadian environmental charity with offices here in Toronto, in Ottawa and in Alberta. We have a long history of working on energy and environmental matters in this province and across the country. We're also frequent intervenors at the Ontario Energy Board, and we were among the intervenors in the rebasing hearing that prompted this legislation.

We're firmly of the opinion that the OEB ruling is a good and sound decision and one that should stand, and we're opposed to Bill 165 in its entirety. It has been suggested that the OEB stepped out of its lane in ruling on this matter, although I think it's quite clear that the OEB was very clearly acting within its mandate as an energy regulator. On the other hand, the Ontario government is making an unprecedented move in legislating to overrule the OEB.

Aside from the material impacts of this bill, which I'll discuss in a moment, the legislation is very concerning in that it undermines the decision-making power of an independent regulator whose mandate is to keep energy costs down, and it politicizes that decision-making power; instead, setting up the conditions wherein utilities like Enbridge can simply petition the government not only to get approval for their projects, but to finance those projects off the rate base; i.e., to make all existing gas customers foot the bill.

This legislation, as currently drafted, will lead to increased costs for existing gas users. It will incentivize builders to continue to install gas furnaces into new homes, which will lead to higher costs for those new home owners, and it will, of course, increase greenhouse gas emissions in the province of Ontario.

The only entity that benefits from this legislation is Enbridge. In addition to getting new customers to sell its gas to, keeping the subsidy would increase Enbridge's capital budget and therefore Enbridge's profits.

That said, I have to assume that the Ontario Home Builders' Association is also supportive of this bill. But what may be good for home builders isn't good for homebuyers, and that's not good for the people of Ontario, either, or anyone concerned about the worsening climate crisis.

The subsidy created what's called a split incentive, wherein builders are incentivized to continue building homes with gas because it's free for them and that's what

they've always been doing; whereas the homeowner would benefit from having a heat pump instead because it's cheaper to operate, and building a home with the right technology from the start avoids costs down the road when that fossil fuel gas furnace needs to be replaced for a low- or no-carbon option.

Disallowing the subsidy would not saddle homebuyers with higher costs because, as the OEB and independent analysts have concluded, if there is no subsidy and the rates don't increase, those lower rates would offset any additional costs that would arise from home builders having to pay for the gas service themselves, and then if they pass those costs on to an eventual buyer—or, even better yet, as the OEB stated, the home builders could opt to avoid the \$4,000 altogether by just not installing gas and going with electricity and heat pumps instead.

This decision from the OEB is important from a climate change perspective. The 1.5 million new homes that the province intends to get built over the next decade—if all of those homes are heated with gas, that would result in over 100 megatonnes of carbon pollution over the lifetime of the gas equipment. That's equivalent to two thirds of Ontario's annual carbon emissions from all sources, or the equivalent of driving 22 million cars for a year. But let's not overstate what this decision means—which is to say, it's not a gas ban. Any developer is still free to install gas and to install a gas furnace. This will not prompt a wholesale abandonment of gas furnaces or cause a dramatic spike in electricity demand. It's just about new homes; it has nothing to do with the existing homes that use gas today.

The OEB also cited Ontario's energy plan, which the minister spoke to this morning, Powering Ontario's Growth, which acknowledged that there will be increased demand for electricity due to the electrification of transportation and home heating, and the province is planning for that.

Enbridge is arguing that this is not a subsidy, although it clearly is a subsidy. The costs to connect new homes are paid for up front by Enbridge, costing the builders nothing. Enbridge raises that money to pay for this by raising gas rates, which is what the rebasing hearing was all about. The new home owners did not have to pay a premium to cover the costs; they pay the same rates as any other gas user, so their connection is subsidized by the existing gas users.

I've talked mostly about the subsidy for new homes, but there are other elements of this bill that will saddle rate-payers with higher costs.

It's our expectation that Enbridge will use the forthcoming natural gas policy statement to overturn the OEB decision to cut additional, unnecessary pipeline spending about \$1.25 billion over five years, if that aspect of the OEB decision is not directly overturned by the government before that.

Finally, we gather that the government would also preemptively override another OEB decision about a project in the Windsor area called the Panhandle Regional Expansion Project. The project would require at least a

\$150-million subsidy from existing gas customers. That subsidy would mainly benefit gas power plant expansions and fossil-fuel-heated greenhouses. Environmental Defence and most ratepayer intervenors at the Ontario Energy Board oppose this subsidy.

I'll add that the committee should be aware that Enbridge emailed Ontario municipalities, asking them to petition the government to overrule the OEB, but instead, municipalities—Hamilton, Whitby, Guelph, among others—have all passed motions in support of the OEB ruling. Municipalities are also supportive of getting rid of the subsidy and protecting ratepayers.

Enbridge and now the Ontario Minister of Energy are arguing that this was a rash and unreasonable decision from the OEB, but it was anything but that. The OEB decision was a sound decision, arrived at after over a year of discussions and debates. The decision is 147 pages long. It's a thorough hearing of the matters at hand which led to the realization that an energy transition is afoot. New technologies have emerged—

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Keith Brooks:** —and home builders should consider that when building a home, because there is a push to decarbonize our economy, which everyone needs to participate in, and because, in addition to heat pumps being low-carbon, they're also superior technologies that are simply better and less costly to operate.

The minister argued this morning that gas connections have been financed in the same way since 1988—and that is the problem. Times have changed. New technologies have emerged. Climate change is hitting home and taking lives. We're not in 1988 anymore, and we need the government to understand that. Thank you.

**The Chair (Mr. Aris Babikian):** Now I'll call upon the Ontario Home Builders' Association to make their presentation.

Please identify yourself and the organization that you represent.

**Mr. Neil Rodgers:** Thank you, Mr. Chairman and members of the committee. My name is Neil Rodgers. I am the interim CEO of the Ontario Home Builders' Association.

OHBA is the voice of the residential construction industry in Ontario, representing some 4,000 members across 27 local chapters in the province. Our members include land developers, builders, professional renovators, trade contractors, and suppliers. Collectively, we have the vital responsibility to build Ontario's housing supply that the people of Ontario need and want.

Choice and affordability are principles rooted in Bill 165. They are also the values that OHBA members subscribe to. We commend the minister's and the government's decisive action by ensuring that the OEB decision does not put at risk an orderly energy transition strategy, jeopardizing provincial housing targets of 1.5 million homes over the next decade, and championing affordability. If left unaddressed, the December 23 OEB decision would have serious economic consequences for homebuyers and consumers.

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Ontario's housing supply to support population and employment growth while addressing affordability is no longer debatable. It is a generational crisis that requires bold action. Builders investing and constructing new communities require cost predictability and certainty of access to housing-supportive infrastructure, including energy. Furthermore, it is our submission that every decision by government and its regulatory authorities must fundamentally consider the consequences of their actions and ensure that housing supply remains the highest priority of public policy and decision-making in this province.

The OEB's decision failed to seek advice and to comprehend the dynamics of Ontario's residential building industry and its customers. The notion of a zero-year revenue horizon is not a comprehensible and pragmatic outcome in today's terms. It is also not reasonable, considering other emerging issues concerning LDCs and the land development industry, when it comes to energy demand and supply on the electrical utility system. The zero-revenue horizon was not, at the outset of the hearing, an issue, to our knowledge; had it been, OHBA would have sought status and filed evidence, as might have other stakeholders.

That said, we welcome language in the bill that speaks to the importance of broader engagement by the OEB to speak to the right stakeholders and the right economic sectors, to foster a more complete understanding of the impacts of every decision.

We support the provision in Bill 165 that, if passed, would reset the revenue horizon from zero to 40 years, as prescribed in the long-standing regulation EBO 188.

The concern about an abrupt and unexpected shift to zero-revenue horizons raises a few key public policy issues. The cost of connections to residential homes would spike housing costs by several thousand dollars, on a conservative basis, per unit to new home buyers with pre-construction homes already under contract and awaiting closing. The added costs would also greatly contribute to slowing the housing supply, just as Bill 23, the More Homes Built Faster Act, attempts to address a generational crisis in this province. And is Ontario's electricity grid capable of meeting the energy transition without a disruption—to meet provincial housing targets and the expectations of Ontario residents and businesses to energy security?

Another troubling effect of the OEB decision is the direction to strip Enbridge's capital budget by some \$300 million in 2024, and billions beyond. The immediacy of the reduction in capital spending places severe uncertainty on thousands of housing units that were planned for across much of Ontario's fastest-growing municipalities, and significantly constrains our members' ability to positively contribute to addressing Ontario's housing crisis.

The committee must be made aware that the average timeline of a housing project, from acquisition to occupancy, in this province is approximately 10 to 12 years. Therefore, most of Ontario's expected annual housing

targets have been in the planning and municipal approvals pipelines for several years already.

Effective January 1, 2025, builders will be required to front-end all of the servicing costs related to new gas connections at the start of the design of the project, possibly several years before house closings. The effect will be millions of dollars of carrying costs, years in advance of any sales, and this could potentially defer future capital investment in land acquisitions by our members, further curbing the land supply chain to ensure an uninterrupted housing supply and delivery pipeline. OHBA submits that the consequences are grave, including the uncertainty of future investment and jobs, reduced municipal housing targets and anticipated BFF rewards, and unaffordability of housing, further out of reach to many Ontarians.

Bill 165 sends a strong signal about the importance of ensuring all Ontarians can access the affordable and reliable energy needs today and into the future.

In summary, we also urge the government to send a clear signal that for committed and future capital investments in energy infrastructure to meet the needs of several public policy objectives, the OEB should be directed to ensure a practical and predictable cost-recovery mechanism that provides regulatory and cost certainty for all participants in the energy system.

**The Chair (Mr. Aris Babikian):** Thank you to all of you.

Before we start the questioning, I would like to set a couple of rules of engagement.

First of all, to the witnesses: Every time you answer, please identify yourself and the organization you represent.

To the committee members: Please direct your questions through the Chair. And please give the witnesses the opportunity to answer the question before you move to the next question.

We will start the questioning with the official opposition. You have seven and a half minutes. MPP Shaw.

**Ms. Sandy Shaw:** Thank you to all the presenters for being here.

I'm going to start my questioning with the representatives from Enbridge.

Enbridge is a very large, for-profit corporation. It's my understanding that you had about \$45 billion in profits last year. Your CEO makes about \$19 million. Really, you're here today to advocate for a subsidy for your for-profit corporation.

I would just like to start by making it clear that under the CBA, your fiduciary duty is to your shareholders—that's in law; your duty is not to your customers or the consumers, and I would say that looks pretty clear by the side that you're taking in this particular instance.

While you're asking for a subsidy—essentially, a subsidy—I would just like to point out that this government gave a substantial subsidy to Ford Motor Co., and we just heard four days ago that they're delaying their plans to 2027 and they're going to have extended layoffs for workers at the Ford Motor Co. plant. So it's quite clear that

subsidies are no guarantee that you will keep jobs in this province.

You have had a series of major layoffs, going back to 2017. So I ask, through the Chair: Why are you choosing to lay off workers when you're a profitable company? With all due respect, it just seems to me that this is a company that—no amount of profit seems to be good enough for you not to send jobs offshore.

Can you tell me about the most recent layoffs that you had in February, after this government intervened and overruled the regulator—your regulator, the independent regulator. You laid off approximately 1,000 workers in February. Where are these jobs going? And why are you not able to keep people employed in this province?

**Mr. Trevor Esdaile:** I'm happy to respond on the basis—

**The Chair (Mr. Aris Babikian):** Please identify yourself.

**Mr. Trevor Esdaile:** I'm Trevor Esdaile with Enbridge Gas.

I think, predominantly, very importantly, everything happening regarding Bill 165 is about ensuring affordable energy to Ontarians—and the same is done in terms of Enbridge's overall corporate structure. What was done recently was a difficult decision in order to ensure that we're able to offer affordable energy to our customers across North America. This was not limited to Enbridge Gas and is more broadly ensuring that we're able to deliver to our existing 3.9 million customers affordable access to energy.

**Ms. Sandy Shaw:** I will just add that many of those people you're laying off also have to pay their bills. So I don't know how they're going to afford these increases in the energy bills that they will now see based on this decision.

With that, I will pass my time to MPP Tabuns.

**The Chair (Mr. Aris Babikian):** MPP Tabuns.

**Mr. Peter Tabuns:** Chair, through you to the Ontario Home Builders' Association: We were told today by the minister that people needed to have choice. I want to know if new home buyers are asked in advance whether they want an electrically heated home or a gas-heated home. Can they actually make a choice?

**Mr. Neil Rodgers:** Thank you for the question.

I think it's important to acknowledge and appreciate—

**The Chair (Mr. Aris Babikian):** My apologies. Can you identify yourself before you answer the question, please?

**Mr. Neil Rodgers:** I'm Neil Rodgers, the interim CEO of the Ontario Home Builders' Association.

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Mr. Tabuns, thank you for the question.

Home builders need to plan their projects, their communities, years and years in advance before they can even go to sale and have a relationship with a purchaser. So we don't know what their choices are. It's no different than other infrastructure that is put into the ground—people do not have those choices, but they expect sewer,

water, roads, energy to be available to them when they need that.

Will our builders transition? We have builders who are making some choices and offering net-zero homes as part of a business and marketing decision, and we applaud those builders for doing that. But that is not the business practice of all of our builders, and it's nothing that we intend to mandate to our builders.

**Mr. Peter Tabuns:** As I understand it, effectively, the builders are putting in gas furnaces, and if someone wants to buy the home, that's what they get. They actually don't get to choose at the point of purchase; it has already been sorted out.

I don't need to ask a further question of this witness.

I'd like to go to Environmental Defence: If the bill is passed—through you, Chair—and the OEB ruling overturned, what will this mean for those who are currently customers of Enbridge, in terms of their bills?

**Mr. Kent Elson:** I'm Kent Elson, lawyer for Environmental Defence.

It will certainly raise existing customers' gas bills by a significant amount in the short term and in the long term.

The short-term consequences are that if Enbridge gets everything that they are asking for, there would be over an additional \$2 billion in capital spending over the next five years, and that's what ratepayers are going to have to cover. That will get added to the accumulated capital costs, which are called "rate base," and ratepayers are going to have to cover that; that will mean rate increases up front.

It will be even worse down the road, because what we will have is bad investments in pipelines that aren't needed in a decarbonized future, leading to higher and higher gas rates, both for residential customers—but it's a very big risk for industrial customers, because it's hard for them to get off the system; they will be the ones that have trouble jumping ship. And it's a risk for—continued option of having pipeline-based fuels in the future.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Peter Tabuns:** I understand that Enbridge wanted to change the equity portion of their financing because of risk for the future, uncertainties. Is that correct, and can you expand on that?

**Mr. Kent Elson:** Yes. Enbridge is now earning a higher profit because of the risk that its business faces from decarbonization. That's the very risk that Bill 165 completely ignores. It pretends that we can continue on like it's 1988, when, in fact, what it will mean is rising costs both in the short term and the long term. There is no doubt that this bill will lead to rising costs for ratepayers.

**Mr. Peter Tabuns:** Do I have any time left?

**The Chair (Mr. Aris Babikian):** You have 15 seconds.

**Mr. Peter Tabuns:** Chair, it is a wonderful thing to work with you. I appreciate all your efforts on behalf of the committee.

**The Chair (Mr. Aris Babikian):** Wait; we still have a day and a half to go.

**Mr. Peter Tabuns:** Lisa MacLeod and I have been around for 18 years, and I look forward to another 18 with you, Chair.

**The Chair (Mr. Aris Babikian):** Thank you.

Now we'll move to the independent member. MPP Schreiner.

**Mr. Mike Schreiner:** I want to thank all three presenters for being here today to talk about this important issue.

I'm going to direct my first question to Enbridge.

We know that reinstating the discount for gas pipelines will add a billion dollars, minimum, to the rate base over the next four years. I'm assuming that's going to be spread out as costs that all gas customers will bear. Am I right about that—that all gas customers will pay for that?

**Ms. Malini Giridhar:** That is actually not true. Enbridge will be investing capital to connect new customers, and EBO 188—the regulation that exists in place—ensures that there is no subsidy to the new connecting customers from existing customers. New customers pay their fair share of their connection costs from day one. In the event that they are not recovering those costs, then there is a provision for an upfront payment to ensure that there is no subsidy to these customers. In fact, the only sector where we do have—

**The Chair (Mr. Aris Babikian):** MPP Schreiner.

**Mr. Mike Schreiner:** Could I follow up? I'm really confused now—

**Mr. John Yakabuski:** Let her answer.

**Mr. Mike Schreiner:** No, no; I just want to ask because the minister, earlier today, said that those costs would be distributed among all ratepayers. Now we may have an argument about how much each one of those ratepayers are going to pay. So are you saying that the minister was incorrect this morning, when the minister said that the costs would be distributed across all ratepayers?

**Ms. Malini Giridhar:** The costs are added to the rate base. That is correct. But the regulation that the OEB has, EBO 188, has additional guardrails in terms of assessing the feasibility of the new customers who come on the system, so what this essentially means is that every new customer is paying their fair share for the costs that are incurred to ratepayers on account of them connecting to the system.

**Mr. Mike Schreiner:** May I ask about existing gas customers? You're right; new customers will pay—but what about existing? Will it be spread across the existing rate base? Somebody is going to have to pay for this. This morning, the minister suggested that it was going to be the existing rate base who was going to pay for it. Are you disputing that?

**Mr. Trevor Esdaile:** Maybe just to distinguish the difference—Bill 165 looks to reset the revenue horizon, so that's regarding connection costs for new customers, and that is what we're referring to, where there is no subsidy; it is the new connecting customers who pay their benefit of connecting to the system.

There is the separate issue of the OEB decision, where our capital budget was reduced. That is not being reversed in anything related to Bill 165. They are making it economic to connect by pushing it back to the regulator to decide on the length of the revenue horizon. Nothing beyond that in terms of the OEB decision and the overall

capital reduction is changed through this existing proposed legislation.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Mike Schreiner:** But the costs will be spread out across the rate base? That's what the minister said this morning. I just want to confirm if the minister is right or wrong about that.

**Ms. Malini Giridhar:** The minister is correct.

**Mr. Mike Schreiner:** Thank you. That's what I wanted to know.

**Ms. Malini Giridhar:** It's difficult, in one minute, to explain regulatory rate-making. The reality is that the OEB has guardrails to ensure that customers pay their fair share of the costs that are incurred on the system as a result of them coming on it. But yes, we do have a rate-base concept.

**Mr. Mike Schreiner:** Just to be clear, existing customers will be covering this cost because it's going to be spread out across the rate base. So existing gas customers will be paying for this?

**Ms. Malini Giridhar:** I think I already explained that new customers pay their fair share of the costs incurred to connect them to the system, and we have postage-stamp rate-making across the province to make sure that costs are recovered.

**Mr. Mike Schreiner:** If you're a new home buyer, do you pay a cost to hook up to the gas grid right now?

**Ms. Malini Giridhar:** Again, subject to the—

**The Chair (Mr. Aris Babikian):** Thank you very much. Unfortunately, the time is up.

We have to move to the government side. You have seven and a half minutes. MPP Yakubuski.

**Mr. John Yakubuski:** I want to thank all of the presenters for joining us today.

I'm going to start with Enbridge.

Clearly, what I heard in the presentations and also in the answers to the questions from the party that would like to see the end of gas in Ontario, and supported by Environmental Defence—they would like to see no gas hookups taking place here in the province of Ontario, and just for the life of me, I can't foresee it. Maybe I just can't see far enough into the future or I'm blinded or whatever.

If every single home that was being built here in the province of Ontario did not have access to natural gas—I want to ask about that and how important that question is.

I also want to give you the opportunity to respond to some of the things that Environmental Defence, in their presentation and in their questions, said about Enbridge, if you have any rebuttal for that.

**Ms. Malini Giridhar:** The first thing that I should say is that Enbridge delivers 30% of the energy in this province, and it delivers up to five times the peak energy that electricity delivers. So there is no question that Ontario stays warm through our cold winters because of the energy delivered by Enbridge. We've been doing that for decades and decades, safely, reliably—and a very resilient system.

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I do want to highlight the highly misleading characterization of how Enbridge's costs are incurred and who pays for them. The reality is that Environmental Defence is mixing up capital and revenue. In every situation, infrastructure costs are incurred, and they are repaid over time. The expectation that a customer should only receive a service if they're capable of paying up front for it means that customers have to shell out thousands of dollars for any service that they receive over time. An analogy would be that you only get to drive a car if you have enough money to buy the car up front.

**Mr. John Yakubuski:** Or buy a house.

**Ms. Malini Giridhar:** Or buy a house up front.

That is not how we make things affordable for Ontarians.

**The Chair (Mr. Aris Babikian):** MPP McGregor.

**Mr. Graham McGregor:** Thank you to all of our witnesses for their testimony today.

My question is for Mr. Rodgers from the home builders' association. It will be about why houses are so darn expensive.

I'm a renter. I'll be 31 in May. I got elected at the ripe age of 29. When I was thinking about running for office, a lot of people said, "Okay, 29—that's a little bit young." I thought, "Maybe I am a little bit young." But when you hear about some of the debate and some of the challenges that are facing Ontarians, I think we're darn lucky to have young people—I won't just big up myself. We've got a lot of us here who are speaking on these issues, because we have a whole generation of folks like me, who have good jobs—nobody says politicians are underpaid—who are simply priced out of the market.

We've heard about how delays in building can cost up to \$4,000 a month—other red tape, other issues.

We have here a decision that the government is making to make sure that we're reducing the upfront costs that new home builders can have to get into the market.

To give some context to the situation, where I'm from in the GTA—I'm from Brampton—the average price of a home was just under \$102,000; that's about \$300,000 with inflation here today. In my city, in Brampton, where we used to move to find an affordable home, the average cost of a home is north of \$1 million.

We hear from the opposition, "Any time you make the construction of a home cheaper, that's just helping the builders out, and that's just putting profits into the home builder."

Could you give us a little bit of insight? When we reduce the cost of construction, does that just go directly into your members' pockets, or does that make a marked difference in making homes more affordable? And defend that analysis for us.

**Mr. Neil Rodgers:** It's a well-known fact between the Ontario Home Builders' Association and some of our local chapters across Ontario, including the Building Industry and Land Development Association: 30% of a home is composed of various taxes, fees and charges. That's at all levels of government. I'm not singling out any one order of government. So on that million-dollar home, \$300,000,

before you get there—it's like loading up your car with some gas. You see all of the inputs into how a litre of gas costs—

**Mr. Graham McGregor:** So that would have been the real-dollar cost of a home in 1983—the same \$300,000.

**Mr. Neil Rodgers:** Right. So you look at, also, the components of home prices—it is the interest carrying costs. Like I said, some of these projects take 12 years. Imagine putting your money at risk for 12 years, hoping that your assumption at day one is the same assumption, cost of money—no intervening government policy or impacts that can change things. So it's a very complex equation, in terms of why prices are the way they are.

It's also a known fact that we've had a lack of housing supply in this province for decades. Our association has been on record for—

**Mr. Graham McGregor:** We all know that, Mr. Rodgers. I just—

**The Chair (Mr. Aris Babikian):** Please, direct your question through the Chair.

**Mr. Graham McGregor:** Oh. Through the Chair, in respect to Mr. Rodgers: We know the housing supply crisis—I think members are here. How will this bill help address that?

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Neil Rodgers:** This bill will create the certainty—that otherwise, through the OEB decision, would have placed, overnight, tremendous additional costs on homebuyers. You would have had homebuyers in your communities ask you the question—“I purchased a house for a million dollars. As a result of this decision, the builder is asking me to pay additional dollars.” How would we have responded to that? This bill does and will assure a price certainty of those homebuyers who have entered into purchase and sale agreements—that what they paid for is what they will have delivered.

**Mr. Graham McGregor:** Cool.

With my remaining time—I love working with this Chair. I think Mr. Babikian is a wonderful member of provincial Parliament and a wonderful Chair.

**The Chair (Mr. Aris Babikian):** Hold your horses, colleagues. Let's do that at the end of tomorrow.

Now we'll move to the second round of questioning. We will start with the official opposition. MPP Tabuns.

**Mr. Peter Tabuns:** Through you, Chair, to Environmental Defence: Is it reasonable to expect that, if this bill is passed and the OEB decision is reversed, people will receive a notice that their rates are going up on their Enbridge bill?

**Mr. Kent Elson:** Yes, rates will go up. Let me address that characterization as if this is like a mortgage or a car loan. It would be like a mortgage or a car loan, but you don't pay it off. Instead, you pay one piece out of \$3 million, because it gets spread out over all the customers. So it's not like a car loan. It's not like a mortgage. It's like a car loan or a mortgage that you get your neighbours to pay instead of you.

**Mr. Peter Tabuns:** Again through you, Chair, to Environmental Defence: Enbridge Gas was talking about the

rate base and the impacts of all the decisions that were going to be made. Did you agree with their characterization of what was going on? Could you speak to that?

**Mr. Kent Elson:** I do agree with the final admission that, yes, these costs are added to rate base. The premise of this policy, back in 1988, was that people would be using gas forever and you might subsidize them up front in the hope that they would be with you for 100 years. That assumption is no longer valid, so what we are facing now is a huge risk from investments made on everyone's behalf who has a gas furnace. This is an investment made on your behalf that you're forced to make into an asset that's going to be paid off over 60 years, long after it's not needed anymore.

**Mr. Peter Tabuns:** Is it possible—again through you, Chair, to Environmental Defence—that the cost for expanding the system could be paid by the shareholders rather than the customers, who, as everyone in this room would admit, are already hard-pressed?

**Mr. Kent Elson:** Absolutely. There are two ways to do it. It could be paid up front, or the shareholder could take all the risk that its pipelines will be actually paid off in the future. The shareholder is perfectly capable of saying, “Well, if I think that we're going to use gas forever, then I will put my money on the table.” We have asked Enbridge to do that, and they have refused, in the OEB proceedings.

**Mr. Keith Brooks:** I just think in the discussion of costs, it's important to remember that these costs do not need to be paid at all by anybody—not by the home builder, not by Enbridge—because we don't actually need to pay to connect new homes to gas. They could forgo that, connect to electricity, and the \$4,000 is moot.

**Mr. Peter Tabuns:** Again through you, Chair, to Environmental Defence: In going through Enbridge Gas's documents presented to the Ontario Energy Board, Concentric, their economic adviser, noted that there was great uncertainty about the future of gas, and there was the possibility, as they characterized it, of a death spiral, and that customers would leave Enbridge—because, increasingly, it was the expensive option—and go to the lower-cost option of heat pumps. That's part of the argument that was made by Enbridge to increase the part of their financing that came from equity rather than debt—the uncertainty of what was going to happen.

When you look at other technological transitions, is there any reason to think that this one is going to be very different?

1350

**Mr. Kent Elson:** No, and it is similar to film, photography and other transitions in the past.

I would say that the board did not accept Enbridge Gas's plan to deal with the energy transition.

We don't know how fast the transition is going to happen. It could be under this government's watch or a future government's watch or a future future government's watch that we start seeing the death spiral. The decisions that we make today will determine whether gas is affordable a decade from now and two decades from now, in addition to tomorrow.

What the government is doing today is selling out rate-payers in the future, who will be stuck. Those are rate-payers who don't have enough money to switch off and who can't switch off—including large industrial customers. That's what's happening.

**Mr. Peter Tabuns:** I appreciate that commentary.

Right now, we're in a situation where many, many people will be stuck with future assets that don't have any value. Those who stay with the natural gas system will be paying for pipes that were installed that are no longer going to be used.

I'll give you just two notes. One, in the United States, in 2022 and 2023—it was the first time, in both of those years, that the sale of heat pumps was greater than the sale of gas furnaces. That is increasingly being recognized by American jurisdictions—that there's a shift away from natural gas for heating. I'll also note—and I'm going to give a lead-up for commentary from Environmental Defence—that natural gas came to Ontario in about 1958. In 1960, 32% of people in Ontario heated their homes with coal; 10 years later, that was 1%. The technological transition can be very rapid.

Environmental Defence, could you expand on the potential risk to current gas consumers if they are stuck with the bill for assets that will no longer be in use?

**Mr. Kent Elson:** The risk is that you have the death spiral that you were talking about.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Kent Elson:** The death spiral is when customers leave the system but you still have to pay off accumulated capital costs, and then that means that the rates go up. More customers leave, and that means there are fewer to pay and the rates go up, and it spirals out of control. That is the biggest risk. In the short term, it's just more cost increases that people can't handle.

**Mr. Peter Tabuns:** It strikes me that this is reminiscent of the move away from land lines to cellphones. Very few people are putting in land lines these days. People are buying cellphones.

Would you say—again, to Environmental Defence—that we're looking at a transition comparable to the move from land lines to cellphones?

**Mr. Kent Elson:** Yes, or it's comparable to town gas. There was a different kind of gas that people don't even know about. My house has town gas lines, which is manufactured gas. We don't use that system anymore. I have a defunct set of pipelines in my house.

Things change, and you have to be ready for it.

**The Chair (Mr. Aris Babikian):** We will move to the independent member. MPP Schreiner.

**Mr. Mike Schreiner:** I'm going to pick up on the line of questioning that MPP Tabuns was bringing up.

The OEB decision clearly stated that a 40-year amortization schedule is high-risk, high-cost. If you think about it, that's going to take us 15 years past the 2050 goal of being net zero, so we could see existing customers and future customers holding the bag for stranded assets.

I want to direct this question to Enbridge and give you an opportunity today to be on the record. If Enbridge is so

confident about the amortization schedule for new gas infrastructure and that there will not be stranded assets in the future—through you, Chair—will Enbridge commit today, on the record, to covering the cost of those stranded assets so the people of Ontario and the businesses of Ontario are not on the hook for those stranded assets in the future?

**Ms. Malini Giridhar:** The first thing I would say, Chair, is that what Bill 165 does is a time-limited reversal to status quo, and the opportunity for the Ontario Energy Board to consider the issue of energy access—affordable energy access—and energy transition, with the right stakeholders, and after the government has issued its natural gas policy statement.

The energy transition is a long road. We know that our customers and Ontarians want to reduce emissions, but they also want safe, reliable, affordable energy, and that includes natural gas. That's not just our perspective; the expert panel appointed by this government has issued a report which will inform the natural gas policy statement.

We should not prejudice what the energy transition would mean. It is our view that pipes and wires are needed to get there, and that is the view of the Collie panel. We should really wait for the government to issue its policy statement.

**Mr. Mike Schreiner:** So I guess the answer is no, and I think that should be noted, because I think that's an important part of this discussion, Chair.

I want to now direct my next question to Environmental Defence.

In the last two years, heat pump installation in the United States has been higher than gas furnace installation. In Europe, we're seeing a 40% year-over-year increase, each and every year, over the last two years, of heat pump installation over gas installation. Clearly, consumers in the United States—and builders, I would say, so maybe I'll ask you and then ask the home builders. Builders and homeowners are choosing heat pumps over gas in Europe and in the EU. Do you have a reason why you think that's happening?

**Mr. Kent Elson:** Choices—builders are often choosing gas because that's what they're used to, and homeowners are increasingly choosing heat pumps and induction stoves. The reason they're doing that is that they're cheaper. You can have cheaper cooling and cheaper heating with heat pumps. Induction stoves are safer.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Kent Elson:** They don't emit toxic gases. A gas stove has been found to cause 13% of childhood asthma in the United States.

Gas stoves, heat pumps—they are totally different equipment, and heat pumps are safer and cheaper.

**Mr. Mike Schreiner:** What I hear you saying is that you can improve indoor air quality, improve health, reduce climate pollution, and save money at the same time. That's why builders in the US and EU and consumers are choosing heat pumps. Am I right about that?

**Mr. Kent Elson:** That's why it's so frustrating, when you have a win-win situation like this, that we're not

building more electrified homes and supporting builders in other ways, rather than subsidizing the continued expansion of methane gas heating.

**Mr. Mike Schreiner:** How much time do I have?

**The Chair (Mr. Aris Babikian):** You have 12 seconds.

**Mr. Mike Schreiner:** I was going to ask why your colleagues in the US were choosing heat pumps, but I'll save it for later.

**The Chair (Mr. Aris Babikian):** We'll move to the government side. MPP Sarrazin.

**Mr. Stéphane Sarrazin:** We've heard a lot about Environmental Defence and the way they see natural gas and this Bill 165, but I would like to hear Enbridge—to comment on what they've been saying.

**Ms. Malini Giridhar:** The first thing I would say is that Enbridge Gas does believe in delivering the energy that our customers want and need. We know that the energy transition will take time, and we believe that a pipes-and-wires solution is the better way to go, because it keeps energy affordable and accessible at the same time as we lower our emissions.

The second thing is that, contrary to the name, air-source heat pumps don't run on air. They run on electricity, and they need a lot of electricity, if homeowners are going to be converting to heat pumps. We should really have the right level of participation from the electricity industry, from the IESO and the other electricity industry participants, to help us make sure that customers can have access to the energy and lower their emissions in an affordable way.

This goes right back to the need for the government to, in a time-limited fashion, ensure that the OEB has the right stakeholders at the right time, and the right impacts, and determine what that future needs to look like. Presupposing what that outcome should be is not helpful to Ontarians. It takes away affordable energy today, and it could actually put them off the energy transition if the impacts are so severe that they either don't have access to energy or that it becomes simply too unaffordable for them.

1400

**The Chair (Mr. Aris Babikian):** MPP Sarrazin.

**Mr. Stéphane Sarrazin:** Can I just ask a quick question: I'm wondering if the people from Environmental Defence have consulted our government's plan, Powering Ontario's Growth, and if they want to comment on it.

**Mr. Kent Elson:** Our understanding is that this government is committed to ensuring that there is sufficient power to drive electrification, and we see that in the plan.

I will say that the IESO was part of these OEB proceedings and they never expressed any concerns. We can electrify homes, especially new homes—we're just talking about new homes here. We're not talking about tomorrow everybody switching over at the same time. Certainly, there is enough power and enough plans to ensure there's enough power for heat pumps and electrified homes and safer homes.

**The Chair (Mr. Aris Babikian):** MPP Smith.

**Mr. Dave Smith:** How much time do I have, Chair?

**The Chair (Mr. Aris Babikian):** Four minutes.

**Mr. Dave Smith:** So we heard this morning that the IESO was not consulted on this by the OEB. In fact, they applied for intervenor status and weren't given it. So to suggest otherwise would be false on that.

To go to the home builders' association, there was a question earlier about was there choice to have natural gas or electricity as your type of heat? One of the developers in my area actually came to me. He's looking for some help on it because he wants to be able to offer heat pumps and has been told that he has to go back and redo his site plan approval that took 14 years to get, because there isn't the electrical capacity for it. What would that do to the cost of building the subdivision if you've got to go back and stop what you are doing, go through the site plan approval process again, and pay to have the upgrades done to the transformers and transmission lines?

**Mr. Neil Rodgers:** Thank you for the question, Mr. Smith. Millions—millions of dollars, and that's not counting just the cost of money, but refile applications, reports and studies would be a severe economic blow to that particular builder.

And I just want to be clear that this is not an uncommon comment we are hearing with our members across the province and the fact that there are multiple local distributing entities who aren't really quite prepared for the growth that we need and we will get. So that would be an unfortunate set of circumstances if your particular constituent and others in this province have to face, because it will no doubt stunt or stop housing supply, and it may create some serious economic hardship for builders and their purchasers down the road.

**Mr. Dave Smith:** I got an email. I haven't asked this gentleman to use his name yet, so I'm just going to call him Rick. He sent it basically over lunch today. And he said to make sure that natural gas still is an option for him to heat the home because in the 1998 storm that we had, his power was out for 14 days, and all of his pipes froze. It was a significant cost to repair his home with the damage that was done from the plumbing side of it as well. He does have natural gas now. He had electricity as his primary source of heat.

Is it wise for us to try and stop having other sources of ways of heating in the environment we have here in Canada? Yes, for the home builders again.

**Mr. Neil Rodgers:** I said at the outset of my remarks that choice is an incredibly important principle. We want choice. We should have choice on a whole bunch of things.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Neil Rodgers:** Energy supply, security, reliability is a very important principle and must remain that way in the province of Ontario.

**The Chair (Mr. Aris Babikian):** MPP Bresee.

**Mr. Ric Bresee:** Many of the comments I've heard today with the reference to the days when we used coal to heat homes, the reference to the change in technology and communications from landlines to cellphones, they make one stop and think about what the future holds. Whenever



one stops to think about what the future holds, that's using a crystal ball. We can reasonably forecast that we are transitioning, but I don't think anyone in this room or the studies that have taken place can accurately predict the future. I think it is a relatively easy statement to say that we are transitioning, but I don't think the transitions will happen in a blink.

My question: The comparative that I can think of—

**The Chair (Mr. Aris Babikian):** Unfortunately, the time is up, and there is no opportunity for an answer.

Thank you very much for our witnesses for coming and sharing your ideas and opinions with us.

1410

UNIFOR  
ASSOCIATION OF POWER  
PRODUCERS OF ONTARIO  
STAND.EARTH

**The Chair (Mr. Aris Babikian):** On this panel of witnesses we have Unifor, the Association of Power Producers of Ontario and Stand.earth. We have here Samia Hashi, the Ontario regional director for Unifor, David Butters from the Association of Power Producers of Ontario with us and we have some other members who will join us virtually.

We will start with Unifor. Before you make your presentation, please identify yourself and the organization you represent. The floor is yours.

**Ms. Samia Hashi:** Good afternoon. My name is Ms. Samia Hashi. I'm Unifor's Ontario regional director. I want to thank you for inviting me to present on this very important issue for workers and families in Ontario. I'm here joined by Doug Carter to present on behalf of Canada's largest private sector union, representing 315,000 members, including nearly 15,000 members working in oil, gas and energy. We are presenting today on two issues related to Bill 165: mitigation of natural gas leaks and contracting out in the gas utility sector in Ontario.

Unifor has long highlighted that methane leakage is an issue that effects all gas pipeline storage, midstream and end-use companies. As workers in these industries, we see first-hand the impact underinvestment in leak detection and mitigation has had on health and safety, the environment, hidden costs to consumers and also in public trust in this industry's commitment to being part of the climate solution.

Methane leaks are a major component of human-caused climate change emission, as it is 80 times more potent than carbon dioxide at trapping heat in the atmosphere over a 20-year time scale. Unifor members want our industry to invest appropriately in leak mitigation and do its part to reduce supply chain emissions. Unfortunately, we feel that the industry's reclassification of leaks that occurred a while ago allow small, continuous leaks in Ontario to just run and not be fixed. The reason is the same as other decisions by our utilities to not invest the appropriate amount in maintaining infrastructure and fixing leaks:

This takes spending money on labour, and companies would rather give the money to shareholders.

In the long-term, the actions of not fixing leaks means Ontario families pay three times: They pay through the delayed investment in upgrading and maintaining our gas infrastructure, they pay for it through climate change and they pay through the increased risks to major health and safety for workers and Ontario's families, which my colleague will touch on.

Upgrades to the sector's infrastructure to reduce emissions from production and transport of natural gas and other products requires workers who know the industry, can do the work effectively and can expose areas of underinvestment. Such jobs are climate jobs, and those workers must be adequately compensated, trained and certified, and protected through a union contract.

Given the scale of the problem and the necessity of the work to be done, our utilities must maintain the in-house capacity to do this work. A 2002 ruling by the Ontario Energy Board warned against our utilities becoming virtual utilities, where that work is contracted out to third parties with different economic incentives, lower-quality work and loss of central knowledge within our regulated utilities to do this work.

Unifor feels we have returned to this situation, and, as such, we recommend two amendments to the bill to reduce medium-term cost pressures on Ontario families: Directly monitor investment, age of infrastructure causing leaks and timelines in fixing natural gas leaks across the regulated supply chain; and monitor the contracting-out activity in our regulated utilities that erode core competencies and skill sets.

I'll pass it to brother Doug Carter.

**Mr. Doug Carter:** Thanks, Sam. My name's Doug Carter, president of Unifor Local 975. We're representing workers at Enbridge Gas. I've been a gas worker since 1982.

Unifor represents gas workers in Ontario on the front lines of building and maintaining and fixing and upgrading our gas infrastructure. Over the previous 20 years, I have faced many issues directly affecting the cost of the gas infrastructure in Ontario. Contracting out is estimated to be 30% more than what we can do the work for doing it in-house. Just recently, there was a job done by our own workers at the TTC. Its estimated cost by contractors was \$3 million, and we were able to do it, with overtime, for under \$1 million.

Contractors completing inferior quality work results in increased cost and sustained high risks of dangerous gas leaks and health and safety issues. Natural gas is a dangerous, volatile substance. There have been several high-profile explosions in Ontario that have killed people, including house explosions. Those are usually caused by inferior use of contractors and the attempt to contract out the risk as well as the work.

However, there are many incidents where the risk to the public continues to be high. These are caused by contractors operating under a different set of economic pressures and the utility contractors working under fixed costs, so

the faster they do the work, the more they make. Utility workers get paid to do the job correctly the first time.

Contracting out the regular operations, such as garage work in vehicles and heavy equipment maintenance, has resulted in health and safety issues as well as a huge over-cost from when we used to do this work in-house with our own mechanics. This just goes to the mentality of the company that's willing to download costs through the erosion of public safety standards for its own employees, resulting in situations where employees are working on unfinished or non-standard work vehicles. The company would rather the short-term gains of contracting out work than sustain an in-house workforce to maintain their vehicles.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Doug Carter:** Loss of core skill sets within our regulatory utility: This has resulted in a reliance on more expensive contractors and a de-skilling of our workforce. At Enbridge, we used to have somewhere in the neighbourhood of roughly 160 fitters. These are the gentlemen that would go in and red-tag and inspect equipment in buildings, factories and homes. This work has been decimated and completely contracted out to more expensive contractors. Because we no longer have the workforce to do this, it has to be done 100% by contractors.

Just recently, another reduction of 56 workers was announced as Enbridge paid out increased dividends to shareholders. There is not less to do with the state of gas infrastructure, but there is more to do with costs and, moving forward, large contractors purchased by the company, resulting in increased monopoly control of price—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

We move to our next witness. Please identify yourself and the organization you represent.

**Mr. Dave Butters:** Good afternoon. Thank you, Chair. My name is Dave Butters. I am the president and CEO of the Association of Power Producers of Ontario. I have a cold. I apologize if I sound sniffly or a little throaty. I'll try to speak up.

**Interjection:** Don't sing.

**Mr. Dave Butters:** I promise not to sing.

APPrO is a trade association founded in 1986. It's focused exclusively on the business issues of power producers in Ontario. APPrO members produce most of Ontario's electricity from nuclear, hydro, wind and natural gas generation and are the foundation of Ontario's clean energy advantage.

Our goal is the achievement of an economically and environmentally sustainable electricity sector in Ontario that supports the business interests of electricity suppliers, ratepayers and the provincial economy.

APPrO is very active in the formation of energy policy and rules to facilitate investment in sustainable supply and efficient pricing of electricity in Ontario. We're a frequent participant in OEB hearings, including the EB-2022-0200 hearing that was the basis of this bill.

**1420**

APPrO supports the amendments proposed under Bill 165, based on the following points:

(1) Broad and diverse evidence in proceedings before the Ontario Energy Board is important to ensure fair and informed decision-making;

(2) Generic issues common to multiple regulated utilities, generators or stakeholders should be determined through generic hearings, not through a patchwork of ad hoc OEB decisions;

(3) Regulatory certainty and clarity around revenue horizons for new natural gas connections, including natural gas transmission lines, is imperative for continued economic investment in Ontario—both by natural gas generators and other natural gas customers; and

(4) Preserving the historical practice of not requiring new customers to make contributions in aid of construction for specified gas transmission pipeline projects alleviates the potential for disruption and uncertainty for electricity planning and to the business of natural gas generators and other natural gas customers.

Government's role is to set energy policy in Ontario. As an administrative tribunal, like any other administrative tribunal, the OEB serves at the discretion of the government. If the OEB gets a decision wrong, it is within the power and purview of government to intervene.

In this context, the proposed amendments under Bill 165 will ensure fair and informed OEB hearings, promote affordable housing, protect future homebuyers and support economic growth while keeping costs down for Ontarians.

This is especially important as Ontario navigates the complexities of the energy transition, a transformative period in how we use and manage energy. Significant investments are needed to match growing demand for electricity.

Implementation of an energy transition policy is a complicated and complex issue. It must be thoughtful, diligent and economically rational and cannot imperil reliability. Large and unpredictable swings in energy policy are not conducive to promoting investment in Ontario's economy.

Sector participants rely on regulatory clarity and certainty to make very large investment decisions that benefit all Ontario electricity customers and maintain the reliability of the province's electricity grid. APPrO has called for a clear strategic policy vision to focus the sector, bringing alignment in managing change and delivering an orderly transition that prioritizes affordability, reliability and resilience.

The Powering Ontario's Growth report laid the foundation for this. The minister's November 2023 policy directive to the OEB provided further clarity. The Electrification and Energy Transition Panel report provided additional insights and recommendations for future long-term integrated planning. The next step should be a natural gas policy statement.

The Electrification and Energy Transition Panel noted the importance of "effective collaboration and integration in energy planning across fuels." Hence, requiring the

OEB to establish additional processes for obtaining stakeholder input and providing for the representation of consumer and other interests can only help the OEB to achieve better decision-making.

In this respect, the proposed generic hearing amendments providing the government to direct the OEB to hold a generic hearing on an issue at any ongoing proceeding that will resolve that issue may prove beneficial.

Regulatory certainty of revenue horizons and cost allocation for new connections is also imperative.

Natural gas will continue to be an important fuel for electrical power generation, space and water heating, and industrial and agricultural industries for some time to come.

As correctly identified by Commissioner Duff in the Enbridge cost-of-service decision, it is not appropriate to implement large changes to natural gas policy—for example, jumping from a revenue horizon of 40 years to zero—without any supporting evidence that Ontario’s electricity generators, transmitters and distributors are able to meet Ontario’s energy demands.

Thus, the government’s proposed amendments to prescribe certainty and clarity around revenue horizons and appropriate cost allocation for natural gas transmission lines alleviates the potential for disruption and uncertainty for the system operator and planner, as well as natural gas customers of whatever description.

Clarity and expeditious regulatory action are particularly important now, as the IESO moves forward with multiple procurements to meet emerging energy and capacity needs—which was talked about just a few minutes ago. Regulatory uncertainty that undermines investment in the province will have an impact not only on the reliability of the province’s electricity grid, but also Ontario’s ability to reach its economic and climate change goals.

Those are my submissions. Thank you, Mr. Chair.

**The Chair (Mr. Aris Babikian):** Our next presenter will join us virtually. Please identify yourself and the organization you represent.

**Ms. Lana Goldberg:** Honourable Chair and committee members, thank you for the opportunity to present to you today. My name is Lana Goldberg, with the advocacy organization Stand.earth. I’m a climate campaigner located in Toronto. We are very concerned that, if passed as is, this bill will increase energy bills for Ontario residents, underline the role of the independent energy regulator and hinder Ontario’s ability to meet its climate commitments. Put simply, this bill is a gift to a fossil fuel corporation. It would create a subsidy for Enbridge Gas on the backs of its 3.8 million residential gas customers, who will have to pay more money every month on their gas bills, to the tune of \$600 each in the first five years of the planned project—this at a time when many residents are cash-strapped and when owning a home is already out of reach for so many.

The extra cost for customers will likely rise as many existing homeowners inevitably choose to switch to the cheaper and cleaner option of heating their homes with electric heat pumps. As the pool of customers footing the

bill for new infrastructure decreases, we will see a death spiral in which remaining customers will have to cough up more and more money to cover the cost of Enbridge’s new pipelines. This same trend also suggests that as Ontario residents join the world in adopting the modern technology of electric heat pumps, Enbridge’s pipelines will become stranded assets within the 40-year project time frame. Usually such a risk in cost would be borne by a private company, but in this case, it is the residents of Ontario who would be losing and wasting their hard-earned money, which is an unfair position to put Ontarians in.

If Enbridge Gas thinks this is such a solid investment, then it should foot the bill itself. The government certainly should not be forcing its constituents to pay for a private company’s questionable investment. Some may argue that Ontario residents need this infrastructure—we do not. We have access to the modern technology of heat pumps, which are more efficient, clean and affordable than gas furnaces. Other jurisdictions are already making the switch. European countries installed three million heat pumps in 2022, while in the US, residential heat pumps sales surpassed gas furnaces in 2022. While such progress is being made elsewhere, subsidizing gas heating in Ontario will discourage the adoption of heat pumps and leave Ontario in the dark ages.

Making pipelines and gas hook-ups free for developers will encourage them to build houses with old gas technology. Without a subsidy, they would find that installing an electric heat pump would be cheaper, faster and more appealing to buyers. Studies by the Ivey Business School and the Zero Emissions Building Exchange show that installing electric heating in new homes is more cost-effective than installing gas heating. Housing can also be built more quickly in areas when new gas pipelines and hook-ups don’t have to be built first.

Equally important for new homeowners is the cost to maintain homes. Since heat pumps are 300% more efficient than gas furnaces and operate on electricity, they will lead to lower monthly energy bills. According to an Ontario study by Dr. Heather McDiarmid, an average homeowner in what would be a new gas community could save about \$20,000 over the lifetime of heating equipment by installing a heat pump instead of a gas furnace and water heater. At a time when housing is scarce and unaffordable and when gas prices are volatile and prone to increasing, fitting new buildings with heat pumps is the best financial option for Ontario residents.

Some groups try to suggest that heat pumps are not up for the job. They are either being dishonest or they’re not aware of recent technological advances. Heat pumps have come a long way and can now operate in the coldest of temperatures, including those in northern Ontario. Heat pumps also double as cooling devices in the summer, which can ensure that everyone has proper cooling systems and won’t have to suffer through hot summer weather.

Heat pumps can also purify indoor air, which is becoming critical as wildfires and their smoke impact a

growing number of people in Ontario. Having a home come equipped with a heat pump also means that homeowners won't have to organize and pay for expensive retrofits in the future. Heat pumps are also better for our health, as gas heating and gas appliances leak toxic gases which are harmful to human health.

Finally, heat pumps would help Ontario meet its emissions reduction target. Currently, the province is far from meeting its target to reduce greenhouse gas emissions by 30% by 2030 from 2005 levels. Pollution from buildings, which mostly come from gas heating, represents about a quarter of Ontario emissions. Building 1.5 million new homes with gas connections would cause an increase in emissions, building these homes with electric heat pumps would help keep our emissions down.

**1430**

Having studied all of the evidence in detail, and having heard from numerous and diverse stakeholders, the Ontario Energy Board made an evidence-based and responsible decision on this rate case. It is irresponsible for the government to overrule a prudent decision of an independent body that is mandated to make decisions in the public interest. We are left to believe that, while the OEB made a good decision in the public interest, the government is overturning the decision to serve corporate interests.

While this government attempts to block progress towards a sustainable economy, other jurisdictions are working to support the transition to cleaner technologies.

**The Chair (Mr. Aris Babikian):** One minute.

**Ms. Lana Goldberg:** British Columbia and Quebec have developed policies and allowances for municipalities to incentivize or require that new builds use electricity for heating. In the US, two states and almost 100 municipalities have implemented policy to electrify new buildings. Rather than obstructing the transition to a clean economy by passing this bill as is, the Ontario government ought to be leading and paving the way towards a sustainable and more affordable economy for all.

We hope all MPPs will acknowledge the long-term harm this bill would have on the people of Ontario and choose to fundamentally amend the bill or reject it altogether, allowing Ontario to join the modern era.

**The Chair (Mr. Aris Babikian):** Now we move to the first round of questioning. We will start with the official opposition. MPP Harden, the floor is yours.

**Mr. Joel Harden:** Thank you to all of our witnesses for coming today. I think a perspective we got to hear that was really valuable for this committee's consideration was the perspective of the women and men who maintain the pipeline systems that we have. I haven't heard enough comment on that to date.

Mr. Carter, I want to go to you. There was a moment earlier in your presentation, just so you know, where your audio was a little low for us, so use that full union-hall voice to hit the back of the room, if you wouldn't mind, sir. It's my understanding that the pipeline system that Enbridge is required to maintain as the monopoly provider, given its agreement with the province—they aren't

required by law or by regulation to disclose any compromises, any leaks in the pipeline. Is that correct, sir?

**Mr. Doug Carter:** I actually can't answer that, whether they have to or not. I can't answer that question, sorry, of whether they can.

**Mr. Joel Harden:** Then, Chair, I'd redirect the question to Ms. Hashi if that's okay.

**Ms. Samia Hashi:** I'm not entirely sure as well if they're allowed, but my understanding is that there isn't, right now, any regulation that requires them to report on any leaks. There is not a reporting system that I'm aware of right now.

**Mr. Joel Harden:** Thank you very much for that.

I just wanted to say for the record: These are the women and men who maintain the pipeline system that my friends in government want to expand, and there's not a regulation or a law on the books in Ontario that requires Enbridge to disclose to the people of Ontario when there's a compromise of any kind above ground or below ground. That should give us pause for concern.

**Mr. Doug Carter:** May I?

**Mr. Joel Harden:** Mr. Carter.

**Mr. Doug Carter:** On damages, we do have a system where they have to be reported. It's reported to the TSSA and recorded as a spill, but those are usually pipeline damages where a contractor or a homeowner damage the line. Then they call the TSSA, and they do calculations on how much natural gas has vented into the atmosphere.

I can give you a little bit more, but one of the key things that I deal with that I think is tough and shocking to me, and I've been in this industry for over 40 years, is at one time, when I started here, we maintained that pipeline; a leak was a leak. Someone called in that they smelled gas, we dug it out, we fixed it, and we had hundreds of employees. Now we have very few employees and leaks are monitored. They're monitored in a system of As, Bs and Cs. An A leak is something that would have to be worked on right away. A B and a C leak can be left for weeks, months on end while we monitor, allowing natural gas to escape into the atmosphere. There is no way, other than using leak-survey trucks driving around or leak-survey individuals moving around and taking measurements on top of the pipeline, surveying the pipeline.

As I said, we sit on leaks, we wait for Cs to become Bs, we wait for Bs to become As, and we monitor. It's something that we believe has cost the environment and it has cost jobs. If we had people maintaining the pipeline like we used to and fixing the leaks as they come in—

**Mr. Joel Harden:** Okay. Thank you, Mr. Carter.

How much time do we have left, Chair?

**The Chair (Mr. Aris Babikian):** Four minutes.

**Mr. Joel Harden:** I've got to admit, that's pretty frustrating to hear. It's pretty frustrating to hear given what we were hearing about the potency of the gas your members are required to maintain the integrity of—80 times the potency of any normal emission—and the ability for that gas to trap heat in the atmosphere.

But particularly for your members, Mr. Carter and Ms. Hashi, your folks are at direct risk. And what you're telling

us is, and MPP Shaw uncovered this from her questioning earlier, this is a company that just came to the House today, that said they laid off 1,000 people in February—so that's fewer staff. That's fewer people to go out there to watch potential compromised gas pipeline leaks go from D to C to B to A.

So my question to either one of you is, why should this committee and why should this government be authorizing the expansion of pipelines when they can't even seem to maintain the integrity of the pipelines that exist?

**Ms. Samia Hashi:** We're essentially really concerned in multiple ways with our workers in terms of health and safety, in terms of consumers' health and safety. It's concerning that a lot of this work that previously was done in-house by skilled labour, by skilled workers, has been contracted out, and contracted out in enormous measures. So while we're seeing a reduction and layoffs in-house, this work is being done in ways that, in some capacity, also benefit the company, because some of these contractors are actually owned or partially owned by Enbridge.

So this contracting is being done, they are bidding on these contracts, they're awarding these contracts, and so on both ends, there is capacity to increase their profits. Those costs go back onto the consumer as well. And there are a lot of things that end up getting cut, a lot of corners that get cut, when this infrastructure is being built or maintained because they have got economic incentive to do that work much quicker. So that's a concern for our members and a concern that everybody should have as people in Ontario.

**Mr. Joel Harden:** For sure. Fair enough.

I guess what I'm learning, Ms. Hashi and Mr. Carter, from you, is that Enbridge can't even seem to do a decent job, given the monopoly it has over the existing pipeline, of ensuring the integrity of the pipeline. I think that is a big red flag. And I heard you loud and clear when you said maintaining the integrity of those lines is climate work. Trying to prevent methane gas emissions from going into the atmosphere is climate work. It helps us with our climate obligations and it helps your members go home safe at the end of the day. I heard that loud and clear.

Mr. Butters, just finally over to you, you mentioned that you felt the OEB didn't have sufficient evidence. What I note, sir, just for the record—and I'll get your response—is 10,000 pages of documents. I also note, in the report itself, that you requested intervenor status for the hearing. So are you actually alleging to this committee that you weren't prepared—you're an informed participant today. If you were motivated and sought intervenor status before, were you giving the committee improper advice? Help us understand the contradiction there.

**Mr. Dave Butters:** Maybe you could explain that question a little bit more to me. I'm not quite sure what you're—what's the question you're asking?

**Mr. Joel Harden:** I look at page 7 of the report, sir, and you are among the organizations that are acknowledged for seeking intervenor status in the OEB's decision. There you are: Association of Power Producers of Ontario. So are you alleging to this committee then that you didn't

know about this process when, clearly, sir, I see you here on page 7 of the document? So you were contributing to the evidence the OEB was providing, and then, at the same time—your organization was at least; maybe not you as a person, but maybe you weren't aware of this—

**The Chair (Mr. Aris Babikian):** Thank you very much, MPP Harden. The time is up.

We moved to the independent member, Mr. Schreiner. The floor is yours.

**Mr. Mike Schreiner:** I'd like to thank all three presenters for coming in today.

I'm going to start my questions directed to the representatives from Unifor, whichever one of you wants to start. I share your concerns about methane leakage. It's been noted by an increasing number of studies now that we're likely under-reporting climate pollution around the world, but especially in North America due to methane leaks and fossil gas infrastructure.

So I am wondering if you have a sense, as your workers are on the front lines monitoring these leaks, of how many leaks and how often this kind of leakage is happening across the province of Ontario.

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**Mr. Doug Carter:** I can take that. As far as my members being able to monitor those leaks, we no longer do. We did at one time, but the entire leak-survey department has been contracted out to a third party, and we have no idea what leaks are being monitored and when they're being monitored. We only get asked on occasion, if one comes in, to go and either review it or possibly work on it. So we have no idea what that number is anymore.

**Ms. Samia Hashi:** And also to add to Doug's point, when you have contractors that are doing that monitoring work, there is pressure to misclassify leakage into a lower-class scenario. So then what ends up happening is that they don't get resolved in a timely manner and they prolong actually getting service.

I'm sure Doug can speak to some examples there, but there was just a recent example of one where it was left for five, seven months with no actual work being done on it because it was misclassified.

**Mr. Mike Schreiner:** Let me just understand this quickly, because I think this is an important point. All the work around monitoring is contracted out, but then the work, in terms of doing the repairs—are those still done in-house or are those mostly contracted out as well?

**Mr. Doug Carter:** It's a split between contractors—and, just recently, contractors that the company has purchased—as well as my members.

**Mr. Mike Schreiner:** Gotcha. And in some cases, depending on the classification of the leak, it may take months for repairs to take place, which obviously leads to unreported increased climate pollution. But also, could you also talk about the health and safety concerns associated with misclassification and then delayed repair?

**Mr. Doug Carter:** As everyone knows, gas is explosive. If you're leaving gas leaks, you're monitoring them, that means you go and check on them once in a while—once a week, once a month; I don't know what their

schedule is. Who knows where that gas mitigates to when you're building, and then we have fires, explosions, those kinds of things. It's definitely a risk to the public. It is a practice that has sort of become the staple of distribution companies over the last 25 years. It's not something that used to be there. So it does pose a threat to the public and the environment because of the length of time that these leaks can be left.

One of the key things we have is a lack of staff. We were already short-staffed when Enbridge approached us on eliminating 56 members—field workers, from the field; not office, front-line workers. We asked them: "How do we get the work done properly if you want to take away more?"

Again, this is how this stuff ends up sitting. Leaks go on. They're surveyed, they're watched, and then they're given to us to work on, or they set up the work and the locates expire and we have to start the work. This is a manpower issue that Enbridge has produced over the last 20 years.

**Mr. Mike Schreiner:** Thank you.

**The Chair (Mr. Aris Babikian):** We move to the government side. MPP Yakabuski.

**Mr. John Yakabuski:** Thank you to our presenters for joining us today.

I'd like to ask Mr. Butters from APPrO—again, thank you. How long have you been doing this with APPrO? A long time you've been—

**Mr. Dave Butters:** Twenty years.

**Mr. John Yakabuski:** You're around longer than me—

**Mr. Dave Butters:** Likely.

**Mr. John Yakabuski:** —and a lot longer than that in the sector.

I appreciate your presentation and also your insight. You guys produce, as you said, most of the electricity here in the province of Ontario.

We're talking from, on the other side, where they would like to eliminate nuclear. They'd like to eliminate gas. This is part of what they're against here: They don't want to see gas being hooked up. They want heat pumps, which they are quite happy to subsidize the cost of every heat pump, but they'd like that to be part of the heating system here in the province of Ontario, where we're always looking at a balanced approach and the one that is the most effective and the most efficient.

You're in the business of producing power—not you personally, but you know what it takes, and you know how much we need. If we're not going to be heating homes—which is the most efficient use of gas by the way. Making electricity from gas is not nearly as efficient as directly putting it into a home to heat it—so the cost of heating these homes through electrification along with all the other electrification that we are doing with regard to blast furnaces and electric cars and such.

Now, let's talk about the elimination of nuclear which they're calling for. Is there even a possibility that we could produce enough electricity to service Ontario with the growth that we are talking about? We are talking about 1.5

million homes and that's not even going to do it. Our population is growing, and every time there is another baby born and every time someone comes to Canada, that means we need more electricity. People need more electricity. Is there even a possibility that if we're not dealing with expansion of natural gas to heat homes that we can even meet those electricity demands?

**Mr. Dave Butters:** Thank you, Mr. Yakabuski. The answer is no. We simply could not. To replace natural gas in homes and use electricity for heating would create an immense load for electricity that would probably at least double the amount of capacity that we would require in Ontario. That is a massive and daunting task, not to mention all the transmission that would go along with it and the distribution additions in local distribution companies, and I'm talking about electricity distribution, not natural gas distribution.

We're already behind the curve on this particular aspect of our economy. We are seeing our economy grow. The short answer is, we simply could not do it. It could not be done.

So yes, the short answer is no. There's absolutely no way. What we understand about this is that the way forward—this is what the Collie panel said—is kind of make no sharp turns; have an orderly transition; figure out what we have to do; replace things as they can be replaced; make things last longer if we can make them last longer but always with our eye on the future, which is that cleaner, reliable, affordable future that everybody wants.

**Mr. John Yakabuski:** So now let's talk about the natural gas expansion, which we're talking about here—which we've done for 38 years, since 1988. We've made it so that if you're doing a capital expansion—you're expanding the system—that is spread across the rate base, which every company has done. I mean, this is the way. If Walmart has an expansion, they build new Walmart stores. There might be only a penny added to that can of coffee, but they're spreading that out among their customer base.

If we don't do that and we simply put it onto the person who is building that home or the family, or whatever—if we simply put that load onto them, that's just simply not going to get it done, is it?

**Mr. Dave Butters:** That's correct. It's like electricity. We don't charge specific people or industries for additions to the electricity grid. That's—

**Mr. John Yakabuski:** Transmission—everybody pays for transmission.

**Mr. Dave Butters:** Those costs are also sliced amongst all citizens and ratepayers. That's basically how that works.

**Mr. John Yakabuski:** So the socialists only want some socialism, I guess.

Okay, I'm going to pass that on.

**The Chair (Mr. Aris Babikian):** MPP Sarrazin.

**Mr. Stéphane Sarrazin:** This morning, when Enbridge was here doing a presentation, they mentioned that 70% of the homes in the province actually use natural gas for heating homes, and it was quite amazing when they

said that they actually deliver 30% of the energy in this province.

What strikes me is—I don't know the question exactly, who I can ask, but I'm receiving, as a member of provincial Parliament, requests from all constituents across my riding that they want to have natural gas expansion. Some of them that use natural gas are really happy with paying for their services, and they think that it's a great deal, the price they pay to heat a home. I also am a customer of natural gas heating, and I think it's pretty reliable and it's pretty affordable. So I'm trying to think. I know that, this morning, I was looking at Gridwatch, where I noticed that 48% of our electricity today—at 9 a.m., and same thing at 1 p.m.—was produced by nuclear, and we've got the member of the NDP that would like to get rid of nuclear or not supporting nuclear.

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**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Stéphane Sarrazin:** Then, this morning, we had 12% of the electricity that was produced by natural gas.

I think you've answered the question but, like MPP Yakabuski was saying, there's no way we can—like, tomorrow—compensate for that 60% of energy production that is between nuclear and gas. So I'm just thinking: Is there something you'd think of that could—possibly a miracle of some kind. I'm just asking you what your thoughts are.

**Mr. Dave Butters:** I don't believe in miracles. So the answer is no. It would be impossible with the technology that we currently have and the approvals and the time commitments and the supply chain and the workforce and all the other work that would be required to displace all of that natural gas.

Nuclear is the backbone—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

We move to the second round and we will start with the official opposition. MPP Tabuns.

**Mr. Peter Tabuns:** Chair, through you to Unifor, and I'll leave it to them to decide who answers: I was listening to the earlier commentary on a lack of understanding of the amount of methane leakage from the system. That's the question: Does anyone know the scale of leakage of natural gas from the system in, I don't know, MBTUs etc.? Does anyone know the scale of the leakage?

**Mr. Doug Carter:** I do not know the scale of the leakage. I do believe that they are supposed to report fugitive emissions, but I'm not 100% sure whether that happens.

**Ms. Samia Hashi:** I don't know off the top, but I know we've done a lot of work through our research department on this particular topic, and I can absolutely get some more details for you.

**Mr. Peter Tabuns:** That would be useful.

Could you go into some detail about the health risk to energy workers and the health risk to consumers when they're exposed to ongoing natural gas leakage?

**Mr. Doug Carter:** Obviously, the main health risk would be fire or explosion. As far as if you could suffocate

from natural gas if there was an overabundance of it, it would deplete the oxygen from a place that you were in. But those would be your two main reasons.

**Mr. Peter Tabuns:** And, again, to Unifor on contracting out: It's been interesting today to have the government talk about protection of working people. It's been pretty clear that Enbridge has been very happy to lay off workers, has been very happy to contract out. The decision in 2002 on the virtual utility case made the argument that not only was this bad for workers, but the OEB pointed out that if you contract out a function, you essentially take it out of the regulatory sphere so that Enbridge is able to do pretty much whatever it wants under the cover of, "We've contracted it out. This is just the price we have to deal with."

Can you talk a bit about how customers of Enbridge are deprived of regulatory protection when contracting out goes forward, not only hurting the workforce but hurting the customers?

**Ms. Samia Hashi:** I think, when we are talking about this and we talk about, as well, affordability and understanding the cost impacts of contracting out work, contracting out doesn't mean that it saves money. In fact, it actually ends up costing more money to contract out work. An example of this was a line that was installed for the TTC where the bid was \$3 million by a contractor and our in-house workers, our members, were able to do that for \$1 million, including all overtime and such.

So the impact there is that it is going to end up costing the people of Ontario more money if this is the trend that Enbridge continues on and continues to off-load the work to companies—again, some that they own and are making profits in that way, and controlling those prices for those contracts.

**Mr. Peter Tabuns:** Thank you.

How much time do I have left, Chair?

**The Chair (Mr. Aris Babikian):** Three minutes and 15 seconds.

**Mr. Peter Tabuns:** Then, if I could, through you to Mr. Butters: I hope you're feeling better. You had said earlier that natural gas will be important for some time to come. What do you see as the time horizon that we should consider? Are we talking 40 years, 60 years, 100 years, 20 years? When do you see substantial reductions in natural gas and thus a reduction in emissions?

**Mr. Dave Butters:** I think that this came up earlier. I think the answer is—I don't have a crystal ball. It will be for some considerable period of time, I would expect. It could be 2040, 2050. We don't know.

That is why a generic hearing would be a good way to get at this issue and to try to bring all the people together—the electricity people, the gas people, customers, municipalities, builders and so forth—and try to figure out what that time horizon looks like. But it sure as heck isn't zero years.

**Mr. Peter Tabuns:** But you would say in 20 or 30 years, we will still be seeing substantial use of natural gas, but probably a substantial reduction after that point. Is that a fair comment?

**Mr. Dave Butters:** It's hard for me to say in the particular case of this hearing, the case that brought this bill forward. There really wasn't any evidence on this, so that was one of the problems. There was really no real evidence as to what that time frame looks like. If we don't have that time frame in mind, then it's pretty hard to make all of these choices and decisions.

**Mr. Peter Tabuns:** Thank you.

Again, through you, Chair, this time to Stand.earth: Can Ontario meet its climate targets without significantly reducing gas emissions from the building sector?

**Ms. Lana Goldberg:** I believe we cannot. Ontario is not on track to meet its weak climate targets by 2030. As I mentioned, building emissions account for 25% of emissions in Ontario, and so if we are going to try to meet these targets, then absolutely building emissions need to come way down.

**Mr. Peter Tabuns:** And if the world does not meet its climate targets, what sort of consequences can we expect in our lives?

**Ms. Lana Goldberg:** We're already seeing devastating climate impacts, including here in Canada. The wildfires are a result of climate change. All the floods that we're seeing, the droughts that we're seeing—we are already incredibly impacted, and things are only going to get worse. Ontario needs to do its part to help bring our national emissions down, and it's unacceptable for the government to be advocating for the burning of more fossil fuels, rather than starting the transition immediately as we come to the end of a timeline in which we can make some kind of an impact on our collective emissions and climate change globally.

**Mr. Peter Tabuns:** Last question: It's reasonable, then—Unifor is proposing employing people to stop those methane leaks as quickly as possible, to seal up the system so we aren't just leaking it. Is that a really legitimate and important climate task before us?

**Ms. Lana Goldberg:** Yes, I think limiting the leaks, but also getting rid of the infrastructure that is leading to the leaks in the first place. Gas pipelines are going to leak. Gas appliances are going to leak. And so, we're better off transitioning to electric.

**Mr. Peter Tabuns:** Thank you.

**The Chair (Mr. Aris Babikian):** We move to the independent member. MPP Schreiner, the floor is yours.

**Mr. Mike Schreiner:** I think I'll start my questions with Mr. Butters. I'm going to thank you for your service. I know retirement is looming, and maybe not coming as fast as you would like, but I certainly appreciate you coming in today.

1500

My first question is: Representatives from Enbridge this morning suggested that if all 1.5 million homes, which is the province's goal for how many homes we want to build in the next decade, hook up to the electricity grid for home heating, that would be around 750 megawatts of additional electricity. Does that seem right to you?

**Mr. Dave Butters:** It seems low to me—750 megawatts really isn't that much. That's the size of a little bit

more than Goreway station. My view would be it would be considerably more than that, but again, these kinds of things need a lot more discovery and exploration to really figure out what that number would be.

**Mr. Mike Schreiner:** Yes, when Enbridge suggested 750 megawatts, I thought that seemed pretty achievable, earlier today.

I would agree with Ms. Goldberg that the ambition the province has for climate pollution reduction is weak. But the goal is to be net-zero by 2050. The International Energy Agency, which I think you would agree with me is a relatively conservative organization, says that if we're going to meet 2050 targets globally, no new fossil infrastructure can be developed at this point. Otherwise, we're not going to meet our climate objectives globally.

So over a 40-year amortization period, which would take us to 2065, 15 years past the 2050 goal, would you, as somebody in the energy sector—it appears we're going to have stranded assets. It almost appears, inevitably, there will be stranded assets. Would you agree with that?

**Mr. Dave Butters:** Are you talking about electricity assets or gas assets?

**Mr. Mike Schreiner:** No, no, I'm talking gas assets. There won't be stranded electricity assets.

**Mr. Dave Butters:** Yes, because they're on 20-year contracts and by the time the contract rolls off, then who knows what happens.

Stranded assets are a very challenging issue to address. There are many, many factors that go into what that looks like and how you get there and what happens when it does arise. We don't have enough time here today to talk about that. I'd be happy to do that a little bit with you sometime, but it would be instructive to look at the international energy board's hearing back in 2011 or 2012—it was RH-003-2011, I think it is. It looked at the potential for the trans-Canada mainline running into a similar kind of situation.

**Mr. Mike Schreiner:** Okay, well, I appreciate it. Maybe we should do it at another time, Dave. Let's definitely do that.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Dave Butters:** I guess I would come back to my point that I made earlier. There hasn't been enough discussion about what these kinds of things look like, over what time horizon, who pays and so forth, so it's very hard to speculate. That's what we're doing, speculating.

**Mr. Mike Schreiner:** Okay.

I just want to quickly ask Ms. Goldberg a question before our time is up. You talked about the extraordinary growth in heat pump demand, particularly in the US and Europe. In the US, more people are connecting heat pumps than they are gas furnaces now; Europe, a 40% increase year over year in heat pumps. Why do you think people are so keen to install heat pumps rather than gas furnaces, at least in Europe and the United States?

**Ms. Lana Goldberg:** We've seen gas prices increase, making heat pumps even more affordable than they were in the first place. People are becoming more aware of the



health impacts inside of their homes in terms of air quality. But heat pumps, in the first place—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

We move to the government side. MPP Yakabuski.

**Mr. John Yakabuski:** Thanks again to everyone for joining us. I just want to clarify a couple of things. I know the leader of the Green Party, MPP Schreiner, is talking about stranded assets, and we do have to be very careful because—it's not about electricity either, this one, but years ago, the Liberal government decided that, "Well, there's going to be the baby boom and when the baby boom is over, we're not going to need all these long-term-care beds." So they decided not to build any and created an absolute disaster in long-term care, which we're now rebuilding—58,000 long-term-care beds—because they decided they were going to look past into the future, to the point where, maybe 50 years from now, it will be different because the baby boom will have long expired in 30 years—whatever. But you can't forget about today's needs.

It's the same thing when we're talking about natural gas, Mr. Butters. We all look to a world where, at some point—I think we all believe there will be a time; we just don't know when—when we're not using fossil fuels. But we're not there, and we can't stop preparing and defending and taking care of the people today in the best possible way by ensuring that they have heat and electricity and the power that they need.

I just wanted to clarify that point as well as one other one: When he's talking about Enbridge, they were talking about, as I heard it, an additional 750 megawatts per year. That does not include what's in the system today; that's an additional new 750 megawatts. That's what their expectation was that was going to be needed to deal with the growth and the homes that are being built and the population growth and everything else. I think it's very, very important to understand that.

Given that, maybe you might have a different take on MPP Schreiner's questions, but we know that we went through a period where electricity demand was actually shrinking. We're long past that. We are now going into what we believe is a prolonged period of additional demand on electricity, and we have to be prepared to manage that. If we're taking gas out of the heating side of it, that's only going to exacerbate the requirement for more additional megawatts, I would think, in the other side of it. Would you not agree?

**Mr. Dave Butters:** I would agree 100% with you, absolutely.

**Mr. John Yakabuski:** Thank you. I think it's important that we clarify that.

I'm now going to turn it over to MPP McGregor. Thank you for that, Mr. Butters.

**The Chair (Mr. Aris Babikian):** MPP McGregor.

**Mr. Graham McGregor:** Thanks to the witnesses for coming today. I've got to admit, as a renter and a member of the millennial generation, I find these discussions can be a little bit frustrating. We've seen housing prices in the GTA—I'm from Brampton; I represent a GTA riding. I

live in Brampton. In 1983, you could get a house for a little over \$100,000 in Brampton. And now, even in inflationary terms, that's about \$300,000 for the same—would be the same way. That actual house costs \$1 million. Part of the reason we've run into this is we have regulation after regulation, burden after burden, cost after cost put onto the cost of building a home.

We had folks from the homebuilding industry here. They published studies that show 30% of the cost of building a home is tied up in regulation, in rules and red tape. It's frustrating when we are aware that we have a growing province. We've got 15 million people—I think 16 million now—a trillion-dollar economy in Ontario, and we're stuck with some folks saying that the only way that we can grow is for new home buyers to take upfront the cost of a natural gas connection, which adds to the cost of the home. It's another tax, another cost put onto a home. And we have opposition politicians, frankly, who think that we should bury our head in the sand and just pray for wind and solar and electricity—this magical boosting of the grid—but they never want to do the hard work of getting the solutions to actually do it. So I find it frustrating.

I want to read—and this is for our guest from APPRO—a quote from the dissenting commissioner in the recent OEB decision. She says, "Is the scenario of no new gas connections, replaced by construction of all-electric developments, feasible? For example, would electricity generators, transmitters, distributors and the IESO be able to meet Ontario's energy demands in 2025? I don't know." This is a quote from the dissenting commissioner. She actually said, "I don't know."

So I guess I'll ask our colleague from APPRO, do they think it's concerning that members of the commission didn't know the impacts of the decision before signing off on it? And do they agree that the changes our government proposed to increase public engagement is the right thing to do to ensure that the people of Ontario—I'm thinking particularly of my generation, to be frank—are heard on this kind of decision that impacts them?

**Mr. Dave Butters:** Yes, because, first of all, there was no evidence to that effect—that zero or 40 or 30. There was no discussion, no evidence on that, so the commissioner was right: How could she make a decision? The OEB is required to make decisions on fact and law, not on supposition.

Number two, bringing more people in—home builders, consumers and so forth—to discuss all of this would be helpful for the board, and the board could then make an informed decision about what the right answer is. But it isn't zero.

**The Chair (Mr. Aris Babikian):** MPP Anand.

**Mr. Deepak Anand:** I see a lot of energy in this team. I'm just a sub, so I'm just going to concentrate on something which I'm very passionate about: the Skills Development Fund and helping support our workers in the province of Ontario.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Deepak Anand:** My question to Unifor and also to the Association of Power Producers of Ontario is do you see the labour shortage? Do you see there is a labour shortage?

**Mr. Dave Butters:** Yes, it is an issue across all categories, particularly in the electricity sector. It will be. We have people who are getting older and retiring. We need more tradespeople to come in. The government has done a great job in doing that, but we need more of that. There's going to be a huge amount of construction that's going to have to take place.

**Mr. Deepak Anand:** Are you aware of the Skills Development Fund, SDF? What we do in SDF is we—well, as a government, we are the guardian of people's money. We take that money, flow that into giving skills to youth and other people who are looking for jobs, and by helping them out and giving them the training, they get a job. Once they get a job, they're actually paying back through the taxes. We take this vicious cycle—so we're solving the problem of labour shortage while making sure that the members of the community get to financial independence and pay back to the society.

So have you applied for the SDF?

**Mr. Dave Butters:** No, we haven't.

**The Chair (Mr. Aris Babikian):** Thank you very much. The time is up. Thank you for all our presenters here in the room personally and virtually.

Now the committee will take a five-minute recess and then we will come back.

*The committee recessed from 1511 to 1521.*

**The Chair (Mr. Aris Babikian):** Please take your seats. The committee will resume its hearings.

ONTARIO FEDERATION  
OF AGRICULTURE  
THE ATMOSPHERIC FUND  
CANADIAN MANUFACTURERS  
AND EXPORTERS

**The Chair (Mr. Aris Babikian):** We have in this segment the Ontario Federation of Agriculture, the Atmospheric Fund, and the Canadian Manufacturers and Exporters. I will kindly ask every presenter to state their names and the organization that they represent.

We will start with the Ontario Federation of Agriculture.

**Mr. Drew Spoelstra:** On behalf of the Ontario Federation of Agriculture, we would like to thank the Standing Committee on the Interior for providing us with the opportunity to provide input on the impact of the direction taken by the OEB to change the process whereby new connections for small volume customer connections, including homes, farms and businesses, would not be able to amortize capital expenditures through customer rates over a 40-year period and that capital costs would need to be fully paid up front by these customers.

My name is Drew Spoelstra. I am a grain, beef and dairy farmer from Hamilton, where I farm with my family and

our three little girls. I speak to you here today as the president of the Ontario Federation of Agriculture, representing 38,000 farm families across the province.

Ontario is completing the transition to a zero-emissions electricity grid. At the same time, we are also entering a period of increased electricity demand, driven by targets for higher electrification in transportation, manufacturing and home energy needs. The Independent Electricity System Operator forecasts that by 2050, Ontario will need to have built 46,000 megawatts of new electricity system capacity, plus up to 20,000 megawatts in capacity to replace generation that will come to end of life or be phased out over the next 25 years.

At the same time, Ontario plans to build 1.5 million new homes, as our population is expected to grow by two million people by 2030. For the electricity capacity build-out to succeed, the focus is predominantly to supply urban demand. New electricity generation facilities will be decentralized throughout regional transmission zones and rely on the high voltage system to supply power to meet demand in urban commercial and manufacturing zones, urban and suburban mass transit systems and EVs, and to heat suburban homes and businesses. This means that higher electricity needs in Ontario's less populated rural areas understandably will be a secondary focus for the foreseeable future.

While Ontario transitions to a cleaner energy supply, it's vital that we have affordable options to meet energy needs outside of these urban and suburban areas, and ensure rural residential quality of life and local economies are sustained.

The IESO and local distribution companies face challenges enhancing power quality and capacity in rural regions. Without improvements, such as access to three-phase power and increased power supply, businesses, including farms, cannot expand production, install high-efficiency variable speed motors, or convert fossil-fuel based systems, such as grain dryers, to electric equipment. This critical infrastructure is needed to support farmers in their efforts to address and reduce carbon emissions and reduce the carbon tax burden felt by farmers.

During an OEB natural gas rate-setting hearing in December 2023, the OEB took the decision to unilaterally change the process whereby new connections for small volume customer connections, including homes, farms and businesses, would not be able to amortize capital expenditures through customer rates over a 40-year period. Capital costs would need to be fully paid up front by these small customers.

The OEB decision will not discourage natural gas connections in new housing suburbs. However, it will negatively impact rural communities and farm businesses. Should this decision stand, natural gas distribution companies would commit most of their liquid assets towards servicing a few new housing developments at a time, until the houses are sold and new owners are able to amortize the connection costs through mortgages. From the rural viewpoint, this means that there would be severely limited

funds available for any rural community and sub-community level expansion projects.

The OFA has been advocating for the expansion of infrastructure needed to deliver natural gas to all corners of the province. When you consider that only 20% of rural Ontario has access to this affordable energy source, compared to 88% of urban areas, I'm sure you will agree that we are well past due for the pipeline infrastructure that will bring energy to our homes and farm businesses.

Natural gas is the cleanest, most affordable and efficient fossil fuel available in Ontario to heat our homes and use in commercial and industrial processes. Renewable natural gas offers an even better option for a more environmentally sustainable source of energy for the province, and agricultural byproducts can help fuel this cleaner energy.

In rural areas, with no access to natural gas and, at least for the medium-term, the secondary focus of higher electricity capacity procurements for local grids, the OEB decision will limit the ability of rural residents and farm businesses to access reliable, affordable energy options.

OFA appreciates the government's quick action to remedy this situation, and reassert the policy direction, meant to maintain the ability of residents and small businesses, including farms, to have options to fit their energy needs in all regions of the province.

In addition, we appreciate the proposed legislative amendment to allow more small energy infrastructure project exemptions from the OEB leave-to-construct application approval process by raising the LTC threshold from \$2 million to \$10 million. This will expedite small electricity line and pipeline projects and better reflects inflation and the higher costs of materials.

OFA appreciates the opportunity to discuss this bill with the committee and the support for natural gas infrastructure for farms and rural areas across Ontario.

**The Chair (Mr. Aris Babikian):** We move now to the Atmospheric Fund representative. Please identify yourself.

**Mr. Evan Wiseman:** Thank you, Chair and committee, for allowing me to speak to you today on Bill 165. My name is Evan Wiseman, and I am the senior climate policy manager at the Atmospheric Fund. We are a regional environmental agency that operates in the greater Toronto-Hamilton area supporting decision-makers at the municipal, provincial and federal levels. Our focus is on reducing carbon emissions and improving energy efficiency, while also addressing affordability issues and improving the health of Ontarians.

The Atmospheric Fund recognizes the importance of striking a balance between affordability and energy efficiency for Ontarians. Access to affordable energy is essential for households and businesses alike, while transitioning towards clean energy is imperative for mitigating climate change and ensuring long-term economic competitiveness. With this in mind, the amendments we propose are aimed at improving the governance policies of this bill while respecting the spirit and intent of the bill itself.

Our view can be summarized into four key points. To begin, we believe in providing positive feedback as much as constructive feedback. Which brings me to our first point, on sections 4.4 and 4.4.1: We agree with these changes. Addressing how the OEB falls short on stakeholder engagement is important. These changes will increase the robustness, transparency and openness of the OEB.

Our second point is on section 28.8. We are concerned with the uncertainty that these powers introduce into the OEB process. These hearings are complex and already have long lead times. The ability to reset this process could be abused. However, we also understand the logic behind the argument of having a check and balance to the hearing process. This is why we recommend the amendment before you. It is time-limited in scope and would effectively provide direction when a matter could be moved to a generic hearing. To reiterate, the issue isn't with the power itself necessarily, but on how it is implemented, and as such, we urge you to consider our amendment from a governance standpoint.

**1530**

Our third point is on section 36.0.1. We recommend a minor change. While this clause already has a sunset date of five years, it is a long time for a minister to have that power. There could be one or more elections in that time period. We understand it's principally to address the OEB's December 23 decision. As such, we offer a straightforward change: Reduce the timeline and have its powers effectively end on July 1, 2026. This allows for more than two additional years for the OEB to re-examine the issues stemming from the December decision, while stopping the power from remaining active and potentially influencing unrelated processes.

My fourth and final point is the most substantive. The OEB has a mandate to protect gas consumers' interests and energy affordability, while also facilitating a rational expansion of gas infrastructure, which it does through a robust and transparent system where stakeholders can participate and challenge proponents' cases, promoting evidentiary-based applications. Section 96.2 seriously compromises the OEB's ability to do this. This change gives the minister powers with unrestricted authorities, with no obligation for stakeholder consultation or evidence weighed in public hearings. We are concerned that this section risks advancing infrastructure projects that erode short-term energy affordability and increasing the long-term risks of stranded assets.

However, we also understand that Ontario is going through significant growth in industry and development. Despite this, we urge you not to create a potential work-around for the OEB process. Creating a parallel track for the minister's office could seriously compromise the OEB's position and overload the minister's staff with applications and lobbying efforts. As such, we recommend the following language before you: "expanding the OEB's considerations to include additional directives from the government to facilitate strategically important projects while maintaining the OEB process." When combined

with the earlier changes proposed throughout this legislation, we believe this will significantly improve the OEB's process in terms of transparency and synergies with the government's strategic goals and objectives.

Our final point on section 96.2 is that these powers could always be expanded in the future if the government finds the OEB is not performing in a way they desire. This is mostly a good-government argument in the form of a belief in moving slowly with incremental change, stopping to appraise that change and then assessing if additional changes are needed. This type of expansive ministerial power can be implemented in the future. However, powers given are rarely curtailed, and as such, for all our recommendations, we urge you to review this section carefully in implementation.

Thank you for giving me the chance to speak to you today, and I look forward to your questions.

**The Chair (Mr. Aris Babikian):** Our next witness is the Canadian Manufacturers and Exporters. Please identify yourself.

**Mr. Vincent Caron:** Thank you, Mr. Chair. My name is Vincent Caron. I'm the director of policy and Ontario government relations at the Canadian Manufacturers and Exporters. Thank you for dedicating your attention to me today—and we have competition with what's going on outside, so we appreciate it.

I'm here today to support Bill 165. As is well known, there has been a flurry of investment in manufacturing lately, the Ontario sector being half of this country's manufacturing GDP. This has deep impact on the prosperity of our country and our ability to pay for essential services like health and education. None of it can happen without connected energy systems. Like any electricity or pipeline operator will tell you, there are few energy systems that can operate reliably in closed circuit. Texas tried, and we saw the result, with catastrophic failure a few years ago.

Most often, everything is connected: the pipes that carry our natural gas, the high-capacity wires on our pylons connecting our neighbourhoods and appliances in our homes, the machine operators powering equipment in southwestern Ontario assembly plants and the operators sitting in generating stations miles away. It all needs to connect to one comprehensive energy plan.

The same goes for Ontario's ability to decarbonize energy consumption. Ontario's record has greatly improved in recent years. The retirement of coal electricity generation was a great success, which many North American jurisdictions are still only considering at this time. Just one point of reference: Michigan passed legislation in November mandating 80% clean electricity supply by 2035. Ontario is at over 93% right now, but decarbonization cannot happen in a vacuum. This is why Bill 165 is needed.

To be clear, CME never likes to see the government intervene in a decision-making process of an energy regulator. We believe in an independent OEB, and we take great care in making fact-based interventions at hearings to preserve a reasonable basis for the rates that are applied.

But we also believe that the decision rendered by the Ontario Energy Board in December in the rebasing application of Enbridge Gas made the government intervention necessary.

I will explain why, focusing my remarks on the most critical element from our perspective, the decision to require all natural gas connections in the residential and small commercial sectors to be paid up front rather than over the lifetime of the equipment as of 2025—that's a key point.

This decision was a surprise and had potential ramifications for the industrial sector. First of all, we are by far the largest user of natural gas in the province. In 2020, the industrial sector consumed 2.7 billion cubic feet of natural gas per day, as per Statistics Canada. This is about 34% of the total, versus about 20% for the residential sector. Often, gas is used for industrial processes that require high temperatures, where electricity is a poor substitute. Examples include steel, cement and fertilizer manufacturing.

Transition is not impossible, but it's harder and it's more expensive for us. We can't turn on a dime. While we consume most of the gas, network costs are broadly distributed, and so shifting the balance suddenly, without coordination, has great potential to impact the competitiveness of our whole economy.

We are in a time of transition. More manufacturers are considering greener energy alternatives than before. They are driven by decarbonization mandates, global companies and government actions like the green economy investment and the US Inflation Reduction Act.

I heard the worry of stranded assets, but the problem with an early transition from gas, from our perspective, is stranding manufacturers with the bill. It is jeopardizing access to reliable, affordable energy that is needed for Ontario's industrial competitiveness. Leaving systems costs squarely on the shoulders of large consumers will not make decarbonization easier. It will make matters worse, as soaring energy rates detract resources away from retrofits and equipment upgrades.

Beyond the financial element, we are also concerned with the risk to our energy sufficiency, specifically the risk of blackouts and brownouts in Ontario. While lower-carbon energy options are being pursued by companies and the province, we cannot jeopardize reliability. IESO is clear in its Pathways to Decarbonization study: We are facing a short-term shortfall, and many people here talked about it. There is not enough electricity available to phase out natural gas from electricity generation, for example, before 2030.

The impact of a sudden spike in electric heating, post-2025, has not been studied, but it would, without a doubt, complicate the picture. In its final report, the Electrification and Energy Transition Panel put it best: "Replacing the 582 petajoules of natural gas for space and water heating ... representing 22% of Ontario's final energy demand ... is a substantial undertaking, requiring a large amount of additional supply, along with the transmission and distribution infrastructure needed to deliver it."

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Vincent Caron:** The panel goes on to recommend that the government of Ontario provide clarity to utilities, investors and customers with policy direction on the role of natural gas in Ontario's future energy system as part of its next integrated long-term energy plan. We think this is the most proper venue for a statement on the future of natural gas. The minister, with the big picture of reliability, affordability, sustainability and drawing from the input of all economic stakeholders and projections from the IESO—and that's a critical point—has the mandate and tools to set the direction.

And so, to conclude, by passing this bill, we're not asking you to shut down the debate on energy transition. There are many things government can and should do to help homeowners and companies lower energy bills and emissions. I have a few examples. I'm running out of time, but I'm happy to run through what we can do in the Q&A, if you'd like. But we'd ask you to vote for Bill 165. We don't want to shut down the conversation. We want to start it on a good foot.

1540

**The Chair (Mr. Aris Babikian):** Now we move to the first round of questioning. We will start with the official opposition. MPP Tabuns.

**Mr. Peter Tabuns:** My first question is to the Ontario Federation of Agriculture. Thank you very much for the presentation, by the way. Your members already are gas consumers, or many of them are. You're aware that there's about \$1 billion-plus in the request from Enbridge that would be going to finance gas pipelines and hookups for new subdivisions. Effectively, that \$1 billion-plus is being subsidized by existing customers. Do your members want to be subsidizing those investments?

**Mr. Drew Spoelstra:** I think that's a fair question, and I think, largely, that's how the system has worked over the last number of years. Your house, my house, they've all been subsidized by previous ratepayers, and I think that's an important part of how that system works.

Ultimately, what we'd like to see is natural gas expansion to more of our members, because as I said in my statement there, only 20% of rural Ontario right now is covered, versus the 80-ish per cent of urbanized areas. We'd like to see some more of rural Ontario covered—farm businesses, rural residents—so that they have the same options and the same opportunity for that infrastructure that folks in urban Ontario do, and part of that is figuring out how the system works to pay for that infrastructure.

**Mr. Peter Tabuns:** As you may be aware, the money for investments and expansion can come from the customers, which is what Enbridge has proposed. The money can also come from shareholders, something that the OEB has done in the past. It's assigned a cost to the shareholders and said, "No, it's not reasonable to charge the customers." Does it matter to the OFA whether the shareholders or the customers pay for the expansion?

**Mr. Drew Spoelstra:** I think it matters who pays for the expansion, and one of the things that we've often

advocated for is for government to pay for the expansion. We've put forward a number of plans; for the last 10 years, as long as I've been on the OFA board, we've talked about natural gas expansion. Having \$1 billion invested into natural gas infrastructure is going to pay back multiple times, once that infrastructure is in place and operating, in terms of savings that customers and rural farms, rural businesses and rural residents are seeing by using natural gas instead of alternative energies.

**Mr. Peter Tabuns:** So would your members who are currently customers of Enbridge prefer that they not be charged for the expansion of the system and that either the shareholders or the government pick up that tab?

**Mr. Drew Spoelstra:** I'm sure, selfishly, lots of people would prefer they aren't charged. But like I said in my initial answer to you, MPP Tabuns, that's how the system has worked over a number of years. Your house was subsidized by someone else's house. My house was the same. I think it's an important part of the conversation and an important part of how the system works and is funded.

**Mr. Peter Tabuns:** Thank you.

A question to the CME, through you, Chair: In the decision that came down from the OEB, it noted that the CME did not support the full capital request made by Enbridge. I'll note here, "CME submitted that the value framework is not transparent or robust enough to justify Enbridge Gas's capital spending plan. CME suggested that the capital spending for 2024 should be reduced by \$400 million to \$1.265 billion." Do you still believe the plan put forward by Enbridge was not transparent or robust enough to justify their capital spending?

**Mr. Vincent Caron:** I think that quote right there speaks to what industry is looking for from these hearings: a fair scrutinizing of the expenses that the utilities want to recover from the ratepayer community.

Ontario manufacturers are exposed to trade, right? So obviously every cost is meaningful for companies. And so, we question the equity thickness that was put forward by Enbridge. That's the purpose of these hearings, is to actually have fair scrutinizing by the ratepayer community.

So, yes, I think the comment that you read just stands by itself. We made our representations at those hearings and we want to try to keep costs as low as possible for Ontario manufacturers.

**Mr. Peter Tabuns:** Your members operate in a very competitive, global environment. Do you think that your members should be paying higher fees for gas service to subsidize expansion of the system?

**Mr. Vincent Caron:** So, obviously, there is a mixed picture here, because what we want is a growing manufacturing base in Ontario and that's not always in a geographical location that's well served by the current network of natural gas, right? We want the ability to connect in a way that is economical. That requires expansion of the system every now and then. I think, generally speaking, we want the expansions to be funded in a way that are broadly distributed so that there's no big hit in a specific region when the expansion is coming.

**Mr. Peter Tabuns:** Do you think that your members, operating in an environment where they want to reduce their costs, are supportive of paying more money to expand the gas system?

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Vincent Caron:** Obviously, we all want the cost of the system to be as low as possible. The beauty of the hearings is they also allow consideration on a case-by-case basis with the circumstances that are in front of us, right? I mean, I don't want to make a blanket statement.

**Mr. Peter Tabuns:** Okay, but you're being asked, actually, in this instance to put up about a billion dollars for new hookups to subdivisions—not to other industry but to subdivisions.

**Mr. Vincent Caron:** Right.

**Mr. Peter Tabuns:** Do you think the manufacturers in Ontario should be paying for that?

**Mr. Vincent Caron:** Actually, our bigger concern here was that by making the decision that they did, the OEB essentially said, "Okay, well, from now on, the industry is kind of on its own, funding things going forward." And we think that would just accelerate the burden to be on the shoulders of industry. That's why we thought the decision in December was not the right decision.

Also, it prescribed such a short time frame that there was just actually no way to really foresee how that would—all the impacts that that decision would have, right? So that's another key point, is—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

**Mr. Peter Tabuns:** I'll come back to it. Thank you, Chair.

**The Chair (Mr. Aris Babikian):** We move to the independent members. MPP Schreiner.

**Mr. Mike Schreiner:** I want to thank all three presenters for coming in today. I really appreciate it.

I think I'm going to stick with the conversation with the Canadian Manufacturers and Exporters because I was curious if you could just explain a bit more why CME proposed a lower capital allowance for Enbridge. What was your rationale for proposing that at the hearings?

**Mr. Vincent Caron:** I think a lot of people would say, "Oh, well, they asked me to be funded on a shorter time horizon." It was a lot of talk about the energy transition.

From our perspective, natural gas is here to stay for longer than many people say because, for some of the reasons I outlined in my remarks, this process—using natural gas for industrial processes, often there's no easy alternative. For example, there are things like the electric arc furnace in steelmaking that we talk about. That's an example. Not everyone can go through that, right? You're talking about a very large retrofit, and the demand of electricity that results from that is substantial, right?

In the residential system, going to a heat pump—you have an option there. In an industrial setting, you're talking about much more intensive capital retrofits. We know that gas is going to be around for longer.

Rebasing applications are about five years. They're not about 20, 30 years. So in those five years, we really didn't see, especially with an electricity shortfall, how things

would change meaningfully. So why change the equity profile of Enbridge to that extent? We didn't think that that was warranted.

1550

**Mr. Mike Schreiner:** Through you, Chair, I just want to do a follow-up question on that. I share some of your concerns, just so you know, because if you do—and I've done this modelling. When you look at what it's going to take to decarbonize Ontario to meet our climate obligations, certain industries are going to come last. Farming is going to be one of them; heavy industry is going to be another, because they're harder to decarbonize. The low-hanging fruit, frankly, are homes and transportation. Those are going to be the easiest to decarbonize.

One of the concerns I have is that if we expand gas hookups for homes, which should be the easy things to decarbonize, then when the decarbonization accelerates, it's actually going to put a further financial burden on hard-to-decarbonize sectors of our economy. They're going to end up paying a disproportionate amount for that because of the existence of stranded assets. In many respects, that's going to fall the hardest on industry and, to a lesser extent, farming.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Mike Schreiner:** When we talk about a practical, pragmatic, smart, least-cost decarbonization pathway, sticking it to industry in the long run actually may, in the end, hurt your members more than if we would not be hooking up the easy to get rid of decarbonization path now. Does that make sense?

**Mr. Vincent Caron:** I get your logic. Where we are coming from is also to think about that shrinking rate pool in the very short term. To incentivize a massive move like that has direct impacts on who's paying for the infrastructure in the very short term. So that's part of our concern.

**Mr. Mike Schreiner:** But as one of the largest existing customers, you'll pay a disproportionate amount as well because Enbridge is saying, "Let's make the existing rate base pay for it." So your members are going to actually probably end up paying a disproportionate amount of that.

**The Chair (Mr. Aris Babikian):** Thank you—

**Mr. Stéphane Sarrazin:** You have a crystal ball?

**Mr. Mike Schreiner:** Well, no, this isn't even crystal ball; this is what's happening right now—like, right now.

**The Chair (Mr. Aris Babikian):** The time is up.

We move to the government side. MPP Bresee, the floor is yours.

**Mr. Ric Bresee:** Thank you all for your presentations today. They've been very informative.

Again, I think you're aware, we've been through a few other delegations earlier today. In my comments before, I was talking quite a bit about a good friend of mine, a guy by the name of Max Kaiser who's a chicken farmer—or an egg farmer, technically—down in Greater Napanee. One of the pieces I was talking with him about was specifically about the carbon tax and how challenging that side of things is, but that led me to a conversation about just how much gas he uses in order to dry his grains. The report and the comments that have come so far suggest that

it's about \$4,400 per residential unit as to the extra costs that would be borne immediately upon the building of a house.

My question to you, Mr. Spoelstra: You know the rural areas as I do, you know your farmers and your farm colleagues. Do you think it's going to be \$4,400, or do you think it's going to be significantly more than that?

**Mr. Drew Spoelstra:** For the farm business to hook up—

**Mr. Ric Bresee:** For the farmers to get gas.

**Mr. Drew Spoelstra:** Definitely, significantly more than that—absolutely. There are examples out there of folks who have tried to hook up to natural gas, and the costs are exorbitant. They're not able to justify that based on their operation size or what have you. So other opportunities to expand natural gas infrastructure through existing programs or through the things like this bill are critical for farm businesses.

Now, we need to make sure that farm businesses get those opportunities. That is part of what we've continued to lobby for over the years. I talked about that 20% figure. We need to see that grow.

**Mr. Ric Bresee:** Absolutely. As a municipal leader before I came to this House, I certainly heard that a lot from my rural residents. Getting access to the natural gas grid was incredibly important to them.

The other extension I would make, and I'll ask if you agree with it, is the idea that if these costs are then passed on to our farmers, to our food suppliers, we will see even greater pressure on our food prices at the grocery store.

**Mr. Drew Spoelstra:** Certainly, yes. Farmers aren't going to collect that revenue. But other folks—I'm not trying to throw you under the bus, but certainly across industries, those folks do have the opportunity to pass on extra costs that are added to their businesses, in some cases—not all, for sure. But farmers aren't going to see the ability to increase their revenue based on additional costs put and applied to their businesses.

**Mr. Ric Bresee:** Thank you.

**The Chair (Mr. Aris Babikian):** MPP Smith.

**Mr. Dave Smith:** Drew and Vince, good to see you guys again. Evan, this is the first time I've had you at the committee. Thanks for coming out; I really appreciate it.

One of the things that we heard earlier today was that the IESO was not able to be part of the consultation process that the OEB did. Drew, was the OFA part of that consultation process?

**Mr. Drew Spoelstra:** Not to my knowledge.

**Mr. Dave Smith:** And the agri-food business makes up about 10% of all of Ontario's employment. You would obviously have a vested interest in this. Do you think you should have been included in that?

**Mr. Drew Spoelstra:** Certainly, I'd like to be at every table to have those discussions when it's affecting agriculture and rural areas. I wasn't in this position five, six months ago, when they were working through this process, so I can't speak to whether we were invited or whether we had that opportunity to be there.

**Mr. Dave Smith:** One of the things that this bill would do is that after Ontario releases our policy on natural gas, the OEB would go back and have some more hearings. It probably sounds like the Ontario Federation of Agriculture would like to be part of that. If you had the opportunity to speak to it, would you like to?

**Mr. Drew Spoelstra:** Absolutely. We're always happy to have a conversation about farms and rural areas and energy that impacts them.

**Mr. Dave Smith:** Vince, I'm going to give you the same line of questions. Were you included in the hearings that the OEB did?

**Mr. Vincent Caron:** Yes, so we're a regular intervenor at the OEB hearings. Obviously, we select the ones that have the most impact on our members, and we participated in that one.

**Mr. Dave Smith:** So you did have the opportunity to speak. Would it be fair to say that you'd like to have the opportunity to go back and speak to it—more fulsome—next round?

**Mr. Vincent Caron:** Absolutely. Obviously, this is a matter that impacts us. We've heard from our members that they want us to be active on natural gas rebasing discussions, so that's something we're going to keep being a part of.

**Mr. Dave Smith:** Evan, I'm going to have to come to you on basically the same thing. Again, I'll come back to that the IESO was not able to be part of the conversations. They represent the Independent Electricity System Operator. One of our biggest ways of ensuring that we have a safe and reliable supply of electricity is with some of the natural gas power plants. It would seem to me that they would need to have, or they should have, the ability to speak to it as well.

Based on what you have suggested today and some of the amendments that you've actually suggested, did you have an opportunity to speak to the OEB on this?

**Mr. Evan Wiseman:** No, we didn't register as intervenor in this process. We would very much like to speak to these broader points, absolutely, and to the amendments.

The OEB process can sometimes be difficult. We certainly accept and acknowledge that. But at the same time, it does need to be rigorous, as well. It needs to be evidentiary-based.

We don't necessarily disagree with the findings the OEB had. Some of the timelines, we did have some questions about, and we would have liked to intervene. But we would seriously recommend that there be controls on the ability to kick to generic hearings, making sure that when those types of generic hearings do happen—

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Evan Wiseman:** —it doesn't just continuously happen over and over again until a result gets arrived at that that was kind of predetermined, and that it is still based on the evidence. That's why we suggested the amendments, but as well supporting 4.4 and 4.4.1.

**Mr. Dave Smith:** Thank you. I appreciate that.

I'm going to go back to you, Drew. I live in a rural part of Ontario. Natural gas does not run down my street at

present, but we did some quick calculations on it. If natural gas did run down the street, for me to hook-up to my house, it would be about \$69,000 to run gas to my house from the road. I live parallel to a number of farms; their setbacks are very similar to that. Is that the type of cost that is reasonable to ask our farming industry to bear?

1600

**Mr. Drew Spoelstra:** I think if farms had the opportunity to connect at \$69,000, they probably would, but, unfortunately, that isn't the reality we see on a lot of farms because they're set back farther and there are other challenges.

**The Chair (Mr. Aris Babikian):** We move to the second round of questioning and again we go back to the official opposition. MPP Tabuns.

**Mr. Peter Tabuns:** Thank you very much, Chair. I appreciate the opportunity.

To the Toronto Atmospheric Fund: I appreciated the document that you presented. I can see why you have concern about section 96.2.

You weren't here at the time, Chair, but when I was the energy critic and the Liberals were in power, I would refer to the Ontario Energy Board as the glove puppet for the Minister of Energy, because, in fact, it was. It did not do anything without the minister nodding. It was completely controlled by the minister. Whatever the minister wanted, happened. Weird stuff came forward. The OEB was not protecting consumers.

What you've noted here is that the changes to this bill could actually simply restore the OEB back to glove-puppet status; that, in fact, this section 96.2 throws out all of the hearings, throws out evidence and essentially makes it a political decision-making process on the part of the minister, who will favour or not favour whatever player they want.

Have I understood what you've said here?

**Mr. Evan Wiseman:** In essence, what we see through section 96.2 is actually probably a bypass to the OEB, to be more accurate. We have real concern because we don't think the minister's office wants this to happen either. I can't possibly see a scenario where the staff there want to have lobbying efforts to get one project or another to not have to pay for connections and then basically be allowed to pull from the natural gas system without paying back into it, which is what we're looking at.

This really creates an issue, particularly in comparison to, say, the OEB process, particularly with the amendments proposed earlier in this legislation. The rigour that you have to go through for the OEB process, even if ultimately it is decided that they don't have to pay the hookup connections, there's usually a good reason for that; a hospital, for instance. But you have to go through the process. That is really important, we think, because given the option between not paying for something and paying for something, people will always choose not to pay for something. As a result, there will be lobbying efforts around this.

We think this might be unintentional, and that's why we recommended the changing in the wording to send direc-

tives to the OEB, because the OEB can be unresponsive at times. There is that reality that we have seen in the last few years, but we do think that this really does go very far, very fast, and that if the OEB doesn't respond to the government's advice or suggestions or recommendations or its goals and objectives, come back and then give the minister power later, but then maybe make it time-limited as well.

This is a significant power. We actually are only intervening on this bill because of this specific power. The other pieces of the legislation we probably could have just lived with, understanding the findings and some of the testimony earlier today, but this power, it is very significant. It is very concerning.

**Mr. Peter Tabuns:** Again, through you, Chair: When I was reading the bill, I concluded that we were moving back to a lobbyist-based regulatory system. The OEB staff that I've encountered are intelligent people who understand how the energy system works. I don't have a criticism of them for a lack of ability. But I don't think anyone in Ontario who uses energy is really going to be interested in a situation where your ability to make a decision happen or not happen is based on your ability to bankroll the lobbyists who are going to have the most pull with the minister.

As I used to say to the Liberals, you guys aren't going to be in power forever. You may not like it when you're not in power and someone else gets to pull these strings—not that I ever had any impact on their decision-making. I just got to say later on, "I told you so." In any event, I appreciate you bringing this forward.

I'm going to go to the OFA. Chair, through you: Does the OFA support this fundamental change in the way decision-making is made and regulation is made through this bill?

**Mr. Drew Spoelstra:** As I said in my statement, largely we support the bill. Obviously, we want to see the right checks and balances put in place in terms of how decisions are made and how processes are followed through with, but, overall, we support what the government is asking here in the bill.

**Mr. Peter Tabuns:** I appreciate that, and I'll just follow that. This particular session, which effectively bypasses the regulatory authority of the OEB: Do you support what's in the bill or do you support the amendment that's been suggested?

**Mr. Drew Spoelstra:** We support what's in the bill.

**Mr. Peter Tabuns:** Okay, I understand. Fair enough.

Through you, Chair, to CME: Your industry is very much dependent on having relatively stable and rational decision-making around energy. Do you support, effectively, a complete politicization of the energy regulation process in Ontario?

**Mr. Vincent Caron:** We think that this is very much an exceptional situation in terms of the process, as it should be. It should be an evidentiary process. It should be an independent process. And so any deviation from that needs to be time-limited and circumscribed.

I hear the comments from my fellow panellists here. I think they are constructive proposals. The main thing here



would be, is there enough runway in the timelines proposed in the legislation to go through a process that's adequate to redress what's been done in December? I think that's the key thing. I can't tell you a date because I don't know that piece, but to the principle, it should be independent.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Peter Tabuns:** Chair, if I could just follow on with the CME: What's noted here is this change is not short term to deal with an immediate problem. This is a permanent change to the way we regulate energy in Ontario. Is that something the CME supports?

**Mr. Vincent Caron:** That's not my understanding of it. My understanding is that there is a five-year provision here that—

**Mr. Peter Tabuns:** There's a change on the rate base decision, but the actual structure of power—sorry, Chair, through you—the way decisions will be made in the future is being reshaped. There's rate basing and the decision about the billion-dollar charge to consumers, but then there's the question of how you actually make decisions in the future. Do you think we should go to a lobbyist-based system for energy regulation in Ontario?

**Mr. Vincent Caron:** To your question: Should we go to a lobbyist-based system? No. I'm not entirely sure that that's what the bill says—

**The Chair (Mr. Aris Babikian):** Time is up. Thank you very much.

We move to the independent member. MPP Schreiner.

**Mr. Mike Schreiner:** I'm going to direct my first question this time to the Atmospheric Fund, but I want to make sure we leave some time because I have to ask my friend Drew here a few questions.

I share your concerns around section 96.2. My reading is it gives the minister kind of unrestricted power, actually, which could dramatically overturn 30-plus, almost 40 years, of the independence of the Ontario Energy Board in making regulatory decisions. Is that your concern and why you've raised it here at committee?

**Mr. Evan Wiseman:** Yes, it's why we suggested the amendment. It's to take it a step further, maybe, along. If the OEB isn't responding to the needs of the government adequately, as has kind of been determined with Bill 165, baking it into the OEB to be more responsive to government directives but still allowing the OEB to govern the process is really the key point that we want to make with section 96.2.

If six months or a year from now, it's determined that the OEB still isn't functioning the way they want it to, then they could give the ministerial powers as outlined in the current section 96.2. Because there is that concern where we think—to an extent, we are very concerned around the lobbying efforts that we think will come from this. Basically, why bother with the OEB process, or pursue this at the same time you're pursuing the OEB process, or maybe try to take a kick at the can at the minister's office first, before the OEB process, and then go through the evidence-based.

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We work a lot with housing developers and, especially in Toronto and some other major municipalities that have green development standards, they're asked to produce energy modelling reports for their communities. Even the act of going through that, of being more energy efficient, asking them to take that in mind, has had some pretty significant gains in the municipal area and in urban and suburban areas. So that's really why we suggested keeping this in the OEB process.

**Mr. Mike Schreiner:** How much time do I have?

**The Chair (Mr. Aris Babikian):** Three and a half minutes.

**Mr. Mike Schreiner:** So I'm going to do one more follow-up, then, with Drew. Do you think there is the potential that the ability of the OEB to operate as an independent regulator in the public interest, putting consumer interests first and foremost, is under threat because of the changes in section 96.2 in this bill?

**Mr. Evan Wiseman:** It will make the short-term energy affordability and avoiding stranded long-term assets much more difficult. I think a generic hearing to have a conversation about a transition, about what we need to do, where and when and how and over the timelines, giving the OEB the mandate to maybe pursue options around decarbonization and coming up with a plan, rather than what we saw in the December decision—because we acknowledge even to have one year is a short timeline to change this. What we hope to see with the shift is that—yes, it does seriously compromise the OEB's ability to do their job.

**Mr. Mike Schreiner:** Yes, Chair, I agree. I do think it compromises the OEB's ability to do their job, and I think it's pretty concerning for any gas consumer in the province that lobbyists can start directing energy decisions in the province.

I don't want to run out of time before I ask Drew this question: I know the Grain Farmers of Ontario have been looking at alternatives for grain drying, biomass as well as electrification. Greenhouse growers, I know, are doing the same thing. But you're probably not going to be able to pursue any of those alternatives, even if they were cost-effective, because you don't have three-phase power. So not only are farmers not having access to fossil gas, they don't have access in many cases to three-phase power either. Would you like to see a program that could get three-phase power on farm as well for a whole variety of uses that are needed on farm?

**Mr. Drew Spoelstra:** Thanks for the question. That's a big part of our ask, an infrastructure ask, three-phase power. Not only that, but certainly around better roads, bridges—

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Drew Spoelstra:** —in rural areas, ensuring that we have adequate rural Internet and rural cell coverage so we can use these technologies when they're actually available and implementable on farms. That's certainly one of the challenges. The biggest one that we have right now is connectivity in rural areas. But having a stable, sustainable

supply of natural gas is critical to the future of our farm businesses and it also creates opportunities that are immense in the renewable natural gas space as well for us.

**Mr. Mike Schreiner:** I just want to highlight—I've been looking at some great technology coming out of the US to significantly reduce grain-drying costs through electrification, but it probably wouldn't be able to be implemented on most farms because you don't have access to the three-phase power needed to make it work. I would just say let's talk about the full scope of infrastructure our farms need. I appreciate OFA's advocacy on that.

That's all, Chair.

**The Chair (Mr. Aris Babikian):** Now we move to the government side. MPP Sarrazin.

**Mr. Stéphane Sarrazin:** Thank you, all of you, for your presentations. We've heard your point of view on the bill. One thing we didn't discuss that much was the leave-to-construct threshold that we're going to be bringing from \$2 million to \$10 million. I'd like to hear from CME and after maybe from OFA to see—we know that consultations were involved—how you will benefit from this.

**Mr. Vincent Caron:** Something we've asked for a number of years is to accelerate the process for siting here, absolutely. I was mentioning in my remarks the electricity shortfall we're going to face soon. There needs to be a better process to get things moving. So we support it.

**Mr. Stéphane Sarrazin:** Why do you think the OEB didn't allow it to happen? Because you've been asking for it for many years, apparently.

**Mr. Vincent Caron:** I think the issue is the regulatory change. You need to also give the regulators the tools to make faster decisions. Sometimes there are some constraints there that legislation can get at. We're happy that this bill includes it.

**Mr. Stéphane Sarrazin:** All right. Maybe we'll hear from the OFA also on this because, \$2 million—I know some of the farmers in my region, some grain elevators or the ones who actually trade grain, they would probably need projects that would cost \$3 million of natural gas expansion.

**Mr. Drew Spoelstra:** Yes, certainly \$2 million doesn't go very far anymore. Increasing that threshold and ensuring that we're reflecting inflation and the actual cost of things today is important. And having the ability to expedite some of these projects, with the important checks and balances in place, is what we want to see going forward. I think that's a positive step forward.

**Mr. Stéphane Sarrazin:** Maybe another question that could apply to the three organizations is, do you feel like they didn't have the right representation when they did the consultation for this? I know we've been talking about the OFA not being there, like the builders' association and IESO. There's a possibility that this was well done, the consultation. I'd like to know your point of view on that.

**Mr. Drew Spoelstra:** I can't comment on how the consultation was held or done. I know that we looked at every opportunity, whether it's IESO, whether it's OEB or whether it's the government itself, to have continued

conversations on how to better support farms in rural areas and rural residences at every opportunity that we have.

In the future, we're open to having those discussions, and hope they continue doing that.

**Mr. Vincent Caron:** From our perspective, it's essentially a process that was a flaw here, the fact that the decision didn't connect to the process. The evidence didn't support that particular decision.

I'd just like to reiterate that we believe in this process and this process being an independent process. I think, in that regard, it was just important to maintain some accountability in the system and make sure that energy policy stays with the energy minister. Again, we want to make sure we have all the checks and balances around that to make sure that in the future, the OEB process functions properly.

**Mr. Evan Wiseman:** We definitely think that sections 4.4 and 4.4.1, the amendments there, definitely will do a lot to create a more open and transparent process. It is sometimes hard to track where the OEB goes with their decisions, as someone who has to do it. We definitely welcome the ability and increase of generic hearings, that's for sure.

As for the folks around the table, for that decision, we weren't there. It would be hard for me to comment on that.

**Mr. Stéphane Sarrazin:** Maybe if I can ask one more question: We've talked about the possibility of a natural gas price increase. I'm more familiar with the LDC, the distribution system of the electricity. They have a distribution rate application they do every five years. Still, the OEB is looking at that as the one that actually—and probably some of you did intervene in these decisions in the past, some of your organizations.

So how do you feel like this bill will make a difference when it comes to energy costs? Whoever wants to answer first.

**Mr. Drew Spoelstra:** I don't necessarily know what the changes will be in terms of energy costs. I think, obviously, the infrastructure costs could be different, for sure, for those people who are building or investing in their businesses, farms, rural residences and those types of things. Ultimately, the costs, like everything, are probably going to keep continuing to go up. Different government actions have consequences on those costs, whether that's any level of government, certainly not this one in particular.

I think, ultimately, what we want to see is costs that are manageable, that we have a sustainable supply of electricity and natural gas and all the energy that we need, and that it's affordable and reliable.

**Mr. Vincent Caron:** I think you saw us hesitate because none of us have a crystal ball, right? To be able to say what will really keep costs low in the future is a real tricky question.

We believe we need optionality. If anything, we need optionality in the system. Can we use hybrid systems for heating where natural gas can be used at peak energy hours? We don't know how the global adjustment is going

to go for electricity, right? Gas could provide for a way at peak hours to take some of the load off.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Vincent Caron:** And similarly, electricity, also, there is potential to help with the cost of natural gas if global prices shoot through the roof. That has happened, two years ago, at the beginning of the invasion of Ukraine. You want the companies to have tools to deal with those shocks.

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**Mr. Evan Wiseman:** I'd say, very briefly, I don't think gas prices are going down, and I don't think that this government has the ability to control global natural gas prices—nobody does. But I would say options, especially for heat pumps for new homes—we see existing homes starting to retrofit, older, multi-urban residential buildings moving over to heat pumps. So there is the case of what happens when people start moving away from the natural gas system organically, when the costs start to become so high that a heat pump makes more sense, which has an AC unit, which also has a HEPA filter. So if you're a senior, in particular, there's a lot of advantages there, and there's no more natural gas cost associated with that as well. What happens when the rate—

**The Chair (Mr. Aris Babikian):** Thank you very much. The time is up.

Thank you to our presenters. This session is over, and you are free. In the meantime, we will be ready for our next panel.

BOLTZMANN INSTITUTE

FLOWERS CANADA (ONTARIO) INC.

SOCIETY OF UNITED PROFESSIONALS

**The Chair (Mr. Aris Babikian):** Now we have our next panel. They are representatives from the Boltzmann Institute, Flowers Canada (Ontario) Inc. and the Society of United Professionals.

We will start with the Boltzmann Institute. I understand Mr. Gilbert is here personally and we have two representatives joining us virtually, so please go ahead. You have seven minutes.

**Mr. Richard Gilbert:** Thank you, Chair, for the opportunity to make this presentation, which I'm doing on behalf of the Boltzmann Institute. We came into place two years ago. We're federally incorporated. We're a think tank, and our mission is to help reduce harmful impacts of human energy use through research and education.

With me are Martin Green—you can see him on the screen there—and John Stephenson. They're two members of our board of directors and if I get into trouble answering some of your difficult questions, they're going to help me.

What we want you to do is to amend Bill 165 to truly provide for keeping energy costs down. This would be done through changes to the OEB Act that support the deployment of thermal networks, and I'm going to explain what I mean by that.

The big issue for this energy transition that is beginning to hit us is space heating. I hardly heard a mention of that today. If you look across Ontario, it's the second-biggest source of harmful emissions. If you look at the greater Toronto area and Hamilton as well, it's the biggest source. People think transportation is, but it's not; it's space heating. Space heating through natural gas causes more climate problems, more problems with the atmosphere than any other single source.

We're going to propose an alternative to the two that have been talked about mostly here today. One is natural gas and one is electrification of heating. We think that the electrification—along with previous presenters—is unaffordable and unfeasible in the way that it's been put forward by the IESO, for example. We're going to propose an affordable, feasible alternative that would provide major financial and environmental advantages to Ontario.

The OEB in its decision in December noted extensive agreement on moving away from fossil fuels by 2050. It's concerned, in particular, that natural gas customers would transition to electricity, leaving Enbridge with stranded assets. Our alternative, which I'm going to come to, meets the concern about stranded assets. It avoids another concern: the cost of massive expansion of Ontario's electrical system.

The IESO has determined that this cost, chiefly for widespread electrification over the next 25 years, would total around \$400 billion—almost unimaginable, except that we looked into it ourselves and concluded, as Enbridge has done, that it's going to be nearer twice that amount, up near \$800 billion, almost \$1 trillion. These are unimaginable sums. Even \$400 billion, if you can get your head around that, would put significant upward pressure on electricity rates. It would sap Ontario's competitiveness and raise energy prices generally.

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There's a better solution—a solution that's increasingly called thermal networks, but is also called district heating, district cooling, district energy. We're going to use the term “thermal networks,” which rolls it all into that. They comprise pipes that deliver hot water to buildings. The hot water can be used for space heating in many ways. Under-floor heating is the most efficient and, in many ways, the nicest, but radiators and warm-air ducts can also be used. Thermal networks can also provide heat for domestic hot water, and they can also carry cold water around for cooling in the summer.

One of the magic things about thermal networks is that they can have many sources of heat. Let me give you the most extreme example I found, which was Malmö in the late 1980s. They had 11 different sources of heat, and most of them were otherwise wasted heat that was harvested by the system and then distributed to most of the people in Malmö and most of the businesses. This heat came from electricity generation. It came from waste incineration. It came from waste water systems. It also came from a pet crematorium. It came from dung disposal at the racetrack and three factories. All of this heat was collected, used to heat water and then distributed.

Now, if you look at Malmö—I was there a few years ago—today, it has a bigger thermal network system serving more customers, a larger population, but quite different heat sources, because it is so flexible in that way. Also, cooling has been added from sea water, which wasn't there in the 1980s.

Also, they've added storage. The thing about storage is actually the second-best thing about thermal networks, and that is that you can have cheap storage. The cost of storing a unit of energy at grid scale in thermal networks is less than one hundredth of the cost of storing electricity. It's hard to store electricity for a day, but you can store hot water or cold water across seasons. You can capture summer sun and use it to heat buildings in the winter. So storage and the flexibility as to heat sources are the two big things.

We're keeping a close eye on Amsterdam, another city in Europe. It's rather like our situation here. They do have thermal networks that serve 20% of the space in Amsterdam, but their natural gas is just fading out and they want to have 100% market penetration by thermal networks by 2050. There are at least two cities that already have that: Copenhagen and Stockholm.

We're looking also at Helsinki, which has a high level of penetration. Helsinki is thinking of using nuclear energy—

**The Chair (Mr. Aris Babikian):** Thank you very much, Mr. Gilbert. Your time is up. Save the rest of your thoughts for the question-and-answer period.

We move now to Jan from Flowers Canada. Please, Jan.

**Mr. Jan VanderHout:** My name is Jan VanderHout. I am president of the Ontario Greenhouse Alliance. I'm here today representing Flowers Canada (Ontario). Thank you for your time today and your ongoing commitment to public service. Thank you also for this opportunity to provide comments on Bill 165, the Keeping Energy Costs Down Act.

I've already stated my name. I am president of the Ontario Greenhouse Alliance, but I'm also a greenhouse cucumber grower in the Hamilton area, so all these things impact me personally and I do have a very front-row seat to some of the questions that were asked in the last session, so I'm looking forward to that already. Our farm is 30 acres of greenhouses where we grow English cucumbers. My brother and I are third generation; some of our sons that are joining in the business then, of course, become fourth generation, so a long time doing that.

The Ontario Greenhouse Alliance represents Flowers Canada as well as the Ontario Greenhouse Vegetable Growers, so essentially the fruits, vegetables and flowers that are grown in the province. Together, we represent more than two thirds of Canada's greenhouse production, with almost 1,700 farms working nearly 5,000 acres of production under cover and employing more than 38,000 people across Ontario. These are the direct jobs, not the spinoff jobs that come from greenhouse.

Our controlled environment systems enable us to produce more agricultural and food products using fewer inputs with less land than conventional outdoor agriculture. This means that we are more efficient and more environment-

ally sustainable in our production practices. Canadian agriculture is already a world leader in sustainable production, which means we as greenhouse farmers really are leading the way.

There are several elements of this legislation that I believe are important to highlight. First, this legislation will ensure that Ontario's energy transition is practical and inclusive of a broader range of economic and social impact considerations. The consideration was poorly given to many of the rural areas, and like my colleague at OFA, we were also not consulted—not to my knowledge, certainly—before this OEB decision was made. There may have well been a consultative process, but not one that we were made aware of. It really becomes important that they understand the nuances of the various aspects of industry and agriculture in the province and, certainly, I think that was entirely missed, because the dynamics of the high-rise buildings here in downtown Toronto are significantly different than the challenges that we face in rural Ontario, which is a large area.

Second, this legislation ensures that future Ontario Energy Board decisions provide opportunity for a broader range of engagement and testimony from sectors and stakeholders that will be impacted by OEB decisions. This is critical to ensuring that sectors like ours have an opportunity to participate in future decisions of the OEB. So a little bit more along the same lines of my first point.

I also want to point out that this legislation ensures that investments in energy infrastructure remain affordable. This is critical to ensuring that the province continues to keep pace with the housing needs in the province and ensures our economic competitiveness, particularly with international competitors. On our farm, in particular, we have also over the years expanded our natural gas demand and have had to bring in gas lines. And we have, even in the last 10 years, applied to have expansion, and the added cost of that is so significant. The last time, it was a project for us to generate electricity on the farm—so part of that transition, in fact—using natural gas as a fuel source and using all of the waste heat, the natural gas upgrade costs on the lines on the road was \$2.4 million.

One of the other things that the greenhouse sector provides an opportunity for the province, in terms of our energy dynamics, is that we can be generating electricity on farm using natural gas and using the waste heat, so making it a much more environmentally friendly system than when a peaker plant fires up and all the waste heat is just blown off into the atmosphere. We have some real opportunities to assist in the transition, and in the long term, who knows what that might look like? As small modular reactors become a closer and closer eventuality, we may even see that those can be installed on farms. Or who knows what the next generation of technology is? So opportunities to use greenhouses as a colleague in the generation of electricity as well as in the products that they produce.

On behalf of the Ontario Greenhouse Alliance, FCO and, inherently, OGVG as well—the Ontario Greenhouse Vegetable Growers—and their members, we are and will

continue to be active participants in supporting Ontario's energy transition.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Jan VanderHout:** We want to be a part of smart solutions along that line of thinking. More importantly, we remain a committed partner for ensuring shared, sustainable and secure agricultural production, with a relentless mission to our continued success here at home and around the world.

Thank you again for this opportunity today.

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**The Chair (Mr. Aris Babikian):** We move now to the Society of United Professionals, and I believe Laurie Reid is going to be the presenter. Go ahead: Please state your name and your organization.

**Ms. Laurie Reid:** My name is Laurie Reid. I am the secretary-treasurer of the Society of United Professionals, a role that I was elected into after having been a policy adviser at the Ontario Energy Board for—well, let's just say over 20 years and leave it at that. So if you have any questions about how the OEB works and the processes, you can ask me during the question period. Thanks very much to the committee and the Chair for listening to my presentation today.

The society represents over 10,000 employees, largely professionals in the energy sector. We are the union that represents all staff at the Ontario Energy Board, as well as professional staff at several companies regulated by the OEB, both publicly and investor-owned.

The society believes that Bill 165 would override the OEB's regulatory independence. It would undermine trust in the province's regulatory framework. We also believe that the bill is totally unnecessary. If the government has legitimate concerns, it already has the tools to address them.

Our written submission speaks to how the proposed legislation is ineffective in three of its stated goals. It will not protect future homebuyers and promote affordable housing because it's likely to burden future ratepayers with the costs of stranded assets due to fuel switching. It will not maintain customer choice with respect to energy options because it distorts the cost decision. It hides upfront costs by pushing them into operating costs, driving people into decisions that will cost them more in the long run. It does not ensure that the government sets policy, because the government already does that, and the OEB regulates within those policies.

These discussions are in our written submission, so let me spend my time today looking at the regulatory framework.

Yes, the government sets policy. Its agencies, including the Ontario Energy Board, implement it. They interpret the legislation and policy announcements and put them into action. In making this decision, the commissioners at the OEB looked at the government's Powering Ontario's Growth report that expects Ontario homes will increasingly rely on electric heat pumps for home heating, at the Clean Home Heating Initiative that supports shifting to

electric heat pumps and at federal incentives under the greener homes program for fuel switching.

The commissioners made a decision that supports these policies. In fact, the main role of the energy regulator is not to implement government policy, it is to rate regulate natural monopolies like energy utilities to try and mimic the effects of competition. They do this according to a set of well-developed regulatory principles. One of those principles is that the customer who benefits should pay the cost. An increase in the cost of a new home is added to the homeowner's mortgage and paid by them over many years. An increase in the utility infrastructure is factored into ongoing rates and paid by every customer of the utility for 40 years. If that homeowner takes advantage of one of those programs in a few years and those assets become stranded, the remaining customers of the utility are picking up the tab.

Of course, regulatory decisions are not infallible. If any person or company involved believes that the OEB erred in fact or law, they can appeal the decision. They have done that in the past. It is an accepted part of the regulatory process.

The government overriding the OEB's regulatory independence through Bill 165 is far worse. Government interference in regulatory decisions sends a chill through the investment community, disrupts utility business planning and, most important to the Society of United Professionals and me, it demoralizes the staff of the OEB.

As people have said already today, these are complex cases that take pages of evidence, months of analysis and interrogatories, days of technical and settlement conferences, and hours of hearing time, with expert testimony, cross-examination and undertakings. For the government to negate all of that because they simply don't like the outcome is an extreme action.

The society believes that Bill 165, if passed as written, would override the OEB's regulatory independence and severely undermine trust in the province's regulatory framework. It is difficult to imagine any amendments that would make this level of political interference with our energy regulator acceptable.

As such, the society stands in strong opposition to Bill 165 and urges this committee to recommend to the Legislature that the bill be withdrawn.

**The Chair (Mr. Aris Babikian):** Now we move to the first round of questioning, starting with the opposition. MPP Tabuns.

**Mr. Peter Tabuns:** Thank you very much, Chair, and through you: Richard, could you speak to the question of the revenue horizon issue, which I don't think you addressed in your remarks—

**Mr. Richard Gilbert:** The revenue—

**Mr. Peter Tabuns:** —horizon issue, the period of amortization.

**Mr. Richard Gilbert:** Yes. We think it's a logical thing not to finance connections to natural gas over a period longer than we're going to have natural gas. You wouldn't have a car loan that's for longer than the life of the car.

We think, equally strongly, that if you just leave things as they are, you're going to have what may be an even bigger problem with electricity: an unaffordable amount added to the system. That's why we've come here to propose a third alternative. We think neither of the two options works, and the third alternative would, in our view, cost less, be more feasible, be more reliable and more environmentally sound.

**Mr. Peter Tabuns:** Again, through the Chair, don't district heating plants themselves create emissions from burning gas?

**Mr. Richard Gilbert:** Yes, they do if they burn gas, and what I'd like to do is to ask one of my colleagues—I don't know which one. But John Stephenson and Martin Green are there, and they can give you a better answer to that question.

**Mr. John Stephenson:** Yes, I can take that, Richard.

District energy is rapidly changing. That's why we're going on a study tour of district heating systems around the Baltic Sea this summer—if you'd like to join us—to see for ourselves some new developments there. But it's happening close to him. You know very well, Peter, that U of T used to burn gas for all its heat, but starting this year, it will reduce emissions 15,000 tonnes a year using waste heat from cooling and from a flue gas condenser. It will store this heat from summer to winter in the ground, under King's College Circle, not far from where you are now.

So fourth-generation ideas like that are the future when these systems can be subject to emissions regulations more easily than millions of homes.

**Mr. Peter Tabuns:** Thank you.

Through the Chair to Flowers Canada: Thanks for your presentation—and I should have said, Richard, thanks for yours as well.

We're very concerned about the effect of elimination of an independent regulator through the course of this legislation. A previous presenter—and you were here for that—from the Atmospheric Fund I thought put out a pretty good argument; I think that the Society of United Professionals has put forward a similar one.

Are you not worried that, effectively, the transition of decision-making on energy to being something that happens on the minister's desk, as opposed to an open tribunal, will undermine people's confidence in energy regulation in Ontario and, in fact, lead to far more problematic energy decisions?

**Mr. Jan VanderHout:** Thank you for the question. I do not interpret this bill as being a complete override of the OEB's authority. In fact, I see it as kind of a backstop for the authority of the OEB. I think we have to look at that as, who does the OEB answer to? I think the role of the OEB is very important, in fact, but who do they answer to? Well, I think the answer to that is that they answer to the people of Ontario. And who do they answer to the people of Ontario through? Through our government of the day. So I hope it's not going to be a complete override of the role of OEB but rather a backstop to their decisions.

1650

**Mr. Peter Tabuns:** Thank you.

Again, through you, Chair, to the society: Your position is very different. Can you tell us why you believe that what's before us will be a complete override of an independent regulator?

**Ms. Laurie Reid:** The Ontario Energy Board has to be seen by the investment community, by the people they regulate and by ratepayers as being independent and able to come to their own decisions based on the evidence before them. In our submission, we talk about Standard and Poor's, saying that the independence and transparency and evidentiary base of regulation is so important in the decisions that they make in evaluating investor-owned utilities, of which there are several in Ontario, in terms of their ratings, the ability of those companies to raise capital. So if you start to overturn the decisions of the Ontario Energy Board based on some short-term thinking and, as you have said, lobbying of the minister, then all of that is put in jeopardy.

**Mr. Peter Tabuns:** You mentioned investor chill; I was more concerned about the everyday application of strange decisions to our daily lives. Why do you say that the elimination or the bypass of an independent regulator would chill the atmosphere for investors?

**Ms. Laurie Reid:** This goes to the importance of the independence of the regulator. Time and time again, the companies that we regulate have told us that from their perspective, it doesn't really matter what the OEB's decision is. They just have to be able to depend on it and to do their business planning around it. The changes that have been indicated, they will—

**The Chair (Mr. Aris Babikian):** One minute.

**Ms. Laurie Reid:** The investor-owned utilities will take those in stride and plan around them for their businesses. It's the changing back and forth and the uncertainty around the ability of the government to impose decisions on the OEB rather than let them be independent that makes the companies themselves and the investors in them and the rating agencies nervous.

**Mr. Peter Tabuns:** You mentioned the rating agencies. You're talking about credit rating agencies, Standard and Poor's etc.?

**Ms. Laurie Reid:** Yes.

**Mr. Peter Tabuns:** So their opinion of Ontario decision-making would be reduced?

**Ms. Laurie Reid:** Yes.

**Mr. Peter Tabuns:** Interesting. And you base that on what assessment?

**Ms. Laurie Reid:** The policy paper that Standard and Poor's has put out—you'll see that referenced in our submission—talking about how important regulatory independence is.

**Mr. Peter Tabuns:** Why does it lead to a downgrade in an assessment? Is it seen that we would have capricious decision-making or just—

**The Chair (Mr. Aris Babikian):** Thank you very much. Your time is up, MPP Tabuns.

Next round: independent member MPP Schreiner.

**Mr. Mike Schreiner:** Thank you, Chair, and through you to the presenters: Thank you for being here today.

Being an independent member doesn't make me an independent regulator, just to be very clear, which is why I am deeply concerned about undermining the independence of the independent regulator.

My first question is going to go to the Society of United Professionals. You've started outlining I think very valid concerns. But I wanted to give you a moment, before I ask a few additional questions, just to talk about the rating agencies and how that affects both investment in Ontario from the utilities themselves but also the implications for the province as a whole in terms of the government's rating towards investment in Ontario.

**Ms. Laurie Reid:** The utilities that the OEB regulates are quite large companies. Enbridge itself is an international company. There's Enbridge Gas Distribution, which is primarily in Ontario, but Enbridge Pipelines and the parent company are international companies. As I say, they depend on regulatory independence and an evidentiary based process to come to the rules under which they operate, and they structure their business around those rules and carry out their business through those.

If the decisions are being overturned and, I'll use the term, flip-flopping back and forth based on political pressure, then it's an unstable business environment for them. Unstable business environments make the rating agencies very nervous; they don't like to see that. Utilities are usually extremely stable. They are given a regulated rate of return, and they get to make that, and it carries on and they're considered very good companies.

We have, in Ontario, not just Enbridge, but on the electricity side, Hydro One is now a publicly traded company—only active, really, in Ontario, but also subject to ratings by the agencies and active on the stock market. The ability of the OEB to independently come to rate regulate Hydro One will then, in fact, affect its rating as well and its ability to attract capital. And then its rating affects its ability to attract capital to do capital projects.

**Mr. Mike Schreiner:** And I would assume its rating also affects the cost of that capital, which would have serious implications for people of Ontario because it could lead to higher borrowing costs to build the infrastructure we need to power our homes and our economy. Am I right about that?

**Ms. Laurie Reid:** Right, and the government policy on powering Ontario has considerable transmission as well as generation investments in it for the transition.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Mike Schreiner:** So if I'm not mistaken, then, the political interference potential, particularly through changes to section 96.2, could lead to lobbyist-driven policy-making, which then could lead to the downgrading of rating of our utilities, which would increase our capital costs, which would then make it more expensive to build infrastructure in Ontario, increasing costs for businesses and homeowners. Am I correct with that?

**Ms. Laurie Reid:** I would say so, yes.

**Mr. Mike Schreiner:** Yes, okay. That's what I thought.

And then I'm just wondering, in the few minutes we have left, could you just talk about the cost implications of stranded assets on businesses and homeowners?

**Ms. Laurie Reid:** A utility makes money on its rate base. That's the infrastructure, the assets that it has paid for in order to serve the customers. Anytime that an asset becomes stranded means it's no longer—the regulatory term is “used and useful.” So it sits off to the side and there's no customer for it anymore, so it doesn't acquire any revenue—

**The Chair (Mr. Aris Babikian):** Time is up. Thank you very much.

We move to the government side. MPP Sarrazin.

**Mr. Stéphane Sarrazin:** Thank you to all of you for your presentations. It was really interesting when you were talking about heating systems. I think we don't do as much as we could when it comes to heat recovery. I was thinking of—I used to work at a steel plant in my riding and there's a lot of energy there that could be recuperated. But I guess, if we're not doing it, it's probably because it's costing a lot of money to build the infrastructure to do it. But maybe I'll ask you to comment on this later.

My first question is: When it comes to the OEB—it was Laurie that was the member of the OEB?

**Ms. Laurie Reid:** Yes.

**Mr. Stéphane Sarrazin:** A few questions that come to mind: How do you select the organization that will be there at the table? Because what we've heard from this consultation is that it wasn't every sector at the table. They could've had the construction companies. Another thing: Do you feel like, if it wouldn't be for the OEB, we would pay more in electricity and more in gas in Ontario? Maybe you can touch on these two questions.

**Ms. Laurie Reid:** This wasn't a consultation as the OEB calls consultations; this was a hearing. This was a procedure. At the beginning of a procedure, the OEB sends out notice to the community at large and says, “We're going to hold this hearing. Anyone, any party, any person that is interested in it, please self-identify and we'll put you on for communications about this hearing.”

1700

So for people like the gentleman in the previous panel, their organizations act as intervenors. They're not parties to the proceeding, but they are intervenors, so they get all the communications and they have the opportunity to make submissions, participate in technical conferences, all of that. Not only that, but the party who has made the application pays their costs.

The OFL has often been one of the intervenors in Ontario Energy Board hearings and had their costs paid by the applicant. So I'm a little confused about why they didn't take the opportunity to participate in this hearing when they probably got notice of it and when they would get their costs paid. But I will actually say the OEB does a lot of work, it holds a lot of hearings, and very often intervenors decide based on the issues list which ones they want to be involved in and which ones they don't think are worth their time. So it may be that over time, this procedure developed to the point—and certainly by the time it

came to the decision, where it was of interest to them, by that point, they were not participating.

**Mr. Stéphane Sarrazin:** I can understand that it's really hard to communicate with all these organizations. I mean, we as a government often encounter that.

One other question I've got about—you know, we're talking about—I was actually on a board of directors of a local LDC in 2014. It was the smallest in Ontario. I remember when we did our—whatever you call it—cost of service rebasing, often we had some organization that intervened and at times, it cost us, like, \$15,000 for this company. That's money we had to put back on the price of electricity, and we were talking about 1,000 customers.

So I'm wondering, at the end of the day, we're looking at the OEB to try to help us in getting the best price on electricity in Ontario. But are we looking at doing something with this? Because I guess there's a number of intervenors—there could be, like, 20 of them—and it could end up costing these hydro utilities a lot of money.

**Ms. Laurie Reid:** Yes. There's constantly talk about how many intervenors we have and what different interests they represent. The Ontario Energy Board encourages intervenors who have the same interests to work together, and therefore share costs, for example, Flowers Canada. The Ontario Energy Board would encourage to work together with vulnerable energy consumers, the Low-Income Energy Network and consumers Canada. They encourage them to work together, representing small consumers and people who may experience energy poverty. They encourage them to work together. And the government and the Ontario Energy Board encouraged many of these small LDCs to band together and represent more customers and spread those costs over more customers, so each individual customer didn't see as much impact.

**Mr. Stéphane Sarrazin:** Maybe one more question, through you, Chair. I'm taking the opportunity to learn more about these processes. At the end of the day, these intervenors, do they make a difference? If you look at the amount of costs of service being done by different utilities, do you see that they do come there and they change the actual price of electricity?

**Ms. Laurie Reid:** They do. I was involved early in my career at the OEB looking at that in itself. One of the intervenors came with the facts and figures at that time, 20 years ago, to show that the cost of having those intervenors there was a fraction of the amount of money taken out of the costs of service application by the applicant, so that they more than pay for themselves for the ratepayers.

**The Chair (Mr. Aris Babikian):** One minute.

**Ms. Sandy Shaw:** Chair, point of clarification: I think the witness said OFL, and I think you meant to say the Ontario Federation of Agriculture.

**Ms. Laurie Reid:** Yes, I'm sorry.

**Ms. Sandy Shaw:** I just wanted to clarify.

**Ms. Laurie Reid:** In my current life, I'm more involved with the OFL.

**Ms. Sandy Shaw:** For the record, could we make sure that that's a point of clarification?

**The Chair (Mr. Aris Babikian):** Yes, sure. We will correct.

**Ms. Sandy Shaw:** Thank you.

**Ms. Laurie Reid:** Thank you.

**Mr. Graham McGregor:** How much time do we have?

**The Chair (Mr. Aris Babikian):** You have 49 seconds.

**Mr. Graham McGregor:** Thank you. The Chair is fantastic. We are all very lucky to be working with this Chair. And just thank you to the witnesses for coming.

**The Chair (Mr. Aris Babikian):** Thank you very much.

We move to the second round of questions. We will go to the official opposition. I believe, MPP Tabuns, you are going to start the questioning.

**Mr. Peter Tabuns:** Thank you, Chair.

Richard, just going back to the last question I had for you: Wouldn't district energy be very expensive to install in new subdivisions of homes?

**Mr. Richard Gilbert:** Can I again refer this question to my colleagues here if one of them wants to answer. If they don't, I will.

**Mr. Peter Tabuns:** Sure.

**The Chair (Mr. Aris Babikian):** Please identify yourself.

**Mr. John Stephenson:** It's John Stephenson, and I could answer that in so many ways.

I decided to make it my personal—39 years ago, my career moved into the heat business. Before I retired as a district energy consultant, I must have completed over 100 business cases for new district energy systems in Canada—mostly Ontario—of which a couple of dozen were built: Regent Park, Markham, Hamilton etc. So I do have a good feel for this.

There are at least four business cases in the public domain we've studied side by side with reports from the IESO and Toronto Hydro. We've checked our conclusions with an engineering firm who does nothing but district energy and must live with their estimates. And we've done what hardly anyone else does, which is to estimate the current peak heat demand of the province—you can't manage something if you don't measure it or try to estimate it seriously—and how that would impact the winter peak if electrified. That's the basis of our conclusion that district energy in urban areas would cost about half electrification of heating.

**Mr. Peter Tabuns:** Okay.

**Mr. John Stephenson:** I could go on, but—

**Mr. Peter Tabuns:** No, I appreciate that answer.

Again, through you, Chair, going back to the society: I hope everyone reads your written submission. It's very interesting.

**Ms. Sandy Shaw:** It's not long.

**Mr. Peter Tabuns:** It's not that long; it's true.

The argument has been made against the Ontario Energy Board, saying that the government should be setting energy policy, not the regulator. But you note, in the specific case of the Ontario Energy Board and this Enbridge decision, that the OEB actually was following government policy, that the OEB referred to the government's Powering



Ontario's Growth report—something the minister referred to at the beginning of the day—and highlighted the expectation that Ontario's homes will rely more on electric heat pumps to heat their homes as part of the province's energy transition.

There's no question the government's saying that we need to spend hundreds of billions of dollars on electricity because we're going to have a lot more heat pumps. It wasn't the opposition that was saying this. It wasn't the third party or the independents, as good-looking as they may be, but in fact the government itself—

*Interjection.*

**Mr. Peter Tabuns:** Sorry, guys. You just take second position when it comes to that.

In fact, the government is saying that there's going to be more electric heating and less gas heating in the future. That is the government's plan.

The OEB looked at this, looked at the larger trends in electrification, and said, "Yes. There are going to be stranded assets. People who are on the gas system are going to get stuck with a bill in the future if we don't act now." And that's what they did here.

Am I interpreting what you've written correctly?

**Ms. Laurie Reid:** Yes.

**Mr. Peter Tabuns:** Okay. Interesting.

The second thing that was really striking to me is Standard and Poor's Global, the bond-rating agency. You refer to this; you had a chance to talk about it earlier. In a recent analysis, they talked about the four pillars of Ontario's natural gas and electricity regulatory environment: regulatory stability, tariff-setting procedures, financial stability and regulatory independence. They said that this is a good set-up for people who are going to invest and, as a credit-rating agency, we could look at the investment and make a decision knowing the environment you'll be operating in—with this caveat: If "there was a loss of regulatory independence or instances of political interference in the framework," that would be a substantial problem.

My assumption is that Standard and Poor's would give a rating for an energy investment in Ontario a lower rating than it would have in the past, making the cost of capital more expensive. Is that a correct understanding?

1710

**Ms. Laurie Reid:** That's my understanding of how it works as well.

**Mr. Peter Tabuns:** So, in fact, the bill before us is going to make it more difficult for people to invest in Ontario. That's correct?

**Ms. Laurie Reid:** Yes.

**Mr. Peter Tabuns:** Okay. I had suspicions, but it's useful to have it set out here.

I'm going to go back to the Flowers Canada. We're looking at a bill in the billion-dollar-plus range for providing hookups to houses and new subdivisions. Many of your members in your organization, I'm sure, are already customers of Enbridge, so they're paying bills now. Do you think they want to pay higher bills to subsidize those hookups in those new subdivisions?

**Mr. Jan VanderHout:** A two-part answer: The first part is no, they don't really want to pay more for that. The second part of the answer is actually the really important one: We have to accept that the infrastructure that is in place today was put there by ratepayers who went before us. We are continuing to pay for that and we are paying forward to whatever other growth that is. If growth is to be part of the provincial goal, then I can accept that. Personally, as a natural gas consumer, I can accept that as well.

I think it's also important to recognize that there could be other uses for those maybe not-so-stranded assets and using them to transport biogas or, potentially, hydrogen going forward as well.

**Mr. Peter Tabuns:** The second part of my question, then, is this: We're well aware, having gone through a number of iterations today, that the energy board or the government of Ontario can say to Enbridge, "If you want to make these investments, shareholders can pay for it, not the consumers."

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Peter Tabuns:** You're facing a tough operating environment, a competitive one. People are having a tough time paying their rent and their mortgage. Shareholders have got money. Why do you not think the shareholders should pay for that expansion rather than the consumers?

**Mr. Jan VanderHout:** The shareholders will make their decisions based on the economic environment of that time. I think the load really does belong with the consumer.

**Mr. Peter Tabuns:** And if the regulator's trying to protect the interests of consumers, saying, "This isn't a good investment. An investor wouldn't put money in; why would we put consumer money in?" do you think the consumer should take the risk and not the investors?

**Mr. Jan VanderHout:** You mean taking the risk today?

**Mr. Peter Tabuns:** Yes.

**Mr. Jan VanderHout:** Personally, I'm prepared to take that risk. I have a shortage of infrastructure on both fronts, electrical as well as natural gas—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

MPP Schreiner, the turn is yours.

**Mr. Mike Schreiner:** As I'm probably going to run out of time, I just want to say to the folks around district energy that I've been a big supporter of district energy over the years, as long as it's rolled out efficiently, effectively and affordably. You had said in your submission that you'd like to see some amendments, so if you want to send those suggestions along, I'll certainly take them under due consideration.

I want to come back here to the Society of United Professionals. We left off talking about stranded assets. I guess, from the regulator's viewpoint, which consumers are most at risk due to stranded assets in the gas network?

**Ms. Laurie Reid:** I can give you a concrete example. I used to live in the Beaches in Toronto and our house was surrounded by 12 enormous oak trees and I had no opportunity for solar panels. I moved out to a 1970s sub-

division in St. Catharines, and part of the money I made for my house in Toronto went into solar panels on the roof. Because of that, and I sized the system quite aggressively—I was a natural gas rental water heater customer and I was a natural gas furnace customer. I went all electric. Enbridge came and they took the meter away, but all of the piping that comes into my house, everything else in that, is now stranded. I am no longer an Enbridge customer, so they are not getting any money from me, from the infrastructure that comes to my house. That's what a stranded asset is.

**Mr. Mike Schreiner:** Thank you for that. It's government policy, if I'm not mistaken—even though I would argue that the current government is not being aggressive enough, given the climate obligations and the disasters we're already experiencing—that we will electrify heating and maybe have some district energy to go with it. That's current government policy from the existing provincial government. Am I right about that?

**Ms. Laurie Reid:** They're saying that that's certainly the expectation.

**Mr. Mike Schreiner:** So almost by definition, we will have stranded assets if we continue to invest in assets that are going to be no longer needed.

**Ms. Laurie Reid:** Yes.

**Mr. Mike Schreiner:** Yes. Okay. And then my guess is that the industries that are the hardest to decarbonize are going to be holding the bulk of those stranded assets, and I think most of those are going to be manufacturing and agriculture, because they're going to be the hardest areas to decarbonize. Am I correct in that assumption?

**Ms. Laurie Reid:** Yes. The stranded assets remain in the rate base and the company continues to make a return on them, and that is recovered from fewer and fewer customers, so the rates for those customers go up.

**Mr. Mike Schreiner:** Right. And if I'm not mistaken, the way capitalism is supposed to work is that investors take a risk and they think they're going to get a return on investment, but in this case, Enbridge is still going to get their return on investment and the risk is being held by the people of Ontario.

**The Chair (Mr. Aris Babikian):** One minute.

**Ms. Laurie Reid:** By the ratepayers of Enbridge, yes.

**Mr. Mike Schreiner:** So it's kind of like socialism for Enbridge and capitalism for everyone else—you don't have to comment on that.

**Ms. Laurie Reid:** I won't comment on that.

**Mr. Mike Schreiner:** But it does feel that way. I don't want to put you in that position.

Jan, I just want to say to you that I absolutely agree with you: We need more infrastructure in rural Ontario. You guys need three-phase power. I'll do everything—I'll put it on the record: Let's get three-phase power to rural Ontario, especially for our farm sector, and greenhouses and grain drying in particular.

Are you nervous about holding those stranded assets and it disproportionately negatively affecting your business moving forward, and other businesses like yours

that will likely still be on that grid when so many people are no longer on it?

**Mr. Jan VanderHout:** I am slightly nervous about holding those stranded assets. It could be a problem. On the other hand, that would also be an incentive for those—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

Now we move to the government side. MPP McGregor.

**Mr. Graham McGregor:** Thank you to all the presenters for being here today. This is a big issue.

I want to speak a little bit on behalf of a group that I think gets left out of the debate, and I mean millennials. I've got a pretty good job—my salary is publicly disclosed—and there was a time that somebody that was making what I make would have a pretty easy time entering the housing market. That's not true for my generation. I'm going to be 31 in May. I'm a renter. I'm not complaining; my life is pretty good. But the fact is, my generation, a lot of folks like me, are just simply priced out of the housing market.

So when I see something where policy-makers want to slap a several-thousand-dollar charge onto the price of a new home, it just puts me up to here. We're looking at some of the estimates that this decision could cost a new homebuyer \$4,400—frankly, in rural communities, a heck of a lot more than that.

I wanted to ask our friend—I'm from Brampton. I'm not from a particularly rural community. It hasn't been rural in a while—from Flowers Canada: In this decision, about \$4,400 for a new home, when we look at the potential cost to hook up a greenhouse or get other important pieces of equipment connected to the grid, do you think that that cost up front could be a whole lot more than \$4,000? And how do you think that's going to impact the agricultural sector?

**Mr. Jan VanderHout:** It absolutely is a lot more than \$4,000. In our last run for doing a cogen project, it was \$2.4 million to bring gas lines—

**Mr. Graham McGregor:** Up front.

**Mr. Jan VanderHout:** My cost. I kind of jokingly said that I'd like to have some of those on my balance sheet, some gas line infrastructure on my balance sheet. "Oh, no. They're not yours." So the good side is, I get to write it off.

1720

**Mr. Graham McGregor:** Well, I think we're good, unless our friends from—I feel like our friend from Flowers Canada hasn't had a ton of chances to speak. Is there any other feedback you want to add from the presentation you made already?

**Mr. Jan VanderHout:** Just to say that it's really important that we take a couple of steps back and make careful decisions. I'm not saying that it's necessarily wrong, but be very careful, because the dynamics around infrastructure, especially in the rural landscape, are very, very complex.

I'm not opposed to electrifying our farm. It's fine. I would actually like to put in some lighting and the heat that comes off those lights is going to keep my greenhouse

warm, with the lights going to increase my production. I don't have enough power. Or I have to spend four arms and two legs to get it.

**Mr. Graham McGregor:** Good.

**The Chair (Mr. Aris Babikian):** MPP Barnes.

**Ms. Patrice Barnes:** I just wanted to ask the gentleman from Boltzmann: You talked about the thermal piece, and I'm listening to the gentleman from Flowers Canada. How would that translate rurally?

**Mr. Richard Gilbert:** Well, it mostly wouldn't translate rurally. We've estimated that, very roughly, 70% of Ontario could be served by district energy, by thermal networks, okay? And that's roughly urban Ontario. It wouldn't translate to rural areas, except for one thing, and that is the greenhouse issue, which would make it worthwhile to move hot water over quite long distances.

But for regular home heating, for regular office heating in rural areas and regular business heating, we don't think it's likely to be suitable. There could be exceptions where they are on a route from one place to the other. For example, if you were to think about using nuclear waste heat from Darlington in Toronto, you pass through some rural areas and you might find something pretty close to the main transmission line that makes sense. But that would be an exception.

**Ms. Patrice Barnes:** Thank you so much.

**The Chair (Mr. Aris Babikian):** MPP McGregor.

**Mr. Graham McGregor:** No, I think the government side is good.

**The Chair (Mr. Aris Babikian):** You don't have questions? Okay, thank you very much. You're saving some time.

Thank you very much to all three of you for coming and making your presentations and engaging with the committee. You're free to go and we will prepare for the next panel.

ONTARIO GREENHOUSE  
VEGETABLE GROWERS

CITY OF TORONTO

FIELDGATE DEVELOPMENTS

**The Chair (Mr. Aris Babikian):** We have our final panel for the day, the Ontario Greenhouse Vegetable Growers, the city of Toronto and Fieldgate Developments. When you start testifying, please state your name and the organization you represent.

We will start with the Ontario Greenhouse Vegetable Growers. The floor is yours.

**Mr. James Neven:** Hello. I'm James Neven. I'm here representing the Ontario Greenhouse Vegetable Growers. I'm a director on their marketing board. This is my first time testifying at any of these committee levels, so this is exciting for me, I think; I'm not quite sure. Thank you for accommodating me on Zoom. I did have the lovely pleasure of experiencing the full total eclipse here at my farm this afternoon. It was pretty cool to see.

Moving on, I do really appreciate the ability and the time here to speak to this bill, because it does affect us as greenhouse in a fairly significant way. The Ontario Greenhouse Vegetable Growers represents about 170 growers, and we have 3,900 acres of greenhouses that we represent, with over 500,000 tonnes of produce every year. We export around the world, mostly to the US, but some of our marketers export to Japan and to Europe as well.

We have lots of challenges. One of the big ones is cost. We like to provide, and we are really good at providing, safe food, affordable food in a sustainable way, and providing food security for Ontario especially. We produce a very high percentage of the fruit and veggies that are grown in Ontario. Farmgate-value-wise, I think we're around 35% across Canada, for sure, so we are a fairly large player in the food security game here in Ontario.

1730

We are year-round; we're a greenhouse. We have grow lights, we use a lot of heat, and therefore we are able to provide food year-round, unlike some of the outdoor crops. Personally, here on our farm, we grow seedless cucumbers, and we grow around a million cases a year, which is not insignificant. That's kind of where we are in terms of an organization.

I know as a farm, personally, we have burned biogas in the past. We also have a cogen; we have a contract with the IESO providing electricity to the grid. It's part of the combination with the wind and solar program, where we don't get to control the wind and the solar, but we can control when our gas engines fire up. A complement to that is we can fire up our engine and we can be producing power within two to three minutes. So on a day like today, when the sun goes away and disappears for a bit of time, we're able to fire up and we have full power within two minutes, and we actually did that this afternoon for about an hour and a half.

I bring that up because, on the cogen side, there's twice that we had to bring a gas line to our farm. We brought one once for just our operation on the greenhouse side, and then we had to upgrade to bring it to our cogen. Both times, we paid a fairly significant amount of dollars already, and that was with an amortization over 40 years. If we had to front-load that, I would say none of the projects would have moved ahead on our farm. That's something to be considered.

One of the other reasons I bring up our cogeneration plant that burns natural gas now is that it can also, with some very minor adjustments, burn hydrogen. Some of the latest IESO contracts had some of those options of burning clean energy. Hydrogen gas can also be added to the same pipelines. That's something to give considerable consideration to because if we can transition over to that someday, that would be fantastic for all of us.

One of the main reasons, I would say, that we are supporting this legislation is that we feel that the OEB had too narrow of a view in terms of how they were looking at the grander scheme of energy provision for Ontarians. Like I said, if we had to pay upfront costs for everything,

we probably wouldn't be where we are today or have been able to invest in our farm the way we have today.

We need to broaden their scope and understand that there are not other options out there right now, so natural gas is kind of the only way that we can continue to operate for now. We would be happy to invest in other means of energy, but they're not here yet. Therefore, to have a zero amortization on gas line infrastructure just doesn't seem to be feasible.

We do have to compete with the rest of the world. As I said earlier, we are significant exporters; 70% to 80% of greenhouse products are exported out of Canada. That means that we are competing with a whole lot of other countries for different markets. If some of our competitors in other countries, e.g., the US or Mexico, don't have any of these upfront costs, it makes it very difficult for us to continue to build and continue to expand here in Ontario.

We've had around an 8% to 10% expansion rate year over year for the last 10 years. That's fairly significant, considering that equates to about 300 acres of greenhouses being built every year, which also equates to about \$600 million to \$700 million of investment just on the capital side, plus all the jobs it creates on the ongoing side.

The affordability rules that came out with the OEB, we would look at as a considerable hindrance. We understand that things are changing. We would love to change, but if there's nothing else out there, we can't, and we need to remain competitive. Energy costs is our number one and number two costs—

**The Chair (Mr. Aris Babikian):** Thank you very much. The time is up.

Our next presenter is the city of Toronto. Go ahead and identify yourself, please.

**Mr. James Nowlan:** Good evening, members of the Standing Committee on the Interior. My name is James Nowlan. I am the executive director of the environment and climate division at the city of Toronto. I'm joined here today by my colleague Charles Hatt. I would like to thank you for the opportunity to speak today. I'm speaking to Bill 165 on behalf of the city of Toronto, as authorized by Toronto city council in its March 2024 meeting, to highlight city staff's assessment of the implications of the proposed legislation to the city.

As city staff reviewed the potential impacts of Bill 165, our focus has been on both affordability for all residents who use natural gas to heat their homes and on actions to address climate change. Similar to many people across the province and country, Toronto residents are suffering from an affordability crisis, and our review of the bill as proposed is that it could result in higher energy costs for those who have been hit hardest.

In 2019, Toronto city council voted unanimously to declare a climate emergency and accelerate efforts to reduce greenhouse gas emissions. In response, the city developed a net-zero strategy which plans for a transition away from fossil fuel as a primary source of heating for buildings by 2040. Our net-zero strategy is being implemented now in the real world with guidance from Toronto's climate advisory group, as well as work with

many stakeholders, including Enbridge and Toronto Hydro. To this end, either through policy direction or customer choice, the city anticipates that new developments in the city of Toronto will see decreased investment in gas infrastructure as the world transitions away from fossil fuels.

Incentivizing developers to pursue new gas connections while exposing ratepayers, particularly economically vulnerable ones, to the potential burden of future costs associated with the energy transition does not provide long-term financial or environmental sustainability.

While we have provided a detailed submission, I want to focus on three specific areas related to the bill.

First, it reintroduces a cross-subsidy for new connections to the natural gas grid that could result in Toronto ratepayers having hundreds of dollars in extra costs. However, this cross-subsidy is unlikely to result in substantial savings for new development in the city of Toronto. Most new developments are anticipated to forego connecting to the natural gas grid due to the economic advantages of electric heat pumps, which offer lower life cycle costs. Moreover, the future city-led emission standards for new development, and eventually existing buildings, will likely further limit interest in new gas connections.

Second, the bill maintains an unequal playing field by incentivizing developers to pursue new gas connections; however, it exposes ratepayers—particularly economically vulnerable ones—to the potential burden of future costs associated with the energy transition away from fossil fuels.

Last, the bill conflicts with the city's TransformTO Net Zero Strategy, Toronto's official plan, and key city of Toronto policy measures such as the Toronto Green Standard for new development and forthcoming emission performance standards for buildings, which altogether envision a broad transition away from natural gas as the primary source of energy for heating buildings between now and 2040.

I will now expand on these three points in a bit more detail.

On the first point, Bill 165 risks locking many new homeowners into natural gas equipment that (1) is not necessarily cheaper to operate, and (2) would have to be replaced by clean energy equipment, potentially even before the end of its useful life, as part of an energy transition. Bill 165 would shift connection costs back to existing ratepayers from developers. In Toronto, this is likely to make the energy costs of housing less affordable for existing customers.

As it relates to stranded assets, city-led policies are expected to increasingly limit demand for natural gas in new developments through the Toronto Green Standard and emission performance standards. The longer-term costs of Bill 165 would manifest through stranded assets at risk, which poses a future affordability concern for those economically vulnerable customers unable to easily afford retiring their natural gas heating equipment.

**1740**

As it relates to our net-zero strategy, Toronto's emissions modelling scenario for achieving net zero shows

natural gas consumption falling to zero by 2040, with electricity from local renewables and the provincial grid serving energy demands in most buildings. So to ensure a level playing field for gas and electricity is important for ensuring investment capital flows to infrastructure that would still be useful in a net-zero future. Bill 165 also gives an incentive for developers to install new gas connections by requiring no upfront connection cost, and therefore stops the levelling of the playing field on upfront connections between gas and electricity infrastructure, with the resulting consequence of increasing gas emissions.

As it relates to the natural gas policy statement element of the bill, we believe that municipalities should be consulted prior to the introduction of the policy statement, given that provincial policy affecting the supply of and demand for natural gas is important for both affordability and for success of municipal net-zero plans, and the policy should account for the importance of transitioning away from natural gas as a primary energy source for heating buildings in the context of municipal net-zero goals.

Lastly, as it relates to the alternatives in natural gas system renewal projects, reducing a number of natural gas pipeline projects requiring leave to construct approval from the board via section 78 of the bill risks compromising the consideration of alternatives to natural gas grid system renewal projects. Specifically, the city is concerned that removing system renewal projects from the board's oversight could risk inadequate consideration of alternatives to like-for-like gas infrastructure replacements.

With that, we look forward—the city of Toronto—to working with the province on efforts to support an orderly transition for the energy system and we're happy to answer any questions when that time comes up. Thank you.

**The Chair (Mr. Aris Babikian):** Now I call upon Fieldgate Developments to make their presentation. Identify yourself, please.

**Mr. Michael McLean:** Good evening, honourable members of the committee. My name is Michael McLean. I'm a professional engineer and senior vice-president at Fieldgate Developments. I'm also a regional adviser with the Building Industry and Land Development Association, where I sit on the utilities working group among other assignments. In my three decades of delivering infrastructure and development sites in Ontario, I've become familiar and keenly interested in all energy infrastructure and their providers, given that it's no longer a foregone conclusion that they are readily available to connect to.

I wanted to share my first-hand knowledge of how long it takes for energy utilities to plan and pivot for major infrastructure builds—measure it in decades. We have a current example of a large community of about 14,000 homes that was initiated in 2008. Energy infrastructure is still in the planning stages as the first developments are putting shovels in the ground with stopgap solutions.

As would be the case for any societal shift, it will take time to evaluate everything that needs to be done to fully understand the evolution for the energy transition. With the OEB having made such a fundamental and abrupt

pivot, it is greatly concerning. This is not the time for surprise dynamics.

I would note that to address the housing crisis, energy providers need the tools to keep pace and continue their infrastructure that is currently in the pipeline. Emerging development areas that will significantly contribute to filling housing shortages in the near term will also require the commensurate energy projects that are just-in-time logistics. This is a result of the current OEB regulations limiting early investment and construction. As such, and notwithstanding that these energy projects have been in the works for years, they are reliant on current and ongoing budget allocations in the rate application.

Without the capital plan being concurrently addressed alongside the revenue horizon, which have both been brashly cut by the OEB decision, similar outcomes can be expected in terms of financial impacts to new home owners, that being, without sufficient investment capital, contributions in aid of construction, which are payments to Enbridge for infrastructure resulting from economic evaluation shortfalls—and I think you've heard some from other presenters who have been in the room—will certainly be required from developers. This, in turn, would be added to the underlying cost base that will be passed on to new home owners and their mortgages. The lack of private Enbridge capital deployment would further exacerbate current affordability issues, as well as negatively impact timely and resilient energy delivery, as the electricity grid is not yet ready to fill a gap or be the sole energy source.

It should also be noted that not only is Enbridge a key ally in providing energy for the housing community but also for industry and the employment sector, which—Ontario should be very proud of the investment and reinvestment it is attracting. Notwithstanding that gas provides a highly efficient energy source in the heart of winter, when heat pumps struggle, it also adds resiliency to the system as a whole, where it can run backup in the case of an electricity system outage.

When does anyone who has a gas connection ever recall having an outage? I can't. Now, compare to that what happens, not infrequently, with weather impacts like ice storms or microbursts. I still remember, in 2003, during the blackout, my gas barbecue worked wonderfully, took everything that was thawing in my freezer.

As a regulated, private, publicly traded, reliable business partner, I have full confidence that Enbridge knows their needs, their customers, the market dynamics and that they are symbiotically motivated for the energy transition. I appreciate the oversight that OEB provides for ratepayers, but I think they got out of their lane in December.

In closing, I'd like to commend the government for taking swift action to address the brash actions of the OEB as they relate to Enbridge's rate application. I believe it would be irresponsible to allow the OEB decision to stand and not only address the amortization horizon but the capital funding plan as well.

Thank you for your attention. I'd be happy to answer any questions.

**The Chair (Mr. Aris Babikian):** Thank you to all three presenters.

Now, we move to the first phase of questioning. We will start with the official opposition. MPP Tabuns.

**Mr. Peter Tabuns:** I also want to thank all the presenters today.

A question for Fieldgate Developments, because you mentioned the energy transition: What does that mean to you?

**Mr. Michael McLean:** To me, it means that we need to offer customers an affordable and appropriate choice as we go forward.

**Mr. Peter Tabuns:** Sorry. Transition from what to what?

**Mr. Michael McLean:** Well, it seems to be public policy that we are looking for a decarbonized energy system.

**Mr. Peter Tabuns:** Okay. And over what period of time do you think that should be happening?

**Mr. Michael McLean:** That's probably the fundamental question here. I think it needs more time than people might appreciate, but I think we need to look at all the pros and cons, and perhaps the unintended consequences of something too expeditious.

**Mr. Peter Tabuns:** Thank you.

Chair, to the city of Toronto: You did a calculation on the cost to ratepayers of reversing the OEB decision. On page 8 of your document, footnote 11, you note that the existing ratepayers would be spending something like \$267 per customer. That's based on your assessment of the OEB?

**Mr. James Nowlan:** That is a rough assessment, but it's based on what Enbridge has put forward in terms of the investment or the costs associated with new connections—the billion dollars over the four years—and then spread across the existing rate base. So, we've done an equal allocation to all ratepayers of that amortized cost of that cost, spread across the rate base on a per-customer basis.

**Mr. Peter Tabuns:** Okay. So, I get a sense of the scale of extra expense that gas—Enbridge customers are going to have to take on if this bill is passed.

**Mr. James Nowlan:** I think we were trying to demonstrate at least illustratively that there is a cost associated with that that applies then to all customers that are paying for, kind of, this cross-subsidy of new investments.

**Mr. Peter Tabuns:** Yes. So, I'll just assume, Chair, that if this bill is passed and the government goes forward, people will get a notice in the mail from Enbridge saying, "Your bill is going up," and it will be reflective of the number that's here.

One of the things you note, again on page 8, is that the Electrification and Energy Transition Panel that was appointed by this government said that it's no longer clear that natural gas is the cheapest way to heat buildings, which is a bit equivocal. But Natural Resources Canada actually did a study just a few years ago showing that it was cheaper to go with a heat pump than it was to go with a gas-fired system, about 150 bucks a year—not a huge

amount. But if you're talking about affordable heating and cooling for homes, it certainly seems to make a lot more sense to invest in heat pumps than it does in a gas furnace. **1750**

What we have before us, though, is a government that wants us to tilt the playing field so that the customers subsidize the installation of the gas for all new homes. Do you feel this tilting of the playing field shapes the energy decisions that are going to happen over the next decade or two?

**Mr. James Nowlan:** I would say that, from a city of Toronto staff perspective, we are looking to ensure that there's a clear sense of the business case for any type of investments, both looking at upfront capital and long-term life cycle, but what goes over costs and benefits are. Our assessment of that is similar to what the OEB and the energy transition panel had come to. In many cases, it is, and will become more so, cheaper to use a different source of energy such as a heat pump as opposed to a fossil fuel source.

**Mr. Peter Tabuns:** As we get to some of the deadlines—by 2030, we're supposed to reduce our emissions by 50% globally, to try to stabilize the atmosphere; by 2050, pretty much zero to ensure that we don't face really catastrophic events—is the city of Toronto projecting what climate change will do to the city of Toronto over the next few decades if the climate is not stabilized?

**Mr. James Nowlan:** We have done some work. We're in the process of launching a risk and vulnerability assessment, building off of what the province did at the broader scale. We would anticipate that there's a significant cost associated with climate change to the city, both from an infrastructure perspective, a services perspective, and we've already seen that in various events that have occurred across the city in the last 10 years or so in terms of costs, and we'd anticipate that those will increase. We don't have a number, but we're undertaking that work as well as some work around the cost of doing nothing.

**Mr. Peter Tabuns:** A number of years ago, the city did a study—I think it was in the first decade of this century—indicating that the storm sewer system was not sized for the storms that were on their way. Is that still the opinion of the city?

**Mr. James Nowlan:** I won't speak for the specifics of that, but I know we are reviewing all of our infrastructure as it gets replaced, to ensure that it takes into account anticipated impacts for climate. I would say, in a broad sense, that that will mean increased costs associated with that infrastructure.

**Mr. Peter Tabuns:** Through you, Chair: Does the city expect a substantial reduction in the use of natural gas in the city of Toronto for space heating over the next decade to two decades?

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. James Nowlan:** Absolutely. A key element of our plan, the city's TransformTO plan adopted by council, is a significant reduction in the use of natural gas. Natural

gas is the largest source of greenhouse gas emissions in the city.

**Mr. Peter Tabuns:** So it would be fair to say that the customers who stay with natural gas outside the city of Toronto will probably be picking up the cost of that infrastructure that will no longer be paid by city ratepayers. Is that a fair assumption?

**Mr. James Nowlan:** I think, and as we noted in our submission, we would anticipate that as people move off of natural gas and those who remain on it, whether they're in the city or outside the city, will then pay for the remaining infrastructure costs.

**The Chair (Mr. Aris Babikian):** We move now to the independent member. MPP Schreiner, the floor is yours.

**Mr. Mike Schreiner:** Thanks to all three presenters for joining us today and providing important contributions to this conversation.

I think I'm going to direct my first question to Fieldgate Developments, if that's all right, Michael—and not because we share the same name. In the US over the last two years, heat pump installations have outpaced, been higher than new gas furnace installations. The same thing is happening in Europe as well. So you're seeing developers both in the US and Europe prioritizing heat pumps over gas furnaces. I've asked a few folks today why, and most people have said it's because they're cheaper, and two, less indoor air pollution, climate concerns etc.

I'm just curious why we haven't seen the same rigour, excitement for developers—or, at least, for your development company—that you see in the EU and in the US for heat pumps?

**Mr. Michael McLean:** I think it's a simple answer. I think it comes down to climate and the efficiency in extreme temperatures.

**Mr. Mike Schreiner:** Okay, But I'm just thinking, in northern European countries that have harsher climates than we have here in Canada and in northern parts of the US—Minnesota, Michigan, places like that—you're seeing more heat pumps than gas furnaces being installed. Why is it more in those northern—even further north than we have here in southern Ontario? Do you have any sense why they're choosing heat pumps over gas?

**Mr. Michael McLean:** I don't know, personally, to be quite honest. But I mean—

**Mr. Mike Schreiner:** Okay, I'm just asking.

**Mr. Michael McLean:** When we look at our infrastructure—we have spoken to people. Any of my friends who have put them in have put in hybrid systems, so they're concerned about the efficiency in the winter, particularly with the grid not being fully built out for those sorts of loads. I can't give you a technical answer, but that's my impression.

**Mr. Mike Schreiner:** Great, I appreciate that. Thank you.

I just wanted to switch over really quick to the city of Toronto. Your analysis—and I think you've confirmed this with a previous question, but I really want to ask this,

because I asked a representative from Enbridge earlier today on multiple occasions whether existing gas customers would be paying higher costs to cover the changes from this bill, and I couldn't get an answer. But your analysis says on page 8 that you're anticipating your ratepayers in Toronto are going to pay several hundred dollars on their bills to cross-subsidize the cost of connecting new customers. Do you feel very confident in that analysis?

**Mr. James Nowlan:** I would say that's our understanding in terms of that those costs are not paid by the new connectors. There is no direct cost. It is then applied to the rate base, so that then is subsidized or cross-subsidized by all ratepayers, the new and the existing. Therefore, you would expect an increased cost associated with those infrastructure investments.

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Mike Schreiner:** Everyone else's analysis seems to agree with yours. Essentially, we're asking existing gas customers to subsidize Enbridge to expand fossil gas infrastructure, to put in heating systems that are going to cost those new home owners more money to operate. Is that your understanding?

**Mr. James Nowlan:** I would say yes, and I would say our analysis in the city of Toronto and our expectation is that most new development will be based on electrical heat pumps or other forms of thermal energy, not necessarily on fossil fuels.

**Mr. Mike Schreiner:** Great. Thank you. I think I'm out of time.

**The Chair (Mr. Aris Babikian):** We move to the government side. MPP Barnes.

**Ms. Patrice Barnes:** Thank you for coming and thank you for presenting.

I've got a question for the city of Toronto. I'm just interested in the timeline of this transition. I'm assuming that we're talking about new builds in regard to transitioning, then we would also be talking about retrofits and the cost for retrofitting buildings that exist now with potential electrified water pumps. So I'm just looking about the reality of time frame that you're talking about in regard to this existing.

**Mr. James Nowlan:** So I will admit that the city's net-zero strategy is ambitious, to transition to net zero by 2040. It is for existing buildings, new buildings, transportation. It is a broad strategy. It's based on the work that has been identified in terms of what needs to be done to keep the rate of climate change to below 1.5 degrees Celsius. The federal government has a timeline of 2050 to net zero. When the city developed its strategy, it looked at what was possible based on existing technologies and identified that 2040 was possible based on what currently exists related to the emissions in the city, which are primarily buildings and vehicles.

1800

**Ms. Patrice Barnes:** And so, within the costs, does it factor in the cost for retrofitting and for transitioning as

well in some of the costs that are submitted for changing over to heat pumps versus natural gas?

**Mr. James Nowlan:** As it relates to this, this is for new development, so there wouldn't be any retrofits. Again, the cost that we outlined in our submission today is associated with the cost of new development being, then, cross-subsidized across the rate base.

We would actually anticipate, for new development, that it's much easier to build at net zero because you're not trying to retrofit older buildings that may be already built with inefficient insulation, inefficient windows etc., where you now have to go back to. That's the problem we're dealing with for the other 480,000 buildings across the city of Toronto. You're kind of starting with a blank slate.

In terms of what can be done, whether it's heat pumps or whether it's some other form of thermal energy, district energy systems, waste water, there's a number of examples in the city of Toronto where we've got innovative approaches that don't require fossil fuels for the buildings for heating.

**Ms. Patrice Barnes:** But there would be an existing stock that would be dependent on natural gas for a substantial amount of time?

**Mr. James Nowlan:** There is an existing stock that will be dependent on natural gas, and that is another piece of work that we're doing, is how you transition that existing stock—so working with Toronto Hydro as well as others and looking at what programs, policies, actions are needed to be put in place to support that.

**Ms. Patrice Barnes:** For the upcoming builds, do you have an estimate of units to be built—new builds?

**Mr. James Nowlan:** In the city of Toronto? I don't have an estimate in the sense of estimated building. Most of those will be, I would say, more dense residential. Obviously, we're different than a lot of municipalities in that a lot of the lower-rise residential will be infill development, secondary suites etc. or expansion of existing buildings to increase more units. A lot of our large growth will be through large developments across the city, whether it's in the Port Lands, Downsview etc. That's where we'll see most of the growth.

**Ms. Patrice Barnes:** Okay. So the potential, then, is that while you do the infill and the upcoming, there would be a reliance on natural gas for a substantial amount of time—not necessarily a transition to 2040.

**Mr. James Nowlan:** Right now, for new development above a certain size—I can't remember the exact amount—we do have the Toronto Green Standard, which has requirements in terms of what that needs to meet. City council has adopted or provided direction to staff to come back with a proposal that would see those new developments built to net zero by 2028, with that being the new Toronto Green Standard.

**Ms. Patrice Barnes:** Thank you so much for that. I appreciate that.

**The Chair (Mr. Aris Babikian):** MPP Smith.

**Mr. Dave Smith:** How much time is left, Chair?

**The Chair (Mr. Aris Babikian):** You have almost three minutes.

**Mr. Dave Smith:** As we've been sitting here, we've had presentations from a lot of different groups, and I thought I would take a look at a couple of things, just to put things in perspective. As I look around the room at the delegates who are here and the MPPs that are here, I just want to point out a couple of things.

We have two, three, four, five members who, when I combine the size of their ridings, they're about a tenth of the physical size of my riding. And I'm not the largest one here. MPP Bresee's riding is a little over 9,000 square kilometres. Toronto Centre's riding—the Toronto Centre representative is not here, but the Toronto Centre riding is small enough to fit on my property, and they've got close to 100,000 voters there. There's three who live on my property. The city of Toronto itself has 4,300 people per square kilometre. One square kilometre in the city of Toronto has a larger population than four of six of the municipalities that I represent, and a massive amount more than the First Nations that I represent.

So, when I look at it from the lens of people who are in rural Ontario, and I look at urban Ontario, there's a massive divide in the equity of things. I find it very rich when I hear some of the presenters talk about how we have to do certain things—

**The Chair (Mr. Aris Babikian):** One minute.

**Mr. Dave Smith:** —when they're looking at it from their own perspective, and they don't look at it from the perspective of all Ontario.

I want to actually throw this one over to the greenhouse growers. I suspect that a number of your members live in areas of Ontario where it is more rural and less urban, and you would have a perspective, then, that would be different than anyone who was presenting from a more urban area. Is this going to hurt rural Ontario if we continue down the path with what the OEB has suggested?

**Mr. James Neven:** So, the short answer is absolutely. It will definitely hurt any new investment. Going back to a couple points made earlier, when we invest in natural gas lines, the whole point of the amortization and our upfront costs that we have paid up to this point is to make sure that there is zero additional cost to any existing ratepayers. So we absorb the entirety of the new infrastructure already—

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

We will go to the official opposition to start the second round of questioning. MPP Tabuns.

**Mr. Peter Tabuns:** I'm going to go back to the city of Toronto brief here. You have some interesting commentary, and I just want to put it forward. On page 5, talking about the potential for stranded assets, which will, in the end, impose real burdens on people who are Enbridge customers but don't get out of the system soon enough:

“Municipal climate plans like the city of Toronto's TransformTO Net Zero Strategy seek to significantly reduce buildings sector emissions through transitioning away



from natural gas as the primary energy source for heating buildings.

“In this context, the board”—the Ontario Energy Board—“reviewed the expert evidence Enbridge provided on the energy transition and its potential risks, and concluded it provided a ‘completely insufficient evidentiary basis’ on which to determine whether ratepayers are being protected, whether Enbridge’s planned gas system expansion is rational, and whether Enbridge will continue to be viable.”

I have to say, given that the major piece of evidence presented by Enbridge on the future of the gas system—produced by a company called Guidehouse—had to be extensively rewritten after the massive failures of logic and sourcing information were pointed out, the city of Toronto, I am assuming, has concluded that the OEB’s assessment of the Enbridge evidence is, as the Ontario Energy Board found, not adequate to actually justify the kind of investment or demand for rate increases that Enbridge wants. Is that a fair comment?

**Mr. James Nowlan:** So, I would say that quote that you had noted in our submission is from the Ontario Energy Board. We included it more to identify this kind of uncertainty associated with the energy transition and the work that needs to be done related to what that transition looks like to provide for that orderly transition to support ratepayers, residents, business etc. across the province over the long term. So we had highlighted that as identifying that uncertainty.

**Mr. Peter Tabuns:** You may be aware that in the course of discussion, the energy board has suggested that rather than putting in new pipes, in a number of instances, that Enbridge actually repair what was in place because it’s a lot cheaper, and actually look for every opportunity to reduce ongoing costs so that those who remained on the system wouldn’t be stuck with outrageous costs. Are you familiar with that information?

**Mr. James Nowlan:** I can’t say I’m specifically familiar with that.

**Mr. Peter Tabuns:** You can’t say. Okay. Fair enough.

I’ll just say to you, Chair—and I may come back with a question on this—it’s pretty clear that even the government of this province is of the opinion that we’re going to be using a lot less fossil fuels in the future. If that’s the case, then you have to actually take steps to protect customers who stay on the system so they don’t get stuck with much higher costs. That’s the way I read the decision from the energy board: They are trying to protect consumers, knowing that many others are going to leave that system.

1810

I was just looking, earlier today, talking about technological transitions. StatsCan reports that the share of households that reported having a landline has declined from nearly two thirds in 2017 to less than half in 2021. That’s four years. Technological change can happen very fast, and if you don’t manage it well, then the people who

stay on the system get stuck holding the bag. But people who don’t have enough money to move fast to get into the new technology get stuck with the old technology. I assume that part of the concern at the city of Toronto is that you don’t want gas consumers in Toronto to be stuck with those stranded costs on their gas bills. Is that a fair question?

**Mr. James Nowlan:** I would agree. I think the need and what we’ve identified is for this planned approach that looks at what is needed, what investments are being made across all utilities, whether it’s the LDCs or at the provincial level in terms of transmission generation, to ensure that it is supportive—that orderly transition—and we have a sense of what assets are needed, when they will be needed and how they will be used. Processes like the IESO’s Integrated Regional Resource Plan will be important to help outline that path forward, supported by municipal policies as well.

**Mr. Peter Tabuns:** Okay. Unless my colleague has a question—

**The Chair (Mr. Aris Babikian):** MPP Shaw?

**Ms. Sandy Shaw:** Yes, I do. Thank you.

To the city of Toronto: One of the challenges that Enbridge made in their legal challenges was that there’s absolutely no evidence that other jurisdictions were making the move away from natural gas hookup. But there’s evidence that plenty of places are doing that. Seattle and New York state banned new natural gas connections. Prévost, Quebec, voted to ban natural gas in new buildings, and as of July, Nanaimo will no longer allow new buildings to connect to natural gas. Montreal will do the same, for buildings of up to three storeys, come October. So municipalities in North America are moving to make sure that we are moving quicker on that transition.

Can you just speak to Enbridge’s claim that not only is this not happening, but also the continuing disparaging of heat pumps as a legitimate and reliable source of alternative energy?

**Mr. James Nowlan:** You’ve identified a number of municipalities, and we have seen that. The city of Toronto, as staff have been directed by city council to look into that—we have not reported back, so the city does not have a position on a ban of new natural gas expansion. Whether we would have the ability to do that is a question as well.

I think the work that we’re doing, especially on new buildings and existing buildings, is looking at heat pumps, and we have identified that they are a viable technology to provide heating and cooling for buildings in many instances—not all, but in many.

**Ms. Sandy Shaw:** Thank you.

With what time I have left, I’d like to ask the representative from Fieldgate—really, you are not offering your customers choice. You talk about how long it takes to bring developments online. It takes 10 years to bring a development online, so you’re building in something that in 10 years from now people will not want. The evidence

is very clear that it is cheaper to build homes designed for heat pumps than it is to retrofit them.

**The Chair (Mr. Aris Babikian):** Thank you very much, MPP Shaw. The time is up.

We move to the independent member. MPP Schreiner.

**Mr. Mike Schreiner:** I think I'm just going to just start by saying a number of municipalities, both urban and rural, have passed motions in support of the OEB decision in order to protect their ratepayers. Those include cities such as Hamilton and more rural places like the county of Prince Edward or Lake of Bays. I don't know; did the city of Toronto—through, you, Chair—pass such a resolution?

**Mr. James Nowlan:** The city of Toronto did not pass a resolution. They directed staff to review the bill and provide a submission.

**Mr. Mike Schreiner:** Okay. And the city of Guelph passed a resolution as well, and there are numerous others—but I don't want to take our time doing that—both urban and rural communities. I think the concern, if I'm looking at most of this, is to protect consumers and to protect not only existing consumers but future consumers.

So one question I have for the city of Toronto is, as people who have had gas infrastructure for a longer time need to replace their furnaces, do you have any studies or any indications of whether they'll be replacing those furnaces with things like heat pumps or not, and how that's going to affect demand for gas in the city of Toronto?

**Mr. James Nowlan:** So I would say we don't have any information to say what that uptake and rate is. We have seen definite growth, but the city's work is to promote that when people need to replace their furnaces they are replacing them with a hybrid system or a fully electric heat pump, and that is the right time to make that decision when you're going to be investing in capital anyway.

**Mr. Mike Schreiner:** The reason I mention this is, I think one of the concerns is that when you think of stranded assets, the people who are going to be holding those stranded assets are either folks who are in areas of our society that are hard to decarbonize, so I'm thinking manufacturing and agriculture in particular, but the other one that's going to be tough are the newest customers to the system, because their furnaces, their infrastructure is going to be new. They're not going to want to replace it.

So the people most at risk from a stranded asset perspective are those who are going to be new customers with new equipment and/or folks in hard-to-decarbonize industries, particularly manufacturing and agriculture, so in some respects, the stranded asset concern, and I would say, probably in places like the city of Toronto, lower-income individuals, because they're the ones who are least likely going to have the money to invest in new equipment. So have you done any analysis in the city of Toronto around how you think has the most risk exposure to stranded assets?

**Mr. James Nowlan:** So I would say, from a general sense, the work that we have done would show equity-deserving, moderate-income or modest-income households are likely those who would be at most risk for

stranded assets because they would not necessarily have the means to make those choices, either at the time of replacement or outside of the time of replacement of their equipment, and that has been shown. Most of our programs that we've had out there have seen uptake from households of higher incomes.

**Mr. Mike Schreiner:** And just really quick, James, before we go: Greenhouse growers, would you like to see phase 3 power as well? I know you need additional infrastructure. Would it be nice to have adequate electrical infrastructure as well? Just giving you an opportunity to put that on the record.

**Mr. James Neven:** So we've been asking—that's been a need for quite some time, but the peak demand in Ontario right now is around 22,000 megawatts. Greenhouse itself would need about 12,000 megawatts just to electrify, so that's why we see the long-term need for fossil fuels.

**The Chair (Mr. Aris Babikian):** Thank you. The time is up.

We will move to the government side. MPP Barnes.

**Ms. Patrice Barnes:** So we've talked about the transitioning, and Toronto's sort of been on the hot seat a little while for doing this. So the question, and I'll follow up on MPP Schreiner's comment, is the electrical grid. Can the electrical grid support what we're talking about? And right now, when we talked about the price of electricity, are we really talking about something when we talk about equity seeking and we're talking about households that are of moderate income? What would be the impact of those households transitioning—(1) retrofitting, probably, to heat pumps; (2) the electricity cost of running heat pumps?

**Mr. James Nowlan:** So maybe I'll start with the first question around the electrical grid itself. We work, obviously, very closely with Toronto Hydro, related to their capacity, and they would tell you that, aside from a few places in the city that will have constraints, they are prepared for the electricity transition, and they're actually in front of the Ontario Energy Board now with their rate case that is aligned with net-zero by 2040, as outlined in city council's endorsed strategy. So they're undertaking the work to provide for a distribution system that will support that type of electrical uptick, whether it's in heat pumps or whether it's electric vehicles.

As it relates to modest incomes, I would say for retrofits—again, separate from the bill as it relates to new expansion—there will be a need to look at how that is supported in terms of those upfront capital costs, especially where a building may require more than just the fuel switching. Fuel switching—buying a heat pump and replacing your furnace—is not a significant investment. Having to go in and put in insulation, new windows etc.—that's where the large costs will be. So it is that balance of envelope versus the fuel switching itself.

But I think what we've found from the work that we've done, in most cases, the long-term benefits on the operating side—so factoring in the cost of electricity, of the efficiency of the equipment versus the cost of natural gas

and the efficiency of the equipment—in the long term, it will be cheaper to operate heat pumps than it will be when you look at it across the entire year.

**Ms. Patrice Barnes:** Thank you.

**The Chair (Mr. Aris Babikian):** MPP Smith.

**Mr. Dave Smith:** We're wrapping up; it's almost 6:30. I want to thank everyone for coming out and giving the presentations that you have. We've had a lot of information today. It's not that we aren't interested in what you guys have to say, it's more a case of it's almost 6:30. It has been a long day for everyone. I greatly appreciate all of the

presentations. We absolutely will be reading through what you have given to us. Thank you very much for your time. We're done.

**The Chair (Mr. Aris Babikian):** Thank you very much to our final presenters. Have a good evening.

Thank you to my colleagues on the committee for their co-operation and for making my job seamless. Thank you very much.

The committee will adjourn until tomorrow morning, 9 a.m., Tuesday, April 9, 2024.

*The committee adjourned at 1822.*

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Mr. Joel Harden (Ottawa Centre / Ottawa-Centre ND)

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