

Municipality of Lakeshore – Report to Council

Operations

Energy Management and Utilities



To: Mayor and Members of Council
From: Marco Villella, P.Eng., Division Leader – Energy Management and Utilities
Date: March 27, 2025
Subject: Renewal of Enbridge Gas Franchise Agreement (FA)

Recommendation

1. The Council of the Municipality of Lakeshore approves the form of draft by-law and franchise agreement presented at the April 8, 2025 Council meeting and attached hereto, and authorizes the submission thereof to the Ontario Energy Board for approval pursuant to the provisions of Section 9 of the *Municipal Franchises Act*.
2. Council requests that the Ontario Energy Board make an Order declaring and directing that the assent of the municipal electors to the attached draft by-law and franchise agreement pertaining to the Municipality of Lakeshore is not necessary pursuant to the provisions of Section 9(4) of the *Municipal Franchises Act*.

Strategic Objectives

Although this is not a strategic objective it is a core service of the Municipality.

Background

Enbridge Gas Inc. (Enbridge) is a gas company that provides natural gas service to approximately 12,530 customers within Lakeshore. Provincial legislation requires that a Franchise Agreement (FA) is executed between a municipal corporation and a gas company serving that municipality. The FA provides consent from the Municipality to the gas company to distribute, store, and transmit gas in and through the Municipality to the inhabitants of the Municipality. It also specifies the rights and responsibilities of each party, as well as required approvals and fees, and duration of the agreement.

The Ontario Energy Board (OEB) has directed that the current 2000 Model Franchise Agreement be used as a standard model for such agreements. The FA is a 20-year agreement term, and the Municipality previously engaged in such an agreement back in 2005 with Council passing the third reading of the by-law on February 15, 2005.

The current agreement expired on February 15, 2025. This agreement will also be for a 20-year renewal.

Comments

The updated Model FA outlines the requirements for the allocation of the municipal right-of-way to regulated gas distributors, including the requirement that the natural gas distributor obtain municipal consent for the construction and operation of any gas infrastructure works within the municipal jurisdiction.

Enbridge approached the Municipality in mid-2024 to commence with the renewal process for the FA between both parties. As part of the renewal process there is a precondition of the FA for Council to pass a by-law approving the agreement. To obtain OEB approval, an application is made by the gas distributor that includes the resolution of Council and the draft by-law (attached as Appendix A). The OEB will make a declaration and direction of their approval of the FA.

Administration has reviewed the Model FA and identified concerns that have already been previously challenged by other local municipalities throughout the province and within the local region. For instance, currently gas infrastructure relocation costs as part of municipal works under the FA (Section 12, subsection d) are 65% covered by the gas distributor company and 35% is the responsibility of the municipality. However, the Drainage Act (Section 26) states that the utility company or road authority shall be borne all costs for relocation of utilities as part of drainage works.

Attempts by municipalities to modify the model FA have been unsuccessful with adverse cost consequences to municipalities. Insisting upon changes to the model FA to address *Drainage Act* concerns will result in a hearing before the OEB which will not be successful. In light of this, Administration is recommending the acceptance of the Model FA.

The Municipality will continue to work with Enbridge at the local level to ensure a strong partnership remains between both parties. An example of this continued partnership is the commitment from Enbridge to execute a Road Use Agreement (RUA) for the Regional Panhandle Project in 2023. The RUA outlines Enbridge's requirements for road condition assessments of haul routes and permits for the project.

Under the FA, Enbridge is still required to obtain approval and permits for any work that will disturb the municipal right-of-way. The Municipality will continue to review these applications and ensure the proposed gas infrastructure works are in the best interest of the Municipality.

Others Consulted

Enbridge Gas Inc.

Financial Impacts

There are no new financial impacts of a renewed Franchise Agreement with Enbridge Gas currently, however, the Municipality will continue to receive any applicable permit fees to recover staff time for reviewing applications and conducting site inspections. These fees are applied based on the Municipality's User Fee by-law.

Attachments

Appendix A – Draft By-law 33-2025

Report Approval Details

Document Title:	Enbridge Gas Franchise Agreement (FA) Renewal.docx
Attachments:	- Appendix A – Draft By-law 33-2025.pdf
Final Approval Date:	Mar 11, 2025

This report and all of its attachments were approved and signed as outlined below:

Prepared by Marco Villella

Submitted by Krystal Kalbol

Approved by the Corporate Leadership Team