
City of Kelowna

MEMORANDUM

DATE: June 8, 2005
FILE: 5520-06 & 2320-20
TO: City Manager
FROM: Electrical Utility Manager
RE: **FORTISBC ELECTRICAL SERVICE CONTRACT**

RECOMMENDATION:

THAT Council approves a two year contract with FortisBC based on the Master Agreement and Schedules Contract between the City of Kelowna and Utilicorp British Columbia Ltd. dated October 2000;

AND THAT the Mayor and Clerk are authorized to sign the amended contract documents.

BACKGROUND:

In October 2000 the City entered into a 5 year contract with Utilicorp British Columbia for the City's Electrical Utility operation and maintenance, capital construction and electric meter services. The City Utility has saved some \$720,000 in capital and operating costs in the first 3 years of the contract. On March 7, 2005 Council authorized staff to negotiate a two year contract with FortisBC.

Fortis Inc. has approximately one million customers and 4,000 employees. The Corporation has investment in 7 companies which operate regulated utilities in Newfoundland, Prince Edward Island, Ontario, Alberta, British Columbia, Belize and Grand Cayman. It has 3 subsidiaries engaged solely in electricity generation in Newfoundland, New York State and Belize. Through its wholly owned non-utility subsidiary, Fortis Inc. it has investments in real estate and hotel operations. Total asset value today is approximately \$3.8 billion. To date numerous meetings with their Key Account Manager (KAM), the new owners CEO and VP of Operations have occurred. City staff is very pleased by the efforts of FortisBC to improve service to City Utility customers and improved system operations. They have also shown improvements within their own operation service area.

Under terms of the contract FortisBC can request an extension to their contract if they are still interested in providing their services. On December 20, 2004 FortisBC requested a two year extension upon expiration of the current term, October 1st, 2005 subject to some minor financial changes to the contract. On February 18, 2005 FortisBC indicated by letter there are no changes to Schedules "A" through "J" except for a minor adjustment to Schedule "D" Electric Metering Services requesting a \$2,425.00 scope change to the fix fee component and then tying it to the contracts price multiplier for the extension of the term.

City staff supports the FortisBC metering request and have requested two minor changes of their own. The City would like FortisBC to consider changes to customer calls that deal with power outages, new service connects and after hour calls/power interruptions currently being handled by Utility Billing and the City's Main Fire Hall. Staff believes there should be one phone number that all electrical customers in Kelowna can call when dealing with power quality and non-billing functions. Since FortisBC maintain both distribution grids and have full control of the two electrical systems, a one-call notification system should be able to be implemented. FortisBC has agreed to the concept in principle and once the FortisBC call centre is fully operational an implementation to the one call phone number concept will be concluded.

The second minor item agreed to by FortisBC is a later afternoon connection time. Current process requires that any customer who wants guaranteed service the same day but calls anytime after 12:00 noon, has to pay a \$258.00 after hours connection fee. The City and FortisBC staff has agreed to implement changes to allow for customer reconnection requests up to 3:00 pm. FortisBC will provide those same day connections up to quitting time, and if not done by end of day it will happen first thing the following morning. If customer demands same day service and absolutely can not wait until the next morning, the after hours fee will apply. CSR's are currently working on a new script to advise the customer on this change. This change will require bylaw amendments to increase the reconnection charge. These bylaw changes will be brought forward in a separate report to Council.

It is staffs recommendation that Council approve the request from FortisBC for a two year extension with some minor adjustments. This contract extension will give staff time to better measure the new owner's performance and then consider longer term future electric utility strategies.

R. Carle
Electrical Manager



Approved for inclusion
John Vos, P. Eng.
Director of Works & Utilities

Attachments

cc: Director of Financial Services
Financial Planning Manager
Revenue Supervisor

Appendix

Fortis Pacific Holdings Inc. has reviewed the current Services Contract and is requesting the following changes:

Master Agreement

Amend Section 11 “**Term of Contract**” to read as follows:

The term of this Master Agreement shall be extended for an additional two-year period commencing on October 1st, 2005 terminating on September 30th, 2007 unless earlier terminated as set out below.

Schedule A	Finance & Administration	No Change
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Schedule B	Capital Services	No Change
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Schedule C	Operation Services	No Change
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Schedule D	Electric Metering Services Amend Section 4.1.1 as follows:	
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The Electric Meter Servicer (EMS) shall provide the management component of Electric Meter Services described in Section 2.1 for a fixed fee beginning October 1st, 2005 in the amount of \$31,925.(was \$29,500) This fee will increase annually for the extension of the Term by the Price Multiplier.

Schedule E	Transition Services	No Change
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Schedule F	Bill of Sale	No Change
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Schedule G	Policy Changes Services	No Change
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Schedule H	Material Documents and Agreements	No Change
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Schedule I	Insurance Requirements	No Change
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Schedule J	Incentive Mechanics and Calculation of Savings	No Change
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