



November 17, 2006

File: 1377-L

City of Kelowna
Mayor & Council
1435 Water Street
Kelowna, BC V1Y 1J3

Dear Mayor & Council:

Subject: FortisBC Application for Non-Farm Use in the ALR (A06-0019)

Additional information was requested by Council regarding the above Application presented by FortisBC. As a result of this request, the recommendation of Council to the ALC was deferred.

Of specific interest to Council was a desire for more information related to the following three topics:

- The first was an interest in reviewing the Business Case the utility filed with the British Columbia Utilities Commission (BCUC), including options of alternate solutions to the one proposed which precipitate the non-farm use application;
- Following discussion focused on the improvements to traffic flow on Benvoulin Road that could result from the proposed access to the industrial and adjacent property via Munson Road. Council requested FortisBC undertake a traffic study;
- Finally, Council was seeking alternate property that could be added into the ALR elsewhere and preferably within the City of Kelowna.

The following is our reply to the above requests:

1. Business Case

As part of the public record, FortisBC applied to the British Columbia Utilities Commission under the 2006 Capital Plan to undertake an application process to acquire an expansion to their facility on Benvoulin Road. *Business Case 19 - Benvoulin Property Expansion* (attached) proposes the purchase and development of adjacent property to mitigate public and employee safety concerns and inefficiencies of the current arrangement at the FortisBC Operations Center.

Option 1, outlined in the business case as the purchase and development of the adjacent property, is the most cost effective and practical option. It is the recommended and approved option as per the utility regulatory process.

Option 2 included purchase of industrial land and construction of a New Operations Center Facility. A conservative estimate of these costs in today's market is as follows:

Cont....

Land Purchase (equivalent to existing & adjacent property - 10.5 acres) up to \$1million/acre including services	\$10,500,000
Replacement of existing structure	\$8,000,000
Decommissioning & rehabilitation of existing Benvoulin site	\$2,000,000
Total	\$20,500,000

2. Traffic Impact Analysis

Based upon activity at certain times of day, it would appear that there are traffic movement issues at both the FortisBC and the adjacent site that we believe could potentially affect both public and employee safety. During Council's discussion on November 6th, it was incorrectly represented that adjacent property was permitted to have only right-in and right-out vehicle access. In fact, a left-in access is permitted and the lanes on Benvoulin Road are painted to offer this access.

Further to Council's request that FortisBC undertake a traffic study, we agree to initiate this study separate from the ALC application.

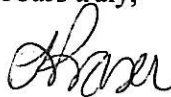
3. Replacement ALR Land

FortisBC must respectfully decline this approach to mitigating the ALR land use. This is based on the fact that this project involves a non-farm use application, as opposed to a request for exclusion, and an obligation to recover farm use should the land not be used by the utility. The provision of additional property was not provided for in our Business Case.

Based on the foregoing, we request that the City of Kelowna to bring forward an opportunity to reconsider this application in the very near future. The option for a neutral recommendation is acceptable to FortisBC and is encouraged to be proposed as one of the options available to Council at this time. In accordance with the request of one Councilor, we encourage the City Staff to include this option in their new report to be presented when this application is offered for reconsideration.

Please contact the undersigned if you have any questions or comments on this information.

Yours truly,



per Keith Funk, MCIP

cc: Nelson Wight, Planning & Development Services

Attachments: FortisBC Business Case - Benvoulin Property Expansion

Business Case 19 - Benvoulin Property Expansion

Cost: \$3,313,000

Executive Summary

FortisBC's Operations Center in Kelowna is located at Benvoulin Road, and consists of the office, material warehouse/fleet shop with associated yard. In addition to the Benvoulin site, a storage yard located off Springfield Road and a pole yard located at Sexsmith Road, both of which are leased, are utilized for material storage.

The customer growth and associated activity in the Kelowna region during the past few years has increased the volume of maintenance and construction work supported by these facilities, thereby requiring more yard space than what is located at the Operations Center. The yard congestion and increased vehicular traffic on these major streets has lead to a number of safety, security and efficiency issues. As a result of growth in the City, traffic volumes have increased in recent years on Benvoulin Road.

FortisBC proposes to invest \$3.313 million to purchase and develop property adjacent to the Benvoulin site to mitigate the safety and inefficiencies of the current arrangement.

Background

FortisBC first occupied the Benvoulin site in 1969 as an operations center for the Kelowna area. On May 9, 2001 an application for a Certificate of Public Convenience and Necessity was filed for the Kelowna Consolidated Operations Center. This project proposed the consolidation of 3 separate office locations (2 of which were leased) at the owned Benvoulin site. The Commission approved this project and issued a Certificate of Public Convenience and Necessity C-8-01 dated August 15, 2001.

The yard facilities at FortisBC's Benvoulin Site as shown in Figure 1 do not meet the existing operational requirements and are inadequate for future requirements as well. Increased customer and system activity has outgrown the existing property size and configuration and as a result has created a number of public and employee safety issues, material security issues and inherent efficiency losses due to the increased operational activity centralized out of the site.

Operations staff and area customers have both increased by approximately 25% since 2001. Operations staff now number 101 when compared to 73 in 2001 and the number of customers in the Kelowna region served out of the Operations Center has increased by approximately 7,000.

Capital construction activity as a result of the required system improvements has also increased over the 2001 forecast. In 2001, the Company forecasted that 2005 capital expenditures would be approximately \$2 million. The Company's recent System Development Plan and 2006 Update outline the reinforcements and upgrades required to the regional transmission and distribution systems in the Kelowna area. These capital

upgrades are being driven by customer growth that has outgrown the capacity and configuration of the existing system. The 2005 forecast for capital construction supported from the Benvoulin site exceeds \$6 million. This level of annual expenditure is expected to continue in the future based on current customer growth trends.

Safety:

There is currently one entrance/exit off of Benvoulin Road, and access and egress to the Benvoulin site is becoming more dangerous to employees, suppliers, public and customers. The additional activity at the center has increased the number and size of vehicles entering and exiting. On a daily basis, in 200 passenger type vehicles will enter and exit the site. In addition to the passenger vehicles, approximately 25 large trucks ranging from tandem line trucks to 70 foot tractor-trailers will enter and exit the site on a daily basis. Studies conducted by the City of Kelowna have shown that traffic volume on Benvoulin Road has increased by 30% (in excess of 30,000 vehicles/day) over the last five years. These two factors have created safety concerns associated with access and egress of this site. Discussions with the City of Kelowna regarding installation of a traffic light at the Operations Center entrance and Benvoulin Road have been unsuccessful.

Increased activity within the yard has created safety issues from the resulting congestion. The activity includes a higher volume of tractor-trailers entering the site to deliver and export material to the warehouse for the Okanagan region. These crowded conditions within the yard has caused a number of vehicle incidents and material damage due to overlapping of crew and material marshalling areas in the midst of the material storage/racking/forklift use.

Security & Productivity

In an effort to mitigate the increasing congestion concerns associated with the limited Benvoulin yard space, in 2004, FortisBC leased two additional properties to facilitate materials handling and storage. The leased yard space at Sexsmith encompasses approximately 3.5 acres and is used to store large material items like poles and streetlights. The leased area at Black Mountain, of equivalent size, is used to store smaller items like padmount transformers. This short-term solution is no longer effective, and the decentralization of the material/pole yard storage has resulted in a number of inefficiencies. Figure 2 depicts a graphical representation of the operations center, the leased storage yards and a general indicator of the areas of current and future customer driven activity. It is commonplace for a crew to be dispatched from Benvoulin, travel North and East to pick up material at both off-site storage yards only to pass the Benvoulin yard on its way to a construction job in South Kelowna. This additional driving time can result in a loss of 1-1.5 hours of productive time. Having multiple sites also has a negative impact on warehouse efficiency due to increased traveling between sites to deliver and offload materials. Although difficult to quantify, this built-in inefficiency incurs additional costs and response time.

The Sexsmith yard is a shared facility and in 2005 experienced material theft. Expansion of the Benvoulin yard and elimination of multiple storage sites would also enhance site security and simplify inventory control by eliminating multiple storage sites.

Analysis:

The Company has considered two options to meet the Operations Center requirements:

Option 1 (Recommended): Purchase adjacent land, expand and optimize yard facilities with entrance/exit onto Munson road to provide a second access point as shown in Figure 3.

The purchase of 6.4 acres of land adjacent to the existing Operations Center is the least cost option to address the current safety issues and productivity inefficiencies. Yard congestion safety issues would be addressed by the additional yard space and associated improved layout. The amalgamation of the offsite pole and material storage yards (which have a combined area of approximately 7 acres) at the Benvoulin site will offset the cost of those temporary facilities and will minimize customer response inefficiencies. Access/egress issues would be resolved by the installation of a traffic light at the intersection of Munson Road and Benvoulin Road.

The adjacent property is presently available for sale providing an opportunity today to address these issues in a least cost manner. Acquisition and development will require approval of the Agricultural Land Commission in addition to rezoning approval by the City of Kelowna.

Budgetary Cost

	Capital Costs (\$000,000)	
	2006	2007
Land Purchase	1.6	
Legal Fees & Consultants	0.2	
Shared Cost Traffic Light / Street Frontage	0.2	0.3
Site Development		1.0
Total	2.0	1.3

This investment will eliminate \$25,200 of annual lease costs.

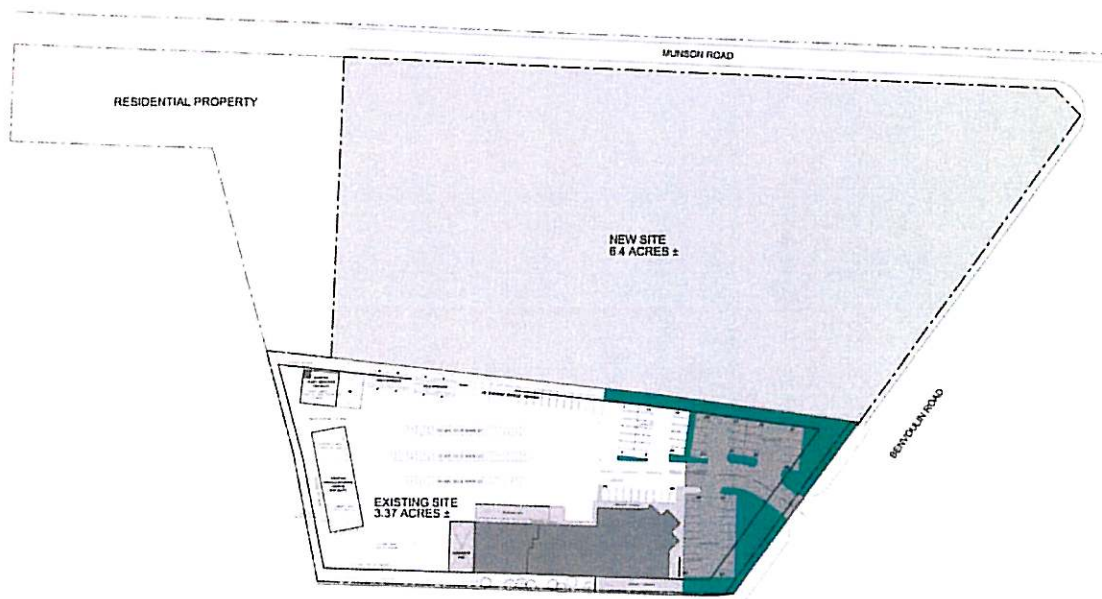
Option 2: Purchase industrial land at another site and construct a new Operations Center building.

This option would require the acquisition of approximately 10 acres of industrial land at an expected cost of \$375,000 per acre (based on current market listings), plus the construction cost associated with a new operations center. The resale value of the existing facility is limited because of the designated use restrictions. FortisBC estimates the cost of Option 2 to be more than double that of Option 1.

1 **Conclusion**

2 The purchase and development of adjacent property is the most cost-effective solution to
3 the efficiency and safety requirements of FortisBC's Operations Center. Deferral of this
4 investment will not address the existing risk of employee and public injuries created by
5 yard congestion and the access and egress issues associated with a public road of
6 increasing vehicular traffic. This investment will also minimize the current operational
7 inefficiencies. Although difficult to quantify, customer response and project costs are
8 increased due to additional travel time associated with the access/egress as well as the
9 multiple material handling sites.

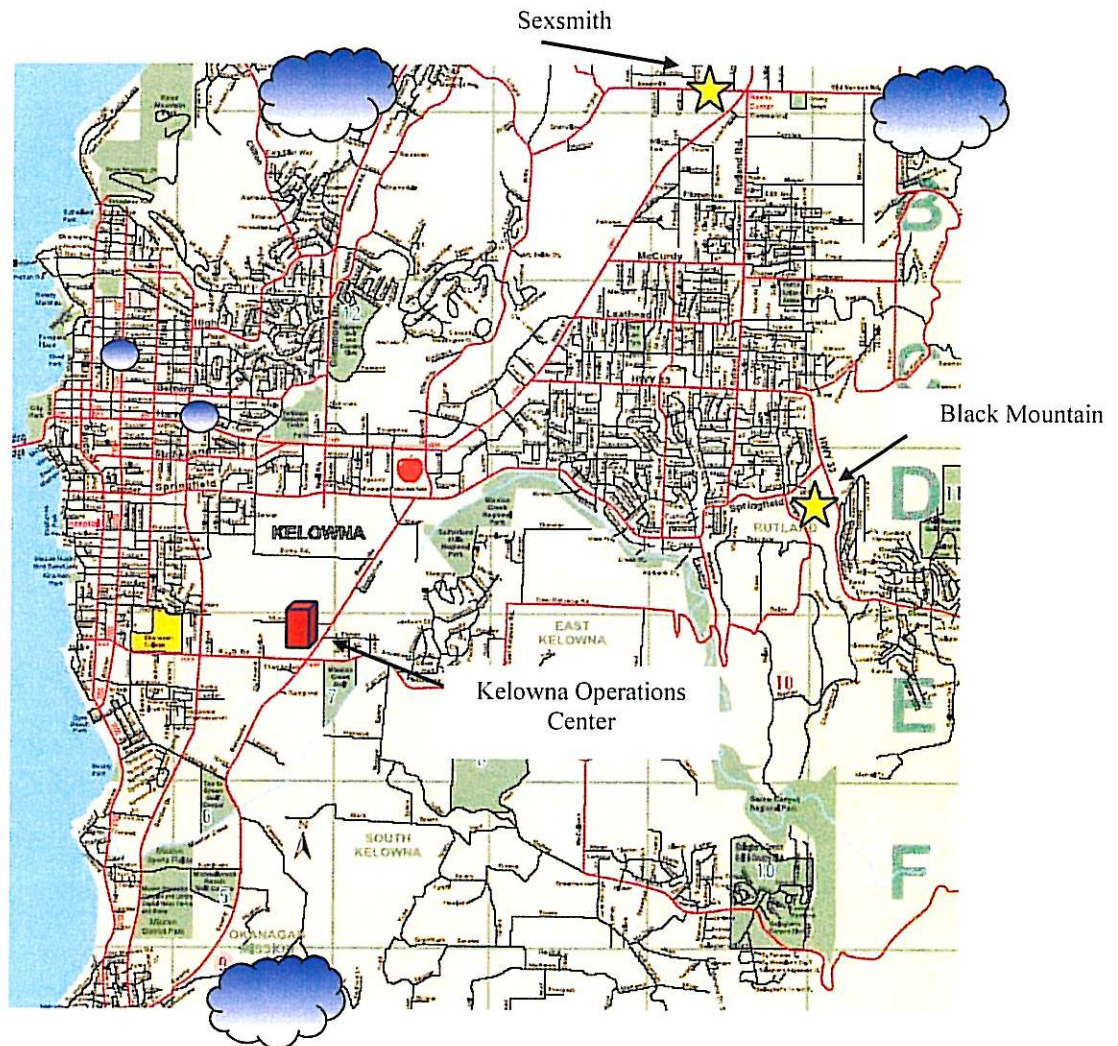
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Figure 1: Existing Site

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Areas of activity

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Leased material storage yards

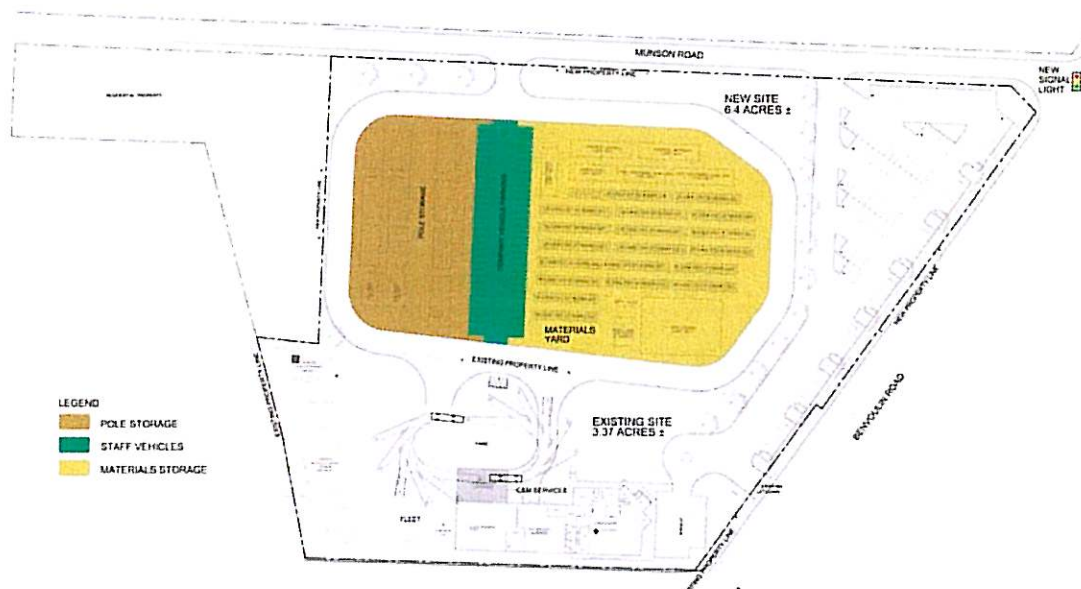
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Figure 2: Map of Area

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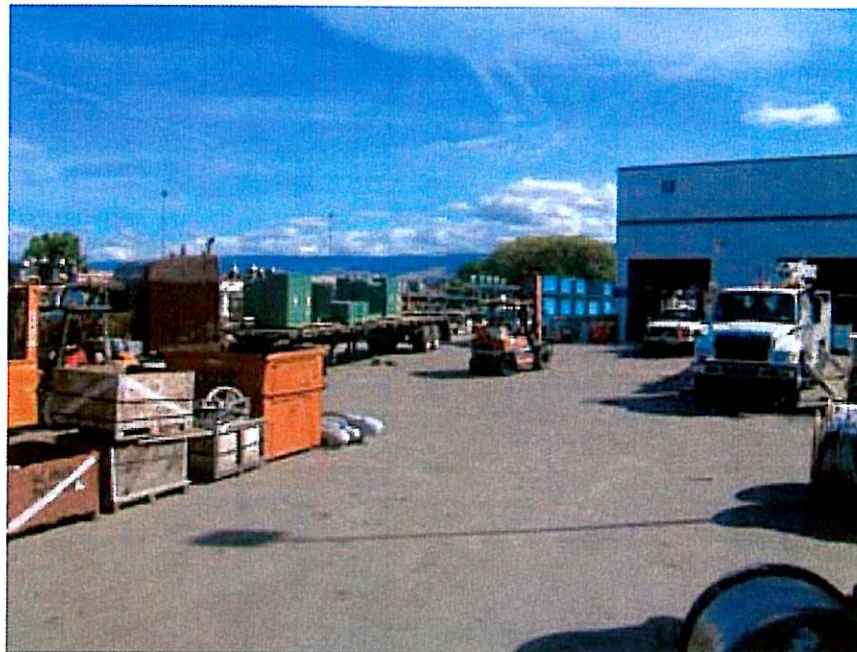
Figure 3: Proposed Property Expansion

Appendix

Photographs



Material delivery truck creating congestion, employee safety hazards and inefficiency.



Material offloading prohibits crew movement throughout yard.

1
2



3
4 Loading dock used as temporary storage due to lack of yard space.
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6
7
8 Material delivery truck attempting to turn left across 4 lanes of traffic onto Benvoulin
9 Road

1



2

3

Material laydown encroaching on laneways.

4

5

6



7

8

General activity in yard.



General activity in yard.



Lack of customer and employee parking.



- 1
- 2
- 3 Employees parked on adjacent school property.

KELOWNA
CHRISTIAN
S C H O O L

November 15, 2006



Mayor in Council
City of Kelowna
1435 Water Street
Kelowna, B.C. V1Y 1J4

Dear Mayor and Council,

It is my pleasure to write you on behalf of Kelowna Christian School and in support of the current application being made by Fortis.

Kelowna Christian School and Fortis have had, and continue to have, a long and mutually beneficial relationship dating back to the initial construction of our Benvoulin road campus. We have worked together to manage our two properties in a way that provides a safe working and learning environment.

The increase in traffic (both speed and volume) that has occurred on Benvoulin road in the last two years has brought us to a point however where the safety of staff (both Fortis and Kelowna Christian) parents and students is increasingly in jeopardy of being compromised. As a school, our greatest responsibility is to provide a safe learning environment for our students and it is because of this responsibility that I write to you today.

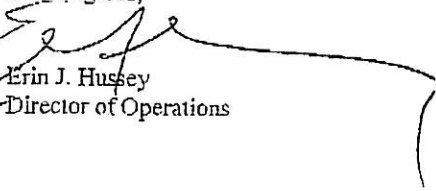
The school parking lot has reached a point of functional failure. The only access to and from the parking lot is Benvoulin road. This creates an extremely dangerous situation both in our parking lot and on Benvoulin road during peak drop-off (8:20 am – 8:40 am) and pick-up (2:55 pm – 3:15 pm) periods. The speed and volume of traffic on Benvoulin often makes it virtually impossible to enter or exit our parking lot. Parents driving northeast on Benvoulin are kept waiting in the left turning lane because there are very few breaks in the traffic in which to enter the parking lot; this in turn creates a backup on Benvoulin road. Parents trying to leave our parking lot and turn right onto Benvoulin are often kept waiting in our parking lot because of the speed and volume of traffic on Benvoulin. This in turn causes a back-up in our parking lot which then makes it impossible for vehicles to enter. A situation is then created where a line up of cars heading southwest begins to form along Benvoulin: a *traffic jam heading both ways on Benvoulin* (see diagram attached).

Our current situation is both hazardous and inconvenient to our staff, parents and students.

Fortis and the school have arrived at a functional solution that remedies the precarious situation we find ourselves in. Fortis has agreed to provide the school access to a controlled road from the school property onto Munson road. An additional entrance and exit to our school property will greatly reduce the congestion caused by being limited to Benvoulin road alone. This development, coupled with additional traffic controls at Munson and Benvoulin is a workable and efficient for all involved.

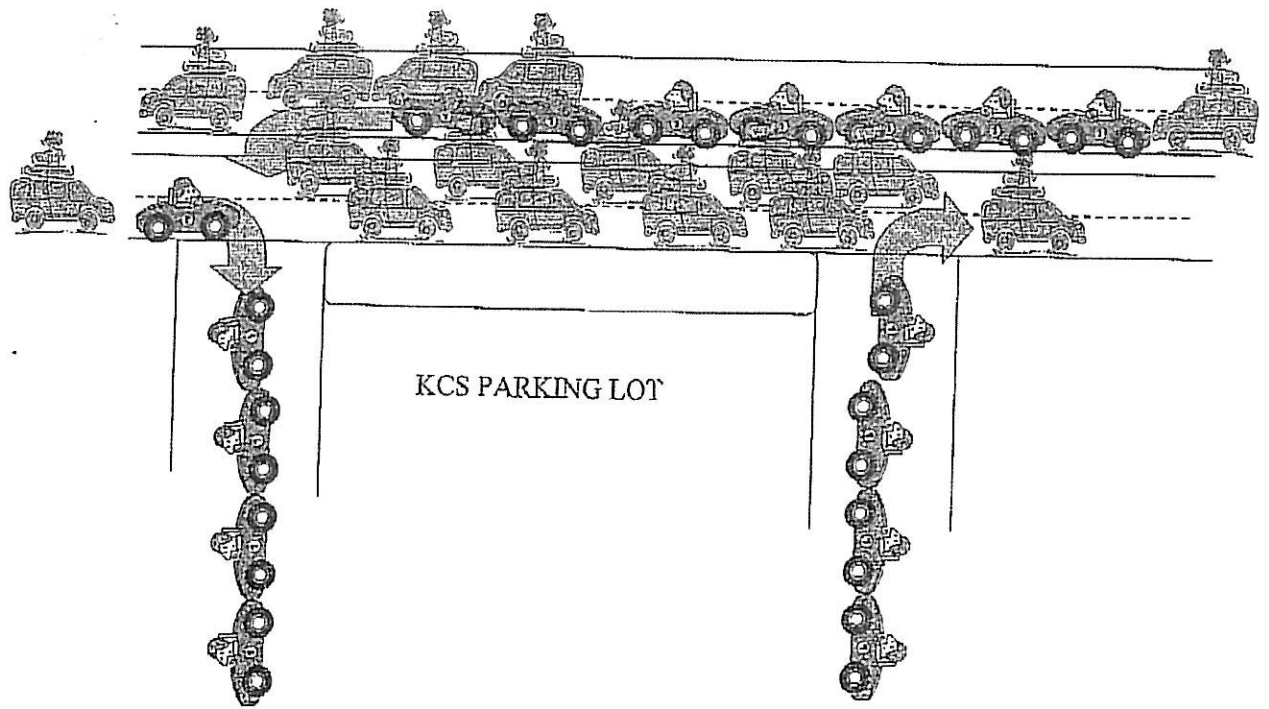
Our city has no greater resource than our young people and no greater responsibility than to their safety. Working together, The City of Kelowna, Fortis and Kelowna Christian School can create learning and working environment that ensures the safety of our staff and students.

Kind regards,


Erin J. Hussey
Director of Operations

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KCS PARKING LOT



KCS
Parent



Local
Driver