

Report to Council



Date: October 26, 2012
File: 1325-10
To: City Manager
From: General Manager, Community Services
Subject: Electrical Utility Restructuring Opportunity

Recommendation:

THAT Council receives the report of the General Manager of Community Services dated October 26, 2012 regarding the public communications and feedback as part of the Alternative Approval Process for the Electrical Utility Restructuring Opportunity;

AND THAT the 2012 Financial Plan be amended to include an additional \$500,000 funded from Electrical Expenditures Reserve to cover the costs for legal and consulting support necessary to complete this process;

AND THAT Council approves the Asset Purchase Agreement with FortisBC in the form attached to the Report of the General Manager, Community Services dated September 17, 2012 that initiated the Alternative Approval Process for the Electrical Utility Restructuring Opportunity;

AND FURTHER THAT Council authorizes the Mayor and City Clerk to execute all agreements associated with the Electrical Utility Restructuring Opportunity.

Purpose: To inform Council of the results of public communication during the Alternative Approval Process and to seek Council approval of the Asset Purchase Agreement and approval for the funding necessary to allow the Electrical Restructuring Opportunity to proceed.

Background:

The City has been moving forward on the Electrical Utility Restructuring Opportunity (the "Opportunity") with FortisBC. The primary goal of the initiative is for the City to move from being a utility owner to utility investor. The key elements of the Opportunity involve the disposition of the City's electrical utility assets to FortisBC for \$55 million, and the subsequent reinvestment of these funds by the City in Fortis Inc. common shares. An additional element of the Opportunity involves the creation of a Mutual Benefits Agreement to allow the City and FortisBC to identify and pursue joint energy projects. The Mutual Benefits Agreement will focus on projects that promote energy conservation, and that make use of alternative energies. As part of the Opportunity, approval of the electorate is required. On September 17th, 2012 Council approved the implementation of an Alternative Approval process to provide the community the opportunity to express their opposition to this initiative.

The City had a primary goal of ensuring the process was transparent and informative to the citizens. Information was provided through a number of channels to inform our citizens and businesses of the City's plans. Advertisements regarding the Opportunity were placed in the Capital News paper and an extensive website was developed including a dedicated e-subscribe. Two public open houses were held on September 25 and 27 with City, FortisBC and our consultants present to provide information and answer questions to the general public. A total of ten individuals came out to these two meetings to seek information. The City and Fortis BC contacted our ten largest electrical customers and seven key stakeholders including Resident Associations and met with those interested to explain the initiative and also explain the differences in electrical rates they would see under this change. Lastly, an information mailer was sent to approximately 15,000 city electrical utility customers to explain the potential upcoming change. Approximately 30 residents contacted the City as a result of that mailer by phone or email. Overall the response was positive. The majority of questions were around changes to utility billing, the investment of funds, and with FortisBC's advanced metering infrastructure (smart meters) implementation. A few individuals expressed opposition to the sale of a public utility.

The implementation of the Electrical Restructuring Opportunity requires significant legal and consulting support to deal with all the complexities of this deal. In the 2011 budget, Council approved \$300,000 from electrical reserves to initiate the negotiation process understanding the total costs could be in the \$700,000 to \$1,000,000 range should it go to full completion. Based on expenses to date and best estimates assuming the process does proceed to full completion, we believe the total costs will be \$800,000, which is in line with the original estimate. We therefore are requesting approval of a budget amendment of \$500,000 which is anticipated to provide sufficient funds to carry this process to completion in March of 2013. The project is funded from electrical reserves and therefore has no impact on taxation.

With the successful completion of the AAP, FortisBC will now seek approval of the BC Utilities Commission for the purchase of the City utility. There continues to be a number of due diligence steps that are ongoing over the coming months. If all steps are successful the targeted completion date that we are striving for is March 31, 2013.

Internal Circulation: Director - Financial Services, Manager - Strategic Land Development, Director - Communications

Financial/Budgetary Considerations: Sufficient funds are available in the Electrical Utility Reserves to cover this initiative

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:



Submitted by:

A handwritten signature in black ink, appearing to read "John Vos". The signature is fluid and cursive, with the first name "John" being larger and more prominent than the last name "Vos".

John Vos, P. Eng.
General Manager - Community Services

c.c: Director - Financial Services
Manager - Strategic Land Development
Director - Communications