

Municipal Operating Agreements

AVICC Briefing

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Introduction: Why are we here?

- 19 of 24 operating agreements on Vancouver Island, Sunshine Coast and Powell River expire in 2012 and will require renewal
- 6 others on Vancouver Island do not have operating agreements



Agenda

- 1) Introduction to FortisBC
- 2) What are Operating Agreements?
- 3) Approach to renewals
- 4) Timeline to renew Operating Agreements



Introduction to FortisBC Energy Inc.

On March 1, 2011 the following corporate changes were made:

- Terasen Gas Inc. became Fortis BC Energy Inc. (FEI)
- Terasen Gas (Vancouver Island) Inc. became FortisBC Energy (Vancouver Island) Inc. (FEVI)



What are Operating Agreements?

Operating agreements cover the following:

- **Construction & Operations**
 - construction, operation & maintenance and relocation of facilities
- **Finance**
 - Provisions for the collection and payment of operating fees; repair and payment when facilities damaged, and definition and verification of costs
- **Legal / Regulatory**
 - dispute resolution through arbitration; notice of closure of public places; no exclusivity provisions; normally 21 year term; mutual indemnity; requires BCUC approval



Pro Forma Interim Municipal Gas Operating Agreement

- BC Utilities Commission approved the Agreement in 1991 for 19 municipalities within FEVI (still in effect for 12 municipalities)
- expires February 7, 2012
- provides for franchise / operating fees if or when permitted by law



What are Operating Fees?

- separate line item 3% tax charged to ratepayers
- collected from ratepayers and paid annually to municipality
- additional to existing 1% payment in lieu of property tax

Interior: Operating fees paid in exchange for streamlined construction and operating processes

Vancouver Island: Operating fees prohibited by legislation, however provided for in Pro Forma Agreement and subsequent negotiated Agreements



Approach to renewal of Operating Agreements

Vancouver Island, Sunshine Coast & Powell River:

- pursue the renewal of 19 operating agreements that expire in 2012, while negotiating agreements with 7 other municipalities who do not currently have agreements
- Only pursue renewal of operating agreements which are expiring in 2012
- use "UBCM" Agreement as approved by BCUC since 2006 to have consistent terms and conditions in all agreements
- streamline construction and operation administration for both the municipality and FortisBC



What we have done until now

- introduced to AVICC (UBCM area association) Conference in 2010
- met individually with most senior staff between March and June 2010
- met with group of senior staff in July 2010
- circulated draft operating agreement to senior staff in August 2010
- met with mayors and counselors representatives in January 2011



Timeline – Vancouver Island, Sunshine Coast & Powell River

