

## **Speaking Notes for AVICC Chair Joe Stanhope for FortisBC Presentation**

***Thank you for the introduction and opportunity provided by Fortis to speak to you today about an annual \$5 Million opportunity for municipalities currently served by FortisBC.***

As your Chairman, I want to talk to you about the opportunity we have before us to gain some \$5 Million in new revenues for Vancouver Island and the Sunshine Coast for some 30 municipalities currently served by FortisBC.

This is \$5 Million a year, beginning in 2014, that can go towards badly needed infrastructure costs, or be used to reduce property taxes.

The opportunity presented us right now is like no other in the past 20 years. As such, AVICC (and Fortis) needs your attention and your assistance to ensure that everything possible is done to make this funding accessible to those eligible municipalities who wish to utilize it.

Some of you have been familiar with this issue for some 20 or more years. For some of the newly elected in attendance, this will perhaps be new information. Because this issue is time sensitive, Fortis and AVICC wanted to ensure that you,

as the leaders of your community, are aware of this issue, and what steps need to be taken at this point. This issue directly affects AVICC municipal members, and indirectly affects us all related to gas rate structure and clean fuel alternatives.

Working in cooperation with Fortis, we currently have the opportunity to implement the gas operating fees (previously known as franchise fees) which were unilaterally taken from AVICC municipalities in 1990 by the Provincial Government of the day without consultation, or even prior notification. These fees are over and above the 1% fee already paid by Fortis for property taxes. These monies have been available to other competing jurisdictions throughout BC (except those within METRO) throughout the past 60 years, and these competing municipalities (as Nanaimo Mayor Gary Korpan used to tell us all regularly) have received tens of millions for their taxpayers over 20 years, when our citizens within AVICC have received exactly zero (some of us were previously receiving the 3% fee when it was removed by the Province). As a result, property taxpayers within AVICC municipalities have had to make up these forgone revenues to the tune of some \$5 Million per year. We now have the chance to correct that historic inequity. AVICC, Fortis and various municipal members are working on an integrated, three part program to see this funding potential available in 2014 to

most municipalities (Oak Bay and Esquimalt are exceptions due to their history) within AVICC, should your community choose to access them.

The three integrated components are designed to work together to allow for the collection of these fees, while at the same time allowing for a large reduction in current gas user costs.

To do this, the first component requires implementation of the proposal to introduce common rates currently being pursued Province-wide by Fortis. This initiative will set gas prices at one rate across the entire Province and, fortuitously, results in 25% plus reductions for all gas users within the AVICC service area. If the 3% operating fee is implemented at the same time as the introduction of common rates, the net change consumers will see in their gas bills within AVICC still represents over a 20% drop in gas costs while providing municipal members with badly needed new revenues. This ability to apply the 3% fee with no increase to the users makes the proposal politically viable. More importantly, for both Fortis and ourselves, because of the nature of the capital requirements related to the Vancouver Island Gas Pipeline Project, without the introduction of common rates gas costs on Vancouver Island are anticipated to go

up 20% to 40% - *including commercial operations*. This includes Regions and municipalities themselves, which operate various types of recreational facilities which are large consumers of natural gas. So this initiative is critical for us. For costs to go down within AVICC however, they have to go up in varying degrees on the Mainland. Obviously, we in AVICC need to strongly represent our areas' best interests. We can certainly expect others within UBCM to speak to their own self-interest, so it is important that we are also heard.

In addition to the financial benefits to both gas consumers and property taxpayers, it is well established that natural gas is a vastly cleaner option for our environment than other fossil fuels. It is in everyone's interest to promote lower gas rates, which can incent movement away from oil. Consequently, even though operating fees can only directly benefit municipalities [Technical Note: because only municipalities have road costs affected by gas installations], all AVICC members should be following this issue and be concerned about it as a strategic priority.

The second component required for the 3% new revenue initiative to succeed, is for the government to alter the legislation which placed AVICC municipalities at a

disadvantage relative to most of the rest of BC in the 1990s. This change effectively obligated all property taxpayers in municipalities within AVICC served by gas to subsidize the provision of gas, whether or not they were personally connected. AVICC is working on that part of the program on your behalf. A legislative change will allow the implementation of operating fees for all those municipalities who wish to access these monies.

The funding, as I mentioned, represents some \$5 Million a year in new monies into the AVICC area if everyone eligible participates, beginning in 2014. By way of example this is:

\$700 k/yr. to Nanaimo

\$900 k/yr. to Victoria

*Carol Greaves is in attendance and has the estimated potential new revenues to each eligible jurisdiction.*

In many cases these numbers represent roughly 1% of property tax revenues so they are significant.

The third critical component is the operating agreement discussion itself. This discussion is being coordinated and led on the municipal side, on your behalf, by Nanaimo City staff, with special thanks to Mayor John Ruttan and his Council. The

operating group discussion has been underway collectively now with Fortis since September 2011 and all municipalities have been invited and encouraged to participate. This discussion has already yielded dividends in the improved ongoing working relationship, level of understanding, and communication between Fortis operating personnel and your Engineering/Public Works Departments. The hope is that we will arrive at a “made within AVICC” model based upon the agreements in place elsewhere in BC where operating/franchise fees have been in place for decades. These discussions are well advanced and are ongoing. Many of you have staff attending these sessions, while others are planning to rely on the work being done on your behalf. In this way, AVICC’s larger municipal members are supporting the smaller members who have less capacity to actively participate. The model agreement will be applicable to all those who choose to make use of it.

The reason I am speaking to you today is because this is a long-term serious concern of AVICC with a long history of resolutions calling for corrective action. After 20 plus years, we are now finally seeing some progress on this file and there is light at the end of the tunnel. We don’t want to miss this time-sensitive

opportunity because it is supplanted by other seemingly more urgent priorities. This matter is now urgent itself.

In order for the opportunity to be available to eligible members, all three pieces of the strategy have to come together simultaneously. If the pieces do not come together simultaneously; or one of the three components is not realized, the window will be closed. We could then all be facing unacceptable escalations in gas costs and, therefore, general property taxes. Once common rates are implemented, the opportunity to implement the 3% fee will be much more difficult to realize. In fact, in we believe the opportunity would then be lost forever.

Accordingly, I am bringing this matter once again to your attention, and announcing to you today, that in order to make this a priority, FortisBC has assigned Jerry Berry Consultants Inc. to work with and on behalf of AVICC to do everything possible to make sure this opportunity is advanced. As City Manager of Nanaimo when the Vancouver Island Gas Pipeline Agreement was announced, and for 20 years following when Nanaimo's Mayor and Council championed this

issue right up to today, Jerry is uniquely placed to assist AVICC with the staff coordination capacity and leadership role on this file.

FortisBC reps are in attendance today, as is Jerry, and they are available to respond to any questions you may have. As I mentioned, Carol Greaves of FortisBC is here and has the individualized estimates for your municipality.

So, what do we need from you?

1. We need you to provide your jurisdiction's support to FortisBC for the introduction of common rates. There is an application currently before the BC Utilities Commission and Fortis is currently soliciting written support from members, and needs to be obtained by approximately mid-May. Many of your Councils have already provided support letters. This is support for lower costs to the gas consumer and support for and more – affordable cleaner energy alternatives. Thanks to those of you who have already stated your official support, like Saanich and Qualicum Beach. (list others)

2. Secondly, we need your support to make your staff's participation in reaching operating agreements a priority by September, 2012.

We want everyone, especially newly elected members and new staff to be informed and aware. To this end, Fortis and AVICC will be holding a parallel session to this one for municipal CAO's, and other appropriate staff at the Annual LGMA Conference on Wednesday, May 16<sup>th</sup> in Victoria. Staff will shortly receive invitations to this event.

3. Finally, we need you to support efforts on legislative change when called upon to do so by AVICC. The timing for this depends upon the state of the other two pieces.

I would like to thank FortisBC for being highly responsive to the long-term concerns identified by both AVICC and many of your individual jurisdictions about fee payments and equity under the Vancouver Island Gas Pipeline Agreement. I want to make particular reference to Nanaimo's long-term vigilance and advocacy and thank the City of Nanaimo again for volunteering to coordinate the municipal staff operating group discussions.

Together AVICC and FortisBC are looking to forge a much better working relationship for the next 20 years. A relationship that will hopefully assist greatly in lowering costs to gas users, and to taxpayers and in providing a cleaner fuel alternative throughout Vancouver Island and the Sunshine Coast.

Thank you.

*Fortis reps and Jerry are here for the day and are happy to respond to any questions you may have.*