

For electronic distribution – October 28, 2014

**Re: AVICC Member Update - Introduction of Changes in Legislation to VI  
Natural Gas Pipeline Act & Status of Model Operating Agreements**

*Please forward to Mayor and Council, Chair and Board and CAO.*

Attached is an October 23, 2014 Provincial News Release on the proposed changes to legislation to repeal Section 7(5) of the Vancouver Island Natural Gas Pipeline Act in order to permit collection of operating fees within the AVICC region.

AVICC is very pleased to advise that all 26 of our municipal members, who are served by gas, have approved the model natural gas operating agreement that will authorize the collection of a 3% operating fee beginning in March 2015. We appreciate the immediate response to AVICC's request for action. Thank you to Paul Murray, CAO of Saanich and Jerry Berry, Consultant with FortisBC and the municipal staff who have worked diligently to get these agreements in place.

The paperwork is now being processed through FortisBC to prepare an application to BC Utilities Commission (BCUC) to approve the agreements. By having all 26 agreements signed, AVICC can present a unified position to the BCUC.

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Iris Hesketh-Boles

Executive Coordinator

Association of Vancouver Island & Coastal Communities (AVICC)

525 Government St, Victoria, BC V8V 0A8

Tel: 250-356-5122 Fax: 250-356-5119

EM: [iheskethboles@ubcm.ca](mailto:iheskethboles@ubcm.ca)

[avicc.ca](http://avicc.ca)

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## NEWS RELEASE

For Immediate Release  
2014MNGD0073-001602  
October 23, 2014

Ministry of Natural Gas Development  
Minister Responsible for Housing

### **Change supports municipalities and natural gas service**

VICTORIA – A proposed change to provincial legislation will support municipalities on Vancouver Island and the Sunshine Coast and improve natural gas service in their communities.

The provincial government introduced an amendment to repeal Section 7(5) of the Vancouver Island Natural Gas Pipeline Act, which currently prevents local governments on Vancouver Island and the Sunshine Coast from collecting franchise fees – typically a 3% charge on customers’ bills collected by the utility company and paid to the municipality.

Under a common rate system, this will no longer be necessary as natural gas rates will drop substantially for these communities, keeping natural gas rates competitive on Vancouver Island and the Sunshine Coast.

Franchise fees are an important revenue source to help municipalities cover the costs of natural gas infrastructure in their communities. Costs that can include permits, inspections, gas relocation costs for municipal projects and wear and tear on municipal infrastructure.

The change comes at the request of local governments that asked the Province to address the fee restriction.

Currently, customers on Vancouver Island and the Sunshine Coast pay approximately 27% more for natural gas delivery than customers in the Lower Mainland or Interior. Adding additional fees would have discouraged natural gas use in communities already paying higher rates.

The decision was enabled in May 2014, when the Province approved a British Columbia Utilities Commission recommendation to amalgamate three FortisBC Energy Utilities and implement a common rate structure that will establish consistent natural gas rates for most FortisBC customers throughout British Columbia.

FortisBC intends to go to a common rate in January 2015. Under the common rate system, natural gas rates in communities served by the Vancouver Island Pipeline will drop by approximately 25% over three years. A change that will more than offset the new fees.

#### **Quotes:**

#### **Rich Coleman, Minister of Natural Gas Development –**

“Allowing franchise fees will create a more equitable relationship between the municipality and the utility and create lasting benefits for residents on Vancouver Island and the Sunshine Coast, with natural gas customers in these communities seeing the greatest benefit from the move to common rates.”

**Joe Stanhope, Regional District of Nanaimo chairperson and past president of the Association of Vancouver Island and Coastal Communities –**

“I would like to thank the Province for being so responsive to our concerns. We are delighted to see the introduction of these legislative amendments that will benefit the AVICC economy and promote greener energy alternatives.”

**Learn More:**

For more information about common rates visit: [www.fortisbc.com/commonrates](http://www.fortisbc.com/commonrates)

Visit the BC Utilities Commission website at: <http://www.bcuc.com>

**Media Contact:**

Sandra Steilo  
Ministry of Natural Gas Development  
250 952-0617

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