

Subject: AVICC Member Update - Fortis Common Rates Implementation / Operating Fees

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From: Liz Cookson

To: Liz Cookson

Please forward to elected officials and the CAO.

A number of AVICC members have asked for help with the recent billing from Fortis that first introduced the Operating Fee at 3% (specifically it is 3.09%). We hope the attached circular from Fortis as well as this brief summary helps AVICC members to respond to questions they may now be receiving from some citizens receiving Fortis bills.

Fortis is not in a position to discuss the Operating Fee in conjunction with the Common Rates issue. To them they are totally separate issues. However, to the consumer and to your citizens obviously this down / up application of rate changes is confusing.

On top of that, Fortis sent recent bills out using the term "Franchise Fee" which is incorrect. Municipalities have a different mechanism to impose Franchise Fees. In practice, no "Franchises" technically exist or can exist. This is an **Operating fee** under the standardized Operating Agreement that all AVICC municipalities signed after vetting by AVICC's lawyers and approval of the form agreement by the BCUC.

Municipalities entered into these agreements after a 30 year lobby to do so because:

1. It restores equity with the rest of BC outside METRO Vancouver. Municipal taxpayers outside AVICC have received literally millions and millions in dollars in revenues over the 30 year period AVICC was prohibited against doing that under Provincial Legislation.
2. It restores internal fiscal equity. (Non-gas users should not be subsidizing gas customers in their property taxes – there are real costs to municipalities associated with gas distribution and, in the absence of Operating Fees, the general taxpayer pays these, whether benefitting from gas or not.)
3. Jurisdictions within AVICC are promoting clean energy. Natural gas is one of the cleanest energy sources available. Increased gas utilization associated with Common Rates reductions will hopefully lead to more infill extensions and less use of other "dirty" fossil fuels. The costs associated with municipal impacts of this clean shift are what Operating Fees help pay for.
4. Municipalities have significant costs associated with roads which Regions do not have, as roads are the responsibility of the Province. The Operating Agreements are exclusive to municipalities who have to maintain and construct roads following gas service cuts.
5. Municipal Councils knew that the common rates implementation process that was happening in parallel would mean that the 3% increase would be net of a parallel reduction over three or four years that will, it is expected, when fully implemented exceed a 20% cumulative REDUCTION. One of the reasons that Councils were able to pursue the benefits under 1-4 above was specifically because they knew the 3% increase would be entirely and significantly

overshadowed by this parallel very large reduction in overall cost to the consumer as AVICC is brought in line with the rest of BC.

Those are the key arguments which convinced every municipality to approve Agreements in late 2014. These Agreements included the 3% fee to be collected by Fortis. Fortis is complying with its agreement in collecting the fee on behalf of municipalities. This decision was unanimous within AVICC.

Of course, the complaint we are now encountering, regardless of the policy justification, is that gas customers are seeing a new 3% fee. Yes they are. This is exactly as Council's approved. (Except that it is an Operating Fee and specifically NOT a Franchise Fee – Fortis will correct that error on future billings)

As it happens however, this is on top of a 13% REDUCTION that was applied to residential customers on January 1st. So the net real world effect happily is a 10% reduction. For small and large commercial taxpayers the net reduction is on a reduction of 31% and 21% respectively. So, practically a 28% REDUCTION and a 25% REDUCTION respectively this year for businesses. It is human nature that some people will look at this latest bill and see only the increase and ignore the 13% earlier decrease, but those are the facts.

In addition there are more up-coming common rate reductions planned in the next several years. The first proposed for January 2016 is ANOTHER 3% REDUCTION for residential. With more following that as determined by the BCUC.

The bottom line is that AVICC municipalities lobbied for this for a very long time for some excellent and persuasive reasons. These reasons stand on their own merits, but as it happens, AVICC was creative enough to achieve its public good objectives at the same time as consumers are able to enjoy a net (13% reduction less 3% operating fee) double digit rate reduction of 10 % in 2015 with the prospect of further reduction in the years to come.

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