

# Letter of Comment

Name (first and last)

John Essex

Date:

3-Aug-17

Comment: Please specify the reasons for your interest in the proceeding, your views concerning the proceeding, any relevant information that supports or explains your views, the conclusion you support and any recommendations. The Commission may disallow comments that do not comply with the Rules of Practice and Procedure.

As a Surrey FortisBC natural gas customer and property tax payer (and, therefore, interested party), I am writing this statement to express my objection to the imposition of an Operating Fee on Fortis BC natural gas bills for Surrey customers as proposed by both The City of Surrey ("the City") and FortisBC Energy Inc. ("FEI") in their applications to the BCUC for approval of a new Operating Agreement within the City of Surrey.

I justify my objection to the proposed Operating Fee based upon the following:

- If a new Operating Fee is approved by the Commission, it would represent a new and incremental source of fee/tax revenue for the City. Currently, as I understand it, the City compensates FEI for costs related to the relocation of its infrastructure as required to accommodate new development projects, etc. As indicated in their proposal, the new Operating Fee is intended, at least in part, to compensate the City for those costs. Further, I would presume that the City and therefore its property tax payers are presently paying relocation costs to FEI from current revenue sources (including property tax revenues). There is no discussion whatsoever in the City's application indicating how the proposed Operating Fee, if approved, would be used to offset its revenue requirements from other sources (i.e., a property tax reduction). In the absence of any such discussion, and knowing that relocation costs are already being covered from existing revenue sources (excluding any new Operating Fee), the City has failed to justify why a new and incremental revenue source is even needed. Yes, it would be nice to have a new revenue source, but is it actually required as a financing/revenue source for the City.
- The City gives virtually no data to indicate what the proposed Operating Fee, if approved, would generate in estimated total incremental revenues. The City indicates in its application that Surrey has a population of approximately 520,000. There is no indication of the number of properties paying for natural gas from FEI within the City, but I would estimate that a figure representing at least one-quarter of the City's population, or 130,000 (residential only) properties are paying for natural gas to be provided by FEI in the City (this is likely lower than actually the case). Assuming that the average natural gas customer in the City pays an average \$100 per month (likely low) for their total gas bill over the course of a year, then I estimate that the new Operating Fee would, conservatively, bring an additional \$4.68 million per year in incremental revenues to the City. This figure exceeds, by a significant margin, the indicated level of relocation costs reimbursed to FEI by the City over the past six years (average \$900,000 per year). I submit that the City's proposed Operating Fee bears no relation to the actual costs that the City is proposing to recover via such an Operating Fee - not even close. Therefore, the City's proposed Operating Fee is a substantially unjustified and opportunistic attempt to garner incremental revenues for the City, which they have stated will be used to cover costs currently reimbursed to FEI out of existing City revenue sources.
- What other municipalities may be charging in the way of Operating Fees via natural gas bills for residents within their municipalities (after BCUC approval), and stating that "Surrey has incurred more than half of the total costs of all municipalities in the province in relation to relocating FEI pipes to

accommodate municipal works” are interesting observations, but they do very little to justify the City imposing such a new incremental revenue source, and particularly the quantum of such new revenues, via an Operating Fee. The City argues that other BC municipalities charge Operating Fees via FEI so therefore they should be able to do exactly the same. To respond to this, I would offer a similar argument by stating that many BC municipalities, including apparently all municipalities in Metro Vancouver, do not currently believe that it is necessary to charge any Operating Fees so Surrey shouldn't charge any either - and I would further argue, in exactly the same manner as the City has, that my “requested terms are largely the same in principle as the operating terms the Commission has reviewed and/or approved in respect of several other municipalities (who don't charge such Operating Fees) in the province”. Further, I would suggest that the reason that “FEI does not support an Operating Fee of 3%” is perhaps because FEI may understand and appreciate that the City has not attempted to, in any reasonable manner, justify the quantum of the fee that the City is proposing to impose compared to other municipalities and/or compared to the costs it is trying to offset.

- What are the City's relocation costs as a proportion (percentage) of its overall annual non-capital costs, and how does this proportion compare to similar figures for the 70 municipalities in the province which have imposed Operating Fees? I would expect that the City reimbursement to FEI represents a very modest proportion of the City's overall annual non-capital costs, especially compared to the 70 municipalities where Operating Fees are imposed - but, the City has provided no data to allow interested parties to draw any conclusions in this regard. Such data must be considered relevant to establishing and justifying the quantum of any Operating Fee considered by the Commission.
- The City concludes that “With respect to the Operating Fee and Relocation Costs items, Surrey believes that its requested terms are consistent with provincial standards and therefore are reasonable.” So, does this imply that the Commission has specified that a 3% Operating Fee chargeable to natural gas customers of FEI in BC is now the “provincial standard” and is therefore “reasonable” in the case of the City? I think not, and would respectfully argue that if the Commission has specified such, it has erred in properly discharging its mandate. So-called Operating Fees are but one mechanism for municipalities to legitimately recover costs. Such fees should not be imposed simply to generate incremental revenues, especially without having some clear relationship to relevant (and only incremental?) costs intended to be offset.

In conclusion, I submit that there is no reasonable basis or justification to support the imposition of the Operating Fee as proposed by either applicant, but especially in the quantum proposed by the City, for the reasons outlined above.

Accordingly, I recommend that:

1. The Commission deny the applicants' requests for the imposition of an Operating Fee on FEI natural gas customers in the City; or in the alternative
2. If an Operating Fee is imposed by the Commission, that the quantum of any operating Fee be set at a level that bears a justifiable relationship to the costs that the fee is intended to offset, and further that the City be required to specifically communicate to its property tax payers that it has received new and incremental revenues in the amount of \$xx million as a result of the imposition of the Operating Fee to cover costs that were previously paid for from other City revenues.

Thank you for this opportunity to provide my statement and I look forward to hearing of the outcome of this

application process.

Respectfully submitted,

John Essex