Corporation of the City of NEW WESTMINSTER

Utility Commission

MINUTES

Tuesday, October 24, 2023, 1:00 p.m.
Committee Room 2
City Hall

PRESENT

Mayor Patrick Johnstone	Commissioner
Councillor Paul Minhas	Commissioner
Sally Bhullar-Gill	Commissioner
Maya Chorobik*	Commissioner
Lino Siracusa	Chair/Commissioner

REGRETS

Lisa Spitale	Commissioner

STAFF PRESENT

Ronald Au	Senior Financial Services Analyst
Rod Carle	General Manager, Electrical Operations
Steven Faltas	Business Process Manager, Electrical Operations
Carilyn Cook	Committee Clerk

*Denotes electronic attendance

1. CALL TO ORDER AND LAND ACKNOWLEDGEMENT

Lino Siracusa opened the meeting at 1:00 p.m. and recognized with respect that New Westminster is on the unceded and unsurrendered land of the Halkomelem speaking peoples. He acknowledged that colonialism has made invisible their histories and connections to the land. He recognized that, as a City, we are learning and building relationships with the people whose lands we are on.

2. CHANGES TO THE AGENDA

None.

3. REPORTS AND PRESENTATIONS

3.1 2024-2028 Electric Utility Rates

Ron Au, Senior Financial Services Analyst reviewed the PowerPoint presentation titled “Electrical Utility: 2024-2028 Proposed Utility Rates” which outlined three options as follows:

- Option 1: Status Quo – Existing 2.8% annual rate increase from 2024-2028;
- Option 2: Escalating Increase in Rates – Increasing rates overt time to fund new Capital; and
- Option 3: New Consistent Rates – Balanced and consistent annual rate increase incorporating new Capital.

In response to questions from Commission members, Mr. Au, Rod Carle, General Manager, Electrical Operations, and Steven Faltas, Business Process Manager, Electrical Operations, provided the following comments:

- Growth was not accounted for – this is off the existing situation; however, work is being done to put some framework in place for developers to fund growth;
- Voltage conversion would be a general improvement and would be a benefit to all tax payers;
- Currently, all new developments pay a capacity charge based on the size of the transformations they are putting into their development. This was a fee that came in 2015 with respect to the hospital;
- Typically, developers are asked to pay all costs for all their service;
- It is anticipated that staff will coming back in January/February 2024 with a potential change to the current bylaw around development charges and that it would be almost double what would be charged today;
- The hospital required one complete feeder which was around $3 million which the hospital paid. In order to apply this lump sum to new development, it was converted down to a capacity charge based on size of the transformation they are putting in, which is an easier and more accurate calculation than just doing the actual cost;
- Some discussion has taken place with the City’s Senior Management Team regarding developers paying for growth;
- As we now know that the new substation in Queensborough cost $30 million, we have more of an accurate number than before as over the last 50 years we have always used the two existing substations;

- A steady rate increase over 5 years helps to eliminate rate shock. If the increase is applied all in one year, there will be a rate shock of eight to nine percent;
- The five to 10 percent on reserve is being held off until we have full control of our asset management, which will be addressed in 2024 with the new asset manager;
- The assets may be understated but we did not want to make any increases until we were certain;
- Potentially we could have $100 million worth of new costs in 2029/2030 and we believe that it is prudent to start trying to collect funding towards that now as opposed to waiting;
- Water and sewer are also stimulating a need to increase rates and, while we do not yet have an Asset Management Plan, there will not be as much rate shock if we increase rates now;
- From a status quo perspective, and with some rate increase, monies coming in from upcoming property developments flow through to the reserve;
- Option 2 shows escalating rates the further you delay out, and delaying even further will result in an even higher slope of impact on people in the future. Setting rates today will help us prepare for asset management and help lessen the slope;
- Option 3 provides an opportunity to offset some rates in the future and stabilize what the rate payer will need to pay over time;
- In Option 3, we have captured in the Operating Revenue, some of the growth that is anticipated but have not included 100 percent of all the capital that could be required if 100 percent of the developments come to fruition. The capital has been scaled it to what we could deliver on in the next five to seven years;
- Additional capital will also likely be required from 2030 to 2040 which has not been included, in the scenarios where all of these master plans do happen;
- The goal is to balance addressing a worst case scenario with the status quo and no increase, which is not realistic, and things going as planned;
- We had capacity for the last 30 to 40 years and have relied on that capacity for that time and the residents who have been paying into the utility in that timeframe have benefitted from not paying added capital to supplement the infrastructure. The City has not invested in substations or additional metres or expansions since the 1980s and we have now run out of capacity to build for an electrified future growth;

- In the 1980s there was no rate increase for 10 years;
- There is a lot of complexity to this and staff are sensitive to the idea that in a month we have to establish rates, and we are looking at a one year out study to address such things as pricing strategies with respect to electric vehicles;
- Regarding electric vehicle charging and revenues, basically the rates cover the maintenance of the current chargers so it is currently revenue neutral;
- Staff will be coming back to the Commission with suggestions and recommendations for those with a lower income;
- The City would most likely go to a time of use system once all of the metres are in before adjusting to a two tier rate program such as what BC Hydro offers. At the time that BC Hydro offered a two-tier rate system, it was still more appropriate for New Westminster to remain on a one-tier system as our customer profile is the exact opposite of BC Hydro's;
- Electric vehicle charging rates are every year in a five-year plan. Rates will be adjusted appropriately;
- District energy has been captured a bit in the Capital Plan but staff did not include the minute amount for voltage conversion;
- We know there is something coming, we cannot quantify it 100 percent, and we do not want to get to the position where we have depleted our reserves or we are implementing a 10 percent rate increase. We are trying to balance what we do know with what we do not know and avoid a large rate increase because we have not started today with smaller, incremental increases;
- In terms of the average household using 1,000 kilowatts, 2.8 percent would amount to approximately a $45 increase to the average consumer, with 3.5 percent amounting to approximately $57 annually;
- The simplified model of Option 3 suggests that there are pathways to address the unknown, which we cannot yet share information about because we are still studying it, but not doing something today increases the risk escalated rates in the future;
- If we stay with the existing plan 2.8 percent is sufficient but will not allow the City to put money aside for unexpected expenses;
- The 3.5 percent is the highest increase based on the assumptions that were provided;
- If we go with 3.3 percent we would end with reserves of approximately $22 million and ideally we would like a progressive 5 percent, and once staff report back with more information, this may all change from 2025 to 2029;
- The climate levy was put in before the City got the Provincial funding for the carbon offsets and it was to build a fund to pay for climate-related

infrastructure and initiatives but now that may be changing with the potential of annual revenue coming in from carbon offsets; and
- One thing that has not been done at all in this model is to assume anything with regards to the carbon offset revenue. This would be a point of discussion in the future.

Discussion ensued and Commission members provided the following comments:

- Consideration needs to be given to taxpayers paying today for something years in the future, which they may not benefit from;
- We cannot lose sight of what the impact of an increase may mean to the end user as many residents are already challenged with inflation and high interest and mortgage rates;
- We are reacting to things that were not addressed years ago;
- The rate fee structure is supported so as to not have exorbitant costs on future repairs;
- Different rates for electric vehicle charging, such as what BC hydro has introduced, would provide an opportunity to make money;
- Consistent rate increases is the most comfortable option as it allows us to support our reserve and capital needs in a way that does not push too much to the future;
- There are a lot of unknowns about rate setting in the next five years as we do not know what will happen with BC Hydro rates, the pace at which developments are going to come on, or how we may want to restructure rates once Advanced Metering Infrastructure (AMI) is integrated;
- People are voicing their concerns every day about burdening the cost of growth on current homeowners and that we need to build new infrastructure to support growth that is happening in the region; however, that conversation is quickly changing in the region;
- It was announced today that we would not receive any housing funding from the Federal Government if we continue to increase DCCs and increase the cost of infrastructure on new housing as doing so will not facilitate affordable housing. It is not clear what that will mean locally;
- We need to work on getting our reserves into a comfortable place and planning for the costs that we know are coming, even at a low growth;
- The steady increase model is good but it is risk averse;
- We need to be transparent with our assumptions that are going into building a different rate model and they need to be in alignment with our policies and principles and they do not appear in here in a way that people can discuss them. This is a governance issue;

- As we are studying what our needs are going to be over the next 20 years, we need to include things such as the best practices for asset management and putting the capital program into the rates, offsetting current growth projections against existing users, as well as what is usually put towards maintenance;
- It is important for Council and the community to know what has gone into this and what is involved in order to allow them to support planning for the future and unknowns and to understand the policy questions that have gone into building this model in a way that they can participate;
- Rate payers will want to know how much they are contributing to assets and how much future rate payers would also be paying for them;
- Time must be taken to walk the community through how rates and rate increases are determined;
- More information on the replacement value that staff are looking to set aside would be helpful;
- In addition to the three options, the Commission can recommend that staff come back to the Commission with a more fulsome report with the assumptions; however, time is of the essence so a rate needs to be recommended now for 2024. The number for 2025 can be determined later;
- Given that we know there will be large expense down the line, we do not want to approve rates that are too low and create unexpected consequences that have to be addressed later;
- We should go with an increase somewhere in between 2.8 percent and 3.5 percent;
- It seems like the right time to review capital items and see if they can be moved;
- We need to be very explicit to Council and the community that over 2024 we are going to be doing a lot of capacity, capital analysis that will be brought back to inform future rates; and
- Once we are ready to share that this significant analysis is being done, it can be included on an insert with the tax notices as well as with the utility invoices.

MOVED and SECONDED
That the Utility Commission recommends Option 3 with the change in 2024 to a 3.3 percent utility rate increase and that over 2024, staff will conduct a full capacity analysis to be brought back to the Commission.

Carried.

All members present voted in favour of the motion.

4. NEW BUSINESS

None.

5. END OF MEETING

The meeting ended at 2:13 p.m.

6. UPCOMING MEETINGS

Next meeting scheduled for:

- April 4, 2024 Joint meeting with Council (tentative).

Certified correct,

Lino Siracusa, Chair	Katie Stobbart, Committee Clerk