Recommendation:

Administration recommends that Council approves the sale of our Electrical Distribution system to ensure reliable, safe and a liability-free service to all Town of Fort Macleod residents.

Information:

2016 Municipal Affairs inspection report

“That Fort Macleod council consider immediate options for the operations of the town’s electrical system to ensure that a dependable system exists and to minimize the risk of failure of this critical infrastructure.”

2016 Fortis Electrical Distribution Assessment

At the request of Town Council and Administration, FortisAlberta Inc. performed an assessment of the Town’s electrical utility. The result of the 2016 assessment supports that the utility is depreciated and in need of large amounts of capital spending over the next 5-10 years.

January 23, 2017
In-camera.

May 23, 2017
In-camera.

June 26, 2017
Administration recommended that Council accepts FortisAlberta’s Indicative Offer as presented. The indicative offer presented is valid until Dec. 31, 2017. (Attachment 1)

July 24, 2017
Administration recommended that council resolves to have the question “Are you in favor of The Town of Fort Macleod selling the Town’s Electrical Utility system to Fortis Alberta Inc.” on the 2017 Fort Macleod Municipal Election ballot. (Attachment 2)

Public Engagement:

The Town of Fort Macleod along with FortisAlberta Inc. hosted 3 open houses (listed below), posted 5 full-page ads in the Fort Macleod Gazette with information regarding electrical distribution and the sale (Attachment #5) and sent out a Frequently Asked Questions insert in the September utility bill. (Attachment #6)

#1 Thursday, July 27, 2017
#2 Wednesday, August 30, 2017
#3 Tuesday, September 26, 2017
Results from the public surveys:

Mail Out Survey: (Attachment #8) Phone Survey (100 respondents):

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mail Out Survey</td>
<td>13</td>
<td>22%</td>
</tr>
<tr>
<td>Phone Survey</td>
<td></td>
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</tr>
<tr>
<td>Maybe</td>
<td>13</td>
<td>Undecided 55%</td>
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<tr>
<td>No</td>
<td>9</td>
<td>No 17%</td>
</tr>
</tbody>
</table>

During the 2017 municipal election the residents of Fort Macleod were asked to answer the question “Are you in favor of The Town of Fort Macleod selling the Town’s Electrical Utility system to Fortis Alberta Inc.” Yes or No.

Yes - 463 49%
No - 717 61%

Conclusion:

Electrical revenues can be volatile and hard to budget for. With the offer from Fortis the Town Council can implement a franchise fee that is guaranteed and consistent revenue. Town council would set the rate of the franchise fee the average among communities is 10-15%. The inconsistent revenue from the balancing pool rider was a major factor in negative budget variances for the 2016 operational budget.

Town Administration believes that the risks of owning and operating an electrical distribution system, especially one as old as Fort Macleod’s, far outweigh any perceived benefits of owning and operating it. FortisAlberta Inc. would operate the electrical distribution system in a prudent and businesslike manner. The residents of Fort Macleod would receive electrical services as they always have, but the service would be stable and secure as FortisAlberta Inc. has the business knowledge and the capital to perform the necessary upgrades to the system in a timely and cost-effective manner.

Options:

1. Sell the electrical distribution to FortisAlberta Inc.
   - Total Purchase Price to be paid by FortisAlberta Inc. to Fort Macleod for the Distribution System Assets is $4.77 million plus material.
   - Implement a franchise fee that would be set by council, a typical franchise fee is set at 15% which would provide an estimated $318,000 annually.
   - Current electrical employees offered a position at FortisAlberta Inc.
   - FortisAlberta Inc. performs infrastructure improvements and applies their maintenance programs. These costs as well as investments in new services are already included in their rate structure.
   - Transfer of all legal and regulatory responsibility and risk for the ownership and operation of the electric system (financial, environmental and system performance).
   - Service level agreements with penalties payable to the Town.

2. Keep the Electrical Distribution System:
- Provide approximately $2 million in extensive capital infrastructure improvements, to ensure the safety and reliability of the system.
- Implement an aggressive capital spending plan that would replace unreliable and outdated infrastructure within two years.
- Increase distribution rates to cover the increased cost of maintenance and capital upgrades.
- Implement preventative maintenance programs – to reduce power outages.
- Implement design and engineering standards – professional resources required.
- Implement environmental standards – professional resources required.

3. Keep the electrical distribution system and hire a contractor to run and maintain it.

  - Create an arm's length corporation similar to Enmax to maintain and run the Electrical Distribution System.

**Staff Capacity:**

Susan Keenan – CAO  
Kris Holbeck – Director of Financial Services  
Justin MacPherson – Director of Operational Services  
Brian Harrison, Fabian Berg and Mark Leeds – Electrical Staff

**External Participation:**

Fortis Alberta Ltd.  
Kevin Phillips

**Enclosures:**

1. July 24 Submission to Council  
2. June 26 Submission to Council  
3. Fort Macleod Electric Utility Assessment  
4. Fortis Alberta Indicative Offer  
5. News Paper advertisement 09-11-17 - 10-11-17  
6. FAQ for Septembers Utility Bill  
7. Open House Hand-Out  
8. Mail-Out Survey for the August Utility Bill  
9. 4160V Background Handout  
10. 2017 Electrical Department Asset Summary  
11. 10-year capital plan  
12. Rates By-Law  
13. Historic Operating and Capital Results