

TO: UBCM MEMBERS  
FROM: UBCM EXECUTIVE  
DATE: September 23, 2001  
RE: **ENERGY FORUM WORKING PAPER**

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## A. INTRODUCTION

Over the past year energy has become an issue for everyone, including local governments. Upon reviewing the 18 resolutions submitted for consideration (see Appendix A) the UBCM Executive realized that the membership had very limited policy direction with respect to energy matters. The Executive also realized when reviewing the resolutions, the membership was proposing different recommendations and different approaches for addressing energy issues. In response to these two variables, the Executive decided to:

- hold a pre-conference workshop to provide delegates with an overview of energy issues that would assist in creating greater knowledge about energy markets, global conditions, etc.; and
- prepare a working paper that would identify the common issues and themes emerging from the resolutions and seek member direction on related policy during the workshop.

The first step, the pre-conference workshop is set for Monday September 24 from 1:30 - 4:30 p.m. A panel has been assembled to include the following representatives:

- Trent Berry, Partner, Compass Resource Management
- Ross Curtis, Assistant Deputy Minister, Resource Development Division, Ministry of Energy and Mines
- Rich Ballantyne, Director of Planning and Project Development, BC Gas
- Bev Van Ruyven, Vice-President, Marketing and Sales, BC Hydro
- Stephen Rees, Chair, Energy Aware Committee
- Director Josh Smienk, Central Kootenay R.D.

The purpose of this session will be to provide delegates with an overview of the energy market, how energy prices are determined, what impact it has on local government and what community leaders can do to address the energy challenges that lay ahead. The panel of presenters will discuss how actions and reactions on the global stage impact at the community level.

The second element is this working paper. The paper is designed to focus delegate attention on key energy policy matters. Based on the 18 resolutions received we have developed this paper to assist in guiding the discussion during the Monday session. After hearing the panel presentations, delegates will be asked to review the energy issues, based on the resolutions and indicate their preferred policy options.

The following section outlines the key energy issues that will be the focus of discussion. The resolutions that this topic is referencing are noted in brackets.

## **B. ENERGY ISSUES FOR DISCUSSION**

### **1. REMOVAL OF PST/GST ON ENERGY COMMODITIES (C2, C3, C4, C5, C6, C7)**

*Six of the 18 resolutions this year address the issue of removing the provincial sales tax and/or the goods and services tax from energy bills. As a result of increased energy prices, the taxes by both governments on these bills has created significant additional revenue to both the provincial and federal governments at the expense of the customers. By putting forth these resolutions, members wish to reduce customers' bills by eliminating the taxes.*

#### ***Options for Consideration:***

Action:

a) Request Government(s) to:

- eliminate PST
- eliminate GST
- eliminate GST and PST
- none of the above (go to issue 2)

b) The tax(es) should be eliminated for:

- residential users
- industrial users
- commercial users
- all of the above

c) The type of energy products this should apply to:

- oil
- gas
- electricity
- all of the above

### **2. CONVERSIONS TO ENERGY EFFICIENT SYSTEMS (C8)**

*This resolution specifically seeks the provincial and federal governments to establish a jointly funded Home Heating Subsidy Program designed to make the costs of converting to high-efficiency natural gas furnaces affordable for all Canadians. Over the years, utility companies have offered programs and assistance to customers undertaking retrofits and various types of conversions to make homes more energy efficient.*

*Our questions to delegates pertain to who should fund these types of programs and what types of programs and assistance should be offered.*

#### ***Options for Consideration:***

a) Energy efficiency programs (i.e. for conversions, retrofits, etc) should be funded by:

- provincial government
- federal government
- local government
- utilities
- all of the above

b) Energy efficiency programs should be available to:

- home owners
- business
- district energy projects
- all energy users (including local governments)

c) Funding should:

- be limited to programs offering advice and assistance in undertaking projects
- include direct financial assistance to those undertaking retrofits
- be in the form of tax incentives to those that undertake some form of energy efficiency program

### 3. DEREGULATION/REGULATION OF ELECTRICITY (C9, C10, C11, C12, C14, C15, C16)

*The issue of electricity deregulation emerged as an issue for local governments in response to the dramatic increases in natural gas prices last year. Local governments responded by submitting these 7 resolutions all addressing the deregulation/privatization of the electricity industry in BC and expressing concerns that the affordable, secure and reliable energy provided by BC Hydro would be threatened if the industry were to be deregulated. The resolutions all contain this sentiment but where they vary is in the manner in which they are proposing it be addressed. Some members have stated that deregulation / privatization should not be considered while others have said it should be studied thoroughly and then left to a referendum vote. The options listed capture the variety of opinions that have been put forward by the membership.*

#### **Options for Consideration:**

- do not consider deregulation of electricity as an option
- study deregulation of electricity as an option
- hold a provincial referendum as a condition to deregulation

### 4. ALTERNATIVE ENERGY SOURCES FOR GENERATING ELECTRICITY (C13)

*Resolution C13, this year specifically requests that the Provincial Government direct BC Hydro to pursue alternative wood residue sources to generate electricity by independent power producers and to enhance electricity exports to the US. UBCM members have consistently endorsed resolutions that supported alternative energy sources such as wood waste (1998-B12, 1996-B10, 1993-B47). The 1996 resolution specifically requested that the provincial government be required to take a leadership role in facilitating and promoting the development of co-generation facilities in the various regions of the province. In response to the 1996 resolution the provincial government indicated that "one of the major barriers to this solution is the "wheeling" cost required by BC Hydro to provide the proponent with access to the grid and the cost of transporting the energy. Also, the cost of generating electricity using fossil fuel is currently much less than the cost of producing power through co-generation." In response to the later resolution in 1998, the provincial government indicated that BC Hydro's policy to attract alternative energy sources to gas-fired thermal plants should make these ongoing negotiations attractive for mills that wish to find a solution to their wood residue problems.*

*While most UBCM policy has addressed wood waste - due to the large number of forest communities throughout BC - there are other alternatives that could be considered such as wind, water, tidal, etc. that are presently in place in other jurisdictions that could provide models for BC to consider.*

**Options for Consideration:**

- a) The provincial government:
  - should pursue alternative energy sources
  - expand the present hydro facilities
  - should create an independent operator /owner for the transmission facilities
  
- b) Alternatives that should be considered and pursued:
  - wood waste
  - wind
  - solar
  - tidal
  - district energy
  - geo thermal
  - other (please list \_\_\_\_\_)

**5. ENERGY REBATES (C17, C18)**

*In response to rising natural gas prices last year, rebates were offered to residential customers only. This financial relief was welcomed, but commercial and industrial users were ineligible for a rebate; institutions such as arenas, recreation centres, etc. This issue addresses rebates and whether or not these should be provided to other energy users, and if so on what basis.*

**Options for Consideration:**

- a) Government should provide rebates to:
  - residential customers only
  - residential / commercial / industrial customers
  - local governments for public buildings (i.e. recreation centres, etc.)
  
- b) Rebates to those, other than residential, should be based on:
  - their consumption
  - rebate on another basis
  - their efficiency

**6. DEVELOPMENT OF AN ENERGY STRATEGY (C12, C19)**

*Resolution C12 specifically seeks the Provincial Government to take the necessary legislative, regulatory and economic measures required to ensure the long-term reliable supply of affordable energy for British Columbians; and that the Provincial and Federal Governments take initiatives, including but not restricted to such measures as financial incentives, to promote significant conservation of energy in Canada. The second resolution C19, expresses concern that the development of a continental energy policy will leave Canada vulnerable to its American and Mexican counterparts. While there would appear to be support for a provincial/national energy*

*strategy to ensure our domestic energy sources are secure, affordable and sustainable, the latter question of resource sharing amongst others is a more difficult question.*

*In the 2001 BC Communities Agenda, UBCM has proposed two principles relating to energy:*

- *developing policies that will provide affordable, secure and reliable energy sources, and*
- *promoting community energy planning and conservation initiatives.*

*The options presented address the issue of who should be developing energy strategy and what elements should be included in this strategy.*

**Options for Consideration:**

a) An energy strategy should be developed by:

- the federal government
- the provincial government
- regional governments

b) An energy strategy should contain the following elements:

- an outline of the energy sources available
- alternative energy options to be pursued
- a conservation strategy
- a statement relating to domestic energy supply and relations with other international governments
- long term energy planning (ensure reliability of the systems)
- other issues to be included: \_\_\_\_\_.

c) Should energy strategies be developed:

- regionally
- provincially
- federally

**C. OTHER ENERGY MATTERS TO BE CONSIDERED**

While the eighteen resolutions address a number of energy issues, there are other matters that have not been addressed that are worthy of discussion. Based on the time available, delegates may wish to have some discussion on the following:

- oil and gas exploration in the Hecate Strait
- alternative fuel vehicles
- barriers to instituting alternative heating systems within communities
- role of independent power producers

These are issues that are being addressed or will be addressed in the coming year by the UBCM Executive. Members are encouraged to make their views known at the session or to the Executive in writing following the Convention.

#### **D. NEXT STEPS**

The feedback obtained during the Energy Forum will be taken into consideration and the Chair, Councillor Dan Rogers, will present a report with the recommendations to the delegates at Friday morning's plenary session.

## 2001 ENERGY RESOLUTIONS

*The following 18 resolutions were submitted to UBCM for consideration this year.*

### **C2 GST on Utility Invoices**

**Hope**

WHEREAS the Liberal Party of Canada has made a previous election promise to eliminate the GST and has not fulfilled that promise;

WHEREAS the Federal and Provincial Governments have been the beneficiaries of royalties and increased tax revenues due to higher energy prices;

WHEREAS the price of utility bills in most areas of Canada has increased dramatically in the past two years, placing undue hardship on many Canadian energy consumers who are in need of relief from these dramatic price increases:

THEREFORE BE IT RESOLVED that the Federal Government eliminate the GST on utility bills.

• *ENDORSED BY THE LOWER MAINLAND MUNICIPAL ASSOCIATION*

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### **C3 GST on Home Energy Products**

**NCMA Executive / Fort St. James**

WHEREAS the Federal Government recognizes that the Goods and Services Tax, GST should not be applied to basic necessities, such as food and shelter and home heating is a necessity in Canada during the winter months, whether it be natural gas, heating oil or electricity;

AND WHEREAS the Federal Government collects royalties on the sale and export of commodities such as oil, gas and electricity in addition to the Goods and Services tax:

THEREFORE BE IT RESOLVED that the Federal Government be requested to exempt the GST on the purchase of electricity, natural gas and heating oil used specifically for residential consumption.

• *ENDORSED BY THE NORTH CENTRAL MUNICIPAL ASSOCIATION*

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### **C4 GST Exemption on Residential Energy**

**Nelson**

WHEREAS the Federal Government recognizes that the GST should not be applied to basic necessities such as food and shelter;

AND WHEREAS home heating is a necessity in Canada during the winter months, whether it be natural gas, heating oil or electricity;

AND WHEREAS the Federal Government collects royalties on the sale and export of commodities such as oil, gas and electricity in addition to GST:

THEREFORE BE IT RESOLVED that the Federal Government be requested to exempt the GST on the purchase of electricity, natural gas and heating oil used specifically for residential consumption.

• *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*

**C5 Eliminate GST on Utility Bills**

**Salmon Arm**

WHEREAS the Liberal Party of Canada has made a previous election promise to eliminate the GST and has not fulfilled that promise;

AND WHEREAS the Federal and Provincial Governments have been the beneficiaries of royalties and increased tax revenues due to higher energy prices;

AND WHEREAS the Federal Government has announced budget surpluses for the past three years;

AND WHEREAS the price of utility bills in most areas of Canada has increased dramatically in the past two years, placing undue hardship on many Canadian energy consumers who are in need of relief from these dramatic price increases;

AND WHEREAS it is offensive in the extreme to be taxed on essential products such as energy for heating, and the punitive effect of this tax is evident because the tax increases as energy costs increase;

AND WHEREAS for every dollar put back into the pockets of Canadians there is a 3 times multiplier effect in stimulating the economy;

AND WHEREAS this is the only equitable and fair way to compensate Canadians who pay this punitive tax:

THEREFORE BE IT RESOLVED that the UBCM call on the Federal Government to eliminate the GST on utility bills.

• *ENDORSED BY THE OKANAGAN MAINLINE MUNICIPAL ASSOCIATION*

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**C6 Removal of PST on Utility Bills**

**Fernie**

WHEREAS the Liberal Party of Canada has made a previous election promise to eliminate the GST and has not fulfilled that promise;

AND WHEREAS the Federal and Provincial Governments have been the beneficiaries of royalties and increased tax revenues due to higher energy prices;

AND WHEREAS the Federal Government has announced budget surpluses for the past three years;

AND WHEREAS the price of utility bills in most areas of Canada has increased dramatically in the past two years, placing undue hardship on many Canadian energy consumers who are in need of relief from these dramatic price increases;

AND WHEREAS it is offensive in the extreme to be taxed on essential products such as energy for heating and the punitive effect of this tax is evident because the tax increases as energy costs increase;

AND WHEREAS for every dollar put back into the pockets of Canadians there is a three (3) times multiplier effect in stimulating the economy;

AND WHEREAS this is the only equitable and fair way to compensate Canadians who pay this punitive tax:

THEREFORE BE IT RESOLVED that the UBCM call on the Federal Government to eliminate the GST and the Provincial Government to eliminate the PST on utility bills.

• *NOT PRESENTED TO THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*



**C7 Eliminate Taxes for Natural Gas, Oil and Power**

**Salmo**

WHEREAS there have been substantial rate increases in natural gas, oil and electric power;

AND WHEREAS heat and power are essential to the well-being of our residents:

THEREFORE BE IT RESOLVED that the UBCM request the Federal and Provincial Governments to exempt natural gas, oil and electric power from Goods & Services Tax and Provincial Sales Tax.

• *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*

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**C8 Federal Energy Savings / Conversion Program**

**Burns Lake**

WHEREAS the high price of natural gas is creating significant financial hardship for many Canadians who use this fuel to heat their home;

AND WHEREAS if not for the prohibitive expense of purchasing and installing modern, high-efficiency home heating systems, many Canadians could reduce their consumption of natural gas - and thus lower their home heating costs;

THEREFORE BE IT RESOLVED that the UBCM urge the Federal and Provincial Government to establish a jointly-funded Home Heating Subsidy Program designed to make the costs of converting to high-efficiency natural gas furnaces affordable for all Canadians.

• *NOT PRESENTED TO THE NORTH CENTRAL MUNICIPAL ASSOCIATION*

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**C9 Defer Deregulation of Electricity**

**Ashcroft**

WHEREAS the British Columbia Hydro and Power Authority is a Provincial Government Authority presently supplying power to both businesses and residences in BC;

AND WHEREAS all users of natural gas have recently suffered drastic increases in rates due to market forces outside British Columbia resulting from deregulation:

THEREFORE BE IT RESOLVED that the Provincial Government be asked to defer any decision to privatize or deregulate BC Hydro until the citizens of British Columbia have had the opportunity to make that decision for themselves by referendum.

• *ENDORSED BY THE OKANAGAN MAINLINE MUNICIPAL ASSOCIATION*

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**C10 Deregulation or Privatization of Electricity**

**Grand Forks**

WHEREAS many people in British Columbia have made sacrifices to make sure that electricity is available to the people of the province, by relocating their homes, allowing land to be flooded to build hydro-electrical dams and generating plants;

AND WHEREAS affordable, uninterrupted electricity generated in the Province of British Columbia belongs to the people of British Columbia:

THEREFORE BE IT RESOLVED that the UBCM request the Provincial Government to take action to ensure that the deregulation or privatization of electricity does not occur in British Columbia and to make sure that the electricity produced in this province will benefit the people of British Columbia now and for future generations of British Columbians.

• *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*

**C11 Deregulation of Electricity**

**Nakusp**

WHEREAS the electricity that is generated in this province belongs to the people of British Columbia;

AND WHEREAS with the deregulation of natural gas, the price of gas has increased and will continue to increase, as will the price increase with the deregulation of electricity;

AND WHEREAS the Province of British Columbia must guarantee that our future generations will have access to an affordable, uninterrupted source of electricity;

THEREFORE BE IT RESOLVED that the Provincial Government ensures that the privatization or deregulation of BC Hydro does not occur, unless the citizens of British Columbia make that decision by referendum.

• *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*

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**C12 Energy Regulation**

**Prince George**

WHEREAS energy consumers in British Columbia have become increasingly vulnerable to rising energy prices;

AND WHEREAS business and residential consumers in British Columbia need assurance of access to reliable, affordable and sustainable energy;

AND WHEREAS it is essential that energy conservation is given a high priority in governmental policies and actions;

AND WHEREAS it is in the public interest that energy production, pricing and supply be publicly regulated within an open market system:

THEREFORE BE IT RESOLVED that the UBCM call upon the Provincial Government to take the necessary legislative, regulatory and economic measures required to ensure the long-term reliable supply of affordable energy for British Columbians;

AND BE IT FURTHER RESOLVED that the UBCM to call upon the Provincial and Federal Governments to take initiatives, including but not restricted to such measures as financial incentives, to promote significant conservation of energy in Canada.

• *ENDORSED BY THE NORTH CENTRAL MUNICIPAL ASSOCIATION*

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**C13 BC Hydro and Power Authority Energy Supply**

**Smithers**

WHEREAS B.C. Hydro's mandate is to fulfill domestic electricity needs and surplus electricity may be used only to augment its revenue sources;

AND WHEREAS the United States and Canada's energy needs are continuing to grow and will continue to grow despite the transmission constraints on the Hydro lines;

AND WHEREAS B.C. Hydro has hydroelectric expansion capabilities, and furthermore, where there are large quantities of wood residue from the forest industry that can be available for power generation systems;

THEREFORE BE IT RESOLVED that the UBCM urge the Provincial Government to direct B.C. Hydro to pursue alternative wood residue sources to generate electricity by independent power producers and to enhance electricity exports to the United States.

• *ENDORSED BY THE NORTH CENTRAL MUNICIPAL ASSOCIATION*

**C14 Deregulation of Electricity**

**Smithers**

WHEREAS BC Hydro and Power Authority (BCH) has identified over the last few years that it has been investigating the deregulation of electricity in British Columbia;

AND WHEREAS British Columbians have experienced first hand the deregulation of natural gas, which has contributed to massive increase in rates for our consumers;

AND WHEREAS deregulation of electricity in other jurisdictions has resulted in escalating electricity costs, which are not based upon the cost of the electricity but what the market will bear:

THEREFORE BE IT RESOLVED that the UBCM advise the Provincial Government and BC Hydro and Power Authority that we oppose any further discussion and investigation into the deregulation of electricity in the Province of British Columbia.

• *ENDORSED BY THE NORTH CENTRAL MUNICIPAL ASSOCIATION*

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**C15 Deregulation of Electricity**

**Thompson-Nicola RD**

WHEREAS the residents of British Columbia are reliant upon electricity considered to be a very basic need for lifestyle choices;

AND WHEREAS most businesses and industrial operations also rely on electricity to maintain and thus contribute to the overall economic welfare of the Province of British Columbia;

AND WHEREAS many British Columbians have made sacrifices in the past by relocating and allowing their land to be flooded so that hydro-electric projects could be built to produce electricity, a resource belonging to and benefiting all residents of British Columbia;

AND WHEREAS there is evidence that the deregulation of a utility (i.e. natural gas) can and will have a dramatic and detrimental effect on the price of the product:

THEREFORE BE IT RESOLVED that the Provincial Government be urged to fully investigate the short and long term implications of deregulating the electricity industry, and undertake to advise the citizens of British Columbia of the implications through extensive and meaningful consultations with the citizens in all parts of the Province before any decisions are made in this matter.

• *NOT PRESENTED TO THE OKANAGAN MAINLINE MUNICIPAL ASSOCIATION*

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**C16 Deregulation of BC Electrical Servicing**

**Trail**

WHEREAS the effect of deregulation of natural gas has already had a profound effect on the citizens within our constituency with regards to the steadily increasing price of natural gas to consumers;

AND WHEREAS the risk of future deregulation of our publicly and privately owned electrical utilities will most certainly increase consumer costs for the citizens of our community in a similar manner;

AND WHEREAS the water that produces the electricity that has become the matter of debate and profitability for both private and public producers of electricity in this province is the water that belongs to the citizens of our province:

THEREFORE BE IT RESOLVED that any deregulation of the production of electricity within the Province of British Columbia must be put to public provincial referendum prior to any changes being made to legislation.

• *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*

**C17 Cost of Natural Gas**

**Delta**

WHEREAS all public institutions throughout British Columbia have been severely impacted by the increased costs of natural gas;

AND WHEREAS the Provincial Government has provided assistance to Provincial Institutions, such as hospitals, public schools, colleges and universities, through its Provincial Energy Rebate Program;

AND WHEREAS local government and other public institutions are not eligible to receive such assistance;

AND WHEREAS these other public institutions are similarly suffering from the high costs of energy and may have to curtail programs, reduce hours of operation or change more for their services to offset these increased costs:

THEREFORE BE IT RESOLVED that the Provincial Government be requested to expand its current energy rebate program to allow local government and other public institutions to qualify for the energy rebate.

- *ENDORSED BY THE LOWER MAINLAND MUNICIPAL ASSOCIATION*
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**C18 Rebates Payable in Response to Rising Natural Gas Prices**

**Grand Forks**

WHEREAS high energy costs are a significant factor in the Industrial community's ability to conduct business in the Province of British Columbia;

AND WHEREAS Industry in British Columbia employs a large sector of many of our community's residents, as well as contributing a large share of property tax revenue:

THEREFORE BE IT RESOLVED that the UBCM request the Provincial Government to rebate industries, as well as individuals, based on their consumption, from the royalties received by the Province, from the sale of energy in British Columbia.

- *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*
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**C19 Continental Energy Policy**

**Trail**

WHEREAS the Federal Government is meeting with the government of the United States and Mexico to discuss entering into an agreement for the sharing of each country's natural resources;

AND WHEREAS an integrated energy policy is a major policy issue that will affect every Canadian, and the public should have input into the merits of such a policy:

THEREFORE BE IT RESOLVED that the UBCM write the Federal Minister of External Affairs, the Federal Minister of Energy and the Prime Minister and the Premier of the Province of BC requesting that before an integrated energy policy is put in place, that the citizens of Canada have the right to have input into the development of such as energy policy and to voice their approval or disapproval by way of a national referendum.

- *ENDORSED BY THE ASSOCIATION OF KOOTENAY AND BOUNDARY MUNICIPALITIES*