



**REGIONAL DISTRICT
of Fraser-Fort George**

**AIRPARK & LAMBERTUS ROADS NATURAL GAS SERVICE
FEASIBILITY STUDY 2021**

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INTRODUCTION

In 2020, interested residents along Lambertus Road in Electoral Area A contacted FortisBC to inquire about the cost to property owners to extend the natural gas distribution line into their area. FortisBC responded by conducting a survey that included 18 of the property owners in this area. The FortisBC survey asked Homeowners to answer questions to help FortisBC determine the demand for natural gas in the neighbourhood. The FortisBC survey results indicated that the majority of the property owners contacted would be in favour of the extension. This feasibility study comes as the result of a request to the Regional District from property owners living along Lambertus Road (off Ness Lake Road), for assistance in determining the impact to the tax base of financing the extension of a natural gas distribution line project.

For the Regional District to assist property owners with this project it would be necessary to establish a local area service for the benefitting property owners. Following authority being given to undertake the study, Community Services Administration consulted with FortisBC and representatives of the property owners to explore options that would support the establishment of a local area service, resulting in this study as presented herein.

CURRENT NATURAL GAS STATUS

Natural gas is not currently available to homeowners along the 3.7 km stretch of Airpark and Lambertus Roads in Electoral Area A. There is a natural gas distribution line that runs down Ness Lake Road, however, the distribution line does not run south into the subject properties. Property owners currently use propane, electric, wood, and oil heating systems. The generally high level of operating and maintenance costs associated with these current systems has prompted the property owners desire to investigate the possibility of having the FortisBC gas distribution system extended to their area so that they could connect and convert to natural gas as a heating/fuel source.

PROPOSED BENEFITING AREA BOUNDARY

The extension of the natural gas distribution line would start at the existing main on Ness Lake Road and run down Airpark Road and to the end of Lambertus Road (a dead-end road). There are 4 properties located on Airpark Road and 18 properties located on Lambertus Road for a total of 22 properties that would benefit from the extension of the natural gas distribution line. Properties on Airpark Road would be included in the local service area since they would have direct benefit of the project by the ability to connect to the distribution line to have natural gas service provided to their properties. A map showing the proposed service area boundary within Electoral Area A is attached as Schedule A.

FUNDING

The purpose of the study is to identify how the capital cost of extending the natural gas distribution line could be funded. As there are no available grant programs that would reduce the capital cost of this project, this study is to evaluate the impact of a tax-funded natural gas distribution line extension.

TAXATION OPTIONS

The *Local Government Act* provides for regional districts to utilize several taxation options. Briefly, these are:

- a) taxation of land and improvements;
- b) taxation of land;
- c) taxation of improvements;
- d) parcel tax; or
- e) frontage tax.

Community Services Administration and the community representatives have concluded that the fairest method of sharing the cost of the natural gas project would be a parcel tax applied to each property within the boundaries of the benefiting area. Taxation based on land or improvements would not be a fair method of distributing the tax load since all properties, vacant or improved, would benefit to the same degree from the extension of the gas line.

CAPITAL COST ESTIMATES

The cost estimate provided by FortisBC is for approximately 3.7 km of 60 DP/PE distribution pipeline at a direct cost of \$232,530. FortisBC will require \$137,100 (not including gst) as a contribution from the community which reflects the anticipated revenue shortfall over the initial 10 years of operation. FortisBC advises that there is significant horizontal directional drilling required for the extension of the distribution line and that adds considerably to the complexity and cost of this project. This cost is reflective of the FortisBC 2021 quote for the project.

Estimated capital costs required on behalf of the area to ensure project completion have been shown on Schedule B at a total of \$147,991.

These funds would be provided by a 15-year debenture issued through the Municipal Finance Authority to the Regional District. The funds borrowed would be repaid by annual interest and principal payments over this term from the service's annual operating budget. For the purposes of this study, it is assumed that the interest rate for borrowing through the Municipal Finance Authority will be 3.0% annually.

ANNUAL OPERATING BUDGET

The proposed annual operating budget for the natural gas service is shown on Schedule C. This budget reflects the annual debt retirement at \$13,200. This amount is proposed to be recovered through property taxation.

The operating costs are not yet precisely known in that actual construction costs, interest rates, and other variables could influence the annual budget requirements. However, the service establishment bylaw will set the maximum amount that can be recovered annually by taxation and if the operating costs come in less than the maximum the property owner will benefit by a reduced tax rate.

TAX IMPACT

Based on 22 taxable properties, it is estimated that each would pay approximately \$600 per year to cover the cost of the gas extension project.

TAX COMMUTATION

If the proposal is approved on the basis set out in this study, it would be possible for the Regional District to allow individual property owners to commute taxation against their property by prepaying their share of the project costs by making a one-time lump sum payment. Residents who chose to prepay their share of the project capital costs would avoid having the annual parcel tax assessed against their property over the 15-year borrowing term. This would be administered by setting a deadline for residents to prepay their share of the project costs once final project costs have been determined. Property owners choosing to prepay would reduce the amount of long-term borrowing. It is estimated that the amount required of any individual property owner to commute taxation against their property will be in the order of \$6,726.

IMPLEMENTATION TIMETABLE

The timetable to implement the service, shown on Schedule 'D', contains some estimated dates which are dependent upon the direction given to Community Services Administration by the Regional District Board, the outcome of the elector assent process and FortisBC's schedule.

SERVICE ADMINISTRATION

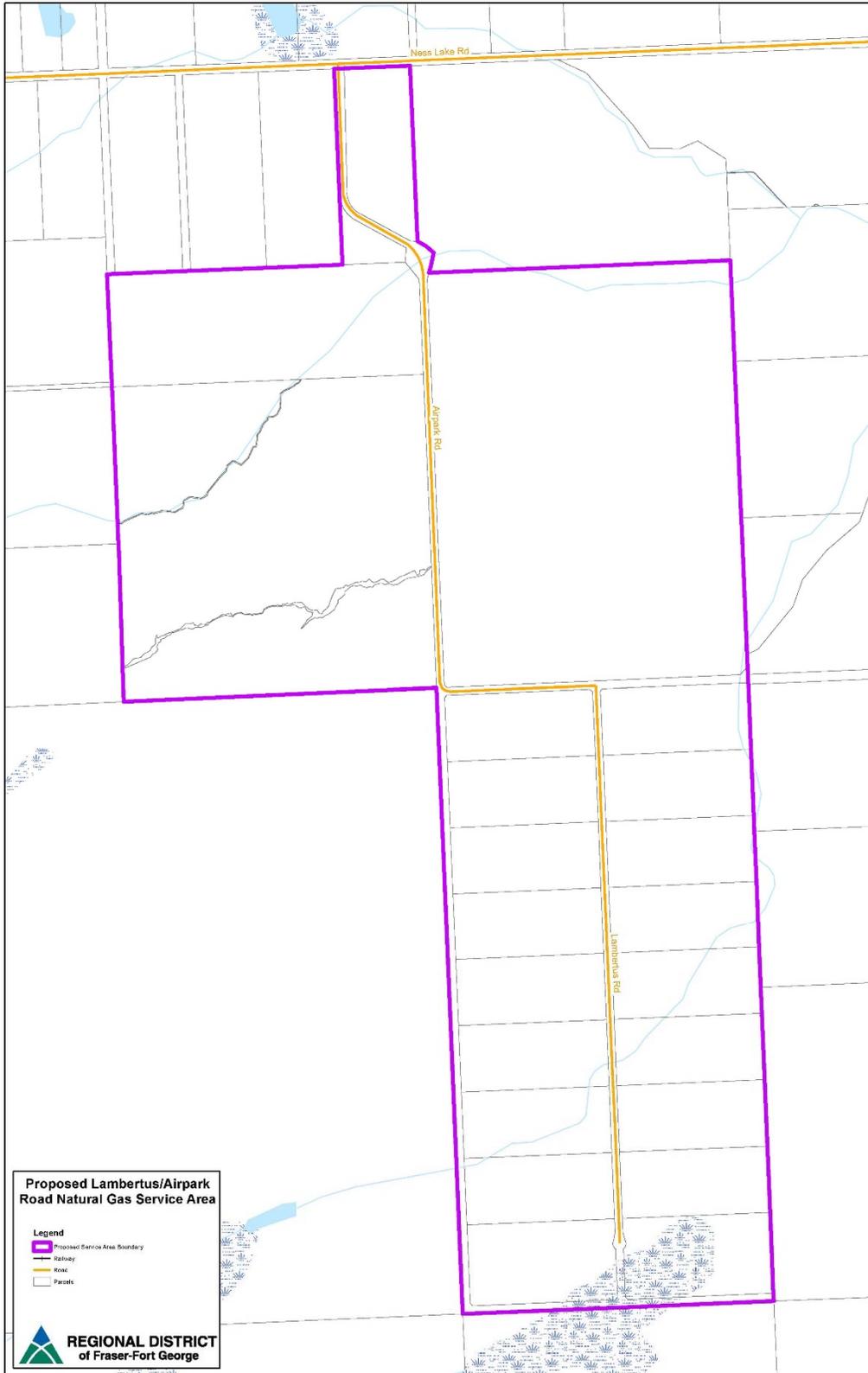
Provided that local tax support for the natural gas distribution line extension project is supported by petition, the Regional District would become responsible for the day-to-day administration of this service. Similar projects completed in the past have demonstrated the Regional District's role to be minimal, acting as more

of a liaison between property owners in the service area and FortisBC and managing the collection of property taxes.

CONCLUSION

The property owner representatives working with Community Services Administration have examined the options for providing natural gas service to the proposed service area and believe the proposal presented in this report should be referred to the ratepayers for a decision via petition at the earliest possible date.

SCHEDULE A AIRPARK & LAMBERTUS ROADS NATURAL GAS SERVICE AREA MAP



**SCHEDULE B
PROPOSED CAPITAL BUDGET**

Revenues:

MFA Debenture Issue (amortized over 15 years)	<u>\$147,991</u>
Total Revenues	<u>\$147,991</u>

Expenditures:

Contribution to FortisBC	\$137,100
Temporary Borrowing Interest	\$1,200
MFA Debt Issue (1% of Total Expenditures)	\$ 1,465
Feasibility Study Reserve Fund Repayment	0
Miscellaneous and Contingencies (6%)	<u>8,226</u>
Total Expenditures	<u>\$147,991</u>

SCHEDULE C
PROPOSED ANNUAL OPERATING BUDGET

EXPENDITURES

Debt Retirement (\$147,991 @ 3% over 15 years)*		\$13,200
	TOTAL	<u>\$13,200</u>

REVENUES

Tax Requisition		\$13,200
	TOTAL	<u>\$13,200</u>

*assumes no tax prepayments

**SCHEDULE D
PROPOSED IMPLEMENTATION TIMETABLE**

DATE	ACTION
June 17, 2021	Report to Board a) Receipt of feasibility study b) Request authorization to undertake petition and to prepare service establishment and loan authorization bylaws
June 18, 2021	Mail petition to property owners
July 15, 2021* Board Meeting	Draft bylaws to establish service and loan authorization: a) authorize participating area approval by Director consent b) Provide Director Consent Package (if authorized) *dependent upon when petitions are received back
July 20, 2021	Forward bylaws for Inspector approval
September 23, 2021	If bylaws are approved by Inspector of Municipalities a) bylaws adopted by Regional Board
October 23, 2021	End of one-month quashing period for Loan Authorization bylaw, a) application made for certificate of approval b) funding availability confirmed with FortisBC
November 2021	Natural gas extension project completed.
December 16, 2021	Tax commutation bylaw adoption
December 20, 2021	Deadline for property owners to prepay the capital cost (tax commutation to avoid having annual parcel tax applied)
December 31, 2021	Deadline for administration requirements related to tax commutation
March 17, 2022	Annual Budget adopted
July 1, 2022	Deadline for property taxes