

NO: R190

COUNCIL DATE: September 17, 2018

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **September 13, 2018**

FROM: **General Manager, Engineering**

FILE: **5514-102**

SUBJECT: **Appointment of District Energy Expert Rate Review Panel**

RECOMMENDATION

The Engineering Department recommends that Council:

1. Receive this report for information;
2. Appoint Fong Kwok as a member of the District Energy Expert External Rate Review Panel for two (2) years; and
3. Appoint Christopher Oakley as a member of the District Energy Expert External Rate Review Panel for three (3) years.

INTENT

The purpose of this report is to obtain approval for the appointment of two individuals to the District Energy Expert Rate Review Panel (the "Panel").

BACKGROUND

At its Regular meeting on December 16, 2013, Council adopted the recommendations in Corporate Report No. R246; 2013. Resolution R13-2605 authorized the principles and a related methodology to regulate the rates and the rate structure to be used by Surrey City Energy ("SCE") and the City's District Energy ("DE") utility in relation to its business operations. Staff were also authorized to proceed with a public Request for Expressions of Interest for the purpose of establishing the Panel.

At its Regular meeting on July 25, 2016, Council adopted the recommendations in Corporate Report No. R176; 2016 and by resolution R16-1712 appointed Alison Rhodes as Chair of the Panel for a three (3) year period and Michael Wilson and Fong Kwok as members to the Panel for a two (2) year period.

These Panel members have completed an annual rate review in 2016 and 2017. In addition, both Alison Rhodes and Michael Wilson completed an annual rate review in 2014 and 2015. Each review included:

- The updating by City staff of the financial model for SCE: proposed rates, rate escalation factor, and any other changes to the financial structure of SCE considered necessary by staff;
- Reviewing the updated financial model and the proposed rates and rate structure, submitting an information request for staff and reviewing staff responses to the information request; and
- Preparing a letter of endorsement for the rates and rate structure as proposed in the updated financial model.

Through this process, SCE has been held to a high level of accountability in its stewardship of the utility and related reporting.

DISCUSSION

The Panel Chair was appointed for a term of three (3) years which will end after the annual rate review in 2018. The two (2) year terms for the two other Panel members have since concluded.

Panel Review and Selection

In July 2018, a Request for Expressions of Interest and Statement of Qualifications (“RFEOI”), No. 1220-050-2018-008, was issued seeking submissions for consideration as a Panel member. In total four submissions were received from strong candidates with extensive relevant experience. Two of the four submissions received are from members of the Panel whose terms had just concluded.

In making recommendations for appointments to the Panel staff are seeking to balance the interest of having a broad and evolving range of experience with maintaining continuity of Panel members. For this reason staff see the merits of reappointing a previous panelist and appointing a new panelist.

Based on the objectives of the Panel, the response to the RFEOI, and to stagger the terms of appointments in the formative years of the Panel, prior to commencing an annual rotation of one panel member beginning in 2019, it is recommended that the following individuals be appointed to the Panel:

- Fong Kwok, CPA, CGA, for 2-years; and
- Christopher Oakley, P.Eng., for 3-years.

A brief summary of each of the recommended appointees’ qualifications and experience is attached as Appendix “I”.

Panel Compensation

Given the unique qualifications and experience of Panel members, it is recommended that an honorarium be provided, consistent with the honorarium provided to Panel members since 2014. It is recommended that the Chair be compensated \$3,000.00 per year, and the remaining members be compensated \$2,000.00 per year.

Next Steps

The Panel will be convened in the coming months in order to commence their review, which will be completed later this fall, and will result in a letter of endorsement for the rates and rate structure. As in previous years, staff will invite members of the Urban Development Institute and representatives from developers with active development applications in each Service Area within the Surrey City Centre, to submit questions for the Panel's consideration.

Financial Services Review

This report has been reviewed by the Finance Department.

SUSTAINABILITY CONSIDERATIONS

The operation of a DE system in the City Centre supports the objectives of the City's Sustainability Charter 2.0. In particular, these appointments relate to the Sustainability Charter 2.0 themes of Built Environment and Neighbourhoods and Infrastructure. Specifically, these appointments support the following Desired Outcomes ("DO") and Strategic Direction ("SD"):

- Buildings and Sites DO 11: Surrey is at the forefront of sustainable and restorative building design and technology;
- Buildings and Sites DO 13: Buildings are healthy and energy and resource efficient;
- Buildings and Sites SD 13: Continue to support low carbon district energy networks; and
- Energy and Climate DO9: Energy is produced locally, using distributed and renewable sources when economically feasible.

CONCLUSION

Based on the above discussion, the Engineering Department recommends that Council:

1. Receive this report for information;
2. Appoint Fong Kwok as a member of the District Energy Expert External Rate Review Panel for two (2) years; and
3. Appoint Christopher Oakley as a member of the District Energy Expert External Rate Review Panel for three (3) years.

Fraser Smith, P.Eng., MBA
General Manager, Engineering

JA/JO/ggg/jma

Appendix "I": Biographical Information on Recommended Panel Appointees

**Biographical Information on Appointees to the District Energy System Utility
(Surrey City Energy) Appointment of Expert External Rate Review Panel**

Fong Kwok, CPA, CGA

Ms. Kwok is a Chartered Professional Accountant and Principal of Red Phoenix Consulting Services Inc., providing consulting services for the utility industry in project management, regulatory strategy, capital planning, rate forecasting along with financial evaluation and consultation. Ms. Kwok held the role of Regulatory Specialist with the BC Utilities Commission, and has served 10 years with BC Hydro in varying capacities including Business Systems Consultant, Financial Services Accountant and Project Accountant. Most recently, Ms. Fong served as Commissioner and Chair for the City of New Westminster Electric Utility Commission. In this capacity she provided oversight and guidance for the municipality’s proposed District Energy System for the Sapperton neighbourhood. Ms. Kwok served on Surrey City Energy’s Expert External Rate Review Panel in 2016 and 2017.

Christopher Oakley, P.Eng.

Mr. Oakley is founder of Claritas Consulting Inc. and co-founder of Midgard Consulting Incorporated. Mr. Oakley has over three decades of power industry experience, having held senior roles in Regulatory Support, Project Management, Engineering Management, Generation and Transmission Operations, Power Supply, Transmission System Planning and Revenue Management. Mr. Oakley appears regularly as a panellist, expert witness and technical consultant in regulatory proceedings heard before the Ontario Energy Board, the National Energy Board, the Manitoba Public Utilities Board, the Nova Scotia Utility and Review Board, the Alberta Utilities Commission and the British Columbia Utilities Commission.