



SPECIAL COUNCIL #16-2003

Monday May 5, 2003
Meeting began at 6:00 p.m.

- PRESENT:** A Special Council meeting was held this evening with the following members present: Mayor Brian Sylvester, Councillors Susan Carter, Donald Deebank Syd Gardiner, Naresh Bhargava, Korey Kennedy, (arrived at 6:45 p.m.) Claude Poirier and André Rivette.
- ABSENT:** Councillors Dean Hollingsworth, Denis Carr and Perry Lalonde
- ADMINISTRATION:** Denise Labelle-Gelinas, City Clerk and the following Management Personnel: Graham Dart, Stephen Alexander, Fernand Hamelin, Paul Fitzpatrick, Sue Cain and David Dick.

Mayor Brian Sylvester called the meeting to order at 6:00 p.m.

DISCLOSURES - none

PRESENTATION BY FORTIS ONTARIO / CORNWALL ELECTRIC

- Mr. Bill Daley, President and CEO FORTIS Ontario
- Mr. Robert Winn, Director, Corporate Development FORTIS Ontario
- Mr. Michael Pescod, Regional Manager Cornwall Electric

Mr. Pescod provided the Council with a brief presentation as to actions and issues surrounding the proposed rate change scheduled for July 1, 2003. Actions taken include ongoing negotiations with Hydro Quebec for best rate possible. In mid April of 2003, Fortis Inc received Hydro Quebec prices. On April 24th, Fortis met with the City to inform them of the impact on prices and provided notice of a rate change, by April 29, in accordance with the Franchise Agreement.

The Franchise Agreement provides that the cost of power is a pass-through, meaning that the utility doesn't make any profit on the sale of electricity and the cost of power is approximately 85% of the total customer's bill. All charges for wire use are regulated by the Franchise Agreement and reviewed annually by auditors PriceWaterhouse Coopers. The current supply situation is that about 5% of power is provided by District Heating co-generation, where prices cannot exceed the lowest cost alternative; 1/3 from long term Hydro Quebec contract, which expires in December of 2019 and which increases with inflation to a tune of 2.25%. The balance of power is provided by annual contract by Hydro Quebec where prices are set relative to the Western NY and mirrors Ontario's wholesale prices. New prices that were received late April of 2003 have risen by 54%. Overall power cost is up \$16.4 million (37.2%)

Mr. Pescod provided graph comparatives as to competitive rates compared to 4.3 cents and indicated that Cornwall Electric's cost and power supply continue to be very competitive. The impact on customers of the City of Cornwall is that they will see a rate increase of approximately 1.9 cents per kWh across all rates and all classes. A typical residential customer will see a monthly increase of \$19.00 which translates to an increase of approximately 20%. The actual cost will vary with the consumption and class. There will be no increase in fee for minimum charges and demand charges.

The forces behind the wholesale prices are conducive to the electricity market in Western NY which are closely linked to the Ontario Market. We receive a high volume of electricity cross-border trade at Niagara. A ramp up in NY and Ontario are linked to price increases in so far as realities of supply and demand. Natural gas-fired generators, which drive the price setting supply in both Ontario and NY higher.

Although last year's contract for energy was timed perfectly and signed when prices were low, their requirement for one year at a time contracts have driven energy costs higher this year. Cornwall was protected from the price run-up of Summer and Fall 2002, unfortunately, prices have stayed high and last year's increase is now hitting consumers of the City in 2003.

Mr. Pescod continued to indicate that the long-term contract which was signed in 1994 has buffered impact of market price changes and are now providing their lowest cost supply. Due to our colder winter, energy costs meant higher than anticipated revenues in current rate year. In accordance to the Franchise Agreement, this meant that \$840,000 is to be returned to customers as a partial offset to rate increase, which has already been factored into the 1.9 cent increase proposed for July 1, 2003.

In conclusion, Fortis Inc. (Cornwall Electric) propose that their action plan is that they have not signed with Hydro Quebec as of today and that they will continue to negotiate a better deal for their customers. They are also seeking alternative sources for better prices. Open discussions with the Ontario Government, being the Ministry of Energy and the Minister of Finance to try and secure a cap of energy costs. They will work closely with City Council and Administration to attain this goal. Historically, Cornwall customers have benefitted from being independent and through their negotiations, they must be careful not to risk long-term gain for limited short-term benefit. Additionally, Cornwall Electric will introduce a new SAP billing format which will show wholesale cost of power to its customers.

Following the presentation, Council members present were given opportunity to review the information and question the invited members of Fortis Inc / Cornwall Electric.

1. **CORNWALL ELECTRIC RATE INCREASE**

Report prepared by Paul Fitzpatrick under date of May 2, 2003.

ACTION RECOMMENDED:

Moved by Councillors André Rivette and Naresh Bhargava

1. That Cornwall Electric be asked to separate the various costs (power, transmission, distribution) which make up a customer's electricity bill.

A recorded vote on this matter resulted as follows:

For: Councillors Naresh Bhargava, Don Deebank, Andre Rivette, Claude Poirier, Susan Carter, Syd Gardiner, Korey Kennedy, and Mayor Brian Sylvester.

Absent: Councillor Denis Carr, Dean Hollingsworth and Perry Lalonde.

Motion Carried

Moved by Councillors André Rivette and Syd Gardiner

2. That Cornwall Electric and City of Cornwall representatives meet with Provincial Officials to explore how Cornwall Electric customers can benefit from the provincial power rate of 4.3 ¢ per kilowatt hour

A recorded vote on this matter resulted as follows:

For: Councillors Naresh Bhargava, Andre Rivette, Claude Poirier, Susan Carter, Syd Gardiner, Korey Kennedy, and Mayor Brian Sylvester.
Against: Councillor Don Deebank
Absent: Councillor Denis Carr, Dean Hollingsworth and Perry Lalonde.

Motion Carried

Moved by Councillors André Rivette and Naresh Bhargava

3. That Cornwall Electric and the City of Cornwall explore the role the Ontario Energy Board could play in the Cornwall Electric Franchise Agreement.

A recorded vote on this matter resulted as follows:

For: Councillors Naresh Bhargava, Don Deebank, Andre Rivette, Claude Poirier, Susan Carter, Syd Gardiner, Korey Kennedy, and Mayor Brian Sylvester.
Absent: Councillor Denis Carr, Dean Hollingsworth and Perry Lalonde.

Motion Carried

Moved by Councillors Naresh Bhargava and Claude Poirier that Administration prepare a report on the value of retaining a consultant to look into justification of the rate increase.

A recorded vote on this matter resulted as follows:

For: Councillors Naresh Bhargava, Don Deebank, Andre Rivette, Claude Poirier, Susan Carter, Syd Gardiner, Korey Kennedy, and Mayor Brian Sylvester.
Absent: Councillor Denis Carr, Dean Hollingsworth and Perry Lalonde.

Motion Carried

Adjourned: 7:35 p.m.

Denise Labelle-Gélinas
City Clerk

Mayor Brian Sylvester
Mayor