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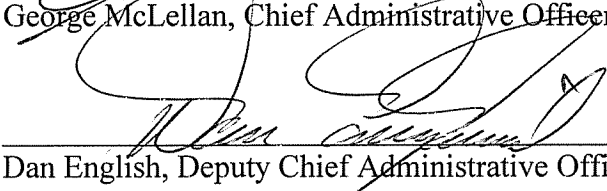
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Halifax Regional Council
May 17 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: May 04, 2005

SUBJECT: Dartmouth Sportsplex Natural Gas Conversion

ORIGIN

In January of 2005 Council approved the creation of the Energy and Underground Services Reserve, in accordance with HRM's Reserves Policy and the Multi-Year Financial Strategy. The purpose of the reserve is to enable HRM to take advantage of co-locations and energy and underground services related projects that may arise throughout the year outside the normal business planning process. Part of the funding for this reserve comes from the Provincial Department of Energy, and is to be used exclusively to further the expansion of the natural gas distribution network.

One way to further the expansion of the natural gas distribution system, and to also reduce our corporate green house gas emissions, is to convert HRM owned facilities to natural gas.

RECOMMENDATION

It is recommended that:

- Council approve a withdrawal of \$10,000 from the Energy and Underground Services Co-Location Reserve Q131 to enable the Dartmouth Sportsplex to convert to Natural Gas.

BACKGROUND

Four years ago the Dartmouth Sportsplex installed new boilers that could be converted to take natural gas. The Heritage Gas distribution network expansion plans for 2004/05 will bring natural gas close to the Dartmouth Sportsplex. Expansion of the system is conducted as customers are signed on with sufficient demand to justify the investment of capital to expand the distribution network. The Dartmouth Sportsplex is now prepared to convert to natural gas, and requires \$40,000 to do some conversion work on their chimney. Heritage Gas will contribute \$15,000 via natural gas conversion incentive funds, the Dartmouth Sportsplex can fund \$15,000 through their 2005/06 budget, and the Dartmouth Sportsplex has requested that HRM provide the remaining \$10,000 toward this initiative.

DISCUSSION

As noted in the attached business case, the purpose of the Under Ground Services Co-Location Reserve is to enable the municipality to respond quickly to opportunities that may arise **outside** the normal operating and capital budget during the fiscal year, and to leverage funds from other levels of government and external agencies to further the natural gas distribution network and co-locate under ground services such as natural gas conduit, fibre optic cable, power and telecom lines with other capital projects. Providing \$10,000 to the Dartmouth Sportsplex (an HRM owned property) to enable them to convert to natural gas complies with the purpose of this reserve, particularly in light of the fact that the Provincial Department of Energy is providing funding that goes into this reserve, that is to be used exclusively to further the development of the natural gas distribution network. If the Dartmouth Sportsplex converts to natural gas, they will be purchasing roughly 15,000 gj (giga joules) of natural gas a year, and the GHG emission reductions from utilizing this cleaner source of energy will be 320 tonnes co2e (carbon dioxide equivalent). The Dartmouth Sportsplex will save approximately \$12,000 annually in fuel costs. Additionally, HRM will see an additional tax revenue from Heritage Gas per year, because the Natural Gas Distribution Taxation Act includes a revenue based taxation component, whereby municipalities receive 2% of distribution revenues in years 1 - 5, 3% in years 5 to 10, and 4% thereafter. The total projected taxation revenue attributable to natural gas sales to the Dartmouth Sportsplex over the next 20 years from the starting point when gas is flowing, is \$21,945. The net present value of this revenue stream, discounted at 6% is \$11,367.

BUDGET IMPLICATIONS

There are sufficient funds within the Energy and Underground Services Co-Location Reserve Q131 to accomodate the withdrawal of \$10,000. The payment to Dartmouth Sportsplex will be provided as completion of the work has been confirmed. Natural gas sales to the Dartmouth Sportsplex will yield incremental tax revenue to HRM under the Natural Gas Distribution Taxation Act.

MULTI-YEAR FINANCIAL IMPLICATIONS

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. If approved, this will increase the 2005/06 Reserve withdrawals.

ATTACHMENTS

None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Mac 29/05

Kellea Redden, May 6, 05

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