



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 10.2.1

Halifax Regional Council
January 27, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Councillor Andrew Younger, Chair
Energy and Underground Services Advisory Committee

DATE: January 16, 2009

SUBJECT: Utilities Common Trench - Governance and Financing Models Study

ORIGIN

January 16, 2009 meeting of the Energy and Underground Services Advisory Committee.

RECOMMENDATION

That Regional Council:

1. Approve the issuance of a Common Trench Study that will focus on governance and financing models which are based on municipal best practice.
2. Approve an increase in the operating budget by \$13,000.00, with funding from Q131 Energy and Underground Service Reserve, and cost sharing from Nova Scotia Power.

BACKGROUND/DISCUSSION

This matter was brought forward to the Committee by staff at the January 16, 2009 meeting. The Committee passed a motion endorsing the expenditure from the Energy and Underground Service Reserve for the Common Trench Study, as noted above. Further information on this matter is detailed in the attached staff report (dated December 12, 2008).

BUDGET IMPLICATIONS

Please see attached staff report of December 12, 2008.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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.

ALTERNATIVES


Not to approve the expenditure. This is not recommended.

ATTACHMENTS

Attachment 'A' - Staff report dated December 12, 2008

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by:



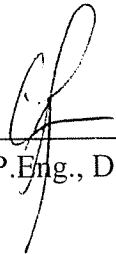
Sheilagh Edmonds, Legislative Assistant



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Energy and Underground Services Committee
January 16, 2009

TO: Andrew Younger, Chair and Members of Energy and Underground Services Committee

SUBMITTED BY: 
Mike Labrecque, P.Eng., Director, Transportation and Public Works

DATE: December 12, 2008

SUBJECT: Utilities Common Trench - Governance and Financing Models Study

ORIGIN

- Regional Council Report, Underground Utilities Feasibility Study, May 24, 2005
- Study of Joint Gas, Power, and Communications Trench, April, 2008

RECOMMENDATION

It is recommended that Regional Council:

1. Approve the issuance of a Common Trench Study that will focus on governance and financing models which are based on municipal best practice.
2. Approve an increase in the operating budget by \$13,000.00, with funding from Q131 Energy and Underground Service Reserve, and cost sharing from Nova Scotia Power (a cost sharing letter is attached).

BACKGROUND

After Regional Council recommended that a Joint Trench Agreement be developed by HRM staff, Stantec Engineering (Neill and Gunter Engineering Company at the time) were contracted to carry out a detailed engineering study and design of a common trench that could be applied to various applications within the HRM. This involved stakeholder consultations, best practice and Standards review, and a detailed trench design that was acceptable to the impacted utilities and the Halifax Regional Municipality.

The resulting report was released in April 2008. It provided a consensus design for the Common Trench and an estimate of the incremental cost for installing utilities underground, using the common trench design. An underestimate of the scope of work associated with the development of a stakeholder assisted common trench design resulted in governance and financing aspects of the Study not being adequately dealt with.

DISCUSSION

In order to proceed with an adoption of an HRM underground standard for common utility installations in new subdivisions, it is necessary to understand how other jurisdictions accommodate such a requirement. Traditionally, costs associated with wires utilities installations for new subdivisions are absorbed by the utilities, with a contribution from the developer if the configuration exceeds the regulated service installation allowances. With an undergrounding of overhead utilities, this install allowance is exceeded. Recovery of the difference between the regulated allowance and the actual cost to underground the wires has to be absorbed by the developer, since the utilities are unable to recover through their rates the defined allowance, which is based on the least cost option, an overhead installation.

Because utilities are not able to recover more infrastructure investment than the allowed least cost option, underground infrastructure poses governance problems, as well. In addition to payment for incremental costs, and associated recovery, the long term ownership, maintenance and replacement liability have also to be considered. If the utilities take responsibility for their underground assets, they assume replacement cost responsibility. Similarly, if the municipality takes ownership of the underground conduit system, it would be able to lease space to utilities, but would be responsible for managing the "utility" and ensuring that future expansion, as well as, end of life replacement, could be accommodated.

It is necessary, therefore, to identify both project financing and long term infrastructure management best practices so that a better understanding of options available to the Halifax Regional Municipality can be identified and the municipality, utilities and developers can all appreciate the impact of such an implementation.

BUDGET IMPLICATIONS

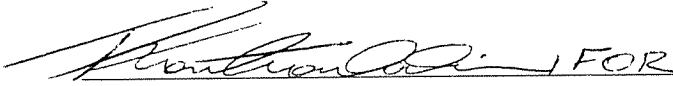
The budget will have to be adjusted to accommodate the anticipated cost of the study, \$13,000.00. The source of funding for study will be the Energy and Underground Services Reserve (Q131), consistent with the Application of Funds guideline associated with the Q131 Reserve Business Case.


FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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Report Prepared by: Angus Doyle, Manager, Utilities Coordination, 490-5019

Report Approved by:  FOR
Ken Reashor, P.Eng., Manager of Traffic and Right of Way Services, 490-6637

Financial Approval by: 
Cathie O'Toole, Acting Director, Financial Services, 490-1562

From: Angus Doyle
To: Dawn Veinot
Date: 15/12/2008 1:58:11 pm
Subject: Fwd: Underground Study Phase 2 Financial Models, Best Practices and Governance Structures

Dawn;

This was received from NSPI. Will it do?

Angus

>>> "MULDOON, DAN" <DAN.MULDOON@nspower.ca> 12/15/2008 1:49 pm >>>

Angus:

NSPI support the cost sharing of the above referenced study. NSPI share not to exceed \$15K.

Dan Muldoon
General Manager, Customer Operations

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