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**TO:** CITY MANAGER **DATE:** 2013 March 05

**FROM:** DIRECTOR PLANNING AND BUILDING **FILE:** 7810-03  
*Reference: Taxation Exemptions*

**SUBJECT: CITY OF NORTH VANCOUVER RESOLUTION –  
DISTRICT ENERGY TAXATION**

**PURPOSE:** To respond to the City of North Vancouver's Resolution regarding provincial tax for district energy systems.

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**RECOMMENDATIONS:**

1. **THAT** Council send a copy of this report to the City of North Vancouver indicating Burnaby's support for the development of a future energy taxation policy that is consistent for energy suppliers, equally supportive of various energy technologies, and fair for rate-payers and customers purchasing heat and energy.
2. **THAT** a copy of this report also be sent to the Union of BC Municipalities for information.

**REPORT****1.0 INTRODUCTION**

As referred by Council, the Environment Committee, at its meeting held on 2012 February 12, received a (see *attached Appendix A*) resolution from the City of North Vancouver (CNV) regarding provincial tax for district energy systems. Arising from discussion, the Environment Committee requested a report from staff on the matter. This report responds to that request.

**2.0 CITY OF NORTH VANCOUVER (CNV) RESOLUTION**

The CNV Council sent the *attached* resolution to the Provincial Government and to all members of the Union of BC Municipalities (UBCM). Generally, while presenting specific proposals, the resolution calls for consistent, supportive and fair energy taxation policy for district energy systems as part of the transition to the *Provincial Sales Tax* (PST) on 2013 April 01.

The CNV operates the Lonsdale Energy Corporation (LEC), a district energy system that supplies part of the city with heat to residential and commercial customers. Natural gas is currently the primary fuel source used to heat water, which is delivered via pipes to heat buildings.

To: City Manager  
From: Director Planning and Building  
Re: District Energy Taxation Policy  
2013 March 05 ..... Page 2

Generally, the CNV is seeking future tax policy for energy under the PST that would:

- ensure that energy purchased for generating residential heat, whether from Fortis, BC Hydro, a district energy system or another source, be subject to the same provincial tax rate.
- ensure that the provincial tax rate applied to the purchase of energy production machinery and equipment, including distribution systems and boilers for energy systems, be applied consistently to all energy suppliers.
- ensure that residential customers and rate-payers purchasing heat are not taxed at both the consumer level and through the tax paid by the supplier of the heat energy.

In summary, with regard to energy taxation policy, and as it relates to the LEC, the CNV is generally seeking to ensure that the cost ultimately borne by rate-payers is consistent, supportive of various technologies and fair, regardless of whether the heat energy is purchased through district energy systems, building-scale systems, or other systems.

### 3.0 CONCLUSION

This report responds to the request of the Environment Committee regarding the letter received from the CNV regarding their concerns with energy taxation policy under PST. It is being recommended that a copy of this report be sent to the City of North Vancouver, with a copy to the UBCM, indicating Burnaby's support for the development of a future energy taxation policy that is consistent for energy suppliers, equally supportive of various energy technologies, and that is fair for rate-payers and customers purchasing heat and energy.

  
Lou Pelletier, Director  
PLANNING AND BUILDING

LT:jc  
**Attachment**

cc: Director Finance  
Acting Director Engineering  
Acting City Clerk



The Corporation of THE CITY OF NORTH VANCOUVER  
CITY CLERK'S DEPARTMENT

E-MAIL CORRESPONDENCE

To: All Union of British Columbia Municipalities Members

Attention: Mayor and Council

From: Robyn G. Anderson, City Clerk

Subject: Return to the PST

Date: December 12, 2012

File No: 5500-06-01

SECTION 3 COUNCIL CORRESPONDENCE

cc: City Manager

Director Planning & Building

Director Finance

The City Council at its regular meeting of Monday, December 10, 2012, unanimously endorsed the following resolution:

**"PURSUANT** to the report of the Director, Lonsdale Energy Corp., dated December 5, 2012, entitled "Return to the PST":

\*AVAILABLE IN CITY CLERKS OFFICE

**WHEREAS** the City of North Vancouver, through its wholly-owned district energy corporation, Lonsdale Energy Corp. (LEC), has been providing heat to various buildings located in its municipality since 2003;

**WHEREAS** when the former British Columbia Social Service Tax (PST) was in place, the City and LEC made representations to various British Columbia ministers to request that the Social Service Tax Act be amended to provide a level playing field to energy providers throughout British Columbia;

**WHEREAS** the implementation of the Harmonized Sales Tax (HST) provided for an equitable taxation of energy that allowed energy providers to compete and be evaluated on the basis of their technical merits;

**WHEREAS** the province is set to return to a PST system on April 1, 2013;

**AND WHEREAS** the new PST could increase LEC's rates by 5% which would negatively impact existing customers as well as reduce LEC's cost advantage to incite existing, less energy efficient, buildings to connect to its system;

**THEREFORE BE IT RESOLVED THAT** the City of North Vancouver requests that the PST be implemented in a way that will ensure that all energy providers are treated equitably so that they may compete on the basis of their respective system efficiencies, technical merit and carbon emissions;

*Continued...*

THAT this goal be achieved by including provisions in the future PST that will:

- 1) Provide for the exemption or the reimbursement of PST charges on energy (gas, electricity) purchased for the purpose of generating energy for resale;
- 2) Make available the former exemption on Production Machinery and Equipment to equipment purchased by district energy systems; and
- 3) Maintain, as per the former PST regulation, the PST exemption on the sale of Heat to residential district energy customers;

AND THAT a copy of this resolution and report be forwarded to the Premier of the Province of British Columbia; the Minister of Finance and House Leader of the Province of British Columbia; the Members of the Legislative Assembly of North and West Vancouver; all UBCM municipalities; and LEC customers."



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Attachment (Electronic version posted on [www.cnv.org/city hall/council meetings/council meeting agenda](http://www.cnv.org/city hall/council meetings/council meeting agenda))

cc     A. K. Tollstam, City Manager  
       B. Themens, Director, Lonsdale Energy Corp.