

# FOR THE RECORD

February 12, 2020



## WATER LICENCE RESERVE

The water license reserve fund was created by Council through a bylaw in 1988. This new revenue stream was the result of negotiations with the Province and BC Hydro, where the City was eventually awarded additional water rights of 265 cubic feet per second which it can put through the Upper Bonnington Falls power plant to generate additional electricity. This is quite different than the Kootenay Canal agreement which is between BC Hydro and FortisBC. Under the Kootenay Canal agreement, FortisBC receives payment for lost generation as the water it is entitled to, is now diverted through the Kootenay Canal and BC Hydro compensates FortisBC for their lost generation. Although the water license agreement between the City and BC Hydro is a result of the same project (the Kootenay Canal), it is an entirely separate agreement. In the City of Nelson's case, the City was awarded additional water rights; this is valued at the cost of the power Nelson Hydro would have had to purchase from FortisBC if it didn't have this additional water. This amount goes into the City's water license reserve fund as per the bylaw. The value is estimated at \$658,000 in 2019 and \$665,000 for 2020.

It is important to note that in addition to the funds created by the agreement, the City of Nelson Council has also added an ongoing allocation to this reserve from operations. Currently, the amount allocated is \$200,000.

The [Water License Reserve Fund bylaw](#) identifies the type of projects that can be funded from this reserve account. Council approves these expenditures through the approval of the City's Five Year Financial plan.