

August 26, 2016

Dear BCUC via Commission Secretary

I was given Intervene status as at June 21st of this year. I am commenting on items in <http://www.bcuc.com/Documents/Arguments/2016/DOC_47171_08-19-2016-Shannon-FinalArgument.pdf>

BCUC's information requests and our responses allowed the demonstration:

Rates are comparable to other thermal energy utilities regulated by the BCUC; and

Rates are comparable to those rates where the customer was provided their own heating and cooling using BC Hydro electricity rates.

The proposed rates as presented by SETES have yet to be determined and are very much more than other rates presented by other regulated utilities. See also response 47042 B-5.

Bor Li (Letter of Comment dated June 30, 2016)

Comment #4

[Disclosure

When the rental lease was signed, no disclosure regarding the utility charges was made despite inquiries. Coincidentally, the property manager left her job in the month of the rate application. The first group of tenants moved in December 2015 and had not seen the utility bill until now. The new utility charges come as a surprise to many tenants, as they were led to believe by the departed property manager that heat and hot water were covered by their rent/BC hydro.]

Response to #4

We have confirmed that rental agreements did not include for heating or hot water. No rates were charged or advertised until interim approval was given by the BCUC.

Reviewing our own rental agreement signed on January 31, 2016, I note that "water", "electricity" & "heat" were not included in the lease nor were there any reference to these utilities having a separate charge even after several attempts to request that information from the previous manager. All 1 year leases are locked in and to vacate prior to 1 year will cost the tenant \$300.

6.0 We Are Comparable to Other Utilities

As requested in BCUC IR 1 Section 20.0, SETES has compared our rates to other BCUC regulated thermal energy utilities; furthermore a cost comparison to BC Hydro as a comparable low carbon thermal energy source that can both provide heating and cooling with individual metering.

As demonstrated in the updated user cost estimate in BCUC IR 2 (Exhibit B-5) Section 40.0 below, the SETES proposed rates are comparable to BC Hydro rates; BC Hydro being the most comparable utility in terms of individual metering and carbon reduction. Furthermore, the SETES owns and maintains the major thermal generation equipment, thereby relieving the customer of the maintenance and

insurance/permit costs; as well, the customer saves valuable floor space, which is a benefit that has not been quantified.

Once again they state that they are comparable according to the charts indicated. Any normal thinking person can see that they are not comparable even by the charts they have submitted.

7.0 Fair, Just, and Equitable Rates are Sought for and Should be Approved

SETES' Rate Application has undergone a rigorous review via the process the Province of British Columbia has designed to establish fair, just, and equitable rates. We request for Final Approval by the Commission for the rates as outlined in the Shannon Estates Thermal Energy System Rates Tarriff, with the differences determined necessary during the BCUC review processes.

Yours very truly,

George P. Steeves, BScE, MIS, P. Eng.

Principal

STERLING COOPER CONSULTANTS INC.

GPS/jc/cz

If the BCUC allows the rates submitted by SETES they will not only do a major disservice to the tenants and condo owners but will set a dangerous precedent for future utilities to charge in the future "whatever the traffic will bear"!

Robert P.L. Peden

August 26, 2016

Dear BCUC via Commission Secretary

I was given Intervene status as at June 21st of this year. I am commenting on items in <http://www.bcuc.com/Documents/Arguments/2016/DOC_47042_B-5_SWCRA_Responses-BCUC_IR-2.pdf>

**23.0 Reference: Definitions/Terms and Conditions
Exhibit B-1 (Application), Appendix A, Terms and Conditions
Customer Agreement**

23.1 Please confirm or explain otherwise that it is expected that a Customer Agreement will be entered into between the Shannon Estate Thermal Energy System Utility (SETES or the Utility) and each residential tenant that is to receive Energy Services.

[SETES: The Utility intends to have a Customer Agreement directly with each residential tenant. Especially in strata-owned units, the Utility may elect to have a Customer Agreement with the strata owner instead of a tenant.]

Each of the 213 tenants in SWCRA has been given a 2 page form to sign with the utility. Some have signed and remitted to the utility, others are waiting for the Commission's decision. In the form they signed they acknowledged the \$50 set-up fee and the \$9.50 per month meter read. The set-up fee is merely a blatant cash grab for virtually nothing and the meter read is for emailing monthly accounts to tenants as no one actually reads a meter!

From paragraphs 24.0 to 24.11 SETES talks about connect/disconnect charges in various forms which eventually come down to the chart below.

SERVICE START STOP RESTART CHARGES

Service Start Charge: \$50.00

The Service Start Charge is a single initial service start charge payable by each Applicant for Energy Services.

**Service Restart Charge: \$125.00
(During business hours)**

**Service Restart Charge: \$312.00
(After business hours, weekends, or statutory holidays)**

The Service Restart Charge is a per occurrence charge payable by each Applicant for Energy Services.

Service Stop or Termination Charge: \$125.00

The Service Stop or Termination Charge is a per occurrence service stop or service termination charge payable by each Applicant for Energy Services.

The charges in the above chart are excessive. I have already indicated that it is nothing more than cash grab, but, If there must be a start charge it should be no more than \$10.

The restart and termination charge is excessive and should not be more than \$75.

The off-hours charge is double-time and one-half and is ridiculous and should not be more than time and one-half or \$112.50.

26.1 Please confirm, or explain otherwise, that a rental agreement normally renews on a month to month basis after the initial one year term expires?

[SETES: The rental agreement typically renews on a year-year basis or is fully terminated after the initial term.]

All contracts signed by tenants in SWCRA since December 2015 are for one year and revert to month to month thereafter. Some unscrupulous landlords in Vancouver are forcing tenants to sign on for another year thereby allowing the landlord to raise the rent over the Tenancy Act currently at 2% plus cost-of-living index (currently at 1.5%) as much as 10% plus their current rent as the vacancy rate in Vancouver is less than ½ of 1% and falling.

26.1.1 If confirmed, please explain why it would be appropriate to renew the Customer Agreement from year to year for customer in the rental building?

[SETES: The rental agreements are anticipated to either renew on an annual basis or be fully terminated and therefore the Customer Agreement would align with those periods.]

See answer in 26.1

26.1.1.1 Would SETES be willing to amend section 19 of the T&C for rental customers from 'year to year' to 'month to month'?

[SETES: SETES proposes instead to provide an exception, see amended Terms and Condition for the amendment in context:

19(c) upon receipt of an authenticated copy of a duly executed Rental Agreement, the Customer Agreement will renew on a month-to-month basis or equal renewal terms of a Residential Rental Agreement the choice of which shall be at the Utility's sole discretion.]

See answer in 26.1

30.1 To ensure that the T&C does not allow the Utility to refuse to provide energy service without

adequate notice would SETES consider amending section 16 (a) and (b) as follows:

"The Utility may refuse to provide Energy Service to any Applicant who fails to provide, or pay by the applicable date required, any security deposit, equivalent form of security or guarantee or any requisite increase thereof.

If an account in arrears remains unpaid for 10 days after providing written notice, the Utility may discontinue providing Energy Service to the Customer."

[SETES: The Utility notes a period of 2 days was accepted as adequate for other BCUC regulated utilities which supports that it is an adequate notice period.

Yes, we would consider the amendment with some modifications.

See the amended terms and conditions for the amendment in context:

The Utility may refuse to provide Energy Service to any Applicant or Customer who fails to provide, or pay by the applicable date required, any security deposit, equivalent form of security or guarantee or any requisite increase thereof.

If an account in arrears remains unpaid for 10 days after providing written notice, the Utility may discontinue providing Energy Service to the Customer.

This allows SETES to charge every tenant (213) in this building a security deposit even though some of us have been tenants of Wall Financial (SETES owner) for a great number of years and are considered AAA tenants and do not have credit problems,

37.1 Please confirm, or explain otherwise, that the developer was funding the entire \$7.5 million capital investment with or without the \$50,000 contribution to the CRF.

[SETES: Confirmed, the developer was funding the entire \$7.5 million capital investment with or without the \$50,000 contribution to the CRF.]

37.2 Given that the developer committed to contributing \$50,000 to the benefit of ratepayers why would it now be appropriate to allow the developer to back out of that commitment?

[SETES: The date for rate approval, interim or final, was anticipated to be closer to the initial provision of thermal energy services but was not. The developer has funded the Utility to provide thermal energy services since entry of customers beginning in late November 2015. The Shannon Estates TES RRA 17 BCUC IR No. 2

ratepayers have already benefitted in excess of the \$50,000 in aggregate from having no obligation to pay for any thermal energy services consumed prior to June 1, 2016.]

If the developer has already funded \$50,000 since November 2015 for the benefit of all tenants for no billing of Thermal Energy since then to June 1, 2016 he should only have to contribute the \$7.5 million.

39.1 Chart

	<u>MONTHLY</u>	
	SETES	BC Hydro
775 sq ft	\$ 147	\$ 118
2000 sq ft	\$ 220	\$ 162
	<u>ANNUAL</u>	
	SETES	BC Hydro
775 sq ft	\$ 1,762	\$ 1,419
2000 sq ft	\$ 2,634	\$ 1,942

Rates in chart above should be more in line with current Hydro rates and or other least expensive thermal utilities.

40.1 Chart

	<u>MONTHLY</u>				
	<u>CORIX</u>	<u>SEFC</u>	<u>SETES</u>	<u>CREATIVE</u>	<u>BC Hydro</u>
775 sq ft	\$74	\$81	\$ 136	\$58	\$ 118
2000 sq ft	\$136	\$145	\$ 207	\$64	\$ 162
	<u>ANNUAL</u>				
	<u>CORIX</u>	<u>SEFC</u>	<u>SETES</u>	<u>CREATIVE</u>	<u>BC Hydro</u>
775 sq ft	\$884	\$972	\$ 1,635	\$695	\$ 1,419
2000 sq ft	\$1,629	\$1,746	\$ 2,481	\$770	\$ 1,942

Rates in charts above clearly show SETES to be the most expensive of other least expensive thermal utilities. Clearly, BCUC has to look closely at what value tenants receive from this utility in comparison to other operating utilities!

49.1 Is the SETES a division of Shannon Wall Centre Rental Apartments Limited Partnership (SWCRA)

or is its own legal entity?

[SETES: It is currently a separate division.

We intend to apply to the Commission to transfer the operations to a separate legal entity that is owned 100% by Wall Financial Corporation in the future.]

This allows one entity to control both the rentals and the utility. They are not operating at "arms-length!"

Robert P.L. Peden

August 26, 2016

Dear BCUC via Commission Secretary

I was given Intervene status as at June 21st of this year. I am commenting on items in <http://www.bcuc.com/Documents/Proceedings/2016/DOC_47043_B-6_SWCRA_Responses-FAES_IR-2.pdf>

2.0 Exhibit B-3, FAES IR 1.2.4

When asked if SWCRA would apply to the Commission for approval of a change of rate-setting methodology if future rate increases of the BC Hydro and SEFC's rates were not sufficient to recover the costs of the SETES, **SWCRA responded that "all courses of action will be considered"**.

It would be in the best interests of all tenants currently residing in SWCRA to have fixed rates average based between Hydro and other Thermal plants for at least the next 5 years.

2.1 Please explain what courses of action would be considered by SWCRA. **[SETES: SWCRA could begin by reviewing alternative reference utility rates for their applicable rate structures and would consider to reapply for an interim & final rate approval. By default, all legal and probable discourses would be considered.]**

See answer above.

2.1.1 Would seeking Commission approval for a regulated cost of service rate setting mechanism be one course of action considered? **[SETES: Yes, however this course of action will likely increase the costs of accounting and reporting.]**

Increased costs for such skills should have been factored into the current rental structure at SWCRA,

3.0 SWCRA Reply Submission, p. 5

In its Reply Submission, SETES stated that: "Under the proposed rate structure, SWCRA is encouraged to increase efficiency, reduce costs, and enhance performance or it forgoes the opportunity for a reasonable return. Without doing any of the items in the last sentence, SWCRA will not have a reasonable return."

3.1 Please provide the threshold below which SWCRA deems the level of return on equity to be unreasonable. **[SETES: At this preliminary stage, SWCRA is prepared to take on the technological risk until the forecast level of return is below 3.1%.]**

This ROI is just a little aggressive considering bank accounts are earning less than ½ of 1% and very few financial instruments are earning more than 2.5% in the open marketplace.

3.2 Would SWCRA seek Commission approval of a different rate design, such as a regulated cost of service rate setting mechanism, should that threshold be reached? Please explain. **[SETES: The Utility is committed to continually improve on efficiency of the TES while maintaining a high quality of safety and service. If the threshold were reached, we would review with regulators what available options**

there are which will reach a fair, just and equitable result for the customers and the utility. A different rate setting method could be an appropriate course of action. As stated before, a regulated cost of service rate setting mechanism may be considered however, the Utility anticipates this course of action will likely increase the costs of accounting and reporting.]

See answer in 2.1.1

Balance of responses by SWCRA's is best answered by Mechanical Engineers.

Robert P.L. Peden