



September 7, 2016

**BRITISH COLUMBIA UTILITIES COMMISSION**  
#600-900 HOWE STREET  
VANCOUVER, BC V6Z 2N3

ATTENTION: MS. LAUREL ROSS

Dear Acting Commission Secretary,

**RE: REPLY SUBMISSION TO INTERVENOR FINAL ARGUMENTS &  
COMMENTARY TO LETTERS OF COMMENT EXHIBIT E-1 & E-2  
SHANNON ESTATES THERMAL ENERGY SYSTEMS RATES APPLICATION**

In accordance with the timeline established by British Columbia Utilities Commission (BCUC) Order G-118-16 and modified by Letter dated August 30, 2016, Shannon Wall Centre Rental Apartments LP (SWCRA) provides our Reply Submission to the Intervenor's final arguments for Shannon Estates Thermal Energy Systems (SETES) Rates application.

Fortis BC Alternative Energy Services advised they would not be filing a final submission.

Mr. Robert Peden has provided a supplement to his Final Argument, we provide responses to it.

For the public record, we also provide some response commentary to the following Letters of Comment:

Exhibit E-1 Sok Mui Lee Letter of Comment dated August 25, 2016

Exhibit E-2 Bor Li Letter of Comment dated August 26, 2016



## 1 RESPONSE TO ROBERT PEDEN

### 1.1 Responses to Pages 1 to 2, Comment to items in

<[http://www.bcuc.com/Documents/Arguments/2016/DOC\\_47171\\_08-19-2016-Shannon-FinalArgument.pdf](http://www.bcuc.com/Documents/Arguments/2016/DOC_47171_08-19-2016-Shannon-FinalArgument.pdf)>

Intervenor Argument 1: 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.

SWCRA Response: The rates referred to in the Final Argument refer to those rates that SWCRA had sought interim relief and final approval. We have provided justifications and responses to the inquiries to the BCUC, Intervenor, and Letters of Comments in Exhibits B-2 to B-7 and in Final Submissions. The public, including Customers, were invited to participate in this process. The evidence from multiple perspectives has been provided and all parties given equal opportunity to comment and to test.

Intervenor Argument 2: 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.

SWCRA Response: The water, electricity, and heat are excluded from the rental agreement because these utilities are excluded from the rent.

Intervenor Argument 3: 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.

SWCRA Response: Input Costs, in both the Redacted and Non-Redacted Confidential Reply Submission, for thermal energy include:

- Energy costs (electricity and natural gas)
- Purchase and installation of new and replacement equipment and meters
- Maintenance of equipment/meters both routine and non-routine
- Administration/Accounting/Legal/Engineering costs
- Insurance, Permits, and Taxes

The BC Hydro to SETES comparisons only included the cost of purchasing electricity from BC Hydro. Different designs will have a varying cost for some of the factors above, (i.e. BC Hydro comparison assumes electric resistance with coefficient of performance (COP) near 1 (unity) while the SETES varies with some COP's below 1 and some above – refer to Exhibit B-6 s6.1 for forecasted economic COP's.). Comparing the BC Hydro invoice with a SETES invoice is useful. However, the equipment or plant aspect of providing thermal energy from the electrical energy is not included in the BC Hydro invoice, though it is included in the SETES invoice.



Intervenor Argument 4: 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”!

SWCRA Response: The rates submitted by SETES have gone through a vigorous review process as established by the BCUC, and the rates established-are expected to generate a maximum return on investment of 3.25%, which is lower than permitted under the BCUC legislation of 8.75%. We will continue to participate in the process designed to establish fair, just, and equitable rates.

## 1.2 Responses to Pages 3 to 6, comment to items in

[http://www.bcuc.com/Documents/Arguments/2016/DOC\\_47042\\_B-5\\_SWCRA\\_Responses-BCUC\\_IR-2.pdf](http://www.bcuc.com/Documents/Arguments/2016/DOC_47042_B-5_SWCRA_Responses-BCUC_IR-2.pdf)

Intervenor Argument 5: 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!

SWCRA Response: Commission Order G-77-16 approved interim rates, including the Service Start Charge i.e. set-up fee and the Monthly Metering Charge, and are effective on the date provided by the Commission, June 1, 2016. All Customers are encouraged to complete the Customer Agreement and applicable registration forms as soon as possible if they have not done so.

As per Exhibit B-2 Section 1.3 (Pages 3 of the PDF), the Service Start Charge time estimate is included. It accounts for such administration factors as onboarding new Customers, collecting information, and setting up accounting information in billing systems.

As per Exhibit B-2 Section 10 (Page 8 of the PDF), the Monthly Metering Charge includes: reading meters remotely, collecting and administrating meter data, building reports and invoices for tenants, sending invoices and collecting fees from tenants, verifying digital equipment addresses to physical addresses and customers, verifying data validity and substituting adequate estimations where necessary, and maintaining the automated retrieval and summary system.



Intervenor Argument 6: 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.

SWCRA Response: Refer to our response to Intervenor Argument #5 for reasons of the Service Start Charge.

As per Exhibit B-5 Responses to 33.0 (Page 14-15 of the PDF), the Service Stop or Termination Charge is not applicable to any Customers as it is being withdrawn from the rates application.

As per Exhibit B-2 Responses to 1.3 (Page 3 of the PDF), a calculation of the cost to provide a service call has been provided.

The off-hours charge is being provided as a value-added service to accommodate special Customer requests. Refer to Exhibit B-5 Response to 28.0 (Page 11 of the PDF), language has been added to provide specific language exempting Customers from a reconnection fee when service is restored for "public safety or Utility service requirement reasons or the reasons set forth in Section 23 Curtailment of Energy Services." Customers may always opt to request reconnection during standard hours for non-emergency reconnections.

Charging different rates for service out of normal working hours is comparable to other regulated utilities, see Exhibit B-7 Appendix C1 Fortis BC Electric Tariff Rates Schedule Sheet 37, "Performed During Callout Hours If the Customer requests the Company to call out personnel to perform the above functions, the \$100.00 charge becomes \$339.00."



Intervenor Argument 7: 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.

See answer in 26.1

See answer in 26.1

SWCRA Response: The question appears to pertain to the Residential Tenancy Act, which is unrelated to the SETES, which is governed by the Utilities Act as administered by BCUC. Any changes to SETES rates must be processed through BCUC.

Intervenor Argument 8: 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,

SWCRA Response: No security deposit has been requested or received from any Customer who was connected on or before the June 1, 2016 Interim approval. The Utility reserves the right to maintain a security deposit as is necessary for practical business reasons which especially benefits those with inadequate credit history who would otherwise be unable to have service.

Intervenor Argument 9: 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.

SWCRA Response: The developer has contributed the \$7.5 million.

Intervenor Argument 10:

<u>39.1 Chart</u>	<u>MONTHLY</u>	
	<b>SETES</b>	<b>BC Hydro</b>
775 sq ft	\$ 147	\$ 118
2000 sq ft	\$ 220	\$ 162
	<u>ANNUAL</u>	
	<b>SETES</b>	<b>BC Hydro</b>
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.

SWCRA Response: As per the reasons repeated in our response to the Intervenor argument we have numbered #3, BC Hydro rates do not include the full value received by having thermal energy delivery instead of only electrical energy delivery. With respect to other thermal utilities, rates comparisons are provided in the Intervenor Argument we have numbered #11. Using only a select group of



thermal utilities based on their apparent cost as a comparison without reviewing other factors such as scale of utility or scope of franchise given by legislative authority denies the opportunity to address each Utility on its own merits.

Intervenor Argument 11:

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!

SWCRA Response: Value provided to Customers includes usage of a low-carbon system as defined by City of Vancouver, thermal energy service in Shannon Estates, usage of technology developed in BC and built by BC labour, and other factors provided in the CPCN application for SETES and in the other documents in the evidentiary record. Also, the differences in services provided by each utility and the differences between them have been identified throughout the rates application process.

Intervenor Argument 12: This allows one entity to control both the rentals and the utility. They are not operating at “arms-length!

SWCRA Response: Despite the current ownership similarities, the rental operations are not impacted by the utilities operations and vice versa; the rental operations are governed and conducted in accordance with the Residential Tenancy Act, while the utilities operations are governed and conducted in accordance with the Utilities Commission Act, and all other applicable legislation.

1.3 Responses to Pages 7 to 8, comment to items in [http://www.bcuc.com/Documents/Arguments/2016/DOC\\_47042\\_B-5\\_SWCRA\\_Responses-BCUC\\_IR-2.pdf](http://www.bcuc.com/Documents/Arguments/2016/DOC_47042_B-5_SWCRA_Responses-BCUC_IR-2.pdf)

Intervenor Argument 13: 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.

See answer above.



SWCRA Response: This solution is related to the current rates application where rates are pegged to BC Hydro and to the City of Vancouver's South East False Creek Neighborhood Energy Utility. Refer to SWCRA reply submission dated July 15, 2016 in Table 2 (Page 7 of the PDF), in the sense CoV and BC Hydro have forecast rates which SETES is pegged to, those rates are fixed for the next 5 years.

Intervenor Argument 14: Increased costs for such skills should have been factored into the current rental structure at SWCRA,

SWCRA Response: Increasing the operating cost is anticipated to affect customer costs.

Intervenor Argument 15: 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.

See answer in 2.1.1

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

SWCRA Response: A financial model has been submitted which allows BCUC to analyze the forecasted return-on-equity along with the underlying assumptions about SETES.

Comparing the act of owning and operating a business to an interest bearing bank account / pure financial instruments appears to assume the latter two are of comparable difficulty and risk to the first, we would not agree such a comparison should be considered.

BCUC permits a return-on-equity of 8.75% plus adjustments. BCUC documents describing this include L-53-13, L-63-14, and G-47-14.



## 2 RESPONSES TO LETTERS OF COMMENT

For the public record, we provide additional response comments to the additional Letters of Comment raised.

### 2.1 RESPONSE TO SOK MUI LEE (EXHIBIT E-1)

Comment 1: Interim charges collection

SETES was given Interim relief to invoice customers effective June 1, 2016, on a refundable basis pending a final determination on the Application. However, there is no discussion as to how customers can recover over-payments should approved rate being lower than interim rate, and the utility service terminated before final rate approval or the rate application being rejected altogether. Some guidance may be required by BCUC to ensure refund of over-payments to be made in timely manner should such situation arise.

Response Comment: A written procedure has been provided in the Thermal Energy Tariff submitted. It details how the Utility will make a reasonable attempt to locate the former Customer for one year to refund the Customer.

Thermal Energy Tariff in Subsection 13(j) provides the following to refund any overpayments:

“Subject to paragraph (d) above, in all instances of back-billing where changes of occupancy have occurred, the Utility will make a reasonable attempt to locate the former Customer. If, after a period of one year, such Customer cannot be located, the over-billing or under-billing applicable to them will be cancelled.”

For convenient reference, Subsection 13(d) is:

“If there are reasonable grounds to believe that the Customer has tampered with or otherwise used the Thermal Energy or any component of the Thermal Energy System in an unauthorized way, or there is evidence of fraud, theft or another criminal act, back-billing will be applied for the duration of the unauthorized use, subject to the applicable limitation period provided by law, and the provisions of paragraphs (g), (h), (i) and (j) below will not apply.

In addition, the Customer is liable for the direct (unburdened) administrative costs incurred by the Utility in the investigation of any incident of tampering, including the direct costs of repair, or replacement of equipment.

Under-billing resulting from circumstances described in this paragraph (d) will bear interest at the rate specified in the Application for Service on unpaid accounts from the date of the original under-billed invoice until the amount under-billed is paid in full.”

As applicable, the Utility will work with the Commission to ensure timely return of any overpayments.

Comment 2: Re: SETES response 2

DEU refers to River District Energy as stated in the beginning of the letter. The variable charge could be found under section 3.1 .2 in the attached tariff.



[http://www.riverdistrict.ca/wordpress/wp-content/uploads/2012/12/12-12-2012\\_RDE-Tanff-Executed.pdf](http://www.riverdistrict.ca/wordpress/wp-content/uploads/2012/12/12-12-2012_RDE-Tanff-Executed.pdf)

In fact, River District Energy, being the only publicly regulated developer-owned neighbourhood renewable energy system in BC, serves as a better benchmark for variable rate comparison, given the similarity between River District and SETES in terms of market position. River District's 2016 variable rate is \$0.03584/kWh. The SETES proposed variable rate for space heating at \$0.1036/kWh, is 290% of the River District counterpart. Therefore, the proposed variable rate is far from being competitive.

<http://vancouver.ca/green-vancouver/neighbourhood-renewable-energy-system-providers.aspx>

<http://www.riverdistrict.ca/awards/district-energy-utility/>

Response comment: Referring to the comparability of River District Energy (RDE) to Shannon Estates Thermal Energy Systems, Order C-14-11 and the associated decision provide relevant comparison points ([http://www.bcuc.com/Documents/Proceedings/2011/DOC\\_29396\\_12-19-2011-RiverDistrictEnergy-CPCN-Decision-WEB.pdf](http://www.bcuc.com/Documents/Proceedings/2011/DOC_29396_12-19-2011-RiverDistrictEnergy-CPCN-Decision-WEB.pdf)). Pages 1 to 2 identify key differences including:

Scale of development - See also our response comment to Comment #3. SETES is serving an almost completely residential Customer base, excepting the two Commercial Retail Units, while RDE service includes "offices, shops and restaurants, schools, day care facilities, a community centre and homes for some 15,000 residents." While no estimate of resident number was provided in the evidentiary record, taking a representative number of 600 connected units, a total of 1200-1800 residents could be estimated. SETES has approximately 10% of the residents and does not also have the diversity of commercial / institutional customers RDE will have/has.

Services provided – RDE does not provide space cooling, does not provide individual metering (p.26).

Timing of renewable/low-carbon energy sources – RDE does not immediately implement renewable/low-carbon energy sources while SETES does.

SETES pricing is in accordance with the service and products provided.

Comment 3

3) Re: Response 3 Metering charge

IR-1 Exhibit B-2 10.5

SETES response do not demonstrate how an annual cost of \$91,200 is derived nor is justifiable to read the meters given that all meters are installed in each unit and reading can be taken automatically on a remote basis. Other listed costs seem to be related to data verification which may not be routinely required in the absence of customers' requests and maintenance cost of certain systems which should not be categorized under meter reading charges. Customers should be given different options in providing readings more economically.

Utility statements show that GST related to the monthly metering charge was collected by QMC (the sub metering company). It is reasonable to assume that QMC to be the sole provider of



meter reading service. Clients of QMC receiving the same type of service include city of Vancouver and Fortis BC.

[http://qmeters.com/wp-content/uploads/2015/06/CorporateResume\\_Download.pdf](http://qmeters.com/wp-content/uploads/2015/06/CorporateResume_Download.pdf) p.2

However, SETES did not provide evidence to show that any QMC clients/any regulated utilities collect fixed charges strictly associated with meter reading.

Response Comment: Also see our response to Intervenor Argument #5 in this response. Electronic systems are not maintenance-free and require periodic attention. Additionally, SETES' approach to proactively maintain meters, as opposed to repairing them only when Customers notice irregularities, is a rational and fair service to all Customers. It is unclear which of the systems are being suggested to not be categorized as under meter reading charges but the automated retrieval and summary systems are an intimate component of metering and accordingly are attributed to the cost of metering.

The calculation of \$91,200 itself, is derived from an early assumption developed with BCUC of 800 units for the purpose of discussion and is  $\$9.50 / \text{month} * 12 \text{ months} / \text{year} * 800 \text{ Units} = \$91,200$ . The unit count provided in the confidential submission to BCUC is 600 units which results in a revised figure of  $\$9.50 / \text{month} * 12 \text{ months} / \text{year} * 600 \text{ Units} = \$68,400$ .

Differences in allocation of costs will not change the overall costs either. SETES has elected to separate the metering costs for Customer visibility. Other referenced utilities either do not meter individual Customers within buildings (e.g. Corix/Creative Energy/City of Vancouver South East False Creek Neighbourhood Energy Utility) or have an even more incomparable scale to SETES (e.g. BC Hydro, Fortis) from which costs are embedded/economies of scale exist. These again make direct comparisons of a single fee difficult to compare.

Comment 4: 4) Re: response 4

SETES, a district energy system, was established in order for Wall Financial to acquire the rezoning permit to increase density and building height of the existing site of Shannon mews.

<http://Vancouver.ca/files/cov/committees/report-development-permit-board-7298-adera-street-de416823-20130826.pdf> p.15 District and renewable energy Opportunities

The original site consisted of 162 apartment units. The new development contains 213 rental apartments and 387 strata units. By establishing SETES, the developer in return receives significant financial benefits as a result of increased saleable floor area.

Therefore, these financial benefits should also be taken into consideration to offset the opportunity cost of the utilities' site land and thus the capacity charge.

Thank you for your patience reading my comments. I hope that they give you with a better picture from the customer's perspective.

Response Comment: "Pegging" to the City of Vancouver SEFC NEU capacity levy does not indicate every factor or its weighting is identical to SETES.



As per SWCRA's Response 4 in the August 19, 2016 Final Arguments, "the use of the land for the SETES represents an opportunity cost to SWCRA. Accordingly, it is appropriate for the value of the land to be included in the Monthly Capacity Levy."

As per our financial analysis submitted to BCUC (See Shannon Estates Redacted Confidential Reply Submission, Page 5 of 27), the opportunity cost of the land was not a factor used in determining or setting the utility rates. The carrying cost associated with the construction and development of the SETES was factored, which is a permitted cost under the BCUC rate setting guidelines and is comparable to how other energy providers determine and set their rates.

The land's opportunity cost is a factor which should be allowed in the rates application but is not included for in the rates analysis. This is reflective of how the SEFC NEU reference rate is comparable overall but is not appropriately compared on a point-by-point basis.

SWCRA has selected a reference rate for the monthly capacity levy which is an element of the overall rates application. As discussed in the July 15, 2016 reply submission, "because the rates are pegged as opposed to depending on the actual cost of operation, the technological risk of a low economic COP system, which could result in increased cost if the rate-structure was directly correlated to costs, is removed from the ratepayers[Customers]." Referencing the entire SEFC NEU rate then, without adjustment, contributes to an equitable balance for Customer and SWCRA risk / reward.



## 2.2 RESPONSE TO BOR LI (EXHIBIT E-2)

- Comment 1** A separate rate class with reduced capacity charge and rate rider (if approved) should be considered to be established for tenants for the following reasons:
- Comment 1.1** Capacity charge is designed to cover the fixed cost associated with construction and operation of the utility. Although it is a fixed cost calculated according to unit size, the justification for such calculation is based upon the assumption that all customers are given equal access to homogeneous service at any time throughout the year. Thus, everyone in the same rate class has a proportional share of the utility's depreciation and maintenance cost.
- Response Comment:** The description is consistent with the provision of space heating, space cooling, and domestic hot water heating to the strata properties and the provision of space heating and domestic hot water heating to the rental property (space cooling is provided to amenity / commercial spaces). The system at SETES is an integrated system where the space cooling system also provides space heating and/or domestic hot water heating.
- The Utility upgrades the quality of the heat absorbed from space cooling and puts it into space heating and/or domestic hot water heating. The equipment which provides cooling also provides heating. All rate classes therefore use and benefit from all the DEU equipment. A cost allocation is then achieved based on the equipment a customer depends on for the products they use.
- The integrated nature of the system results in all Customers benefiting from and using the full plant for the products provided.
- Comment 1.2** Without access to the space cooling service, tenants' heat usage during the summer should be essentially zero and therefore have negligible contribution to the fixed component of the utility's cost during that period. Charging tenants the same capacity charge as strata owners, who are privileged to enjoy the utility's full capacity year round due to space cooling made available exclusively to strata, at a reduced variable rate (\$0.0518/KWh charge for space cooling is 50% of space heating variable rate), unfairly force tenants to subsidize strata owners in taking on additional share of fixed cost directly associated with the provision of space cooling service.
- Response Comment:** Tenants heat usage is a personal decision and while it may be generally assumed heat is not required in the summer, there are Customers who require or desire heat despite the outdoor temperature or sunshine. The Utility offers heating and cooling year-round to accommodate everyone's needs and preferences.
- Summer usage does not however, result in a stoppage of domestic hot water usage. Domestic hot water usage is provided to the strata and to the rental buildings year-round.
- The different variable rate is consistent with a different product being provided. To produce a unit of cooling takes less energy than to produce a unit of heating and is then priced accordingly and is not a subsidy (see heat pump technology).



In reference to the Response Comment to Comment 1.1, the integrated nature of the systems results in space cooling equipment also being space heating / domestic hot water heating equipment. As Strata and Rental customers both benefit from this equipment, the costs are allocated accordingly.

Comment 1.3 For the same argument, tenants should take on a lower share of the utility's sustainment capital fund

Response Comment: Refer to the Response Comments to Comment 1.2 and Comment 1.3. The integrated nature of the system design results in all the equipment providing service to Strata and Rental Customers alike. The Rate Riders are also proportioned from the intensity of usage and the result of not purchasing a class of product is a reduction in cost.

Comment 1.4 SEFC NEU and Sun Peaks Utilities, both referenced utilities in the rate application, implemented differentiated basic/capacity charges to different rate groups corresponding to their different nature of service/usage level. All customers within the same rate group are given access to homogeneous utility services. In particular, SEFC NEU stated that "the separate rate classes were established to ensure that NEU costs are equitably distributed between different customers". Putting tenants in the same rate class as strata owners challenges the equity of the rate structure and BCUC's mission to ensure ratepayers to receive nondiscriminatory energy services at fair rates from regulated utilities.

SEFC NEU 2014 customer rates 10346; <http://vancouver.ca/files/cov/false-creek-neighbourhood-energy-utility-2014-rates-report.pdf> p.4

Sun Peaks Utilities Co., Ltd. gas tariff p. 7;

[http://www.bcuc.com/Documents/Proceedings/2016/DOC\\_46672\\_b-2\\_BCUC-IR-1-Response.pdf](http://www.bcuc.com/Documents/Proceedings/2016/DOC_46672_b-2_BCUC-IR-1-Response.pdf)

Response Comment: SEFC NEU distinguishes between the following categories for the Monthly Capacity Levy (<http://vancouver.ca/home-property-development/metered-rates.aspx>):

- Residential Majority Buildings in the original SEFC service area
- Non-Residential Majority Buildings in the original SEFC service area
- Buildings outside of the original SEFC service area

The SETES serves only residential majority building in the original service area. The single rate class is then consistent with this argument for SEFC NEU.

Sun Peaks Utilities Co. differentiates Rate Groups according to:

- Residential Service (including buildings with 4 or less dwelling units)
- Small Commercial Service (including buildings with 5 or more dwelling units, energy less than 2000 gigajoules per year)
- Large Commercial Service (including buildings with 5 or more dwelling units, energy less than 2000 gigajoules per year)



The SETES serves a single development with multiple dwelling units throughout. A single rate class is consistent then with Sun Peaks Utilities Co. as every dwelling unit will have an account and meter rather than aggregating dwelling units into a single service as would happen for a comparison to the multiple rate classes to be made.

Comment 1.5 It is unfortunate that such a material fact (lack of space cooling provided for tenants) was entirely omitted in the rate application and the omission was later downplayed in the SETES response. SETES's inaccurate description of the utility service adversely hindered BCUC's ability to make well informed decision and thus this part of the rate structure should undergo a more rigorous review.

Response Comment: Refer to the Response Comments in 1.2 and 1.3. The integrated nature of equipment makes it relevant for the costs to be allocated to all Customers.

Comment 2 Clarification of rate rider charges is required

Response Comment: Please see the details below.

Comment 2.1 Rate rider is a percentage of the total bill. However, the rate application does not provide a definition for "the total bill". It is ambiguous that whether the rate rider is applied to charges such as service start charge, security deposits, reconnection fee, etc. Also, nothing was mentioned if the rate rider would be accordingly reversed should any of the above mentioned charges being refunded.

Response Comment: The total bill is the invoice value before taxes and/or security deposits. The rate rider would be refunded/debited according to any changes made to the final approved rates. For example, if the changes were to a fee the rate rider would be recalculated according to the revised fee and the difference refunded to /debited from the account.

Comment 2.2 Moreover, the rate rider charges were presented differently in the following three documents pertaining to the rate application:

i) SHANNON ESTATES THERMAL ENERGY SYSTEMS RATES APPLICATION FILED 2016-05-24 p.6

(annual limit per unit set at \$200)

ii) SHANNON WALL CENTRE RENTAL APARTMENTS LIMITED PARTNERSHIP Thermal Energy Tariff B.C.U.C No. 1 Section C p.5

(Sustainment Capital Fund Rate Rider consisting of:

-Capital Reserve Fund 2.5%-15% of total bill

-Emergency Repair Fund 2.5%-15% of total bill

-subject to the following limits: \$20 per month, \$200 for preceding 12 months. and \$500 for preceding 36 months)

iii) Order # G77-16 p.2



(sustainment capital fund: 2-15% of total bill to a maximum of \$20 per month or \$200 per year

Response Comment: Exhibit B-1 included a table titled "Sample Annual Costs for 12 months of usage" and for the rate rider, a \$200.00 maximum per annum. This is consistent with the duly executed tariff.

Exhibit B-1 also included the thermal energy tariff (Page 42 of the PDF, Rate Structure Original Page 5 of the tariff) which provided a full description which included the \$200.00 limit for the preceding 12 months and \$500 for the preceding 36 months.

The variation in the BCUC Order from the Tariff given interim approval was inadvertent by the Commission, however the examples provided in E and F of Order G-77-16A included the maximum allowable annual bill. The \$20 limit for any single month and \$500 limit for any 36-preceding month period protects Customers from having invoices fluctuate excessively month-to-month, also see Response Comment to Comment 2.4 on how the Utility has further protected Customers.

The only applicable rate is from the Thermal Energy Tariff duly executed by the Commission Secretary:

Capital reserve fund 2.5% - 15% of total bill

Emergency Repair Fund 2.5% - 15% of total bill

Subject to the limit of:

\$20 per month, \$200 per preceding 12 months, and \$500 for preceding 36 months, per metered unit.

Comment 2.3 Even though the Interim rate rider was collected according to the Tariff (5% of the total bill with capital reserve fund and emergency repair fund combined), order #G77-16 was the only rate schedule given out to customers in hard copies. (SWCRA final argument section 3.0 [http://www.bcuc.com/Documents/Arguments/2016/DOC\\_47171\\_08-19-2016-Shannon-FinalArgument.pdf](http://www.bcuc.com/Documents/Arguments/2016/DOC_47171_08-19-2016-Shannon-FinalArgument.pdf))

Response Comment: The Utility abided by the instructions of the Commission and distributed the set materials accordingly. The Commission's notice included physical and online addresses and telephone numbers from which to request further material. All material has also been posted on the Commission's website at <http://www.bcuc.com/ApplicationView.aspx?ApplicationId=543>.

Comment 2.4 Customers were totally unaware of the shocking difference in their actual payment compared to what was initially presented before closing of the previous evidentiary period. In addition, the \$500 limit for preceding 36 months was not communicated in any form of correspondence.

Response Comment: Any estimate of invoice may differ from actual invoice when the invoice has a variable component based on the intensity of usage.

Refer to Response Comment to 2.2 to review sources of information.



The Utility has provided the \$500 limit for the preceding 36 months as a protection for customers. Customers could pay up to \$100 less in a continuous 36-month period with this protection than without.

See calculation below:

36-continuous months (with \$500 limit)

First 12-continuous months (Up to \$200 charge)

Next 12-continuous months (Up to \$200 charge, Total up to \$400 charge)

Next 12-continuous months (Up to \$100 charge, Total up to \$500 charge)

36-continuous months (without \$500 limit)

First 12-continuous months (Up to \$200 charge)

Next 12-continuous months (Up to \$200 charge, Total up to \$400 charge)

Next 12-continuous months (Up to \$200 charge, Total up to \$600 charge)

Comment 2.5 If the proposed rate rider is approved, customers could face up to 30% (completely at SETES's discretion) of their total bill merely to be kept in reserve for future repairs.

Response Comment: The rate rider will be collected after any expenses for repairs/replacements and not before. The rate rider structure applied for has changed, please refer to the response to BCUC IR-2 in #36 and #38.

Comment 3 QMC

Customers are only given two options in paying utility bills: mail a cheque to QMC each month and pay security deposits; or pay through pre-authorized monthly debit payments. Given the likelihood of postal service interruption in the coming months, customers should be given more options in making payments. QMC's office is located in Coquitlam. Having a senior customer to drive over an hour to pay a bill should never be considered as an acceptable option.

Response Comment: We confirm Customers may currently use any of the following four methods of payment:

1 – Pre-authorized debit

2 – Mailing a cheque

3 – Online using their financial institution's website and selecting "Quadlogic Meters Canada" as the Payee. Their account number must be available, and can be found on their invoice.

4 – In person at their financial institution. A copy of their invoice will need to be presented.



2.3 Comment 4 The applicant failed to provide the Commission with consistent and comprehensive information throughout the rate structure evaluation process. There are a few examples:

Response Comment: See our response to these below.

Comment 4.1 Inaccurate description of services available to customers was given in the application, in particular, tenants' inaccessibility to space cooling service.

Response Comment: Full disclosure was provided by the Utility with the submission of the tariff. The application document included an example to allow a convenient summary.

Refer also to Response Comments to Comments 1 and related subpoints. The integrated nature of the system results in all Customers, including tenants, to benefit from and use all the equipment. Space cooling equipment in particular also provides space heating and/or domestic hot water heating whenever it operates.

Refer also to Response Comment to Comment 2.2 about the multiple sources of information with respect to the Rate Rider.

Comment 4.2 In Exhibit B-5 section F utility comparison p.19 39.1:

Monthly metering charge (\$9.5/month) was omitted in the original comparison. On the other hand, rate rider was excluded from the revised spreadsheets. However, no reason was given to explain the inconsistencies while both monthly metering charge and rate rider should be included indeed.

SETES's response in 39.2 and 39.3 further illustrates its reluctance to provide consistent data sets for analysis. This has made comparison of utilities rate unnecessarily burdensome for the Commission.

Customers are placed in a vulnerable position when key Information is selectively disclosed or is presented in confusing ways. Dear commissioner, I believe that rigorous regulatory standards shall be applied in reviewing the rate application in order to protect public interest.

Response Comment: Several financial and predictive models were created during the course of the rates application. Each using the most current rate structures and calculated consumption data available at the time. The rate and tariff structure has been altered based on suggestions by the BCUC and more accurate models of consumption were created to address the questions as they were asked. Being a living document, there are changes over the course of the bi-lateral evaluation procedure. Without recognition of the interactive and responsive nature of this proceeding, these amendments and corrections could be misconstrued to represent inconsistencies; to avoid this error, refer to the most current financial and predictive models.

Our response in 39.2 and 39.3 is consistent with our responsibility to provide information based on informed judgements. As the invoice has a variable component, the variable component will change based on factors which are at the customer's control, such as their thermostat setting



and hot water usage, in response to Nature's temperature and sunlight and their personal needs and preferences.

The Utility is committed to continual improvement of all its processes and calculations. This results in changes which the Utility has provided supporting documentation for.

We support the mission of the BCUC to protect the public's interest and remain committed to continue our full and active participation in any further proceedings.

Respectfully Submitted,

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Principal  
STERLING COOPER CONSULTANTS INC.  
GPS/jc

CC: Shannon Wall Centre Rental Apartments LP