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**PROJECT: SHANNON ESTATES THERMAL ENERGY SYSTEM
7199 GRANVILLE STREET**

**NO: 8002-142
DATE: OCT. 24, 2016**

**ATTN: LAUREL ROSS, ACTING COMMISSION SECRETARY
CLAUDIA MCMAHON, SENIOR REGULATORY SPECIALIST - RATES
BRITISH COLUMBIA UTILITIES COMMISSION
SIXTH FLOOR – 900 HOWE STREET, VANCOUVER, BC V6Z 2N3**

**FAX: 604.660.4700
PHONE: 604.660.1102**

**SHANNON WALL CENTRE RENTAL APARTMENTS LIMITED PARTNERSHIP
3502 – 1088 BURRARD STREET, VANCOUVER, BC V6Z 2R9**

**FAX:
PHONE:**

NO. OF PAGES INCLUDING THIS PAGE: AS NOTED

COMMENTS:

In accordance with the timeline established by BCUC Letter dated Oct 17, 2016 (Exhibit A-8), please find via the e-filing system the Shannon Wall Centre Rental Apartments LP. reply to Mr. Dean Fox (Exhibit A-8).

Please note that Sterling Cooper Consultants Inc. (SCCI) is submitting on behalf of the applicant, Shannon Wall Centre Rental Apartments Limited Partnership.

Please direct questions to George Steeves (g.steeves@ndy.com), Joseph Chow (j.chow@ndy.com) and Chi Zhang (c.zhang@ndy.com).

PER: JOSEPH B. CHOW

NOTE: *If the number of sheets received differs from the number above, or if any of the transmitted material is not legible, please inform the above at once.*



October 24, 2016

BRITISH COLUMBIA UTILITIES COMMISSION

#600-900 HOWE STREET
VANCOUVER, BC V6Z 2N3

ATTENTION: MS. LAUREL ROSS, ACTING COMMISSION SECRETARY

Dear Commission Secretary,

**RE: Response to Exhibit A-8 - Mr. Fox's Letter
Shannon Estates Thermal Energy System (TES) Rate Application**

We disagree in general with many statements made by Mr. Fox as they misrepresent the information exchanged in the rates application engaged between Shannon Wall Centre Rental Apartments LP (SWCRA), British Columbia Utilities Commission (BCUC), Registered Intervenors, and Interested Parties.

We are able to release transmission records such as emails with the time and date of delivery with the permission of the strata councils or for specific individuals. Unless owners provide permission, we cannot add further details than previously provided other than to confirm transmission of order G-77-16A to all strata owners and tenants Shannon Estates. Specifically, in response to Mr. Fox's claim of two specific individuals (Mr. and Mrs. <redacted>) not receiving the order until mid-June, we can confidentially provide our e-mail records of communications, with Mr. and Mrs. <Redacted>'s permission.

We recommend against the relief sought in Mr. Fox's letter to delay the issuance of a final order for the rates on the basis of 100% of the units in all phases being sold because this creates hardship for SWCRA and even more strongly for existing customers. For the existing customers, they would remain uncertain if they had a growing credit or debit with the utility. For SWCRA, it would be required to keep a greater contingency fund on hand to ensure a timely refund of any customer credit. To the point raised in Exhibit E-1, both customers and SWCRA would also require additional efforts to maintain current addresses and other contact information to ensure customers could receive a refund if finally required. This creates a greater burden for customers as they would have the greater responsibility of supplying information to SWCRA for an indefinite period even if they should cease to be a customer. SWCRA would maintain its staff to keep records of all customers past and present until the final approval was given however, this is more onerous to customers to continue to respond to any updated address requests.



The rates application has included two Information Request periods and a diversity of viewpoints including those of active customers. This process has reflected in the changes SWCRA has committed to make in the event of final rates approval. The rates process having had active customer participation, it is unclear what further questions or evidence would be submitted by the parties Mr. Fox claims to represent. To rely on the event of 100% of the units in all phases being sold, is an indeterminate event which even further creates harmful uncertainty for existing customers. The intent of the utility is to have a single rate class because this is representative of the common residential nature throughout Shannon Estates Phase 1 and Phase 2. To maintain an equitable situation for Phase 1 and Phase 2 customers, the same rates need be applied to both.

Corrections and Clarifications to Mr. Fox's Letter

Mr. Fox's letter removes or ignores key information in the evidentiary record to create an argument that Shannon Wall Centre Rental Apartments LP (SWCRA) has somehow deliberately stonewalled or misled its current or future customers.

His following statement is a misrepresentation of information in the evidentiary record:

"We think it important to note that the original application and UC Order applied primarily to apartment units, which were in existence and largely occupied at the time. Only a few days later, the Applicant sought and was granted an amended order, G-77-16A, covering 600 residential customers..."

Commission Order G-77-16A (Exhibit A-2) notes the amendment is "correcting recitals B and I" for consistency with Exhibit B-1. The original application (Exhibit B-1) included all phases and types of customers and was not primarily only for apartment units.

To bring further clarity to the context and background section, we also add the header for 3.9.(b) is "Utilities and Other Services" and the disclosure statement dated March 16, 2015 in 3.9.(b)(5) states "the Developer may enter into, or may cause the Strata Corporation to enter into, agreements, licenses, covenants, easements and /or statutory rights of way with and/or in favour of the City of Vancouver, the DES provided, the owner of the Lands, public or private utilities or other entities with respect to the provision of these utilities and services."

Connection and service by a low-carbon district energy system is a requirement by the City of Vancouver for this development site and project. As is the case with any new development within a thermal energy utility designated area within the City of Vancouver and several neighboring cities.

As the thermal plant serves multiple customers (including Strata Corporations) and has components located in and which cross several property boundaries, it is not possible for any one strata to own the TES. Furthermore, the it is unlikely that the Strata Corporations will cooperate in such a manner to ensure portions of the TES within their properties boundaries are maintained and operated in accordance to the continued operation of the entire system. Therefore, a third party must manage and operate the TES, at a cost that includes profit.



Beyond the redacted copy of the financial model, there are also responses to information requests and arguments which provide insight on the utility. We have no records of having received any further requests to provide further versions of the financial/economic model from the Interested Parties or Registered Intervenors other than the redacted model provided (DOC_46869_07-26-2016_Shannon-RedactedVersion-FinancialModel) as requested by BCUC in Commission Order G-118-16 (Exhibit A-5).

From the Acc. Summary pages of the Redacted Model (p. 5 – 7), we are unable to reach the same conclusion as Mr. Fox on the profit to SWCRA starting at \$300,000 per year and rising to \$1,000,000 per year within ten years. In the opening year, we forecast an EBITDA (Earnings before income tax, depreciation, and amortization) of \$73,628 and an Earnings After Carrying Costs and Taxes of (\$188,872) which is negative. In 2027, we forecast an EBITDA of \$485,879 and an Earnings After Carrying Costs and Taxes of \$286,910.

Notice Provided

The notice was provided to Phase 1 strata owners and to tenants of Shannon Mews and Apartments. The notice was not provided to individuals who have entered into a purchase and sale agreement in Phase 2 which is now under construction.

We believe the spirit and intent of the Commission (Exhibit A-2 “A copy of this order must be provided, electronically where possible, to each strata corporation and to all tenants and owners of units at Shannon Mews & Apartments”) was to deliver to the strata corporations, tenants and owners who have used or have had the opportunity to use the thermal energy services of SETES. SETES became operational in late 2015 and notice was provided to these customers as they had been using the service for potentially upwards of 6 months. Individuals who have entered into a purchase and sale agreement, at the date of the Order, were not sent the order due to their tentative nature but would not have met any opposition from SWCRA to participate as Registered Intervenors or Interested Parties. SWCRA notes the rates application included a broad range of interests and raised numerous points which were reflected in the latest rates recommendation SWCRA made. Mr. Fox is correct to note the Strata Corporations Phase 1 and 2 were not in existence at June 6, 2016 and therefore were not recipients of the letter. The Phase 1 members of these strata corporations were notified however, provided they met the conditions above.

As with all utilities, it is not possible for every eventual customer to take part in the initial rate setting process. The avenues of complaints and participation in rate adjustment procedures are of course open to all future customers. The SETES feels it is in everyone’s best interest to set the final rates in a timely manner, therefore, it is proper to proceed with the initial rate setting process before full completion of construction and occupancy. Customers have already connected and they deserve certainty in the rates they will pay.



Addressing Items of Relief Sought

Mr. Fox lists 10 parties which he purports to represent. 8 of whom are owners of phase 1 strata units, who have been given notice of the rate setting process through paper and electronic copies of Order G-77-16A delivered by the date set forth on the regulatory timetable. Order G-77-16A contains instructions on how to access all submitted documents and participate in the rate setting process. The 2 remaining parties listed by Mr. Fox have contracts to purchase phase 2 units, only.

The rates tariff, supporting documents, information request responses and financial model have already been examined by experts at the BCUC and Fortis Alternative Energy Service. Fortis Alternative Energy Services is a subsidiary of Fortis BC, which has in its employ many financial and technical experts that it can call upon in the review process. The parties Mr. Fox purports to represent will have to go to great length and cost to obtain an expert review at the same quality of the one already completed.

Ample opportunity was made for all current customers of the SETES to apply as interveners or interested parties, as set out in order G-77-16A.

Summary

In summary, we find the relief sought by Mr. Fox would have detriment to both the SWCRA and most strongly tenant and owner customers.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "G. Steeves".

George P. Steeves, BScE, MIS, P. Eng.
Principal
STERLING COOPER CONSULTANTS INC.
GPS/jc