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British Columbia  
Utilities Commission

## Letter of Comment

In accordance with the Commission's Rules of Practice and Procedure, to submit a letter of comment concerning an application currently before the Commission, please provide a completed form to [commission.secretary@bcuc.com](mailto:commission.secretary@bcuc.com). If email is unavailable, please mail the form to the address above. By doing so, you acknowledge that all letters of comment are published with the author's name as part of the public evidentiary record, both in print copy and on the Commission's website. All personal contact information provided on this page is removed before posting to the website. Forms must be received by the Commission by the last filing date included in the proceeding's regulatory timetable before final arguments.

Proceeding name

Shannon Estates Thermal Energy System Rate Application

Are you currently registered as an intervener or interested party?

Yes, interested party

Name (first and last)

Grant Cameron

City

Vancouver

Province

BC

Email

[REDACTED]

Phone number

[REDACTED]

# Letter of Comment

Name (first and last)

Grant Cameron

Date:

23-Feb-17

Comment: Please specify the reasons for your interest in the proceeding, your views concerning the proceeding, any relevant information that supports or explains your views, the conclusion you support and any recommendations. The Commission may disallow comments that do not comply with the Rules of Practice and Procedure.

Ms. Ross,  
Acting Commission Secretary and Director

## Response to Shannon Wall Centre Rate Application of February 7<sup>th</sup> 2017

Dear Ms. Ross,

I am writing the BCUC because I am registered as an interested party and purchaser in Phase 2, Hudson House. and I'm opposed to the SWCRA rates application posted to the BCUC website on February 7, 2017.

At the time of our purchase (April 2015) we reviewed the Disclosure Agreement and made careful inquiries to our agents, Rennie & Associates. We reasonably assumed our new home would include the utilities to provide heating, cooling and continuous hot water with the capital cost of these services embedded within the purchase price of our unit. We also believed the heat recovery aspect of the TES would be cost saving and beneficial to the ratepayers over time. The disclosure agreement presented the maintenance and replacement costs would be allocated to the Strata Corporation and in turn to us under Unit Entitlement.

The disclosure agreement subject clauses (copies attached)

- 3.9 (b) (5) District Energy System (now called TES)
- 4.3 (o) Low Carbon Energy System Agreement No. CA2828291-298
- 4.3 (s) Neighbourhood Energy Utility Agreement No. CA3626907-918

Shannon Estates Thermal Energy System (SETES) is the Hot Water, Heating and Cooling utility serves captive market fully contained within the grounds of Shannon Estates and is not designed for additional development outside the Shannon Estates boundary. This makes SETES substantially different from SEFC, Corix or Creative Energy Projects.

The ratepayers are all the owners and renters who will reside within the boundaries of Shannon Estates and the owners paid for the construction of the SETES with the purchase of their units. The renters are also ratepayers through their lease agreements. The applicant states and page 14 "... the rate design is fair, just and reasonable". I cannot agree with this statement and provide some of my reasons in this letter.

***"If it Isn't Affordable - It Isn't Sustainable"***

*Thermenx Website*

**BCUC - Regulatory Process.**

**September 2016** - We were surprised to learn about the BCUC regulatory application was in full motion and as owners in Phase 2 had not been informed about the application. Our review of the Sterling Cooper (SCCI) April 2016 application caused us concern because the rate structure appeared to be flawed and did not use the same rate framework or costing as similar TES systems. The applicant's responses to intervenor questions were abrupt and dismissive. We were grateful the BCUC set out a revised application process in December 2016.

**February 7, 2017** - SCCI revised application was posted on the BCUC site. The bloated 371 page application is confusing, contradicts the CPCN and many pages are not directly relevant to the application. The applicant claims the rate structure formulation is proprietary. The numerous redacted calculations confuse the reader about the actual Capital Costs, Energy Input Costs and Rates of Return make it impossible to determine if the calculations are fair, just and reasonable. For example the TES Capital Cost is shown in the application at \$4,952,000, when CPCN uses \$7,509,534 as Capital Cost to calculate the rate of return. This is a contradiction and detracts from the credibility of the applicant's work.

**The Certificate of Public Convenience and Necessity (CPCN)** in the February 7 application - Sec 2.2 Technical Capability, the applicant SCCI lists a number of their projects and experience. HVAC and Hydronics applications are substantial; it is notable that only one other project is a TES facility that is presently under construction. This may explain why the rates application is so different from other established projects and why the applicant perceives it needs to provide redacted data.

Significant changes to the Feb.7, 2017 Application include the following items.

### **3.1 Sustainment Capital Fund Rate Rider**

**CRF** - Capital Reserve Account increased from \$50,000 to \$2,750,000.

**ERF** - Emergency Repair Fund, now \$26,000

**The CRF and ERF should be made more reasonable and these costs should be recovered through the Strata Council as outlined in the purchaser's disclosure agreement.**

### **3.2 Regulatory Deferral Account**

The RDA was added by the applicant in the revised submittal perhaps as retribution to the ratepayers.. I strongly oppose the RDA because the ratepayers do not own the TES utility should not be made to shoulder any regulatory costs to the benefit of the TES owner.

## **5. Rates Justification**

The applicant states ***"We are requesting that the commission approve the variable component of the rate to be pegged at BC Hydro's rate and the fixed component to be pegged at SEFC's rates. This will ensure regulatory efficiency and reduce the need to apply to the Commission for future rate increases"***.

**Variable rates pegged to BC Hydro** - The BC Hydro rate used in the proposed structure is the highest retail rate per kWh for residential customers and is projected to increase beyond inflation for several years. As electricity is not the major input energy cost to the TES it's unacceptable and should not be a basis for present and future TES rates. The Variable Rates should be calculated on acceptable and approved rate of return to the TES Utility and not pegged to a third party structure.

**Fixed Rate pegged to SEFC escalating fixed rates** - The South East False Creek (SEFC) Utility was developed by

the City of Vancouver to provide similar utility services as SETES. The SEFC utility was initially constructed for the Olympic Village and is now used by surrounding new and future developments. The SEFC financing and revenue structure has an expanding user base is very different from SETES. The Fixed Rates should be not be pegged to a third party structure because SETES will be fully constructed and subscribed when the project is completed.

Why would the proposed Variable Rates and the confusing Capital Costs calculations be allowed to stand under this application? It appears the pro-forma calculations substantially underestimates the rates of return to the utility and burdens the ratepayer with higher costs without any opportunity for recourse or correction.

My request is for BCUC to help refine the SWCRA rates application to present Fair, Just and Reasonable rates to the ratepayers of SETES.

(4) **Cablevision**

The Development will be serviced with cablevision service, the wiring for which will be installed to each Strata Lot at the cost of the Developer. Cablevision service will be supplied to Strata Lots on application for and payment of usual application and connection charges by the Purchaser to the designated service provider.

(5) **District Energy System**

DELETED —

The Stage 1 Project and the Stage 2 Project will serviced by a District Energy System ("DES") to provide thermal energy required for domestic hot water and HVAC heating and cooling for the Strata Lots and the Common Property and the other components of the Stage 1 Project and the Stage 2 Project. The DES is being provided in accordance with the City of Vancouver requirements. There will be additional capacity provided by way of natural gas fire boilers to deliver thermal energy for the heat and domestic hot water system should the DES require supplementary backup energy. The boilers are designed with capacity to generate 100% of the heating and hot water requirements of the Development. Each Strata Lot will be individually metered for lighting and electrical appliances. 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. The DES which provides the energy to operate and provide the domestic hot water, domestic cold water, heating and cooling for the Strata Lots and Common Property will be paid by the Strata Corporation and the costs will be allocated to the Strata Lots based on Unit Entitlement. The DES operation will be regulated by the B.C. Utilities Commission, and as such, any changes to the DES rates, operations or services are subject to the review and approval of the B.C. Utilities Commission.

The Registered Owner and the Developer have not entered into any contracts with respect to the provision of utility services to the Development other than the existing and proposed encumbrances and covenants set out in sections 4.3 and 4.4.

3.10 **Strata Management Contracts**

The Developer intends to cause the Strata Corporation to enter into a contract with an arm's-length strata property management firm (the "Manager"), to manage the Strata Corporation. The Developer anticipates that the Manager will, on behalf of the Strata Corporation, enter into contracts with third parties for the provision of services such as, but not limited to, landscaping, janitorial and similar services required in connection with the maintenance of the Common Property and Limited Common Property. The Developer may enter into, or cause the Strata Corporation to enter into or assume, contracts for certain services affecting the Development including, but not limited to, security, exterior window cleaning, elevator service and landscaping maintenance.

SEP 23 16  
ADDENDUM #3  
REPLACES  
ENTIRETY

and the agreement further imposes ongoing obligations regarding the maintenance and repair of the public walkways and in respect of the Development.

(o) Low Carbon Energy System Agreement No. CA2828291-298.

This agreement grants a Statutory Right of Way and 219 Covenants to the City of Vancouver. It provides for certain low carbon energy generating, distribution and delivery system for each building that incorporates low carbon energy sources for space and domestic hot water heating and, in some cases, cooling, including all monitoring works (Energy Works). The SRW provides for City access to inspect the Energy Works. The agreement provides that there is to be no building permit issued to the developer until the plans and specifications for the Energy Works have been prepared, no occupancy permit can be issued until a letter of credit has been issued and the Energy Works have been completed and it also further provides for a monitoring report of the Energy Works 60 days after the Energy Works have been accepted by the City and after one year and three years. The letter of credit is to be released at the time of the time of the SRW and the 219 Covenant can be discharged.

(p) Fenestration Agreement No. CA3626881-888

This is an agreement registered against Lot 3 for the benefit of Lot 2 in favour of the City of Vancouver. The building to be constructed on Lot 2 will be built close to the lot line between Lot 2 and the existing building and the easterly and southerly exterior walls of the building currently located on the Lands. The Vancouver Building Bylaw requires spatial separation between unprotected openings including windows located in adjacent buildings for fire and life safety reasons. As such, the Lands owner requires an agreement from the Lot 2 Owner not to construct any buildings or improvements within a specified area on Lot 2 in order to provide the required spatial separation. This agreement grants a restrictive covenant and easement in order to provide the required spatial separation. This agreement will be discharged from title once the Park has been completed and the existing buildings in the Lands have been demolished.

(q) Temporary Easement and Encroachment Agreement No. CA3626891-898

This is an easement that will be registered against the Lands for the benefit of Lot 1 and Lot 2 to allow a temporary ingress and egress from the Parking Facility to West 57th Avenue and to provide for an encroachment of a portion of Lot 2 over Lot 3. Once Phase 2, which is to be located in Lot 3, has been completed and constructed this Temporary Easement will be discharged and no further access will be provided to and from West 57th Avenue.

(r) Reciprocal Pedestrian Access and Vehicular Access Agreement No. CA3626899-906

The parking facility for the Development will be an underground parking facility that will be interconnected between the Stage 1 Project and the Stage 2 Project. This agreement provides easements over Lot 1 for the benefit of Lot 2 and the Lands, over Lot 2 for the benefit of Lot 1 and the Lands and over the Lands for the benefit of Lot 1 and Lot 2 for the various components of the parking facilities that are located under each of the developments on these lots. The agreement

provides for maintenance and repair obligations for the Parking Facility, which obligations will be the responsibility of the owners located within each of Lots 1 and 2 and the Lands and will be further covered in the air space parcel easement that will be registered against the Development located in Lot 1 and the Lands as described in the Disclosure Statement in Section 4.4(a)(vii).

(s) Neighbourhood Energy Utility Agreement No. CA3626907-918

This agreement is in favour of the City of Vancouver and is registered against Lot 1, Lot 2 and Lot 3. The City requires the Developer to provide a low carbon energy generating neighbourhood utility center to be constructed on Lot 2 to provide centralized sewer collection for the Stage 1 Project and the Stage 2 Project and such other renewable energy services as the Energy Centre Operator and the City may agree. The Energy System will provide centralized sewer collection from the project, distribution and delivery of heat generated by the Energy System to various parts of the Stage 1 Project and the Stage 2 Project and distribution and delivery of such other utilities and services as the Energy Center and the City may agree to in writing.

The shared costs in respect of constructing, inspecting, maintaining and repairing the project energy center will be allocated 11% to Lot 1, 34% to Lot 2 and 55% to Lot 3. Each of the individual owners located within these lots will be responsible for their proportionate share of those costs which share will be set out in an air space parcel easement document that is referred to in Section 4.4(3) of the Disclosure Statement.

In addition, there will be operating costs associated with this system which costs will be the responsibility of each of the individual owners in accordance with their usage of the system.

#### 4.4 Proposed Encumbrances

Other than those encumbrances set out above, there are no encumbrances or proposed encumbrances arranged or to be arranged by the Developer which would charge or affect title to the Development, the Strata Lots or the Common Property, except for:

- (1) one or more mortgages and assignments of rents that secure the construction financing to be obtained by the Development to complete the construction of the Stage 2 Project, including without limitation charges in connection with a deposit protection insurance facility;
- (2) one or more easements as legal notations to provide the benefit of access to neighbouring properties for the purpose of the Developer's shoring and construction activities for the Stage 2 Project, including the use of a construction crane. In connection with its negotiations to secure the benefit of such easements, the Developer may grant reciprocal easement rights to neighbouring properties to permit their future development;
- (3) all encumbrances required or deemed necessary by the City and/or Her Majesty the Queen in Right of the Province of British Columbia to be registered against title to the Stage 2 Project Lands, the Development and/or the Airspace Parcels in