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British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Laurel Ross, Acting Commission Secretary
By Web Posting

Dear Madam:

Re: Corix Multi-Utility Services Inc. (Corix) Application for a Certificate of Public Convenience and Necessity for Additional Capital and Amended Rates for UniverCity Neighbourhood Utility Service (NUS) on Burnaby Mountain, BCUC Project No.3698852, B.C. Sustainable Energy Association and Sierra Club B.C. Submission

Pursuant to the regulatory timetable established by Order G-30-16, this is the final written submission of the interveners B.C. Sustainable Energy Association and Sierra Club B.C.

Background

Corix owns and operates the district energy service providing space and water heating to certain buildings in the UniverCity development on Burnaby Mountain (UniverCity NUS). The UniverCity NUS is regulated by the Commission, which issued a CPCN and rates approval in 2011. The existing thermal energy system is a first phase. The intention is to expand to serve additional buildings as the UniverCity development is built out. The UniverCity NUS uses a temporary natural gas energy centre as a precursor to a permanent low carbon energy system that will be the subject of a future CPCN application.

In October 2015, Corix applied for a CPCN and rates approvals for replacing the existing temporary 2.3 MW gas plant with a temporary 8 MW gas plant to accommodate forecast increased load.¹ Following a round of information requests, the Commission held a streamlined review process (SRP) meeting on December 16, 2015 in which all the parties participated.

At the conclusion of the SRP, BCSEA-SCBC supported the application. They confirmed their interest in reductions of greenhouse gas emissions in general and regarding the UniverCity NUS in particular. They expressed their desire for early adoption of the low carbon permanent energy facility at the UniverCity NUS, and noted that the evidence was that proposed replacement of the 2.3 TEC with an 8 MW TEC would not hinder that objective. BCSEA-SCBC also expressed their interest in the rates being reasonable for the UniverCity NUS and other district energy

¹ The concept is that when the low carbon energy system is installed the temporary gas plant(s) will be relocated to the permanent energy centre and repurposed to be backup and peaking resources. This concept is unchanged by whether the temporary energy centre is configured as one 8 MW gas plant or a 2.3 MW gas plant plus a 6 MW gas plant.

utilities so that district utility systems are competitive with more carbon-intensive means of space and water heating.²

On December 30, 2015, the Commission issued Decision and Order G-215-15. The Commission dismissed Corix's request for a CPCN for the temporary 8 MW gas plant as unnecessary because a CPCN is not required in the circumstances under the Commission's *Thermal Energy Services (TES) Guidelines*.³ The Commission also ruled that if the temporary 2.3 MW gas plant was taken out of service (in being replaced by a temporary 8 MW gas plant) it would have to come out of rate base.

On January 20, 2016, Corix provided a compliance filing⁴ in which it informed the Commission that as a result of Order-G-215-15 it had elected to change the capital plan such that it would retain the existing temporary 2.3 MW gas plant and add an additional temporary 6 MW gas plant to meet the forecast increased load. A CPCN would not be required in the circumstances, under the *TES Guidelines*. However, the capital cost would be somewhat higher than with the original 8 MW replacement scenario. This would result in upward pressure equivalent to a 1.6% increase in (levelized) rates⁵ compared to the rates shown in the CPCN application for the replacement 8 MW TEC. Corix requested approval of updated rate base, revenue requirements and rates.

On February 11, 2016, the Commission invited comments⁶ on Corix's compliance filing. BCSEA-SCBC commented that:

“the change in the capital plan appears to be sub-optimal for the UniverCity NUS ratepayers (upward pressure of a 1.6 percentage point increase in the levelized rate). However, BCSEA-SCBC are not in a position to fault either Decision and Order G-215-15 or Corix's change in the capital plan in response.”⁷

On March 3, 2016, Corix replied⁸ to the intervener comments. Of particular importance to BCSEA-SCBC was Corix's confirmation that the revised approach (2.3 MW TEC plus new 6 MW TEC) would have “no impact on the timing of implementing the low carbon energy system.” Corix also confirmed that “Under this revised approach it is the intent of the utility that all of the boilers from the existing 2.3 MW TEC and the new 6 MW TEC will be repurposed in the permanent energy centre that will be developed as part of the low carbon solution.”

On March 9, 2016, the Commission issued Order G-30-16 [Exhibit A-8], establishing a written hearing process involving a second round of information requests and written submissions by interveners and then a written reply by Corix.

² T1:109-110.

³ Order G-27-15, Appendix A.

⁴ Exhibit B-8.

⁵ Corix also stated that “changes to gas cost assumptions effect a reduction in rates of approximately 2%.” That, combined with the revised capital approach, produces an overall change to the levelized rate compared to the rate presented in Corix's CPCN application of a decrease of 0.3 percent. Exhibit B-8, p.4; Exhibit A-6.

Exhibit B-8, p.3.

⁶ Exhibit A-6.

⁷ Exhibit C5-3.

⁸ Exhibit B-9.

The Application

As noted above, Corix seeks approval of updated rate base, revenue requirements and rates,⁹ in the form of a revision of directive 6 of Order G-215-15.¹⁰ In addition, Corix requests relief from directives 3, 4 and 5 in Order G-215-15.¹¹ And, Corix seeks Commission approval to change the capital plan from replacement of the 2.3 MW boiler with an 8 MW boiler to addition of a 6 MW boiler and retention of the 2.3 MW boiler.¹²

Discussion

In the second round of information requests, BCSEA-SCBC asked Corix for an update on the status of Corix's implementation of the low-carbon energy system. Corix's response is:

“Evaluation of the low carbon solution is currently underway and Corix anticipates that that we will be seeking all approvals in 2017. Current project scheduling shows an in-service date of Spring 2019.”¹³

BCSEA-SCBC are satisfied that implementation of the low carbon permanent energy centre for the UniverCity NUS remains on track and, in particular, would not be hindered by Commission approval of Corix's proposed revised capital plan (to add a 6 MW TEC to the existing 2.3 MW TEC). Accordingly, BCSEA-SCBC support Commission approval of the revised capital plan.

There may be some question about whether the revised capital plan (to add a 6 MW TEC to the existing 2.3 MW TEC) actually requires Commission approval, especially in the context of the Commission having determined in Order G-215-15 that the 8 MW TEC did not require a CPCN under the *TES Guidelines*. In the second round of information requests, Corix stated that it does believe Commission approval is required. Corix states:

“Yes, Corix believes that Commission approval is required. While the Commission dismissed the requirement for a CPCN (Order G-215-15), under the TES Regulatory Framework Guidelines, where a CPCN application is not required, all Stream B utilities are required to file an application in the form set out in Appendix C to those Guidelines. Through the process to date and with this round of information requests, Corix believes that the Commission will have adequate information on which to render its decision.”¹⁴

Appendix C of the *TES Guidelines* is titled “EXTENSION FORM FOR STREAM B TES.” The introduction states “This Registration Form applies to system extensions planned for Stream B Thermal Energy Systems (TES) where the system extension capital cost, plus the capital cost of any previous extensions, is less than the initial capital cost of the Stream B TES.” While this language (“Registration Form”) might imply that Commission approval is not required, the *Guidelines* characterize the filing as an application: “In the event that a CPCN is not required,

⁹ Exhibit B-8.

¹⁰ Exhibit B-11, BCUC 23.1.1.

¹¹ Exhibit B-11, BCUC 23.1.1.

¹² Exhibit B-13, BCSEA 8.1.

¹³ Exhibit B-13, BCSEA 9.1.

¹⁴ Exhibit B-13, BCSEA 8.1, underline added.

the TES Provider is required to file an application in the form set out in Appendix C.”¹⁵
Accordingly, BCSEA-SCBC agree with Corix that Commission approval of the revised capital plan is required.

Regarding Corix’s request for relief from directives 3, 4 and 5 of Order G-2015-15, BCSEA-SCBC’s view is that if the Commission approves the revised capital plan (to add a 6 MW TEC to the existing 2.3 MW TEC) then relief from directives 3, 4 and 5 should follow.

Regarding Corix’s request for approval under section 60 and 61 of the *Utilities Commission Act* regarding rate base, revenue requirement and accounting treatment, i.e., revising direction 6 of Order G-215-15, BCSEA-SCBC have reviewed Corix’s responses to the information requests by staff and by BCOAPO, et al.¹⁶ From BCSEA-SCBC’s perspective, Corix’s responses appear to be reasonable and adequate. If the Commission finds the financial details to be satisfactory then BCSEA-SCBC would support Commission approval.

Conclusion

For the reasons set out above, BCSEA-SCBC support Commission approval of the revised capital plan (to add a 6 MW TEC to the existing 2.3 MW TEC), relief from directives 3, 4 and 5 of Order G-215-15, and, as qualified above, the proposed rate base, revenue requirement and rates.

All the above is respectfully submitted.

Yours truly,

William J. Andrews



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cc. Distribution List by email

¹⁵ *TES Guidelines*, p.24 of 35.

¹⁶ Exhibit B-11; Exhibit B-12.