

July 20, 2017

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, British Columbia V6Z 2N3

Attention: Patrick Wruck, Commission Secretary & Manager Regulatory Services

Dear Mr. Wruck:

Re: Application for a Certificate of Public Convenience and Necessity for the Burnaby Mountain District Energy Utility filed February 28, 2017 (the "Application")

In respect of the Application, please find enclosed ten copies of Corix Multi-Utility Services Inc.'s Reply Argument.

Should you have any questions or require any additional information, please contact me at 604-697-6702.

Yours truly,



Ian Wigington
Director, Regulatory

IN THE MATTER OF

The Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Corix Multi-Utility Services Inc.

Certificate of Public Convenience and Necessity Application

for

Burnaby Mountain District Energy Utility

Corix Multi-Utility Services Inc.

REPLY ARGUMENT

Submitted 20 July 2017

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I. INTRODUCTION

1. On June 22, 2017, Corix Multi-Utility Services Inc. (“**Corix**”) submitted its final argument to the British Columbia Utilities Commission (the “**Commission**”) in respect of its application (the “**Application**”) for a Certificate of Convenience and Necessity (“**CPCN**”) for the development of the Burnaby Mountain District Energy Utility (“**Burnaby Mountain DEU**”) authorizing the construction and operation by Corix of a central energy plant and related facilities (the “**Proposed Facilities**”) for Simon Fraser University (“**SFU**”) and the UniverCity community (“**UniverCity**”).
2. Three interveners filed final arguments on July 6, 2017: the British Columbia Old Age Pensioners’ Organization, the Council of Senior Citizens’ Organizations of BC, the Disability Alliance BC, and the Tenant Resource and Advisory Centre (collectively, the “**BCOAPO**”), the B.C. Sustainable Energy Association and the Sierra Club British Columbia (collectively, the “**BCSEA**”), and SFU.

II. FINAL ARGUMENT OF BCOAPO

3. In its final argument, the BCOAPO generally supports the grant of the CPCN.
4. In the section entitled “Biomass and Carbon Neutrality”,¹ the BCOAPO agrees with the assertions of Alan James² with respect to greenhouse gas (“**GHG**”) emissions from biomass versus natural gas, and recommends that future biomass facility applicants be required to submit evidence on the GHG load and proposed offset actions. With respect to GHG emissions, Corix respectfully disagrees with the BCOAPO and Alan James and, as discussed in Paragraph 11 below, instead concurs with the submission of the BCSEA that the Proposed Facilities will result in significant GHG emission reductions as opposed to natural gas facilities. Corix reiterates that biomass fuel use is encouraged under B.C.’s *Clean Energy Act* as a “clean or renewable resource”³ and submits that direct GHG CO² emissions from biomass combustion are treated as carbon neutral and are not subject to offset requirements under relevant legislation and regulations.⁴ The Application before the Commission includes a biomass facility that meets the requirements of SFU and SFU Community Trust in respect of their GHG obligations and sustainability objectives under applicable legislation and guidelines⁵ and is also supported by government policy and government funding. Corix therefore submits that the Burnaby Mountain DEU demonstrably serves the public interest. With respect to the obligations the BCOAPO would like the Commission to place on future utility applicants to submit evidence on the GHG load and proposed offset actions, the request is neither warranted nor practical. Applicants, particularly in the case of small projects, should not be subject

¹ BCOAPO Final Argument, Page 2.

² Exhibit E-1.

³ Corix Final Argument, Para 14, Pages 5 - 6.

⁴ Exhibit B-1, Section 5, Page 12.

⁵ Exhibit B-1, Section 3.2, Page 10.

to additional analysis under the Commission's application process, when these issues are already addressed by provincial, federal and international guidelines, legislation and regulations.

5. In reply to the BCOAPO's request for clarification on project feasibility assumptions,⁶ Corix confirms that under the alternative scenarios considered, the Burnaby Mountain DEU is economically feasible, with no adverse impact on UniverCity ratepayers.⁷ Indeed, Corix confirms that the UniverCity customers will indirectly benefit from the stringent parameters around community and environmental impacts, detailed design and operating specifications, and financial incentives negotiated by Corix with SFU to the advantage of all customer groups.⁸
6. The BCOAPO requests that the Commission impose the following conditions on its grant of the CPCN:⁹
 - a) that the biomass central energy plant not use rail ties treated with harmful chemicals such as creosote or pentachlorophenol;
 - b) that all future equipment and materials purchases (including biomass fuel materials) be subject to an arm's-length competitive process to provide ratepayers with the assurance that the project or fuel costs will be the most cost effective possible; and,
 - c) that a deferral account be established for biomass and electricity price variances as well as volume variances not captured elsewhere, for UniverCity, not just SFU.
7. With respect to the first requested condition, which is in alignment with the Greater Vancouver Regional District Boilers and Process Heaters Emission Regulation Amending Bylaw No. 1190, 2013 (the "**Metro Vancouver Emissions Bylaw**") which regulates biomass content requirements¹⁰, Corix has no objection to the requested limitation on biomass fuel content, as affirmed in its submissions.¹¹
8. With respect to the second requested condition, Corix confirms that it routinely performs value checks on energy transfer station construction work through the issuance of competitive tenders.¹² The BCOAPO is content with the competitive processes for initial biomass module and fuel supplier selection,¹³ and Corix confirms that for the Burnaby Mountain DEU, as for all other district energy utilities it owns or operates, Corix will continue to secure future construction services, equipment and materials, including biomass fuel supplies, through arm's-length competitive processes¹⁴ to

⁶ BCOAPO Final Argument, Page 5.

⁷ Exhibit B-2, Section 10.3.1, Page 25.

⁸ Exhibit B-1, Appendix II, Schedules 1 and 2.

⁹ BCOAPO Final Argument, Pages 5 – 6.

¹⁰ Exhibit B-3, Section 1.2, Page 1.

¹¹ Exhibit B-4, Section 1.6, Pages 2 -3.

¹² Exhibit B-2, Section 4.11, Page 13.

¹³ BCOAPO Final Argument, Page 3.

¹⁴ Exhibit B-1, Section 7.3, Pages 23 – 24; Section 8.3.1, Pages 32 – 22; Table 29, Pages 49 – 52.

ensure ratepayers are receiving the best value and quality and ultimately the lowest rates possible. Corix therefore has no objection to this condition.

9. With respect to the third requested condition, Corix has no objection to a condition requiring a commodity pricing deferral account for UniverCity. Corix does note that the existing revenue deficiency deferral account (“**RDDA**”) that currently captures variances in natural gas prices and volumes for UniverCity customers will also capture biomass and electricity price and volume variances. The current expectation is that the RDDA will be required until 2028. One option would be to establish a separate deferral account specific to biomass, electricity and natural gas pricing and volume variances for UniverCity once the RDDA is dissolved.

III. FINAL ARGUMENT OF BCSEA

10. In its final argument, the BCSEA supports Commission approval of the CPCN and the rate design proposed by Corix.¹⁵
11. The BCSEA addresses the issue of GHG emissions reductions¹⁶ and disagrees with the assertions of Alan James that the Proposed Facilities would have higher GHG emissions than a natural gas-fired energy facility.¹⁷ Corix agrees with BCSEA’s analysis. The Proposed Facilities will be fueled by locally sourced clean wood waste diverted from the waste stream, which will therefore result in significant GHG reductions, as opposed to a natural gas-fired alternative.¹⁸
12. The BCSEA’s final argument also analyzes various components and perspectives of the Application and sets out its conclusions with respect to properly regulated air emissions, relative efficiency of the proposed centralized facility, the supportable choice among low carbon fuel source alternatives, appropriate source of biomass and quality requirements, and fairness of cost allocations under the proposed rate design as set out in the Application.¹⁹ Corix agrees with these submissions.
13. The BCSEA requests that the Commission require that the wood waste fuel used by Corix does not include retired rail ties contaminated with creosote or pentachlorophenol. As anticipated by the BCSEA, Corix has no objection to this requested condition, which aligns with the Metro Vancouver Emissions Bylaw, as affirmed above in Paragraph 7 and in its submissions.²⁰

IV. FINAL ARGUMENT OF SFU

14. In its final argument, SFU confirms its full support for the Application.

¹⁵ BCSEA Final Argument, Para 3, Page 1.

¹⁶ Ibid, Paras 22 – 35, Pages 6 – 9.

¹⁷ Exhibit E-1.

¹⁸ BCSEA Final Argument, Para 35, Page 9.

¹⁹ Ibid, Paras 36 – 60, Pages 9 – 14.

²⁰ Exhibit B-4, Section 1.6, Pages 2 – 3.

15. SFU maintains, and Corix agrees, that approval of the Application is in the public interest, pointing to evidence in the Application which demonstrates that the Burnaby Mountain DEU will supply low-carbon energy to UniverCity customers at lower cost than a standalone facility. Additionally, Corix agrees that the central facility arrangements negotiated by SFU will provide benefits to UniverCity ratepayers, including: more reliable and cost-effective service, GHG reductions, economies of scale, community and environmental impact regulation, stringent design, construction and operation specifications and performance testing, maximized plant performance and availability, and alignment with provincial energy and climate action policy objectives. SFU argues that the proposed principle-based cost allocation methodology for shared capital and fixed operating costs is fair and reasonable, while the proposed overhead cost allocations minimize administrative complexity.²¹
16. In respect of Corix's submission regarding the SFU commodity deferral account recovery mechanism,²² SFU provides its support for the suggested change from a consumption charge adjustment to a capacity charge adjustment.²³ Corix therefore confirms its request for the Commission's approval of the Application, subject to this revised deferral account recovery mechanism.

V. CONCLUSION

17. Corix respectfully submits that the intervener support is further evidence that the development of the Burnaby Mountain DEU is in the public interest and that the approvals sought by Corix should be granted by the Commission.

Vancouver, BC

July 20, 2017

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Ian Wigington,
Director, Regulatory

²¹ SFU Final Argument, Para 7 – 18, Pages 3 – 8.

²² Corix Final Argument, Para 9, Page 4; Exhibit B-6, Section 40.3, Page 13.

²³ SFU Final Argument, Para 19, Page 8.