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**File No. 551952/000002**

February 26, 2019

**Delivered by Email (commission.secretary@bcuc.com)**

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Alternative Energy Services Inc. 2018/2019 Revenue Requirements and Cost of Service Rate Application for the Thermal Energy Service to Delta School District No. 37 – Project No. 1598949**

We write on behalf of the Delta School District No. 37 (the “DSD”) to respond to the B.C. Utilities Commission’s request for supplementary submissions regarding a potential phase-in of the Proposed COS Rate (Exhibit A-11). The DSD’s supplementary submissions on this matter are enclosed herewith.

Should the B.C. Utilities Commission require further information or have any questions regarding these submissions, please contact the undersigned.

Yours truly,  
**Borden Ladner Gervais LLP**



Dionysios Rossi  
cc Matthew Ghikas ([mghikas@fasken.com](mailto:mghikas@fasken.com))  
Enc. Supplementary Submissions

FortisBC Alternative Energy Service Inc. (FAES) Application for Approval of the Fiscal 2018/2019 Revenue Requirements and Cost of Service Rates for the Thermal Energy Service to Delta School District No. 37 (DSD) (the "Application")	Submission Date: February 26, 2019
Delta School District No. 37 – Written Argument (Potential Phase In of the Proposed COS Rate)	

**BRITISH COLUMBIA UTILITIES COMMISSION**  
**IN THE MATTER OF THE UTILITIES COMMISSION ACT**  
**R.S.B.C. 1996, CHAPTER 473**

**AND**

**FORTISBC ALTERNATIVE ENERGY SERVICES INC.**  
**APPLICATION FOR APPROVAL OF THE FISCAL 2018/2019**  
**REVENUE REQUIREMENTS AND COST OF SERVICE RATES**  
**FOR THE THERMAL ENERGY SERVICE TO DELTA SCHOOL**  
**DISTRICT NO. 37**

**WRITTEN ARGUMENT OF DELTA SCHOOL DISTRICT NO. 37**  
**(POTENTIAL PHASE IN OF THE PROPOSED COS RATE)**

**FEBRUARY 26, 2019**

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FortisBC Alternative Energy Service Inc. (FAES) Application for Approval of the Fiscal 2018/2019 Revenue Requirements and Cost of Service Rates for the Thermal Energy Service to Delta School District No. 37 (DSD) (the “Application”)	Submission Date: February 26, 2019
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## 1.0 DEFINED TERMS

1. For the purposes of these submissions, the DSD adopts the defined terms in its Final Argument dated February 1, 2019.

## 2.0 BACKGROUND

2. In BCUC Information Request No. 1 to FAES, the BCUC asked FAES to “discuss the pros and cons of phasing in a switch to the [Proposed] COS Rate in order to smooth the impact of [the] DSD’s annual rate charge” (Exhibit A-5, BCUC IR No. 1.7.1). In its response (Exhibit B-4), FAES advised that phasing in a switch to the COS Rate:

...results in the DSD paying more in total costs (refer to the response to BCUC IR 1.1.5), due to the accumulation of additional financing costs on the unrecovered balance, a shorter amortization period, and recovery of an increased DDA balance. Mathematically, the longer the period over which the phase-in occurs, the more that the DSD will pay.

3. For the purposes of these submissions, the DSD has assumed that the evidence submitted by FAES on this point is correct, and that phasing in a switch to the Proposed COS Rate of \$0.253 per kWh will cause the DSD to pay more in total costs in the long-term due to the accumulation of additional financing costs on the unrecovered balance, a shorter amortization period, and recovery of an increased DDA balance.

## 3.0 DSD POSITION ON A POTENTIAL PHASE-IN OF THE COS RATE

4. The DSD repeats and relies upon the submissions made in its Final Argument dated February 1, 2019, specifically, that:

- (a) the BCUC should issue an Order dismissing the Application; or
- (b) alternatively, the BCUC should delay its decision regarding the Application until after the BCUC has undertaken a full prudency review of the Capital Costs that are meant to be recovered via the Proposed COS Rate.

5. If, however, notwithstanding the DSD’s position, the BCUC decides to issue an Order granting the Application and requiring the DSD to pay the Proposed COS Rate (rather than some alternative COS Rate calculated after a full prudency review has been undertaken), the DSD submits that the switch to the Proposed COS Rate should occur effective July 1, 2019 and should not be delayed or phased-in over a longer period of time. While an Order switching the DSD to the Proposed COS Rate

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effective July 1, 2019 will cause the DSD to experience “rate shock” (one of the very consequences that the Project was originally intended to avoid), it appears that this immediate hardship will ultimately be less unfavourable to the DSD than the long-term effects resulting from a phase-in of the Proposed COS Rate (i.e. significantly higher total costs).