



SSL-Sustainable Services Ltd.
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April 7, 2020

via email

BC Public Interest Advocacy Centre
803-470 Granville Street
Vancouver, BC V6C 1V5
Coast Salish Territory

ATTN: Leigha Worth, Executive Director

RE: BCUC – Sustainable Services Ltd. – Stream A Registration for the Westhills Thermal Energy System – BCOAPO Information Request No. 2

Dear Ms. Worth,

Further to the BCOAPO’s Information Request No. 2 of March 12, 2020, please find enclosed our responses.

Sincerely,

SSL-Sustainable Services Ltd.

A handwritten signature in black ink, appearing to read 'Kyle Taylor', written over a light blue horizontal line.

Kyle Taylor
Manager



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REQUESTOR NAME: BCOAPO *et al.*
INFORMATION REQUEST ROUND NO: #2
TO: Sustainable Services Limited (SSL)
DATE: March 12, 2020
APPLICATION NAME: Application for Stream A TES - Westhills

7.0 Reference: Exhibit B-11, BCOAPO IR 5.1-5.2

The referenced response state, in parts:

Accordingly, SSL continues to question whether even Stream A regulation is necessary and takes the position that there is simply no evidence that heavy-handed Stream B regulation is needed in this case. To the contrary, SSL is very concerned that Stream B regulation might result in drastic increases in rates when the increased costs associated with such regulation, together with any kind of near-term recovery of the capital costs of the system are spread over SSL's limited district energy customer base.

7.1 Focussing on the potential regulatory costs of Stream B regulation, can SSL provide a rough or very high-level estimate of the increased costs and rate impacts that such regulation would impose on SSL's customers? We ask that SSL provide the calculations it uses to generate its estimates of the increased utility costs and the resulting rate impacts.

RESPONSE:

SSL has not run any calculations of potential increased costs of Stream B regulation. SSL is a very small utility and does not have the resources to model the costs of a type of regulation that it has not been asked to apply for, nor sees any reason to believe will come to pass. Having said that, the Stream B application process itself is significantly more burdensome than what is required for Stream A registrations. For SSL and many other small-scale utility providers, the level of detailed financial and technical analyses required for Stream B applications would likely necessitate third-party consulting services to compile/prepare. Similarly, active regulation under Stream B would introduce additional requirements related to rate adjustment applications and approvals, system extension applications and approvals, expanded scope and administration of complaints resolution, annual reporting requirements, etc. Overall, it is quite clear that ongoing regulation under Stream B would be more burdensome (financially and otherwise) vs. Stream A to SSL and, ultimately, its ratepayers.

7.2 Does SSL believe that were it under Stream B regulation, the BCUC would order a faster capital recovery such that SSL's customers would experience rate shock?

7.3 Please provide the term, at current rates, over which the capital costs of the system would be recovered.



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RESPONSE:

SSL has chosen to answer questions 7.2 and 7.3 together. SSL does not have a definitive answer as to how long capital cost recovery would take at current rates. While the capital costs of the initial district energy system as well as upgrades, maintenance and repair since that time are known and have been provided to BCUC through this process, the future costs of these items (as well as ongoing costs relating to operational items such as staff and overhead, and future replacement of system components due to reaching the end of their useful life) have not been fully quantified or are not fully known. To date, rates have been set by the City of Langford with reference to BC Hydro rates, not as a result of any calculations regarding capital (or other) cost recovery. As a very general estimate though, we anticipate capital cost recovery at current rates is at least a 25-40 year proposition, and while we can't speak for BCUC, our understanding is that they would typically want to see cost recovery over a shorter period of time than this. Again, not being in the Stream B application process, we feel it is impossible to comment further on the issue of possible rate shock due to faster capital cost recovery, but it is definitely a concern.