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VIA EMAIL

March 3, 2016

BRITISH COLUMBIA UTILITIES COMMISSION
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Attention: Ms. Laurel Ross, Acting Commission Secretary

RE: Corix Multi-Utility Services Inc. (Corix) Response to Intervenor Comments Related to Order to the Corix Application for a Certificate of Public Convenience and Necessity (CPCN) for Additional Capital and Amended Rates for UniverCity Neighbourhood Utility Service (NUS) on Burnaby Mountain

As provided for in the February 24, 2016 letter from the Commission, Corix writes in response to comments received from BCOAPO and BCSEA-SCBC related to the Corix response to Commission Order G-215-15 filed on January 20, 2016.

In its response to Commission Order C-215-15, Corix elected to retain the existing 2.3 MW temporary energy centre and add an additional 6 MW TEC to accommodate future energy demands rather than to replace the 2.3 MW TEC with an 8 MW TEC as originally proposed in the CPCN application. Corix elected to follow this course of action to avoid the requirement under Order C-215-15 to remove the undepreciated value associated with 2.3 MW TEC from the utility rate base once the proposed 8 MW plant was constructed and in service. Removing the remaining undepreciated value of the 2.3 MW TEC from the utility rate base would have resulted in a significant negative impact on 2016 utility revenues. Corix believes that denying the utility the opportunity to earn a reasonable return on its investment in these assets is not in keeping with the original rationale for installing temporary facilities of this nature.

The use of temporary energy centres in the early growth phases of district energy systems serving green-field developments is the most cost-effective approach for providing service over the long term. In using temporary energy centres the utility assumes that they will be retired from service, either in whole or in part, prior to the end of the typical service life. Because these facilities are depreciated using standard depreciation rates, it is expected that when they are retired there will remain a significant undepreciated portion. While the utility may be able to recoup some portion of the costs associated with the facility at the time that it is removed from service, this can only be reasonably assumed on a best commercial efforts basis.

In the case of the NUS, the original intent as stated in the 2011 CPCN was to repurpose the boilers from the 2.3 MW TEC when a low carbon solution was installed. For the 2015 CPCN application it was determined that a more cost effective option would be to retire the 2.3 MW facility and replace it with a larger 8 MW facility, with the option of repurposing the entire 2.3 MW TEC in a separate project in 2021. Corix recognizes that this particular case was complicated with the introduction of a salvage option in 2021 and that this salvage option had some degree of uncertainty. However Corix does not believe the utility acted imprudently in either constructing the initial 2.3 MW TEC or in proposing the 8 MW facility to address the reality of energy demands on the utility in 2015.

Following the Commission decision and Order C-215-15 requiring the utility to remove the undepreciated value of the 2.3 MW TEC from rate base when the proposed 8 MW TEC was installed, Corix reviewed options that would avoid the financial penalty to the utility and elected to add an additional 6 MW TEC.

The impact of this option is an increase to customer rates of approximately 1.6% over what had previously been assumed in the 2015 CPCN. There is no impact on the timing of implementing the low carbon energy system. 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. The utility believes that using the smaller boilers from the 2.3 MW TEC will provide additional benefits in load trimming.

Applying standard depreciation rates for the TECs results in some portion of the costs for these facilities being stranded when the facilities are replaced. For the NUS option utilizing the 2.3 MW TEC and 6 MW TEC, once the boilers from these facilities are repurposed in the permanent energy centre, the remaining undepreciated costs will include the soft costs associated with design of the facilities as well as the costs associated with the temporary containers, the venting and power and gas hook-up net of any salvage value that can be recouped. The utility will apply to have the full undepreciated costs associated with the TECs, net of any salvage value, remain in rate base.

In developing the 2015 CPCN Corix proposed what we considered to be the most prudent and cost effective approach to serving customer energy requirements prior to the development of a low carbon energy supply. TECs are by their very nature built to serve temporary requirements. It is the expectation of the utility that it be allowed to earn a fair return on all of its prudently incurred capital investments, including investments in those portions of TECs that remain undepreciated at the end of their planned lives.

Corix hopes that the above discussion provides sufficient clarification to address any outstanding questions that BCOAPO or BCSEA-SCBC may have related to this application. However Corix would not be opposed to a further round of information requests should intervenors or the Commission believe that this would be of value.

Corix requests the Commission grant approval under sections 59, 60 and 61 of the *Utilities Commission Act* for the revised schedule of residential rates as set out in our submission dated January 20, 2016, together with supporting financial information.

All of which is respectfully submitted,



Corix Multi-Utility Services Inc.

Ian Wigington
Director, Regulatory