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May 25, 2017

**CORIX BURNABY MOUNTAIN  
DISTRICT ENERGY UTILITY CPCN EXHIBIT A-6**

Mr. Ian Wigington  
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Corix Multi-Utility Services Inc.  
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Sent via eFile

**Re: Corix Multi-Utility Services Inc. – Application for a Certificate of Public Convenience and Necessity for the Burnaby Mountain District Energy Utility – Project No. 3698905**

Dear Mr. Wigington:

Further to your application dated February 28, 2017, and British Columbia Utilities Commission Order G-40-17, enclosed please find Commission Information Request No. 2. In accordance with the Regulatory Timetable, please file your responses no later than Thursday, June 8, 2017.

*Original Signed By:*

Patrick Wruck  
Commission Secretary

/nd  
Enclosure



**British Columbia Utilities Commission  
Information Request No. 2 to Corix**

Corix Multi-Utility Services Inc.  
Application for a Certificate of Public Convenience and Necessity  
for the Burnaby Mountain District Energy Utility

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**A. PROJECT**

**30.0 Reference: PROJECT ALTERNATIVES**

**Exhibit B-2, BCUC IR 1.1, 2.1, 2.2; Corix 2010 UniverCity Burnaby Mountain NUS CPCN Application, Executive Summary, p. 6**  
**Project alternatives**

Corix Multi-Utility Services Inc. (Corix) stated in response to BCUC IR 1.1: “Phases 1 and initial portion of Phase 2 of the development, also known as East Highlands, were constructed between 2003 and 2009. These buildings use electricity (electric baseboards) for heating and natural gas for domestic hot water and ventilation.”

Corix further stated: “Phases 1 and part of Phase 2 were developed prior to the creation by SFU [Simon Fraser University] Trust of new Development Guidelines and Requirements...The new Development Guidelines and Requirements applied to Phases 3 and 4 of the development.”

On page 6 of the Corix 2010 UniverCity Burnaby Mountain Neighbourhood Utility Service (NUS) Certificate of Public Convenience and Necessity (CPCN) Application,<sup>1</sup> Corix states:

Phases 1 & 2 have already been constructed and heating in these existing buildings is provided by electric baseboards and domestic hot water by natural gas fired boilers and storage tanks located in each building. The buildings of Phases 1 & 2 will not be connected to the proposed DES [District Energy System], and natural gas and electricity will continue to be provided by Terasen Gas and BC Hydro respectively.

- 30.1 Did Corix consider the use of electricity (electric baseboards) for heating and natural gas for domestic hot water and ventilation for Phases 2(b), 3 and 4 of the UniverCity development in place of the Biomass Project? Please explain.

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<sup>1</sup> Corix Multi-Utility Services Inc. (Corix) Application for a Certificate of Public Convenience and Necessity for the Neighbourhood Utility Service at UniverCity, Burnaby, Exhibit B-1.

Corix stated the following in response to BCUC IR 2.1:

The original CPCN application submitted by Corix in 2010 for the development of the UniverCity NUS included a detailed description of the screening process of the alternative energy technologies, such as cost comparison, environmental impacts, suitability of the source, and recommendations. Please refer to Section 3.3 of the 2010 CPCN application...

...The technologies were evaluated for the alternative energy base load of 2.1 MW; however, since that time, the base load assumption has changed. In combination with SFU, the new base load requirement is 13.5 MW.

The British Columbia Utilities Commission's (Commission) 2015 CPCN Application Guidelines, approved by Order G-20-15, outline the expected information to be provided related to project alternatives when filing a CPCN application.<sup>2</sup>

- 30.2 In consideration of the significant change in base load assumptions since Corix's filing of its 2010 UniverCity Burnaby Mountain NUS CPCN Application, please provide a detailed comparative analysis of all the alternative energy sources/technologies considered.
- 30.3 If Corix has not undergone a revised screening process of the alternative energy technologies since the 2010 UniverCity Burnaby Mountain NUS CPCN Application, please explain why not, given the change in base load assumptions and given the amount of time which has elapsed since the 2010 UniverCity Burnaby Mountain NUS CPCN Application was developed.
- 30.4 Please provide an updated graph that relates to the proposed 13.5 MW base load. Please include the following information in the updated graph:
  - All technologies which were considered for the new proposed 13.5 MW base load; and
  - A comparison of each of the technologies' greenhouse gas (GHG) emissions over the 25-year life span for Phases 2(b), 3 and 4, starting from construction.

Corix stated in response to BCUC IR 2.2, regarding the options which were considered for reducing the GHG emissions on the current gas boilers, that it "assumes this question is with respect to reducing emissions from SFU's current gas boilers."

Commission staff note that BCUC IR 2.2 was referring to the current gas boilers associated with the UniverCity development, not SFU.

- 30.5 Please discuss whether Corix considered the option of utilizing gas boilers with potential GHG reduction technology as the permanent energy source for Phases 2(b), 3 and 4.
- 30.6 Please provide a comparison between the use of natural gas boilers with GHG reduction technology versus biomass in terms of environmental impact, GHG emissions and cost.

**31.0 Reference: PROJECT ALTERNATIVES**

**Exhibit B-2, BCUC IR 2.3, 2.4; Exhibit B-1, Application, Table 18, p. 38  
UniverCity stand-alone versus combined biomass**

In response to BCUC IR 2.3, Corix provided a capital cost breakdown for the UniverCity Stand-alone Biomass scenario, which shows a total capital cost of \$18,986,555 (excluding working capital and the

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<sup>2</sup> British Columbia Utilities Commission, 2015 Certificate of Public Convenience and Necessity Application Guidelines, Appendix A to Order G-20-15, pp. 4–5.

deferral account).

In response to BCUC IR 2.4, Corix provided another capital cost breakdown for the UniverCity Stand-alone Biomass scenario, which shows a total capital cost of \$23,614,824 (including working capital and the deferral account).

- 31.1 Please provide a line-by-line reconciliation and explanation for the differences in capital costs between the UniverCity Stand-alone Biomass scenarios provided in response to BCUC IR 2.3 and BCUC IR 2.4.

Table 18 on page 38 of the Application shows the Residential rate base for 2019 to be \$21,445,591.

- 31.2 Please provide a line-by-line reconciliation and explanation for the differences in capital costs between the Combined Biomass (UniverCity Allocation) scenario provided in response to BCUC IR 2.4 of \$20,551,114 and the Residential rate base amount provided in Table 18 of the Application.

**32.0 Reference:** **PROJECT DESCRIPTION**  
**Exhibit B-2, BCUC IR 5.1, 5.2**  
**Biomass supplier selection process**

Corix stated in response to BCUC IR 5.1: "A competitive process to select a preferred supplier was completed in 2011."

Corix further explained the competitive process it underwent to select a supplier in response to BCUC IR 5.2.

- 32.1 Given the time which has elapsed since the competitive selection process in 2011 and the filing of the current Application, please explain why Corix did not undergo a more recent selection process to ensure the preferred supplier still provides the best overall value.

**B. ANNUAL LOAD AND ANNUAL ENERGY DEMAND**

**33.0 Reference:** **LOAD DEMAND AND ENERGY FORECAST**  
**Exhibit B-2, BCUC IR 9.1, 9.3**  
**SFU base load needs**

In response to BCUC IR 9.1, Corix stated that the biomass energy allocated to SFU based on its base load allocation is calculated as 44,387 megawatt hours (MWh).

In response to BCUC IR 9.3, Corix stated that the total estimated biomass energy delivered to SFU is 43,787 MWht.

- 33.1 Please reconcile the amount of biomass energy delivered to SFU referenced above.

**34.0 Reference:** **LOAD DEMAND AND ENERGY FORECAST**  
**Exhibit B-5, BCOAPO IR 3.2**  
**Historical forecast vs actual**

Corix stated in response to BCOAPO IR 3.2:

The difference in forecasted and actual energy demand shown in the table included in IR 3.1 above is attributed to the delay in the completion and connection of new buildings

to the district energy system. However, when comparing the forecasted and actual energy data by building, they do correspond with forecasted demand for years 2015 and 2016.

- 34.1 Please provide the forecasted and actual completion and connection date of new buildings to the district energy system in years 2015 and 2016.
- 34.2 In table form, please provide the forecasted and actual energy data by building and include a column with the difference between forecasted and actual (in terms of MWh and percent).
  - 34.2.1 If any of the buildings has a difference between forecasted and actual energy by larger than 5 percent, please explain how the values support Corix's statement in the preamble.

**35.0 Reference: VARIABLE OPERATING COST**

**Exhibit B-2, BCUC IR 11.1–11.3; Exhibit B-5, BCOAPO IR 5.2**

**Biomass cost**

In response to BCUC IR 11.1, Corix provided the following biomass/tonne unit costs for 2019 to 2023:

| MISCELLANEOUS COST INPUTS | 2019     | 2020     | 2021     | 2022     | 2023     |
|---------------------------|----------|----------|----------|----------|----------|
| Biomass (tonnes)          | 27,263   | 27,973   | 28,738   | 29,223   | 29,223   |
| Biomass / tonne           | \$ 38.70 | \$ 39.47 | \$ 40.26 | \$ 41.07 | \$ 41.89 |

In response to BCUC IR 11.2, Corix stated that the cost of biomass is calculated based on \$66 per bone dry tonne (BDT).

In response to BCUC IR 11.3, Corix stated that the biomass price per tonne includes delivery to the central energy plant (CEP).

- 35.1 Please confirm, or explain otherwise, that the biomass/tonne amounts provided in response to BCUC IR 11.1 are calculated by applying a moisture content percentage to the \$66 per BDT cost.
  - 35.1.1 If confirmed, please provide the percentage moisture content used to determine the biomass/tonne cost and explain how this percentage was determined.
- 35.2 Approximately what percentage of the biomass price per tonne is related to the delivery cost? Please explain.
- Corix stated in response to BCOAPO IR 5.2 that "for all other ongoing cost items an annual escalation rate of 2.0% is applied from 2018 onwards."
- 35.3 Please confirm, or otherwise explain, that a 2 percent annual escalation is applied to the unit cost of biomass (biomass/tonne) as shown in the table provided in response to BCUC IR 11.1.
- 35.4 Please confirm, or explain otherwise, that Corix will update the escalation factor and biomass cost as part of the anticipated rate application to be filed with the Commission later in 2017 to reflect the actual biomass cost and escalation rate reflected in the finalized biomass supply contract.

## C. THERMAL ENERGY SERVICES AGREEMENT (TESA)

- 36.0 Reference:** **THERMAL ENERGY SERVICES AGREEMENT**  
**Exhibit B-2, BCUC IR 9.6; Exhibit B-1, p. 46**  
**SFU energy usage**

Corix stated in response to BCUC IR 9.6 that “the decision of how much actual energy to take from the shared CEP remains with SFU, and given the proposed rate structure this decision has no impact on other customers of Burnaby Mountain DEU.”

On page 46 of the Application, Corix describes the proposed SFU Commodity Charge as “intended to recover the biomass fuel and electricity costs that are allocated to SFU.”

- 36.1 Under a scenario where SFU elects not to take any energy from the shared CEP in a given year, please explain if the associated biomass fuel and electricity costs to serve SFU would be zero. In other words, does Corix only incur biomass and electricity costs if SFU takes energy from the shared CEP? Please explain.
- 36.2 Please confirm, or explain otherwise, that if SFU elects not to take energy from the shared CEP, the biomass fuel and electricity costs charged to UniverCity ratepayers remain the same (i.e. the biomass fuel and electricity costs charged to UniverCity ratepayers remain the same regardless of the amount of energy taken by SFU).

- 37.0 Reference:** **THERMAL ENERGY SERVICES AGREEMENT**  
**Exhibit B-1, Appendix II, Sections 2.2(a) and (b); Exhibit B-2, BCUC IR 13.1.2**  
**Use of thermal energy from the CEP**

In response to BCUC IR 13.1.2, Corix stated the following:

Under the proposed rate structure for SFU, there is minimal if any impact on UniverCity ratepayers if SFU does not take thermal energy... The only possible exception is that under very low load conditions (e.g. summer months), SFU's decision not take energy could result in Corix not being able to dispatch the plant for UniverCity residents because UniverCity load is under the turn down ratio for the plant. However, Section 2.2(b) provides some constraints on SFU's discretion under low load conditions to ensure no impact on UniverCity residents.

- 37.1 Based on the constraints in Section 2.2(b) of the TESA and the threshold for “very low load conditions,” please discuss the likelihood of Corix not being able to dispatch the plant for UniverCity ratepayers.
- 37.2 Please provide a more detailed explanation of the impact on UniverCity ratepayers if a scenario occurred where Corix was not able to dispatch the plant and quantify the impact where possible.
- 37.3 Please discuss the frequency and duration with which the aforementioned very low load conditions would have to occur in order for the impact on UniverCity ratepayers to be adverse.
- 37.4 If a situation occurred where it was consistently (i.e. over numerous low heating seasons) determined by SFU that it was less economic to take thermal energy from Corix and therefore the biomass plant was not available for UniverCity ratepayers due to the load being under the turn down ratio for the plant, what steps would Corix take to mitigate the impact on UniverCity ratepayers?

- 37.4.1 Under the aforementioned scenario, what would be the impact on UniverCity ratepayers in the short and long run in terms of energy costs?

**38.0 Reference:** **THERMAL ENERGY SERVICES AGREEMENT**  
**Exhibit B-2, BCUC IR 14.2**  
**Use of thermal energy from the CEP**

In response to BCUC IR 14.2, regarding the impact on the capital and fixed operating cost allocation percentages in a situation where SFU decreases its nominated capacity, Corix stated:

SFU's [capital and fixed operating cost allocation percentages] would decrease. UniverCity's would increase if UniverCity needs the reallocated capacity and UniverCity's would remain the same if the excess capacity is allocated to another customer.

- 38.1 Please clarify what the impact would be on UniverCity's capital and fixed operating cost allocation percentages if all three of the following occurred: (i) SFU decreased its nominated capacity; (ii) UniverCity did not need the reallocated capacity; and (iii) the excess capacity was not able to be reallocated to another customer.

**39.0 Reference:** **THERMAL ENERGY SERVICES AGREEMENT**  
**Exhibit B-2, BCUC IR 17.1, 17.5**  
**Cost of service parameters – deferral account treatment – property taxes**

Corix stated in response to BCUC IR 17.1: "Because the likelihood and magnitude of property taxes are both uncertain Corix and SFU have made no determination as to an appropriate period of time to recover a variance, which would only affect SFU and does not apply to other customer groups."

- 39.1 In the event that property taxes become payable on SFU's portion of the plant and an amount is recorded in the deferral account, does Corix intend to apply to the Commission for approval of the amortization period and the mechanism with which to recover the deferral account balance from SFU? If not, please explain why not.
- 39.2 Please discuss the potential mechanisms which Corix may use to recover any property taxes from SFU which are recorded in the deferral account. For instance, would the balance be recovered through the Consumption Charge? Please discuss.

Corix stated, in response to BCUC IR 17.5, that it is proposing similar treatment for any variances between forecast and actual property taxes recovered from UniverCity ratepayers.

- 39.3 Please clarify if Corix is proposing to utilize the currently approved Revenue Deficiency Deferral Account (RDDA) to record variances between forecast and actual property taxes recovered from UniverCity ratepayers.
- 39.3.1 If Corix is not proposing to utilize the RDDA for these variances, please clarify if Corix is requesting approval of a separate property tax deferral account for UniverCity ratepayers as part of the current Application, or if Corix intends to request approval at the time of filing the rate application.
- 39.3.1.1 If Corix is requesting approval of this deferral account as part of the current Application, please provide the following information for this deferral account:
- The term of the deferral account (i.e. how long the deferral account will be in place for);
  - The proposed carrying cost for the deferral account;

- The proposed amortization period; and
- The mechanism for recovery of the balance in the deferral account (i.e. rate rider, amortization expense, other).

**40.0 Reference:** **THERMAL ENERGY SERVICES AGREEMENT**

**Exhibit B-2, BCUC IR 13.1.1, 18.1, 18.2, 18.5**

**Cost of service parameters – deferral account treatment – fuel costs**

Corix stated in response to BCUC IR 18.1 that it is “requesting approval of the deferral account for both biomass and electricity pricing variances as well as any volume variances that are not captured in the Consumption Charges on the basis that these costs are not controllable by Corix.”

- 40.1 Please clearly distinguish between: (i) volume variances which would be captured in the Consumption Charge; and (ii) volume variances which would not be captured in the Consumption Charge and would therefore be recorded in the proposed deferral account.

Corix stated in response to BCUC IR 18.2 that “the largest determinant of variances would be system efficiency. System efficiency can vary with a wide range of factors including load conditions throughout the year and fuel characteristics (e.g., moisture levels). Maintenance and dispatch decisions can also affect efficiency.”

- 40.2 Please further explain why Corix is not able to reasonably control the level of system efficiency and therefore limit the variability of forecast versus actual costs related to system efficiency.

Corix stated in response to BCUC IR 18.5 that it “expects that the Consumption Charge will be adjusted on an annual basis” to reflect the refund/recovery of any differences in biomass and electricity costs.

- 40.3 Please confirm, or explain otherwise, that based on Corix’s response to BCUC IR 18.5, the annual variance between forecast and actual biomass and electricity costs will be fully recovered through the subsequent year’s Consumption Charge (i.e. a one-year amortization period).

- 40.4 Based on Corix’s response to BCUC IR 18.5, please clarify if the only adjustments to the Consumption Charge on an annual basis will be to refund/recover the balance in the deferral account, or if the Consumption Charge will also be adjusted annually to reflect changes in forecast fuel costs.

- 40.5 Please clarify if Corix intends to apply for Commission-approval annually to adjust the Consumption Charge, either as a result of refunding/recovering a balance in the deferral account or as a result of a change in the annual forecast for fuel costs.

- 40.5.1 If Corix does not intend to apply for Commission-approval prior to adjusting the Consumption Charge, please explain why Corix does not consider Commission-approval of these changes to be necessary.

Corix stated in response to BCUC IR 13.1.1: “in the event SFU does not take any energy then its Consumption Charges would be nil because they are based on a rate per metered MWh consumed by SFU. The Consumption Charge only recovers fuel costs, which would be avoided in the event SFU does not elect to take thermal energy.”

- 40.6 Please confirm, or explain otherwise, that under a scenario described in the above preamble in which SFU does not elect to take thermal energy, the result would be that the variance between the forecast and actual fuel costs would be recorded in the deferral account.

- 40.6.1 Please provide a numerical example to illustrate the impact of SFU electing not to take thermal energy. As part of this example, please include what the Consumption Charge billed to SFU would be during the period of time that SFU elects not to take service (with supporting calculations), the resulting addition (either positive or negative) to the deferral account, and the impact/change to the Consumption Charge in the subsequent year (with supporting calculations).
- 40.7 Please discuss the risk that the balance in the deferral account builds up to a level where it is no longer reasonable to recover the balance over one year through an adjustment to the Consumption Charge.
- 40.7.1 If such a situation were to occur, please explain how Corix would respond. For instance, if Corix determined it was necessary to adjust the amortization period for the deferral account, would Corix apply to the Commission for approval to make this adjustment? Please discuss.

Table 23 on page 45 of the Application shows the forecast revenue requirement for SFU for years 2019 through 2023.

- 40.8 Using the forecast assumptions and the amounts provided in Table 23 of the Application for years 2019 and 2020, please qualitatively and quantitatively explain the impact on each of the following if SFU's actual demand in 2019 was 50 percent less than forecast:
- The Consumption Charge paid by SFU in 2019;
  - The balance recorded in the fuel cost deferral account at the end of 2019; and
  - The Consumption Charge paid by SFU in 2020 (assuming the forecasts for 2020 are consistent with the amounts provided in Table 23 for 2020).

**41.0 Reference:** **THERMAL ENERGY SERVICES AGREEMENT**  
**Exhibit B-2, BCUC IR 19.3; Exhibit B-1, p. 41**  
**Cost allocation and rate design principles – construction and project management**

Corix stated in response to BCUC IR 19.3: "Corix and SFU spent a substantial amount of time on the allocation principles and details that are covered by each item... As the allocation principles are complicated, Corix considered it useful to provide clarity by adding a detailed explanation of each principle in the Application."

The description of the allocation principle for shared project management, construction management and project development costs provided on page 41 of the Application states: "Proposed split equally between the customer groups due to the fact that these costs are mostly fixed and do not change with the size of the plant, and would also apply to the UniverCity standalone biomass plant."

- 41.1 Please provide an analysis of other potential methods of allocating the construction/project management and project development costs and explain why these alternative methods were determined to be less appropriate than the chosen 50/50 allocation.
- 41.2 Please discuss the appropriateness of using the same allocation factor for the construction/project management and project development costs as is proposed for the Lower Site Area CEP Civil Works and Buildings and Foundations costs.

## D. FINANCIAL MODELING AND INPUTS

### 42.0 Reference: CAPITAL COSTS

**Exhibit B-2, BCUC IR 19.7, 24.1; Attachment V**

**Project development and project/construction management costs**

In response to BCUC IR 19.7, Corix stated the following:

Through experience Corix has found that the method referenced in the 2015 UniverCity NUS CPCN proceeding is only applicable to smaller scale projects, being generally \$4MM [million] or less, yielding a cap of approximately \$250,000 which would typically cover the cost of assigning a dedicated Project Management and Construction Management for the duration of the project.

Corix further stated in response to BCUC IR 19.7: "The \$690,000 forecasted for Project and Construction Management reflects the allocation of a dedicated PM/CM team to the project during the design, construction and commissioning phases of the project."

Attachment V provided in response to BCUC IR 24.1 shows project and construction management costs for the combined biomass plant ranging annually from \$28,600 to \$373,000 during the years 2014 through 2019.

- 42.1 Given that the project and construction management costs for the combined biomass plant are not based on a percentage of capital costs, please provide a detailed breakdown and explanation for the annual construction and project management costs incurred (forecast to be incurred) in each of the years 2014 through 2019.
  - 42.1.1 As part of the above response, please include the number of project team members, the roles of each team member and whether the annual labor costs incurred were based on hourly rates or on a percentage of annual salaries.
- 42.2 Please confirm, or explain otherwise, that consistent with Corix's description of the calculation of project and construction management costs provided in the 2015 UniverCity NUS CPCN proceeding,<sup>3</sup> the project and construction management costs related solely to UniverCity (as provided in the green and orange sections of Attachment V) are based on a percentage of the UniverCity capital costs.
  - 42.2.1 If not confirmed, please provide an analysis consistent with the analysis requested in BCUC IR 42.1 and 42.1.1.
- 42.3 Please explain why, in 2017, the feasibility study and external consultant costs are forecast to only be \$28,000 for the combined biomass while the forecast amount for UniverCity for the same time period is \$100,000.
- 42.4 Why does Corix continue to forecast feasibility study/external consultant costs in years 2019 through 2021 for UniverCity when there are no feasibility study/external consultant costs forecast in these years for the combined biomass?
  - 42.4.1 Please provide a similar explanation for the construction and project management costs forecast for UniverCity for years 2020 and 2021.

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<sup>3</sup> Corix Application for a Certificate of Public Convenience and Necessity for Additional Capital and Amended Rates for UniverCity Neighbourhood Utility Service on Burnaby Mountain.

**43.0 Reference:** **REVENUE DEFICIENCY DEFERRAL ACCOUNT**  
**Exhibit B-2-2, BCUC IR 25.1**  
**Fixed operating costs**

In response to BCUC IR 25.1, Corix provided the variance between forecast and actual fixed operating costs for UniverCity ratepayers for the years 2015 and 2016.

- 43.1 Please confirm, or explain otherwise, that based on the currently approved RDDA, all variances between the UniverCity forecast and actual fixed operating costs are recorded in the RDDA.

**44.0 Reference:** **FINANCIAL ASSUMPTIONS**  
**Exhibit B-2, BCUC IR 26.3**  
**Depreciation**

Corix stated in response to BCUC IR 26.3 that the depreciation percentages in the current Application have changed compared to the percentages provided in the 2015 UniverCity NUS CPCN Application due to “reconsideration of asset lives going forward.”

- 44.1 Please confirm, or explain otherwise, that by decreasing the percentage depreciation rates in the current Application, Corix’s assumptions are that the assets’ useful lives will be longer than what was originally forecast in the 2015 UniverCity NUS CPCN Application.
- 44.2 Please expand on the response to BCUC IR 26.3. What factors and events resulted in Corix revising the expected useful lives of the assets? Please provide a response for each of the asset classes with which the expected useful life has been revised.
- 44.2.1 Given that the assets associated with the UniverCity NUS and the combined biomass plant have either only been in-service for a short period of time or have not yet been entered into service, why is it reasonable at this time to revise the expected useful lives?