



bcuc
British Columbia
Utilities Commission

Patrick Wruck
Commission Secretary

Commission.Secretary@bcuc.com
bcuc.com

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

April 9, 2019

Sent via email/eFile

SEUL EXTENSION REQUEST FOR SETES LEVELIZED RATE APPLICATION	EXHIBIT A-3
--	--------------------

Mr. Ian Webb
Partner
Lawson Lundell LLP
Suite 1600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2
iwebb@lawsonlundell.com

Re: Shannon Estates Utility Ltd. – Extension Request for Filing the Shannon Estates Thermal Energy System (SETES) Levelized Rate Application – Information Request No. 1

Dear Mr. Webb:

Further to your February 20, 2019 filing of the above-noted application, please find enclosed British Columbia Utilities Commission Information Request No. 1. In accordance with the regulatory timetable established by Order G-65-19, please file your response by **Thursday, May, 9, 2019**.

Sincerely,

Original Signed By:

Patrick Wruck
Commission Secretary

/dc



Shannon Estates Utility Ltd.

Extension Request for Filing the Shannon Estates Thermal Energy System Levelized Rate Application

INFORMATION REQUEST NO. 1 TO SHANNON ESTATES UTILITY LTD.

- 1.0 Reference: DECISION AND ORDER G-190-17
Exhibit B-1, Extension Request for Filing the Shannon Estates Thermal Energy System Levelized Rate Application (Application), pp. 3-4; Shannon Estates Thermal Energy System Rate Decision and Order G-190-17, p. 25
Interpretation of British Columbia Utilities Commission Decision**

On pages 3-4 of the Application, Shannon Estates Utility Ltd. (SEUL) references a passage from page 25 of the British Columbia Utilities Commission's (BCUC) decision on the Shannon Wall Centre Rental Apartments Limited Partnership (SWCRA) Rate Application for the Shannon Estates Thermal Energy System (SETES Rate Decision):

The Panel expects that with the lengthy time provided until SWCRA is required to file the levelized rate application, SWCRA will be able to design a levelized rate structure which is similar in approach to other Stream B TES utilities. Additionally, the Panel expects that any major variances between forecast and actual load and costs will be taken into consideration when creating future cost and load forecasts in the next application.¹

SEUL further states the following on page 4 of the Application:

While not expressly stated, it seems clear that the need for more reliable energy sales data for load and revenue forecasting, financial modelling and rate setting was a key factor considered by the BCUC with respect to setting rates until December 31, 2019 and directing SEUL's levelized rate application be filed by June 2019.

...at the time of the review of the Updated Rate Application, the developer of Shannon Estates expected that Phase 2 of the Shannon Estates development would be completed in 2018 or early 2019. Based on that expected construction schedule and dwelling unit occupancy, setting the filing date for SEUL's levelized rate application at June 2019 would have provided sufficient time to design a levelized rate structure similar in approach to other Stream B TES utilities and allow SEUL to provide more accurate load forecasts and financial modelling based on several months of actual sales data from the complete Shannon Estates development with all Phase 1 and Phase 2 dwelling units occupied.

¹ Shannon Wall Centre Rental Apartments Limited Partnership, Shannon Estates Thermal Energy System Rate Application, Decision and Order G-190-17 dated December 19, 2017, p. 25.

In the SETES Rate Decision, the BCUC also stated the following on page 25:

The type of rate-setting mechanism SWCRA describes, as the Panel understands it, is a levelized rate structure, which is commonly used by Stream B TES utilities due to the fact that in the early years of the project the load is not sufficient to recover the utility's costs due to the gradual build-out of the system.

[...]

The Panel finds that the most appropriate method for setting rates for the SETES is a levelized rate approach. As SWCRA has stated in this proceeding, its earnings are very low (and potentially even negative) in the early years of the development, even under its proposed rates. The Panel has previously noted that this is due to the fact that the SETES will not be fully built out until around 2020 which results in the load being insufficient to recover SWCRA's costs and to earn a reasonable return on investment.

- 1.1 In consideration of the above additional statements made by the BCUC in the SETES Rate Decision regarding the BCUC's expectations of a "gradual build-out of the system" and that the "SETES will not be fully built out until around 2020," please clarify why the delay in the completion of Phase 2 described in the Application would likely have impacted the BCUC's determination on the appropriate timing of the levelized rate application.
 - 1.1.1 As part of the above response, and in consideration of the aforementioned statements on page 25 of the SETES Rate Decision regarding the timing of the build-out and the lower expected load in the earlier years of the TES, please further explain SEUL's interpretation of the SETES Rate Decision regarding the need for more reliable energy sales data as a key factor in the timing of the levelized rate application.
- 1.2 Please discuss whether, based on SEUL's understanding of the BCUC's statements in the SETES Rate Decision, other key considerations beyond load and revenue forecasting were identified as reasons for the BCUC directing a levelized rate application be filed by June 2019.
 - 1.2.1 If yes, please identify these other considerations and explain whether an extension to the June 2019 filing date would have a positive, neutral or negative impact on SEUL's ability to address each consideration.
- 1.3 Please discuss whether, based on the above passages from the SETES Rate Decision, the BCUC appears to indicate that a levelized rate structure is commonly implemented prior to a full build-out of the TES.
 - 1.3.1 As part of the above response, please discuss whether, based on SEUL's understanding of other Stream B utilities' levelized rate structures, Stream B utilities commonly apply for levelized rates before build-out of the project is complete.
- 1.4 When considering all of the BCUC's statements in the SETES Rate Decision, does SEUL still consider its interpretation of the decision reasonable? Please explain why or why not.

**2.0 Reference: PROJECT TIMELINE
Exhibit B-1, p. 4
Update on Phase 2**

On page 4 of the Application, SEUL describes the revised timeline for the completion of Phase 2 and states that Phase 2 is not expected to be fully complete and occupied until May 2019 at the earliest.

- 2.1 Please provide an update on the status of Phase 2.
- 2.2 If further delays have occurred beyond what is described on page 4 of the Application, please

- explain the cause(s).
- 2.3 Based on the timeline for completion provided on page 4 of the Application, please provide the estimated timeline for when Phase 2 customers would commence using the TES.
 - 2.4 Please provide the total number of units contained in the Phase 2 development compared to the total number of units in the Phase 1 development.
 - 2.5 Please provide the current number of units sold for Phase 2 and the expected timeframe for achieving full occupancy of Phase 2. Please also provide the current occupancy level of Phase 1.
 - 2.6 Please indicate what percentage of total load (i.e. the total of Phase 1 and Phase 2) the Phase 2 development is expected to comprise in 2019, 2020 and at full occupancy (if different than the 2020 amount). Please explain the basis for these estimates.

**3.0 Reference: EXTENSION REQUEST
Exhibit B-1, pp. 4-5; SETES Rate Decision, p. 37
Levelized Rate Application**

On pages 4-5 of the Application, SEUL states the following:

...were SEUL to file its rate application in June 2019 as directed, the financial modelling and proposed rates would have to be based on the energy consumption data of those buildings comprising of Phase 1 and perhaps a couple months of data from the first two buildings of Phase 2, and would suffer from the same issues as those that were problematic for the previous rate application...

As such, SEUL requests an extension to the date for filing its rate application to either November 1, 2019 or June 30, 2020, whichever the BCUC considers appropriate.

On page 37 of the SETES Rate Decision, the BCUC stated the following:

The evidentiary record for this proceeding has been re-opened numerous times, revisions to the application and IRs [information requests] have been filed, issues over access to confidential information and redactions to confidential information have been dealt with, and, most significantly, the proceeding was effectively re-started due to SWCRA's failure to give adequate notice to affected parties.

The Panel recognizes that this is the first rate application filed by SWCRA with the Commission and that it has attempted to minimize regulatory costs by relying primarily on the engineering firm Sterling Cooper NDY; however, it is clear that many of the issues which arose earlier in the proceeding stemmed from a lack of understanding of the rate-setting and regulatory process and that many of these issues may have been more effectively and efficiently resolved had SWCRA retained counsel with experience in regulation sooner.

- 3.1 Please confirm, or explain otherwise, that lack of actual load forecasting data was not the only factor which contributed to the issues encountered during the previous rate application.
- 3.2 Please discuss how SEUL intends to address the other concerns identified by the BCUC in the SETES Rate Decision, both in terms of SEUL's approach to the application and the information it provides in the application.
- 3.3 Please describe who is developing/preparing the levelized rate application and who will be leading and supporting the application process once the application is filed with the BCUC. As part of the response, please explain if the identified individuals have any regulatory experience.

- 3.4 Please discuss the pros and cons of each of the following options regarding the filing of the levelized rate application, and identify SEUL's preferred option. As part of this response, please consider the following factors: (i) revenue deficiency/surplus deferral account build-up; (ii) financial impacts; (iii) customer impacts; (iv) regulatory efficiency and costs; and (v) customer expectations:
- Option 1 - Maintain the June 30, 2019 filing deadline;
 - Option 2 - Extend the filing deadline to November 1, 2019; and
 - Option 3 - Extend the filing deadline to June 30, 2020.
- 3.5 If the BCUC were to deny SEUL's extension request, please explain whether SEUL would be able to meet the June 30, 2019 filing deadline.

SEUL states the following on page 5 of the Application:

If filed on November 1, 2019, the rate application would include a request for interim approval of new rates to be effective January 1, 2020...

...In the case of the June 30, 2020 filing date alternative, SEUL would need interim and refundable approval of rates to be effective January 1, 2020. In such case, interim rates for 2020 would be addressed in a filing in the fall of 2019 and could be based on the same methodology as the rates approved by the BCUC for 2018 and 2019 in Order No. G-190-17.

- 3.6 In the event that SEUL was granted a filing extension to November 1, 2019, please explain what the interim rate request for January 1, 2020 would be based on – i.e. would interim rates be based on the methodology approved by Order G-190-17 or a levelized rate structure?
- 3.6.1 In the event that SEUL was granted a filing extension to November 1, 2019, and in consideration of SEUL's above response regarding interim rates, please explain how SEUL would propose to address the balance in the revenue deficiency/surplus account approved as part of the SETES Rate Decision.
- 3.7 Under a scenario where SEUL was granted a filing extension to June 30, 2020 and it therefore filed an interim rate application in the fall of 2019, please describe the supporting information which SEUL would provide to support its request to set interim 2020 rates based on the methodology approved by Order G-190-17.
- 3.7.1 As part of the above response, please reference the applicable sections of the *Utilities Commission Act* (UCA), including section 59(1)(a) of the UCA which states that a public utility must not make, demand or receive an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia.
- 3.7.2 Under the above-described scenario, what approvals, if any, would SEUL be seeking regarding the revenue deficiency/surplus deferral account? Please explain.
- 3.7.3 As an alternative to SEUL's proposal to file an interim rate application in the fall of 2019, did SEUL consider applying for permanent 2020 rates based on the methodology approved by Order G-190-17 and utilizing the revenue deficiency/surplus deferral account to record the variances between the forecast and actual 2020 revenues?
- 3.7.3.1 Please discuss the pros and cons of this approach compared to requesting interim 2020 rates and how such an approach would differ from setting interim rates, particularly in terms of the recovery of the differences between actual and forecast revenues under a permanent rate approach

compared to the recovery of the differences between interim and permanent rates under an interim rate approach.