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E-FILED

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British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
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Attention: Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

**British Columbia Utilities Commission (BCUC)  
Shannon Estates Utility Ltd. (SEUL)  
Extension Request for Filing the Shannon Estates Thermal Energy System (SETES)  
Levelized Rate Application**

We are counsel to Shannon Estates Utility Ltd. (SEUL), the owner of the Shannon Estates Thermal Energy System (SETES). Further to the regulatory timetable established by the BCUC pursuant to Order G-65-19, enclosed please find SEUL's responses to BCUC and Intervener IR No. 1.

We note that pursuant to the regulatory timetable, interested parties may make submissions on the application by today, May 9, 2019. There are only two parties registered as participants in this proceeding – Mr. Cameron and Mr. Duffy. Both of them submitted comments on the application in their April 24, 2019 letters (Exhibit C1-2 and C2-2, respectively). No other letters of comment have been submitted as of the time of this filing. For his part, Mr. Cameron stated that he is of the view that “there is legitimacy to the extension request because of the staged construction of the project and slow take up of occupancy.”<sup>1</sup> Mr. Duffy similarly supported the extension request commenting that the delays in the closing of Phase 2 of the development have resulted in “limited data as to usage of the utility services” and that “proceeding with the rate application at this time [...] risks repeating the mistakes that occurred with the original SWCRA Application.”<sup>2</sup>

In light of both Mr. Duffy and Mr. Cameron's support for the extension request and given that both appear to share SEUL's view that it is better to defer the rate application until more reliable energy sales data for load and revenue forecasting is available, SEUL reiterates its request that the date for filing of its rate application be reset to June 30, 2020 which, as described in the enclosed BCUC IR response (in particular, the response to BCUC IR 3.4), is the date SEUL believes will facilitate the most accurate and complete rate application, and therefore the most efficient regulatory process.

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<sup>1</sup> Exhibit C1-2, page 1.

<sup>2</sup> Exhibit C2-2, page 1.

Finally, given that the interested parties who submitted letters of comment both support the extension request, SEUL submits that no further process is necessary and the BCUC can proceed directly to issuing its order.

Yours very truly,

LAWSON LUNDELL LLP



Ian Webb

IDW/ns1

cc. Joanne Liu, Wall Financial Corporation

REQUESTOR NAME: **BCUC**  
INFORMATION REQUEST ROUND NO: **1**  
APPLICANT: **Shannon Estates Utility Ltd.**  
DATE: **May 9, 2019**  
APPLICATION NAME: **Shannon Estates Utility Ltd. (SEUL) Extension Request for Filing the Shannon Estates Thermal Energy System (SETES) Levelized Rate Application**

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Shannon Estates Utility Ltd.

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

**BCUC INFORMATION REQUEST NO. 1 TO SHANNON ESTATES UTILITY LTD.**

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**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.<sup>1</sup>

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

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<sup>1</sup> 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.

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.

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.

**Response:**

**It is unclear as to why the SETES Rate Decision indicated that "the SETES will not be fully built out until around 2020."<sup>2</sup> That was not the expectation at the time and is not consistent with**

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<sup>2</sup> Order No. G-190-17 Decision at pages 23 and 25.

the evidence. The expectation at the time of the CPCN application (May 2016) was that the construction of Phase 2 would be completed by Q1 2018.<sup>3</sup> The utility's final argument submitting to the BCUC in June 2017 indicated that Phase 2 was expected to be completed in 2018/early 2019.

The discussion at page 25 of the SETES Rate Decision suggests that the Panel expected the length of time to file the levelized rate application would enable the utility to design a levelized rate structure that is similar in approach to other Stream B TES utilities and that appropriately considers variances between forecast and actual load and costs. Based on that and the areas of concern identified in the SETES Rate Decision, it seems reasonable to infer that the choice of the June 2019 filing date considered the need for the utility to (i) design a new rate structure, and (ii) develop and consider actual load and costs data. The first consideration relates to the time to update a financial model and levelized rate structure and the second relates to the time to develop more robust data inputs for such modelling. It appears that the Panel also considered that the June 2019 date would enable implementation of levelized rates effective January 1, 2020.

It seems reasonably 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 choosing the June 2019 filing date. The delay in the completion of Phase 2 of the Shannon Estates development correspondingly delays the acquisition of more reliable data for accurate modelling and rate setting, warranting reconsideration of the appropriate timing for the levelized rate application. Accurate modelling will result in better rates consistent with the objectives of the levelized rate approach.

Deferring the filing date for the levelized rate application will ensure that more reliable data is available for load and revenue forecasting, financial modelling and rate setting, ensuring a more efficient regulatory process. On the other hand, proceeding with the rate application at this time would not support an efficient regulatory process nor implementation of accurate rates by January 2020 because the process would be based on potentially unreliable forecasts repeating a problem that arose in the last rate proceeding.

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<sup>3</sup>See Exhibit B-1, Shannon Estates Thermal Energy Systems (Shannon Estates) Letter Dated May 24, 2016 - *Thermal Energy System Rate Application* at the CPCN Application, "Table 4: Gantt Chart of Key Project Scheduling," page 19.

- 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.

**Response:**

**Please see the response to BCUC IR 1.1.**

- 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.

**Response:**

**Please see the response to BCUC IR 1.1. The SETES Rate Decision is unclear as to whether any other considerations went into selecting the June 2019 date.**

- 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.

**Response:**

The table below presents SEUL's views on the relative impacts (positive, neutral or negative) of extending the filing date to November 1, 2019 or June 30, 2020 relative to the base case of filing on June 30, 2019. However, for the reasons set out in the response to BCUC IR 3.5, the June 30, 2019 filing date is no longer realistic.

Filing Date	BCUC Panel Consideration		
	Design a levelized rate structure	Better input data for financial modelling and rate setting	Implement levelized rate structure effective January 2020
November 2019	Neutral	Somewhat Positive	*
June 2020	Neutral	Most Positive	*

\* Neither the November 2019 nor the June 2020 filing date enable a levelized rate structure to be implemented effective January 2020 on a final basis. The November 2019 filing date would enable a levelized rate structure to be implemented effective January 2020 on an interim and refundable basis subject to the considerations outlined in the responses to BCUC IRs 3.7.3 and 3.7.3.1.

- 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.

**Response:**

**SEUL confirms that the quote from page 25 of the SETES Rate Decision above appears to indicate that.**

**SEUL understands that the timing of the initial rate application for a Stream B TES Utility will typically be driven by when the TES will begin providing service to customers, and therefore a rate for service ought to be charged. Service to customers may commence prior to full build out of the TES, or it may commence shortly after full build-out depending on the specific circumstances of the development (e.g., whether development is in phases).**

- 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.

**Response:**

**Please see the response to BCUC IR 1.3.**

- 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.

**Response:**

**Yes. Please see the response to BCUC IR 1.1.**

**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.

**Response:**

**Occupancy permits for all of Phase 2 have now been received. Of the 322 residential units in Phase 2 of the development, 310 units have sold and 12 units are being marketed for sale. Of the 310 sold units, 232 sales have closed to-date and are available for occupancy. The remaining sold units are expected to close by May 31, 2019.**

2.2. If further delays have occurred beyond what is described on page 4 of the Application, please explain the cause(s).

**Response:**

**No further delays have been identified. Please see the response to BCUC IR 2.1.**

- 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.

**Response:**

**As at May 2, 2019, 139 of the units that have closed sales have signed up to receive services from the SETES. All units are expected to be signed up for service by September 2019.**

- 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.

**Response:**

**Phase 1 consists of 65 residential strata units, a rental building with 213 rental units, and 1 commercial unit. Phase 2 consists of 322 residential strata units.**

**Phase 1 consists of renovated historical buildings and a newly constructed building with strata condominium/townhome units and a newly constructed rental building. Phase 2 consists of all newly constructed strata buildings.**

**Overall, Phase 1 is rental unit weighted while the full build out will be strata unit weighted. The occupancy rate for strata units is expected to be lower than that of rental units, due to, for example, non-resident owners and owners that travel for long durations during the year.**

- 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.

**Response:**

**Please see the response to BCUC IR 2.1 for the status of Phase 2 units sold. The rental building in Phase 1 is fully leased with units re-rented upon turnover.**

**Occupancy rates are dependent on individual resident usage of the unit, which depends, for example, on whether the unit is the primary residence and the extent to which the resident is away for work/travel. The occupancy rate for the strata units is expected to be lower than that of the rental units due to, for example, non-resident owners and owners that travel for long durations during the year.**

- 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.

**Response:**

**Phase 2 was substantially under active construction until February/March 2019 when the majority of the occupancy permits were received. Although the majority of the Phase 2 units have been presold, closings are occurring over several months, with all presold units expected to close by May 31, 2019 (see the response to BCUC IR 2.1). All units are expected to be signed up for SETES service by September 2019. The energy consumption in Phase 2 to date has been impacted by the construction activity on site, and energy consumption through the spring and summer will be impacted by the staggered move in dates, the generally low occupancy levels of the units, and the slow rate at which new customers are signing up to receive utility services from SEUL. As such, SEUL cannot reasonably estimate the percentage of total load that the Phase 2 development is expected to comprise in 2019.**

**In 2020 all Phase 1 and Phase 2 units are expected to be occupied and taking utility service from SEUL. For 2020, SEUL has estimated that Phase 2 may comprise approximately 64% of the total load on the SETES. This percentage has been estimated by extrapolating the actual load of Phase 1 Block A, which is a new construction building consisting of strata apartments and townhomes, and is reasonably similar to the Phase 2 buildings in terms of new construction and strata ownership. SEUL believes that the loads of the Phase 1 rental building and renovated heritage buildings are not representative of Phase 2 load because of different occupancy patterns of lease tenants vs. strata owners and different energy efficiency of new construction vs. renovated heritage buildings.**

**The 64% of total load noted above is based on a high level extrapolation of data from comparable Phase 1 loads:**

- **space heating and cooling data were scaled by total unit area while domestic hot water heating was scaled by unit count since heating and cooling consumption are mostly driven by the area of a unit while domestic hot water is mostly driven by the number of users in a unit; and**
- **swimming pool heating data was scaled by pool area since the heating is driven by the surface evaporation of water.**

**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.

**Response:**

**The issue in regards to load and revenue forecasting in the previous rate application was that the actual load and revenue data acquired during the time period of the BCUC proceeding were much higher than forecasted in the application, which raised concerns about the reliability of the forecast for setting long-term rates (see page 23 of the SETES Rate Decision). SEUL confirms that the BCUC Panel had a number of concerns regarding 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.

**Response:**

**In preparing its levelized rate application, SEUL will:**

- **update its utility financial model using actual costs and revenues as well as revised forecasts which will consider these actuals**
- **develop a levelized rate structure taking into consideration BCUC decisions on other Stream B TES levelized rate applications, capital structure, previous treatment of fixed and variable costs and unplanned costs, capacity levy, and the BCUC's discussion and directions in the Order G-190-17 Decision**
- **report balances in regulatory accounts**
- **review tariff terms and conditions**
- **review all standard fees and charges**
- **track, update, and prepare report of actual hours spent for metering activities on a monthly and annual basis**

- 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.

**Response:**

**The preparation of the 2016 Rate Application and the first part of the BCUC proceeding to consider it was supported by a team with direct knowledge and expertise regarding the design, costs, operation and services of the SETES. The application was not supported by counsel with regulatory experience until March 2017 (see Exhibit B-19 of that proceeding). The remainder of the proceeding went smoothly. In the SETES Rate Decision, the BCUC Panel recognized that it was the utility's first rate application and that, had the utility retained counsel with experience in regulation sooner, many of the issues may have been more effectively and efficiently resolved (see SETES Rate Decision, page 37).**

**SEUL will use a similar team, with regulatory experience, to support the preparation of the levelized rate application and the regulatory process as it did for the completion of the 2016 Rate Application proceeding and for the 2018 TES disposition application.<sup>4</sup>**

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<sup>4</sup> Online: < <https://www.bcuc.com/ApplicationView.aspx?ApplicationId=622>>.

- 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.

**Response:**

**For the reasons set out in the response to BCUC IR 3.5, SEUL believes that the June 30, 2019 filing date is no longer realistic. Accordingly, this response presents SEUL's views on the pros and cons of extending the filing date to November 1, 2019 or June 30, 2020.**

**SEUL prefers the June 30, 2020 filing date because it will enable SEUL to submit an application that is based on significantly more reliable data for accurate modelling and better rate design consistent with the objectives of the levelized rate approach. Accurate and complete winter load data will not be available for the November 19, 2019 filing date. The regulatory process will be much more efficient if it begins with an application based on reliable data (particular winter load and revenue data) as compared to an application that is based on potentially speculative forecasts with actual data acquired as the process unfolds.**

**The option of a November 1, 2019 application was included in the extension application because such filing date would allow for implementation of a levelized rate structure effective January 1, 2020 as preferred by the BCUC in the Order G-190-17 Decision, albeit on an interim approval basis. SEUL notes that two customers have intervened in this proceeding and both have submitted letters of comment that support deferring the levelized rate application until there is full occupancy, a record of actual energy consumption data and Phase 2 strata councils have been formed (see Exhibits C1-2 and C2-2). In light of the comments and preferences of the interveners, and the slow rate at which new customers are signing up to receive utility services from the SETES, SEUL is now firmly of the view that the June 30, 2020 filing date should be preferred.**

**With respect to revenue deficiency/surplus deferral account build-up and financial impacts to the utility, SEUL does not see material pros or cons between the two filing dates. There is a balance (debt) in SEUL's deferral accounts that will have to be recovered from customers. The later filing date of June 30, 2020 might defer the point at which such costs begin to be recovered in rates by up to 12 months; however, SEUL does not consider this to be a material con given the pros of the later filing date.**

- 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.

**Response:**

**When the application requesting the extension to the filing date was filed with the BCUC, it was anticipated that if the BCUC was opposed to extending the filing date, such decision would be provided straightaway and there would be time to prepare an application for June 30, 2019 albeit based on forecasts that might not be reliable.**

**The regulatory timetable established for this process to consider the extension request contemplates that the BCUC will decide in mid- or late-May whether there should be further process to consider the extension request. As a result, SEUL assumes that the BCUC will not make a final decision on the extension request until June 2019. This would not provide adequate time for SEUL to prepare and file a proper levelized rate application by June 30, 2019.**

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?

**Response:**

**A November 1, 2019 application would be based on a new levelized rate structure and include a request for interim approval of the levelized rate structure effective January 1, 2020. SEUL reiterates that a filing extension to November 1, 2019 would not provide the best data on energy sales and consumption for load and revenue forecasting, financial modelling and rate setting. Please see the response to BCUC IR 3.4**

- 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.

**Response:**

**SEUL has not yet determined how it will propose to recover the balance in the revenue deficiency/surplus account as the recovery of such balance will be impacted by various factors, including the occupancy levels of the units. In general, the recovery will either be through the levelized rate structure or by a temporary rate rider.**

- 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.

**Response:**

**The current SEUL rates are in effect for 2019 only, and in the absence of a further BCUC order, SEUL will not be able to charge for services provided by the SETES after December 31, 2019. In the scenario where the BCUC grants a filing extension to June 30, 2020, the June 2020 application would be based on a new levelized rate structure. SEUL expects that the requested rate for approval on an interim basis effective January 1, 2020 would be based on the existing rate structure and methodology approved by Order G-190-17.**

**Pursuant to Order G-190-17, the BCUC approved the current rate structure and rate adjustment methodology, albeit for a limited time, as just and reasonable in accordance with the *Utilities Commission Act*. In the scenario above, SEUL would propose to maintain the status quo rate structure and rate adjustment methodology previously approved by the BCUC until such time as the BCUC approves a new levelized rate structure on a final basis. The same reasoning the BCUC gave in Order G-190-17 would apply with only the intended implementation date pushed back in support of regulatory efficiency. Moreover, the BCUC has a broad discretion when making an interim order.**

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.

**Response:**

**Please see the response to BCUC IR 3.7.**

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.

**Response:**

**SEUL expects that it would be most efficient to consider alternatives for recovering the balance in the revenue deficiency/surplus deferral account in the context of setting the long-term levelized rate structure. Accordingly, this likely would not be part of the request for interim rate approval effective January 1, 2020. Please see the response to BCUC 3.7.**

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?

**Response:**

**SEUL would not have any objection to the alternative approach outlined in the question above. From the perspectives of customer bills and utility revenues, the outcomes under either approach should not be materially different.**

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.

**Response:**

**Please see the response to BCUC IR 3.7.3.**