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Sent via email/eFile

RIVER DISTRICT ENERGY 2020-2023 RATES EXHIBIT A-3
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Luisa Jones, C.E.M.
Utility Manager
River District Energy Limited Partnership
910 - 1055 Dunsmuir St,
Vancouver, BC V7X 1L3
ljones@rdenergy.ca

Re: River District Energy – 2020–2023 Rates Application – Project No. 1599018 – BCUC IR No. 1

Dear Ms. Jones:

Further to your June 10, 2019 filing of the above-noted application, please find enclosed British Columbia Utilities Commission Information Request No. 1. Please file your responses by Friday, August 16, 2019.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

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Enclosure



River District Energy
2020 – 2023 Rates Application

INFORMATION REQUEST NO. 1 TO RIVER DISTRICT ENERGY

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A. GENERAL

**1.0 Reference: GENERAL
Exhibit B-1, p. iii
Subsequent CPCN**

On page iii of River District Energy’s (RDE) 2020-2023 Rates Application (Application), RDE states:

In response to changes in Vancouver’s building code requirements that affect its business model, RDE requested the Commission’s approval of an interim rate that was unchanged from the rate approved for 2016. These rates have remained constant to date.

Although the full extent to which these changes will affect RDE’s business model remains uncertain, RDE submits this rate application to reinvigorate the recovery of its current Revenue Deficiency Deferral Account (RDDA) while it finalizes an approach that fulfills the new low-carbon requirement and remains competitive with similar thermal energy providers. A subsequent CPCN filing is anticipated to occur in 2020, which will discuss extending the existing RDDA to ensure reasonable rates for RDE customers.

- 1.1 Given that RDE had previously requested its 2017-2019 rates to remain unchanged from 2016 due to uncertainty in its business model, please explain why RDE is now seeking approval for a rate change at this time, when the full extent of these changes still remain uncertain.
- 1.2 Please explain how RDE calculated the 3.94 percent rate increase for the years 2020-2023.
 - 1.2.1 If the 3.94 percent increase was based on the rate previously approved in the 2011 Certificate of Public Convenience and Necessity (CPCN), please explain why RDE feels the same increase should apply to the 2020-2023 period. In the explanation, please explain whether changes in factors from the original CPCN (such as inflation rates, etc.) were considered, and if not, please explain.
 - 1.2.2 If the 3.94 percent increase was not based on the 2011 CPCN approval, please provide supporting calculations, as well as inputs and assumptions that were used to arrive at

the 3.94 percent increase currently being sought.

- 1.2.3 Did RDE consider any other methods for determining the rate increase, such as indexing the increase to inflation? Please explain and discuss the merits and downsides of alternative approaches.
- 1.3 Given the anticipated CPCN filing in 2020, please discuss whether RDE considered delaying the revision of its rates until the filing of this application to better reflect the anticipated future capital requirements? Please explain why or why not.
 - 1.3.1 Please confirm that the permanent energy center will be completed and in-service in 2023.
 - 1.3.2 Please confirm that RDE will propose new rates for post 2023 in its anticipated 2020 CPCN filing. If not, please explain why.
 - 1.3.3 Please provide an estimate or estimated range of the revised total capital expenditures that RDE expects to file in the anticipated 2020 CPCN.
 - 1.3.4 Please provide an estimate of the revised RDDA term that RDE expects to file in the anticipated 2020 CPCN.

B. PROJECT STATUS

2.0 Reference: PROJECT STATUS Exhibit B-1, Table 1, p. 4 Current and Planned Customer Activity (2012 – 2023)

In Table 1, RDE provides the updated forecast schedule for the development of River District, which shows the majority of development occurring in the years 2019-2023.

- 2.1 Please confirm if the planned cumulative density for 2012-2023 that was approved in the original CPCN equals the planned cumulative density of 345,525 m² as shown in Table 1. If not confirmed, please explain the difference.
- 2.2 Please explain in detail how RDE developed this timeline and explain the likelihood of the development occurring in the manner forecast in Table 1.
 - 2.2.1 As part of the above response, please address the development issues experienced since the original CPCN was approved.
- 2.3 Please explain in detail the potential risks and impediments to the development occurring as forecast.
 - 2.3.1 As part of the above response, please identify which of the risks and impediments are within (or partially within) RDE's control and which risks and impediments are outside of RDE's control. For the risks and impediments within RDE's control, please explain how RDE plans to mitigate and resolve such risks and impediments.
- 2.4 In consideration of the current and forecast economic and housing markets, please explain if there is a risk that the developments, once built, will remain unoccupied or will be slow in achieving full occupancy.
 - 2.4.1 If there is such a risk, please explain, and quantify where possible, the impact on the levelized rate and RDDA if developments are completed and capital is added to rate base but the load does not materialize.
 - 2.4.2 If not, please explain why not and provide support for this expectation.

**3.0 Reference: PROJECT STATUS
Exhibit B-1, p. 7
Project Challenges**

On page 7 of the Application, RDE states:

Although the LCES incentivizes DE systems which may mitigate reduced energy demands, the policy still compels a DE system to achieve prescribed GHG targets and provide a low-carbon solution. Thus the LCES results in a policy-driven requirement to incorporate a non-fossil fuel application in RDE's future permanent energy centre. RDE commissioned a third-party analysis to investigate the impact of such changes to RDE's aggregate sales...Over the span of RDDA's recovery term, a ZEB-only scenario represents a 40% decline in sales, while the RNES pathway reduces the impact to a 28% decline in sales.

- 3.1 Please identify the third-party that completed the analysis and provide a copy of the report.
- 3.2 Please identify the factors that the analysis took into consideration, and how each factor affected the outcome of the analysis.
- 3.3 Please explain in detail whether or not RDE has had any discussions with the City of Vancouver regarding its future permanent energy centre, and whether it is consistent with City of Vancouver policies.

C. PROJECT COSTS

**4.0 Reference: PROJECT COSTS
Exhibit B-1, Table 2.7, p. 11
2012-2018 Actual Capacity Charges**

In Table 2.7, RDE provides the 2012-2018 actual capacity charges.

- 4.1 Please explain why, for 2012, 2015, 2017 and 2018, the fixed revenues do not equal the cumulative density multiplied by the capacity charge for the month on an annualized basis.

**5.0 Reference: PROJECT COSTS
Exhibit B-1, Table 2.12, p. 13
Actual vs. CPCN Operating Cost Variance**

In Table 2.12, RDE provides the operating cost variance, by year, for actual vs. CPCN operating costs.

- 5.1 Please provide a detailed variance explanation, by year, for the 'Management and Staff' line item.

**6.0 Reference: PROJECT COSTS
Exhibit B-1, p. 14
Capital Costs Inception-to-date**

On page 14 of the Application, RDE states: "The temporary energy centre is constructed so that components representing approximately 60% of the cost can be re-used in the permanent energy centre."

- 6.1 Please explain in further detail which components are expected to be re-used in the permanent energy centre and the dollar value of each.

- 6.1.1 Please explain in detail what RDE intends to do with the components that are not expected to be re-used in the permanent energy centre, and the dollar value of each. If RDE plans to dispose of the component, please explain whether the proceeds will be returned to customers or shareholders, and whether this will be included in the anticipated 2020 CPCN application. Please also explain if these components will be fully depreciated at the time, and how the net book value will be accounted for.

D. PROPOSED RATES, BENCHMARKS AND RDDA

**7.0 Reference: PROPOSED RATES, BENCHMARKS AND RDDA
Exhibit B-1, p. 16
Benchmarking**

On page 16 of the Application, RDE states:

A limitation should be noted in comparing RDE's rates against 2023 electricity rates. For consistency over the projected 5 years, it is assumed space and DHW needs will be met by resistance heating. What may be more likely is that thermal energy needs served by electricity will be increasingly met by a combination of resistance and heat pumps, reducing the apparent cost advantage of RDE's rates over electricity.

- 7.1 Please explain in detail the scenario that thermal energy needs will be increasingly met by a combination of resistance and heat pumps.

7.1.1 As part of the above response, please discuss the impact on the development with the apparent cost advantage of RDE's rates over electricity.

**8.0 Reference: PROPOSED RATES, BENCHMARKS AND RDDA
Exhibit B-1, Table 3.1, Table 3.3, p. 18; Exhibit B-1-1
Impacts on RDDA**

On page 18 of the Application, RDE states "Should the Commission grant RDE the proposed 2019-2023 rates, by the end of 2023 its RDDA would reach approximately \$6M, roughly 34% less than the original CPCN proposal of \$9M (Table 3.2)".

In Exhibit B-1-1, RDE amends the application to forego rate changes in 2019 and seeks to apply the rate increase on a forward basis with the first increase effective January 1st, 2020.

- 8.1 Please provide the forecast balance of the RDDA by the end of 2023, if the British Columbia Utilities Commission (BCUC) were to grant the proposed rates, as amended by RDE in Exhibit B-1-1. Please provide in a table format, similar to Table 3.1.
- 8.2 Please provide the forecast balance of the RDDA by the end of 2023, if the BCUC were to reject the proposed rate increase (the existing rate remains through 2023). Please provide in a table format, similar to Table 3.1.
- 8.3 Please provide the forecast balance of the RDDA by the end of 2023, if the annual rate increases were to equal inflation, assuming an inflation of 2 percent per year. Please provide in a table format, similar to Table 3.1.
- 8.4 What would the annual rate increase need to be for the RDDA to reach \$9M by the end of 2023, as per the original CPCN proposal? Please provide the detailed calculation. Please discuss the merits and downsides to increasing rates by this amount.
- 8.5 Please provide an estimate or estimated range of how long the RDDA would need to be

extended under current rates in order to be fully recovered.

In Table 3.3, RDE provides the RDDA balance variance between proposed rates and the original CPCN. Table 3.3 shows operating costs under the proposed rates higher than operating costs under the original CPCN, for each of the years 2019-2023. The operating rates under the proposed rates for 2019 are also higher than actual operating costs for 2018.

- 8.6 Please provide updated versions of Table 3.3, using the responses to questions 8.1, 8.2, 8.3 and 8.4 above.
- 8.7 Please explain in detail why operating costs under the proposed rates are higher than operating costs under the original CPCN. Please provide a detailed explanation, by year.
- 8.8 Please explain in detail why operating costs under the proposed rates for 2019 are 71.6 percent (\$614K) higher than actual operating costs for 2018.
- 8.9 Given the nature of RDE's existing rate setting framework (approved levelized rates), please generally discuss how balances in the RDDA would impact rates charged to current customer and future customers.
- 8.10 As the development progresses, please discuss how new customer additions would impact levelized rates.

**9.0 Reference: PROPOSED RATES, BENCHMARKS AND RDDA
Exhibit B-1, p.17, Exhibit B-1-1
Impacts on RDDA**

On page 17 of the Application, RDE states:

Metro Vancouver staff advised RDE that on May 24, 2019 its Greater Vancouver Sewerage and Drainage District Board of Directors rejected a GHG reduction policy for solid waste echoing the existing policy for liquid waste but supported the initiative to use the Waste to Energy Facility ("WTEF") for district energy, including supplying RDE. The Board subsequently directed staff to prepare a business case, including a recommended ownership model, for a district energy system using heat from the WTEF. Until Metro Vancouver engages in energy supply negotiations later in 2019, RDE will continue to assume the net cost after applying the GHG reduction policy will equal natural gas.

- 9.1 Please discuss when RDE customers can expect to see an impact to rates, resulting from the use of the WTEF for district energy.
- 9.2 Please discuss if RDE plans to address the use of the WTEF in the anticipated CPCN.
- 9.3 Please explain in detail whether or not RDE has had any discussions with Metro Vancouver staff regarding its future permanent energy centre, and whether it is consistent with Metro Vancouver policies.

E. PUBLIC CONSULTATION

**10.0 Reference: PUBLIC CONSULTATION
Exhibit B-1, p. 19
Public Consultation**

On page 19 of the Application, RDE states that:

Links to the website information were also shared on June 4, 2019 via the River District social media outlets (Twitter, Instagram and Facebook), where the posts reached roughly 3,000 views. As of June 10, 2019, RDE had received two written positive feedback notes and one request for more information related to the open house session.

- 10.1 Does RDE know how many of its residents are followers on social media, and/or how many residents are represented by the 3,000 views? If yes, please provide the numbers.
- 10.2 Has RDE received any further feedback (positive or negative), subsequent to June 10, 2019? If so, please provide details.