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Sent via email/eFile

MISSION GROUP HOLDINGS LTD. – REQUEST FOR EXEMPTION ORDER EXHIBIT A-5
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Mr. Dan Martynov
Project Manager
Mission Group Holdings Ltd.
Landmark Six – 10th Floor
1000-1631 Dickson Avenue
Kelowna, BC V1Y 0B5
dmartynov@missiongroup.ca

Re: Mission Group Holdings Ltd. – Request for Exemption Order – Project No. 1599098 – Information Request No. 1

Dear Mr. Martynov:

Further to your May 19, 2020 Request for Exemption Order application, enclosed please find British Columbia Utilities Commission Information Request No. 1.

Please file your response on or by **Thursday, August 6, 2020**.

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

/ae
Enclosure



Mission Group Holdings Ltd.
Application for an Exemption Pursuant to Section 88(3) of the *Utilities Commission Act*

INFORMATION REQUEST NO. 1 TO MISSION GROUP HOLDINGS LTD.

1.0 Reference: GENERAL
Exhibit B-1, Cover Letter, pp. 1-2; p. 2; the *Utilities Commission Act*, section 52
Requested exemption

On page 1 of the Cover Letter for Mission Group Holdings Ltd.'s (Mission Group) Application for an Exemption Pursuant to Section 88(3) of the *Utilities Commission Act* (UCA) with respect to its residential, commercial and office development located at 510-560 Bernard Avenue, Kelowna, B.C. (Development) (Application), Mission Group states:

Mission Group writes to request a partial exemption from the Utilities Commission Act [RSBC 1996] Chapter 473 (the "Act"). Specifically, it requests an exemption from section 71 and Part 3 of the Act with respect to its residential and office development of property located at 510 – 560 Bernard Avenue Kelowna, British Columbia (the "Development").

On page 2 of the Cover Letter to the Application, Mission Group states:

Mission Group is not requesting a total exemption from Part 3 of the Act. Instead, Mission Group is requesting that it be partially exempt from Part 3 of the Act. The exceptions to the exemption would be the application of sections 25, 38, 41 and 42.

1.1 Please confirm that Mission Group is seeking exemption from section 71 and Part 3 of the UCA excluding sections 25, 38, 41 and 42.

1.1.1 If not confirmed, please clarify the requested exemption.

On page 2 of the Application, Mission Group states:

In making this application, Mission Group wishes to advise that prior to construction of the Development, as hereinafter defined, beneficial ownership of the Development may be transferred to a Limited Partnership or Limited Liability Partnership that will be controlled by Mission Group or its directors. Mission Group will undertake to provide an update at such time as a transfer of beneficial ownership is contemplated and/or completed.

Section 52 of the UCA states:

52 (1) Except for a disposition of its property in the ordinary course of business, a public utility must not, without first obtaining the commission's approval,

(a) dispose of or encumber the whole or a part of its property, franchises, licences, permits, concessions, privileges or rights, or

(b) by any means, direct or indirect, merge, amalgamate or consolidate in

whole or in part its property, franchises, licences, permits, concessions, privileges or rights with those of another person.

(2) The commission may give its approval under this section subject to conditions and requirements considered necessary or desirable in the public interest.

1.2 Please explain why Mission Group is requesting exemption to Part 3 of the UCA, including section 52, given the above preamble regarding transfer of beneficial ownership.

1.2.1 If section 52 of the UCA were excluded from the requested exemption, please discuss the impact to Mission Group and to the Application.

**2.0 Reference: THE DEVELOPMENT
Exhibit B-1, pp. 2 and 3; Appendix 6
The Development**

On page 2 of the Application, Mission Group states:

Mission Group is currently developing new residential and office towers at 510 – 560 Bernard Avenue Kelowna, British Columbia (the “Development”). [*Emphasis added*]

Appendix 6 of the Application contains a Letter from FortisBC Inc. (Fortis), dated April 24, 2020. In the Letter, Fortis states:

The purpose of this letter is to confirm the nature of the electrical service available to The Mission Group Contractors Ltd. for the Bernard Block project located in 560 and 590 Bernard Ave., Kelowna BC. [*Emphasis added*]

2.1 Please confirm the address of the Development.

On page 2 of the Application, Mission Group states:

Mission Group has not sold any of the Strata Lots or leased any of the Strata Lots, Office Units or Commercial Retail Units and as such there are currently no unit owners or tenants. Mission Group has engaged in discussions with a number of potential tenants for the office tower.

2.2 Please provide a list, in confidence if necessary, of all potentially affected parties, including any prospective tenants or lessees of the Development that have made pre-lease enquiries for the commercial retail units or office units of the Development.

2.3 Please discuss whether Mission Group has had any discussions with any potentially affected party regarding Mission Group’s Application. Please summarize any issues or concerns raised.

2.4 Please discuss the expected length of lease term for the strata lot tenants, commercial retail unit tenants and office unit lessees.

Further on page 2 of the Application, Mission Group states:

Construction for the Development is scheduled to start by the end of 2020. The construction of the residential tower is estimated to last from twenty-eight to thirty months and construction of the office tower is estimated to last from twenty to twenty-two months. Full electrical service will be required at the Development by the summer of 2021 and temporary power will be required at the Development by January or February of 2021 for tower cranes.

2.5 Please describe how temporary power will be provided to the Development.

On page 3 of the Application, Mission Group states “[t]he Development requires a transformer capable of bearing a load of 4 MVA...”

2.6 Please explain how the forecasted load for the Development was determined.

**3.0 Reference: PARTICIPATION & SUPPORT OF FORTIS
Exhibit B-1, pp. 4–5; Appendix 1; Appendix 2; Appendix 3
Power supply arrangement**

On pages 4–5 of the Application, Mission Group states:

From, approximately February of 2019 to present, Mission Group and its representatives have been in contact with Fortis to develop a solution to the energy needs of the Development.

Around February of 2019, Fortis suggested that it would provide two three-phase pad mounted transformers to service the Development. This set-up would have required significant space at the Development and, as such, Mission Group requested that Fortis provide an alternative option that included primary metering by Fortis. If Fortis provided primary metering, Mission Group would have been able to provide one of the two transformers or unit substations. If Mission Group provided one of the transformers or unit substations the space requirements identified in Fortis’ original proposal, would substantially decrease.

Around July of 2019 Fortis and the representatives of Mission Group met to discuss additional options with zero setbacks due to equipment locations. At that time, Fortis committed to exploring alternative equipment lifting methods and customer owner unit substation applications with secondary metering provided by Fortis.

- 3.1 Please provide copies of all relevant communications with Fortis that document and confirm the sequence of events noted in the above preamble.
- 3.2 Please discuss the state of the design of the Development when Mission Group and Fortis first began discussing the Development, around February 2019. Specifically, please discuss if the design of the Development was substantively different than the current design and how, in Mission Group’s view, that may have impacted the evolution of the plan to supply electricity to the Development.
- 3.3 Please explain why, around February 2019 as noted in the preamble, Mission Group could not accommodate the space requirements to allow Fortis to provide two three-phase pad mounted transformers to service the Development.
 - 3.3.1 Please explain, in Mission Group’s view, whether Fortis’ original plan to supply two three-phase pad mounted transformers to service the Development would have prevailed had Mission Group not requested a change in plan due to Mission Group’s space requirements.
- 3.4 Please explain what Mission Group considered to be the plan to supply electricity to the Development in July 2019 (i.e. two three-phase pad mounted transformers supplied by Fortis; combination of Mission Group supplied and Fortis supplied transformation; solely Mission Group supplied transformation; or other).
 - 3.4.1 Please also explain what Mission Group considered to be the plan for metering of the Development (i.e. Fortis supplied primary metering with Mission Group supplied sub metering; Fortis supplied secondary metering; or other)

On page 5 of the Application, Mission Group states:

In September of 2019, Mission Group made a formal application to Fortis, to have Fortis supply the Development with electricity. In December of 2019, Fortis informed Mission Group that the Tariff did not permit Fortis to provide secondary metering down stream of a customer owned unit substation. At that time Fortis still believed that it could provide two transformers to the Development.

On or about January 6, 2020, Technical SafetyBC informed Mission Group that Fortis could not provide two transformers to the Development (as seen at Appendix 3). At that time, it was determined that the options available for the Development included a single utility transformer or a primary voltage utility service. In February of 2020, Fortis confirmed it could support a primary voltage service to the Development with a customer owned unit substation and with secondary metering provided by the customer. Fortis advised Mission Group that such a setup would require an application to the BCUC for an exemption under Part 3 of the *Act*.

- 3.5 Please provide, in confidence if necessary, a copy of Mission Group's September 2019 formal application to Fortis.
- 3.6 Please explain what Mission Group considered to be the plan to supply electricity to the Development in December 2019 (i.e. two three-phase pad mounted transformers supplied by Fortis; combination of Mission Group and Fortis supplied transformation; solely Mission Group supplied transformation; or other).
 - 3.6.1 Please also confirm what Mission Group considered to be the plan for metering of the Development (i.e. Fortis supplied primary metering with Mission Group supplied sub metering; Fortis supplied secondary metering; or other)
 - 3.6.2 Please provide all relevant communications with Fortis that document and confirm the plan to supply electricity to the Development during the December 2019 timeframe.
 - 3.6.3 If the plan to supply electricity to the Development was via two three-phase pad mounted transformers supplied by Fortis, please discuss Mission Group's ability to accommodate Fortis' space requirements at that time.

Appendix 3 of the Application includes a copy of a January 6, 2020 email between Primary Engineering and Technical Safety BC (TSBC).

- 3.7 Please discuss the context for the January 6, 2020 communication with TSBC. Specifically, please discuss what information was Primary Engineering seeking from TSBC regarding Fortis' supply of electricity to the Development.

On page 5 of the Application, Mission Group states:

In February of 2020, Fortis confirmed it could support a primary voltage service to the Development with a customer owned unit substation and with secondary metering provided by the customer. Fortis advised Mission Group that such a setup would require an application to the BCUC for an exemption under Part 3 of the *Act*.

Appendix 1 of the Application contains Fortis' Service and Metering Guide, which is also available on Fortis' website.¹

¹ https://www.cdn.fortisbc.com/libraries/docs/default-source/services-documents/service_and_metering_guide.pdf?sfvrsn=f4a956df_6

Appendix 2 of the Application contains Fortis' Electric Tariff, which is also available on Fortis' website.²

- 3.8 Please discuss, in Mission Group's view, at the present time and given Fortis' maximum transformer size and metering arrangements as specified in Fortis' Service and Metering Guide and Fortis' Electric Tariff, if the Development could be altered in such a way that would allow the Development to be serviced by Fortis supplied transformer(s) and Fortis supplied secondary metering.
- 3.8.1 If yes, please explain what alterations would be required.
- 3.8.2 If not, please explain why not.
- 3.9 Please provide an overall site plan drawing showing the proposed location of Fortis' incoming supply as well as the proposed location of Mission Group's unit substation.
- 3.10 Please provide an electrical one-line diagram, which includes Fortis' incoming supply, Fortis' primary metering, Mission Group's unit substation, protective devices, etc. Please also clearly identify the point of demarcation between Fortis and Mission Group.
- 3.11 Please provide an update as to the current status of Mission Group's primary service application to Fortis.
- 3.11.1 Please describe the major activities that must occur between now and energization of the primary service. Please identify the party responsible for each activity listed.

Further on page 5 of the Application, Mission Group states:

On or about April 24, 2020 and in contemplation of this application, Fortis supplied a letter of support for Mission Group. The letter is included in this application at Appendix 6. In their letter, Fortis confirms that it can supply a transformer, up to a maximum of 2.0 MVA and, that it cannot supply the 4.0 MVA required by the Development. Further, the letter clarifies that Fortis will need to provide written consent if Mission Group wishes to resell, re-meter or sub-meter the electricity supplied by Fortis. The letter also states that Fortis does not presently have an option for Fortis to install secondary metering downstream of a customer-owned transformer.

- 3.12 Please discuss if Fortis has placed any conditions or requirements on Mission Group in order to provide their written consent to allow the resale of electricity to the Development.

**4.0 Reference: APPLICABLE RATE SCHEDULE
Exhibit B-1, Section 1.4, pp. 5–7
Applicable rate schedules and billing**

On page 5 of the Application, Mission Group states:

Mission Group is seeking confirmation of this point from Fortis. It appears that Fortis would charge Mission Group based on Rate Schedule 30 in the Tariff. Rate Schedule 30 in the Tariff is the rate schedule for Large Commercial Services. Pursuant to section 5.2 of the Tariff, Rate Schedule 30 automatically applies in circumstances where the customer has supplied its own transformation from the primary distribution voltage.

- 4.1 Please confirm the Fortis rate schedule under which Mission Group will receive electricity from

² <https://fbcdotcomprod.blob.core.windows.net/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/electric-utility/fortisbcelectrictariff.pdf>

Fortis.

Further on page 5 of the Application, Mission Group states:

Consumers would be charged for electricity at a rate that is no greater than the rate that would be charged to the consumer by Fortis if such consumer had been a direct customer of Fortis (the "Consumer Rates"). Mission Group believes the rate schedule that Mission Group would apply is Rate Schedule 21 or Fortis' typical residential rates and intends to confirm same with Fortis.

- 4.2 Please confirm the rate schedule(s) Mission Group will apply to each of its customer groups (i.e. Strata lot owners, Strata lot tenants, commercial retail unit tenants and office unit lessees).
- 4.3 Please discuss how Mission Group will notify its customers of their applicable rate schedule.
- 4.4 Please discuss how Mission Group will notify its customers when there are changes to their applicable rate schedule(s).
- 4.5 Please discuss in detail how Mission Group will ensure ongoing adherence to its statement that "Consumers would be charged for electricity at a rate that is no greater than the rate that would be charged to the consumer by Fortis if such consumer had been a direct customer of Fortis".

On page 6 of the Application, Mission Group states:

Currently Mission Group is working to prepare a form of agreement or agreements for the resale of energy between Mission Group and the End Users, Tenants and Lessees. Terms regarding the Consumer Rates would be included therein. In the alternative, Mission Group may include terms setting out the Consumer Rates in its agreement with its independent contractor.

- 4.6 If available, please provide a copy of the noted agreement that will describe terms and conditions for the resale of electricity between Mission Group and its customers.
 - 4.6.1 If not available, please discuss the expected general framework for these agreement(s) and provide a description of the terms and conditions specific to the resale of electricity. Please also indicate when Mission Group expects the full agreement(s) to be available.
- 4.7 Please discuss why Mission Group may consider it appropriate to include terms setting out customer rates in its agreement with its independent contractor as an alternative to including customer rates in an agreement directly between Mission Group and its customers.
 - 4.7.1 In the alternative where terms setting out customer rates are included in an agreement between Mission Group and its independent contractor, please explain how Mission Group will ensure that Mission Group customers will be made aware of:
 - i. their applicable rate schedule(s);
 - ii. changes to their rate schedule(s);
 - iii. the terms and conditions specific to the resale of electricity; and
 - iv. complaint and dispute resolution processes.

On page 6 of the Application, Mission Group states:

Each Strata Unit will be metered separately. The tenants or owners of the Strata Lots (each, an "End User") will be billed based on the consumption of electricity by that End User's Strata Lot.

The common property and the Common Facilities will also be metered. End Users will be responsible for paying for a portion of the electricity consumed by the common

property and the Common Facilities. This charge will be included in the monthly strata fee payable by each End User.

- 4.8 For “End Users”, as defined in the preamble, please confirm:
- i. the frequency at which they will be billed based on their metered consumption; and
 - ii. how their portion of the electricity consumed by the common property and common facilities will be determined.

On page 7 of the Application, Mission Group states:

Each Commercial Retail Unit will be metered separately. The tenants of the Commercial Retail Units (the “Tenants”) will be billed based on the consumption of electricity by that Tenant’s Commercial Retail Unit

Each Tenant will also be responsible for paying a portion of the cost of consumption of Common Facilities. The terms of payment, including proportionate share and frequency of payment, will be set out in the lease agreement with each Tenant.

- 4.9 For “Tenants”, as defined in the preamble, please confirm:
- i. the frequency at which they will be billed based on their metered consumption; and
 - ii. how their portion of the electricity consumed by the common facilities will be determined.

Further on page 7 of the Application, Mission Group states:

The Office Units will be metered separately. The tenants of the Office Units (the “Lessees”) will be charged based on the consumption of electricity by that Lessee’s Office Unit.

The Lessees of the Office Units will be charged through their triple net lease with Mission Group. Each Lessee will also be responsible for paying a portion of the cost of consumption of Common Facilities. The terms of payment, including proportionate share and frequency of payment, will be set out in the lease agreement with each Lessee.

- 4.10 For “Lessees”, as defined in the preamble, please confirm:
- i. the frequency at which they will be billed based on their metered consumption; and
 - ii. how their portion of the electricity consumed by the common facilities will be determined.

**5.0 Reference: RATE PAYER PROTECTION
Exhibit B-1, p. 6
Complaint process**

On page 6 of the Application, Mission Group states:

...Mission Group intends to have a complaints process in place for rate payors. Mission Group may develop a mechanism for receiving and responding to customer complaints directly or arrange for a customer complaint process with its independent contractor.

- 5.1 Please discuss how Mission Group proposes to resolve issues with its customers regarding the resale of electricity.
- 5.1.1 Please also discuss what civil remedies for dispute resolution will be available to Mission

Group customers.

- 5.2 Please discuss why Mission Group may consider it appropriate to have a customer complaint process with its independent contractor instead of a customer complaint process with Mission Group directly.
- 5.3 Please discuss how customers will be able to contact Mission Group in the event of query or complaint.

**6.0 Reference: SCOPE OF WORK AND DIVISION OF LABOUR
Exhibit B-1, pp. 4 and 6; *Electrical Safety Regulation, Section 3
Safety and Operational Considerations***

On page 6 of the Application, Mission Group states:

Mission Group intends to purchase the materials and equipment necessary to develop the secondary distribution system. Mission Group would also be responsible for the construction of the secondary distribution system.

With the approval of the BCUC and Fortis, Mission Group intends to enlist the service of an independent contractor to help maintain some of the electrical equipment installed by Mission Group. This independent contractor would also be responsible for reading the meters and preparing invoices for consumers.

Mission Group would maintain the distribution equipment and the private unit substation. Mission Group would also handle administrative matters including remitting payment to Fortis and receiving payment from the End Users, Tenants and Lessees (as defined below).

- 6.1 Please discuss the safety and operational considerations associated with owning and operating a unit substation and associated distribution equipment.
- 6.2 Please discuss how Mission Group will maintain its assets to ensure continued safe and reliable operation.
 - 6.2.1 Please discuss who will bear the ongoing costs for maintenance of Mission Group's public utility assets and how these costs will be recovered.
- 6.3 Please discuss what contingency plans Mission Group will have in place should any of its major equipment items fail or need to be taken out service. Please include a specific discussion regarding Mission Group's main transformer and how Mission Group will minimize service impacts to its customers should it fail.
 - 6.3.1 In the event that Mission Group's main transformer fails and requires replacement, please discuss the expected transformer replacement timeframe and expected duration of service interruption to Mission Group customers.
 - 6.3.2 Please discuss how any contingency requirements will (i) be funded; (ii) who would bear the costs; and (iii) how these costs would be recovered.

On page 4 of the Application, Mission Group states:

Mission Group is committed to completing the Development in a way that will satisfy the requirements of the BCUC, Technical Safety BC and Fortis.

- 6.4 Please discuss what communication, if any, Mission Group has had with TSBC regarding Mission Group's anticipated future status as a public utility and if and how that may impact TSBC's oversight of Mission Group's distribution system.

Section 3 of the *Electrical Safety Regulation*³ states:

- (1) This regulation, except for section 3.1, does not apply to a public utility as defined in the *Utilities Commission Act* in the exercise of its function as a utility with respect to the generation, transmission and distribution of electrical energy.
- (2) Despite subsection (1), this regulation applies to the electrical equipment owned or in the possession or control of a public utility if the electrical equipment is not used directly in the generation, transmission and distribution of electrical energy.

6.5 Please discuss section 3 of the *Electrical Safety Regulation* and its impact and scope of applicability to Mission Group's distribution system.

On page 6 of the Application, Mission Group states:

With the approval of the BCUC and Fortis, Mission Group intends to enlist the service of an independent contractor to help maintain some of the electrical equipment installed by Mission Group. This independent contractor would also be responsible for reading the meters and preparing invoices for consumers.

6.6 Please explain if the independent contractor, as noted in the above preamble, has been selected by Mission Group.

6.7 Please identify the type of meter Mission Group has selected for billing its customers.

6.7.1 Please confirm whether the meter selected will be compliant with the regulations of Measurement Canada.

7.0 Reference: **SECONDARY DISTRIBUTION SYSTEM
 Exhibit B-1, p. 4
 Cost analysis**

On page 4 of the Application, Mission Group states:

It is far from ideal for Mission Group to assume the role of a public utility; as by providing the transformer and the secondary meters, Mission Group will incur significant additional costs at the time it constructs the Development. Mission Group does not expect to recoup these costs for at least seven to ten years. Mission Group estimates that it will spend approximately \$317,000 to supply and install the unit substation and an additional \$201,000 to supply and install the secondary meters.

7.1 Please provide the underlying assumptions and calculations made to determine Mission Group's assessment that Mission Group "...does not expect to recoup these costs for at least seven to ten years."

7.2 Please provide an analysis, including all underlying assumptions and calculations, of the forecasted annual costs associated with operating the public utility. The analysis should include, but not be limited to:

- i. forecasted annual Fortis costs;
- ii. forecasted annual operation, maintenance and administrative costs; and
- iii. forecasted annual revenues associated with the resale of electricity to Mission Group customers.

³ http://www.bclaws.ca/civix/document/id/complete/statreg/12_100_2004

- 7.2.1 If the analysis forecasts a loss, please discuss who will bear these costs.
- 7.2.2 If the analysis forecasts a surplus, please discuss how these revenues will be allocated.