

IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60 as amended

and

IN THE MATTER OF an Application by
Central Heat Distribution Limited

DECISION

May 14, 1982

Before: M. Taylor, Chairman;
J.D.V. Newlands, Deputy Chairman

The Application of Central Heat Distribution Limited dated December 14, 1981 was heard on May 10, 1982 at the Commission Hearing Room in Vancouver, British Columbia.

The Division of the Commission was comprised of M. Taylor, Chairman and J.D.V. Newlands, Deputy Chairman.

TABLE OF CONTENTS

	<u>Page No.</u>
APPEARANCES	(i)
LIST OF EXHIBITS.	(ii)
BACKGROUND.	1
THE APPLICATION	2
RATES AND TARIFFS	3
ORDER	5
SCHEDULE I.	7
SCHEDULE II	9
SCHEDULE III.	11

APPEARANCES

J. McEwen	Commission Counsel
C.B. Johnson	for the Applicant Central Heat Distribution Limited
D. Harmon	Hotel Vancouver
Hearing Secretary	D. Leach
Commission Staff	R.J. Fletcher W.D. Alexander
Court Reporter	Audiotron Enter- prises Ltd.

LIST OF EXHIBITS

	<u>Exhibit No.</u>
Affidavit of James S. Barnes dated May 5, 1982	1
Application of Central Heat Distribution Limited dated December 14, 1981	2
Revised Application of Central Heat Distribution Limited dated December 14, 1981	3
B.C.U.C. - Request for Additional Information February 24, 1982 to Central Heat Distribution Limited and response to the Questions	4
Central Heat Distribution Limited Letter to All Customers dated December 5, 1981 - Listing Proposed New Rate Schedules	5
Table - Net Effect of Tariff Increase and Fuel Adjustment Factor Change	6
Example Cost Comparison - Gas vs. Steam Increase from 1976 - April 1, 1982 Assuming Boiler Efficiency of 55%	7
Letter of Complaint - Hotel Vancouver - B.C.U.C. May 3, 1982	8
B.C.U.C. Questionnaire February 4, 1982 to All Customers of Central Heat Distribution Limited and Customer Replies	9
Fuel Clause Recovery - Effective December 1, 1973 and Changes to April 1982	10

BACKGROUND

Central Heat Distribution Limited ("Central Heat") holds a Certificate of Public Convenience and Necessity dated June 11, 1968 to construct and operate a steam generating plant and attendant distribution system for the purpose of supplying steam for heating and cooling uses in the City of Vancouver.

A 30 year agreement running from 1966 has been entered into with the City of Vancouver and encompasses the area of operations as defined by False Creek, Gore Avenue, English Bay and Burrard Inlet providing service to approximately ninety (90) commercial customers.

The primary source of energy for the purchaser of steam is natural gas purchased on an interruptible basis, from the British Columbia Hydro and Power Authority, augmented by fuel oil when gas service is curtailed. From time to time studies have been undertaken with regard to alternate energy sources and the Commission would encourage the company to continue its investigations as appropriate with the objective of providing stable rates to the consumers, and increasing the return to the shareholders from the current anticipated return on equity.

It must be noted that through prudent and efficient management the financial performance of the company has improved significantly over the years. At the same time the Company has expanded its plant and distribution system in accordance with requirements for service.

THE APPLICATION

Central Heat applied December 14, 1981 for permanent rate relief of 12% over existing rates to be effective January 1, 1982 or, in the alternative, for interim rate relief to be granted subject to refund. In addition, Central Heat sought three additional amendments to its tariffs, namely amendments to the wording of paragraphs five and eight of the tariff and the wording of a clause dealing with air conditioning.

The Commission by Order No. G-90-81 approved the proposed rate increase on an interim basis subject to refund, and deferred a decision on the other tariff amendments pending the public hearing.

The Commission advised all customers of Central Heat of this Application, and received four responses objecting to tariff amendments exclusive of rates, namely the terms of payment.

By Commission Order G-31-82 a public hearing was set for May 10, 1982 at the Commission Hearing Room in Vancouver.

The Application, as revised, is predicated upon the forecast year ending December 31, 1982 prepared with the knowledge of the results for the year ending December 31, 1981.

The rate base contained in the Application was prepared on the basis of the estimated mid-year average value of plant and Commission approved calculation for working capital. The proposed rate increase was shown by Central Heat to provide a rate of return of approximately 9% on rate base and 5.25% on common equity.

Mr. D. Harmon, on behalf of the Hotel Vancouver, appeared at the hearing to express concern with the absolute level of rates inclusive of the fuel adjustment clause. Mr. Harmon also stated that he was satisfied with the day to day operations and stated that when a problem arises it is handled immediately and not put off until tomorrow.

As a result of evidence given at the public hearing, adjustments have been made by the Commission to the material presented by Central Heat. As shown on the attached Schedules I, II and III the approved increase will provide a projected rate of return on rate base of 9.16% yielding 5.76% on common equity.

RATES AND TARIFFS

After considering the Applicant's requested changes in rates and tariffs, the Commission will accept the following revisions:

1. The 12% interim increase, effective January 1, 1982 is confirmed.
2. The three proposed tariff amendments, embodied in clauses 5 and 8, and in the Discount Clause related to Air Conditioning in the Rate Schedule are accepted for filing except that in clause 5 the terms of payment should remain at thirty (30) days, and the monthly rate of interest applicable to billed amounts in default shall remain at 2% (24% per annum), until such time as each customer of Central Heat has received sixty (60) days notice of the increase in such monthly rate of interest to 2 1/2% (30% per annum).

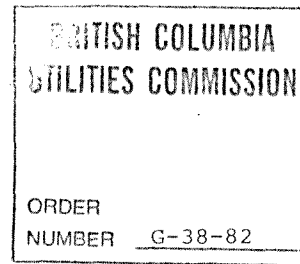
DATED at the City of Vancouver, in the Province of
British Columbia, this 14th day of May, 1982.



M. Taylor, Chairman



J.D.N. Newlands, Deputy Chairman



PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by
Central Heat Distribution Limited

BEFORE:	M. Taylor,)	
	Chairman; and)	
	J.D.V. Newlands,)	May 14, 1982
	Deputy Chairman)	

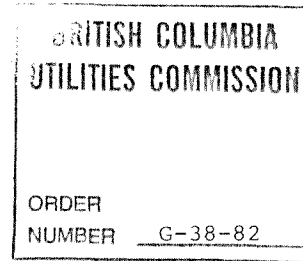
O R D E R

WHEREAS Central Heat Distribution Limited ("Central Heat") applied December 14, 1981 to amend its filed tariffs concerning the rates to be charged for steam service rendered by the Company in its service area, together with three other amendments to the wording of certain clauses in its filed tariff; and

WHEREAS Commission Order No. G-90-81, dated December 21, 1981 authorized an interim increase of approximately 12% over then existing rates to become effective January 1, 1982, with the interim increase subject to refund with interest at the average prime rate of the bank used by Central Heat; and

WHEREAS pursuant to Commission Order No. G-31-82 the Application was considered by the Commission at a public hearing in Vancouver, B.C. on May 10, 1982.

.../2



NOW THEREFORE the Commission hereby orders
Central Heat Distribution Limited as follows:

1. The 12% interim increase, effective January 1, 1982 is confirmed.
2. The three proposed tariff amendments, embodied in clauses 5 and 8, and in the Discount Clause related to Air Conditioning in the Rate Schedule are accepted for filing except that in clause 5 the terms of payment should remain at thirty (30) days, and the monthly rate of interest applicable to billed amounts in default shall remain at 2% (24% per annum), until such time as each customer of Central Heat has received 60 days notice of the increase in such monthly rate of interest to 2-1/2% (30% per annum).

DATED at the City of Vancouver, in the Province
of British Columbia, this 14th day of May, 1982.

BY ORDER

M. Taylor
Chairman

CENTRAL HEAT DISTRIBUTION LIMITEDRATE BASE

	<u>Revised Application</u>	<u>Commission Adjustments</u>	<u>Final Adjusted Balance</u>
Average Value of Facilities	\$5,857,690	(a) \$ 6,800	\$5,864,490
Contributions in Aid of Construction		(b) (71,298)	(71,298)
Working Capital	<u>492,178</u>	<u>-</u>	<u>492,178</u>
Average Rate Base	<u>\$6,349,868</u>	<u>\$ (64,498)</u>	<u>\$6,285,370</u>

CENTRAL HEAT DISTRIBUTION LIMITEDNotes to Schedule I

- (a) Represents the estimated amount of overhead charged to construction not provided for in the Application. This is calculated on 1982 eligible additions of
- | | |
|-------------------------------------|----------------|
| $\$136,000 \times .5 \times 10\% =$ | <u>\$6,800</u> |
|-------------------------------------|----------------|

- (b) Contributions in Aid of Construction were not reflected in the Application as a rate base item.

Balance December 31, 1981	\$72,200
Estimated Balance December 31, 1982	<u>70,395</u>
Average	<u>\$71,298</u>

SCHEDULE IICENTRAL HEAT DISTRIBUTION LIMITEDUTILITY INCOME AND RATE OF RETURN

	<u>Revised Application</u>	<u>Commission Adjustments</u>	<u>Final Adjusted Balance</u>
<u>REVENUE</u>			
Steam sales	\$2,281,055		\$2,281,055
Other income	48,900		48,900
Full cost recovery	<u>3,925,785</u>		<u>3,925,785</u>
	<u>\$6,255,740</u>		<u>\$6,255,740</u>
<u>EXPENSES</u>			
Fuel - natural gas	3,314,276		3,314,276
- oil	1,091,584		1,091,584
Water	28,500		28,500
Chemicals	40,600		40,600
Power	19,050		19,050
Labour costs	541,100	(a) \$ 9,415	550,515
Other operating and maintenance	56,000		56,000
General administration	266,600	(b) (13,600)	253,000
Taxes other than income	170,266		170,266
Depreciation	<u>156,450</u>		<u>156,450</u>
	<u>\$5,684,426</u>	<u>\$ (4,185)</u>	<u>\$5,680,241</u>
Net Utility Income	<u>\$ 571,314</u>	<u>\$ 4,185</u>	<u>\$ 575,499</u>
Average Rate Base	<u>\$6,349,868</u>	<u>\$ (64,498)</u>	<u>\$6,285,370</u>
Rate of Return on Average Rate Base	<u>9.0%</u>		<u>9.16%</u>

CENTRAL HEAT DISTRIBUTION LIMITEDNotes to Schedule II

- (a) Increase in 1982 labour costs due to wage settlement occurring after date of Application January 1, 1982 increase of 15% already provided for. Further increase of 2.6% from May 1, 1982 results in increase of $2.6\% \times .67 = 1.74\% \times \$541,100$

\$ 9,415

- (b) Represents the amount of overhead chargeable to construction for the year 1982. Estimate is 10% of total cost of construction jobs of \$13,600

\$13,600

SCHEDULE IIICENTRAL HEAT DISTRIBUTION LIMITEDWEIGHTED COST OF CAPITAL

<u>Application</u>	<u>Commission Adjustments</u>	<u>Final Adjusted Balance</u>	<u>% of Capital Structure</u>	<u>Embedded Cost</u>	<u>Cost Component</u>
Long term debt-T.M.P.L.	\$ 16,985	\$ 16,985	.27	-	-
Long term debt-T.M.E.	500,000	500,000	7.95	5%	.40%
Long term debt-T.D. Bank	1,450,000	1,450,000	23.07	18.5%	4.27%
Short term debt	618,547 (a) (\$68,683)	549,864	8.75	18%	1.58%
Shareholder advances	591,264	591,264	9.41	-	-
Common equity	<u>3,173,072 (b) 4,185</u>	<u>3,177,257</u>	<u>50.55</u>	<u>5.76%</u>	<u>2.91%</u>
	<u>\$6,349,868</u>	<u>\$(64,498)</u>	<u>\$6,285,370</u>	<u>100.00</u>	<u>9.16%</u>

CENTRAL HEAT DISTRIBUTION LIMITED

Notes to Schedule III

- (a) Reduction on short term debt to match projected coverage rate base per Schedule I.
- (b) Increase in return which reflects Commission adjustments per the decision.

DOCUMENT SUMMARY

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