



IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Central Heat Distribution Limited  
for Approval of 2003 Revenue Requirements

**BEFORE:** P. Ostergaard, Chair )  
K.L. Hall, Commissioner ) January 16, 2003

**O R D E R**

**WHEREAS:**

- A. On October 31, 2002, Central Heat Distribution Limited ("CHDL") filed with the Commission, pursuant to Sections 58 and 61 of the Utilities Commission Act ("the Act"), an application to increase its Steam Tariff Schedule of Charges by 6.4 percent effective January 1, 2003, on a permanent basis ("the Application"). The Application also included housekeeping changes to the Tariff; and
- B. On October 31, 2002, CHDL notified all customers of the requested increase in steam charges; and
- C. Commission Order No. G-82-02 set an intervenor registration deadline of November 29, 2002 and required CHDL to provide its current and prospective customers with a copy of the Order and an Executive Summary of the Application by November 22, 2002. No customers intervened by the registration deadline; and
- D. On December 9, 2002, Commission staff issued Information Requests, which CHDL responded to on December 13, 2002. CHDL undertook to revise its Application as a result of the information responses; and
- E. Commission Order No. G-101-02 set the current CHDL rates as interim effective January 1, 2003 and established a Negotiated Settlement Process for the review of the revised CHDL Application; and
- F. On January 6, 2003, CHDL filed revisions to its Application and on January 13, 2003 a Negotiated Settlement was reached between CHDL and Commission staff; and

G. The Commission has reviewed the Negotiated Settlement and finds that it should be approved.

**NOW THEREFORE** the Commission orders as follows:

1. The Commission approves for CHDL the Negotiated Settlement, attached as Appendix A to this Order, and an average permanent rate increase in the Steam Tariff Schedule of Charges of 4.362 percent effective January 1, 2003 to recover a 2003 revenue deficiency of \$243,929.
2. CHDL is to inform all customers about the Negotiated Settlement and the average permanent rate increase by way of a customer notice.
3. CHDL is to file a permanent Steam Tariff Schedule of Charges that is in accordance with the terms of the Negotiated Settlement and this Order.
4. CHDL is to file revisions to its Steam Tariff that address the housekeeping matters.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 22<sup>nd</sup> day of January 2003.

BY ORDER

*Original signed by:*

Peter Ostergaard  
Chair

Attachment

WILLIAM J. GRANT  
EXECUTIVE DIRECTOR,  
REGULATORY AFFAIRS & PLANNING  
bill.grant@bcuc.com  
web site: http://www.bcuc.com



**APPENDIX A**  
to Order No. G-4-03  
Page 1 of 1

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~~**CONFIDENTIAL**~~

Log No. 1868, 2195

**VIA FACSIMILE**

January 13, 2003

Mr. John S. Barnes  
President  
Central Heat Distribution Limited  
Suite 1, 720 Beatty Street  
Vancouver, BC V6B 2M1

Dear Mr. Barnes:

Re: Central Heat Distribution Limited ("Central Heat")  
2003 Revised Rate Application

On January 10, 2003 Central Heat and Commission staff had settlement discussions on the 2003 Revised Rate Application ("2003 Application") in accordance with the Negotiated Settlement Process established by Commission Order No. G-101-02.

Commission staff make the following proposal for a negotiated settlement to the 2003 Application and request a letter of support. The adjustments to the 2003 Application as discussed have been incorporated into a regulatory model which calculated a net revenue deficiency of \$243,929 and an average rate increase of 4.362 percent.

**Negotiated Settlement Issues**

**Accepted as Filed or Adjusted**

- |  |   |
|--|---|
| 1. Amortization of Customer Contributions: | Adjusted to include a credit of \$8,847 as a negative expense.                            |
| 2. Cost of Debt:                           | Accepted Short-Term Debt Rate = 5.5 percent<br>Accepted Long-Term Debt Rate = 7.6 percent |
| 3. Return on Equity:                       | Adjusted to 10.42 percent.  |
| 4. Equity Component:                       | Accepted including the adjustments above.   |

Yours truly,

W.J. Grant

PN/rt  
Enc.

**CENTRAL HEAT DISTRIBUTION LIMITED**  
**Utility Income and Earned Return**  
**for the year ending December 31, 2003**

**Schedule I**

	<u>2003 Rate Application</u>	<u>Commission Adjustments</u>	<u>Adjusted Balances</u>
SALES VOLUME - M#	1,079,352	0	1,079,352
Present avg rate per M#	\$5.181		\$5.181
Avg rates after interim increase	\$5.513		\$5.407
Avg percentage increase in rates	6.400%		4.362%
 UTILITY REVENUE			
Steam Sales - present rates	\$5,592,637	0	\$5,592,637
- interim rates	357,929	[2]	357,929
Other Income	20,500		20,500
Fuel Cost Recovery	10,662,986		10,662,986
Revenue Adjustment		0 [2]	(114,000)
	-----		-----
REVENUE REQUIREMENT	16,634,052		16,520,052
	-----		-----
EXPENSES			
Fuel - natural gas	10,993,200	0	10,993,200
- oil	361,246	0	361,246
Steam Variable Costs	365,040	0	365,040
Labour costs	1,503,729	0	1,503,729
Employee Benefits	210,726		210,726
General Admin. and office	284,220	0	284,220
Taxes other than income tax	328,678	0	328,678
Amortization	557,936	0	557,936
Amortization of Customer Contrib		(8,847) [1]	(8,847)
Other operating and mtce.	250,855	0	250,855
	-----		-----
	14,855,630		14,846,783
	-----		-----
Utility Income before Taxes	1,778,422		1,673,269
Income Tax	323,496		285,680
	-----		-----
EARNED RETURN	\$1,454,926		\$1,387,589
	=====		=====
 UTILITY RATE BASE	\$16,119,070		\$16,119,070
	=====		=====
 RETURN ON RATE BASE	9.03%		8.61%
	=====		=====

[1] To record amortization of customer contributions.

[2] Net revenue deficiency= \$243,929

**CENTRAL HEAT DISTRIBUTION LIMITED**  
**Utility Rate Base for the year ending December 31, 2003**

**Schedule II**

	2003 Rate Application	Commission Adjustments	Adjusted Balances
Gross plant in service			
Beginning of Year	\$23,987,416	0	\$23,987,416
Additions	<u>1,088,500</u>	0 [1]	<u>\$1,088,500</u>
Gross plant in service			
End of Year	25,075,916		25,075,916
Accumulated Depreciation			
End of Year	<u>8,548,791</u>	0	<u>8,548,791</u>
Net Plant in Service			
End of Year	16,527,125	0	16,527,125
Net Plant in Service			
Beginning of Year	15,997,267		15,997,267
Net Plant in Service			
Mid-Year	16,262,196		16,262,196
Plant in service # of months		0 [1]	0
Reduction in value of plant	(37,637)	0	(37,637)
Contributions and grants	(349,455)		(349,455)
Working capital allowance	243,966	0 [2]	243,966
TOTAL RATE BASE	<u>\$16,119,070</u>		<u>\$16,119,070</u>

**CENTRAL HEAT DISTRIBUTION LIMITED**  
**Calculation of Income Taxes on Utility Income**  
**for the Year Ending December 31, 2003**

**Schedule III**

	2003 Rate Application	Commission Adjustments	Adjusted Balances
Utility Income before Taxes	\$1,778,422		\$1,673,269
Deduct: interest on debt	(772,103)	1,612 [1]	(773,715)
	-----	-----	-----
Before Tax Accounting Income	1,006,319		899,554
	-----	-----	-----
Add:			
Depreciation	557,936	0	557,936
Club Dues	3,400		3,400
Charitable Donations	200	0	200
Political Donations	400		400
Life Insurance Premium	1,000	0	1,000
Large Corporation Tax	17,000		17,000
Non-deductible expense	9,500		9,500
	-----		-----
	589,436		589,436
	-----		-----
Deduct:			
Capital Cost Allowance	665,691	0	665,691
Cumulative Eligible Cap Deduction	250		250
Capitalized Overhead	16,500	0 [2]	16,500
	-----		-----
	682,441		682,441
	-----		-----
Net Income for Tax Purposes	913,314		806,549
Tax @ 33%	301,394		266,161
Federal Tax Abatement @ 10%	(91,331)		(80,655)
Manuf & Process Ded @ 2%	(18,266)		(16,131)
Provincial Tax @ 13.5%	123,297		108,884
Corporate Surtax @ 4%	<u>8,402</u>		<u>7,420</u>
INCOME TAXES PAYABLE	<u>\$323,496</u>		<u>\$285,680</u>

[1] Interest on debt equals debt cost components multiplied by rate base.

[2]

CENTRAL HEAT DISTRIBUTION LIMITED  
Common Equity as at December 31, 2003

Schedule IV

	<u>2003 Rate Application</u>	<u>Commission Adjustments</u>	<u>Adjusted Balances</u>
Share Capital - Dec. 31/02	17,200		17,200
Retained Earnings - Dec. 31/02	<u>5,809,363</u>		<u>5,809,363</u>
Common Equity - Dec. 31/02	<u>5,826,563</u>		<u>5,826,563</u>
Earned Return	1,454,926	(67,337)	1,387,589
Less: Dividends	(490,000)		(490,000)
Interest	<u>(772,103)</u>	<u>(1,612)</u>	<u>(773,715)</u>
Common Equity - Dec. 31/03	<u>6,019,386</u>	<u>(68,949)</u>	<u>5,950,437</u>
Mid- Year Common Equity	<u>5,922,975</u>	<u>(34,474)</u>	<u>5,888,500</u>

CENTRAL HEAT DISTRIBUTION LIMITED  
Return on Capital for the year ending December 31, 2003

Schedule V

<u>2003 Rate Application</u>	<u>Capitalization</u>	<u>Commission Adjustments</u>	<u>Capitalization Amount</u>	<u>Percentage %</u>	<u>% Average Embedded Cost</u>	<u>Cost Component %</u>	
Short Term Debt	96,095		96,095	0.60	5.50	0.03	[1]
Long Term Debt	10,100,000		10,100,000	62.66	7.60	4.76	
Deemed Long Term Debt	0		0	0.00	0.00	0.00	
Preference Shares	0		0	0.00	0.00	0.00	
Common Equity	5,922,975	0	5,922,975	36.75	11.53	4.24	
	<u>\$16,119,070</u>		<u>\$16,119,070</u>	<u>100.00</u>		<u>9.03</u>	
	=====		=====	=====		=====	

[1]

<u>Adjusted Balances by BCUC</u>	<u>Capitalization</u>	<u>Commission Adjustments</u>	<u>Capitalization Amount</u>	<u>Exhibit 31 Percentage %</u>	<u>% Average Embedded Cost</u>	<u>Cost Component %</u>	
Short Term Debt	96,095	34,474	130,570	0.81	5.50	0.04	[1]
Long Term Debt	10,100,000	0	10,100,000	62.66	7.60	4.76	
Deemed Long Term Debt	0		0	0.00	0.00	0.00	
Preference Shares	0		0	0.00	0.00	0.00	
Common Equity	5,922,975	(34,474)	5,888,500	36.53	10.42	3.81	[2]
	<u>\$16,119,070</u>	<u>\$0</u>	<u>\$16,119,070</u>	<u>100.00</u>		<u>8.61</u>	
	=====		=====	=====		=====	

[1] Adjusted to balance capital structure

[2] To adjust rate of return on equity to 10.42%



**CENTRAL HEAT DISTRIBUTION LIMITED**

VANCOUVER DISTRICT ENERGY UTILITY

Suite 1, 720 Beatty Street, Vancouver, BC V6B 2M1  
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January 13, 2003

British Columbia Utilities Commission,  
Sixth Floor, 900 Howe Street,  
VANCOUVER, B. C.  
V6Z 2N3

Attention: Mr. W. J. Grant

Dear Mr. Grant:

**Re: CHDL 2003 Rate Application**

Further to your letter of January 13, 2003, Central Heat Distribution Limited supports the proposal as outlined by the Commission. We appreciate the effort of Commission staff to efficiently consider our application.

Yours truly,

CENTRAL HEAT DISTRIBUTION LIMITED

John S. Barnes,  
President and General Manager

JSB/djc

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