

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. V6Z 2N3 CANADA  
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-125-07

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

**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 2007 Revenue Requirements**

**BEFORE:** L.F. Kelsey, Commissioner and Panel Chair      October 10, 2007

**O R D E R**

**WHEREAS:**

- A. On August 23, 2007, 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 10.51 percent effective October 1, 2007, above the 2006 permanent rates (the "Application"); and
- B. The Application contained a customer notice regarding the requested increase in steam charges that CHDL intended to send to all of its customers; and
- C. Commission Order No. G-99-07 set an intervenor registration deadline of September 7, 2007 and required CHDL to provide its current and prospective customers with a copy of the Order, the Executive Summary of the Application and the customer notice by August 31, 2007. A timetable for further review of the Application would be made by a future Order that would be sent to all Registered Intervenors; and
- D. CHDL filed an affidavit confirming that a copy of Commission Order No. G-99-07, the Executive Summary of the Application and the customer notice was provided to CHDL's current and prospective customers by August 31, 2007. No customers intervened by the registration deadline; and
- E. The Commission, pursuant to Section 89 of the Act, approved for CHDL an interim increase in Steam Tariff Schedule of Charges of 10.51 percent effective October 1, 2007, as set forth in Commission Order No. G-109-07. The Order also established that a Negotiated Settlement Process for the review of the CHDL Application would commence on October 2, 2007. The Order further required Central Heat to confirm that it had distributed the Order to its current and prospective customers and customers were to advise the Commission by September 27, 2007 if they intended to participate in the Negotiated Settlement Process; and
- F. CHDL filed an affidavit confirming that a copy of Commission Order No. G-109-07 and the customer notice was provided to CHDL's current and prospective customers by September 21, 2007. No customers advised the Commission that they intended to participate in the Negotiated Settlement Process; and

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-125-07

2

- G. On October 4, 2007, a Negotiated Settlement Agreement was reached between CHDL and Commission staff, which included an average permanent rate increase in the Steam Tariff Schedule of Charges of 7.288 percent to be effective October 1, 2007 to recover a 2007 revenue deficiency of \$424,846 (the "NSA"); and
- H. Under the NSA, the labour costs of \$155,000 to hire two additional staff were reallocated from 2007 and spread over the next two years. The impact of this reallocation is set as a specific dollar change to the tariff resulting in a rate increase of 1.329 percent in 2008 and 2009 and avoids a further review in those two years. Effective January 1, 2008, the average permanent rate will increase to 8.617 percent, and effective January 1, 2009, will increase to 9.946 percent above the 2006 permanent rates; and
- I. On October 4, 2007, CHDL submitted a letter of support to the NSA; and
- J. The Commission has reviewed the NSA and finds that it should be approved.

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

1. The Commission approves for CHDL the NSA package, attached as Appendix A to this Order, and an average permanent rate increase in the Steam Tariff Schedule of Charges of 7.288 percent effective October 1, 2007 to recover a 2007 revenue deficiency of \$424,846.
2. The difference between the interim rates approved by Commission Order No. G-109-07, if they have been billed to customers, and the permanent rates established by this Order are subject to refund with interest at the average prime rates of CHDL's principal bank.
3. The Commission further approves average permanent rate increases of 1.329 percent per year in the Steam Tariff Schedule of Charges for 2008 and 2009 for a rate increase of 8.617 percent effective January 1, 2008 and 9.946 percent effective January 1, 2009 above the 2006 permanent rates.
4. CHDL is to inform all customers about the NSA and the approved average permanent rate increases for 2007, 2008 and 2009 by way of a customer notice.
5. CHDL is to file a permanent Steam Tariff Schedule of Charges that is in accordance with the terms of the NSA and this Order in a timely manner.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 16<sup>th</sup> day of October 2007.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner

Attachment

WILLIAM J. GRANT  
TRANSITION ADVISOR,  
REGULATORY AFFAIRS & PLANNING  
bill.grant@bcuc.com  
web site: <http://www.bcuc.com>



SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. CANADA V6Z 2N3  
TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

Log No. 21739

~~CONFIDENTIAL~~

VIA COURIER

October 4, 2007

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

Dear Mr. Barnes:

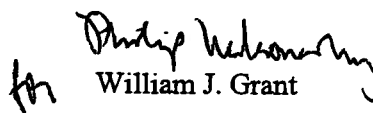
Re: Central Heat Distribution Limited ("Central Heat")  
2007 Revenue Requirements Application

On October 2, 2007, Central Heat and Commission staff had settlement discussions on the 2007 Revenue Requirements Application ("2007 Application") in accordance with the Negotiated Settlement Process established by Commission Order No. G-109-07. No registered intervenors or customers participated in the settlement discussions.

Enclosed is a draft of the Negotiated Settlement Agreement for Central Heat's 2007 Application along with supporting documents. The adjustments to the 2007 Application as agreed pursuant to the settlement discussions have been incorporated into two (2) regulatory models. The first model shows a 2007 net revenue deficiency of \$424,846 (613,246 – 188,400), and an average increase of 7.288 percent. The other model shows the average rate increasing by 1.329 percent (8.617 – 7.288) in each of the years 2008 and 2009, effective January 1 for the phasing in of the two additional employees, which more specifically results in a 8.617 percent (7.288 + 1.329) increase for 2008, and a 9.946 percent (8.617 + 1.329) increase for 2009 above the current permanent rates.

Please review the drafted Negotiated Settlement Agreement and provide your suggested edits in writing with a copy to Stuart Mah by Tuesday, October 9, 2007.

Yours truly,

  
William J. Grant

SM/rt  
Enclosure

~~**CONFIDENTIAL**~~

**Central Heat Distribution Limited  
2007 Revenue Requirements Application  
Negotiated Settlement Agreement**

Issues	Resolution	References
<p>1. Labour costs, \$1,608,095, increase of 23% from 2006 \$132,755 increase in Plant Wages and Supervision \$162,252 increase in Service Line Wages. Increase is partly explained by average number of employees forecasted to increase from 22.25 to 24.25. Actual average number of employees from January to September 2007 were 22</p> <p>Includes one-time costs of retro-pay (\$30,890) and signing bonus (\$24,000)</p>	<p>Additional 2 employees accepted by phasing 1 employee in 2008 (\$77,500) and 1 employee in 2009 (\$77,500). To avoid review in 2008 and 2009, the dollar impact of each employee will be set as a specific dollar change to the tariff. CHDL may apply for other rate changes at its discretion.</p> <p>Spread out one-time costs over 2007 and 2009.</p>	<p>B-1, Tab 6, p. 6-7 B-1, Tab 6, p. 6-7 B-3, Tab 7, p. 3</p> <p>B-3, Tab 7, p.2</p>
<p>2. Energy Services Agreement</p> <p>Resolution to accounting treatment and energy cost savings allocation (75/25) of the ECE</p>	<p>Accept agreement until the Contract Term ends on December 31, 2019 with adjustment to ROE. After December 31, 2019, the asset will be owned by CHDL at no cost and with all energy savings passed on to the customers.</p> <p>Any future stacks will be done as utility projects.</p>	<p>B-1, Tab 10, Energy Services Agreement</p> <p>B-3, Tab 5, pp. 4-5 B-4, Tab 3, pp. 1-4</p>

~~**CONFIDENTIAL**~~

**Central Heat Distribution Limited  
2007 Revenue Requirements Application  
Negotiated Settlement Agreement**

Issues	Resolution	References
<p>3. Risk Premium</p> <p>RSAM consideration would give reason to further lower the risk premium in place</p> <p>CHDL uses a risk premium of 33 bp (8.70%-8.37%), while the Application refers to CHDL's 2003 Rate Application that included a risk premium of 100 bp</p>	<p>RSAM not accepted at this time. CHDL identifies that due to DSM and available options that CHDL has experienced declining consumption over the years from existing customers, and may, if necessary, seek approval for RSAM in a future filing.</p> <p>For the Contract Term up to December 31, 2019, reduce ROE risk premium to 50 bp. After December 31, 2019, the ROE risk premium will revert to 100 bp.</p> <p>CHDL may wish to have an ROE automatic adjustment clause like Terasen but chooses to decline this option for the current application.</p>	<p>B-1, Tab 8, p. 8-1 B-3, Tab 10, p. 1</p> <p>B-1, Tab 2, Executive Summary B-1, Tab 8, p. 8.1 B-3, Tab 10, p. 1</p>
<p>4. Exemption from Regulation</p>	<p>CHDL may consider making an application for exemption from regulation to be reviewed in a public hearing. CHDL was advised that they are the only district energy company in Canada that is subject to cost of service regulation. Furthermore, customers are given increasing options that affect service usage.</p>	<p>B-3, Tab 10, p. 1</p>

~~**CONFIDENTIAL**~~

**Central Heat Distribution Limited  
2007 Revenue Requirements Application  
Negotiated Settlement Agreement**

Issues	Resolution	References
5. Pass Through Items Items qualifying as Pass Through, or Exogenous Factors include judicial, legislative or administrative changes, orders or directions, catastrophic events, bypass or similar events, major seismic incident, acts of war, terrorism or violence, changes in generally accepted accounting principles, standards and policies, changes in revenue requirements due to Commission directions	CHDL may apply for pass through recovery of a rise in price over which the utility has no effective control pursuant to Section 61(4) of the Utilities Commission Act.	

CENTRAL HEAT DISTRIBUTION LIMITED  
Utility Income and Earned Return  
for the year ending December 31, 2007

Schedule I

	2007 Rate <u>Application</u>	Commission <u>Adjustments</u>	Adjusted <u>Balances</u>
SALES VOLUME - M#	1,061,084	0	1,061,084
Present avg rate per M#	\$5.494		\$5.494
Avg rates after interim increase	\$6.072		\$5.894
Avg percentage increase in rate	10.519%		7.288%
 UTILITY REVENUE			
Steam Sales - present rates	\$5,829,637	0	\$5,829,637
- interim rates	613,246	[2]	613,246
Other Income	18,500		18,500
Fuel Cost Recovery	16,198,111		16,198,111
Revenue Adjustment		-188,400 [2]	-188,400
	-----		-----
REVENUE REQUIREMENT	22,659,494		22,471,094
	-----		-----
 EXPENSES			
Fuel - natural gas	16,082,060	0	16,082,060
- oil	795,808	0	795,808
Steam Variable Costs	519,399	0	519,399
Labour costs	1,608,095	-209,890 [3]	1,398,205
Employee Benefits	386,086	0	386,086
General Admin. and office	298,965	0	298,965
Taxes other than income tax	466,697	0	466,697
Amortization	662,675	0	662,675
Amortization of Deferral Acco	0	18,297 [1]	18,297
Other operating and mtce.	200,510	0	200,510
	-----		-----
	21,020,295		20,828,702
	-----		-----
Utility Income before Taxes	1,639,199		1,642,392
Income Tax	245,213		232,898
	-----		-----
EARNED RETURN	\$1,393,986		\$1,409,494
	=====		=====
UTILITY RATE BASE	\$19,859,531		\$19,877,827
	=====		=====
RETURN ON RATE BASE	7.02%		7.09%
	=====		=====

[1] To record amortization of deferral accounts.

[2] Net revenue deficiency= \$424,846

[3] To remove \$155,000 for staff additions not occurring in 2007. To amortize the retro-pay of \$30,890 and signing bonus of \$24,000 over the remaining 3 years of the union agreement.

CENTRAL HEAT DISTRIBUTION LIMITED  
Utility Rate Base for the year ending December 31, 2007      Schedule II

	2007 Rate Application	Commission Adjustments	Adjusted Balances
Gross plant in service			
Beginning of Year	\$28,712,256	0	\$28,712,256
Additions	<u>3,000,000</u>	0 [1]	<u>\$3,000,000</u>
Gross plant in service			
End of Year	31,712,256		31,712,256
Accumulated Depreciation			
End of Year	<u>10,998,324</u>	0	<u>10,998,324</u>
Net Plant in Service			
End of Year	20,713,932	0	20,713,932
Net Plant in Service			
Beginning of Year	<u>18,376,607</u>		18,376,607
Net Plant in Service			
Mid-Year	19,545,270		19,545,270
Plant in service # of months		0	0
Reduction in value of plant	-34,812	0	-34,812
Contributions and grants	-342,386		-342,386
Deferral accounts	0	18,297 [1]	18,297
Working capital allowance	<u>691,459</u>	0	<u>691,459</u>
	\$19,859,531		\$19,877,827
TOTAL RATE BASE	=====		=====

[1] To add mid-year deferral account balance:

Deferral Accounts	Opening	Additions	Amortization	Closing	Mid-Year Balance
Retro-Pay	\$0	30,890	10,297	20,593	\$10,297
Signing Bonus	0	24,000	8,000	16,000	8,000
Total	<u>\$0</u>	<u>54,890</u>	<u>18,297</u>	<u>36,593</u>	<u>\$18,297</u>



CENTRAL HEAT DISTRIBUTION LIMITED  
Calculation of Income Taxes on Utility Income  
for the Year Ending December 31, 2007

Schedule III

	2007 Rate Application	Commission Adjustments	Adjusted Balances
Utility Income before Taxes	\$1,639,199		\$1,642,392
Deduct: interest on debt	-686,000	-2,694 [1]	-688,694
Before Tax Accounting Income	953,199		953,698
Add:			
Depreciation	662,675	0	662,675
Club Dues	6,000		6,000
Charitable Donations	200	0	200
Political Donations	0		0
Life Insurance Premium	1,350	0	1,350
Large Corporation Tax	0		0
Deferral Account Amort	0	18,297 [2]	18,297
Non-deductible expense	10,000		10,000
	680,225		698,522
Deduct:			
Capital Cost Allowance	891,270	0	891,270
Cumulative Eligible Cap Ded	475		475
Capitalized Overhead	23,000	0	23,000
Deferral Account Additions	0	54,890 [2]	54,890
	914,745		969,635
Net Income for Tax Purpose:	718,679		682,585
Tax @ 38%	273,098		259,382
Federal Tax Abatement @ 10%	-71,868		-68,258
General Tax Reduction @ 7%	-50,308		-47,781
Provincial Tax @ 12.0%	86,241		81,910
Corporate Surtax @ 4%	8,049		7,645
INCOME TAXES PAYABLE	<u>\$245,213</u>		<u>\$232,898</u>

[1] Interest on debt equals forecast interest expense from Application Tab 8, p. 8-2.

[2] To deduct deferral account additions and add deferral account amortization

CENTRAL HEAT DISTRIBUTION LIMITED  
Common Equity as at December 31, 2007

Schedule IV

	<u>2007 Rate Application</u>	<u>Commission Adjustments</u>	<u>Adjusted Balances</u>
Share Capital - Dec. 31/06	17,200		17,200
Retained Earnings - Dec. 31/06	7,095,737		7,095,737
Common Equity - Dec. 31/06	7,112,937		7,112,937
Earned Return	1,393,986	15,509	1,409,494
Less: Dividends	-510,336		-510,336
Interest	-686,000	-2,694	-688,694
Common Equity - Dec. 31/07	7,310,587	12,815	7,323,401
Mid- Year Common Equity	7,211,762	6,407	7,218,169

CENTRAL HEAT DISTRIBUTION LIMITED  
Return on Capital for the year ending December 31, 2007

Schedule V

<u>2007 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	2,147,769	\$0	2,147,769	10.81	6.04	0.65 [1]
Long Term Debt	10,500,000		10,500,000	52.87	6.08	3.21
Deemed Long Term Debt	0		0	0.00	0.00	0.00
Preference Shares	0		0	0.00	0.00	0.00
Common Equity	7,211,762	0	7,211,762	36.31	8.70	3.16
	\$19,859,531		\$19,859,531	100.00		7.02

[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	2,166,065	-6,407	2,159,658	10.86	6.04	0.66 [1]
Long Term Debt	10,500,000	0	10,500,000	52.82	6.08	3.21
Deemed Long Term Debt	0		0	0.00	0.00	0.00
Preference Shares	0		0	0.00	0.00	0.00
Common Equity	7,211,762	6,407	7,218,169	36.31	8.87	3.22 [2]
	\$19,877,827	\$0	\$19,877,827	100.00		7.09

[1] Adjusted to balance capital structure

[2] To adjust rate of return on equity to 8.87%

CENTRAL HEAT DISTRIBUTION LIMITED  
Utility Income and Earned Return  
for the year ending December 31, 2007

Schedule I

**Additional Employee Rate Impact**

	2007 Rate <u>Application</u>	Commission <u>Adjustments</u>	Adjusted <u>Balances</u>
SALES VOLUME - M#	1,061,084	0	1,061,084
Present avg rate per M#	\$5.494		\$5.494
Avg rates after interim increase	\$6.072		\$5.967
Avg percentage increase in rates	10.519%		8.617%
<b>UTILITY REVENUE</b>			
Steam Sales - present rates	\$5,829,637	0	\$5,829,637
- interim rates	613,246	[2]	613,246
Other Income	18,500		18,500
Fuel Cost Recovery	16,198,111		16,198,111
Revenue Adjustment		-110,900 [2]	-110,900
	-----		-----
REVENUE REQUIREMENT	22,659,494		22,548,594
	-----		-----
<b>EXPENSES</b>			
Fuel - natural gas	16,082,060	0	16,082,060
- oil	795,808	0	795,808
Steam Variable Costs	519,399	0	519,399
Labour costs	1,608,095	-132,390 [3]	1,475,705
Employee Benefits	386,086	0	386,086
General Admin. and office	298,965	0	298,965
Taxes other than income tax	466,697	0	466,697
Amortization	662,675	0	662,675
Amortization of Deferral Account	0	18,297 [1]	18,297
Other operating and mtce.	200,510	0	200,510
	-----		-----
	21,020,295		20,906,202
	-----		-----
Utility Income before Taxes	1,639,199		1,642,392
Income Tax	245,213		232,898
	-----		-----
EARNED RETURN	\$1,393,986		\$1,409,494
	=====		=====
UTILITY RATE BASE	\$19,859,531		\$19,877,827
	=====		=====
RETURN ON RATE BASE	7.02%		7.09%
	=====		=====

[1] To record amortization of deferral accounts.

[2] Net revenue deficiency= \$502,346

[3] To remove \$155,000 for staff additions not occurring in 2007 and to add one staff addition of \$77,500 for each of 2008 and 2009.  
To amortize the retro-pay of \$30,890 and signing bonus of \$24,000 over the remaining 3 years of the union agreement.

CENTRAL HEAT DISTRIBUTION LIMITED  
Utility Rate Base for the year ending December 31, 2007      Schedule II

	2007 Rate Application	Commission Adjustments	Adjusted Balances
Gross plant in service			
Beginning of Year	\$28,712,256	0	\$28,712,256
Additions	<u>3,000,000</u>	0 [1]	<u>\$3,000,000</u>
Gross plant in service			
End of Year	31,712,256		31,712,256
Accumulated Depreciation			
End of Year	<u>10,998,324</u>	0	<u>10,998,324</u>
Net Plant in Service			
End of Year	20,713,932	0	20,713,932
Net Plant in Service			
Beginning of Year	<u>18,376,607</u>		18,376,607
Net Plant in Service			
Mid-Year	19,545,270		19,545,270
Plant in service # of months		0	0
Reduction in value of plant	-34,812	0	-34,812
Contributions and grants	-342,386		-342,386
Deferral accounts	0	18,297 [1]	18,297
Working capital allowance	<u>691,459</u>	0	<u>691,459</u>
	\$19,859,531		\$19,877,827
TOTAL RATE BASE	=====		=====

[1] To add mid-year deferral account balance:

Deferral Accounts	Opening	Additions	Amortization	Closing	Mid-Year Balance
Retro-Pay	\$0	30,890	10,297	20,593	\$10,297
Signing Bonus	0	24,000	8,000	16,000	8,000
Total	<u>\$0</u>	<u>54,890</u>	<u>18,297</u>	<u>36,593</u>	<u>\$18,297</u>

CENTRAL HEAT DISTRIBUTION LIMITED  
Calculation of Income Taxes on Utility Income  
for the Year Ending December 31, 2007

Schedule III

	2007 Rate Application	Commission Adjustments	Adjusted Balances
Utility Income before Taxes	\$1,639,199		\$1,642,392
Deduct: interest on debt	-686,000	-2,694 [1]	-688,694
Before Tax Accounting Income	953,199		953,698
Add:			
Depreciation	662,675	0	662,675
Club Dues	6,000		6,000
Charitable Donations	200	0	200
Political Donations	0		0
Life Insurance Premium	1,350	0	1,350
Large Corporation Tax	0		0
Deferral Account Amort	0	18,297 [2]	18,297
Non-deductible expense	10,000		10,000
	680,225		698,522
Deduct:			
Capital Cost Allowance	891,270	0	891,270
Cumulative Eligible Cap Deducti	475		475
Capitalized Overhead	23,000	0	23,000
Deferral Account Additions	0	54,890 [2]	54,890
	914,745		969,635
Net Income for Tax Purposes	718,679		682,585
Tax @ 38%	273,098		259,382
Federal Tax Abatement @ 10%	-71,868		-68,258
General Tax Reduction @ 7%	-50,308		-47,781
Provincial Tax @ 12.0%	86,241		81,910
Corporate Surtax @ 4%	8,049		7,645
INCOME TAXES PAYABLE	<u>\$245,213</u>		<u>\$232,898</u>

[1] Interest on debt equals forecast interest expense from Application Tab 8, p. 8-2.

[2] To deduct deferral account additions and add deferral account amortization

CENTRAL HEAT DISTRIBUTION LIMITED  
Common Equity as at December 31, 2007

Schedule IV

	<u>2007 Rate Application</u>	<u>Commission Adjustments</u>	<u>Adjusted Balances</u>
Share Capital - Dec. 31/06	17,200		17,200
Retained Earnings - Dec. 31/06	7,095,737		7,095,737
Common Equity - Dec. 31/06	7,112,937		7,112,937
Earned Return	1,393,986	15,509	1,409,494
Less: Dividends	-510,336		-510,336
Interest	-686,000	-2,694	-688,694
Common Equity - Dec. 31/07	7,310,587	12,815	7,323,401
Mid- Year Common Equity	7,211,762	6,407	7,218,169

CENTRAL HEAT DISTRIBUTION LIMITED  
Return on Capital for the year ending December 31, 2007

Schedule V

<u>2007 Rate Application</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	2,147,769	\$0	2,147,769	10.81	6.04	0.65 [1]
Long Term Debt	10,500,000		10,500,000	52.87	6.08	3.21
Deemed Long Term Debt	0		0	0.00	0.00	0.00
Preference Shares	0		0	0.00	0.00	0.00
Common Equity	7,211,762	0	7,211,762	36.31	8.70	3.16
	\$19,859,531		\$19,859,531	100.00		7.02

[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	2,166,065	-6,407	2,159,658	10.86	6.04	0.66 [1]
Long Term Debt	10,500,000	0	10,500,000	52.82	6.08	3.21
Deemed Long Term Debt	0		0	0.00	0.00	0.00
Preference Shares	0		0	0.00	0.00	0.00
Common Equity	7,211,762	6,407	7,218,169	36.31	8.87	3.22 [2]
	\$19,877,827	\$0	\$19,877,827	100.00		7.09

[1] Adjusted to balance capital structure

[2] To adjust rate of return on equity to 8.87%



**CENTRAL HEAT DISTRIBUTION LIMITED**

VANCOUVER DISTRICT ENERGY UTILITY

Suite 1, 720 Beatty Street, Vancouver, BC V6B 2M1  
Tel 604-688-9584 Fax 604-688-2213 E-mail chdl@telus.net

**APPENDIX A**  
**to Order No. G-125-07**  
**Page 13 of 13**

October 4, 2007

BCUC Log # 22302  
**RECEIVED**

B.C. Utilities Commission  
Box 250,  
Sixth Floor, 900 Howe Street,  
Vancouver, B.C. V6Z 2N3

OCT 4 2007  
Routing 45 SM

Attention: Mr. William J. Grant,  
Transition Advisor, Regulatory Affairs & Planning

Dear Mr. Grant:

**Re: Central Heat 2007 Revenue Application**

Further to your letter of October 4, 2007, we have reviewed the draft Negotiated Settlement Agreement. Central Heat agrees with details of the Settlement Agreement attached to your letter.

We appreciate the effort by the Commission in considering the Application and in working towards a Settlement.

Yours truly,

CENTRAL HEAT DISTRIBUTION LIMITED

John S. Barnes,  
President and General Manager

JSB/lmb

cc: ☒ Mr. P. W. Nakoneshny  
Mr. Stuart Mah

