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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-7-11**

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

and

An Application by Corix Multi-Utility Services Inc.
for a Certificate of Public Convenience and Necessity
to Construct and Operate a District Energy System for the
UniverCity Neighbourhood Utility Service Project in Burnaby, BC

and

Approval of the proposed Revenue Requirement, Rate Design, Levelized Rates, and Service Agreement

BEFORE: D.A. Cote, Panel Chair/Commissioner
L.A. O'Hara, Commissioner
D. Morton, Commissioner

May 6, 2011

O R D E R

WHEREAS:

- A. On November 26, 2010, Corix Multi-Utility Services Inc. (CMUS) applied to the British Columbia Utilities Commission (Commission) for a Certificate of Public Convenience and Necessity (CPCN) under sections 45 and 46 of the *Utilities Commission Act* (Act) for the construction and operation of a district energy system (DES) for the UniverCity Neighbourhood Utility Service (NUS) in Burnaby, BC, and for approval under sections 59, 60 and 61 of the Act for the proposed revenue requirement, rate design, Service Agreements, and levelized rates (the Application);
- B. The UniverCity is a sustainable residential community, being developed by Simon Fraser University (SFU) Community Trust, being built adjacent to the main SFU campus. The development is being constructed in 4 phases. Phase 1 and 2 have already been constructed and will not be connected to the proposed DES. The first three buildings of Phase 3 are under development and scheduled for completion in the fall of 2011, which will be served by the proposed NUS. When completed in 2019 the development will total 296,572 square meters;
- C. CMUS will be responsible for development and ownership of the NUS, a community-based utility. The primary responsibility will be to develop, implement, operate and maintain the DES, which will provide thermal energy to residents of Phase 3 and 4 of the UniverCity developments;
- D. CMUS proposes that the DES will be initially served by a temporary Central Energy Plant (CEP) using natural gas boilers and a distribution system which is expected to serve the needs of the NUS until 2016. A transition to a permanent CEP using an alternative energy fuel source (such as biomass) will replace the temporary Central Energy Plant as the primary source of thermal energy when sufficient load requirements are reached;

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- E. By Order G-193-10, dated December 10, 2010, the Commission established a written public hearing process and regulatory timetable to review this Application;
- F. The Commission has reviewed the Application and has determined that it is in the public interest to grant a partial approval of this CPCN Application.

NOW THEREFORE the Commission orders as follows:

- 1. Approval for Corix Multi-Utility Services to construct and operate a natural gas fuelled temporary Central Energy Plant and related Thermal Distribution System and Energy Transfer Stations as outlined in the Application.
- 2. Further consideration of the permanent Central Energy Plant is suspended until CMUS is able to meet the requirements outlined in the Decision.
- 3. The approved temporary Central Energy Plant will operate on the basis of the following terms:
 - a. A ROE which is 50 basis points over the benchmark ROE;
 - b. A rate base with 60 percent deemed debt and the remaining 40 percent with common equity;
 - c. A rate design with a 60 percent fixed monthly charge and a 40 percent variable charge which are to be recalculated using a 20-year levelized rate, based solely on the capital cost of the temporary Central Energy Plant plus the related distribution system. This is to be adjusted for all financial directives provided in Sections 6.2.2 to 6.2.4 of the Decision.
 - d. A blended debt rate of 6.0 percent based on the 10-year Government of Canada benchmark bond yield of 3.5 percent and a credit spread of 250 basis points.
 - e. The establishment of a revenue deferral account to capture the revenue requirement variances under the levelized rate approach.
- 4. Corix Multi-Utility Services must file a report showing the calculation and balance of the revenue deferral account by December 31 of each year.
- 5. Corix Multi-Utility Services must submit a schedule of standard fees and charges reflecting the provision of natural gas service to the Commission within 10 business days of this Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 6th day of May 2011.

BY ORDER

Original signed by:

D.A. Cote
Panel Chair/Commissioner