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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-14-11**

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

and

**An Application by River District Energy Limited Partnership
for a Certificate of Public Convenience and Necessity
to Construct and Operate a District Energy System for the
River District Development in Southeast Vancouver**

and

**Approval of the Proposed Revenue Requirement,
Rate Design, Levelized Rates and Revenue Deferral Account
for the First Five Years of Operation**

BEFORE: L.A. O'Hara, Commissioner/Panel Chair
A.W.K Anderson, Commissioner December 19, 2011
M.R. Harle, Commissioner

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On July 27, 2011, River District Energy Limited Partnership (RDE) submitted an Application for a Certificate of Public Convenience and Necessity (CPCN) to the British Columbia Utilities Commission (Commission) under sections 45 and 46 of the Utilities Commission Act (Act) for the construction and operation of a district energy utility (DEU) for the River District development located along the Fraser River in Southeast Vancouver, BC, and for approval under sections 59, 60 and 61 of the Act for the proposed revenue requirement, rate design, levelized rates and accounting treatment including a rate stabilization account (the Application);
- B. The River District development is a Vancouver City council approved Official Development Plan that is being developed by the Park Lane Group through its wholly owned affiliates including RDE with a specific design objective to incorporate sustainable building design and energy systems to provide heat and domestic hot water to many of the community's eventual 15,000 residents;
- C. RDE will function as a stand-alone DEU to service economically connected loads within the River District and adjacent city-owned properties and will ultimately consist of an Energy Centre (EC) equipped with

gas-fired boilers, a Renewable Energy Transfer Station (R-ETS), Distribution Piping System (DPS) and Energy Transfer Stations (ETS) at each connected building;

- D. In the Application, RDE is seeking approval for the first phase of the project covering the first five years of operation including construction of the DPS, ETS for buildings and both temporary and permanent EC using natural gas boilers and energy rates for the five-year period;
- E. RDE is proposing a 20-year levelized rate mechanism in order to provide affordable, competitive customer rates in the early years of the project, while recording the initial under-recovery of its cost of service in a rate stabilization account with the expectation of full recovery of revenue requirements over the 20-year levelizing period based on a reference case financial analysis;
- F. RDE proposes to review its rates within five years and future rates will depend in part on actual under-recoveries in the first five years as well as the final selection and costs of the alternative energy source;
- G. The Commission has reviewed the Application and has determined that it is in the public interest to grant approval of this CPCN Application.

NOW THEREFORE the Commission orders as follows:

- 1. Approval for RDE to construct and operate a temporary and a permanent natural gas fuelled Energy Centre and related thermal Distribution Piping System and Energy Transfer Stations as outlined in the Application and Final Submissions.
- 2. Approval of the accounting approach to the DEU including the following terms:
 - a. A Return on Equity (ROE) based on a risk premium of 50 basis points over the benchmark ROE, which currently results in an ROE of 10 percent;
 - b. A deemed capital structure of 60 percent long-term debt and 40 percent common equity;
 - c. A blended debt rate of 5.5 percent based on the 10-year Government of Canada benchmark bond yield of 2.88 percent at the time of the Application plus a credit spread of 262 basis points;
 - d. A rate design with 66 percent fixed monthly Capacity Charge based on connected floor area and 34 percent variable Energy Charge based on actual consumption;
 - e. The establishment of a revenue deferral account to capture the variances between actual revenue requirements and actual revenues to support the levelized rate approach.
- 3. RDE shall re-submit a rates application based on the directions contained in the Decision and provide by Tuesday, January 3, 2012 with rationale for RDE's preferred rate option.

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4. RDE shall file with the Commission Annual Financial Reports according to Commission guidelines and include planned versus actual revenue deferral account balances within 60 days of fiscal year end each year, beginning 2012.
5. RDE shall file Annual Progress Reports on the Project showing planned versus actual schedule, planned versus actual costs, planned versus actual demand load and any variances or difficulties that the Project may be encountering. The Annual Progress Reports will be filed within 30 days of the end of each reporting period on a calendar year basis and will generally be as set out in Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of December 2011.

BY ORDER

Original signed by:

L.A. O'Hara
Commissioner and Panel Chair

Attachment

RIVER DISTRICT ENERGY LIMITED PARTNERSHIP

An Application by River District Energy Limited Partnership
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Table of Contents of Annual Project Progress Report

1. Project Status
 - a. Major Accomplishments, Work Completed
 - b. Project Challenges and Issues
 - c. Plans for the Next Reporting Period
2. Project Costs
 - a. Actual versus CPCN Budget
 - b. Summary of delays or unanticipated costs
3. Project Schedule
 - a. Forecast versus Actual Load
4. Project Resource Management
 - a. RDE organization
 - b. Major contractors and consultants
- 5 Project Risks and Mitigation