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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-155-12**

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

and

An Application by FortisBC Alternative Energy Service Inc.
for a Certificate of Public Convenience and Necessity
for the Telus Garden Thermal Energy System
and for Approval of the Rate Design and Rates to Provide Thermal Energy Services
to Customers at Telus Garden Development

BEFORE: D.M. Morton, Commissioner
L.A. O'Hara, Commissioner
B.A. Magnan, Commissioner

October 19, 2012

ORDER

WHEREAS:

- A. On October 16, 2012, FortisBC Alternative Energy Services Inc. (FAES) submitted an application (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 a Thermal Energy System (TES) for the Telus Garden development;
- B. In its Application, FAES also seeks approval under sections 59, 60 and 61 of the Act for the proposed rate design and rates established by the service agreements including capital structure, return on equity, depreciation rate and for approval of a non-rate base Revenue Deficiency Deferral Account, non-rate base Variance Account and a rate base Negative Salvage Account;
- C. Westbank Projects Corp. and Telus Communications Inc. have formed partnerships (Partnership) to construct a one-million square foot mixed-use commercial and residential development at Richards Street and West Georgia Street in downtown Vancouver, BC known as Telus Garden;
- D. Based on its own evaluation the Partnership has selected a Thermal Energy System for heating, cooling and domestic hot water that uses waste heat from the Telus Data Centre as the preferred solution to meet its objectives of reliable delivery of thermal energy at competitive rates, qualification for LEED Platinum and Gold certification and reduction of greenhouse gas emissions;
- E. The Partnership will construct and commission the TES and have entered into agreements with FAES to sell the TES to FAES at the actual cost that is incurred to construct the energy system up to a maximum value of no more than 30 percent above a \$7.9 million estimated cost. FAES estimate an additional \$350 thousand for its costs plus sustaining capital of \$2.2 million estimated for replacements over the contract term of 20 years to provide thermal energy services to the Telus Garden development;

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- F. FAES is proposing to charge identical per kWh rates to the three types of customers, namely residential strata, office and commercial retail units based on metering of thermal energy consumption. FAES is proposing rates for the first five years starting in 2014 through 2018 of \$0.105/kWh, \$0.110/kWh, \$0.115/kWh, \$0.121/kWh and \$0.126/kWh respectively based on a 10 percent premium over benchmarked BC Hydro rates as competitive rates for customers with the difference in revenue and revenue requirements being captured in a deferral account for recovery based on a cost of service recovery model over 20 years;
- G. At the end of the initial contract term of 20 years, a customer must either renew the contract or make a payment subject to the termination terms and conditions described in the Application and Service Agreements;
- H. FAES has requested that the agreements filed with the Application should be kept confidential as they contain sensitive commercial and financial information that could be harmful to FAES and/or the Partnership;
- I. The Commission has determined that a written public hearing process is necessary to review the Application and requires that public notice be given to potentially affected persons to allow them to participate in the regulatory review.

NOW THEREFORE the Commission orders as follows:

- 1. The establishment of a Written Hearing Process for the review of the Application according to the Regulatory Timetable that is attached as Appendix A to this Order.
- 2. FAES shall have published a notice of the Application and Written Public Hearing Process on its website and under the media section of the telusgarden.com website that will provide reasonable notice to people and businesses directly affected.
- 3. Persons wishing to participate as Interveners or as Interested Parties, as described in Appendix B, should register with the Commission by Monday, October 29, 2012.
- 4. The agreements filed as confidential will be kept confidential but may be released to interveners interested in entering an undertaking of confidentiality with FAES, and the Commission will make a further determination of confidentiality after the proceeding is complete.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of October 2012.

BY ORDER

Original signed by:

Bernard A. Magnan
Commissioner

Attachments

FORTISBC ALTERNATIVE ENERGY SERVICE INC.

An Application for a Certificate of Public Convenience and Necessity
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REGULATORY TIMETABLE

ACTION	DATE (2012)
Intervener/Interested Party Registration Participant Assistance Budget Submission	Tuesday, October 29
Commission Information Request No.1	Tuesday, November 6
Intervener Information Request No. 1	Tuesday, November 13
Response to Commission and Intervener Information Request No. 1	Thursday, November 22
FAES Final Submission	Thursday, December 6
Intervener Final Submission	Thursday, December 13
FAES Reply Submission	Thursday, December 20



PUBLIC NOTICE

BRITISH COLUMBIA UTILITIES COMMISSION

OCTOBER 19, 2012

FORTISBC ALTERNATIVE ENERGY SERVICE INC.

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NOTICE OF WRITTEN PUBLIC HEARING PROCESS

THE APPLICATION

On October 16, 2012, FortisBC Alternative Energy Service Inc. (FAES) applied to the British Columbia Utilities Commission (Commission) for a Certificate of Public Convenience and Necessity for a Thermal Energy System (TES) to provide space heating, cooling and domestic hot water for the Telus Garden development located at Richard Street and West Georgia Street in downtown Vancouver. Based on the costs for the TES as described in the application, FAES also applied for the rate design, rates and specific deferral accounts to recover the cost of service from office, residential and commercial/retail customers based on thermal energy consumption over a 20 year initial term agreement (Application). The energy rates proposed in the Application for the first five years of use are based on a 10% premium over benchmarked BC Hydro rates. The proposed rates for 2014 through 2018 are \$0.105/kWh, \$0.110/kWh, \$0.115/kWh, \$0.121/kWh and \$0.126/kWh respectively

The TES at Telus Garden comprises a waste heat recovery system from the Telus data centre situated onsite to provide primary heat energy with peaking and back-up heat energy coming from the Central Heat Distribution Ltd., steam district energy system. Telus Garden is being developed by Westbank Projects Corp. and Telus Communications Inc. as a one-million square foot mixed-use commercial and residential development. FAES will purchase the TES from the developers at actual cost after successful commissioning of the system and will manage the ongoing operation of the TES to provide energy services to the strata corporation and tenant customers at Telus Garden. Customers will be required to enter a service agreement with FAES for an initial 20 year term. At the end of the initial contract term of 20 years, a customer must either renew the contract or make a payment subject to the termination terms and conditions described in the Application and service agreements. The development is being planned to occupy office tenants in 2014 with residential occupancy in 2015.

THE REGULATORY PROCESS

Commission Order G-155-12 establishes a Regulatory Timetable for the review of the Application by way of a Written Public Hearing.

The detailed Regulatory Timetable can be reviewed on the Commission's website at www.bcuc.com>Current Applications>FAES Telus Garden TES.

REGISTERING TO PARTICIPATE

Persons who wish to actively participate in this proceeding should register as Interveners with the Commission in writing by Tuesday, October 29, 2012 identifying their interest and how they may be affected by the Application. Interveners will receive a copy of the Application as well as all correspondence and filed documents. An e-mail address should be provided if available.

Persons not expecting to actively participate, but who have an interest in the proceeding, should register as Interested Parties with the Commission in writing, by Tuesday, October 29, 2012 identifying their interest in the Application. Interested Parties will receive an Executive Summary of the Application and a copy of the Commission's Decision when issued.

PUBLIC INSPECTION OF DOCUMENTS

This Application and supporting material will be made available for inspection at the FAES office, 36700 2nd Avenue, Burnaby, BC V5C 6S4 and on the Commission's website at www.bcuc.com.

All submissions and/or correspondence received from active participants or the general public relating to the Application will be placed on the public record and posted to the Commission's website.

FURTHER INFORMATION

For further information, please contact Ms. Erica Hamilton, Commission Secretary, by telephone (604) 660-4700 or B.C. Toll Free at 1-800-663-1385, by fax (604) 660-1102, or by Email Commission.Secretary@bcuc.com.