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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-100-12**

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

and

An Application by FortisBC Energy Inc.
for Approval of a Capital Expenditure Schedule and Rate Design and Rates
Established in an Operating and Maintenance Agreement between FortisBC Energy Inc.
and the Strata Corporation of Tsawwassen Springs Development
to Provide Thermal Energy Services

BEFORE: D.M. Morton, Commissioner/Panel Chair July 19, 2012
R.D. Revel, Commissioner

O R D E R

WHEREAS:

- A. On March 1, 2012, FortisBC Energy Inc. (FEI) filed an application (Application) with the British Columbia Utilities Commission (Commission) for Approval of a Capital Expenditure Schedule and Rate Design and Rates Established in an Operating and Maintenance Agreement (Service Agreement) between FEI and the Strata Corporation of Tsawwassen Springs Development to Provide Thermal Energy Services (TES);
- B. FEI filed Appendices A – Operating and Maintenance Agreement, and B – Purchase and Sale Agreement to the Application on a confidential basis;
- C. In the Application, FEI seeks acceptance of capital expenditures, pursuant to section 44.2 of the *Utilities Commission Act* (Act), of \$1.184 million for the Loop Field System component of the Ground Source Heat Pump System;
- D. FEI also seeks approval, pursuant to sections 59-61 of the Act and Commission Order G-141-09, of the rate design and rates established by the Service Agreement filed with this Application as just and reasonable rates under sections 59-61 of the Act;
- E. The Commission has reviewed the Application and has determined the capital expenditures are in the public interest and should be approved.

NOW THEREFORE pursuant to sections 44.2 and 59-61 of the Act, the Commission orders as follows:

1. Pursuant to section 44.2 of the Act, the capital expenditures estimated at \$1.184 million for the Loop Field Systems at Tsawwassen Springs Development as described in section 2.5.1 the Application are accepted.

**BRITISH COLUMBIA
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2

2. Pursuant to sections 59-61 of the Act, approval of the rate design and rates established in the Service Agreement, filed as Appendix A to the Application, and described in section 2.3.1 of the Application, is denied.
3. FEI is directed to submit, within 45 days of the date of this Order, a revised rate design and rates taking into account the following factors as explained in the Reasons for Decision attached as Appendix A to this Order:
 - a. The use of the existing Thermal Energy Services Deferral Account (TESDA) to record project variances is denied;
 - b. FEI shall propose a just and reasonable allocation of the existing TESDA balance to this project for inclusion in the cost of service for this project for approval by the Commission;
 - c. The use of FEI's 2011 embedded cost of debt rate is denied;
 - d. The proposed return on equity risk premium for this project will be approved only if FEI's shareholders and not ratepayers absorb the risk of project variances;
 - e. FEI is to assign, on an interim basis pending the outcome of the Alternative Energy Solutions (AES) Inquiry, the Tsawwassen Springs project to a regulated affiliate, such as FortisBC Alternative Energy Services Inc. and provide proof of the assignment to the Commission;
 - f. FEI shall propose a reasonable estimate of the cost of this hearing and an allocation of these costs between the Tsawwassen Springs Strata Corporation and the AES program overhead that is recorded and tracked in the TESDA for approval by the Commission;
 - g. FEI shall provide a justifiable estimate for negative salvage value covering the expenditure and propose treatment of these costs;
 - h. FEI is directed to remove any amounts related to the cost of provision of service to date from the TESDA and propose a treatment of those costs that is not unfair and unjust to any existing thermal energy customer, including the Tsawwassen Springs Strata Corporation; and
 - i. FEI is directed to provide an explanation or proposal for how the thermal energy provided by FEI can be measured and how the measurements can be communicated to the Strata Corporation.

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

BY ORDER

Original signed by:

D.M. Morton
Commissioner