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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-123-12**

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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 Services Inc.
for a Certificate of Public Convenience and Necessity and the Approval of Rate Design and Rates to Provide
Thermal Energy Services to Customers in the Kelowna City Centre**

BEFORE: D.M. Morton, Commissioner
B.A. Magnan, Commissioner

September 13, 2012

ORDER

WHEREAS:

- A. On August 30, 2012, FortisBC Alternative Energy Services Inc. (FAES) submitted an application to the British Columbia Utilities Commission (Commission) for a Certificate of Public Convenience and Necessity (CPCN), pursuant to sections 45 and 46 of the *Utilities Commission Act* (Act), to construct and operate the Kelowna District Energy System (KDES), which will provide thermal energy service for heating to buildings in the Kelowna City Centre (the Application);
- B. FAES also seeks approval, under sections 59, 60 and 61 of the Act, of the proposed rate design and rates that will be used to recover the cost of service from customers of the KDES;
- C. FAES has entered into agreements with the City of Kelowna (the City) to construct, own, operate, and maintain the KDES for buildings in the City Centre (the Project) subject to Commission approval;
- D. The KDES intends to serve 16 existing buildings that are district energy compatible, providing them with 16,347 MWh of energy annually. The KDES is also expected to serve 12 future buildings requiring an additional 16,365 MWh of energy each year. Table 3-1 on page 21 of the Application sets out the list of candidate customers (both existing and future buildings), and indicates the customers who have already signed service applications or provided a letter of interest to be connected to the KDES;
- E. The KDES will capture industrial waste heat from the Tolko Industries Ltd. sawmill in downtown Kelowna and distribute hot water through a network of distribution piping. Waste heat will provide approximately 90 percent of the total annual initial energy through to 2015 and 82 percent of the annual energy at final

buildout. A distributed network of high-efficiency natural gas boilers located in customer buildings will provide peak demand and back-up energy;

- F. This Project is driven by the City's objective to reduce its greenhouse gas (GHG) emissions by 33 percent (from 2007 levels) by 2020 and contributes to the City's long-term community energy planning needs by significantly reducing GHG emissions for the buildings connected to the KDES by as much as 80 percent;
- G. To ensure that energy rates for the initial customers remain competitive with conventional energy, FAES proposes to smooth rates in the first five years with a transition to annual cost of service rates in year six. All KDES customers will be charged the same rate because their respective thermal load profiles are expected to be sufficiently similar to warrant a uniform rate. Customers will purchase delivered thermal energy and will be billed based on metered thermal energy delivered to the building;
- H. Capital costs for the Project have been estimated at \$25.9 million, excluding Allowance for Funds Used during Construction and sustaining capital. The annual operating and maintenance expenses have been forecasted at \$253,000 and the overhead costs at \$127,000;
- I. FAES proposes that the Application be reviewed by two rounds of Information Requests and a written hearing process; and
- J. The Commission has reviewed FAES' proposed regulatory timetable and considers that a regulatory timetable should be established.

NOW THEREFORE the Commission orders as follows:

- 1. The establishment of a Written Hearing Process for the review of the Application in accordance with the Regulatory Timetable attached as Appendix A to this Order.
- 2. FAES shall publish the Public Notice of the Written Public Hearing Process, attached as Appendix B to this Order, in such local and community newspapers that will provide reasonable notice to people in the proposed general service area and surrounding communities.
- 3. FAES shall provide a copy of this Order to the City of Kelowna and to all known KDES customers who either signed service applications with FAES or provided a letter of interest and, to the extent feasible, to future KDES customers as identified in Table 3-1 of the Application.

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4. Persons who wish to participate in the FAES KDES Application proceeding as Interveners or Interested Parties should register with the Commission via written or electronic submission by Tuesday, September 25, 2012. Interveners should state the nature of their interest in the Application.
5. Interveners intending to apply for Participant Assistance must submit a budget estimate by Thursday, October 4, 2012. Participant Assistance applications should be consistent with the Commission's Participant Assistance/Cost Award Guidelines and Order G-72-07. Copies of the Guidelines are available upon request or can be downloaded from the Commission's website at http://www.bcuc.com/Documents/Guidelines/2010/DOC_5014_G-72-07_PACA_2007_Guidelines.pdf.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of September 2012.

BY ORDER

Original signed by:

D.M. Morton
Commissioner

Attachments

FORTISBC ALTERNATIVE ENERGY SERVICES INC.

Application for a Certificate of Public Convenience and Necessity
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to Customers in the Kelowna City Centre

REGULATORY TIMETABLE

ACTION	DATE (2012)
Intervener/Interested Party Registration	Tuesday, September 25
Commission Information Request No.1	Friday, September 28
Intervener Information Request No.1	Tuesday, October 2
Participant Assistance Budget Submission	Thursday, October 4
FAES Response to Commission and Intervener Information Request No. 1	Tuesday, October 23
Commission and Intervener Information Requests No. 2	Wednesday, November 7
FAES Response to Commission and Intervener Information Requests No. 2	Friday, November 23
FAES Final Submission	Friday, November 30
Intervener Final Submission	Friday, December 7
FAES Reply Submission	Friday, December 14

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**PUBLIC NOTICE
WRITTEN PUBLIC HEARING PROCESS**

THE APPLICATION

On August 30, 2012, FortisBC Alternative Energy Services Inc. (FAES) applied to the British Columbia Utilities Commission (Commission) for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate the Kelowna District Energy System (KDES), which will provide thermal energy service for heating to buildings in the Kelowna City Centre, and for approval of the proposed rate design and rates that will be used to recover the cost of service from customers of the KDES.

FAES has entered into agreements with the City of Kelowna (the City) to construct, own, operate, and maintain the KDES for buildings in the City Centre (the Project) subject to Commission approval. Initially, the KDES will serve 16 existing buildings and will expand to serve a total of 28 buildings at the Project's completion date in 2026. The KDES will capture waste heat from the Tolko Industries Ltd. sawmill in downtown Kelowna and distribute hot water through a network of distribution piping. High-efficiency natural gas boilers will provide peak demand and back-up energy. The Project is driven by the City's objective to reduce its greenhouse gas (GHG) emissions by 33 percent (from 2007 levels) by 2020 and contributes to the City's long-term community energy planning needs by significantly reducing GHG emissions for the KDES buildings by as much as 80 percent.

The Commission, by the province of British Columbia and through the *Utilities Commission Act*, has the authority to approve an application for a Certificate of Public Convenience and Necessity to construct and operate a public utility plant or system in the province and to approve rates as just, fair and non-discriminatory.

THE REGULATORY PROCESS

Commission Order G-123-12 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 under Current Applications.

PUBLIC INSPECTION OF THE APPLICATION

This Application and supporting material is available on the FortisBC website at www.fortisbc.com under Regulatory Affairs for the Gas Utility (under Gas BCUC Submissions/Lower Mainland-Squamish-Interior/Thermal Energy Services) 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.

REGISTERING TO PARTICIPATE

Persons who wish to actively participate in this proceeding should register as Interveners with the Commission in writing by Tuesday, September 25, 2012, and state the nature of their interest in the Application. Interveners will receive a copy of the Application, 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, September 25, 2012, and identify 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.

PARTICIPANT ASSISTANCE/COST AWARDS

Any party intending to apply for a Participant Assistance/Cost Award is advised to review the Commission's Guidelines with respect to the requirements for eligibility. The Participant Assistance/Cost Award Guidelines may be obtained by writing to the Commission Secretary, or online at http://www.bcuc.com/Documents/Guidelines/2010/DOC_5014_G-72-07_PACA_2007_Guidelines.pdf

FURTHER INFORMATION

For further information, please contact Ms. Erica Hamilton, Commission Secretary as follows:

Telephone: (604) 660-4700
Facsimile: (604) 660-1102

Email at Commission.Secretary@bcuc.com.
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