

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, BC V6Z 2N3 CANADA  
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-170-12**

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

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 for the Kelowna District Energy System  
and the Approval of the Rate Design and Rates to Provide Thermal Energy Services  
to Customers in the Kelowna City Centre

**BEFORE:** B.A. Magnan, Commissioner  
D.M. Morton, Commissioner  
R.D. Revel, Commissioner

November 9, 2012

**ORDER**

**WHEREAS:**

- A. On August 30, 2012, FortisBC Alternative Energy Services Inc. (FAES) submitted an application to the British Columbia Utilities Commission (Commission) seeking approval 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 (TES) for heating buildings in the Kelowna City Centre, and for 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 (the initial Application);
- B. On September 13, 2012, the Commission issued Order G-123-12 establishing a written hearing process and regulatory timetable for the review of the initial Application;
- C. On September 21, 2012, following discussions with Commission Staff, FAES requested approval to withdraw the application filed on August 30, 2012 in order to address more comprehensively the CPCN Guidelines;
- D. On September 24, 2012, by Order G-132-12, the Commission approved FAES's request to withdraw its initial Application;
- E. On November 2, 2012, FAES submitted an updated application to the Commission for a CPCN to construct and operate the KDES, which will provide TES for heating buildings in the Kelowna City Centre, and for approval of the rate design and rates as proposed (the Application);
- F. FAES also seeks approval, under sections 59-61 of the Act, of three deferral accounts specific to the Project: 1) the non-rate base KDES Revenue Deficiency Deferral Account (RDDA), attracting allowance for funds used during

construction (AFUDC); 2) the non-rate base KDES Variance Account (KDESVA), attracting AFUDC; and 3) the rate base KDES Negative Salvage Account;

- G. 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;
- H. The KDES is intended to initially serve 16 existing buildings that are district energy compatible, providing them with 16,350 MWh of energy annually. The KDES is also expected to serve 12 future buildings requiring an additional 16,360 MWh of energy each year. Total demand for heat is thus expected to reach 32,710 MWh by 2025. Table 3-1 on page 14 of the Application sets out the list of candidate customers (both existing and future buildings), and indicates who have already signed service applications or provided a letter of interest to be connected to the KDES;
- I. The KDES will capture industrial waste heat from the Tolko Industries Ltd. (Tolko) sawmill in downtown Kelowna and distribute hot water through a network of distribution piping. The recovered waste heat from Tolko is intended to provide in excess of 90% (15,100 MWh) of the total KDES delivered energy by year 2 and 83% (27,000 MWh) of the annual energy at final build-out in 2025. A distributed network of high-efficiency natural gas boilers located in customer buildings will provide peak demand and back-up energy;
- J. 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 is intended to assist the City to meet its commitment under the BC Climate Action Charter;
- K. FAES is proposing rates and revenue requirements for a five-year test period from 2014 through 2018. The rates and rate design take into consideration recent decisions by the Commission relating to comparable thermal energy services. This rate design considers market rates that respond to competitive realities, acceptance of forecast risk by FAES on major cost of service items, and deferral treatment of non-controllable items;
- L. 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' thermal energy consumption will be metered by a thermal energy meter, and each customer will be charged the per kWh rate for the delivery of the thermal energy and billed monthly;
- M. Total Project costs are estimated at \$25.9 million, excluding AFUDC and inflation. Sustaining capital is estimated at an additional \$3.4 million. The annual operating and maintenance expense has been forecast at \$253,000 and the overhead costs at \$127,000;
- N. FAES proposes that the Application be reviewed by two rounds of Information Requests and a written hearing process; and
- O. The Commission has reviewed FAES' proposed regulatory timetable and considers that a regulatory timetable should be established.

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**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 the future KDES customers identified in Table 3-1 on page 14 of the Application.
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 Friday, November 23, 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, December 6, 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](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 9<sup>th</sup> day of November 2012.

BY ORDER

*Original signed by:*

D.M. Morton  
Commissioner

Attachments

**FORTISBC ALTERNATIVE ENERGY SERVICES INC.**

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**REGULATORY TIMETABLE**

<b>Action</b>	<b>Date (2012)</b>
Intervener/Interested Party Registration	Friday, November 23
Commission Request No. 1	Tuesday, November 27
Intervener Information Request No. 1	Tuesday, December 4
Participant Assistance Budget Submission	Thursday, December 6
FAES Response to Commission and Intervener Information Request No. 1	Monday, December 17
	<b>Date (2013)</b>
Commission and Intervener Information Request No. 2	Thursday, January 10
FAES Response to Commission and Intervener Information Request No. 2	Thursday, January 24
FAES Final Submission	Thursday, February 7
Intervener Final Submission	Friday, February 15
FAES Reply Submission	Friday, February 22

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**PUBLIC NOTICE**  
**WRITTEN PUBLIC HEARING PROCESS**

**THE APPLICATION**

On November 2, 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 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. The KDES is intended to initially serve 16 existing buildings and to expand to serve a total of 28 buildings at the Project's completion date in 2025. The KDES will capture waste heat from the Tolko sawmill in downtown Kelowna and distribute hot water through a distribution piping network. A distributed network of high-efficiency natural gas boilers located in customer buildings 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 is intended to assist the City to meet its commitment under the BC Climate Action Charter.

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-170-12 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](http://www.bcuc.com) under Current Applications.

## **PUBLIC INSPECTION OF THE APPLICATION**

This Application and supporting material is available on the Commission's website at [www.bcuc.com](http://www.bcuc.com) and on the FortisBC website at <http://www.fortisbc.com/About/Pages/default.aspx> under Regulatory Affairs for the Gas Utility (under Gas BCUC Submissions/Lower Mainland-Squamish-Interior/Thermal Energy Services).

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 Friday, November 23, 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 Friday, November 23, 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](http://www.bcuc.com/Documents/Guidelines/2010/DOC_5014_G-72-07_PACA_2007_Guidelines.pdf)

## **FURTHER INFORMATION**

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

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

Email at [Commission.Secretary@bcuc.com](mailto:Commission.Secretary@bcuc.com).  
B.C. Toll Free: 1-800-663-1385