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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** C-8-13

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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 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: D.M. Morton, Panel Chair/Commissioner
B.A. Magnan, Commissioner
R.D. Revel, Commissioner
July 26, 2013

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. 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) 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 Services (TES) to 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 to recover the cost of service from customers, including three deferral accounts to be established specific to the KDES (the Application);
- B. The KDES will be constructed pursuant to an agreement with the City of Kelowna to provide energy for space heating and domestic hot water primarily with waste heat captured from the flue gas exhausted from the sawmill operations of Tolko Industries Ltd. (Tolko). The KDES will be capable of supplying thermal energy to 16 existing buildings and 12 future buildings within the proposed service territory up to a projected annual thermal energy load of 32,700 MWh;
- C. The total project costs are estimated at \$31.6 million including Allowance for Funds Used During Construction, inflation, and sustaining capital;
- D. By Order G-170-12, dated November 9, 2012, the Commission established a Written Hearing process and a Regulatory Timetable to review the Application. The Commission subsequently made a number of revisions to the Regulatory Timetable (Orders G-176-12, G-200-12, G-13-13 and G-41-13), which ultimately included three rounds of Information Requests (IR) from the Commission and Interveners and one round of IR from the Commission Panel;
- E. On November 28, 2012, the British Columbia Pensioners' and Seniors' Organization et al. (BCPSO) and the B.C. Sustainable Energy Association and the Sierra Club of B.C. (BCSEA) registered as Interveners;
- F. The following three Interested Parties registered with the Commission: Tolko, Strata KAS 1261 (the Dolphins), representing one of the potential customers of the KDES, and the City of Kelowna;

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- G. On December 18, 2012, the Commission received a letter of comment from the Westbank First Nation; and
- H. The Commission has considered the Application and submissions filed during the course of the Hearing and determined that it is in the public interest that a CPCN be issued to FAES for the KDES.

NOW THEREFORE pursuant to the *Utilities Commission Act*, the Commission determines as follows:

1. Pursuant to sections 45 and 46 of the *Utilities Commission Act*, a Certificate of Public Convenience and Necessity is granted to FAES for the construction and operation of the Kelowna District Energy System as described in the Application.
2. Pursuant to sections 59 to 61 of the Act, the rate design and rates as described in Section 6 of the Application are denied for the reasons outlined in the accompanying Decision.
3. FAES is directed to file a new Rate Design and Rates application no later than 90 days prior to the commissioning date of the KDES.
4. The current Proceeding will be closed with the issuance of this Order and a new proceeding will be established following FAES' filing of a new Rate Design and Rates application with the Commission.
5. FAES must comply with all directives and determinations included in the Reasons for Decision accompanying this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of July 2013.

BY ORDER

Original signed by:

D.M. Morton
Panel Chair/Commissioner