



ORDER NUMBER
G-247-18

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Corix Multi Utility Services Inc.
Application for Interim Rates for Dockside Green Energy

BEFORE:

D. M. Morton, Commissioner
D. A. Cote, Commissioner
D. J. Enns, Commissioner
A. K. Fung, QC, Commissioner
M. Kresivo, QC, Commissioner
B. A. Magnan, Commissioner
R. I. Mason, Commissioner

on December 20, 2018

ORDER

WHEREAS:

- A. On December 7, 2018, Corix Multi-Utility Services Inc. (Corix) applied to the British Columbia Utilities Commission (BCUC) pursuant to sections 59-61 and 89 of the *Utilities Commission Act* (UCA) for approval to set interim rates for the Dockside Green Energy (DGE) utility and for approval of an allowed return of 7.5 percent on operations (net of fuel) costs (Application);
- B. Corix also requests the BCUC to hold the financial model provided as Attachment 1 to the Application confidential;
- C. By Order G-166-18 dated September 4, 2018, the BCUC approved, among other things, the sale and disposition of DGE assets to Corix and the transfer of the DGE Certificate of Public Convenience and Necessity (CPCN) to Corix. The BCUC also directed Corix to file an application for revenue requirements and expenditures associated with installing new natural gas boilers in the central energy facility by the end of 2018;
- D. In the Application, Corix requests an extension until February 15, 2019 to file the revenue requirements application directed by Order G-166-18 in order to complete an evaluation of the energy system and determine an optimal strategy for the proposed upgrade of the natural gas boilers and central energy facility. As the current rates charged to DGE customers expire on December 31, 2018, Corix requests approval to maintain existing rates on an interim basis effective January 1, 2019; and
- E. The BCUC has reviewed the Application and makes the following determinations.

NOW THEREFORE pursuant to sections 59-61 and 89 of the UCA, for the reasons attached as Appendix A to this order, the BCUC orders as follows:

1. Corix's application for interim rates consisting of a fixed charge of \$0.29 per square metre per month and a variable charge of \$0.0623 per kilowatt hour are approved on an interim basis, effective January 1, 2019.
2. Corix is directed to file with the BCUC, within 30 days of the issuance of this order, amended tariff pages in accordance with the terms of this order.
3. Corix is directed to file with the BCUC an application for revenue requirements and expenditures, as directed by Order G-166-18, by February 15, 2019.
4. Corix's application for approval of an allowed return of 7.5 percent on operations (net of fuel) costs is denied. Corix may apply for approval of an allowed return as part of its revenue requirements and expenditures application to be filed with the BCUC by February 15, 2019.
5. The BCUC will keep confidential the financial model filed as Attachment 1 to the Application.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of December 2018.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachment

Corix Multi Utility Services Inc.
Application for Interim Rates for Dockside Green Energy

REASONS FOR DECISION

1.0 Background

On June 4, 2018, Dockside Green Energy LLP (DGE) and Corix Multi Utility Services Inc. (Corix) filed an application with the British Columbia Utilities Commission (BCUC) for approval of the transfer of partnership interests in DGE to Vancity Capital Corporation (Vancity) and Dockside Green Limited Partnership (DGLP) and subsequent sale and disposition of DGE to Corix (DGE Asset Sale to Corix Application).

On September 4, 2018, the BCUC issued Order G-166-18 regarding the DGE Asset Sale to Corix Application and ordered the following:

- The transfer of partnership interests from DGE to Vancity and DGLP, and subsequent sale and disposition of DGE assets to Corix are approved;
- The transfer of the DGE Certificate of Public Convenience and Necessity (CPCN) to Corix is approved;
- The establishment of the Revenue Deficiency Deferral Account (RDDA) as set out in the application is approved and interest is to be applied to the balance in the regulatory account based on DGE's approved weighted cost of capital-based return, until such time a revenue requirements application is filed by Corix; and
- Corix must prepare and file an application for revenue requirements and expenditure associated with installing new natural gas boilers in the central energy facility by the end of 2018. Corix is directed to work with BCUC staff to determine the appropriate form and substance of the revenue requirements application prior to its submission.

Corix acquired the utility assets of DGE for \$1.00. Additionally, pursuant to a Contribution Agreement between Corix and DGE, DGE has provided a one-time payment to Corix of \$1 million to be used by Corix to limit rate increases during the initial years of Corix's operations of the utility.

2.0 The Application

On December 7, 2018, Corix filed an application with the BCUC seeking approval of the following (Application):

- Interim rates consisting of a fixed charge of \$0.29 per square metre per month and a variable charge of \$0.0623 per kilowatt hour (kWh); and
- An allowed return of 7.5 percent on operations (net of fuel) costs.

Additionally, Corix states that it requires an extension to filing the revenue requirement application directed by Order G-166-18 until February 15, 2019 because it has engaged FVB Energy Inc. to undertake a full evaluation of the energy system to determine an optimal strategy for the proposed upgrade of the natural gas boilers and central energy facility. Corix expects the results of this work by mid-December 2018 which will then be used in preparing the revenue requirements application.

Corix requests interim 2019 rate approval until such time as the revenue requirements application is filed and reviewed by the BCUC because DGE's existing rates, which have been determined based on a 10-year levelized rate schedule, expire on December 31, 2018. Due to the fact that Corix does not yet have sufficient information regarding the plant upgrades to accurately determine cost estimates, Corix requests to maintain 2019 rates at existing 2018 rates on an interim basis.

In addition to requesting interim rate approval, Corix requests approval to earn an allowed return of 7.5 percent on operations (net of fuel) costs. Corix submits that until such time as it applies for, and the BCUC approves, future capital additions, the utility is operating with effectively no rate base and therefore is not earning any return on rate base. Corix therefore requests approval to earn the proposed 7.5 percent return until such time as sufficient rate base is in place that results in a return on equity that exceeds the dollar amount of the 7.5 percent return on operations (net of fuel) costs. Corix explains that it has chosen an amount of 7.5 percent because this provides sufficient revenue for the utility to avoid an operating loss in its first full year of operations under new ownership.

As stated previously, Corix was approved by Order G-166-18 to establish the RDDA and to attract a weighted average cost of capital return on the RDDA balance. Corix has recorded the \$1 million contribution from DGE in the RDDA. Based on Corix's forecast operating and fuel costs for 2019 (i.e. before the boiler upgrades) and the requested interim 2019 rate, Corix anticipates a revenue shortfall. The revenue shortfall, which is recorded in the RDDA, offsets a portion of the \$1 million contribution from DGE.

3.0 BCUC determination

The Panel approves Corix's request to maintain 2019 rates at the existing 2018 rates on an interim basis, resulting in interim rates consisting of a fixed charge of \$0.29 per square metre per month and a variable charge of \$0.0623 per kWh. The BCUC also approves Corix's requested extension to file the revenue requirement application directed in Order G-166-18 and directs Corix to file this application by February 15, 2019.

The Panel accepts that Corix does not yet have the necessary information regarding the planned boiler upgrades and that the information being provided from FVB Energy Inc. is necessary to prepare forecast revenue requirements which are reasonably accurate. Given that Corix does not have this information at this time, the Panel considers it reasonable to maintain 2019 rates at existing 2018 rates on an interim basis. There is no evidence provided in the Application to determine an appropriate rate change and maintaining rates at existing amounts in the interim will prevent ratepayers from experiencing multiple rate changes in 2019.

With regard to Corix's request to earn a return of 7.5 percent on its operations (net of fuel) costs, the Panel finds that there is insufficient evidence in the Application to support this request. While the Panel understands Corix's rationale for applying the proposed 7.5 percent (i.e. avoiding incurring an operating loss in the first full year of operations), the Panel considers the forecasts and data to be uncertain and unsubstantiated, as the information has not been subject to information requests. Given the tight timeframe with which the Application was filed to obtain interim rates, it is not practicable to undertake a more detailed review process. Additionally, the Panel does not consider approval of this request necessary at this time. The rate approved in the Application is interim and thus any changes which result from the BCUC's review of the revenue requirements application and approval of permanent rates are retroactive to January 1, 2019. This equally applies to any return which the BCUC might approve for Corix in the revenue requirements application.

For the reasons stated above, the Panel denies Corix's request for an allowed return of 7.5 percent on operations (net of fuel) costs. Such a request is more appropriately reviewed in the future revenue requirements application.