



**ORDER NUMBER**  
**G-348-24**

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

and

Corix Burnaby Mountain DE Limited Partnership  
Burnaby Mountain District Energy Utility 2024–2025 Revenue Requirements and Rates

**BEFORE:**

C. M. Brewer, Panel Chair  
W. E. Royle, Commissioner

on December 19, 2024

**ORDER**

**WHEREAS:**

- A. On February 29, 2024, Corix Burnaby Mountain DE Limited Partnership (Corix) applied to the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act*, for approval of its Burnaby Mountain District Energy Utility (BMDEU) revenue requirements and rates for 2024 and 2025 (Application);
- B. The BMDEU delivers thermal energy service to two distinct customer groups: the Simon Fraser University campus (SFU); and the UniverCity neighbourhood, a residential and commercial property development on Burnaby Mountain, adjacent to the SFU campus (UniverCity);
- C. By Order G-76-24, the BCUC approved, on an interim and refundable or recoverable basis, the following rates for BMDEU, among other matters:
  - i. For UniverCity, a monthly Basic Charge of \$1.3672/square metre (m<sup>2</sup>) and \$1.4903/m<sup>2</sup>, effective March 1, 2024 and January 1, 2025, respectively;
  - ii. For SFU, Capacity, Consumption and Availability charges as set out below:

	<b>Effective March 1, 2024</b>	<b>Effective January 1, 2025</b>
<b>Capacity</b> (\$/megawatt of Nominated Capacity/month)	19,704	19,919
<b>Consumption</b> (\$/kilowatt-hour)	0.0268	0.0281
<b>Availability</b> (\$/month)	33,000	33,000

- D. By Orders G-76-24 and G-173-24, respectively, the BCUC established a regulatory timetable for the review of the Application, which included, among other things, notice of Application, intervener registration, BCUC and intervener information requests (IR) No. 1 and 2, Corix's responses to IRs, and final and reply arguments;
- E. By Order G-308-24, the BCUC re-opened the evidentiary record and established a regulatory timetable to accommodate the issuance of Panel IR No. 1 to seek clarification on the SFU Capacity charge and to provide SFU and Corix an opportunity to file supplementary final and reply arguments. Subsequently, by Order G-317-24, the BCUC amended the regulatory timetable to allow Corix to respond to a late letter of comment accepted by the BCUC;
- F. On November 29, 2024, the BCUC issued Order G-321-24 and the accompanying decision regarding Stage 2 of the Generic Cost of Capital (GCOC) proceeding (GCOC Stage 2 Decision). This decision set the deemed equity component and allowed return on equity for all utilities in British Columbia that use the benchmark utility to determine their capital structure and equity return.
- i. For UniverCity, Corix was directed to establish a new GCOC Variance Deferral Account, accruing interest at Corix's weighted average cost of capital, to record the variance between the interim 2024 rates and the rates reflecting the new cost of capital, effective January 1, 2024.
  - ii. For SFU, Corix was directed to implement a one-time bill adjustment to account for the variance between interim and permanent rates resulting from the GCOC Stage 2 Decision from January 1, 2024, to the implementation date of the GCOC Stage 2 Decision;
- G. Corix requests that the Financial Model filed as Appendix D to the Application, the unredacted Second Amended and Restated Thermal Energy Services Agreement (Updated TESA) filed as Exhibit B-1-3, and Corix's response to the letter of comment filed as Exhibit B-13-1, be held confidential; and
- H. The BCUC has considered the Application, evidence, and submissions of the parties, and makes the following determinations.

**NOW THEREFORE** pursuant to sections 58 to 61 of the *Utilities Commission Act* and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. For UniverCity, Corix is approved to implement the following:
  - a. The monthly Basic Charge (\$/m<sup>2</sup>/month) of \$1.3672 and \$1.4903, effective March 1, 2024 and January 1, 2025, respectively, on a permanent basis.
  - b. The establishment of a Regulatory Cost Variance Account (RCVA) to record variances, allocated to UniverCity, between forecast and actual external regulatory costs, accruing interest at Corix's weighted average cost of capital. Corix is directed to propose the amortization period for the RCVA in its next revenue requirements application and to address any variances through adjustments to the Basic Charge, either as recoveries from or refunds to UniverCity.
  - c. The establishment of an Insurance Cost Variance Account (ICVA) to record variances, allocated to UniverCity, between forecast and actual costs for liability and property insurance, accruing interest at Corix's weighted average cost of capital. Corix is directed to address any variances through adjustments to the Basic Charge, either as recoveries from or refunds to UniverCity.

- d. An extension to the recovery period for the Revenue Deficiency Deferral Account (RDDA) to 2036. Further, Corix is directed to amend the RDDA to record the differences between the BCUC-approved forecast revenues at approved rates and forecast cost of service, starting in the next revenue requirements application.
2. The UniverCity tariff schedules, as filed in Appendix E of the Application, are accepted as filed.
3. For SFU, Corix is approved to implement the following:
- a. The Capacity Charge, Consumption Charge and Availability charges on a permanent basis as set out below, subject to the compliance filing directives as set out in the GCOC Stage 2 Decision:

	<b>Effective March 1, 2024</b>	<b>Effective January 1, 2025</b>
<b>Capacity</b> (\$/megawatt of Nominated Capacity/month)	19,704	19,919
<b>Consumption</b> (\$/kilowatt-hour)	0.0268	0.0281
<b>Availability</b> (\$/month)	33,000	33,000

- b. The establishment of an RCVA to record variances, allocated to SFU, between forecast and actual external regulatory costs, accruing interest at Corix's weighted average cost of capital. Corix is directed to propose the amortization period for the RCVA in its next revenue requirements application and to recover any variances from or refund them to SFU through amortization of the balance to the Capacity Charge.
- c. The establishment of an ICVA to record variances, allocated to SFU, between forecast and actual costs for liability and property insurance. The SFU ICVA will not accrue interest, and the balance is to be fully amortized through SFU Rider 2.
4. Corix is directed to file the tariff schedules for SFU for BCUC endorsement by January 31, 2025.
5. Corix is approved to include biomass ash disposal costs as part of flow-through energy costs for both UniverCity and SFU.
6. The Financial Model filed as Appendix D to the Application, along with the unredacted information in Exhibit B-1-2 containing commercially sensitive information, and Exhibit B-13-1 containing personal information, will be kept confidential, unless otherwise ordered by the BCUC.
7. Corix is directed to file its next revenue requirements application no later than November 28, 2025.
8. Corix is directed to comply with all other directives and determinations outlined in the decision accompanying this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 19<sup>th</sup> day of December 2024.

BY ORDER

*Electronically signed by Carol Ann Brewer*

C. M. Brewer  
Commissioner

Corix Burnaby Mountain DE Limited Partnership  
Burnaby Mountain District Energy Utility 2024–2025 Revenue Requirements and Rates

**DECISION**

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## Executive Summary

On February 29, 2024, Corix Burnaby Mountain DE Limited Partnership (Corix) applied to the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (UCA), for approval of its Burnaby Mountain District Energy Utility (BMDEU) revenue requirements and rates for 2024 and 2025 (Application). Corix serves two distinct customer groups: Simon Fraser University campus (SFU) and UniverCity neighbourhood, a residential and commercial property development on Burnaby Mountain, adjacent to the SFU campus (UniverCity). The BMDEU was designed to provide low-carbon thermal energy service to current and future UniverCity customers along with baseload low-carbon service to SFU through an interconnection to the existing SFU district energy system.

Corix seeks approval for, among other things, the following rates for the BMDEU: (i) For UniverCity, a monthly Basic Charge of \$1.3672/square metre (m<sup>2</sup>) and \$1.4903/m<sup>2</sup>, effective March 1, 2024 and January 1, 2025, respectively; (ii) For SFU, Capacity, Consumption and Availability charges as set out below:

	<b>Effective March 1, 2024</b>	<b>Effective January 1, 2025</b>
<b>Capacity</b> (\$/megawatt of Nominated Capacity/month)	19,704	19,919
<b>Consumption</b> (\$/kilowatt-hour)	0.0268	0.0281
<b>Availability</b> (\$/month)	33,000	33,000

As part of the proceeding, interim and refundable or recoverable rates were approved at the above-noted rates, effective March 1, 2024, for SFU and UniverCity.

The Panel has reviewed Corix's proposed revenue requirements on a standalone basis for UniverCity and SFU, and on a combined basis for the BMDEU, along with the resulting rates and bill impacts as well as the demand and square footage forecasts that support the proposed rates. The Panel finds that the proposed revenue requirements for the 2024 to 2025 test period are reasonable, and the allocation of costs between the two customer groups is appropriate.

On November 29, 2024, the BCUC issued its decision on Stage 2 of the Generic Cost of Capital proceeding, which set Corix's equity component at 49 percent and an allowed return on equity of 10.4 percent. Corix was directed to establish a Generic Cost of Capital Variance Deferral Account for UniverCity to record the variance between the previously approved interim 2024 rates and the rates that would reflect the new cost of capital effective January 1, 2024. For SFU, the BCUC determined that a one-time bill adjustment is reasonable. Corix was directed to file a compliance filing that calculates (i) the impact of the one-time bill adjustment to SFU and (ii) the updated proposed permanent rates after the incorporation of the new cost of capital for the remaining test period (i.e. until December 31, 2025).

As this proceeding was still ongoing at the time the Generic Cost of Capital Stage 2 Decision was issued, the BCUC noted that this Panel should address the 2024 and 2025 permanent rates for both UniverCity and SFU. Therefore, in light of the Panel's findings of the revenue requirements for the 2024 to 2025 test period, for

UniverCity, the proposed Basic Charge as noted above is approved on a permanent basis. For SFU, the proposed Capacity Charge, Consumption Charge and Availability Charge as noted above are approved on a permanent basis, effective March 1, 2024 and January 1, 2025, subject to the compliance filing directives as set out in the Generic Cost of Capital Stage 2 Decision.

Due to the delayed build-out of the UniverCity development, Corix proposes that the original target of 2031 for full recovery of the UniverCity Revenue Deficiency Deferral Account (RDDA) be extended five years to 2036. The Panel approves the extension, considering it a reasonable approach to manage the RDDA recovery amidst the build-out delay.

The Panel also examined Corix's use of the RDDA for forecast variance treatment to record the difference between forecast and actual costs. The Panel finds that changing the RDDA to record differences between the forecast revenues at approved rates and forecast cost of service is consistent with the regulatory compact. The change requires Corix to bear some forecast risk going forward and incentivizes it to operate efficiently. Corix is directed to amend the RDDA for UniverCity to record the differences between the BCUC-approved forecast revenues at approved rates and forecast cost of service, starting with the next revenue requirements application, which Corix is directed to file no later than November 28, 2025.



## 1.0 Introduction and Background

On February 29, 2024, Corix Burnaby Mountain DE Limited Partnership (Corix) applied to the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (UCA), for approval of its Burnaby Mountain District Energy Utility (BMDEU) revenue requirements and rates for 2024 and 2025 (Application).<sup>1</sup>

Corix, the legal entity that houses the BMDEU,<sup>2</sup> is a subsidiary of a privately held corporation, Corix District Energy Holding GP Inc.<sup>3</sup> Corix serves two distinct customers groups: Simon Fraser University (SFU) and UniverCity neighbourhood, a residential and commercial development on Burnaby Mountain, adjacent to the SFU campus (UniverCity). The BMDEU was designed to provide low-carbon thermal energy service to current and future UniverCity customers along with baseload low-carbon service to SFU through an interconnection to the existing SFU district energy system.<sup>4</sup>

In 2011, the BCUC granted a Certificate of Public Convenience and Necessity to Corix's predecessor<sup>5</sup> to construct temporary energy centres reliant upon natural gas boilers to serve the initial phases of the UniverCity property development (2011 UniverCity CPCN Decision).<sup>6</sup> These were intended to be replaced with a permanent low-carbon energy facility when build-out and energy demand became sufficient to make such a low-carbon facility economic. In 2017, the BCUC granted a CPCN for the development of the BMDEU, authorizing the construction and operation of a biomass central energy plant (CEP) and associated facilities, including a natural gas peak and backup plant (2017 BMDEU CPCN).<sup>7</sup> The 2017 BMDEU CPCN also approved the Amended and Restated Thermal Energy Services Agreement dated January 27, 2017 (Original TESA) between Corix and SFU, including the cost of service, cost allocation, and rate design principles for Corix to provide thermal energy service to SFU from the BMDEU.<sup>8</sup>

In 2021, the BCUC approved the BMDEU 2020–2023 Revenue Requirement and Rates Application (RRRA) (2020–2023 RRRA) for rates charged to SFU and UniverCity. The 2020–2023 RRRA addressed the costs associated with

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<sup>1</sup> Exhibit B-1, p. 1, Section 1.3, p. 4.

<sup>2</sup> Application for Approvals relating to Restructuring and Business Combination Transactions. By Order G-279-23, the BCUC approved the transitioning of Corix out of Corix Multi-Utility Services Inc. (CMUS) into a separate limited partnership (Exhibit B-1, Section 2.1.1, p. 11). This restructuring was completed on April 1, 2024 (Order G-294-24).

<sup>3</sup> Corix District Energy Holding GP Inc. is indirectly owned by the British Columbia Investment Management Corporation (Exhibit B-1, Section 2, p. 11).

<sup>4</sup> Exhibit B-1, Section 1.1, p. 3, Section 2.1, pp. 11–12; Section 2.2, pp. 12–14.

<sup>5</sup> Corix's predecessor is CMUS (Exhibit B-1, Section 2.1.1, p. 11).

<sup>6</sup> CMUS Application for a CPCN for the Neighborhood Utility Service at UniverCity, Burnaby, Decision and Order C-7-11 dated May 6, 2011 (2011 UniverCity CPCN Decision).

<sup>7</sup> CMUS Application for a Certificate of Public Convenience and Necessity for the Burnaby Mountain District Energy Utility (2017 BMDEU CPCN).

<sup>8</sup> Application for a CPCN for the Burnaby Mountain District Energy Utility, Decision and Order C-5-17 dated September 15, 2017 (2017 BMDEU CPCN Decision), p. i; BMDEU 2020–2023 Revenue Requirement and Rates Application (2020–2023 RRRA) proceeding, Decision and Order G-279-21 (2020–2023 RRRA Decision), p. i; Exhibit B-1, Section 1.0, p. 1.

the CEP, which commenced service on October 23, 2020, the ongoing UniverCity build-out, and rates for the new service to UniverCity.<sup>9</sup>

In the 2020–2023 RRRRA Decision, the BCUC noted that, given the lack of an operating history for the new CEP, forecast operating and maintenance (O&M) costs were appropriately based where possible on historical results and other information such as the cost assumptions in the 2017 BMDEU CPCN.<sup>10</sup> Corix states it now has over three years of experience operating the CEP and that this experience is reflected in the proposals presented in the Application.<sup>11</sup>

The UniverCity and SFU rate designs previously approved by the BCUC in the 2020–2023 RRRRA Decision are unique and integral to understanding the context of the Application and are therefore discussed below.

### ***UniverCity Rate Design***

The BCUC approved a two-part rate structure for UniverCity consisting of a Basic Charge<sup>12</sup> per square metre (m<sup>2</sup>) per month and a Variable Energy Charge<sup>13</sup> per kilowatt-hour (kWh). The Variable Energy Charge recovers energy costs only and Corix is not seeking approval of this charge as part of this Application, as the Variable Energy Charge is subject to a separate flow-through mechanism and rate-setting process.<sup>14</sup>

Corix was initially approved to levelize rates for UniverCity over 20 years using a revenue deficiency deferral account (RDDA). The RDDA records annual deficiencies or surpluses resulting from the difference between the forecast annual earnings before tax at the approved rates and the approved annual revenue requirement (cost of service) including energy costs. The RDDA also captures differences between forecast and actual revenues and revenue requirement components. The rate structure is intended to reduce costs for customers in the early stages of build-out of the development, ensuring fair cost distribution to all UniverCity customers.<sup>15</sup>

### ***SFU Rate Design***

The TESA<sup>16</sup> sets out the terms and conditions under which Corix provides thermal energy service to SFU. In the 2017 BMDEU CPCN Decision, the BCUC approved a three-part rate design for SFU consisting of (i) a

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<sup>9</sup> 2020–2023 RRRRA Decision, p. i.

<sup>10</sup> 2020–2023 RRRRA Decision, p. 17.

<sup>11</sup> Exhibit B-1, Section 10.5.3, p. 82.

<sup>12</sup> Basic Charge: Fixed monthly charge calculated on a per square metre basis, designed to recover capital costs and operating costs allocated to UniverCity customers (Exhibit B-1, Section 11.2, p. 101).

<sup>13</sup> Variable Energy Charge: Variable charge applied to UniverCity customers, calculated on a per kilowatt hour basis, designed to recover the total energy costs on a flow-through basis (Exhibit B-1, Section 11.2, p. 101).

<sup>14</sup> Exhibit B-1, Section 4.2, p. 23, Section 11.2, p. 101, Appendix A, Schedule 14, footnote 3; 2020–2023 RRRRA Decision, p. 2.

<sup>15</sup> 2020–2023 RRRRA Decision, Section 1.1, p. 2, Section, 3.1.1, p. 46.

<sup>16</sup> Collectively refers to the Amended and Restated Thermal Energy Services Agreement by and between SFU and Corix dated January 27, 2017 (Original TESA) and the Second Amended and Restated Thermal Energy Services Agreement by and between SFU and Corix dated May 6, 2024 (Updated TESA).

Capacity Charge; (ii) a Consumption Charge; and (iii) an Availability Charge.<sup>17</sup>

In the 2020–2023 RRRRA Decision, the BCUC approved two rate riders for SFU, applicable in 2022 and 2023, to facilitate the amortization of the balances in the Fuel Cost Deferral Account and the Property Tax Deferral Account.<sup>18</sup> In this Application, Corix is not seeking approval of the specific rates for the two rate riders, as these rate riders are subject to a separate flow-through mechanism and rate-setting process.<sup>19</sup>

### 1.1 Approvals Sought

Corix seeks approval of the following:<sup>20</sup>

1. Revenue requirements for UniverCity<sup>21</sup> and SFU<sup>22</sup> for 2024 and 2025.
2. Inclusion of biomass ash disposal costs in the BMDEU through the flow-through energy cost rate-setting mechanisms.<sup>23</sup>
3. For UniverCity:
  - a) The proposed Basic Charge for 2024 and 2025 as follows:<sup>24</sup>

RATE  EFFECTIVE DATE:	EXISTING	PROPOSED	PROPOSED
	JANUARY 1 <sup>ST</sup>	MARCH 1 <sup>ST</sup>	JANUARY 1 <sup>ST</sup>
	2023	2024	2025
<b>Basic Charge (\$/m<sup>2</sup> per Month)</b>	1.1889	1.3672	1.4903

- b) Establishment of a Regulatory Cost Variance Account to record forecast variances on UniverCity’s portion of actual external regulatory costs, with full amortization within the test period of the next revenue requirement application.
- c) Establishment of an Insurance Cost Variance Account to record forecast variances on UniverCity’s portion of actual insurance costs, with full amortization within the test period of the next revenue requirement application.

<sup>17</sup> 2020–2023 RRRRA Decision, Section 1.1, p. 3; Capacity Charge: Fixed monthly charge intended to recover capital costs and operating costs allocated to SFU, less an agreed amount that is reallocated to the Availability Charge; Consumption Charge: Variable charge based on energy consumption, calculated on a per kilowatt hour basis, intended to recover the total energy costs; Availability Charge: Fixed monthly charge payable by SFU based on Corix being able to meet specified plant availability hours and efficiency targets (Exhibit B-1, Section 11.1, p. 100).

<sup>18</sup> 2020–2023 RRRRA Decision, Section 3.2, pp. 46–49; 2017 BMDEU CPCN Decision, Section 4.1.5, p. 37 (approved the Fuel Cost Deferral Account and the Property Tax Deferral Account).

<sup>19</sup> Exhibit B-1, Appendix A, Schedule 14, footnote 3.

<sup>20</sup> Corix Final Argument, Section C, pp. 4–5.

<sup>21</sup> Exhibit B-1, Section 9.3.3, p. 66.

<sup>22</sup> Exhibit B-1, Section 9.2.2, p. 64.

<sup>23</sup> Exhibit B-1, Section 5.2, pp. 27–30.

<sup>24</sup> Exhibit B-1, Section 11.2.2, Table 35, p. 102.

- d) The updated tariff schedule for UniverCity.<sup>25</sup>
- e) Edits to the terms and conditions within UniverCity’s tariff.<sup>26</sup>

4. For SFU:

- a) The proposed Capacity Charge, Consumption Charge and Availability Charge for 2024 and 2025 as follows:<sup>27</sup>

EFFECTIVE DATE:	EXISTING	PROPOSED	PROPOSED
	JANUARY 1 <sup>ST</sup>	MARCH 1 <sup>ST</sup>	JANUARY 1 <sup>ST</sup>
	2023	2024	2025
Capacity Charge (\$/MW of Nominated Capacity/Month)	16,656	19,704	19,919
Consumption Charge (\$/kWh)	0.0242	0.0268	0.0281
Availability Charge (\$/Month)	33,000	33,000	33,000

- b) Establishment of a Regulatory Cost Variance Account to record forecast variances on SFU’s portion of actual external regulatory costs, with full amortization within the test period of the next revenue requirement application.
- c) Establishment of an Insurance Cost Variance Account to record forecast variances on SFU’s portion of actual insurance costs, to be recovered through SFU Rider 2.<sup>28</sup>
- d) Continuation of the SFU Fuel Cost Deferral Account and SFU Rider 1<sup>29</sup> rate-setting process in perpetuity.
- e) The updated tariff schedule for SFU.<sup>30</sup>
- f) Edits to the terms and conditions within SFU’s tariff supplement.<sup>31</sup>

5. The Second Amended and Restated Thermal Energy Services Agreement by and between SFU and Corix, dated May 6, 2024 (Updated TESA).<sup>32</sup>

Further, in accordance with BCUC’s Rules of Practice and Procedure, Corix requests that the BCUC maintain the confidentiality of certain documents as discussed in Sections 4.5 and 4.6 of this decision.<sup>33</sup>

<sup>25</sup> Exhibit B-1, Appendix E.

<sup>26</sup> Exhibit B-1, Section 13.2, pp. 105–107.

<sup>27</sup> Exhibit B-1, Section 11.1, Table 34, p. 100.

<sup>28</sup> SFU Rider 2 is currently used to amortize the balance in SFU’s Property Tax Deferral Account over a 12-month period and is proposed to amortize the balance of SFU’s Insurance Cost Variance Account over the same period (Exhibit B-1, Section 11.1, pp. 100–101).

<sup>29</sup> SFU Rider 1 is used to amortize the balance in SFU’s Fuel Cost Deferral Account over a 12-month period (Exhibit B-1, Section 11.1, p. 100).

<sup>30</sup> Exhibit B-1, Appendix F.

<sup>31</sup> Exhibit B-1, Section 13.3, p. 107.

<sup>32</sup> Exhibit B-1-2; Exhibit B-1-3 (**Confidential**); Exhibit B-7, pp. 1–2.

<sup>33</sup> Exhibit B-1, Section 1.3.3, p. 7; Exhibit B-7, pp. 1–2.

On March 19, 2024, the BCUC approved, on an interim and refundable/recoverable basis, effective March 1, 2024, (i) the Basic Charge for UniverCity and (ii) the Capacity, Consumption and Availability charges for SFU as shown in the tables above.<sup>34</sup>

## 1.2 Regulatory Process

The regulatory process included public notice of the Application, intervener registration, letters of comment, two rounds of BCUC and intervener information requests (IRs), and final and reply arguments.<sup>35</sup> In November 2024, the BCUC issued Panel IRs to clarify certain information regarding the calculation of the SFU Capacity Charge.<sup>36</sup>

Three interveners registered in the proceeding:<sup>37</sup>

- SFU;
- Residential Consumer Intervener Association (RCIA); and
- British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and Tenants Resource and Advisory Centre (BCOAPO).

The BCUC received a late letter of comment in November 2024 regarding public notice of the Application.<sup>38</sup> The regulatory timetable was amended to provide Corix an opportunity to respond.<sup>39</sup>

## 1.3 Decision Framework

This decision is structured as follows:

- Section 2.0 addresses revenue requirement matters, including Corix's proposals for new deferral accounts and the Panel's review of the UniverCity RDDA.
- Section 3.0 provides the Panel's overall determination on the revenue requirements and rates for the Application.
- Section 4.0 addresses other items, including changes to Corix's existing deferral accounts, amendments to the Original TESA, amendments to UniverCity's terms and conditions of service, and the late letter of comment.

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<sup>34</sup> Exhibit A-2, Order G-76-24.

<sup>35</sup> Exhibit A-2, Order G-76-24; Exhibit A-5, Order G-173-24.

<sup>36</sup> Exhibit A-8, Order G-308-24.

<sup>37</sup> Exhibit C1-1; Exhibit C2-1; and Exhibit C3-1.

<sup>38</sup> Exhibit D-1.

<sup>39</sup> Exhibit A-10, Order G-317-24.

## 2.0 Revenue Requirements

Corix proposes a test period for this Application for the period from January 1, 2024 to December 31, 2025, and is not seeking approval of revenue requirements for either SFU or UniverCity beyond this period.<sup>40</sup> The forecast BMDEU revenue requirements for SFU and UniverCity for 2024 and 2025 are summarized below:

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<sup>40</sup> Exhibit B-1, Section 1.3.1, pp. 5–6.

**Table 1: Summary of BMDEU 2024 and 2025 Revenue Requirements<sup>41</sup>**

BMDEU Revenue Requirements	Test Period (\$)					
	2024			2025		
	SFU	UniverCity	Total	SFU	UniverCity	Total
O&M Costs	945,804	991,284	1,937,088	964,490	1,023,557	1,988,047
Biomass	826,036	325,059	1,151,096	842,530	331,550	1,174,079
Biomass Ash Disposal	74,225	29,209	103,433	103,034	40,546	143,580
Natural Gas <sup>42</sup>	–	132,652	132,652	–	155,526	155,526
Electricity	166,854	75,251	242,104	171,859	77,508	249,367
<b>Subtotal Energy Costs</b>	<b>1,067,115</b>	<b>562,171</b>	<b>1,629,285</b>	<b>1,117,423</b>	<b>605,129</b>	<b>1,722,552</b>
Property Taxes & Other Fees	48,102	174,690	222,792	52,635	189,677	242,313
Depreciation & Amortization	427,936	629,054	1,056,990	436,659	676,944	1,113,603
Deemed Interest	346,929	711,205	1,058,135	345,079	749,870	1,094,949
Return on Equity	793,700	952,440	1,746,139	789,467	1,004,219	1,793,685
<b>Subtotal Financing Costs</b>	<b>1,140,629</b>	<b>1,663,645</b>	<b>2,804,274</b>	<b>1,134,546</b>	<b>1,754,088</b>	<b>2,888,634</b>
<b>Total Revenue Requirement</b>	<b>3,629,585</b>	<b>4,020,844</b>	<b>7,650,428</b>	<b>3,705,753</b>	<b>4,249,396</b>	<b>7,955,149</b>
<b>Total Revenue Requirement (excluding Energy Costs)</b>	<b>2,562,470</b>	<b>3,458,673</b>	<b>6,021,143</b>	<b>2,588,330</b>	<b>3,644,267</b>	<b>6,232,596</b>
<b>Revenue at 2023 Approved Rates<sup>43</sup></b>	<b>\$2,196,720</b>	<b>\$2,327,630</b>	<b>\$4,524,350</b>	<b>\$2,196,720</b>	<b>\$2,327,630</b>	<b>\$4,524,350</b>
<b>Revenue Deficiency</b>	<b>(\$365,750)</b>	<b>(\$1,131,044)</b>	<b>(\$1,496,794)</b>	<b>(\$391,610)</b>	<b>(\$1,316,637)</b>	<b>(\$1,708,247)</b>

As outlined above, the Panel will determine whether the forecast revenue requirements appropriately reflect the total revenue that must be collected in rates to allow Corix to recover its forecast cost of service. In the sections that follow, the Panel reviews the following key issues:

- The reasonableness of forecast O&M costs;
- The appropriateness of including ash disposal costs within the flow-through energy cost rate-setting mechanisms;

<sup>41</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Appendix A, Schedule 2, pp. 1–3.

<sup>42</sup> The natural gas module of the CEP provides peaking and back-up thermal energy to UniverCity only (2020–2023 RRRR proceeding, Exhibit B-1, Section 1.0, p. 1).

<sup>43</sup> Exhibit B-1, Appendix A, Schedule 1, p. 1. For SFU, the “Revenue at 2023 Approved Rates” is prior to the Availability Charge re-allocation of \$198,000.

- The reasonableness of Corix’s forecast capital additions and its proposal to prepare a replacement and renewal plan for its next application;
- New deferral account requests for the variance treatment of regulatory costs and insurance costs; and
- Examination of the RDDA and whether any modifications are warranted.

## 2.1 Operating and Maintenance Costs

Corix states that O&M costs are required to operate and maintain the BMDEU on an annual basis.<sup>44</sup> Due to the greenfield nature of the CEP in the 2020–2023 RRRRA test period, Corix notes that O&M costs were forecast using various methodologies, including percentages of the total cost of the installed equipment, initial management estimates with escalation, or escalation of historical temporary energy centre maintenance costs.<sup>45</sup> Corix states that its maintenance cost forecast now incorporates actual historical operational data, as the CEP has been operational for three years. For 2024 and 2025, Corix applied inflation and labour escalators at a rate of three percent, consistent with the Bank of Canada’s Monetary Policy Report.<sup>46</sup>

The BMDEU O&M costs are summarized in the following table:

**Table 2: Total BMDEU O&M Costs<sup>47</sup>**

	2022 Approved <sup>48</sup>	2022 Actual	2023 Approved <sup>49</sup>	2023 Actual	2024 Forecast	2025 Forecast
<b>Total O&amp;M Costs</b>	<b>\$1,435,672</b>	<b>\$1,851,570</b>	<b>\$1,497,191</b>	<b>\$1,886,523</b>	<b>\$1,937,088</b>	<b>\$1,988,047</b>
SFU Allocation	\$696,424	\$1,066,960	\$710,120	\$1,047,289	\$945,804	\$964,490
UniverCity Allocation	\$739,249	\$784,610	\$787,071	\$839,234	\$991,284	\$1,023,557

To better understand the underlying drivers of these costs and their allocation between SFU and UniverCity, the O&M cost categories and relevant assumptions are described below.

### ***Plant Operators***

Corix states that, based on legislative requirements and a review by Technical Safety BC, the BMDEU requires continuous operator availability. To meet these requirements, Corix staffs the BMDEU with 4.6 full time equivalent (FTE) operators, 0.64 FTE supervisors, and 0.4 FTE area managers.<sup>50</sup> Compared to the 2024 forecast in the 2020–2023 RRRRA, this represents an 8.4 percent reduction in staffing due to optimization of labour

<sup>44</sup> Exhibit B-1, Section 6, p. 32.

<sup>45</sup> Exhibit B-1, Section 6.2, p. 36.

<sup>46</sup> Exhibit B-1, Section 6.1, p. 34.

<sup>47</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Section 6, Table 7, p. 32, Appendix A, Schedule 10, pp. 1–3; 2020–2023 RRRRA Decision, Section 2.2, Table 2, p. 10.

<sup>48</sup> 2020–2023 RRRRA Decision, Section 2.2, Table 2, p. 10.

<sup>49</sup> 2020–2023 RRRRA Decision, Section 2.2, Table 2, p. 10.

<sup>50</sup> Exhibit B-1, Section 6.2, p. 35.



resources, offsetting an 11.3 percent increase in salaries.<sup>51</sup> Corix applies an annual escalation rate of 3 percent to operator costs.<sup>52</sup>

Corix allocates forecast plant operator costs to O&M cost categories based on their proportional time and efforts as follows: (i) 67 percent to biomass plant operators, (ii) 10 percent to natural gas plant operators, (iii) 12 percent to energy transfer station (ETS) maintenance, (iv) 9 percent to distribution piping system (DPS) maintenance; and (v) 2 percent to CEP building maintenance. Corix explains that this allocation improves the accuracy of the distribution of O&M costs between customer groups compared to the prior RRRRA, where, due to the greenfield nature of the CEP, labour costs were split solely between biomass and natural gas plant operators. With three years of operational experience, Corix has revised its forecast methodology in the Application, basing allocations on actual data and management judgment.<sup>53</sup>

The table below, summarizes the total plant operator costs:

**Table 3: Plant Operator Costs<sup>54</sup>**

	2022 Approved	2022 Actual	2023 Approved	2023 Actual	2024 Forecast	2025 Forecast
Biomass Plant Operators (\$)	601,455	831,144	613,484	640,775	478,633	492,992
Natural Gas Plant Operators (\$)	82,400	1,058	84,048	29,383	71,438	73,581
<b>Total Plant Operators (\$)</b>	<b>683,855</b>	<b>832,202</b>	<b>697,532</b>	<b>670,158</b>	<b>550,071</b>	<b>566,573</b>

### ***Maintenance***

Corix forecasts 2024 and 2025 maintenance costs based on the 2023 historical costs associated with equipment and building repairs, contractor services, materials, and supplies. It adds that these actual costs are escalated using the three percent inflation escalator and allocated into nine cost categories reflecting the nature of the maintenance, similar to the plant operator allocations described above. Of the total maintenance costs, Corix assigns 68 percent to biomass boiler maintenance, 15 percent to natural gas boiler maintenance, 5 percent to CEP and fuel bin building maintenance, and 1 or 2 percent to each of ETS, DPS, SFU interconnect and common infrastructure maintenance.<sup>55</sup>

Corix estimates that maintenance costs will increase from the 2023 actual amount of \$373,979 to a forecast of \$535,685 in 2024.<sup>56</sup> Corix states the increase in maintenance costs in 2024 over 2023 reflects recurring maintenance activities in addition to adjustments to address foreseen changes that Corix expects to occur in the test years.<sup>57</sup> Corix uses a preventative maintenance approach focused on regular inspections and upkeep, which aims to improve forecast accuracy while minimizing unforeseen emergency repair costs.<sup>58</sup>

<sup>51</sup> Exhibit B-6, SFU IR 2.1, p. 4.

<sup>52</sup> Exhibit B-1, Section 6.2, p. 35.

<sup>53</sup> Exhibit B-1, Section 6.2, pp. 35–36.

<sup>54</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Appendix A, Schedule 2, p. 1, Schedule 10, p. 1; 2020–2023 RRRRA Decision, Section 2.2, Table 2, p. 10.

<sup>55</sup> Exhibit B-1, Section 6.2, pp. 36–37.

<sup>56</sup> Exhibit B-8, BUCU IR 23.2, p. 12.

<sup>57</sup> Exhibit B-3, BCUC IR 4.3, p. 13.

<sup>58</sup> Exhibit B-3, BCUC IR 4.3, p. 13.

Corix states that reducing preventive and periodic maintenance costs would compromise operational safety and service. The current forecast attributes 10 percent of external maintenance costs in 2024 and 2025 to non-recurring events, compared to 38 percent in 2022 and 8 percent in 2023.<sup>59</sup> Corix clarifies that after maintenance costs are categorized as described above, they are allocated to each customer group.<sup>60</sup> In the 2020–2023 RRRRA, Corix had updated its allocation methodology for DPS maintenance to be based on number of isolation valves, corporate service costs (using the Corporate Cost Allocation Methodology (CAM) model), and regional service costs (using a composite allocator to match CAM).<sup>61</sup> The table below, summarizes total maintenance costs:

**Table 4: Maintenance Costs<sup>62</sup>**

	2022 Approved	2022 Actual	2023 Approved	2023 Actual	2024 Forecast	2025 Forecast
Biomass Boiler Maintenance (\$)	94,093	215,032	95,975	202,877	243,005	250,295
Natural Gas Boiler Maintenance (\$)	8,603	45,478	8,775	16,545	47,743	49,175
ETS Maintenance – UniverCity (\$)	6,367	14,085	6,495	29,120	80,986	83,416
ETS Maintenance – SFU (\$)	10,197	0	10,401	3,888	17,470	17,995
DPS Maintenance – UniverCity (\$)	12,217	2,346	12,461	2,496	52,411	53,984
DPS Maintenance – SFU (\$)	1,433	680	1,462	244	10,327	10,636
DPS Maintenance – Shared (\$)	0	2,650	0	0	10,327	10,636
SFU Interconnect (\$)	0	9,224	0	23,840	10,327	10,636
Common Infrastructure (\$)	0	93,667	0	22,784	6,366	6,557
Building Maintenance (\$)	10,768	70,720	10,983	72,184	56,724	58,426
<b>Total (\$)</b>	<b>143,678</b>	<b>453,882</b>	<b>146,552</b>	<b>373,979</b>	<b>535,685</b>	<b>551,756</b>

#### Corporate Services, Regional Services, and Other Costs

Corix explains that corporate services costs are shared expenses incurred at the corporate level to support all affiliates, including the BMDEU. These costs are forecast at the corporate level and allocated to each of the businesses, using the CAM,<sup>63</sup> which relies on three equally weighted factors: gross revenue, gross property plant and equipment, and headcount.<sup>64</sup> Corix notes that because of the reorganization of Corix Multi-Utility Services Inc. (CMUS) and its affiliates,<sup>65</sup> there will likely be changes to the corporate services provided to the BMDEU and some in-house services may be outsourced. While Corix does not have plans to change the CAM, it states that the transition prevented it from providing a definitive corporate services cost forecast at the time of filing the Application.<sup>66</sup>

<sup>59</sup> Exhibit B-8, BCUC IR 23.3.2, p. 14.

<sup>60</sup> Exhibit B-1, Section 6.2, p. 36.

<sup>61</sup> 2020–2023 RRRRA Decision, Section 2.2, p. 14.

<sup>62</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Appendix A, Schedule 10, p. 1; 2020–2023 RRRRA Decision, Section 2.2, Table 2, p. 10.

<sup>63</sup> The Corporate Cost Allocation Methodology model was approved by the BCUC under Order G-349-20.

<sup>64</sup> Application for Approvals relating to Restructuring and Business Combination Transactions, Order G-279-23.

<sup>65</sup> The Business Combination and Pre-Closing Restructuring was approved by Order G-279-23 and is further described in footnote 2 of this decision.

<sup>66</sup> Exhibit B-1, Section 6.2, p. 38.

To prepare the 2024 and 2025 corporate services cost forecasts for SFU and UniverCity, Corix escalated the previously approved 2021 corporate services cost forecast to 2023, using actual inflation as reported by the Bank of Canada and then applying a three percent inflation escalator for 2024 and 2025.<sup>67</sup>

Corix further notes that regional services costs include regulatory affairs, technical safety and compliance, health, safety and environment, financial planning and analysis, business operations and customer care, operations leadership and strategy, as well as the project management office. These costs are allocated using the composite allocator methodology, consistent with the CAM.<sup>68</sup>

Other costs encompass utilities, materials, vehicles, safety, licensing and permits, chemical treatment, billing, liability and property insurance, external regulatory, property taxes, land leases, and franchise fees. Corix states that these are costs, essential to BMDEU operations, which are primarily forecast based on actual historical costs, adjusted for inflation, and allocated to each customer group accordingly.<sup>69</sup> The table below, summarizes corporate services, regional services and other cost categories:

**Table 5: Corporate Services, Regional Services, and Other Costs<sup>70</sup>**

	2022 Approved	2022 Actual	2023 Approved	2023 Actual	2024 Forecast	2025 Forecast
Utilities, Materials, Vehicles, Safety, Other (\$)	8,986	48,702	9,165	64,648	38,537	39,371
Licensing (Permits) (\$)	4,157	5,554	4,241	7,727	8,080	8,323
Chemical Treatment (\$)	14,045	13,533	14,326	25,512	25,585	26,352
Billing (\$)	0	0	0	0	20,048	21,051
Corporate Services (\$)	149,428	160,037	151,893	164,904	169,851	174,947
Regional Services (\$)	203,641	218,099	224,255	243,465	250,769	258,292
Liability Insurance (\$)	15,622	60,864	17,245	115,948	173,406	193,933
Property Insurance (\$)	94,892	55,420	98,479	88,278	119,050	135,085
Regulatory (external) (\$)	0	3,267	0	131,904	46,004	12,364
Property Tax (\$)	0	0	0	67,318	75,159	82,243
Land Lease (\$)	40,950	0	40,950	52,275	52,275	52,275
Franchise Fees (\$)	76,417	70,353	92,553	83,565	95,358	107,795
<b>Total (\$)</b>	<b>608,138</b>	<b>635,829</b>	<b>653,107</b>	<b>1,045,544</b>	<b>1,074,122</b>	<b>1,112,031</b>

<sup>67</sup> Exhibit B-1, Section 6.2, pp. 38–39.

<sup>68</sup> Exhibit B-1, Section 6.2, p. 39.

<sup>69</sup> Exhibit B-1, Section 6.2, pp. 37–38.

<sup>70</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Appendix A, Schedule 10, p. 1; 2020–2023 RRRRA Decision, Section 2.2, Table 2, p. 10, Tables 3 and 4, p. 13.

**O&M Cost Allocation Methodology and Assumptions**

Corix explains that each O&M cost category has been considered separately, with a specific allocation methodology applied to each. The relevant assumptions and allocation percentages are summarized in the table below.<sup>71</sup>

**Table 6: O&M Cost Allocation<sup>72</sup>**

Allocations	Allocation Type	Allocation Percentage		Allocator
		SFU	UniverCity	
Biomass Plant Operators	Shared	74.1%	25.9%	Share of Total Biomass Capacity
Natural Gas Plant Operators	Direct	--	100%	--
Biomass Boiler Maintenance	Shared	74.1%	25.9%	Share of Total Biomass Capacity
Natural Gas Boiler Maintenance	Direct	--	100%	--
Common Infrastructure -Shared	Shared	76.9%	23.1%	Share of a Portion of Biomass Capacity <sup>73</sup>
SFU Interconnect	Direct	100%	--	--
ETS Maintenance – UniverCity	Direct	--	100%	--
ETS Maintenance – SFU	Direct	100%	--	--
DPS Maintenance – UniverCity	Direct	--	100%	--
DPS Maintenance – SFU	Direct	100%	--	--
DPS Maintenance – Shared	Shred	Changes Annually		No. of DPS Isolation Valves
Building Maintenance	Shared	65.0%	35.0%	CEP and Fuel Bin Building Floor Area
Utilities, Materials, Vehicles, Safety, Other	Shared	51.3%	48.7%	CEP Output Capacity
Licensing (Permits)	Shared	51.3%	48.7%	CEP Output Capacity
Chemical Treatment	Shared	51.3%	48.7%	CEP Output Capacity
Corporate Services	Direct	N/A	N/A	Corporate CAM Model
Regional Services	Direct	N/A	N/A	Composite Allocator
Liability Insurance	Direct	N/A	N/A	Revenues
Property Insurance	Direct	N/A	N/A	Gross PPE
External Regulatory costs	Shared	Changes Annually		Some costs direct charged; remaining cost shared 50% each unless otherwise specified

**Capitalized Overhead**

Corix states capitalized overhead includes activities such as legal, regulatory, finance, human resources, operations management, and procurement, along with their associated costs. These costs are not deducted from revenue in the year they are incurred; rather, they are added to the capital cost of assets and amortized over the asset’s life through depreciation. Corix adds that this practice is standard in the capital-intensive utility industry.<sup>74</sup>

<sup>71</sup> Exhibit B-1, Section 6.4, p. 43.

<sup>72</sup> Exhibit B-1, Section 6.4, Table 10, p. 43.

<sup>73</sup> The Total Biomass Capacity is not used, as some of the infrastructure attributable to UniverCity is captured as a direct allocation (Exhibit B-1, Section 6.4, Table 10 footnote, p. 43).

<sup>74</sup> Exhibit B-1, Section 6.3, p. 39.

The 2020–2023 RRRRA Decision required Corix to address the appropriateness of its current capitalization policy in its next revenue requirements application.<sup>75</sup> Under the existing policy, Corix capitalized 25 percent of corporate services costs and regional services costs for 2020, and 10 percent of regional services costs from 2021 onwards, during years when capital projects occur.<sup>76</sup> Corix proposes a revised methodology for direct capitalized overhead allocation, which is based on the actual direct hours worked by Project Management Office staff and overhead support loading hours with a percentage set at 10 percent.<sup>77</sup> Corix states that this approach ties overhead allocation to capital project work effort, rather than capital asset cost.<sup>78</sup> Corix highlights several benefits of this proposed methodology, including (i) avoiding the need for timesheets for smaller cost allocations; and (ii) better alignment of capitalized overhead with actual project expenditures, as the methodology adjusts for project delays caused by market conditions or scheduling changes.<sup>79</sup>

Consistent with the 2020–2023 RRRRA, Corix has not capitalized any portion of operating costs allocated to SFU due to the TESA.<sup>80</sup> Using the proposed methodology, Corix forecasts capitalized overhead for UniverCity of \$7,164 in 2024 and \$11,734 in 2025. Corix explains that the proposed approach reduces the capitalized overhead to additions ratio from 1.5 percent to an average of 0.43 percent, minimizing additions to rate base.

### *Positions of the Parties*

BCOAPO notes a 57 percent increase in Corix’s 2025 O&M costs, compared to 2023 approved, is primarily driven by maintenance, labour, and insurance costs.<sup>81</sup> BCOAPO argues that Corix has provided insufficient justification for the labour cost increases and encourages strict oversight to ensure Corix spends ratepayers’ money prudently while actively seeking cost-reduction opportunities.<sup>82</sup>

In response, Corix submits that it now relies on actual operational data and historical costs, making the forecasts more reliable than past estimates. It attributes the 2024 and 2025 cost increases to underestimations in the previous RRRRA, inflation, and a refined cost allocation process. Corix further explains that in the 2020–2023 RRRRA, maintenance costs were estimated based on percentage of capital which led to an under-allocation of cost to UniverCity and an over-allocation to SFU. Corix highlights that in the Application, it accounted for higher maintenance costs for UniverCity since its older equipment requires more time and resources than previously considered.<sup>83</sup> Moreover, Corix submits it absorbed \$1.2 million in past cost overruns while continuing to prioritize service quality and safety.<sup>84</sup>

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<sup>75</sup> Corix Reply Argument, Section 92, p. 21.

<sup>76</sup> 2020–2023 RRRRA Decision, Section 2.4.3, p. 30.

<sup>77</sup> Exhibit B-1, Section 6.3, p. 41.

<sup>78</sup> Corix Reply Argument, Section 95, p. 21.

<sup>79</sup> Exhibit B-1, Section 6.3, p. 41; Exhibit B-3, BCUC IR 6.1, pp. 18–19.

<sup>80</sup> Exhibit B-1, Section 6.3, p. 42.

<sup>81</sup> BCOAPO Final Argument, Section 3, Table A, p. 4.

<sup>82</sup> BCOAPO Final Argument, Section 3.2, p. 7, Section 6.0, p. 14.

<sup>83</sup> Corix Reply Argument, Section 28, p. 7.

<sup>84</sup> Corix Reply Argument, Section 34, pp. 8–9.

RCIA, while satisfied with the proposed maintenance methodology, underscores that Corix still lacks expertise in managing biomass operations, contributing to the high growth and variability of the O&M costs.<sup>85</sup>

### *Panel Determination*

**The Panel finds the forecast O&M costs for 2024 and 2025 to be reasonable for the purposes of setting rates.** While the O&M costs forecast for the 2025 test period has increased by 33 percent<sup>86</sup> over the 2023 approved forecast, the Panel finds that these forecasts are reasonable and more accurately represent the actual costs of operational experience as adjusted to account for inflation. The Panel acknowledges that it is no longer appropriate to rely on the amounts approved before any actual operational experience with the CEP. For example, the biomass boiler maintenance costs were forecast to be \$95,975 in 2023 (approved) compared to \$243,005 in the 2024 forecast, though the actual 2023 costs were \$202,877. It would be unreasonable to disregard the actual biomass boiler maintenance costs incurred. The same logic applies to other O&M categories such as chemical treatment, which went from a 2023 approved forecast of \$14,326 to a forecast of \$25,585 in 2024, with actual 2023 costs at \$25,512, and building maintenance costs, which increased from \$10,983 (forecast approved in 2023) to \$56,724 forecast in 2024, while 2023 actual costs were \$72,184.

Labour costs, corporate services, and regional services make up approximately 60 percent of the total forecast O&M for 2024 and 2025 as compared to approximately 80 percent of the previously approved 2022 and 2023 forecast. Although the proportions of these O&M items have decreased relative to previously approved forecasts, the Panel notes that these reductions are primarily due to the overall increase in total O&M costs. As such, the Panel considers a year-over-year comparison of labour costs, corporate services, and regional services a more appropriate basis for evaluation. Overall, the Panel is satisfied that the escalation of these O&M cost items aligns with the inflationary factor and is consistent with previous levels. However, the Panel expects that O&M costs will stabilize going forward as Corix gains experience and continues to find cost efficiencies.

**The Panel finds forecast O&M cost allocations to SFU and UniverCity to be reasonable for setting the 2024 and 2025 rates.** Most of the allocators remain unchanged from the previous test period, with the addition of two new shared categories: common infrastructure-shared and DPS maintenance-shared. The original DPS maintenance cost category was also split between the two customer groups, and the new common infrastructure-shared category is allocated based on biomass capacity, while DPS maintenance-shared is allocated based on the number of isolation valves. The Panel finds these changes to the cost categories and allocation methods reasonable, as Corix has used historical operational data and management judgement to allocate costs between customer groups.

The Panel is satisfied with Corix's explanation of how the forecast maintenance costs have been allocated to the appropriate cost categories (biomass boiler maintenance, natural gas boiler maintenance, ETS maintenance, DPS maintenance, SFU interconnect, common infrastructure and building maintenance) in a manner that reflects the nature of the maintenance. While these changes result in higher cost allocation to UniverCity compared to the 2020–2023 RRA, Corix explains that this increase is due to the greater number of older units at UniverCity, which require more time and resources from plant operators. For example, Corix reports that UniverCity's

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<sup>85</sup> RCIA Final Argument, p. 10.

<sup>86</sup>  $[(\$1,988,047 - \$1,497,191) / \$1,497,191] = 0.33$

equipment has been in service 7.2 years compared to 2 years at SFU; UniverCity has 17 ETS stations, while SFU has one; and UniverCity's DPS length is 2,228 metres, while SFU's is 497 metres.<sup>87</sup>

The Panel acknowledges Corix's statement that it does not have current plans to change the approved corporate CAM approach at this time. However, the Panel recognizes that following the internal reorganization of CMUS and its affiliates (Pre-Closing Restructuring), Corix has become a stand-alone limited partnership, which introduces complexities that may affect the appropriateness of continuing the current methodology in the long term. While the Panel accepts Corix's approach of escalating corporate services costs based on inflation for 2024 and 2025, this approach is inherently transitional until more information is available. In light of these considerations, the Panel reminds Corix of the BCUC's direction in the decision accompanying Order G-279-23 that required CMUS and BMDEU to file any proposed changes to the currently approved cost allocation methodology to the BCUC for approval prior to implementation. If no change to the cost allocation methodology is proposed within 24 months from the closing of the business combination<sup>88</sup> and Pre-Closing Restructuring transactions, Corix must provide a status update to the BCUC.

In the 2020–2023 RRRRA, the BCUC approved capitalized overhead rates for UniverCity for the test years 2020 to 2023 and directed Corix to address the appropriateness of continuing this policy in the next revenue requirements application.<sup>89</sup> The Panel is satisfied with the proposed direct causal approach of capitalizing overhead, which allocates overhead based on the actual direct labour hours of the Project Manager's Office. The Panel views that this approach is appropriate, particularly in situations where a new building is delayed due to market conditions, or an anticipated renewal project is delayed into the following year.

## 2.2 Inclusion of Ash Disposal Costs in Energy Costs

Energy costs, which currently include biomass fuel, electricity and natural gas, are driven by customer consumption and market prices. Corix states that these costs are outside of the utility's control.<sup>90</sup> The CEP uses biomass-fired boilers to supply baseload thermal energy to both SFU and UniverCity, while natural gas-fired boilers provide peaking and back-up thermal energy to UniverCity only. SFU maintains its own natural gas boilers.

Corix proposes to include biomass ash disposal costs in the energy cost category, to be flowed through to customers.<sup>91</sup> Ash is a by-product of biomass combustion, which generates thermal energy and must be removed and disposed of at regular intervals to maintain proper functioning of the biomass boiler.<sup>92</sup> Corix proposes to allocate ash disposal costs to SFU and UniverCity using the same allocator as biomass costs.<sup>93</sup> Corix inadvertently

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<sup>87</sup> Exhibit B-3, BCUC IR 5.2, p. 17.

<sup>88</sup> Business Combination refers to the transaction whereby Corix Infrastructure Inc., through its affiliates, and SW Merger Acquisition Corp., along with its wholly owned subsidiary SouthWest Water Company, combined their respective water utility, wastewater, and related businesses (Application for Approvals relating to Restructuring and Business Combination Transactions proceeding, Exhibit B-1, p. 1).

<sup>89</sup> 2020–2023 RRRRA Decision, Section 2.4.3, p. 31.

<sup>90</sup> Exhibit B-1, Section 5, p. 25.

<sup>91</sup> Exhibit B-1, Section 5.2.1, p. 27.

<sup>92</sup> Exhibit B-1, Section 5.2, p. 27.

<sup>93</sup> Exhibit B-1, Section 5.2.3, p. 29.

excluded these costs from the 2020–2023 RRRRA and therefore they were not included in customer rates for the past three years. Instead, Corix submits that biomass ash disposal costs have been charged to the account of the shareholder since the start of biomass operations in October 2020.<sup>94</sup> The following table, shows the 2022 and 2023 actual and 2024 and 2025 forecast biomass ash disposal costs as a proportion of total energy costs.

**Table 7: Biomass Ash Disposal Cost and Energy Cost<sup>95</sup>**

	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast
Ash disposal cost (\$)	148,077	100,617	103,434	143,580
Total energy cost (\$)	1,620,876	1,406,227	1,629,285	1,722,552
Ash disposal cost as a percentage of total energy costs (%)	9.1%	7.2%	6.3%	8.3%

Corix explains that ash disposal costs are contingent on (i) amount of biomass consumed; (ii) ash content of biomass; (iii) handling and transportation cost; and (iv) ash landfill disposal costs. Corix states that these four cost drivers are primarily non-controllable, as they are based on customer consumption, the quality and ash content of biomass fuel supply, and the market price for the biomass ash pickup, transportation, and landfill disposal.<sup>96</sup> It adds that the most significant factor contributing to cost variability is the amount of biomass consumed, which depends on demand and the number of hours the biomass boiler is operating.<sup>97</sup> Corix has investigated beneficial uses for the ash residue but found that the carbon content offers little to no agricultural or industrial value. Corix continues to monitor the market and industry for advancements that may lead to re-uses for the ash.<sup>98</sup> Corix states that BMDEU is a pioneer in the use of biomass, and it is not aware of any other regulated facility presently operating in BC. Therefore, there is no comparison of other utilities that use flow-through treatment of fuel waste or disposal costs to customers.<sup>99</sup>

Corix considered alternatives to account for ash disposal costs, such as introducing a separate energy ash charge or incorporating these costs into the existing fixed charges for UniverCity and SFU.<sup>100</sup> To set up a separate energy ash charge would create administrative burden, as this would require segmenting the Variable Energy Charge into two components, as well as setting up two new Energy Cost Reconciliation Accounts (ECRA), one for each customer. This could also lead to customer confusion due to change in existing rate structure and the introduction of two separate volumetric charges that are inherently linked.<sup>101</sup> In the past, ash disposal costs represented less than 10 percent of the overall energy costs, indicating that it may not be material enough to warrant presentation as a separate energy ash charge. Another alternative would be to incorporate these costs into the fixed charges, but this alternative is not preferred since the costs are highly variable.<sup>102</sup> Ultimately, Corix

<sup>94</sup> Exhibit B-1, Section 5.2.1.1, p. 28.  
<sup>95</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Section 5.2.1.1, p. 28, Section 5.5, Table 6, p. 31.  
<sup>96</sup> Exhibit B-3, BCUC IR 3.1, pp. 6–7.  
<sup>97</sup> Exhibit B-1, Section 5.2.2, p. 29.  
<sup>98</sup> Exhibit B-3, BCUC IR 3.5, p. 10.  
<sup>99</sup> Exhibit B-3, BCUC IR 3.6, p. 10.  
<sup>100</sup> Exhibit B-3, BCUC IR 3.4; The fixed charge for UniverCity is the Basic Charge (\$/m<sup>2</sup>/month), while for SFU it is the Capacity Charge (\$/MW of nominated capacity/month).  
<sup>101</sup> Exhibit B-3, BCUC IR 3.4, pp. 8–9.  
<sup>102</sup> Exhibit B-3, BCUC IR 3.4, p. 9.



proposes to recover the variance between forecast and actual ash disposal costs beginning March 1, 2024, as a flow-through to customers. For SFU, these costs would be recovered through the SFU Consumption Charge, with the variance captured in the SFU Fuel Cost Deferral Account (FCDA) and amortized via SFU Rate Rider 1. The next adjustment is scheduled for July 1, 2025.<sup>103</sup> For UniverCity, actual ash disposal costs would be included in the ECRA and the Variable Energy Charge, with the next adjustment effective April 1, 2025.<sup>104</sup>

### *Positions of the Parties*

Both BCOAPO and RCIA consider Corix's proposal for recovering ash disposal costs to be reasonable.<sup>105</sup>

### *Panel Determination*

#### **The Panel approves including biomass ash disposal costs in flow-through energy costs for UniverCity and SFU.**

In light of the alternatives considered, the Panel considers that including biomass ash disposal costs as part of flow-through energy costs is efficient and simple to implement, requiring no changes to the existing rate design for either UniverCity or SFU. The Panel notes other utilities include ancillary costs in their cost of gas. For example, FortisBC Energy Inc. includes core market administration expense in its cost of gas. These costs were deemed to be part of flow-through gas costs associated with managing the natural gas supply for its customers and have been segregated from O&M.<sup>106</sup> Also, Pacific Northern Gas Ltd. incorporates storage and transportation costs in its commodity charge passed through to its ratepayers.<sup>107</sup> Further, the Panel is satisfied with Corix's proposal to allocate biomass ash disposal costs to SFU and UniverCity using the same allocator as biomass costs, as it represents the proportional consumption of the biomass fuel for the respective customer groups.

While the Panel considers Corix's proposal reasonable, we acknowledge that monitoring of biomass ash disposal costs is necessary due to the potential fluctuations in the cost. The Panel views this new biomass ash disposal costs flow-through treatment as unique. Therefore, to ensure accountability and efficiency, **the Panel directs Corix to include in its next revenue requirements application, a review of actual biomass ash disposal costs, specifying any efficiency measures Corix has implemented and identifying any components that may be considered controllable.** This review will provide greater understanding of potential ash disposal cost fluctuations and allow the BCUC to assess whether Corix is effectively managing biomass ash disposal costs.

The Panel notes that ash disposal costs have ranged between seven and nine percent of total annual energy costs, and we consider this level to be reasonable. To ensure continued transparency, **the Panel directs Corix to report annually, in its ECRA Annual Report for UniverCity and its Deferral Account Report for SFU, the percentage of biomass ash disposal costs relative to total energy costs. If the percentage of biomass ash disposal costs reaches 10 percent or more of total annual energy costs, calculated as an average over the year, Corix is directed to provide supporting rationale for the increase in its report.**

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<sup>103</sup> Exhibit B-1, Section 5.2.1, p. 28.

<sup>104</sup> Exhibit B-1, Section 5.2.1 p. 28.

<sup>105</sup> BCOAPO Final Argument, Section 2.0, p.3; RCIA Final Argument, p. 7.

<sup>106</sup> An Application by BC Gas Utility Ltd. – Increased Rates, Decision and Order G-37-94, Section 2, pp. 3–4.

<sup>107</sup> Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. Commodity Cost Consolidation, Exhibit B-1, Section 3.1, p. 12.

### 2.3 Capital Additions

Corix provides the 2023 actual capital additions and the 2024 and 2025 forecast capital additions, excluding Allowance for Funds Used During Construction (AFUDC), Contributions in Aid of Construction (CIAC) and capitalized overhead for the CEP<sup>108</sup> SFU<sup>109</sup> and UniverCity.<sup>110</sup> The following table outlines these capital additions based on evidence provided by Corix during this proceeding.

**Table 8: Capital Costs Excluding AFUDC, CIAC and Capitalized Overhead<sup>111</sup>**

	Actual 2023 (\$)	Forecast 2024 (\$)	Forecast 2025 (\$)
Central Energy Plant	257,396	493,049	391,250
SFU	48,161	0	0
UniverCity	487,327	465,000	3,422,430
<b>Total<sup>112</sup></b>	<b>792,884</b>	<b>958,049</b>	<b>3,813,680</b>

Central Energy Plant capital costs relate to the CEP building, the biomass module, the natural gas module and vehicles, and are generally shared between SFU and UniverCity, except capital costs for the natural gas module, which are for UniverCity only. In the Application, Corix outlines 15 CEP-related projects during the test period which together comprise the total CEP capital additions in Table 8.<sup>113</sup> Corix explains that these projects are either:

- Replacement and renewal of existing equipment that is at, or approaching, the end of its useful life as informed by inspection and original equipment manufacturer recommendations;<sup>114</sup>
- Addition of new equipment that, among other things, improves safety at the CEP, increases plant efficiency and reduces equipment wear and tear and associated maintenance;<sup>115</sup> or
- General capital expenditures that include engineering studies, a vehicle to transport materials and equipment, office renovations and tree replacements.<sup>116</sup>

For SFU capital costs, Corix confirms that no capital additions are forecast for SFU during the test period, with 2023 additions attributed to the replacement of a heat exchanger in the SFU ETS.<sup>117</sup> UniverCity capital costs include capital costs related to the DPS and ETS that serve UniverCity, including capital costs incurred for the

<sup>108</sup> Exhibit B-1, Section 8.1, p. 45.

<sup>109</sup> Exhibit B-1, Section 8.2, p. 48.

<sup>110</sup> Exhibit B-1, Section 8.3, p. 48.

<sup>111</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Section 8.1, Table 11, p. 45, Section 8.2, Table 12, p. 48, Section 8.3, Table 13, p. 48.

<sup>112</sup> Total values are BCUC calculated.

<sup>113</sup> Exhibit B-1, Section 8.1, p. 45.

<sup>114</sup> Exhibit B-1, Section 8.1, pp. 46–47; Exhibit B-3, BCUC IR 9.2.

<sup>115</sup> Exhibit B-1, Section 10.5.3, p. 83.

<sup>116</sup> Exhibit B-1, Section 8.1, p. 47.

<sup>117</sup> Exhibit B-1, Section 8.2, p. 48.

build-out of the UniverCity neighbourhood.<sup>118</sup> While Corix is not party to the ground lease agreements between SFU and the developer, it is notified when a parcel is leased and scheduled for development, at which time Corix establishes a servicing agreement for the provision of thermal energy service with the property developer.<sup>119</sup>

Corix states that the UniverCity 2023 capital additions include the DPS and ETS cost for the most recently connected land parcels of the UniverCity build-out. Forecast 2024 additions include an air temperature sensor and programmable logic controller replacements. The 2025 forecast additions include costs to connect four of the last five land parcels in the build-out schedule, which are forecast for completion in 2026.<sup>120</sup>

### *Positions of the Parties*

Intervenors did not make submissions on capital additions.

### *Panel Discussion*

The Panel considers that Corix's 2023 actual capital additions are reasonable and accepts the forecast capital additions for 2024 and 2025.

With respect to UniverCity, specifically the increase in forecasted capital additions from \$465,000 in 2024 to \$3,422,430 in 2025, the Panel determines these additions to be reasonable considering they are based on the most recently available build-out schedule.

With respect to the CEP, given the materiality of the capital additions for the 15 projects outlined in the Application, we find that Corix has provided adequate support and justification for the purposes of this Application. The Panel requests that in future revenue requirement applications, Corix provide a more robust justification for its capital additions, quantifying, when possible, the impact to service safety and reliability. For instance, Corix should provide information related to any anticipated operational efficiencies or improvements and the corresponding impact to ratepayers as a result of each capital addition.

## **2.4 Replacement and Renewal Costs and Planning**

In the 2020–2023 RRRRA the BCUC acknowledged that the revenue requirements did not include a forecast of Replacement and Renewal capital expenditures. The BCUC accepted Corix's position that operational experience was necessary to inform such a forecast and directed Corix to include an update on the status of the Replacement and Renewal Plan in its next revenue requirements application.<sup>121</sup>

Corix submits that it does not yet have a Replacement and Renewal Capital Plan due to limited operational experience of the biomass facility, as five to ten years of continuous operation is necessary.<sup>122</sup> Corix explains

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<sup>118</sup> Exhibit B-1, Section 4.1, Table 2, p. 21, Section 8.3, p. 48; Exhibit B-3, BCUC IR 1.1.

<sup>119</sup> Exhibit B-8, BCUC IR 22.1.

<sup>120</sup> Exhibit B-1, Section 4.1, Table 2, p. 21, Section 8.3, p. 48; Exhibit B-3, BCUC IR 1.1. Corix specifies that the forecast completion dates for the remaining parcels are based on the most recent information provided to it by the Simon Fraser University Community Trust (which facilitates the property development process for UniverCity).

<sup>121</sup> 2020–2023 RRRRA Decision, Section 5.2, p. 60.

<sup>122</sup> Exhibit B-1, Section 8.6.2, p. 52.

that, once fully developed, its Replacement and Renewal Capital Plan will provide a long-term forecast of expected Replacement and Renewal capital based on a combination of planned maintenance, material condition assessments and the original equipment manufacturer-recommended replacement schedule.<sup>123</sup> Given that 2025 will mark the fifth full year of operations at the biomass facility, Corix states that it anticipates that it can include a Renewal and Replacement schedule with accompanying explanations for the forecast test period in the next rate application.<sup>124</sup>

### *Positions of the Parties*

Intervenors did not make submissions on this matter.

### *Panel Determination*

The Panel regards the Replacement and Renewal Capital Plan as essential to establishing a revenue requirement but acknowledges Corix's lack of operational experience. While Corix has stated that five to ten years of operational experience is needed, the Panel considers five years of continuous operation sufficient to create a comprehensive Replacement and Renewal Capital Plan, as it can be updated, if necessary, over time. Without this plan, it is difficult for the BCUC to assess the necessity and timing of Corix's proposed capital expenditures.

The Panel accepts that Corix is committed to developing this plan based on operational experience and material condition assessments. This will provide a robust framework for addressing equipment condition and replacement needs and will provide ratepayers with greater transparency regarding Corix's long-term capital planning. **Accordingly, the Panel directs Corix to provide a Replacement and Renewal Capital Plan in its next revenue requirements application.**

## **2.5 New Deferral Account Requests**

Corix requests BCUC approval to establish new deferral accounts for variance treatment to recover regulatory costs and insurance costs that impacts both SFU and UniverCity. If approved, the recovery of actual costs will be within the SFU Capacity Charge (for regulatory costs), through SFU Rate Rider 2 (for insurance costs), and through future Basic Charges for UniverCity for both regulatory and insurance costs.<sup>125</sup>

To assist regulated entities in preparation of an application requesting deferral or regulatory account treatment, the BCUC established the Regulatory Account Filing Guidelines to facilitate an efficient review of these applications. For instance, utilities are expected to indicate whether a deferral account is used to account for uncontrollable costs or forecast uncertainty; address the materiality of costs or any impact on intergenerational equity issues; and include a proposal for a timeline and mechanism for recovery.<sup>126</sup>

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<sup>123</sup> Exhibit B-1, Section 8.6.2, p. 52.

<sup>124</sup> Exhibit B-1, Section 8.6.2, p. 52.

<sup>125</sup> Exhibit B-1, Section 1.3, pp. 4–5.

<sup>126</sup> BCUC, Regulatory Account Filing Guidelines, pp. 1–2, retrieved from <https://docs.bcuc.com/documents/Guidelines/Regulatory-Account-Filing-Guidelines.pdf>

### 2.5.1 Regulatory Costs Variance Account for SFU and UniverCity

Corix proposes to establish two non-rate base Regulatory Costs Variance Accounts (RCVA), one for each of UniverCity and SFU. These deferral accounts would capture variances between forecast and actual BMDEU external regulatory costs on an ongoing basis, accruing interest at Corix's weighted average cost of capital. The proposed external regulatory costs that would be recorded in the RCVA include BCUC cost recovery levies, BCUC-invoiced costs that Corix is directed to pay, participant cost award payments, public consultation costs, and external legal and consulting costs associated with BCUC-initiated proceedings.<sup>127</sup>

Corix states that external regulatory costs are uncertain largely due to the nature and timing of regulatory proceedings which are outside its control.<sup>128</sup> Corix states that it may need to obtain assistance from external legal counsel or consultants when specialized expertise is needed. Corix further states that accurately forecasting these costs is challenging, given their dependence on the nature of the proceedings. For these reasons, Corix considers a deferral account for each UniverCity and SFU to capture these costs is reasonable.<sup>129</sup>

Corix explains that the allocation of regulatory costs between UniverCity and SFU would depend on the cause and benefit of the costs. Costs related to both UniverCity and SFU would be shared based on a reasonable allocator such as rate base, revenues, or a combination of both. Shared costs that have no reasonable allocator would be split equally between UniverCity and SFU.<sup>130</sup>

Corix notes that in the absence of an approved RCVA for UniverCity, any regulatory cost variance within UniverCity's O&M costs would need to be captured within the UniverCity RDDA.<sup>131</sup> Corix considers that a separate account for regulatory costs for UniverCity would enhance transparency in the recovery of these costs.<sup>132</sup> Additionally, Corix proposes that the UniverCity RCVA be fully amortized within the test period of the next revenue requirements application, although the duration of the next test period is currently unknown.<sup>133</sup>

For SFU, Corix proposes that the RCVA would similarly capture the variance in external regulatory costs with the balance fully amortized in test period of the next revenue requirements application. Corix submits it would be simpler to include any amortization of the SFU RCVA balance within the Capacity Charge for recovery, rather than including it in an existing rate rider or creating a new rate rider.<sup>134</sup>

#### *Positions of the Parties*

SFU supports the establishment of an SFU RCVA but disagrees with Corix that external costs such as legal, consulting and public consultation costs are completely outside of Corix's control. SFU recommends that these costs be reviewed for reasonableness and prudence by the BCUC when Corix seeks to recover them in a future

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<sup>127</sup> Exhibit B-1, Section 10.6, p. 89, Section 10.8, Table 32, p. 97; Exhibit B-3, BCUC IR 17.3 and 17.4.

<sup>128</sup> Exhibit B-1, Section 10.6, p. 89.

<sup>129</sup> Exhibit B-3, BCUC IR 17.1, 17.2.

<sup>130</sup> Exhibit B-3, BCUC IR 17.6.

<sup>131</sup> Exhibit B-1, Section 10.6, pp. 89–90.

<sup>132</sup> Exhibit B-1, Section 10.6, p. 90.

<sup>133</sup> Exhibit B-3, BCUC IR 17.4.

<sup>134</sup> Exhibit B-1, Section 10.6, p. 90.

application.<sup>135</sup> In reply to SFU, Corix submits that the prudence and recovery of any deferred costs is a matter for review during the next rate application and that the BCUC Panel needs to make a decision on Corix's requests in this Application (i.e. the creation of the account and proposed approach to amortization).<sup>136</sup>

RCIA supports the creation of the RCVA for both UniverCity and SFU, and submits that the amortization period of the RCVAs should match the length of the test period of the current RRRRA (i.e. two years), even if the test period of the next revenue requirements application is longer.<sup>137</sup> In reply to RCIA, Corix explains that its proposal for full recovery of the RCVA within the test period of the next revenue requirements application is appropriate and submits that RCIA's proposed matching approach is not necessary.<sup>138</sup>

BCOAPO submits that Corix's proposal to establish the RCVA for both UniverCity and SFU is reasonable.<sup>139</sup>

### *Panel Determination*

The Panel acknowledges Corix's proposal of establishing separate RCVAs to capture external regulatory costs for UniverCity and SFU. The Panel agrees that these costs are largely uncontrollable due to the uncertainty surrounding proceedings and costs such as participant funding. Establishing deferral accounts to capture variances in external regulatory costs is reasonable and consistent with regulatory practices of other thermal energy system (TES) utilities. For example, the BCUC has previously approved the following deferral accounts similar to the RCVAs:

- Creative Energy Vancouver Platforms Inc. (Creative Energy) – By Decision and Order G-167-16 dated November 18, 2016, the BCUC approved the creation of a Third-Party Regulatory Costs Deferral Account for Creative Energy to capture the variance between forecast and actual third-party costs related to regulatory filings and proceedings required under the UCA, with a one-year amortization period.
- Shannon Estates TES (Shannon Estates) – By Decision and Order G-190-17 dated December 19, 2017, the BCUC approved the establishment of a Regulatory Deferral Account to record 75 percent of the actual costs Shannon Estates incurred for technical and legal consultation in relation to its rate application.

Further, in the case of UniverCity, the establishment of a separate RCVA ensures a clear view of any external regulatory cost variances which would otherwise be combined with other deferred costs within the UniverCity RDDA. **Therefore, the Panel approves the establishment of separate Regulatory Cost Variance Accounts for UniverCity and SFU to record their respective variances between forecast and actual external regulatory costs, accruing interest at Corix's weighted average cost of capital.**

Corix acknowledges that the amounts recorded in the RCVAs should be accompanied with a justification, which the Panel considers reasonable. This would allow BCUC to review these costs before they are recorded in the respective RCVAs. We clarify that the approval granted above is for the creation of the RCVAs and to record costs for future recovery of variances; however, Corix is also expected to provide sufficient information to

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<sup>135</sup> SFU Final Argument, pp. 1–2.

<sup>136</sup> Corix Reply Argument, pp. 3–4.

<sup>137</sup> RCIA Final Argument, p. 9.

<sup>138</sup> Corix Reply Argument, p. 17.

<sup>139</sup> BCOAPO Final Argument, p. 3.

explain why the external regulatory costs recorded in the RCVAs are uncontrollable and appropriate for recovery from ratepayers.

Corix proposes to fully amortize the RCVAs within the test period of the next revenue requirements application, but also acknowledges the test period of the next revenue requirements application is currently unknown. We therefore consider it to be premature for this Panel to approve an amortization period for the RCVAs. Further, we also consider that while matching the amortization period of the RCVAs to the test period of the current RRRRA (i.e. two years) may provide a clear timeframe for recovery, this approach may not be appropriate if the actual test period of the next revenue requirements application turns out to be longer than two years. A longer recovery period could also increase carrying costs of the CEP and thereby impact future rates. Therefore, **the Panel directs Corix to propose the amortization period for the Regulatory Cost Variance Accounts for each of UniverCity and SFU in its next revenue requirements application. Corix is further directed to recover or refund any variances to UniverCity through amortization of the balance to the Basic Charge, and to SFU through amortization of the balance to the Capacity Charge.**

The Panel also acknowledges Corix's approach to allocate regulatory costs between UniverCity and SFU based on cause and benefit of the costs incurred. We accept that costs will be allocated utilizing allocators such as rate base or revenues, or an equal split where no reasonable allocator exists.

### 2.5.2 Insurance Costs Variance Account for SFU and UniverCity

Corix proposes to establish two non-rate base Insurance Costs Variance Accounts (ICVA), one for each of UniverCity and SFU, on an ongoing basis, to record variances between forecast and actual costs for liability and property insurance, based on each customer groups' portion of the actual insurance costs. Corix notes that insurance costs have generally risen in recent years, further adding to the uncertainty.<sup>140</sup> Corix provides the forecast and actual liability and property insurance costs for each of SFU and UniverCity for 2019 until 2023, noting that these costs have exhibited volatility with over 10 percent variability.<sup>141</sup>

Corix considers it reasonable to establish variance deferral accounts to address insurance cost variances due to the uncertainty surrounding insurance rates at policy renewal and the general volatility of insurance premiums. This uncertainty and volatility particularly impacts Corix following the business restructuring.<sup>142</sup> For 2024, Corix states that there is moderate uncertainty in insurance costs since the currently issued policies cover most of the year, while for 2025, Corix expects greater uncertainty, as future policy rates are unknown.<sup>143</sup> Further, Corix explains that longer test periods would increase this uncertainty.<sup>144</sup> Test periods themselves can range in length from a single year to five years.<sup>145</sup> Despite this, Corix anticipates little or no intergenerational equity issues for either of UniverCity and SFU under the proposed ICVAs.<sup>146</sup>

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<sup>140</sup> Exhibit B-1, Section 10.7.1, p. 91, Section 10.8, Table 32, p. 94.

<sup>141</sup> Exhibit B-3, BCUC IR 18.1.

<sup>142</sup> Exhibit B-1, Section 10.7.1, p. 91.

<sup>143</sup> Exhibit B-1, Section 10.8, Table 32, p. 95.

<sup>144</sup> Exhibit B-3, BCUC IR 18.2.

<sup>145</sup> Exhibit B-1, Section 10.8, Table 32, p. 97.

<sup>146</sup> Exhibit B-1, Section 10.8, Table 32, p. 95.

For UniverCity, Corix proposes that insurance cost variances would be captured in the UniverCity ICVA, with the balance fully amortized in the test period of the next revenue requirements application. For SFU, Corix proposes that insurance cost variances would be recorded in the SFU ICVA and recovered through SFU Rider 2, which would be amended to account for both property tax variances and insurance cost variances.<sup>147</sup> The SFU Rider 2 is set annually in a separate regulatory process with rates effective July 1 each year, and any variance from the previous year is captured in the following year's rate.<sup>148</sup>

In the absence of approval, Corix offers the following alternative treatments of the requested ICVAs for each of UniverCity and SFU:<sup>149</sup>

- For UniverCity, the respective insurance cost variance would be captured in the UniverCity RDDA, though Corix notes this would extend the recovery period.
- For SFU, the respective insurance cost variance would be recorded in the SFU Property Tax Deferral Account, which would be renamed to the 'Property Fees Deferral Account'. However, Corix notes that combining these variances into one account would reduce transparency compared to establishing a separate SFU ICVA.

Corix proposes the UniverCity ICVA accrue interest at its weighted average cost of capital, aligning with the treatment of non-controllable cost variances in the RDDA. For the SFU ICVA, Corix proposes no carrying cost since the balance would be recovered within 18 months through SFU Rider 2.<sup>150</sup>

### *Positions of the Parties*

RCIA supports establishing an ICVA for both UniverCity and SFU,<sup>151</sup> but contends that insurance costs should not be considered as entirely uncontrollable. RCIA argues that Corix's management and operational practices can influence these costs so treating them as fully uncontrollable would be unfair to ratepayers. RCIA recommends that the BCUC direct that part of the insurance costs be treated as controllable, with Corix bearing some of the risk associated with the variability of these costs. Further, RCIA submits that the amortization period of the ICVAs should align with the length of the current RRRRA test period (i.e. two years), even if the test period of the next revenue requirements application is longer.<sup>152</sup>

In reply, Corix disagrees with RCIA's conclusion that management can influence insurance costs and states that it is proposing an ICVA because insurance costs are highly variable depending on insurance market conditions. Further, regarding the amortization period of the ICVAs, Corix states that its objective is to recover the ICVAs within the test period of the next revenue requirements application and that RCIA's suggestion to recover the ICVA over a period aligned with the length of the current RRRRA test period (i.e. two years) is not necessary.<sup>153</sup>

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<sup>147</sup> Exhibit B-1, Section 10.7.2, p. 92.

<sup>148</sup> Exhibit B-1, Section 10.7.2, p. 92, Section 10.8, Table 32, p. 96; Exhibit B-3, BCUC IR 18.3.

<sup>149</sup> Exhibit B-1, Section 10.8, Table 32, p. 94; Exhibit B-3, BCUC IR 18.6.

<sup>150</sup> Exhibit B-1, Section 10.8, Table 32, p. 97.

<sup>151</sup> RCIA Final Argument, p. 10.

<sup>152</sup> RCIA Final Argument, pp. 8–9.

<sup>153</sup> Corix Reply Argument, pp. 16–17.



## *Panel Determination*

**The Panel approves the establishment of separate Insurance Costs Variance Accounts for UniverCity and SFU to record their respective variances between forecast and actual costs for liability and property insurance.**

We accept that insurance rates are subject to external changing market conditions that can lead to fluctuations in premiums beyond Corix's control. We note that the BCUC has approved an Insurance Costs Regulatory Account for the British Columbia Hydro and Power Authority to defer variances between planned and actual insurance costs,<sup>154</sup> which is similar to Corix's proposed ICVA.

While the Panel recognizes that it may be possible to mitigate aspects of insurance costs through risk control and other management decisions as pointed out by RCIA, we are not contemplating the reasonableness of the costs in such an account in this decision, but merely considering the establishment of an account to address potential fluctuations in insurance costs. Therefore, in the Panel's view, Corix's proposal to establish separate deferral accounts to capture insurance costs is reasonable. Further, in the case of UniverCity, establishing a separate ICVA promotes transparency by capturing insurance cost variances that might otherwise be included within the UniverCity RDDA.

We accept Corix's proposal to align the recovery period for UniverCity's portion of the ICVA with the test period of the next revenue requirements application. Aligning the recovery period of insurance cost variances with the test period of the next revenue requirements application allows for smooth recovery of insurance costs within a defined timeframe and provides flexibility in the amortization period which allows Corix to adjust the recovery timeline as needed to better control rate impacts. The Panel also accepts that the deferral account should accrue interest at Corix's weighted average cost of capital, as this is consistent with the treatment of variances within the UniverCity RDDA.

Corix proposes insurance cost variances be recovered from or refunded to SFU over a 12-month period beginning July 1 of the following year through SFU Rider 2 (i.e. by amending Rider 2 to account for both property tax variances and insurance cost variances). As with UniverCity, we accept that recording costs in the ICVA provides greater transparency than recording them in the SFU Property Tax Deferral Account and accept the proposal to align the amortization period with the current test period. Further, we are satisfied that no interest should be accrued for SFU's ICVA, noting Corix's rationale that these balances are recovered over a short timeframe and that this is consistent with the SFU Property Tax Deferral Account which also uses SFU Rider 2 as a recovery mechanism.

**The Panel approves the amortization periods and application of interest for the UniverCity and SFU Insurance Cost Variance Accounts as follows:**

- a. For UniverCity, the balance will be fully amortized within the test period of the next revenue requirements application, with any variances addressed through adjustments to the Basic Charge, either as recoveries from or refunds to UniverCity. The deferral account will accrue interest at Corix's weighted average cost of capital.**

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<sup>154</sup> Order G-236-24.

**b. For SFU, the balance will be fully amortized through SFU Rider 2.**

## **2.6 UniverCity Revenue Deficiency Deferral Account**

The RDDA for UniverCity customers was established in 2011 as part of implementing a levelized rate structure over a 20-year period from 2011 until 2031. Corix proposes to extend the RDDA recovery period to 2036 due to delays in the UniverCity build-out schedule.<sup>155</sup>

In the 2011 UniverCity CPCN proceeding, Corix anticipated the build-out of the UniverCity development would occur over a nine-year period and that some of the largest capital requirements would be required well in advance of the date when sufficient load would exist to recover the costs on an economical basis. Therefore, Corix proposed to implement a levelized rate structure in the form of an RDDA to reduce the cost to customers in the early stages of the project and to fairly distribute these costs to all customers over a 20-year period (i.e. from 2011 until 2031),<sup>156</sup> which the BCUC approved in its 2011 UniverCity CPCN Decision.<sup>157</sup>

In 2016, the BCUC approved the continued use of the RDDA for UniverCity and reduced the target recovery period from 20 years to 15 years (i.e. until 2026) in response to Corix's request.<sup>158</sup> A shorter recovery period reduces the amount of accrued financing costs charged to ratepayers over the life of the RDDA and reduces the potential for intergenerational inequity.<sup>159</sup>

In the 2020–2023 RRRRA Decision, the BCUC directed Corix to address the recovery of the UniverCity RDDA in this Application because the UniverCity build-out would be closer to completion and actual operating data for the CEP would be available during the 2024 to 2025 test period.<sup>160</sup> In the 2020–2023 RRRRA proceeding, Corix forecasted that the RDDA balance would be fully recovered by the end of 2031.<sup>161</sup>

### **2.6.1 UniverCity Build-Out**

Corix notes that UniverCity's development schedule for the last five remaining parcels of land has been extended by two or more years beyond the 2020–2023 RRRRA timeline due to delays in securing ground lease agreements between SFU and the property developers.<sup>162</sup> As of the end of 2023, 163,150 m<sup>2</sup> of UniverCity<sup>163</sup> (77 percent of the total forecast area) has been built out, out of a total forecast area of 211,836 m<sup>2</sup> at full build-out by 2027.<sup>164</sup> Corix notes that this reflects a decrease of 1.1 percent (2,359 m<sup>2</sup>) from the previous forecast of

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<sup>155</sup> Exhibit B-1, Section 10.5.1, p. 78, Section 10.5.2, p. 82.

<sup>156</sup> 2011 UniverCity CPCN proceeding, Exhibit B-1, Section 3.8, p. 27.

<sup>157</sup> 2011 UniverCity CPCN Order C-7-11 dated May 6, 2011, Directives 3 and 4.

<sup>158</sup> Decision accompanying Order G-215-15 dated December 30, 2015, p. 10.

<sup>159</sup> Corix Multi-Utility Services Inc. Application for a Certificate of Public Convenience and Necessity for Additional Capital and Amended Rates for UniverCity Neighbourhood Utility Service on Burnaby Mountain, Exhibit B-2, BCUC IR 9.4; Decision and Order G-215-15 dated December 30, 2015.

<sup>160</sup> 2020–2023 RRRRA Decision, Section 3.1.1, pp. 41–42.

<sup>161</sup> 2020–2023 RRRRA proceeding, Corix Reply Argument, p. 9.

<sup>162</sup> Exhibit B-3, BCUC IR 1.1, p. 2; Exhibit B-8, BCUC IR 22.1, pp. 6–7.

<sup>163</sup> Calculated by BCUC staff using the figures provided in Table 2 of the Application (Exhibit B-1) as follows: 211,836 – 29,683 – 19,003 = 163,150 (Exhibit B-1, Section 4.1, Table 2, p. 21).

<sup>164</sup> Exhibit B-1, Section 4.1, Table 2, p. 21.

214,196 m<sup>2</sup> in the 2020–2023 RRRRA. However, Corix states that the build-out schedule and total floor area are subject to updates by the property developers.<sup>165</sup>

Corix anticipates that the remaining buildings in the UniverCity development will now be completed and connected to the BMDEU by the end of 2027,<sup>166</sup> revising the earlier completion timelines of 2025 outlined in the 2020–2023 RRRRA and 2022 as forecast in the 2017 BMDEU CPCN Decision.<sup>167</sup> Corix states that these delays have led to lower-than-anticipated revenues because of lower demand, which in turn contributed to the growth of the RDDA balance. Corix explains that it “is unable to provide any definitive explanations as to the property development delays to date since Corix is not a property developer and has no control over the development schedule of these buildings.” It adds that the “property developers dictate when the building will be ready to connect to the district energy utility and Corix responds accordingly.”<sup>168</sup>

Corix further clarifies that there are no agreements between the utility and the property developers, as the utility is not a party to the ground-lease agreements which stipulate deadlines for the property developer regarding specific milestones during the property development process.<sup>169</sup> Corix states that it is only notified after a parcel has been leased and is scheduled for development and only then can Corix establish a servicing agreement with the developer for the provision of thermal energy.<sup>170</sup> To mitigate the burden on UniverCity ratepayers, Corix states that it uses a just-in-time construction approach to reduce the risk of stranded assets.<sup>171</sup> Additionally, Corix structures its servicing agreements to include a provision allowing it to begin charging developers the BCUC-approved UniverCity Basic Charge 60 days after the agreed commencement date, if the relevant energy equipment has been constructed but the development is delayed.<sup>172</sup>

Lastly, Corix states that it would be inaccurate to conclude that UniverCity customers only bear the financial impact of UniverCity development delays. UniverCity customers have benefited from the utility’s ability to secure SFU as a key anchor customer for the biomass CEP. Without SFU’s demand load, the biomass CEP would not have been economically viable based on the UniverCity demand alone.<sup>173</sup>

### *Positions of the Parties*

BCOAPO submits that with much of the projected build-out still incomplete and no “contractual minimum” established by Corix to protect it and its ratepayers, there is concern about whether the remaining build-out can reasonably be expected to occur as scheduled in 2026 and 2027. BCOAPO also notes that further delays pose a significant risk to ratepayers.<sup>174</sup> RCIA and SFU did not comment on this matter.

### *Panel Discussion*

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<sup>165</sup> Exhibit B-1, Section 4.1, p. 22.

<sup>166</sup> Exhibit B-1, Section 4.1, p. 21.

<sup>167</sup> 2020–2023 RRRRA Decision, Section 2.1, p. 9; 2017 BMDEU CPCN Decision, Section 5.1, p. 40.

<sup>168</sup> Exhibit B-3, BCUC IR 1.3, pp. 3–4.

<sup>169</sup> Exhibit B-8, BCUC IR 22.1, pp. 6–7.

<sup>170</sup> Exhibit B-8, BCUC IR 22.1 and 22.1.2, pp. 6–7.

<sup>171</sup> Exhibit B-8, BCUC IR 22.1 and 22.1.2, pp. 6–8.

<sup>172</sup> Exhibit B-8, BCUC IR 22.1.2, p. 8.

<sup>173</sup> Exhibit B-8, BCUC IR 22.2, pp. 8–10.

<sup>174</sup> BCOAPO Final Argument, Section 3.1, p. 6.

The Panel accepts that, as a utility, Corix has limited influence over the timelines established for the build-out of the UniverCity development due to the nature of the ground leases, which place the responsibility for the project schedule in the hands of the property developers and SFU, the landowner. While Corix is a utility service provider, the delays experienced in the development schedule have adversely impacted demand forecast, resulting in unfavourable impacts for UniverCity ratepayers due to the extension of the time period over which the RDDA balance is recovered and the incremental increase in the peak balance of the RDDA.

Given the significant implications of these delays on the UniverCity RDDA balance and rates, for future projects, the Panel urges Corix to consider contingency plans at the beginning of the project to mitigate potential delays proactively. Mitigation measures could include enhancing communication with landowners and developers to understand potential risks of delays and building incentive mechanisms into contracts to achieve target build-out date provisions. Such strategies may better protect the interest of ratepayers and minimize the impact of development delays on the provision of utility service.

### 2.6.2 Recovery Period of the Revenue Deficiency Deferral Account

Given the delayed build-out, Corix submits that the original target of 2031 for full recovery of the RDDA can no longer be reasonably attained. Corix anticipates that full recovery could occur by 2036, an extension of five years from the original 2031 target. Consequently, Corix projects that the RDDA peak balance will occur in 2028, at an amount of approximately \$10.3 million (i.e. approximately 45 percent of rate base).<sup>175</sup>

Corix views that the extension of the recovery period of the UniverCity RDDA to 2036 provides a reasonable balance of rate increases and customer bill impacts with a reasonable period over which to recover the RDDA balance. Corix also notes, however, that since the UniverCity build-out is not yet complete, the BMDEU continues to operate at a deficit, so the 2036 target may have to be revised in the future.<sup>176</sup>

Corix also provides alternative scenarios to show the impact on the UniverCity proposed rates (i.e. Basic Charge) as well as the bill impact for a typical residential UniverCity end-user if Corix were to maintain the original 20-year recovery period ending in 2031.<sup>177</sup> The following alternatives have been discussed:

- a) **Original 20-year recovery period ending in 2031 is maintained and rate increases are adjusted from 2024 to 2026:** In this alternative, Corix explains that the 2024 to 2026 rates would be adjusted to reflect the shorter RDDA recovery period rate,<sup>178</sup> while the rates for 2027 to 2031 would remain the same as forecasted in the Application (i.e. 5.59 percent on an annual basis).<sup>179</sup> In this alternative, the forecast annual rate increases would be 17.42 percent in 2024 and 16.71 percent in 2025.<sup>180</sup>
- b) **Original 20-year recovery period ending in 2031 is maintained and rate increases are adjusted from 2027 to 2031:** In this alternative, Corix explains that the proposed rates<sup>181</sup> (i.e. for 2024 and 2025) as

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<sup>175</sup> Exhibit B-1, Section 10.5.1, pp. 79–80.

<sup>176</sup> Exhibit B-1, Section 10.5.1, p. 81.

<sup>177</sup> Exhibit B-3, BCUC IR 19.2.

<sup>178</sup> Exhibit B-3, BCUC IR 19.2.

<sup>179</sup> Exhibit B-1, Appendix A, Schedule 15, p. 2.

<sup>180</sup> Exhibit B-3, BCUC IR 19.2, Restated Table 4.

<sup>181</sup> Exhibit B-1, Section 11.2.2, Table 35, p. 102.

well as bill impacts in 2024 and 2025<sup>182</sup> would remain the same as proposed in the Application. However, in this case, the forecast annual rate increase from 2027 to 2031 would be 13.8 percent year-over-year.<sup>183</sup>

### *Positions of the Parties*

RCIA submits that extension of the recovery period of the RDDA would help alleviate the rate shock to UniverCity customers. RCIA proposes a longer recovery period than what is proposed by Corix (i.e. until 2040) and submits that a recovery period ending in 2040 may provide the most reasonable and fair outcome to both existing and future UniverCity customers.<sup>184</sup>

In response to RCIA, Corix submits that rate changes proposed in the Application do not constitute “rate shock” because the annual bill impact is less than 10 percent in each year of the test period, stating that previous BCUC orders have opined on “rate shock” using a bill analysis as opposed to a rate analysis. Therefore, Corix submits that extending the recovery period to 2040 (as proposed by RCIA) is not necessary and the most appropriate option is to target full recovery of the RDDA in 2036.<sup>185</sup>

BCOAPO agrees that of the alternative scenarios for recovery of the RDDA, the proposed extension to 2036 is the most reasonable, as it is a better balancing point between current customers and new customers who will benefit from the infrastructure.<sup>186</sup> BCOAPO also states that an alternative scenario for recovering UniverCity rates may exist while extending the RDDA recovery period to 2036. In this scenario, the UniverCity Basic Charge would be increased equally by 7.69 percent in each year from 2024 to 2036 to recover the RDDA. BCOAPO submits that this alternative provides smoother rate increases each year while constraining rate impacts to below shock levels for each year of the recovery period.<sup>187</sup>

In response to BCOAPO, Corix submits that BCOAPO’s proposal to increase rates equally by 7.69 percent in each year from 2024 to 2036 to recover the RDDA raises the RDDA peak balances each year and increases the overall financing costs relative to the Application by approximately \$0.970 million, which would need to be recovered from customers through future rate increases.<sup>188</sup>

### *Panel Determination*

Since Corix is not the developer, the Panel accepts that the delay in build-out is beyond Corix’s control and finds that an adjusted recovery timeline for the RDDA, to smooth out costs to ratepayers and ensure equitable cost distribution among current and future ratepayers, is justified.

The Panel has considered the alternatives, including RCIA’s proposal for an extension of the recovery period to 2040 to further alleviate immediate rate increases, and BCOAPO’s proposal for a recovery period extending to 2036 with a steady annual rate increase of 7.69 percent (as opposed to the 9.79 percent increase in 2024 and 9.40 percent increase in 2025 in Corix’s proposal). However, the Panel finds that extending the RDDA recovery

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<sup>182</sup> Exhibit B-1, Section 12.2, Table 37, p. 104.

<sup>183</sup> Exhibit B-3, BCUC IR 19.2.

<sup>184</sup> RCIA Final Argument, pp. 7–8.

<sup>185</sup> Corix Reply Argument, pp. 14–15.

<sup>186</sup> BCOAPO Final Argument, pp. 9–14.

<sup>187</sup> BCOAPO Final Argument, pp. 9–14.

<sup>188</sup> Corix Reply Argument, pp. 9–10.

to 2036 aligns appropriately with managing peak RDDA balances and mitigates overall financing costs while ensuring fairness to ratepayers. While maintaining the original RDDA recovery period until 2031 would result in a much higher burden on existing UniverCity customers, a longer recovery period would increase financing costs, thereby increasing the overall cost of the CEP. Smaller, gradual rate increases over the test period, in exchange for potentially higher rate increases later, would prevent overwhelming current customers, while distributing the rate increases more evenly through time.

Further, regarding the alternative to increase rates equally by 7.69 percent each year from 2024 to 2036 to recover the RDDA, as Corix points out, this approach raises the RDDA peak balances each year and increases the overall financing costs relative to the Application, which would need to be recovered from ratepayers through future rate increases. Therefore, we are not persuaded that this approach would yield greater benefits to either Corix or UniverCity ratepayers as compared to Corix's proposal.

**Based on the above, the Panel approves extending the recovery period of the RDDA for UniverCity to 2036, considering it a reasonable approach to manage the RDDA recovery amidst the build-out delay.** While Corix has provided persuasive evidence in this proceeding to extend the RDDA amortization period in order to ease the impact on ratepayers, we caution that any further extension will increase carrying costs as well as risk of intergenerational inequity among ratepayers. If build-out delays persist, Corix is strongly encouraged to explore a range of possible solutions aside from requesting additional extensions to the recovery period of the RDDA.

### 2.6.3 Variance Treatment for Non-Controllable Costs

In the 2011 UniverCity CPCN Decision, the BCUC approved the RDDA for UniverCity to capture “revenue requirement variances under the levelized rate approach.”<sup>189</sup> During the 2020–2023 RRRRA proceeding, the BCUC examined the appropriateness of Corix continuing to record variances between actual and forecast revenues and cost of service in the RDDA, with a specific focus on O&M costs. The BCUC found that recording O&M variances was unduly discriminatory and could potentially lead to UniverCity customers paying more than SFU for the same service. Consequently, in the 2020–2023 RRRRA Decision, the BCUC directed that, commencing in 2021, the RDDA would exclude recognition of O&M forecast variances.<sup>190</sup> However, the BCUC also specified that the continuation of variance treatment for other elements of the UniverCity's revenue requirements and forecast revenue remained appropriate, as these elements were either outside Corix's control or subject to significant forecast uncertainty. With UniverCity's build-out expected to be closer to completion and actual operating data from the CEP, Corix was directed to include a forecast risk assessment in this Application, outlining and justifying the revenue requirement line items for UniverCity that it proposed to continue with forecast variance treatment.<sup>191</sup>

In the Application, Corix proposes that the UniverCity RDDA continue to capture actual revenues from customers as well as actuals for non-controllable costs that do not have a specific deferral or variance account. It adds that for controllable costs, the RDDA would include the forecast amounts with no true-up to actuals. Corix considers this proposal appropriately balances the utility's risk and reward.<sup>192</sup>

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<sup>189</sup> 2011 UniverCity CPCN Decision accompanying Order C-7-11 dated May 6, 2011, Section 6.2.5, p. 49.

<sup>190</sup> 2020–2023 RRRRA Decision, Section 3.1.1, pp. 40–42.

<sup>191</sup> 2020–2023 RRRRA Decision, Section 3.1.1, p. 42.

<sup>192</sup> Exhibit B-1, Section 10.5.5, p. 86.

Corix identifies non-controllable operating costs for UniverCity as including property taxes, land lease fees and franchise fees.<sup>193</sup> Corix further clarifies that the actual delivery-related non-controllable costs, subject to variance from forecast, include property taxes, land lease and franchise fees, depreciation and amortization, income tax, interest on debt, and return on equity (ROE).<sup>194</sup>

In this proceeding, the BCUC explored whether it remains appropriate to continue recording forecast to actual variances within the existing RDDA, or if an alternative approach, such as maintaining a separate deferral account for each variance or consolidating all variances into a single, dedicated variance account, would provide a clearer and more effective treatment.<sup>195</sup>

Corix states that recording variances between forecast and actual non-controllable cost components separately, whether in individual variance deferral accounts for each component or in a consolidated variance deferral account, would offer more transparency but at significantly more time and cost. Corix explains that the overall variance would remain the same regardless of the method but breaking out each component would result in unnecessary additional costs.<sup>196</sup>

Corix highlights that the current non-controllable costs, such as property taxes, land lease and franchise fees, cost of capital, depreciation, etc., generally relate to assets and rate base. Given the greenfield nature of the BMDEU, that billed revenues are less than cost of service and that these items are more capital-cost-like (long-term) in nature, they are recorded in the RDDA, a long-term deferral account designed to levelize rates over time.<sup>197</sup>

In the 2020–2023 RRRRA Decision, the BCUC directed Corix to compare its proposed treatment of forecast variances with that of other BCUC-regulated TES utilities.<sup>198</sup> In response, Corix provided a comparison of River District Energy, Shannon Estates Utility Ltd. and Creative Energy Vancouver Platforms Inc.<sup>199</sup> Below highlights differences in the treatment of the RDDA and how these utilities record cost variances.

- River District Energy: RDDA captures the variances between actual revenue requirements and actual revenues.<sup>200</sup>
- Shannon Estates: RDDA captures the differences between forecast revenue requirements and forecast revenues. Shannon Estates uses a variety of deferral accounts, including a tax rate variance account, a

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<sup>193</sup> Exhibit B-1, Section 10.5.5, p. 86.

<sup>194</sup> Exhibit B-1, Section 10.5.5, p. 86.

<sup>195</sup> Exhibit B-3, BCUC IR 20.3; Exhibit B-8, BCUC IR 26.2 and 26.2.1.

<sup>196</sup> Exhibit B-8, BCUC IR 26.2.

<sup>197</sup> Exhibit B-8, BCUC IR 26.1.

<sup>198</sup> 2020–2023 RRRRA Decision, Section 3.1.1, p. 42.

<sup>199</sup> Exhibit B-1, Section 10.5.4, Table 31, p. 84.

<sup>200</sup> River District Energy Limited Partnership Application for a CPCN to Construct and Operate a District Energy System for the River District Development in Southeast Vancouver and the Proposed Revenue Requirement, Rate Design, Levelized Rates and RDDA for the First Five Years of Operation, Order C-14-11 dated December 19, 2011.

regulatory deferral account, an unplanned sustainment capital and maintenance deferral account, and an energy cost deferral account, to capture specific variances between forecast and actual figures.<sup>201</sup>

- Creative Energy Core TES: Does not maintain an RDDA. However, prior to the consolidation of the revenue requirements and unification of the rate base and rates for its Northeast False Creek (NEFC) and Core Steam system,<sup>202</sup> NEFC was approved for an RDDA to capture BCUC-approved forecast revenue shortfalls during the initial years of service due to the timing differences between the installation of the NEFC system and the forecast service area build-out. NEFC also maintained a Variance Deferral Account that captured non-controllable cost variances related to steam service rates, fuel costs, distribution expenses, and income tax expenses.<sup>203</sup> Following the BCUC's approval to consolidate the NEFC and Core Steam system, the NEFC RDDA was closed, effective December 31, 2021, and a system contribution charge was introduced to recover the balance.<sup>204</sup>
- Creative Energy South Downtown heating and cooling energy systems: Each of these RDDAs record annual revenue deficiencies or surpluses resulting from the difference between the annual revenue at the approved fixed charge and the approved annual forecast cost of service, except for fuel costs.<sup>205</sup>
- Creative Energy Mount Pleasant district cooling system: RDDA records the annual difference between the annual revenue at the approved fixed charge and the approved annual forecast cost of service, excluding water and electricity costs.<sup>206</sup>

### *Positions of the Parties*

The parties did not comment on the appropriateness of continuing to record variances between actual and forecast within the existing RDDA.

### *Panel Determination*

**Corix is directed to amend the RDDA for UniverCity to record the differences between the BCUC-approved forecast revenues at approved rates and forecast cost of service, starting in the next revenue requirements application. Corix is further directed to file its next revenue requirements application no later than November 28, 2025.**

The Panel acknowledges the BCUC's assessment in the 2020–2023 RRRRA Decision regarding the RDDA for UniverCity, including the equitable balance of risks between utility and ratepayers, as well as setting rates that provide a utility a reasonable opportunity to earn a fair return on its invested capital. As guided by the 2020–2023 RRRRA Decision, we continue to explore issues around how the RDDA should function and operate.

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<sup>201</sup> Shannon Estates Utility Ltd. Levelized Rate Application for the Shannon Estates TES, Order G-36-21 dated February 2, 2021.

<sup>202</sup> Creative Energy Vancouver Platforms Inc. Application for Rates for the Core Steam and Northeast False Creek Systems, Decision accompanying Order G-345-22A, Section 3.0, pp. 9–10.

<sup>203</sup> Decision accompanying Order G-345-22, Section 3.1, Table 5, p 12.

<sup>204</sup> Decision accompanying Order G-345-22, Section 3.1, p. 19.

<sup>205</sup> Creative Energy Vancouver Platforms Inc. Application for Heating Rates for the Heating TES and Cooling Rates for the District Cooling System at the Vancouver House Development, Order G-222-21 dated July 22, 2021.

<sup>206</sup> Creative Energy Mount Pleasant Limited Partnership Application for Rates for the Mount Pleasant District Cooling System, Order G-242-22 dated August 22, 2022.



Other than Corix and River District Energy, the Panel notes that Shannon Estates and certain Creative Energy TESs use the RDDA to record annual revenue deficiencies or surpluses between the annual revenue at approved rates and the approved annual forecast cost of service. In Corix's case, due to the nature of the utility, the RDDA is intended to levelize the cost impacts of the utility's initial construction on customer rates prior to full build-out. The Panel is concerned that the inclusion of variances between forecast and actual revenue including non-controllable costs in the RDDA could be inconsistent with the intention of the RDDA.

The Panel finds that using the RDDA to record differences between the approved forecast revenues at approved rates and forecast cost of service is consistent with the regulatory compact. It requires Corix to bear some forecast risk and incentivizes it to operate efficiently. Thus, Corix is afforded a reasonable opportunity to earn a fair return on its invested capital, rather than the BCUC effectively guaranteeing Corix's allowed return.

Corix submits that for a small utility, separating the RDDA would unduly increase its regulatory burden. However, the Panel is not persuaded that this potential increase in regulatory burden should prevent Corix from adhering to the basic purpose of the RDDA. Additionally, in this Application, Corix is seeking approval for two new deferral accounts for variance treatment of regulatory costs and insurance costs, demonstrating that Corix is capable of managing multiple deferral accounts. By seeking these approvals, the Panel acknowledges that Corix is following the appropriate regulatory process for variance treatment.

The Panel recognizes that Corix has used the RDDA for forecast variance treatment since the 2011 UniverCity CPCN. The issue of Corix using the RDDA to record the difference between forecast and actual costs was examined in the 2020–2023 RRRR proceeding, where the BCUC excluded O&M variances between forecast and actual from the RDDA. Given Corix's challenges with the UniverCity build-out delay and recognizing that this Application is the second revenue requirements application since the CEP commenced service, the Panel finds it reasonable to allow Corix time to change the function and operation of the RDDA to record the differences between the BCUC-approved forecast revenues and forecast cost of service. Accordingly, the RDDA changes will take effect starting in the next revenue requirements application, which should be filed before the 2024 to 2025 test period ends. If Corix wishes to seek variance treatment between actual and forecast costs for certain cost components, it may request separate deferral accounts.

### **3.0 Overall Determination on SFU and UniverCity Revenue Requirements and Rates**

This section examines Corix's proposed rates for UniverCity and SFU, which are based on the respective proposed revenue requirements, demand and energy forecasts, and the previously approved rate designs. Demand and energy forecasts, informed by metrics such as load expectations and facility square footage, are a key component of the rate structure, as they underpin the determination of the charges and influence the overall revenue billed for recovery. This section also evaluates the overall bill impacts and provides the Panel's determination on the proposed rates.

#### ***Rate Design***

Corix has separate rate designs for UniverCity and SFU to align with each customer group's cost drivers. UniverCity has a two-part rate design comprised of:<sup>207</sup>

- Basic Charge – a monthly charge per square metre (m<sup>2</sup>) to recover capital and operating costs (\$/m<sup>2</sup>); and
- Variable Energy Charge – A variable charge designed to recover energy costs (\$/kWh).

Corix notes that the Variable Energy Charge for UniverCity is reviewed and approved annually through the flow-through energy cost rate-setting mechanism approved by the BCUC in the 2020–2023 RRRRA, and thus, the Variable Energy Charge is not part of this Application.<sup>208</sup>

SFU has a three-part rate design comprised of:<sup>209</sup>

- Capacity Charge – A fixed monthly charge to recover capital costs and operating costs (less an agreed amount of \$198,000, reallocated and recovered through the Availability Charge). It is calculated based on SFU's nominated capacity of 10 megawatt (MW) at the biomass central energy plant (\$/MW of nominated capacity/month);
- Consumption Charge – A variable charge designed to recover energy costs (\$/kWh); and
- Availability Charge – A fixed monthly charge to ensure plant availability hours and efficiency targets are met (\$/month). This charge is based on the set amount of the annual cost of service allocated to SFU and not recovered in the Capacity Charge (\$198,000), plus an additional incentive payment of \$198,000 per annum.

### ***Demand and Energy Forecast***

For UniverCity, the Basic Charge, is determined based on floor area (m<sup>2</sup>) and is influenced by the build-out schedule and anticipated development within UniverCity. As new land parcels are developed, the square footage served will increase, thereby directly impacting the Basic Charge.<sup>210</sup>

SFU's forecast energy demand directly informs its Consumption Charge, as both the Capacity Charge and Availability Charge are fixed and unaffected by changes in demand. In the 2020–2023 RRRRA, Corix forecasts SFU's energy demand at 43,787 MWh based on historical natural gas consumption data for SFU's district energy system, with an assumed plant efficiency of 80 percent. However, actual demand over the last three years was lower than forecast, with SFU recording 34,878 MWh in 2021; 39,825 MWh in 2022; and 35,703 MWh in 2023. As a result, Corix has updated the SFU forecast to reflect the most recently available full year of data (2022)<sup>211</sup>

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<sup>207</sup> Exhibit B-1, Section 11.2, p. 101.

<sup>208</sup> Exhibit B-1, Section 4.2, p. 23.

<sup>209</sup> Exhibit B-1, Section 11.1, p. 100; Exhibit B-1-2, Second Amended and Restated Thermal Energy Services Agreement, Schedule 2, p. 3.

<sup>210</sup> Exhibit B-1, Section 4.1, p. 21, Section 4.2, p. 22.

<sup>211</sup> Corix states that 2021 consumption was below a typical full year of consumption because it was the first year of operation and both BMDEU and SFU's District Energy System operation needed adjustments and refinement in their process. Furthermore, in 2023, the replacement of a heat exchanger in the SFU ETS caused the interruption of the service provided to SFU which reduced the consumption (Exhibit B-3, BCUC IR 2.1).

and forecasts 39,825 MWh of annual energy demand for both 2024 and 2025. Corix adds that, as energy costs are flowed through to SFU, any differences between actual Consumption Charge revenues and forecast energy costs will be addressed through the BCUC-approved rate rider mechanism and the associated Fuel Cost Deferral Account for SFU.<sup>212</sup>

**Proposed Rates and Bill Impact**

For UniverCity, Corix proposes the following Basic Charge:

**Table 9: Proposed Rates for UniverCity<sup>213</sup>**

	Effective March 1, 2024	Effective January 1, 2025
Basic Charge (\$/m <sup>2</sup> /month)	1.3672	1.4903

<sup>212</sup> Exhibit B-1, Section 4.3, p. 23.

<sup>213</sup> Exhibit B-1, Section 11.2.2, Table 35, p. 102.

The following table provides the estimated impact of Corix’s proposed rates for a typical 800 square foot (74 m<sup>2</sup>) residential suite with an annual consumption of 8,310 kWh. Corix notes that these figures are estimates only as its customers are typically strata corporations that bill end-users in accordance with their strata bylaws and rules.

**Table 10: Annual Bill Impact to typical UniverCity End-User<sup>214</sup>**

	2023 Approved	2024 Forecast	2025 Forecast
Basic Charge (\$/m <sup>2</sup> per Month)	1.1889	1.3672	1.4903
Variable Energy Charge (\$/kWh)	0.0338	0.0291	0.0373
Annual Change in Basic Charge (%)	--	15.00%	9.00%
Annual Change in Variable Charge (%)	--	-13.91%	28.02%
<b>800 Square-Foot Residential Suite</b>			
Basic Charge Cost (\$)	1,060	1,193	1,329
Variable Energy Charge Cost (\$) <sup>215</sup>	260	257	257
Total Annual Bill (\$)	1,320	1,449	1,586
Annual Change in Bill (\$)	--	129	136
Annual Change in Bill (%)	--	9.79%	9.40%

As shown above, Corix’s proposed rates would result in total annual bill increases for a typical residential end-user of 9.79 percent in 2024 (approximate increase of \$129 for the year), and 9.40 percent in 2025 (approximate increase of \$136 for the year).<sup>216</sup>

In determining the proposed UniverCity rates, Corix states that it aims to balance rising operational costs with the growing RDDA balance, and the potential financial impact to end-users. Corix adds that although rates are forecast to increase, the RDDA balance is expected to peak in 2028, coinciding with the anticipated full build-out of UniverCity. Corix anticipates a subsequent decline in the RDDA balance, with full recovery expected by 2036.<sup>217</sup>

Based on the proposed revenue requirements, rate design and demand forecasts, Corix proposes the following rates for SFU’s Capacity Charge, Consumption Charge and Availability Charge:

<sup>214</sup> Exhibit B-1, Section 12.2, Table 37, p. 104.

<sup>215</sup> Corix calculated the Variable Energy Charge Cost for 2024 and 2025 based on the proposed Variable Energy Charge for UniverCity, effective April 1, 2024, in accordance with the February 21, 2024 compliance filing regarding the ECRA balance and the BCUC-approved rate-setting mechanism. Corix adds that future Variable Energy Charges will be calculated based on information available at that time and may differ from those included in the table (Exhibit B-1, Section 12.2, Table 37, p. 104).

<sup>216</sup> Exhibit B-1, Section 12.2, p. 104.

<sup>217</sup> Exhibit B-1, Section 12.2, p. 104.

**Table 11: Proposed Rates for SFU<sup>218</sup>**

	Effective March 1, 2024	Effective January 1, 2025
Capacity Charge (\$/megawatt of Nominated Capacity/month)	19,704	19,919
Consumption Charge (\$/kilowatt-hour)	0.0268	0.0281
Availability Charge (\$/month)	33,000	33,000

The following table provides the forecast revenue from SFU based on these proposed rates, the nominated capacity, and forecast consumption:

**Table 12: Forecast Revenue from SFU<sup>219</sup>**

	2023 Approved	2024 Forecast	2025 Forecast
Capacity Charge Revenue (\$)	1,998,720	2,303,520	2,390,330
Consumption Charge Revenue (\$)	832,874	1,067,115	1,117,423
Availability Charge Revenue (\$)	396,000	396,000	396,000
Less incentive payment as per TESA (\$) <sup>220</sup>	(198,000)	(198,000)	(198,000)
Total Revenue before rate riders (\$)	3,029,594	3,568,635 <sup>221</sup>	3,705,753
Annual Change in Revenue (\$) before rate riders	--	539,041	137,118
Annual Change in Revenue (%) before rate riders <sup>222</sup>	--	17.79%	3.84%
SFU Rate Rider 1 (\$)	165,300	68,423	(28,533)
SFU Rate Rider 2 (\$)	0	43,083	0
Total Revenue (\$)	3,194,894	3,680,141	3,677,220
Annual Change in Revenue (\$)	--	485,247	(2,921)
Annual Change in Revenue (%) <sup>223</sup>	--	15.19%	-0.08%

<sup>218</sup> Exhibit B-1, Section 11.2.1, p. 100.

<sup>219</sup> This table has been compiled by BCUC staff based on evidence from Exhibit B-1, Section 12.1, Table 36, p. 103; Exhibit B-2-1, Attachment C, Schedule 2, p. 3; 2020–2023 RRA Decision, Executive Summary, p. ii.

<sup>220</sup> The \$198,000 represents the incentive portion of the Availability Charge as outlined in the TESA. While it is collected from SFU through the Availability Charge, it is above and beyond the revenue requirements. As such it has been excluded from the table above (Exhibit B-2-1, Attachment C, Schedule 2, p. 3; 2020–2023 RRA Decision, Executive Summary, p. ii).

<sup>221</sup> This amount differs from the 2024 total revenue requirement for SFU (\$3,629,585) provided in Table 1 of this decision by \$60,950, with the revenue requirement in Table 1 being higher by that amount. This difference is discussed following this table and is addressed by the Panel in its determination for this section.

<sup>222</sup> The annual change in revenue before rate riders was calculated by BCUC staff and differs from the figures presented in Table 36 of the Application (Exhibit B-1) due to the exclusion of the incentive payment as per the TESA.

<sup>223</sup> The annual change in revenue was calculated by BCUC staff and differs from the figures presented in Table 36 of the Application (Exhibit B-1) due to the exclusion of the incentive payment as per the TESA.

Corix identifies a shortfall of \$60,950 between the revenue collected by the SFU Capacity Charge from January 1 to December 31, 2024, and the 2024 revenue requirements.<sup>224</sup> Corix clarifies that this is attributable to the first two months of the SFU Capacity Charge being billed at the existing approved rates rather than the proposed rates. Corix submits that this shortfall will be borne by the Corix shareholder, as it is at their risk.<sup>225</sup>

The proposed rates would result in a total forecast bill increase for SFU of 16.70 percent in 2024 and 3.64 percent in 2025 before considering the rate riders. After including the rate riders, these changes would be 14.30 percent for 2024 and -0.08 percent for 2025. Corix notes that prior to filing the Application, it presented preliminary figures to SFU, which specified expected bill increases of 17.65 percent in 2024 and 2.20 percent in 2025 before the rate riders. Corix states that SFU communicated a preference to avoid rate smoothing over two or more years, aware of the associated financing costs, and instead requested the full rate increase in each year. Therefore, Corix's proposed rates reflect SFU's preference for full annual recovery of costs each year.<sup>226</sup>

### *Positions of the Parties*

BCOAPO submits that, absent of the proposed revenue deficiency deferral through the RDDA, the overall increase in rates would represent a 57 percent<sup>227</sup> increase by 2025, six times greater than what typically constitutes rate shock. Furthermore, BCOAPO highlights that the proposed 2024 rate increase follows cumulative rate increases of over 32 percent<sup>228</sup> between 2020 and 2023. It notes that, if this Application is approved as proposed, ratepayers would face a cumulative increase of nearly 60 percent<sup>229</sup> over the 7-year period from 2020 to 2025. Without proposed additions to the RDDA, the cumulative rate increases would reach 208 percent<sup>230</sup> during the same period.<sup>231</sup> Given these figures, the BCOAPO emphasizes the need for strict oversight to ensure Corix spends ratepayers' dollars prudently and actively pursues cost-reduction opportunities in alignment with the Government of British Columbia's goal of energy affordability.<sup>232</sup>

RCIA submits that the proposed increases to the Basic Charge for UniverCity ratepayers constitute rate shock. It highlights that the TES Guidelines require rate regulated utilities to adhere to the principle of avoiding rate shock. RCIA expresses concern with the magnitude of the proposed increases, stating that one way to mitigate rate shock for UniverCity customers over the 2024 to 2025 test period would be to extend the recovery period of the RDDA.<sup>233</sup> This matter has been further discussed in Section 2.6.2 of this decision.

In reply to the concerns about potential rate shock, Corix submits that the TES Guidelines' mention of rate shock exceeding 10 percent per annum is an oversimplification, particularly given the unbundled nature of services

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<sup>224</sup> Exhibit B-1, Appendix A, Schedule 1, p. 1.

<sup>225</sup> Exhibit B-12, Panel IR No. 1.1, p. 4.

<sup>226</sup> Exhibit B-1, Section 12.1, p. 103.

<sup>227</sup> Exhibit B-4, BCOAPO IR 1.1.

<sup>228</sup> Exhibit B-4, BCOAPO IR 1.1, \$1.316/\$2.328.

<sup>229</sup> 2020–2023 RRR Decision, p. 55; Exhibit B-1, Section 12.2, Table 37, p. 104:  $1.09 \times 1.069 \times 1.06 \times 1.073 \times 1.0979 \times 1.0940 = 59.2$  percent.

<sup>230</sup> 2020–2023 RRR Decision, p. 55; Exhibit B-1, Section 12.2, Table 37, p. 104:  $1.09 \times 1.069 \times 1.06 \times 1.073 \times 1.57$  ( $\$1.316/\$2.328$ ) = 208 percent.

<sup>231</sup> BCOAPO Final Argument, Section 3.0, p. 4.

<sup>232</sup> BCOAPO Final Argument, Section 6.0, p. 14.

<sup>233</sup> RCIA Final Argument, Section 2.2, p. 7.

provided, which include separate delivery and energy charges. Corix notes that the annual bill impact for UniverCity customers is 9.79 percent in 2024 and 9.40 percent in 2025, combining both the Basic Charge (delivery) and the Variable Energy Charge (energy) that impact the total customer bill.<sup>234</sup>

Corix further points to Order G-40-19 in the FortisBC Inc. 2017 Cost of Service and Rate Design Application where rate shock was understood as applying to customers facing bill increases of 10 percent or more annually. Corix maintains that this perspective aligns with the BCUC's recent decisions, such as Order G-135-18<sup>235</sup> and Order G-43-24,<sup>236</sup> and submits that this framework should be applied here to better reflect the customer's holistic perspective rather than isolating any single rate component.<sup>237</sup> Corix concludes that the proposed delivery rate charges for UniverCity, which result in total bill increases of less than 10 percent annually, do not constitute rate shock and should be approved as consistent with regulatory precedent.<sup>238</sup>

### *Panel Determination*

The Panel has reviewed Corix's proposed revenue requirements on a standalone basis for UniverCity and SFU, and on a combined basis for the BMDEU, along with the resulting rates and bill impacts as well as the demand and square footage forecasts that inform the proposed rates.

For UniverCity, the Panel finds that the proposed revenue requirements are reasonable and necessary to ensure the ongoing safe operation and reliability of the BMDEU. The increases in the Basic Charge reflect UniverCity's revenue requirements, excluding energy costs, which are recovered through the Variable Energy Charge and associated deferral mechanisms. As determined above, the Panel finds that the allocation of O&M costs to UniverCity, among other matters related to capital, is reasonable.

The Panel acknowledges that the 15.00 percent increase in the Basic Charge from 2023 to 2024 followed by a 9.00 percent increase from 2024 to 2025, may be substantial and raise concerns of rate shock when viewed on a standalone basis. However, the Panel considers these increases justifiable, as they reflect the recovery of costs, updated to include historical data and escalation aligned with inflation necessary to provide safe and reliable service. In the Panel's view, it is also essential to consider these rate increases in terms of the total bill impact for a typical end-user. When considering both the Basic Charge and the indicative Variable Energy Charge, the forecast overall bill increase remains under 10 percent for each of 2024 and 2025. Therefore, while the Basic Charge increase may appear high in isolation, the inclusion of the indicative Variable Energy Charge mitigates potential rate shock when viewed from the perspective of the full bill impact for customers. The Panel is satisfied that the proposed Basic Charges, while challenging, are reasonable. Additionally, the Panel notes that the Basic Charge rate calculation includes forecast floor area, and as UniverCity's build-out continues through to 2027, additional floor area will help spread costs, potentially reducing the Basic Charge over time.

For SFU, the Panel finds the proposed revenue requirements to be reasonable, based on the evidence provided in the Application and during the proceeding, including our review in Sections 2.1 through 2.4 above. These

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<sup>234</sup> Corix Reply Argument, p. 12.

<sup>235</sup> FortisBC Energy Inc. 2016 Rate Design Application.

<sup>236</sup> British Columbia Hydro and Power Authority Application for Approval to Set the Fiscal 2025 Deferral Account Rate Rider and Trade Income Rate Rider and Reconsideration Related to the Trade Income Rate Rider.

<sup>237</sup> Corix Reply Argument, pp. 13–14.

<sup>238</sup> Corix Reply Argument, pp. 13–14.

requirements reflect SFU's forecast cost of service to provide safe and reliable service and have been appropriately substantiated with supporting evidence.

The proposed SFU revenue requirements result in forecast bill increases of 16.70 percent from 2023 to 2024 and 3.64 percent from 2024 to 2025. The Panel notes that, particularly for 2024, the increase is substantial. However, the Panel acknowledges that SFU was informed of preliminary rates within a similar range before the Application was filed, and further recognizes that SFU is actively participating as an intervener in this proceeding and did not comment on this matter.

The Panel also notes that SFU's Capacity Charge and Availability Charge are fixed and unaffected by forecast demand, whereas the Consumption Charge is demand dependent. The forecast demand for the Consumption Charge is based on 2022 actuals, the most recent year with a full set of reliable data, which the Panel accepts as a reasonable basis. However, as energy costs forecast for recovery through the Consumption Charge are ultimately trued up in the SFU Fuel Cost Deferral Account, SFU pays only for the actual fuel costs incurred, providing a level of protection against forecast variances.

Additionally, the Panel is satisfied with Corix's clarification regarding the \$60,950 shortfall between the SFU Capacity Charge revenue collected from January 1 to December 31, 2024, and the 2024 revenue requirements. The shortfall in 2024 arises because the SFU Capacity Charge for January and February 2024 was billed at the previously approved rates, while the proposed 2024 rates are effective March 1, 2024. The Panel finds it reasonable for Corix to incur this shortfall under these circumstances.

Based on the above, the Panel concludes that Corix's proposed rates for UniverCity and SFU are just and reasonable, and finds that the allocation of costs between UniverCity and SFU is appropriate for the 2024 to 2025 test period.

### **3.1 Implementation and Permanent Rates**

The BCUC GCOC proceeding, in which Corix is a participant, was in progress when this 2024–2025 RRRR proceeding commenced in March 2024. The purpose of the GCOC proceeding is to establish a method to determine the appropriate cost of capital for regulated utilities in British Columbia.<sup>239</sup> In the GCOC Stage 1 Decision, the BCUC determined the deemed capital structure and allowed ROE of FortisBC Energy Inc. and FortisBC Inc.<sup>240</sup> The appropriate benchmark utility was determined in the Stage 2 of the GCOC proceeding.<sup>241</sup> As part of the GCOC Stage 1 Decision, the BCUC directed that all other utilities using the benchmark utility to set their rates, which includes Corix, would have interim rates, effective January 1, 2024, on a refundable or recoverable basis, pending the BCUC's final decision on the Stage 2 of the GCOC proceeding.<sup>242</sup>

In this 2024–2025 RRRR, Corix has calculated its proposed rates using an equity component of 42.5 percent and an allowed ROE of 10.4 percent for both SFU and UniverCity rates. For SFU, Corix uses a deemed interest rate at

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<sup>239</sup> BCUC 2021 Generic Cost of Capital proceeding (Stage 1) (GCOC Stage 1), Decision and Order G-236-23 dated September 5, 2023 (GCOC Stage 1 Decision), p. 1.

<sup>240</sup> GCOC Stage 1 Decision, Executive Summary, p. i.

<sup>241</sup> GCOC Stage 1 Decision, Section 7.0, p. 143.

<sup>242</sup> GCOC Stage 1, Order G-236-23 dated September 5, 2023, Directive 4.



3.36 percent that is applicable to the first 10 years from the service commencement date as per the approved Original TESA. For UniverCity, Corix calculated the deemed interest rate using the methodology from the 2014 GCOC Stage 2 Decision.<sup>243</sup>

By Order G-76-24 for this proceeding, the Panel approved on an interim and refundable/recoverable basis, effective March 1, 2024, (i) the Basic Charge for UniverCity and (ii) the Capacity, Consumption and Availability charges for SFU. The Panel also stated that the treatment of any variance between the interim rates and the permanent rates, with interest calculated at Corix's weighted average cost of capital, would be determined by the BCUC in a future order.<sup>244</sup>

On November 29, 2024, the BCUC issued its decision on Stage 2 of the GCOC proceeding (GCOC Stage 2 Decision), which sets Corix BMDEU's equity component at 49 percent and an allowed ROE of 10.4 percent.<sup>245</sup> The BCUC also established a deemed interest rate methodology for utilities when they do not have third-party debt.<sup>246</sup>

As for the implementation of new cost of capital changes, the BCUC directed Corix to establish a GCOC Variance Deferral Account for UniverCity, attracting Corix's weighted average cost of capital, to record the variance between the previously approved interim 2024 rates and the rates that would reflect the new cost of capital effective January 1, 2024. The BCUC specified that the GCOC Variance Deferral Account is separate from the RDDA. The GCOC Variance Deferral Account will also capture the difference between any 2025 interim rates before and after the incorporation of the new cost of capital. The amounts to be added to the GCOC Variance Deferral Account and their disposition will be addressed in a compliance filing to be filed with the BCUC by January 31, 2025. This compliance filing would incorporate adjustments to rates reflecting the allowed return approved for UniverCity for 2024 and 2025.<sup>247</sup>

For SFU, the BCUC determined that Corix's proposed one-time bill adjustment is reasonable. Corix was directed to file a compliance filing with the BCUC by January 31, 2025, that calculates (i) the impact of the one-time bill adjustment to SFU and (ii) the updated proposed permanent rates after the incorporation of the new cost of capital for the remaining test period for which Corix BMDEU has interim approval (i.e. until December 31, 2025).<sup>248</sup>

As this 2024–2025 RRRR proceeding was still ongoing at the time the GCOC Stage 2 Decision was issued, the BCUC noted that this Panel should address the 2024 and 2025 permanent rates for both UniverCity and SFU.

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<sup>243</sup> Exhibit B-1, Section 9.1.1, p. 57.

<sup>244</sup> Exhibit A-2, Order G-76-24.

<sup>245</sup> BCUC 2021 GCOC proceeding (Stage 2) (GCOC Stage 2), Order G-321-24 and accompanying decision dated November 29, 2024 (GCOC Stage 2 Decision), Section 4.2, pp. 42–43.

<sup>246</sup> GCOC Stage 2 Decision, Section 4.0, pp. 82, 86.

<sup>247</sup> GCOC Stage 2 Decision, Section 5.1, pp. 95–96.

<sup>248</sup> GCOC Stage 2 Decision, Section 5.1, p. 95.

## *Positions of the Parties*

BCOAPO and RCIA provided their final arguments regarding the disposition of interim rates when Stage 2 of the GCOC proceeding was still in progress. The two interveners emphasized administrative efficiency and a fair and equitable outcome to ratepayers when the BCUC considers the disposition of interim rates.<sup>249</sup>

## *Panel Determination*

The Panel acknowledges that the BCUC in the GCOC Stage 2 Decision has specified how to implement the new allowed returns for rates affecting UniverCity and SFU. As a result, the Panel expects that Corix will provide updates for three periods – from January 1, 2024 to February 29, 2024; March 1, 2024 to December 31, 2024; and January 1, 2025 onward – to reflect the new equity component and allowed ROE for both UniverCity and SFU. As for the debt return, the new deemed interest rate methodology, as established in the GCOC Stage 2 Decision, will apply to set UniverCity's rates.

For UniverCity, the Panel accepts the revenue requirements that results in Corix's Basic Charge in Section 3.1 of this decision. In the GCOC Stage 2 Decision, Corix was directed to file a compliance filing by January 31, 2025, that would incorporate adjustments to rates reflecting the allowed return approved for UniverCity for 2024 and 2025. The compliance filing would also include the amounts that are added to the GCOC Variance Deferral Account and its disposition. In conjunction with these determinations in the GCOC Stage 2 Decision, the Panel views that permanent approval of Corix's proposed rates is appropriate. Therefore, **the Panel approves the Basic Charge (\$/m<sup>2</sup>/month) of \$1.3672 and \$1.4903, effective March 1, 2024 and January 1, 2025, respectively, on a permanent basis, for UniverCity. Further, the tariff schedules for UniverCity, as filed in Appendix E of the Application, are accepted as filed.**

For SFU, the Panel accepts the revenue requirements that results in Corix's Capacity Charge, Availability Charge, and Consumption Charge in Section 3.1 of this decision. For the purposes of setting rates in this 2024–2025 RRRRA proceeding, the Panel accepts the debt rate for service to SFU in accordance with the TESA. In the GCOC Stage 2 Decision, Corix was directed to make a one-time bill adjustment for SFU along with a compliance filing to be filed by January 31, 2025, that specifies certain supporting calculations. Therefore, **the Panel approves Corix's proposed Capacity Charge, Consumption Charge and Availability Charge for service to SFU on a permanent basis, effective March 1, 2024 and January 1, 2025, subject to the compliance filing directives as set out in the GCOC Stage 2 Decision. Further, Corix is directed to file the tariff schedules for SFU in tariff supplement form for endorsement by the BCUC by January 31, 2025.**

## **4.0 Other Approvals Sought and Other Matters**

In the Application, Corix requests BCUC approvals to continue the use of two existing deferral accounts to flow through SFU's fuel costs and SFU's property tax costs. The associated rate riders are separate charges from the Corix proposed capacity, consumption and availability charges to SFU. The Panel will address these flow-through mechanisms and rate-setting process in the sections below.

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<sup>249</sup> BCOAPO Final Argument, Section 5.0, p. 14; RCIA Final Argument, Section 2.3, p. 8.

Further, the Panel will also address amendments to the Original TESA and terms and conditions within UniverCity's tariff, Corix's request to keep certain information confidential in the proceeding, and the late letter of comment regarding public notice.

#### **4.1 SFU Fuel Cost Deferral Account and SFU Rider 1**

Corix requests to continue the SFU Fuel Cost Deferral Account and SFU Rider 1 rate-setting process in perpetuity.<sup>250</sup> By Order C-5-17, the BCUC approved the SFU Fuel Cost Deferral Account (FCDA) allowing Corix to capture the difference between forecast and actual biomass and electricity costs incurred in providing service to SFU under the TESA, with recovery or refund of these differences through adjustments to SFU's Capacity Charge.<sup>251</sup> In the 2020–2023 RRRRA, Corix proposed an annual rate rider process for the SFU FCDA, requiring compliance filings by June 1 each year, with approval for a 12-month rate rider effective from July 1 to June 30 of the following year (SFU Rider 1).<sup>252</sup> Corix notes that under the TESA, the SFU FCDA was designed to operate for a 30-year service term. However, Corix notes that in the 2020–2023 RRRRA Decision, the BCUC approved Corix's proposed SFU FCDA rate structure for 2022 and 2023 only, using a 12-month amortization period for any balances in the SFU FCDA for recovery through SFU Rider 1.<sup>253</sup> In subsequent compliance filings in 2022 and 2023, Corix maintained this rate structure and now requests approval of the SFU FCDA and SFU Rider 1 rate-setting process in perpetuity and cites BCUC's familiarity with the process and alignment with the BMDEU UniverCity Energy Cost Reconciliation Account (ECRA) rate-setting process, which has already been approved on an ongoing basis.<sup>254</sup>

Additionally, Corix proposes to include biomass ash disposal costs in the SFU FCDA, commencing March 1, 2024. Corix notes that this addition would be reflected in the rate rider calculation for July 1, 2025 to June 30, 2026, providing a mechanism to capture any cost variance associated with biomass ash disposal. Corix adds that the inclusion of biomass disposal costs in the SFU FCDA will maintain consistency with the UniverCity ECRA rate-setting process already approved by Order G-279-21.<sup>255</sup>

#### *Positions of the Parties*

Intervenors did not comment on this matter.

#### *Panel Determination*

**The Panel approves Corix's request to continue to apply the rate structure for the SFU FCDA and the SFU Rider 1 on an ongoing basis, maintaining the 12-month amortization period for any year-end SFU FCDA balances.**

The Panel recognizes the need for a consistent and transparent mechanism for managing SFU fuel cost variances over the long term. The BCUC has completed two review cycles under this rate-setting process, and both Corix and the BCUC have developed experience with this approach. Further, this decision aligns with UniverCity's rate-setting mechanism for fuel costs.

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<sup>250</sup> Exhibit B-1, Section 1.3, p. 4.

<sup>251</sup> 2017 BMDEU CPCN Decision, Section 4.1.5, pp. 36–37.

<sup>252</sup> 2020–2023 RRRRA proceeding, Exhibit B-1, Section 9.3, p. 67.

<sup>253</sup> Exhibit B-1, Section 10.1, p. 71; 2020–2023 RRRRA Decision, Section 5.2, p. 60.

<sup>254</sup> Exhibit B-1, Section 10.1, pp. 71–72.

<sup>255</sup> Exhibit B-1, Section 10.1, p. 72.

**The Panel also approves the inclusion of biomass ash disposal costs in the SFU FCDA, effective March 1, 2024.** As the Panel approves the inclusion of biomass ash disposal into fuel costs, this adjustment should be factored into the rate rider calculations for the upcoming periods, ensuring that all relevant costs are accounted for in the rate-setting process.

**Consistent with Order G-279-21 and the 2020–2023 RRRRA Decision Directive 3, Corix is directed to continue filing its annual SFU Deferral Account Report to the BCUC by June 1 of each year, which will include the following: (i) the year-end balance for the SFU FCDA; (ii) a request for an approval of the associated annual SFU Rider 1 effective July 1 for the subsequent year; and (iii) all supporting information relevant to the rate-setting process.**

#### **4.2 SFU Property Tax Deferral Account and Existing SFU Rider 2**

Corix is seeking BCUC approval to continue using the SFU Property Tax Deferral Account (PTDA) and the SFU Rider 2 rate-setting process on a perpetual basis.<sup>256</sup> The SFU PTDA, approved by Order C-5-15, allowed Corix to recover from or refund to ratepayers any difference between forecast and actual property taxes for SFU from the service commencement date of October 23, 2020, until the first property tax assessment was received.<sup>257</sup> Under the TESA, following the initial tax assessment, Corix became responsible for forecasting property taxes for each test period without adjustments for variances between forecast and actual property taxes in subsequent rate cases.<sup>258</sup>

In May 2023, Corix received its first property tax notice from the City of Burnaby for the BMDEU CEP. In accordance with BCUC requirements, Corix filed its compliance report regarding the SFU PTDA, with recovery under SFU Rider 2 proposed to commence on July 1, 2024, over a 12-month period.<sup>259</sup>

Corix proposes to extend indefinitely the use of this deferral account to capture variances between forecast and actual property taxes, and to use SFU Rider 2 to recover or refund any variances. Corix cites economic uncertainty, inflationary pressures, and fluctuating property assessment values as key challenges in accurately forecasting property taxes.<sup>260</sup> Corix adds that it has consulted SFU regarding this proposal, and SFU supports this change. Consequently, the Second Amended and Restated Thermal Energy Service Agreement between SFU and Corix dated May 6, 2024 (Updated TESA) has been amended to reflect this change.<sup>261</sup>

#### *Positions of the Parties*

Intervenors did not comment on this issue.

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<sup>256</sup> Exhibit B-1, Section 1.3, p. 4.

<sup>257</sup> 2017 BMDEU CPCN Decision, Section 4.1.5, p. 36.

<sup>258</sup> 2017 BMDEU CPCN proceeding, Exhibit B-1, Amended and Restated Thermal Energy Services Agreement dated January 27, 2017, Schedule 1, p. 10.

<sup>259</sup> Exhibit B-1, Section 10.2.4, pp. 73–74.

<sup>260</sup> Exhibit B-1, Section 10.2.6, p. 76.

<sup>261</sup> Exhibit B-1, Section 10.2.6, p. 77.

### *Panel Determination*

**The Panel approves Corix’s request to continue using the SFU PTDA and the SFU Rider 2 rate-setting mechanism on an ongoing basis.** The Panel acknowledges that property taxes are beyond the utility’s control. Corix must pay property taxes as part of running its business and therefore the costs are recoverable in rates. As such, the Panel finds the continuation of the current deferral account treatment and rate-setting mechanism to be reasonable. Additionally, the Panel notes that Corix indicates in the Application that SFU has reviewed and supports Corix’s proposal.

#### **4.3 Amendments to SFU Thermal Energy Service Agreement**

Corix seeks approval of the Updated TESA.<sup>262</sup> The Original TESA, approved by Order C-5-17 Directive 2, established the cost of service, cost allocation, and rate design, as well as operational requirements for the provision of service to SFU.<sup>263</sup> The Updated TESA introduces amendments to manage cost allocations, adjust service terms and establish new deferral accounts to record variances in external regulatory costs and insurance costs on an ongoing basis. Additionally, it refines the language of existing deferral accounts related to biomass and electricity costs as well as property taxes, among other administrative updates.<sup>264</sup> The deferral account requests for SFU’s RCVA and ICVA are addressed in Sections 2.5.1 and 2.5.2 of this decision, while the rate-setting mechanisms for SFU’s fuel costs and property taxes are discussed in Sections 4.1 and 4.2.

### *Positions of the Parties*

Intervenors did not comment on the proposed amendments in the Updated TESA.

### *Panel Determination*

**The proposed amendments to the Updated TESA are approved.** The Panel considers that the amendments to the Updated TESA are reasonable and appropriate, and support the approvals sought, specifically regarding the establishment and refinement of deferral accounts.

#### **4.4 Amendments to UniverCity Terms and Conditions**

Corix proposes several administrative amendments to the terms and conditions of UniverCity’s tariff, including updates to reflect the corporate restructuring approved by Order G-279-23. These amendments include revisions to the company name and related definitions, as well as changes to improve clarity, provide greater flexibility, and ensure alignment with Corix’s current practices and standards. Corix has filed both clean and blacklined versions of the revised terms and conditions in Appendix E to the Application.<sup>265</sup>

### *Positions of the Parties*

Intervenors did not comment on the proposed amendments to the UniverCity terms and conditions.

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<sup>262</sup> Exhibit B-1-2, Attachment C; Exhibit B-1-3, Attachment A (**Confidential**); Exhibit B-7, p. 2.

<sup>263</sup> Order C-5-17; 2017 BMDEU CPCN Decision, Section 4, pp. 26–38.

<sup>264</sup> Exhibit B-1-2, Attachment C, pp. 6–8; Schedule 1, pp. 9–10; Schedule 2, p. 3.

<sup>265</sup> Exhibit B-1, Section 13.2, pp. 105–107, Appendix E.

### *Panel Determination*

The Panel has reviewed Corix's proposed amendments to the UniverCity terms and conditions and is satisfied that they are administrative in nature to align with the approved restructuring. **The revised terms and conditions for UniverCity, as filed in Appendix E of the Application, are accepted as filed.**

#### **4.5 Confidentiality**

In accordance with the BCUC's Rules of Practice and Procedure, Corix requests that the Financial Model filed as Appendix D to the Application and the unredacted Updated TESA filed as Exhibit B-1-3, remain confidential in perpetuity. Corix considers that the financial schedules filed as Exhibit A to the Application and a redacted version of the Updated TESA filed as Exhibit B-1-2, which are publicly available, provide sufficient information for parties to complete a thorough review of the Application.<sup>266</sup> Corix believes the commercial sensitivity of the information will not diminish over time.<sup>267</sup>

Corix requests confidentiality for the Financial Model and the Updated TESA due to several factors. The information contained within these documents is commercially sensitive and integral to Corix's competitive position in a market where district energy operators often bid for contracts. Disclosing these details would provide counterparties and competitors with valuable insight into the financial modelling of Corix's district energy utilities, potentially undermining Corix's negotiating position and resulting in unfavourable rates and agreements. Additionally, the complexity of the Financial Model means that specific sections cannot be redacted without compromising the functionality. Corix notes that while much of the information has been made publicly available, the sensitive aspects over which it is seeking confidentiality, warrant continued protection to safeguard its interests.<sup>268</sup>

### *Positions of the Parties*

Intervenors did not comment on the confidentiality request.

### *Panel Determination*

**The Panel finds that the Financial Model filed as Appendix D to the Application and the unredacted Updated TESA filed in Exhibit B-1-2, contain commercially sensitive information and directs that they will be kept confidential unless otherwise ordered by the BCUC.** The Panel accepts Corix's submission that disclosing this information could adversely affect Corix's competitive position and negotiating leverage in the district energy market.

#### **4.6 Public Notice**

On November 26, 2024, the BCUC received a late letter of comment from Mr. Patrick Sadornas. He indicated that the public notice of the Corix BMDEU rate application was not posted at his building at UniverCity. In his communication with Corix, Mr. Sardornas was advised that Corix emailed notice to the property manager.

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<sup>266</sup> Exhibit B-1, Section 1.3.3, pp. 7–8; Exhibit B-9 (**Confidential**), BCUC IR 1.2.

<sup>267</sup> Exhibit B-1, Section 1.3.3, pp. 8–9.

<sup>268</sup> Exhibit B-1, Section 1.3.3, p. 7.

However, he cannot validate the correspondence independently without additional evidence. Mr. Sadornas views that non-posting of the public notice constitutes a violation of Order G-76-24 dated March 19, 2024, for Corix to post on all notice boards and entry ways of UniverCity customers' buildings. Further, Mr. Sadornas requests the BCUC to review Corix's practices to ensure that all relevant stakeholders are notified about hearings.<sup>269</sup>

The Panel accepted the late letter of comment and amended the regulatory timetable to allow Corix to respond by December 5, 2024.<sup>270</sup>

In its response, Corix confirms that on March 22, 2024, it emailed the notice of application directly to the property manager who acts on behalf of the strata, which Corix asserts is its customer rather than the individual unit owners or renters, and requested that the notice be posted on all major notice boards and in major entryways of the building.<sup>271</sup> Although Order G-76-24 required Corix to post notice in the buildings, Corix states that for numerous reasons, it is not practical and Corix does not have the legal means to post notice in the buildings. Corix is only able to enter a building to access its utility infrastructure.<sup>272</sup> As part of its response, Corix filed supporting information confidentially, including strata information and email addresses.

Corix notes the property manager was requested to post notice on all major notice boards and in major entryways of the building.<sup>273</sup> Corix suggests that in the future, the BCUC reconsider the practicality and reasonableness of a public notice directive given private property rights of building owners and suggests the following wording:<sup>274</sup>

“to the extent reasonably possible, have the public notice posted on all major notice boards and in all major entry ways of the UniverCity customers' buildings.”

Corix submits that Mr. Sadornas's inquiry or investigation is unnecessary and such an action would run counter to BCUC's regulatory efficiency initiative to streamline public notice requirements. Corix also points out that the letter of comment was submitted three months and 18 days after the deadline established by the BCUC, and two months into the decision deliberation phase of the proceeding. Corix requests that the BCUC address the matters raised in the letter of comment expeditiously so that the issuance of the final decision for this Application is not delayed.<sup>275</sup>

### *Panel Determination*

The Panel notes that Corix filed its confirmation of compliance on March 26, 2024, in accordance with Order G-76-24, which indicated that Corix via email had requested the strata council of each customer building to post the public notice on their notice boards and in their major entry ways. The BCUC did not receive any complaints or comments until November 2024. We consider that public notice is an integral part of a transparent and fair

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<sup>269</sup> Exhibit D-1.

<sup>270</sup> Order G-317-24.

<sup>271</sup> Exhibit B-13, pp. 2 and 5.

<sup>272</sup> Exhibit B-13, p. 3.

<sup>273</sup> Exhibit B-13, pp. 4–5.

<sup>274</sup> Exhibit B-13, p. 4.

<sup>275</sup> Exhibit B-13, pp. 5–6.

process. The Panel provided an opportunity for Corix to respond to Mr. Sadornas by adding such response into the regulatory timetable. This inquiry did not cause unreasonable delays to the regulatory timetable because it would have otherwise concluded on December 5, 2024, in any case. Mr. Sadornas’s letter of comment, despite being late, has informed issues around public notices that have implications for future BMDEU proceedings. This decision was the appropriate forum to address this procedural issue, as carving it out would be inefficient and could have left an important aspect of this proceeding unaddressed.

The Panel finds that Corix did not violate the public notice requirements of Order G-76-24. While the order directed Corix to post the public notice on all major notice boards and in entry ways, we accept that Corix, as a public utility, does not have unrestricted access to the UniverCity properties. Corix would have had to seek authorization from the strata council to post items on private property. Instead, Corix requested the strata or property managers to post the notices on the utility’s behalf, which the Panel considers adequate.<sup>276</sup> We acknowledge that Mr. Sadornas indicates that he did not receive the notice but we consider that Corix has sufficiently addressed the issue in its response.

The Panel finds that further investigation into Corix’s public notice practices is unnecessary. Corix’s direct customers at UniverCity are the buildings’ stratas, and the utility has provided notice of this proceeding to them. While we note that the unit owners or the renters are indirectly affected because utilities costs, in part, would be reflected in their property or strata fees, the strata, which is Corix’s customer, was notified.

We are not persuaded that Corix’s proposal to simply add “to the extent reasonably possible” to future BCUC orders would be advisable because it could introduce ambiguity as to where or how the public notice is delivered. Therefore, as part of its next revenue requirements application, the Panel requests Corix to propose an efficient, practical, and reliable solution to provide notice to BMDEU customers and the occupants of the strata buildings so as to avoid the likelihood of further complaints of this nature.

The unredacted version of Corix’s response to Mr. Sadornas’s letter of comment in Exhibit B-13-1 will be held confidential, as it contains personal information, unless otherwise ordered by the BCUC.

**DATED** at the City of Vancouver, in the Province of British Columbia, this            19<sup>th</sup>            day of December 2024.

*Electronically signed by Carol Ann Brewer*

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C. M. Brewer  
Panel Chair/Commissioner

*Electronically signed by Wendy Royle*

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W. E. Royle  
Commissioner

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<sup>276</sup> Exhibit B-2.



Corix Burnaby Mountain DE Limited Partnership  
Burnaby Mountain District Energy Utility 2024–2025 Revenue Requirements and Rates

**LIST OF TERMS AND ACRONYMS**

Term/Acronym	Description
2011 UniverCity CPCN	Corix Multi-Utility Services Inc. November 26, 2010 Application for a Certificate of Public Convenience and Necessity for the Neighbourhood Utility Service at UniverCity, Burnaby
2011 UniverCity CPCN Decision	Decision and Order C-7-11 dated May 6, 2011
2017 BMDEU CPCN	CMUS Application for a Certificate of Public Convenience and Necessity for the Burnaby Mountain District Energy Utility
2020–2023 RRRR	Burnaby Mountain District Energy Utility 2020–2023 Revenue Requirement and Rates Application
2020–2023 RRRR Decision	Decision and Order G-279-21 dated September 24, 2021
AFUDC	Allowance for Funds Used During Construction
Application	Corix Burnaby Mountain DE Limited Partnership’s Burnaby Mountain District Energy Utility revenue requirements and rates application for 2024 and 2025
Availability Charge	Fixed monthly charge payable by SFU based on Corix being able to meet specified plant availability hours and efficiency targets
Basic Charge	Fixed monthly charge calculated on a per square metre basis, designed to recover capital costs and operating costs allocated to UniverCity customers
BCOAPO	British Columbia Old Age Pensioners’ Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens’ Organizations of BC, and Tenants Resource and Advisory Centre
BCUC	British Columbia Utilities Commission
BMDEU	Burnaby Mountain District Energy Utility
Business Combination	Transaction whereby Corix Infrastructure Inc., through its affiliates, and SW Merger Acquisition Corp., along with its wholly owned subsidiary SouthWest Water Company, combined their respective water utility, wastewater, and related businesses
CAM	Cost Allocation Methodology
Capacity Charge	Fixed monthly charge intended to recover capital costs and operating costs allocated to SFU, less an agreed amount that is reallocated to the Availability Charge
CEP	Central Energy Plant
CIAC	Contributions in Aid of Construction
CMUS	Corix Multi-Utility Services Inc.; Corix Burnaby Mountain DE Limited Partnership predecessor

Term/Acronym	Description
Consumption Charge	Variable charge based on energy consumption, calculated on a per kilowatt hour basis, intended to recover the total energy costs
Corix	Corix Burnaby Mountain DE Limited Partnership
CPCN	Certificate of Public Convenience and Necessity
Creative Energy	Creative Energy Vancouver Platforms Inc.
DPS	Distribution piping system
ECRA	Energy Cost Reconciliation Accounts
ETS	Energy transfer station
FCDA	Fuel Cost Deferral Account
FTE	Full time equivalent
ICVA	Insurance Cost Variance Account
IR	Information request
kWh	Kilowatt-hour
m <sup>2</sup>	Square metre
MW	Megawatt
O&M	Operating and maintenance
Original TESA	Amended and Restated Thermal Energy Services Agreement dated January 27, 2017, between Corix and SFU
Pre-Closing Restructuring	Internal reorganization of CMUS and its affiliates
PTDA	Property Tax Deferral Account
RCIA	Residential Consumer Intervener Association
RCVA	Regulatory Cost Variance Account
RDDA	Revenue Deficiency Deferral Account
ROE	Return on equity
RRRA	Revenue Requirement and Rates Application
SFU	the Simon Fraser University campus customer group
SFU Rider 1	Used to amortize the balance in SFU's Fuel Cost Deferral Account over a 12-month period
SFU Rider 2	Currently used to amortize the balance in SFU's Property Tax Deferral Account over a 12-month period and is proposed to amortize the balance of SFU's Insurance Cost Variance Account over the same period
Shannon Estates	Shannon Estates Thermal Energy System
TES	Thermal Energy System
TESA	Collectively refers to the Amended and Restated Thermal Energy Services Agreement by and between SFU and Corix dated January 27, 2017 (Original TESA) and the Second Amended and Restated Thermal Energy Services Agreement by and between SFU and Corix dated May 6, 2024 (Updated TESA)

Term/Acronym	Description
UCA	<i>Utilities Commission Act</i>
UniverCity	the UniverCity neighbourhood customer group, which is a residential and commercial property development on Burnaby Mountain, adjacent to the SFU campus
Updated TESA	Second Amended and Restated Thermal Energy Services Agreement by and between SFU and Corix, dated May 6, 2024
Variable Energy Charge	Variable charge applied to UniverCity customers, calculated on a per kilowatt hour basis, designed to recover the total energy costs on a flow-through basis

Corix Burnaby Mountain DE Limited Partnership  
Burnaby Mountain District Energy Utility 2024–2025 Revenue Requirements and Rates

**EXHIBIT LIST**

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Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	March 11, 2024 – Appointing the Panel for the review of Corix BMDEU 2024-2025 Revenue Requirements and Rates Application
A-2	March 19, 2024 – BCUC Order G-76-24 establishing a regulatory timetable
A-3	May 7, 2024 – BCUC response to BCOAPO and RCIA intervener registrations
A-4	May 9, 2024 – BCUC Information Request No. 1 to Corix BMDEU
A-5	June 24, 2024 – BCUC Order G-173-24 amending the regulatory timetable
A-6	<b>PUBLIC</b> – July 9, 2024 – BCUC Information Request No. 2 to Corix BMDEU
A-7	<b>CONFIDENTIAL</b> – July 9, 2024 – BCUC Confidential Information Request No. 2 to Corix BMDEU
A-8	November 21, 2024 – BCUC Order G-308-24 amending the regulatory timetable
A-9	November 21, 2024 – BCUC Panel Information Request No. 1 to Corix BMDEU
A-10	November 28, 2024 – BCUC Order G-317-24 amending the regulatory timetable
<i>COMMISSION STAFF DOCUMENTS</i>	
A2-1	November 21, 2024 – BCUC Staff submitting Reconciliation of the Simon Fraser University (SFU) proposed Capacity and Availability Charges for 2024 and 2025
<i>APPLICANT DOCUMENTS</i>	
B-1	<b>CORIX BURNABY MOUNTAIN DISTRICT ENERGY UTILITY (CORIX BMDEU) – 2024-2025 Revenue Requirements and Rates dated February 29, 2024</b>

Exhibit No.	Description
B-1-1	<b>CONFIDENTIAL</b> – March 1, 2024 – Corix BMDEU 2024-2025 Revenue Requirements and Rates Confidential Model
B-1-2	June 14, 2024 – Corix BMDEU submitting redacted updated Thermal Energy Services Agreement
B-1-3	<b>CONFIDENTIAL</b> – June 14, 2024 – Corix BMDEU submitting confidential updated Thermal Energy Services Agreement
B-2	March 26, 2024 – Corix BMDEU confirmation of Public Notice requirements in compliance with Order G-76-24 Directives
B-3	June 13, 2024 – Corix BMDEU submitting response to BCUC Information Request No. 1
B-3-1	<b>CONFIDENTIAL</b> – June 13, 2024 – Corix BMDEU submitting confidential Excel models
B-4	June 13, 2024 – Corix BMDEU submitting response to BCOAPO Information Request No. 1
B-5	June 13, 2024 – Corix BMDEU submitting response to RCIA Information Request No. 1
B-6	June 13, 2024 – Corix BMDEU submitting response to SFU Information Request No. 1
B-7	June 24, 2024 – Corix BMDEU submitting Second Amended and Restated TESA clarification
B-8	July 30, 2024 – Corix BMDEU submitting response to BCUC Information Request No. 2
B-9	<b>CONFIDENTIAL</b> – July 30, 2024 – Corix BMDEU submitting response to BCUC Confidential Information Request No. 2
B-10	July 30, 2024 – Corix BMDEU submitting response to BCOAPO Information Request No. 2
B-11	August 15, 2024 – Corix BMDEU submitting confirmation of social media public notice in compliance with Order G-76-24 Directives
B-12	November 26, 2024 – Corix BMDEU submitting response to BCUC Panel Information Request No. 1
B-13	<b>PUBLIC</b> - December 5, 2024 – Corix BMDEU submitting response to Letters of Comment
B-13-1	<b>CONFIDENTIAL</b> - December 5, 2024 – Corix BMDEU submitting confidential response to Letters of Comment

Exhibit No.	Description
<i>INTERVENER DOCUMENTS</i>	
C1-1	April 30, 2024 – <b>SIMON FRASER UNIVERSITY (SFU)</b> – Request to intervene by Joyce Chong
C1-2	May 13, 2024 – SFU submitting Information Request No. 1 to Corix BMDEU
C2-1	May 1, 2024 – <b>RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA)</b> – Request to intervene by Rory MacGregor
C2-2	May 16, 2024 – RCIA submitting Information Request No. 1 to Corix BMDEU
C2-3	July 9, 2024 – RCIA submitting no Information Request No. 2 to Corix BMDEU
C3-1	May 1, 2024 – <b>BC OLD AGE PENSIONERS’ ORGANIZATION, COUNCIL OF SENIOR CITIZENS’ ORGANIZATIONS OF BC, DISABILITY ALLIANCE BC, TENANTS RESOURCE AND ADVISORY CENTRE (BCOAPO)</b> – Request to intervene by Irina Mis
C3-2	May 16, 2024 – BCOPAO submitting Information Request No. 1 to Corix BMDEU
C3-3	July 9, 2024 – BCOPAO submitting Information Request No. 2 to Corix BMDEU

*LETTERS OF COMMENT*

D-1 November 26, 2024 – SADORNAS, P. (SADORNAS) – Letter of Comment

Corix Burnaby Mountain DE Limited Partnership  
Burnaby Mountain District Energy Utility 2024–2025 Revenue Requirements and Rates

**SUMMARY OF DETERMINATIONS AND DIRECTIVES**

This summary is provided for the convenience of readers. In the event of any difference between the determinations and directives in this summary and those in the body of the decision, the wording in the decision shall prevail.

Determination/Directive	Page
The Panel finds the forecast O&M costs for 2024 and 2025 to be reasonable for the purposes of setting rates.	13
The Panel finds forecast O&M cost allocations to SFU and UniverCity to be reasonable for setting the 2024 and 2025 rates.	13
The Panel approves including biomass ash disposal costs in flow-through energy costs for UniverCity and SFU.	16
[T]he Panel directs Corix to include in its next revenue requirements application, a review of actual biomass ash disposal costs, specifying any efficiency measures Corix has implemented and identifying any components that may be considered controllable.	16
[T]he Panel directs Corix to report annually, in its ECRA Annual Report for UniverCity and its Deferral Account Report for SFU, the percentage of biomass ash disposal costs relative to total energy costs. If the percentage of biomass ash disposal costs reaches 10 percent or more of total annual energy costs, calculated as an average over the year, Corix is directed to provide supporting rationale for the increase in its report.	16
Accordingly, the Panel directs Corix to provide a Replacement and Renewal Capital Plan in its next revenue requirements application.	19
Therefore, the Panel approves the establishment of separate Regulatory Cost Variance Accounts for UniverCity and SFU to record their respective variances between forecast and actual external regulatory costs, accruing interest at Corix’s weighted average cost of capital.	21

Determination/Directive	Page
[T]he Panel directs Corix to propose the amortization period for the Regulatory Cost Variance Accounts for each of UniverCity and SFU in its next revenue requirements application. Corix is further directed to recover or refund any variances to UniverCity through amortization of the balance to the Basic Charge, and to SFU through amortization of the balance to the Capacity Charge.	22
The Panel approves the establishment of separate Insurance Costs Variance Accounts for UniverCity and SFU to record their respective variances between forecast and actual costs for liability and property insurance.	23
<p>The Panel approves the amortization periods and application of interest for the UniverCity and SFU Insurance Cost Variance Accounts as follows:</p> <ol style="list-style-type: none"> <li>a. For UniverCity, the balance will be fully amortized within the test period of the next revenue requirements application, with any variances addressed through adjustments to the Basic Charge, either as recoveries from or refunds to UniverCity. The deferral account will accrue interest at Corix’s weighted average cost of capital.</li> <li>b. For SFU, the balance will be fully amortized through SFU Rider 2.</li> </ol>	24
Based on the above, the Panel approves extending the recovery period of the RDDA for UniverCity to 2036, considering it a reasonable approach to manage the RDDA recovery amidst the build-out delay.	29
Corix is directed to amend the RDDA for UniverCity to record the differences between the BCUC-approved forecast revenues at approved rates and forecast cost of service, starting in the next revenue requirements application. Corix is further directed to file its next revenue requirements application no later than November 28, 2025.	31
[T]he Panel approves the Basic Charge (\$/m2/month) of \$1.3672 and \$1.4903, effective March 1, 2024 and January 1, 2025, respectively, on a permanent basis, for UniverCity. Further, the tariff schedules for UniverCity, as filed in Appendix E of the Application, are accepted as filed.	40
[T]he Panel approves Corix’s proposed Capacity Charge, Consumption Charge and Availability Charge for service to SFU on a permanent basis, effective March 1, 2024 and January 1, 2025, subject to the compliance filing directives as set out in the GCOC Stage 2 Decision. Further, Corix is directed to file the tariff schedules for SFU in tariff supplement form for endorsement by the BCUC by January 31, 2025.	40



Determination/Directive	Page
The Panel approves Corix’s request to continue to apply the rate structure for the SFU FCDA and the SFU Rider 1 on an ongoing basis, maintaining the 12-month amortization period for any year-end SFU FCDA balances.	41
The Panel also approves the inclusion of biomass ash disposal costs in the SFU FCDA, effective March 1, 2024.	42
Consistent with Order G-279-21 and the 2020–2023 RRRRA Decision Directive 3, Corix is directed to continue filing its annual SFU Deferral Account Report to the BCUC by June 1 of each year, which will include the following: (i) the year-end balance for the SFU FCDA; (ii) a request for an approval of the associated annual SFU Rider 1 effective July 1 for the subsequent year; and (iii) all supporting information relevant to the rate-setting process.	42
The Panel approves Corix’s request to continue using the SFU PTDA and the SFU Rider 2 rate-setting mechanism on an ongoing basis.	43
The proposed amendments to the Updated TESA are approved.	43
The revised terms and conditions for UniverCity, as filed in Appendix E of the Application, are accepted as filed.	44
The Panel finds that the Financial Model filed as Appendix D to the Application and the unredacted Updated TESA filed in Exhibit B-1-2, contain commercially sensitive information and directs that they will be kept confidential unless otherwise ordered by the BCUC.	44