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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-10-12**

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by FortisBC Alternative Energy Services Inc.
for a Certificate of Public Convenience and Necessity for the Approval for the PCI Marine Gateway Thermal
Energy Project and Approval of Rates for Thermal Energy Service to PCI Developments Inc.**

BEFORE: D.M. Morton, Panel Chair/Commissioner September 27, 2012
B.A. Magnan, Commissioner

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On May 25, 2012, FortisBC Alternative Energy Services Inc. (FAES) applied (the Application) pursuant to sections 45 and 46 of the Utilities Commission Act (the Act) for a Certificate of Public Convenience and Necessity (CPCN) for the construction and operation of the thermal energy project for the PCI Marine Gateway development (the Project) as described in the Application;
- B. FAES also seeks approval of the rates and rate design as set out in the Service Agreements between FAES and 8440 Cambie Nominee Corp. (PCI) and as described in the Application;
- C. The energy system will provide space heating, cooling and domestic hot water to meet the thermal energy demands for the Marine Gateway development, comprising residential, office and commercial customers;
- D. On June 5, 2012, the British Columbia Utilities Commission (Commission) by Order G-72-12 established a Written Hearing process for the review of the Application;
- E. The Commission has reviewed the Application and submissions filed during the course of the Written Hearing and has determined that it is in the public interest to grant a CPCN for this Project.

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NOW THEREFORE the Commission orders as follows:

1. A CPCN is granted to FAES for the Project.
2. FAES shall use as its control budget for the Project the AACE Class 3 estimate of \$8.1 million plus a contingency of 15 percent.
3. The Panel does not approve the Allowance for Funds Used During Construction (AFUDC) estimate as calculated. FAES is directed to recalculate it based on the approved cost of debt and Return on Equity (ROE).
4. The rate design and rates as proposed pursuant to sections 59-61 of the Act and established by the Service Agreements filed with the Application in Appendix V, and described in Section 6 Cost of Service and Rate Design of the Application, are denied. The following determinations are included in the Decision issued concurrently with this Order:
 - a. FAES' proposed rate smoothing approach is denied;
 - b. FAES is directed to select an appropriate test period and recalculate the rate to reflect the forecast cost of service for that test period;
 - c. FAES' proposal to apply to the Commission to review revenue requirements annually, after the first three years, or other such test period as determined by FAES, of operation is approved;
 - d. The proposed project deferral account is denied;
 - e. The use of fully variable rates is accepted;
 - f. The proposed capital structure of 60 percent debt, 40 percent equity is accepted;
 - g. The requested 50 basis point premium on the benchmark utility return on equity is denied;
 - h. The deemed cost of debt rate of 5.37 percent is accepted;
 - i. A single customer class for the Project is accepted;
 - j. A new rate application shall be submitted no later than 120 days prior to the in-service date of the Project.
5. Provide to the Commission within 30 days of this Order, information further specified in the Decision concerning the Contract Energy Demand Cap.
6. The current Proceeding will be closed and a new proceeding established following FAES filing of a new rate application with the Commission including notification to the current proceeding Interveners.

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7. FAES shall file Annual Progress Reports on the Project showing planned versus actual schedule and costs with any variances or difficulties that the Project may be encountering. The Annual Progress Reports will be filed within 30 days of the end of each reporting period on a calendar year basis.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of September 2012.

BY ORDER

Original signed by:

D.M. Morton
Panel Chair/Commissioner