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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-33-12**

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

and

**An Application by FortisBC Energy Inc.
for Approval of a Capital Expenditure Schedule, Rate Design and Rates
for an Operating and Maintenance Agreement to Provide Thermal Energy Services
Between FortisBC Energy Inc. and the Strata Corporation of Tsawwassen Springs Development**

BEFORE: D.M. Morton, Commissioner
R.D. Revel, Commissioner

March 16, 2012

ORDER

WHEREAS:

- A. On March 2, 2012, FortisBC Energy Inc. (FEI) submitted an application to the British Columbia Utilities Commission (Commission) for approval under sections 44.2 and sections 59-61 of the *Utilities Commission Act* (Act) of a Capital Expenditure Schedule, associated Rate Design and Rates to provide Thermal Energy Services (TES) at the Tsawwassen Springs Development (the Application);
- B. The Application requests acceptance by the Commission of:
 - a. capital expenditures of \$1.184 million reflecting the cost to purchase, from the developer of the Tsawwassen Springs Development, four(4) ground source Loop Field Systems (LFS) located on Springs Boulevard in Delta, British Columbia on a portion of lands bounded by 52nd Street and Highway 17;
 - b. a 10 percent capitalization of the purchase price for each LFS; and
 - c. an operating and maintenance service by FEI to supply TES to the Strata Corporation of Tsawwassen Springs Development;
- C. The LFS will be connected to equipment that the Strata will own, operate and maintain for the circulation of heat exchange fluid in the LFS, heat exchangers and heat pumps for provision of heat to the Strata Corporation residential units;

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- D. FEI will not be metering the thermal energy provided by the LFS to the Strata and instead is seeking approval for a rate design of a monthly fee, with annual escalation, based on a levelized cost of service model, a 40 percent equity/60 percent debt capital structure and a Return on Equity (ROE) of 10.0 percent which is a 50 basis points equity risk premium over the benchmark utility ROE for a term of 25 years for each LFS;
- E. The Application includes the executed Loop Field System Operating and Maintenance Agreement between TGCC Management LLP (Owner) and FEI and the Loop Field System Purchase and Sale Agreement between TGCC Management LLP, Tsawwassen Golf and Country Club Ltd. (Nominee) and FEI which FEI requests the Commission hold confidential due to competitive concerns;
- F. FEI states that the non-confidential information in the Application should permit a transparent review process and would be willing to provide access to the full record to those parties with non-competitive interests upon executing standard undertakings of confidentiality ;
- G. In Commission Orders No. G-1-12 and G-9-12, the Commission has determined that a Certificate of Public Convenience and Necessity (CPCN) is not required by FEI for this Application;
- H. The Commission has determined that a written public hearing process is necessary to review the Application and requires that public notice be given to potentially affected persons to allow them to participate in the regulatory review.

NOW THEREFORE the Commission orders as follows:

- 1. The establishment of a Written Hearing Process for the review of the Application according to the Regulatory Timetable that is attached as Appendix A to this Order.
- 2. FEI shall publish a notice of the Application and Written Public Hearing Process, attached as Appendix B to this Order, in the local and community newspapers that will provide reasonable notice to people in the proposed general service area and surrounding communities and shall make the non-confidential Application sections available through its website and/or its corporate office in downtown Vancouver. FEI shall also send this Order to the current Strata Corporation(s) of the Tsawwassen Springs Development.
- 3. Persons wishing to participate as Interveners or as Interested Parties, as described in Appendix B, should register with the Commission by Friday, March 30, 2012.
- 4. The Commission will hold the information in Appendix A and B of the Application as confidential according to the terms outlined by FEI in the Application.

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DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of March, 2012.

BY ORDER

Original signed by:

D.M. Morton
Commissioner

Attachments

FORTISBC ENERGY INC.

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for Approval of a Capital Expenditure Schedule, Rate Design and Rates
for an Operating and Maintenance Agreement to Provide Thermal Energy Services
Between FortisBC Energy Inc. and the Strata Corporation of Tsawwassen Springs Development

REGULATORY TIMETABLE

ACTION	DATE (2012)
Registration of Interveners	Friday, March 30
Filing of Participant Assistance / Cost Award Budgets	Wednesday, April 4
Commission Information Request No. 1	Thursday, April 5
Intervener Information Request No. 1	Wednesday, April 11
Response to Commission Information Request No. 1	Wednesday, April 18
Response to Intervener Information Request No. 1	Wednesday, April 25
Commission and Intervener Information Requests No. 2	Wednesday, May 9
Response to Commission and Intervener Information Requests No. 2	Wednesday, May 23
FortisBC Energy Inc.'s Final Submission	Wednesday, May 30
Intervener Final Submission	Wednesday, June 6
FortisBC Energy Inc.'s Final Reply Submission	Wednesday, June 13

FORTISBC ENERGY INC.

An Application by FortisBC Energy Inc.
for Approval of a Capital Expenditure Schedule, Rate Design and Rates
Established in an Operating and Maintenance Agreement to Provide Thermal Energy Services
Between FortisBC Energy Inc. and the Strata Corporation of Tsawwassen Springs Development

**NOTICE OF WRITTEN PUBLIC HEARING
PROCESS**

THE APPLICATION

On March 2, 2012, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (Commission) for approval of a Capital Expenditure Schedule, associated Rate Design and Rates to provide Thermal Energy Services (TES) at the Tsawwassen Springs Development (the Application) under sections 44.2 and sections 59-61 of the *Utilities Commission Act* (Act)).

The Capital Expenditure Schedule relates to the purchase cost of four (4) ground source Loop Field Systems (LFS) by FEI from the owner/developer of the Tsawwassen Springs Development located on Springs Boulevard in Delta, British Columbia on a portion of lands bounded by 52nd Street and Highway 17. The LFS will be installed by the developer in four phases in connection with the residential development and comprise vertical piping loops which exchange thermal energy between a water-glycol solution and the earth. FEI will purchase the LFS from the developer and will own and operate the LFS only and not the related equipment such as circulating pumps, heat pumps, back-up boilers and the related energy charges to operate such equipment which will be the responsibility of the individual Strata.

FEI also seeks approval for the rate design and rates over a 25-year term of an Operating and Maintenance Agreement for providing Thermal Energy Services to the Strata Corporations of the phased Tsawwassen Springs Development. FEI is proposing a 25-year levelized rate design with annual escalation to recover its costs and a return on investment based on 10 percent return on equity and a 40 percent equity/60 percent debt capital structure. The initial Phase of 55 apartment-style strata units would be charged \$1,800 per month based on the rate design and rates proposed over the first year for access to the LFS.

THE REGULATORY PROCESS

Commission Order G-33-12 establishes a Regulatory Timetable for the review of the Application by way of a Written Public Hearing.

The Regulatory Timetable can be reviewed on the Commission's website at www.bcuc.com.

REGISTERING TO PARTICIPATE

Persons who wish to actively participate in this proceeding should register as Interveners with the Commission in writing by Friday, March 30, 2012. Interveners will receive a copy of the Application as well as all correspondence and filed documents. An email address should be provided if available.

Persons not expecting to actively participate, but who have an interest in the proceeding, should register with the Commission in writing as Interested Parties, by Friday, March 30, 2012, identifying their interest in the Application. Interested Parties will receive an Executive Summary of the Application and a copy of the Commission's Decision when issued.

PUBLIC INSPECTION OF DOCUMENTS

This Application and supporting non-confidential material will be made available for inspection either on FEI's website or at its corporate office at 1111 West Georgia Street, Vancouver, BC, V6E 4M3 and on the Commission's website at www.bcuc.com.

All submissions and/or correspondence received from active participants or the general public relating to the Application will be placed on the public record and posted to the Commission's website.

FURTHER INFORMATION

For further information, please contact Ms. Alanna Gillis, Acting Commission Secretary, by telephone at (604) 660-4700, toll-free within British Columbia at 1-800-663-1385, by fax at (604) 660-1102, or by email at Commission.Secretary@bcuc.com.