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ORDER NUMBER
G-271-19

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

and

River District Energy
2020–2023 Rates Application

BEFORE:
T. A. Loski, Panel Chair
E. B. Lockhart, Commissioner

on November 4, 2019

ORDER

WHEREAS:

A. On June 10, 2019, River District Energy (RDE) filed an application with the British Columbia Utilities Commission (BCUC) for approval of a 3.94 percent per year general rate increase for the period 2019 to 2023 to all customers (Application);

B. On June 27, 2019, RDE amended the Application, stating the requested approval of a 3.94 percent per year general rate increase to be effective January 1, 2020;

C. By Orders G-147-19 and G-175-19, the BCUC established and amended a regulatory timetable for the review of the Application, which included, among other things, a deadline to provide notice of the Application, intervener registration and one round of information requests;

D. On August 29, 2019, RDE filed its final argument; and

E. The BCUC has reviewed the Application, the evidence and argument in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commisison Act*, the BCUC orders as follows:

1. RDE is approved to establish a permanent rate increase of 3.94 percent effective January 1 for each of the years 2020, 2021, 2022 and 2023.

2. RDE is directed to file tariff pages reflecting these rate changes within 30 days of the date of this order for endorsement by the BCUC.

DATED at the City of Vancouver, in the Province of British Columbia, this 4th day of November 2019.

BY ORDER

Original signed by:

T. A. Loski
Commissioner

Attachment

River District Energy

2020–2023 Rates Application

Reasons for Decision

November 4, 2019

Before:
T. A. Loski, Panel Chair
E. B. Lockhart, Commissioner

Table of Contents

Page no.

1.0 Introduction

1.1 Application and Background

On June 10, 2019, River District Energy (RDE) filed a rate application with the British Columbia Utilities Commission (BCUC) for approval to increase rates by 3.94 % per year for all customers, for the years 2019, 2020, 2021, 2022 and 2023 (Rate Application). RDE amended its application on June 27, 2019, to forego rate changes in 2019 and to request that the rate increase be effective on January 1, 2020 in light of the timing of its submission and anticipated review process.[1] RDE requests the annual rate increase to allow a balanced recovery of its Revenue Deficiency Deferral Account (RDDA) while it continues to work on securing a low-carbon energy source, following which it will propose a new RDDA term and submit a Certificate of Public Convenience and Necessity (CPCN) for the BCUC's approval (Future CPCN). RDE states that it expects to submit the Future CPCN in 2020.[2]

In 2011, pursuant to Order C-14-11 and accompanying Decision, the BCUC approved RDE's CPCN (Original CPCN) to construct and operate a district energy utility system to serve the River District community, a 130-acre community in southeast Vancouver adjacent to the Fraser River (2011 Decision[3]).[4] The BCUC approved a plan for RDE to provide thermal energy to serve the initial development parcels using natural gas as the energy source. The plan involved the construction of a gas-fired temporary energy centre, to be followed by a permanent energy centre (PEC) as load develops, as well as a related distribution piping system and energy transfer stations.[5] The BCUC also approved a 20-year levelized rate structure in which RDE would defer a portion of its annual revenue requirement during the early years of the development. Further, the BCUC also approved the establishment of an RDDA to record shortfalls in the recovery of RDE's revenue requirements in the early years.[6] In January 2012, by Order G-2-12, the BCUC approved an annual escalation rate of 3.94 % for the period 2013 through 2016.[7]

In July 2017, RDE requested the BCUC's approval of rates that were unchanged from the approved 2016 rate.[8] RDE explains that it requested this "rate freeze" because development of the River District community was slower than it had anticipated and because changes in 2016 and 2017 to the City of Vancouver building code and policies affected RDE's business model. The BCUC approved RDE's request and rates at the River District

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[1] Exhibit B-1-1.
[2] Exhibit B-1, Application, p. 8.
[3] RDE, Application for a Certificate of Public Convenience and Necessity 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 Revenue Deficiency Deferral Account for the First Five Years of Operation, Order C-14-11 and Decision dated December 19, 2011 (2011 Decision).
[4] RDE Final Argument p. 1.
[5] RDE, Application for a Certificate of Public Convenience and Necessity 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 Revenue Deficiency Deferral Account for the First Five Years of Operation, Order C-14-11 and Decision dated December 19, 2011 (2011 Decision), p. 3.
[6] Ibid., p. 2.
[7] RDE, Rate and Revenue Requirement Resubmission for the First Five Years of Operation at River District in Southeast Vancouver, Order G-2-12.
[8] Compliance Filing for Order G-188-12, dated July 25, 2017.

community have remained constant since then.[9] RDE also proposes these rates to be in effect until December 31, 2019.

RDE submits this Rate Application to reinvigorate the recovery of its current RDDA while it finalizes an approach that fulfills the low-carbon requirements in the City of Vancouver's Zero Emissions Building Plan (ZEBP) and remains competitive with similar thermal energy providers.[10]

RDE proposed a levelized rate structure in the Original CPCN in order to reduce the energy rates for early customers and to distribute the costs of developing the project over all customers for a 20-year period. Under a levelized rate approach, RDE would under-recover its costs of service during the early years of operation, and over-recover its costs of service in the latter years as the community develops. The initial shortfall would be captured in the RDDA and then subsquently drawn down and be fully recovered by the 20th year of operation. RDE sought approval of a 20-year levelization period because that terms corresponds roughly to the anticipated duration of the development build-out.[11] The proposed annual effective rates included in the Original CPCN include an escalation factor that is designed to recover the levelized cost of service over the 20-year levelization period.[12] The 3.94% annual escalation factor when applied annually over the 20-year period, resulted in the forecast elimination of the RDDA balance in year 20.[13]

In its 2011 Decision, the BCUC stated that it:

> …must ensure that rates being charged to customers are just and reasonable while allowing the utility to earn a fair return. The [BCUC] recognizes that it is not uncommon to allow "Greenfield" start-up utilities to charge levelized rates. The [BCUC] agrees with [an intervener] that this approach to rate setting is both fair and practical as it provides affordable energy rates for early customers while distributing the project's costs over all customers for a 20-year period, thus avoiding prohibitive energy rates in the early years.[14]

1.2 BCUC Jurisdiction

The BCUC's Thermal Energy System Framework Guidelines (TES Guidelines)[15] provides a scaled approach to the regulation of thermal energy services, where the regulatory oversight increases as the size and scope of the TES increases. RDE is classified as a Stream B Thermal Energy System public utility[16] in which the approval of rates is governed by sections 59–61 of the *Utilities Commission Act* (UCA).[17]

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[9] Exhibit B-1, p. iii.
[10] Exhibit B-1, p. iii.
[11] 2011 Decision, p. 23.
[12] Ibid., p. 28.
[13] Order G-2-12, Appendix A, Reasons For Decision, p. 1.
[14] 2011 Decision, pp. 23–24.
[15] Appendix A to Order G-27-15, BCUC Thermal Energy Systems Regulatory Framework Guidelines (TES Guidelines), p. 22.
[16] BCUC Generic Cost of Capital Proceeding (Stage 2) Decision, March 25, 2014, p. 116.
[17] *Utilities Commission Act*, RSBC 1996, c. 473.

The TES Guidelines state that applicants (Stream B TES utilities, such as RDE) are required to consider the following rate setting principles:[18]

1. provide an equitable balance of risk and cost (such as forecast load and cost risk) between the utility and the ratepayer or generation of ratepayers;
2. use the least deferral mechanisms possible;
3. restrict the ability of the utility to pass controllable costs onto ratepayers;
4. use the least amount of regulatory oversight to protect the ratepayer (minimize the regulatory burden and costs on the utility, ratepayers and the Commission); and
5. avoid rate shock (>10 percent change in rates per annum is generally considered "Rate Shock").

1.3 Review of the Application and Regulatory Process

By Order G-147-19 dated July 4, 2019, the BCUC established a regulatory timetable for the review of the Rate Application which included public notice, intervener registration and one round of BCUC and intervener information requests (IRs). The timetable also set dates for written final and reply arguments.

By Order G-175-19 dated July 31, 2019, the BCUC established an updated regulatory timetable, which permitted RDE an extension to provide proper notice of the Rate Application to its customers. No interveners registered to participate in the proceeding. No letters of comment were received and nor did anyone register as an interested party.

1.4 Approval Sought

RDE requests BCUC approval to implement a 3.94% annual rate increase, effective January 1 for each of the years 2020, 2021, 2022 and 2023.[19]

2.0 Key Issues

A number of issues were explored in this proceeding, including (i) the project challenges; (ii) the anticipation of a CPCN application once RDE selects a permanent energy source; (iii) project costs; (iv) the proposed rates, benchmarks and RDDA, and (v) public consultation.

2.1 Project Challenges

Delayed Growth

The River District community's delayed growth between 2012 and 2017 affected RDE's forecast customer base and related revenues.[20] Sales and the resulting pace of apartment construction at River District were lower than

[18] TES Guidelines, p. 22.
[19] RDE Final Argument, p. 2.
[20] Exhibit B-1, p. 7.

contemplated in the Original CPCN and therefore customer connections fell behind the Original CPCN projection.[21] RDE responded to market changes by reducing operating and capital costs through the postponement of its PEC, the most capital-intensive asset.[22]

Changes to Municipal Regulatory Requirements

In 2016, the City of Vancouver introduced the ZEBP, a building code policy that seeks to lower energy consumption and reduce greenhouse gas (GHG) emissions through the requirement of more robust building envelope systems.[23] In 2017, the City of Vacouver introduced the Low Carbon Energy Systems (LCES) policy, which grants less stringent building envelope requirements for systems that connect to a non-fossil fuel energy supply. Although the LCES policy incentivizes district energy systems which may mitigate reduced energy demands, the policy still compels a district energy system to achieve prescribed GHG targets and provide a low-carbon solution. Thus, the LCES policy results in a policy-driven requirement to incorporate a non-fossil fuel application in RDE's future PEC.[24]

2.2 Future CPCN and Rate Application

RDE explains that material changes to its plans contained in the Original CPCN are required, and that it expects to submit a CPCN for the BCUC's approval in 2020 (Future CPCN). Although the Original CPCN contemplated a PEC, RDE must now incorporate a non-fossil fuel application into the PEC due to changes in the City of Vancouver's building code and policies.[25] RDE submits that these policy changes will lead to higher construction costs, reduced energy demand from new buildings (subject to ZEBP) and added capital implications from the low-carbon requirements (to fulfill the LCES policy). Thus, RDE plans to submit a Future CPCN for the BCUC's approval upon selecting a low-carbon energy source.[26]

RDE's capital requirements might also change as a result of the Future CPCN, in which case RDE states that it may have to apply to change its rates. RDE acknowledges that if a different rate increase is approved, that new rate would supplant the requested 3.94 % for the remainder of the 2020–2023 period.[27]

RDE explains that it has to increase rates in order to recover the balance of its RDDA.[28] RDE states that "[w]hile the precise impact of the municipal policy changes remains uncertain, the directionality is known: the policy changes will lead to a reduction in energy sales [relative to RDE's initial projections], and there is no scenario where RDE will begin to recover its RDDA balance without increasing rates."[29]

[21] Exhibit B-3, BCUC IR 2.2.1.
[22] Exhibit B-1, p. 7.
[23] Ibid.
[24] Ibid.
[25] Ibid.
[26] Ibid., p. 8.
[27] Exhibit B-3, BCUC IR 1.2.1.
[28] Ibid., BCUC IR 1.1.
[29] Ibid.

2.3 Project Costs for the Period 2020–2023

RDE provides information explaining the differences in detailed operating costs under the proposed rates and under the Original CPCN as shown in Tables 1, 2 and 3 below.[30] RDE states that management and staff costs are now higher because it had underestimated its operational and regulatory time requirements to manage a district energy system in the Original CPCN. RDE believes it has addressed this issue with the dedication of a full-time district energy manager and a full-time district energy operations supervisor. Maintenance costs are estimated to be higher than originally planned because of the accelerating growth rate in the development. Higher costs in some areas, however, are offset by favourable variances due to the deferral of land rent and plant property taxes to 2023, and lower variable fuel and electricity costs, driven by lower estimated costs per MWh of production.[31]

Table 1: Operating Costs – Revised Plan

OPERATING COSTS - REVISED PLAN	2019	2020	2021	2022	2023
Total Variable Operating Costs	453	671	800	1,038	1,271
Land Rent	-	-	-	-	141
Maintenance	215	167	178	205	400
Management and Staff	381	388	396	404	516
Overhead	66	67	68	69	59
Business Planning, Permitting and Construction Mgmt	325	230	158	161	175
Insurance (Property and Liability)	9	9	9	12	14
Property Taxes	23	55	60	62	130
Total Fixed Operating Costs	**1,018**	**917**	**869**	**914**	**1,434**
Total Operating Costs	**1,471**	**1,588**	**1,669**	**1,952**	**2,705**

Table 2: Operating Costs – Original CPCN

OPERATING COSTS - ORIGINAL CPCN	2019	2020	2021	2022	2023
Total Variable Operating Costs	$ 614	$ 674	$ 799	$ 964	$ 1,097
Land Rent	148	151	154	157	160
Maintenance	68	76	83	88	92
Management and Staff (Including Overheads)	195	199	203	207	211
Insurance (Property and Liability)	6	7	9	11	13
Property Taxes	72	76	82	90	97
Carrying Cost on Working Capital	2	2	2	3	3
Total Fixed Operating Costs	**491**	**511**	**533**	**556**	**576**
Total Operating Costs	**1,105**	**1,185**	**1,332**	**1,520**	**1,673**

[30] Exhibit B-3, BCUC IR 8.7.
[31] Ibid.

Table 3: Operating Costs - Variance

OPERATING COSTS - VARIANCE	2019	2020	2021	2022	2023
Total Variable Operating Costs	161	4	(1)	(74)	(173)
Land Rent	148	151	154	157	19
Maintenance	(147)	(91)	(95)	(117)	(308)
Management and Staff (Including Overheads)	(576)	(487)	(419)	(427)	(538)
Insurance (Property and Liability)	(3)	(2)	(0)	(1)	(1)
Property Taxes	49	21	22	28	(33)
Carrying Cost on Working Capital	2	2	2	3	3
Total Fixed Operating Costs	**(527)**	**(406)**	**(336)**	**(358)**	**(858)**
Total Operating Costs	**(366)**	**(403)**	**(337)**	**(432)**	**(1,031)**

2.4 Proposed Rates, Benchmarks and RDDA

Proposed Rates

RDE submits that compounded effects from slower than anticipated development between 2012 and 2017, higher than planned construction costs, reduced future energy sales (a consequence of the ZEBP) and the added requirement of a low-carbon source (to comply with the LCES policy) have shifted RDE's business plan. RDE states that it is unable to recover the RDDA by the end of the 20-year levelized rate period, namely 2031, the term established by Order C-14-11.[32] RDE further submits that approving the rate escalation will allow a balanced recovery of its RDDA while it continues to work on securing a low-carbon energy source, following which it will propose a new RDDA term.[33] Table 4 below illustrates the resulting energy rates as a result of the proposed annual 3.94% increase for 2020 to 2023.[34]

Table 4: Proposed Energy Rates

PROPOSED ENERGY RATES	2020	2021	2022	2023
Monthly Capacity Charge ($/m^2)	0.59	0.62	0.64	0.67
Thermal Energy Charge (per MW.h)	38.69	40.20	41.77	43.40

RDE explains that it selected 3.94% as the amount of annual rate increase requested in this Rate Application because that was the rate increase approved in the Original CPCN for the period 2013–2016. RDE proposes to apply this same rate increase to the 2020–2023 period. RDE submits that, based on currently available information, it should be able to provide competitively priced, low-carbon thermal energy by reinstating its Original CPCN escalation rate of 3.94% and extending the RDDA term.[35]

Benchmarking

RDE demonstrates the impact of the proposed rate increase by comparing thermal energy rates to natural gas, electricity and other TES providers for a 19,000 square metre building. From this exercise, RDE submits its

[32] Exhibit B-1, p. 15.
[33] Ibid.
[34] Ibid., Table 3.1, p. 16.
[35] Ibid., p. 8.

proposed rates between 2020–2023 remain highly competitive. Below is an excerpt from Figure 4 of the Rate Application:[36]

Utility	2019	2020	2021	2022	2023	Notes
FortisBC (Natural Gas)	$89	$91	$93	$94	$96	Fuel costs, based on FortisBC Lower Mainland Rate 3, with high efficiency boiler and factoring in conversion losses = $39 per MW.h. Installation and replacement of boiler equipment plus maintenance = $50 per MW.h. Total effective cost = $89 per MW.h. Assuming 2% annual rate increases.
RDE	100	104	108	113	117	Rate estimates are based on a reference building with an annual energy demand of 109 KW.hr per m² of floor area. Actual effective rates for customers will vary due to differences in energy performance from building to building. Assumes 3.94% increases as per 2011
Southeast False Creek	114	117	121	125	129	Rate estimates are based on a reference building with an annual energy demand of 109 KW.hr per m² of floor area. Actual effective rates for customers will vary due to differences in energy performance from building to building. Assumes historic average increase of 2.39%
Surrey City Energy	$115	$118	$121	$124	$127	Rate estimates are based on a reference building with an annual energy demand of 109 KW.hr per m² of floor area. Actual effective rates for customers will vary due to differences in energy performance from building to building. Assumes 3.19% increases as per utility forecasts.
BC Hydro	$118	$119	$121	$121	$125	Comprehensive Review of BC Hydro: Phase 1 Final Report, p. 3, Table 1, BC Hydro Five Year Rates Forecast. Assumes a 50-50 blend of Tier 1 and Tier 2 rates.
Burnaby Mountain	$120	$122	$125	$127	$130	Initial in-service rate of $119.67 per MW.h. Order C-5-17, pg. 46. Assumes 2% annual increases.

By 2023, RDE estimates that a typical building in the River District community will be paying a blended rate of $117 per MWh, approximately 10% below the BC Hydro average electricity rates of $125 per MWh, using certain assumptions. In the Original CPCN, RDE submitted that offering rates up to 10% above average electricity rates to be reasonable when considering district energy's added societal benefits.[37] The BCUC agreed with RDE that the district energy system was well positioned to deliver the additional intangible benefits to consumers such as the higher quality of service associated with hydronic heat, environmental benefits, reduced exposure to future commodity price changes and the additional floor space freed up within individual projects. As a result, the BCUC accepted that a premium of up to 10 % above the benchmark electricity rate may be justified when establishing the rates for the district energy utility.[38]

Impact of a Rate Increase on RDDA

RDE submits that reinstating the annual 3.94% rate increase is in the long-run interest of the system. Table 5 presents the RDDA Balance under the Original CPCN. Table 6 compares the Original CPCN to the revised forecast RDDA if the annual rate increase is granted. Under the revised plan, the RDDA would reach approximately $6.5 million by the end of 2023, roughly 34% less than the Original CPCN proposal of $9M.[39] If the annual rate increase is rejected and rates remain constant, the RDDA balance would grow from $4.17 million to $7.67

[36] Exhibit B-1, p. 17.
[37] Ibid., p. 16.
[38] 2011 Decision, p. 28.
[39] Exhibit B-1, p. 18.

million by 2023 (Table 7).[40] Upon securing a low-carbon energy source, RDE will submit a Future CPCN to update its business model and extend the RDDA recovery term.[41]

Table 5: 2020-2023 RDDA Balance – CPCN[42]

RDDA ($000s) - ORIGINAL CPCN	2019	2020	2021	2022	2023
Operating costs	1,106	1,185	1,333	1,520	1,675
Deemed interest expense	562	604	646	682	699
Deemed return on equity	681	732	783	827	847
Amortization	536	556	576	585	594
Revenue requirements	2,885	3,077	3,338	3,614	3,815
Less: Revenues	(1,619)	(1,828)	(2,230)	(2,785)	(3,288)
RDDA (annual)	**1,266**	**1,249**	**1,108**	**829**	**527**
RDDA (cumulative)	**5,283**	**6,532**	**7,640**	**8,469**	**8,996**

Table 6: 2020-2023 RDDA Balance – Proposed Rates Granted[43]

RDDA ($000s) - REVISED PLAN	2019	2020	2021	2022	2023
Operating costs	1,471	1,588	1,668	1,951	2,704
Deemed interest expense	301	353	425	464	494
Deemed return on equity	385	451	542	592	630
Amortization	277	317	325	354	802
Revenue requirements	2,434	2,709	2,960	3,361	4,630
Less: Revenues	(1,393)	(1,993)	(2,479)	(3,248)	(3,619)
RDDA (annual)	**1,041**	**716**	**481**	**113**	**1,011**
RDDA (cumulative)	**4,174**	**4,891**	**5,371**	**5,484**	**6,495**

Table 7: 2020-2023 RDDA Balance – Proposed Rates Rejected[44]

RDDA ($000s) - REVISED PLAN	2019	2020	2021	2022	2023
Operating costs	1,471	1,588	1,668	1,950	2,702
Deemed interest expense	301	353	426	469	507
Deemed return on equity	385	451	544	599	648
Amortization	277	317	325	354	802
Revenue requirements	2,434	2,709	2,962	3,372	4,660
Less: Revenues	(1,393)	(1,918)	(2,295)	(2,893)	(3,101)
RDDA (annual)	**1,041**	**792**	**667**	**479**	**1,559**
RDDA (cumulative)	**4,174**	**4,966**	**5,633**	**6,112**	**7,671**

[40] Exhibit B-3, BCUC IR 8.2.
[41] Exhibit B-1, p. 18; Exhibit B-3, BCUC IR 8.1.
[42] Exhibit B-1, p. 18.
[43] Exhibit B-3, BCUC IR 8.1.
[44] Ibid., BCUC IR 8.2.

2.5 Public Consultation

Prior to submitting this Rate Application, RDE held a public consultation event (open house) at the River District Neighbourhood Centre. The information on the notice boards addressed this Rate Application, the proposed rates, impact to the end-user and comparable thermal energy costs. Forty eight people attended. Main areas of interest were related to the location of the current energy centre, differences between potential low-carbon energy sources, how end-users pay for their thermal energy and the cost impact of the rate increase proposal on residents.[45]

Following the consultation session, RDE provided a letter distributed via each customer building manager, highlighting the upcoming Rate Application. The letter outlined the overall impact to individual end-user, and included the BCUC website and RDE's contact information should parties have questions. Concurrently, a summary of the consultation session was uploaded to the River District community website and information boards were made publicly available. Links to the website information were also shared on June 4, 2019 via the River District social media outlets (Twitter, Instagram and Facebook), where the posts reached roughly 3,000 views. As of August 16, 2019, the Facebook post had garnered three negative comments[46], and RDE had received two written positive feedback notes and one request for more information related to the open house session.[47]

3.0 Panel Determination

The Panel is satisfied that RDE's proposal is not unjust, unreasonable and not unduly discriminatory and therefore approves RDE's proposal to increase its rates annually by 3.94% effective January 1 for the years 2020, 2021, 2022 and 2023.

As previously outlined in Section 1.2 of these Reasons for Decision, approval of rates is governed by sections 59–61 of the *Utilities Commission Act* (UCA).[48] Specifically, section 60(1)(b.1) of the UCA states that:

> the commission may use any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period…

The Panel is satisfied that a levelized rate structure for the River District community continues to be suitable. This rate setting mechanism appropriately sets rates for customers regardless of when they connect to the energy system while distributing project costs to all customers over a longer period of time. Evidence in this proceeding indicates that, although delayed, RDE has continued development plans in the River District community, with potential use of a non-fossil fuel energy source in the coming years. In its 2011 Decision, the

[45] Exhibit B-1, p. 19.
[46] Exhibit B-3, IR Response 10.2.
[47] Ibid.
[48] *Utilities Commission Act*, RSBC 1996, c. 473.

BCUC stated "it is not uncommon to allow 'Greenfield' start-up utilities to charge levelized rates"[49] recognizing that this approach is both fair and practical as it avoids prohibitive energy rates in the early years of the development. The Panel continues to hold the view that a levelized rate setting mechanism appropriately mitigates against the risk of inter-generational inequity.[50]

Under its rate setting mandates, the Panel must also consider the financial health of its regulated entities. Specifically, section 59(5)(b) of the UCA states that a rate is "unjust" or "unreasonable" if the rate does not appropriately "yield a fair and reasonable compensation for the service provided by the utility." The Panel accepts that RDE's level of forecast expenditures is reasonable and agrees that there is no scenario where RDE will begin to recover its RDDA balance without increasing its rates.[51] Accordingly, the Panel finds that a rate increase is necessary.

The Panel finds the level of forecast expenditures to be reasonable and therefore is satisfied that 3.94% per year, is an appropriate rate increase for the period 2020–2023. Resuming this level of rate escalation is consistent with the approved level of increase in Order G-2-12 but, more importantly, the Panel accepts RDE's evidence that its proposed rates between 2020–2023 remain competitive with other thermal energy system providers in the Vancouver area and fall below the 10 % premium above benchmark rates that was established in the Original CPCN decision. Furthermore, the Panel also considered the TES Guidelines in which approval of the proposed annual rate increase of 3.94 % falls well below the annual 10 %, which could normally be considered rate shock for customers.

Finally, the Panel finds that RDE adequately informed the public regarding this Rate Application. The combination of RDE's oral, written and virtual communications ensured information was widely distributed to the appropriate recipients and residents of the River District community. The Panel notes that despite the adequate public notice, no parties have intervened in this Rate Application proceeding, nor did the BCUC receive any letters of comment.

[49] 2011 Decision, p. 24.
[50] Ibid., p. 31.
[51] RDE Final Argument, p. 2.