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Utilities Commission

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ORDER NUMBER
G-342-24

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

and

Oakridge Energy Limited Partnership
Oakridge Energy District Energy System 2024 to 2026 Revenue Requirements and Rates

BEFORE:
E. B. Lockhart, Panel Chair
B. A. Magnan, Commissioner

on December 17, 2024

ORDER

WHEREAS:

A. On June 4, 2024, Oakridge Energy Limited Partnership (Oakridge Energy) filed an application to the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (UCA), seeking approval of rates, on an interim and permanent basis, for the customers of Oakridge Energy (Application);

B. By Order C-2-22 dated February 15, 2022, the BCUC granted a Certificate of Public Convenience and Necessity (CPCN) to Oakridge Energy to construct and operate a district energy system (Oakridge Energy DES) for the provision of space heating, space cooling and domestic hot water to the Oakridge Centre property redevelopment (Oakridge Centre Redevelopment or Oakridge Park) in Vancouver, B.C.;

C. Oakridge Energy is a limited partnership of entities in the Corix Group of Companies and the Creative Energy group, established to meet the thermal energy needs of the Oakridge Centre Redevelopment;

D. In the Application, Oakridge Energy requests, among other things, approval of the utility's cost allocation and rate design for heating and cooling services, and the following rates for the period July 1, 2024 to December 31, 2026 (Test Period):

   (i) Levelized capacity charges levied in $/kilowatt (kW)/month to recover the capacity costs for heating and cooling services (Capacity Revenue Requirement), as follows:

Effective Date	Heating Capacity Charge	Cooling Capacity Charge
July 1, 2024	$23.66/kW/month	$24.61/kW/month
January 1, 2025	$24.13/kW/month	$23.46/kW/month
January 1, 2026	$24.61/kW/month	$23.93/kW/month

(ii) Variable energy charges levied in $/kilowatt-hour (kWh) to recover the variable or commodity-related energy supply costs for heating and cooling services with a Heating Energy Charge of $0.061/kWh and a Cooling Energy Charge of $0.135/kWh, effective July 1, 2024;

E. Oakridge Energy also requests approval of the Oakridge Energy tariff (Tariff) containing the terms and conditions, rate schedule, and standard fees and charges, as set out in Appendix C of the Application and amended in response to BCUC Information Request (IR) 16.2;

F. By Order G-169-24 dated June 21, 2024 the BCUC approved, on an interim and refundable or recoverable basis, the applied-for rates effective July 1, 2024 for heating and cooling services;

G. By Orders G-169-24 and G-240-24, the BCUC established and amended the regulatory timetable for the review of the Application, which included intervener registration, one round of BCUC and IRs and written final arguments. No interveners registered to participate in the proceeding;

H. On October 29, 2024 and November 20, 2024, Oakridge Energy responded to Panel IRs No. 1 and No. 2 regarding the proposed Tariff and the billing determinants for the capacity charges;

I. On November 29, 2024 the BCUC issued its final decision on Stage 2 of the BCUC's Generic Cost of Capital (GCOC) proceeding; and

J. The BCUC has reviewed the Application, evidence and arguments filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 of the UCA and the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. Oakridge Energy is approved to recover its Capacity Revenue Requirement for heating and cooling services subject to a levelized rate plan, with a fixed Heating Capacity Charge and Cooling Capacity Charge levied in $/kW per month, as set out in Section 2.0 of the Decision and subject to the directives and determinations in this order and decision.

2. Oakridge Energy is directed to establish a non-rate base Revenue Stabilization Account (RSA), attracting interest at Oakridge Energy's weighted average cost of capital (WACC), to capture the annual revenue deficiencies or surpluses resulting from the difference between the annual revenue at the approved Capacity Charges and the approved Capacity Revenue Requirement.

3. Oakridge Energy is directed to establish a non-rate base Property Tax Variance Deferral Account, attracting interest at Oakridge Energy's WACC, to capture the variance between forecast and actual property taxes.

Oakridge Energy is directed to amortize the deferral account by the end of the subsequent test period and to include a proposed amortization period in its next rates application.

4. Oakridge Energy is approved to establish a non-rate base Regulatory Cost Variance Account, attracting interest at Oakridge Energy's WACC, to capture differences between forecast and actual external regulatory costs. Oakridge Energy is directed to amortize the deferral account by the end of the subsequent test period and to include a proposed amortization period in its next rates application.

5. Oakridge Energy is approved to implement the following rate setting mechanism to flow through actual energy supply costs:

    a. To charge a variable Heating Energy Charge and Cooling Energy Charge levied in $/kWh basis for heating and cooling services;

    b. To establish a non-rate base Energy Cost Reconciliation Account (ECRA) for each of the heating and cooling services, to record the difference between the actual energy supply costs and the revenues collected through the Energy Charges and to amortize the balances in the ECRA over a 12-month period.

    c. To use an annual Energy Charge Rate Setting Mechanism to change the heating and cooling Energy Charges, as set out in Section 2.2 of the Decision.

6. Oakridge Energy is approved to charge customers, effective July 1, 2024, January 1, 2025 and January 2026, the following Capacity Charges on a permanent basis, subject to the directives and determinations in this decision:

	July 1, 2024	January 1, 2025	January 1, 2026
Heating Capacity Charge ($/kW/month)	$23.66	$24.13	$24.61
Cooling Capacity Charge ($/kW/month)	$23.00	$23.46	$23.93

7. Oakridge Energy is approved to charge customers the following Energy Charges as filed, effective July 1, 2024, on a permanent basis: a Heating Energy Charge of $0.061/kWh and a Cooling Energy Charge of $0.135/kWh.

8. Oakridge Energy is approved record the total annual RSA additions for each of the heating and cooling services, effective July 1, 2024, January 1, 2025 and January 1, 2026, as set out in Section 3.0 of the Decision and subject to the directives and determinations in this order.

9. Oakridge Energy's Tariff is approved on a permanent basis effective July 1, 2024, as filed in Appendix C of the Application and amended by Oakridge Energy in response to BCUC IR 16.2.

10. The following documents will be kept confidential unless otherwise ordered by the BCUC:

    - The unredacted versions of the Services Agreements with each of Corix and Creative Energy;

    - Attachment BCUC Confidential IR 6.3 regarding the calculation of forecast operating labour costs; and

- Attachment BCUC Confidential IR 7.1 regarding the calculation of forecast selling, general and administrative costs.

11. Oakridge Energy is directed to refund to or recover from customers the difference between the interim and permanent 2024 Capacity Charges, with interest at Oakridge Energy's WACC.
12. Oakridge Energy is directed to file a compliance filing for this proceeding by January 22, 2025, to include the following:
    - Updated financial schedules, permanent rates, and tariff pages for the Test Period to reflect the directives and determinations in this decision; and
    - A proposal for the BCUC's consideration to address the refund or recovery of the variance between the interim and permanent 2024 Capacity Charges, with supporting rationale.
13. Oakridge Energy is directed to comply with all other directives and determinations outlined in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of December 2024.

BY ORDER

Electronically signed by Blair Lockhart

E. B. Lockhart
Commissioner

Oakridge Energy Limited Partnership
Oakridge Energy District Energy System 2024 to 2026 Revenue Requirements and Rates

DECISION

Table of Contents

Page no.

Executive Summary

On June 4, 2024, Oakridge Energy Limited Partnership (Oakridge Energy) filed an application (Application) with the British Columbia Utilities Commission (BCUC) seeking interim and permanent approval of rates, the rate design and the tariff for the Oakridge Energy district energy system (DES), effective from July 1, 2024 to December 31, 2026.

Oakridge Energy is a limited partnership of entities within the Corix Group of Companies and the Creative Energy group. On February 15, 2022, the BCUC approved Oakridge Energy to build and operate the Oakridge Energy DES to supply heating, domestic hot water, and cooling to the Oakridge Centre property redevelopment in Vancouver, BC.

This Application is the first rates and rate design application for Oakridge Energy and a two-part rate structure is proposed, as follows:

- Levelized capacity charges ($/kilowatt (kW)/month) to recover the capacity costs, referred to as the "Capacity Revenue Requirement" for heating service (Heating Capacity Charge) and cooling service (Cooling Capacity Charge). These charges are collectively referred to as the Capacity Charges; and
- Variable energy charges ($/kilowatt-hour (kWh)) to recover the variable or commodity-related energy supply costs for heating service (Heating Energy Charge) and cooling service (Cooling Energy Charge). These charges are collectively referred to as the Energy Charges.

Oakridge Energy proposes to recover capacity costs under a levelized rate plan with a single rate base deferral account called the rate stabilization account (RSA) that applies to both heating and cooling services. Using a two percent escalation rate and considering the projected full build-out of customer buildings by 2027, Oakridge Energy forecasts the full recovery of the RSA balance by the end of 2033.

Oakridge Energy is approved to recover its capacity costs subject to a levelized rate plan, with a fixed Heating Capacity Charge and Cooling Capacity Charge levied in $/kW per month, and to establish a non-rate base deferral account, the RSA, attracting interest at Oakridge Energy's WACC. The RSA is approved to capture annual revenue deficiencies or surpluses resulting from the difference between the annual revenue at the approved Capacity Charges and the approved Capacity Revenue Requirement. In making this determination, the Panel makes the following related findings and determinations:

- The approach to allocating the Capacity Revenue Requirement between heating and cooling services is reasonable;
- A two percent annual escalation rate provides predictable and stable rates over the Test Period and the 10-year levelization period is reasonable for determining the Capacity Charges;
- Oakridge Energy's request to capture variances between forecast and actuals in the RSA for certain costs and revenues is denied; and
- Oakridge Energy is directed to continue to segregate the Capacity Revenue Requirement, Capacity Charge revenue and RSA additions between its heating and cooling services and provide further analysis on this matter in its next rates application.

The Panel directs Oakridge Energy to establish two non-rate base deferral accounts attracting WACC, titled the Property Tax Variance Deferral Account and Regulatory Cost Variance Account, to record variances between forecast and actual property taxes and regulatory costs, respectively.

Oakridge Energy is approved to recover the energy supply costs on a flow through basis for each of the heating and cooling services with a Heating Energy Charge and a Cooling Energy Charge, levied in $/kWh. The Panel also approves the Energy Charge Rate Setting Mechanism, as well as the establishment of an Energy Cost Reconciliation Account (ECRA) for each of heating service and an ECRA for cooling service, to record the difference between the actual energy supply costs and the revenues collected through the Energy Charges, with the balances to be amortized over a 12-month period without carrying costs.

Subject to the directives and determinations in the decision, the Panel also approves on a permanent basis Oakridge Energy's tariff effective July 1, 2024, the total annual RSA additions for each of heating and cooling charges for Test Period, and the following Capacity Charges:

	July 1, 2024	January 1, 2025	January 1, 2026
Heating Capacity Charge ($/kW/month)	$23.66	$24.13	$24.61
Cooling Capacity Charge ($/kW/month)	$23.00	$23.46	$23.93

Oakridge Energy is also approved to charge customers, effective July 1, 2024, the following variable Energy Charges as filed on a permanent basis: a Heating Energy Charge of $0.061/kWh and a Cooling Energy Charge of $0.135/kWh.

The Panel also determines that the discontinuance of semi-annual progress reports for the Oakridge Energy DES is warranted, to be replaced with annual progress reports, and accepts Oakridge Energy's request for confidential treatment of certain documents.

1.0 Introduction

On June 4, 2024, Oakridge Energy Limited Partnership (Oakridge Energy) filed an application (Application) with the British Columbia Utilities Commission (BCUC) seeking interim and permanent approval of rates for the Oakridge Energy district energy system (DES), effective from July 1, 2024 to December 31, 2026 (Test Period).[1]

This Application is the first rates application for Oakridge Energy and includes requests for approval of the utility's cost allocation and rate design for heating and cooling service, as well as the Oakridge Energy tariff (Tariff).[2] A two-part rate structure is proposed for the services, as follows:[3]

- Levelized capacity charges ($/kilowatt (kW)/month)to recover the capacity or "non-energy" costs for heating service (Heating Capacity Charge) and cooling service (Cooling Capacity Charge). These charges are collectively referred to as the Capacity Charges; and
- Variable energy Charges ($/kilowatt-hour (kWh))to recover the variable or commodity-related energy supply costs for heating service (Heating Energy Charge) and cooling service (Cooling Energy Charge). These charges are collectively referred to as the Energy Charges).

This decision sets out the Panel's final determinations regarding the Application.

1.1 Background

Oakridge Energy is a limited partnership of entities[4] within the Corix Group of Companies (Corix) and Creative Energy group (Creative Energy). Corix is a utility provider of low-carbon energy systems in North America and is experienced in serving developments of various sizes from single-site operations to master-planned communities.[5] Creative Energy designs, builds, owns, operates and maintains sustainable neighbourhood-scale district energy infrastructure in North America, with a particular focus on British Columbia (BC) and Ontario.[6]

On February 15, 2022, the BCUC granted Oakridge Energy a Certificate of Public Convenience and Necessity (CPCN) to construct and operate the Oakridge Energy DES to provide space heating, domestic hot water (DHW) and space cooling to the Oakridge Centre property redevelopment (Oakridge Centre Redevelopment or Oakridge Park) in Vancouver, BC (Oakridge Energy CPCN Decision). The Oakridge Centre Redevelopment is a joint venture project between Westbank Holdings and QuadReal Property Group (collectively, the Developers).[7]

Effective July 1 2024,[8] the Oakridge DES provides thermal energy to the Oakridge Centre Redevelopment through a combination of various heating and cooling energy sources, including a closed loop geothermal exchange (geo-exchange) field, a waste heat recovery system, electric boilers, electric chillers, and natural gas boilers. It is designed to qualify as a low-carbon energy system, as classified by the City of Vancouver, and to ensure compliance with the City of Vancouver's Green Buildings Policy.[9]

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[1] Exhibit B-1, p. 1.
[2] Exhibit B-1, pp. 1, 4–5.
[3] Exhibit B-1, pp. 67–68.
[4] Specifically, Corix Infrastructure Inc. and Creative Energy Ventures Limited Partnership, as referred to on page 5 of the BCUC decision and Order C-2-22 regarding the Oakridge Energy Application for a Certificate of Public Convenience and Necessity (CPCN) for a District Energy System.
[5] Exhibit B-1, p. 8.
[6] Exhibit B-1, p. 8.
[7] Oakridge Energy Application for a CPCN for a District Energy System, Decision and Order C-2-22 dated February 15, 2022 (Oakridge Energy CPCN Decision).
[8] Exhibit B-1, p. 1.
[9] Oakridge Energy CPCN Decision, Executive Summary, p. i.

Thermal energy for the Oakridge Energy DES is distributed through a distribution piping system, with energy transfer stations interfacing between the distribution piping system and the buildings being provided with service.[10] Oakridge Energy states that upon completion, the Oakridge Centre Redevelopment project will see multiple buildings (a mix of low- and high-rise concrete mixed-used buildings) constructed and requiring thermal energy service in each of 2024 (Phase 1) and 2027 (Phase 2). At full build-out, Oakridge Energy expects to have 24 designated energy transfer stations that will be used to service a customer, which may comprise one or more buildings that are categorized into three groups based on use and the expectations of the building owners: 1) residential; 2) office; and 3) retail. Specifically, Oakridge Energy explains that residential is a "residential tenant or strata-ownership used for-living purposes"; office is "largely commercial tenant or commercial strata-ownership used as a commercial workspace"; and retail is primarily "commercial tenant occupied leased space in the shopping mall owned by the project developers."[11]

Table 1 below summarizes the Oakridge Energy DES forecast floor area by building type and connection year for the Oakridge Centre Redevelopment project.

Table 1: Forecast Capital Cost, Build-Out Schedule and Floor Area[12]

Building Type	Connection Year	Floor Area (m^2)
Residential	2024	109,957
Office	2024	80,862
Retail	2024	93,715
Phase 1 Total	**2024**	**284,534**
Residential	2027	181,285
Office	2027	5,603
Retail	2027	22,865
Phase 2 Total	**2027**	**209,753**
Total Full Build-Out		**494,287**

Oakridge Energy forecasts that all Phase 1 Building customers will be connected by the end of 2024, beginning in July 2024. It does not forecast any additional customer connections in the remainder of the Test Period (i.e. 2025 and 2026).[13]

1.2 Application and Regulatory Review Process

Oakridge Energy seeks the following approvals, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), and which the Panel addresses as follows:[14]

1. The cost allocation and rate design for the Capacity Charges and Energy Charges for each of heating and cooling services .
2. The proposed total revenue requirements for Oakridge Energy for 2024, 2025 and 2026, including the capacity costs (Capacity Revenue Requirement) and energy supply costs (Energy Supply Revenue Requirement).

[10] Exhibit B-1, p. 1.
[11] Exhibit B-1, pp. 15–16.
[12] Prepared by the BCUC with data from Exhibit B-1, p. 17, Table 2.
[13] Exhibit B-1, pp. 1, 16; Appendix A, Schedule 13 (Build-out Schedule with Undiversified Peak Load).
[14] Exhibit B-1, pp. 4–5; Oakridge Energy Final Argument, pp. 2–3.

3. The proposed Heating Capacity Charge and Cooling Capacity Charge rates, effective July 1, 2024, January 1, 2025 and January 1, 2026.
4. The proposed Heating Energy Charge and Cooling Energy Charge rates effective July 1, 2024.
5. To establish a Rate Stabilization Account (RSA) that captures the difference between the billed Capacity Charge revenues and the capacity revenue requirements (excluding energy supply costs) to levelize rates.
6. To flow-through external regulatory costs by establishing a Regulatory Costs Variance Account (RCVA) to record variances between forecast and actual external regulatory costs, with full amortization within the test period of the next revenue requirement and rates application.
7. To flow-though energy supply costs via the Energy Charges by establishing an: i) Energy Cost Reconciliation Account (ECRA) for each of the heating and cooling services; and ii) annual energy charge rate setting mechanism (Energy Charge Rate Setting Mechanism).
8. The tariff pages for Oakridge Energy.
9. To discontinue the filing of semi-annual progress reports.

Oakridge Energy also requests that the documents pertaining to the following items to remain confidential: i) unredacted versions of the services agreements between Oakridge Energy and each of Corix and Creative Energy as filed in Exhibit B-1-1; and ii) unredacted responses to BCUC information requests (IRs) 6.3 and 7.1 as filed in Exhibit B-4-1, concerning forecast labour costs.[15]

Regulatory Review Process

On June 21, 2024 the BCUC approved the proposed rates, effective July 1, 2024, on an interim and refundable or recoverable basis and established a regulatory timetable to review the Application. The regulatory timetable included intervener registration, one round of BCUC and intervener IRs to Oakridge Energy and written final arguments.[16] No interveners registered to participate in the proceeding and the BCUC did not receive any letters of comment from the public.

On October 29, 2024 and November 20, 2024, Oakridge Energy responded to Panel IRs No. 1 and No. 2 related to the proposed Tariff and the billing determinant for the Capacity Charges.

Legislative and Regulatory Framework

The BCUC has the authority under the UCA to establish rates. A public utility must not make, demand or receive an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service it provides in BC and whether a rate is "unjust" or "unreasonable" is a question of fact, of which the BCUC is the sole judge. The UCA also provides that in setting a rate, the BCUC 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."[17]

The Panel conducts its review using a cost-based approach. To do this, the Panel reviews Oakridge Energy's proposed rate design, as well as its proposed total revenue requirements (also referred to as "cost of service") for 2024, 2025 and 2026. A utility's revenue requirements reflect the amount of revenue that it must collect through rates to recover its costs and have an opportunity to earn a reasonable return on its invested capital or

[15] Exhibit B-1, pp. 5-6; Exhibit B-4, Cover Letter, pp. 1–2; BCUC IRs 6.3 and 7.1.
[16] By Order G-169-24 and amended by Order G-240-24.
[17] Sections 58 to 61 of the UCA.

its return on equity (ROE). The elements of a forecast revenue requirement include the following basic components:

- Reasonable and necessary costs; and
- Return of investment through recovery of depreciation expense and return on investment, often through an allowed return on invested capital.

Revenue and cost components that are outside a utility's control or may be reasonably deferred for other reasons, such as to levelize or smooth rates, may be handled through regulatory deferral accounts (referred to as "regulatory accounts" or "deferral accounts") designed to capture and allow for the recovery of approved amounts in future rates.

To determine the appropriate allocation of costs in the revenue requirements between heating service and cooling service, the Panel is also guided by accepted Bonbright rate design principles,[18] including the fair apportionment of costs amongst customers, rate stability and price signals that encourage efficient energy use.

1.3 Decision Framework

In this decision, the Panel reviews the relevant evidence, discusses the issues arising during the proceeding and outlines the reasons for its determinations. The decision is structured as follows:

- Section 2.0 addresses the cost allocation and rate design, including Capacity Charges, the levelization plan and RSA, and the Energy Charges;
- Section 3.0 discusses the reasonableness of the proposed Capacity Revenue Requirement and rates, including the request for the RCVA;
- Section 4.0 discusses the reasonableness of the proposed Energy Supply Revenue Requirement and rates; and
- Section 5.0 addresses other approvals sought and issues arising, including the proposed Tariff, the discontinuance of semi-annual progress reporting, confidentiality requests and the "termination for convenience" clause of the services agreements between Oakridge Energy and Corix and Creative Energy.

2.0 Proposed Rate Design

Oakridge Energy will offer heating and cooling service to the buildings of the Oakridge Centre Redevelopment. Oakridge Energy states that "[b]y operating both services together as one integrated operation each service will benefit from efficiencies, such as shared labour costs since the same group of operators can oversee both services at the same time."[19]

The total revenue requirement for providing both types of service consists of two major types of costs: i) the capacity revenue requirement (Capacity Revenue Requirement), namely the "fixed costs" that do not vary with energy sales, and are driven primarily by the capacity of the major components of the Oakridge Energy DES; and ii) the energy supply revenue requirement (Energy Supply Revenue Requirement), namely the "variable energy supply costs" that vary with energy sales (together, the Total Revenue Requirement).[20]

Given the above, Oakridge Energy has designed the following two-part rate structure:[21]

[18] Bonbright, Principles of Public Utility Rates (2nd), 1988.
[19] Exhibit B-1, p. 67.
[20] Exhibit B-1, pp. 66–67.
[21] Exhibit B-1, p. 68, Table 32.

- A fixed capacity charge ($/kW/month) for the Capacity Charges, to recover the Capacity Revenue Requirement; and
- A variable energy charge ($/kWh) for the Energy Charges, to recover the Energy Supply Revenue Requirement.

Oakridge Energy states that the proposed rate structure is consistent with that presented as part of the application for the Oakridge Energy CPCN, as well as the two-part rate structure approved for other district energy utilities regulated by the BCUC including Corix Dockside Green Energy, Corix UBC NDES, and Corix Burnaby Mountain DEU – UniverCity.[22] Further, Oakridge Energy states that the proposed rate design addresses Bonbright rate design principles.[23]

The following subsections review the key features of the rate design for the proposed Capacity Charges and Energy Charges.

2.1 Heating and Cooling Capacity Charges

Oakridge Energy is seeking approval to recover its Capacity Revenue Requirement subject to a levelized rate plan, with a Heating Capacity Charge and a Cooling Capacity Charge, levied in $/kW per month. This section addresses the specific components of this proposed rate design.

Capacity Charge Billing Determinants

Oakridge Energy states that a key driver of fixed costs is the capacity of the various major components throughout the Oakridge Energy DES. It explains that during the engineering design of the DES, the capacity of each component (i.e. central energy plant, distribution piping system and energy transfer station) was sized in order to provide service under peak load conditions. The undiversified peak load requirement for each customer building is provided to Oakridge Energy by the building's Mechanical Engineer of Record. Oakridge Energy uses this undiversified peak load requirement as the basis to allocate and recover fixed costs from customers. Oakridge Energy has included anticipated and forecast undiversified peak load demand in Schedule 13 of Appendix A to the Application.[24]

A different basis to allocate and recover fixed costs uses floor space (m^2) rather than undiversified peak load (kW). However, Oakridge Energy states that, for this project, a capacity-based rate is more appropriate. It explains that fixed charges based on floor space are suitable when customer buildings have uniform energy use intensities. Oakridge Energy has Residential, Office, and Retail customers, each of which has a different energy use intensity (EUI) and therefore a capacity-based rate is superior to a rate based on floor area.[25]

Levelized Rate Plan and Rate Stabilization Account

Oakridge Energy proposes to recover Capacity Charges under a levelized rate plan with an associated RSA.[26] This approach is consistent with that employed for similar greenfield utilities requiring significant initial capital expenditure prior to establishing its full customer base.[27] Oakridge Energy states:

> This concept recognizes that the utility will not reasonably recover in rates its entire annual revenue requirements in the early years of the project due to its limited, albeit growing,

[22] Exhibit B-1, p. 68.
[23] Exhibit B-1, p. 69, Table 33.
[24] Exhibit B-1, p. 66; Exhibit B-5, Panel IR 1.1.1.
[25] Exhibit B-4, BCUC IR 14.2.
[26] Exhibit B-1, p. 72. The proposed RSA is consistent with similar deferral accounts for other utilities that are often referred to as a revenue deficiency deferral account (RDDA).
[27] Exhibit B-1, pp. 72–73.

> customer base. Therefore, a rate stabilization account (a type of deferral account) is utilized to record the difference between billed customer revenues and the revenue requirements based on the total cost of service based. [*sic*][28]

Oakridge Energy proposes to establish a single RSA that applies to both heating and cooling services, as a rate base deferral account attracting weighted average cost of capital (WACC).[29]

Oakridge Energy explains that the initial rates are set at a reasonable level to allow for the recovery of a portion of the total Capacity Revenue Requirements and then escalated at two percent each year thereafter. The annual revenue deficit is recorded in the RSA, until revenue exceeds the revenue requirements. The annual revenue surplus in the later years of the levelized rate plan would then be used to recover the deficit balance in the RSA. Based on the two percent escalation rate and the forecast full build-out of customer buildings by 2027, Oakridge Energy forecasts the full recovery of the RSA balance by the end of 2033.[30] It considered the following factors in setting the forecasted RSA recovery period ending in 2033: the Oakridge Centre Redevelopment build-out schedule, peak RSA balance, initial Capacity Charges, annual rate increases to the capacity charges, forecast bill impact to a typical end-user and the financing costs associated with the RSA.[31]

Oakridge Energy proposes to capture the following costs and revenues in the RSA:[32]

(i) Actual non-controllable delivery costs for as long as the RSA exists;

(ii) Actual operating and maintenance (O&M) costs for the Test Period; and

(iii) Actual delivery revenues received from Capacity Charges for as long as the RSA exists .

In summary, Oakridge Energy proposes that the RSA capture the difference between the total actual Capacity Charge revenue and the total actual Capacity Revenue Requirement, except for regulatory cost variances, which are addressed in Section 3.4 of this decision.[33] Oakridge Energy states: “The RSA balance at any point in time is the cumulative difference between the revenue requirements without rate smoothing and the actual amounts billed to customers.”[34] The items that Oakridge Energy proposes to record in the RSA are discussed further in sections 2.1.1 to 2.1.3 of this decision. The forecast amounts for these specific costs are addressed in Section 3.0 related to the Capacity Revenue Requirement and rates.

Oakridge Energy submits that the levelized rate plan and RSA provide an equitable balance of risk and cost between the utility and the ratepayers, and between different generations of ratepayers. Due to the deferral of the recovery of annual revenue requirements in early years, a portion of the costs of the system will be recovered from future customers, who will also benefit from the use of the system, thus promoting intergenerational equity. Further, the levelized rate plan promotes rate stability and customer acceptance by ensuring that rate increases are smoothed over time, and customers are not faced with burdensome annual bill impacts.[35]

Following the full recovery of the RSA balance in 2033, Oakridge Energy proposes to set rates to equal the annual cost of service.[36]

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[28] Exhibit B-1, p. 72.
[29] Exhibit B-1, pp. 56–57, Tables 24 and 25; p. 64; Appendix A, Schedule 2 (Rate Base) and Schedule 8 (Cost of Capital and Return on Rate Base).
[30] Exhibit B-1, p. 72.
[31] Exhibit B-4, BCUC IR 13.10.
[32] Exhibit B-1, p. 51.
[33] Exhibit B-1, p. 52.
[34] Exhibit B-1, p. 53.
[35] Exhibit B-1, p. 72.
[36] Exhibit B-4, BCUC IR 15.8.

Allocating Costs Between Heating and Cooling Services

The levelized rate plan works in conjunction with revenue requirement applications and the resulting rates for the applicable test year. To model the rate design and obtain the initial "going-in" Capacity Charge rates for the levelized rate plan, Oakridge Energy explains that it was necessary to separate the Capacity Revenue Requirement and segment its costs into a heating portion and a cooling portion, despite the combined revenue requirements.[37]

Oakridge Energy explains that it allocated the total project capital costs between the heating and cooling services based on their use to provide either service, which results in a split of 50.7 percent and 49.3 percent for 2024 heating and cooling capital costs, respectively.[38] As O&M costs will be incurred on a shared basis, they are split evenly (i.e. 50/50) between heating and cooling services, except for equipment maintenance costs and insurance. Oakridge Energy states that the 50/50 split is appropriate and reasonable at this time for all shared O&M costs because a standardized percentage allocation reduces complexity, which in turn increases efficiency and reduces the potential for errors. In Oakridge Energy's view, complex allocation approaches, with different O&M cost line items using different allocators, are cumbersome to implement and manage, and increase the potential for errors that are administratively burdensome to rectify.[39] Should there be a material change in operations in the future, Oakridge Energy states that it will reassess whether there has been any change in work effort to perform heating and cooling services to warrant a change in the 50/50 split.[40] Equipment maintenance costs have been allocated between the heating and cooling services based on the use of each piece of equipment to provide either service. Insurance costs have been allocated based on the net book value of the equipment associated with either the heating or cooling service.[41]

After establishing the 2024 initial rates, which also represent the relative rates between the two services, Oakridge Energy states that these rates are escalated by the same percentage rate change applied to each service's rates.[42] However, separate 2025 and 2026 heating and cooling costs are provided in the Application "for [the] continuity that was required to calculate the 2024 going-in rate through a goal-seek approach."[43]

In future rate applications, Oakridge Energy submits that, as an integrated thermal energy utility, a combined (single) RSA that corresponds with a combined Capacity Revenue Requirement is appropriate and it "will no longer be necessary to model the segmented costs" between heating and cooling services since the going-in rates are established as an input to its financial model. Instead, Oakridge Energy proposes to apply "uniform" future rate changes based on the annual capacity revenue shortfall or surplus consistent with the levelized approach.[44] Oakridge Energy argues that this approach facilitates regulatory efficiency and effectiveness, and simplifies the utility's accounting. It states that, since all customers receive both heating and cooling services and the initial "going-in" rates have been developed based on the overall allocated costs between the services, then the resulting rates will be fair, just and reasonable.[45]

Oakridge Energy did not explain why a single RSA is requested,[46] but in response to an IR regarding deferral accounts, it states that, if the aggregate total is not affected, it prefers that fewer deferral accounts are used,

[37] Exhibit B-1, p. 75.
[38] Exhibit B-1, p. 36.
[39] Exhibit B-1, p. 42; Exhibit B-4, BCUC IR 8.2.1.
[40] Exhibit B-4, BCUC IR 8.1.
[41] Exhibit B-1, pp. 39–40, 42; Exhibit B-4, BCUC IR 8.2.1.
[42] Exhibit B-1, p. 70 and 74.
[43] Exhibit B-1, p. 75.
[44] Exhibit B-1, p. 75.
[45] Exhibit B-1, p. 75.
[46] Exhibit B-4, BCUC IR 13.1.

noting “one RSA requires less administrative and accounting burden than multiple deferral accounts.” Oakridge Energy also stated that more transparency also involves more costs, which would not be efficient.[47]

Panel Determination

Oakridge Energy is approved to recover its Capacity Revenue Requirement subject to a levelized rate plan, with a fixed Heating Capacity Charge and Cooling Capacity Charge levied in $/kW per month. We are persuaded that a capacity charge on a $/kW basis is appropriate because it better reflects the different energy usage intensities of each customer building type. Consequently, using the $/kW basis more closely reflects the principle of cost causation than the floor space alternative. Further, the Panel finds Oakridge Energy’s approach to calculate the fixed portion of each customer’s monthly bill by multiplying the Capacity Charges and the undiversified peak load requirements provided by the customer building’s Mechanical Engineer of Record to be reasonable, given that the capacity of each DES component is sized to provide service under peak load conditions.[48]

The Panel finds that Oakridge Energy’s approach to allocating the Capacity Revenue Requirement between heating and cooling services to be reasonable. This approach considers the capital costs of the Oakridge Energy DES overall and the assets related to each service, allowing for the fair apportionment of costs amongst customers/ratepayers; the allocation of O&M, maintenance and insurance costs is also reasonable. Oakridge Energy has demonstrated that it is appropriate to allocate O&M costs, except maintenance costs and insurance, equally between heating and cooling services.

In general, the Panel supports the establishment of an RSA to levelize rates. Oakridge Energy expects the project to take several years to be fully built out and new customers will continue to connect until approximately 2027. Without a levelized rate plan, customers that connect early will have to pay higher costs than customers who connect later, yet all customers will benefit from the same utility infrastructure. Thus, we are persuaded that, as Oakridge Energy notes, the last customer connected should pay its fair share of costs and not just the lower incremental costs. **The Panel finds that a two percent annual escalation rate provides predictable and stable rates over the Test Period and that the 10-year levelization period is reasonable for determining the Capacity Charges.** The proposed time frame strikes an equitable balance between rate smoothing and higher carrying costs that accompany longer recovery periods. We note that Oakridge Energy proposes to set rates based on the annual cost of service after 2033.

There are some aspects, however, of the specific proposals related to the RSA that the Panel finds problematic. First, the Panel notes that Oakridge Energy has requested to treat the RSA as a rate base deferral account. While the Panel supports the RSA attracting interest at Oakridge Energy’s WACC, Oakridge Energy has not justified including this deferral account in rate base. Next, the Panel has concerns with the specific variances that Oakridge Energy proposes to record in the RSA, which we address below in sections 2.1.1 through 2.1.3. Subject to the findings and determinations in those sections, **the Panel approves Oakridge Energy to establish a non-rate base deferral account, the RSA, attracting interest at Oakridge Energy’s WACC. The RSA is approved to capture annual revenue deficiencies or surpluses resulting from the difference between the annual revenue at the approved Capacity Charges and the approved Capacity Revenue Requirement.**

With respect to future rate setting periods, the Panel considers that it is too soon in its operations for Oakridge Energy to conclude that a combined revenue requirement, without segmented costs between heating and cooling services and with uniform rate changes, will be equitable for future test periods. Of note, the next test period will incorporate Phase 2 of the Oakridge Centre Redevelopment, which may impact this approach. Therefore, **the Panel directs Oakridge Energy to continue to segregate the Capacity Revenue Requirement, Capacity Charges revenue and RSA additions between the heating and cooling services in its next rates**

[47] Exhibit B-4, BCUC IR 13.9.

[48] Exhibit B-1, p. 66; Exhibit B-5, Panel IR 1.1.1.

application. The Panel also directs Oakridge Energy to provide in its next rates application an analysis of the forecast versus actual Test Period costs for each of the heating and cooling services, including a discussion of the impact of the results on: i) the levelized rate plan; ii) the cost allocation between the heating and cooling services; and iii) the subsequent test period's forecast costs and rates.

In sections 2.1.1 through 2.1.3 below, the Panel addresses the issues with respect to Oakridge Energy proposals to capture the following in the RSA:

(i) Section 2.1.1 - Actual non-controllable delivery costs for as long as the RSA exists;

(ii) Section 2.1.2 - Actual O&M costs for the Test Period; and

(iii) Section 2.1.3 - Actual delivery revenues received from Capacity Charges for as long as the RSA exists.

2.1.1 Rate Stabilization Account – Non-Controllable Delivery Costs

Oakridge Energy states that the following delivery costs are non-controllable, and therefore it is appropriate to capture the variance between forecast and actual amounts for these costs in the RSA for as long as the RSA exists:[49]

- Property and income taxes;
- Land lease or lease costs;
- Depreciation;
- Deemed interest on debt;
- Return on equity;
- Fees and Levies; and
- Amortization.

Oakridge Energy submits that it has no control over tax rates or tax rules and thus, income and property taxes (including municipal taxes) paid to the City of Vancouver or to the Developers as reimbursement for the utility's portion of property and municipal taxes attributable to the Oakridge Energy DES, are non-controllable. In the case of property taxes, Oakridge Energy also states that it has no information regarding the future assessed value of the land and buildings to which the property taxes apply.[50]

Oakridge Energy pays lease costs to the Developers for the use of floor space in the parking garage for the central heating plant, which is based on a unitized lease fee contained in the Infrastructure Agreement.[51] Oakridge Energy states that the fee was negotiated with the Developers based on several factors which are outside of its control, including the scarcity of available land space in Oakridge Park and the value of the land space being leased, amongst other things. Further, Oakridge Energy notes that the cost per square foot lease fee will increase by a predetermined amount once Phase 2 reaches completion, at which point it will be locked in.[52]

[49] Exhibit B-4, pp. 51–52; Exhibit B-4, BCUC IR 13.2.
[50] Exhibit B-1, p. 44; Exhibit B-4, BCUC IR 13.2.
[51] Exhibit B-1, p. 44.As referred to on page 8 of the Oakridge Energy CPCN Decision, the utility entered into an infrastructure agreement with the Developers (Infrastructure Agreement), which addresses the design, financing, construction, and ownership of the utility infrastructure; provides for permitting and land access; and sets out the design specifications and timelines.
[52] Exhibit B-4, BCUC IRs 9 series and 13.2.

Oakridge Energy notes that it does not control the timing of capital additions or inflation rates and therefore depreciation, deemed interest on debt and ROE are non-controllable items.[53] Oakridge Energy states that a material portion of capital expenditures is dependent on customer additions[54] and that there is uncertainty on the date of the first customer connection.[55] At the time of the Application, all major DES equipment has been installed[56] and Oakridge Energy forecasts all Phase 1 customer connections to occur by the end of 2024.[57] Oakridge Energy forecasts all capital additions during the Test Period to occur in 2024[58] and has not forecast any sustaining capital expenditures.[59] Oakridge Energy states that if any sustaining capital expenditures occur during the Test Period, they are expected to be minor in nature as any material replacement capital would reasonably be covered by equipment warranty.[60]

Oakridge Energy confirms that it has not identified any fees and levies, which may include franchise fees, that it must pay and therefore, it has not included such costs in its forecast Capacity Revenue Requirement.[61] Nevertheless, Oakridge Energy states that fees and levies are non-controllable costs.[62] In response to an IR asking for the nature of any franchise fees (i.e. what they are for), including whom they would be payable to, Oakridge Energy submits that a utility may have to pay a mandatory franchise fee based on a percentage of the previous year's revenue or an external organization may impose a levy.[63]

Finally, the only amortization expense that Oakridge Energy identifies for the operation of the Oakridge Energy DES relates to external funds received as a Contributions in Aid of Construction (CIAC). It submits that the variance between forecast and actual is a non-controllable delivery cost because it does not have control over the timing or amount of funds received as CIAC.[64] Oakridge Energy states that it has not included amortization in the forecast Capacity Revenue Requirement for the Test Period "since Oakridge Energy does not currently have any funding, grants, credits, or developer contributions forecast as CIAC." Specifically, Oakridge Energy states that it does not "have any definitive information" on forecast CIACs for the Test Period on which to base forecast amortization.[65]

Oakridge Energy notes that certain utility assets, specifically the geo-exchange field and the associated equipment, may be eligible for the Federal Government's proposed Clean Technology Income Tax Credit (Clean Technology ITC).[66] Oakridge Energy explains that its corporate owners (Corix and Creative Energy) would claim the Clean Technology ITC because Oakridge Energy is a partnership and therefore, it is not a taxable entity. Once received, Oakridge Energy states that its corporate owners intend to provide the amount of the Clean Technology ITC to it as a CIAC.[67]

Depending on how long it takes the Canada Revenue Agency to review and assess Clean Technology ITC claims, Oakridge Energy states that it expects to receive the CIAC in respect of the Clean Technology ITC associated with Phase 1 between late 2025 and early 2026. The estimated maximum Clean Technology ITC is $1,886,030 if the amount awarded is 20.0 percent of eligible capital costs for the Phase 1 assets and $1,487,469 for the Phase 2

[53] Exhibit B-4, BCUC IR 13.2
[54] Exhibit B-4, BCUC IR 13.2.
[55] Exhibit B-1, p. 51.
[56] Exhibit B-1, p. 25.
[57] Exhibit B-1, p. 17, Table 2.
[58] Exhibit B-1, p. 31, Table 15.
[59] Exhibit B-4, BCUC IR 3.2.
[60] Exhibit B-4, BCUC IR 3.2.
[61] Exhibit B-4, BCUC IR 13.5.
[62] Exhibit B-1, p. 52.
[63] Exhibit B-4, BCUC IR 13.4.
[64] Exhibit B-4, BCUC IR 13.2
[65] Exhibit B-1, pp. 33 and 63.
[66] Exhibit B-1, p. 33.
[67] Exhibit B-1, p. 33; Exhibit B-4, BCUC IR 2.1.

assets. Oakridge Energy outlines that the CIAC would be amortized at 1.3 percent (75 years) in respect of geo-exchange plant and equipment and three percent (33 years) in respect of other renewable plant and equipment.[68]

Panel Determination

In this section the Panel addresses the two main reasons that Oakridge Energy puts forward in support of its position that several of its delivery costs are non-controllable, namely that such costs are either influenced by external factors and therefore outside its control, or else are a function of the timing of customer connections, which is also outside its control.

The Panel accepts that lease costs, property taxes, fees and levies, income taxes, and amortization expense may be influenced by external parties; however, there are nuances to each category, and each one requires further consideration to determine whether variance treatment through a deferral account can be justified.

- Property Taxes - The Panel accepts that a utility has no information regarding the future assessed value of the land and buildings, nor does it control the tax rates. This is reflected by the fact that the BCUC has approved variance treatment for property taxes for other utilities. While we are satisfied that variance treatment is appropriate for property taxes, we do not consider the RSA the appropriate account in which to record such variances. The purpose of the RSA is to implement the levelized rate plan over a set levelization period, which is a different purpose compared to allowing deferral treatment for uncontrollable costs such as property tax variances. Further to this point, the Panel notes that the balance of the RSA will be recovered over the levelization period, which is expected to end in 2033. Drawing out the recovery of property tax variances by recording these amounts in the RSA does not promote intergenerational equity; such balances should be recovered more quickly. **As such, the Panel declines to grant variance treatment and recovery through the RSA for property taxes. Instead, we direct Oakridge Energy to establish a non-rate base Property Tax Variance deferral account, attracting interest at Oakridge Energy's WACC, to record the variance between forecast and actual property taxes. Oakridge Energy is directed to include a proposed amortization period for the Property Tax Variance deferral account in its next rates application such that the balance in the account is amortized by the end of the subsequent test period at the latest.**
- Lease costs – Oakridge Energy states that the factors considered during the negotiation of the unitized lease fee are outside of the utility's control, but also states that the fee has been negotiated and included in the Infrastructure Agreement. Further, the fee will increase by a pre-determined amount when Phase 2 is complete, which is outside the current Test Period. Given that the unitized lease fee has been negotiated with the Developers and is included in the Infrastructure Agreement, the Panel finds that there is limited forecast uncertainty associated with these costs that warrants variance treatment. **Accordingly, the Panel declines to grant variance treatment and recovery through the RSA for lease costs.**
- Fees and Levies – Oakridge Energy has not identified any fees and levies that may be applicable to it during the Test Period. The Panel notes that Oakridge Energy does not indicate what franchise fees would be for or to whom they may be payable. In general, the Panel expects that utilities can identify the nature of costs that may be applicable, in order to assess whether such costs are outside of the utility's control. Given the lack of specifics regarding potential fees and levies that may be applicable to Oakridge Energy, including the nature of franchise fees, the Panel does not consider it appropriate to grant variance treatment. **Therefore, the Panel declines to grant variance treatment and recovery through the RSA for fees and levies**.

[68] Exhibit B-4, BCUC IRs 2.1 and 2.2; Exhibit B-1, p. 63.

- Income Taxes – While Oakridge Energy may not have control over tax rates or rules, we note that Oakridge Energy is a partnership between two entities and therefore is not a taxable entity.[69] Further, Oakridge Energy is in a tax loss position during the Test Period and therefore a decision on variance treatment is unnecessary.[70] Accordingly, **the Panel declines to grant variance treatment and recovery through the RSA for income taxes**. **Considering its status as a partnership, Oakridge Energy is directed as part of its next rates application to provide the rationale for including income tax expense as part of its revenue requirements**.
- Amortization expense – CIAC is the only item that Oakridge Energy identifies in this category. The Panel accepts that Oakridge Energy does not know the timing of any contributions that it might receive, or the amount of external funds received as CIAC when compared to forecast. We note that Oakridge Energy has not included any amortization cost in its forecast Capacity Revenue Requirement for the Test Period. The Panel does not consider that blanket approval of deferral treatment is appropriate simply because the timing and amount of external funds received as CIAC are unknown; however, we recognize there is an identified potential CIAC, which is the Federal Government's Clean Technology ITC. **The Panel denies deferral account treatment for amortization expense because, if Oakridge Energy does receive a Clean Energy ITC as a CIAC via its corporate owners, it will be towards the end of the Test Period and thus have a minimal impact. The Panel directs Oakridge Energy to provide a status update on the CIAC as part of the next revenue requirements application.**

Oakridge Energy also submits that three further categories of delivery costs are non-controllable because it does not control the timing of customer connections, capital additions or inflation rates. Oakridge Energy forecasts, however, that all customers in Phase 1 will be connected by the end of 2024, and it does not forecast additional customer connections in the remainder of the Test Period (i.e. 2025 and 2026). The Panel considers that by the time it filed the Application, Oakridge Energy must have had sufficient certainty regarding the Phase 1 construction schedule to enable it to reasonably forecast depreciation, deemed interest on debt and ROE during the Test Period. **Therefore, the Panel declines to grant variance treatment and recovery through the RSA, for the following items**:

- **depreciation,**
- **deemed interest on debt, and**
- **ROE.**

In Section 3.0 below, the Panel addresses the forecast Capacity Revenue Requirement, which includes the delivery costs noted in this section, for the Test Period.

2.1.2 Rate Stabilization Account - O&M Costs

Oakridge Energy proposes that the RSA capture variances between forecast and actual O&M costs for the Test Period. The exception to this is external regulatory costs, for which Oakridge Energy seeks specific deferral account variance treatment, as addressed in Section 3.4. Oakridge Energy acknowledges that the BCUC has in the past treated O&M costs as 'controllable costs', which are not eligible for deferral treatment. However, as a new utility it has no track record of operating performance for heating and cooling services, and therefore Oakridge Energy submits that it is reasonable in the early years of operation to have the RSA capture actual O&M costs, which include O&M variances from forecast and to consider these costs non-controllable. Oakridge Energy states that this is particularly important in the first year of operation since there is uncertainty in the

[69] Retrieved from: https://www.canada.ca/en/revenue-agency/services/tax/businesses/small-businesses-self-employed-income/setting-your-business/partnership.html. The CRA states, "A partnership by itself does not pay income tax on its operating results and does not file an annual income tax return."

[70] On page 62 of Exhibit B-1, Oakridge Energy states it is not expected to have taxable income until 2038 because of high initial capital costs and associated capital cost allowances, as well as a customer base that will take several years to reach full build-out which impacts revenues. This creates a tax loss carry-forward for the Test Period that is not depleted until the end of 2037.

date of the first customer connection – if there are delays in the timing of the first customer connection there may be opportunities to delay or gradually stage in certain O&M costs. Oakridge Energy further explains that if O&M costs are not subject to true-up in the RSA, any costs savings that may have been available due to delayed customer connections will not be returned to customers. Customer connections may occur sooner than forecasted, although Oakridge Energy submits that this is unlikely during the start-up phase.[71]

While Oakridge Energy has prepared its O&M costs based on management expertise and experience, it states there is some uncertainty related to the actual costs until operations fully commence and are stabilized and optimized. Given that this Application is a multi-year rate application, Oakridge Energy will not be able to revise its cost forecasts until the 2027 test year.[72] In addition to customer connection timing, Oakridge Energy considers that O&M costs are subject to the following factors that are outside of its control and may lead to variances between actual and forecast O&M costs:[73]

- Actual operating labour costs may be impacted by unexpected overtime;
- Maintenance costs may be impacted by unplanned equipment failures that are not covered by warranty and Oakridge Energy does not have control over the rates charged for maintenance performed by third party contractors;
- Insurance rates for the property market have increased significantly in recent years and are difficult to forecast based on historical rates received by comparable operations; and
- The extent of IT support that will be required and the resulting time and resource commitment are not yet fully understood.

Oakridge Energy notes that the selling, general and administrative (SG&A) costs component of O&M costs may be partially within its control given that Oakridge Energy staff have agreed to the quarterly, monthly and hourly rates for SG&A services with Corix and Creative Energy. However, Oakridge Energy argues that it has limited control over the SG&A work done on an hourly “as-needed” basis, both in terms of the volume of work and the number of hours needed.[74]

Oakridge Energy states that it will make a proposal in its next rates application to either continue capturing actual O&M costs from 2027 onwards or to exclude variances between forecast and actual O&M costs for certain line items.[75]

Panel Determination

The Panel declines to grant variance treatment and recovery through the RSA for O&M costs. The Panel notes that the basis of Oakridge Energy’s submission is that, at least in its early years of operation, the RSA should capture its actual O&M costs, including O&M variances from forecast, for two key reasons: first, because it is a start-up utility with no track record of operating performance, and second, because of the uncertainty of the timing of customer connections.

Oakridge Energy acknowledges that the BCUC has considered O&M costs as ‘controllable costs’ for other utilities and eligible for deferral account treatment. As a new utility with no operating history, however, it asserts that it would be reasonable in the early years of operation to have the RSA capture actual O&M costs, which include O&M variances from forecast. Further, this is especially important in the early years because of the uncertainty on the timing of the first customer connection.

[71] Exhibit B-1, p. 51.
[72] Exhibit B-1, pp. 52–53.
[73] Exhibit B-4, BCUC IRs 13.7 and 13.7.1.
[74] Exhibit B-4, BCUC IR 13.7.1.
[75] Exhibit B-1, p. 51.

The Panel does not find merit in Oakridge Energy's request to capture its actual O&M costs because it is a new utility without a track record of operating heating and cooling services. We note that Oakridge Energy is a partnership of two experienced utilities; both Creative Energy and Corix have substantial experience operating Thermal Energy Systems (TES) as Oakridge Energy itself acknowledges.[76] The Panel expects that Oakridge Energy will benefit significantly from the experience of its owners.

Further, the Panel does not accept Oakridge Energy's submission that the uncertainty of the timing of its customer connections limits its ability, especially in the early years of operations, to forecast certain O&M costs. Oakridge Energy forecasts that all customers in Phase 1 will be connected by the end of 2024, and it does not forecast additional customer connections in the remainder of the Test Period. The Panel considers that by the time it filed the Application, Oakridge Energy must have had sufficient certainty regarding the Phase 1 construction schedule, including delayed customer connections, to enable it to reasonably forecast O&M costs and to delay or gradually stage in O&M costs as appropriate.

Further the Panel does not find merit in Oakridge Energy's request for the BCUC to consider certain O&M costs as non-controllable. Oakridge Energy has not provided a compelling rationale for why its O&M costs should be considered non-controllable, despite the BCUC's determination in other rates applications that such costs are controllable and therefore not eligible for deferral treatment. Oakridge Energy has not demonstrated that variances between forecast and actual costs for operating labour and insurance are a function of it being a new utility. While Oakridge Energy states that maintenance costs may be impacted by unplanned equipment failures that are not covered by warranty, we note that this seems inconsistent with the fact that it has not forecast any sustaining capital expenditures during the Test Period because any material sustainment capital would reasonably be covered by equipment warranty.

2.1.3 Rate Stabilization Account – Delivery Revenues

Actual annual revenues from the fixed rate capacity charges will be based on the sum of the peak load requirement (in kW) of each connected customer building multiplied by the capacity charge ($/kW/month) over a given calendar year. Oakridge Energy proposes to capture variances between forecast and actual Capacity Charge revenues in the RSA for as long as the RSA exists. It submits this is appropriate because there is uncertainty with respect to the timing of customer connections.[77]

Panel Determination

The Panel declines to grant Oakridge Energy's request to capture the variance between forecast and actual revenues from the Capacity Charges in the RSA for as long as the RSA exists. Oakridge Energy submits that the uncertainty of the timing of initial customer connections and the exact timing of move-in from end-users will impact demand and consumption at the start of service. The Test Period, however, is only two and half years, which is substantially shorter than a building construction schedule. Therefore, the Panel considers it reasonable to expect that Oakridge Energy can forecast the timing of customer connections within the Test Period.

2.2 Heating and Cooling Energy Charges

In this section, the Panel reviews the structure of the Energy Charges to recover the Energy Supply Revenue Requirement for energy supply costs pertaining to each of the heating and cooling services. Oakridge Energy proposes to establish two non-rate base ECRAs with no carrying cost, one for heating service and one for cooling service, to record variances between forecast and actual energy supply costs, and an Energy Charge Rate Setting Mechanism to adjust the respective energy charges.[78]

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[76] Exhibit B-1, p. 9.
[77] Exhibit B-1, pp. 51–52.
[78] Exhibit B-1, pp. 49 and 54–57, Tables 24 and 25; Appendix A, Schedule 7 (Non-Rate Base Deferred Charges).

Oakridge Energy lists the four types of energy supply costs it incurs to provide thermal heating and cooling services: (1) electricity; (2) natural gas; (3) water, and (4) chemicals and associated safety/testing costs. Oakridge Energy submits that it is unable to control these variable energy supply related costs because they vary with market prices and customer consumption.[79]

Oakridge Energy proposes to recover the total energy supply costs without markup, on a flow-through basis, from customers based on consumption ($/kWh). Oakridge Energy states that energy supply costs are forecast as direct flow-through to customers due to the utility's inability to control these costs and that this is a standard practice with regulated energy utilities in BC. Flow through energy supply costs promote price transparency and send the appropriate price signal for variable energy costs to customers.[80] The proposed ECRAs would record the differences between the actual energy supply costs and the revenues collected through the energy charges for heating and cooling. After the initial heating and cooling energy charges are established (see Section 4.0 below), Oakridge Energy proposes to amortize the balances in the ECRAs over a 12-month period in order to minimize the possibility of large balances. Oakridge Energy proposes to submit an annual compliance filing to the BCUC by no later than March 1st of each year, providing the most recent year-end balance for the ECRAs, the forecast energy supply costs, the forecast revenue at existing rates and, if required, requesting a change to the energy charge for each of the heating and cooling services, effective April 1.[81]

Requests to change the heating and cooling energy charges would be based on Oakridge Energy's proposed Energy Charge Rate Setting Mechanism, which is consistent with that used by other Corix-affiliated utilities.[82] The methodology would be based on a ±5 percent dead-band range for the ECRA Ratio, with two specific ratios referred to as Trigger Ratios (0.95 and 1.05) forming the thresholds signalling a rate change is required. In other words, if the ECRA Ratio is within 0.95 and 1.05, no change to the energy charges would be requested, whereas if the ECRA Ratio falls below 0.95 or above 1.05, Oakridge Energy would request a change to the respective Energy Charge. The ECRA Ratio is defined as:[83]

$$ECRA\ Ratio = \frac{12\ mth\ Forecast\ Energy\ Charge\ Revenue}{(12\ mth\ Forecast\ Energy\ Supply\ Costs + ECRA\ Balance\ at\ beginning\ of\ 12\ mth\ Forecast\ period\ )}$$

Panel Determination

Oakridge Energy is approved to recover the variable energy supply costs on a flow through basis for each of the heating and cooling services with a Heating Energy Charge and a Cooling Energy Charge, levied in $/kWh. The Panel also approves the Energy Charge Rate Setting Mechanism, as well as the establishment of an ECRA for heating service and an ECRA for cooling service, to record the difference between the actual energy supply costs and the revenues collected through the Energy Charges, with the balances in the ECRAs to be amortized over a 12-month period without carrying costs.

The Panel accepts that there are four consumable types of energy supply costs related to Oakridge Energy providing thermal heating and cooling services. We are persuaded that these costs vary with market price, as well as customer consumption, and that it is appropriate for Oakridge Energy to treat these costs as flow through costs because they are largely outside of Oakridge Energy's control and this treatment is standard across other utilities. We consider Oakridge Energy's proposals maintain an appropriate price signal for customers by ensuring that customers pay for the energy consumed, when it is consumed.

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[79] Exhibit B-1, p. 45.
[80] Exhibit B-1, p. 49; p. 55, Table 24; p. 66.
[81] Exhibit B-1, pp. 49–51. .
[82] Exhibit B-1, p. 49.
[83] Exhibit B-1, p. 50.

Further, the Panel is satisfied that variable Energy Charges and the Energy Charge Rate Setting Mechanism are transparent and easily understandable for customers/ratepayers.

3.0 Capacity Revenue Requirement and Rates

In this section, the Panel reviews the components of the proposed Capacity Revenue Requirement and Capacity Charges for the Test Period based on the levelized rate plan approved in Section 2.1.

Table 2 below provides a summary of the forecast Capacity Revenue Requirements, the forecast capacity charge revenues, and the forecast RSA year-end balances during the Test Period:

Table 2: Capacity Revenue Requirement, Capacity Charge Revenues and Revenue Deficiency[84]

All figures in $s	Forecast 2024	Forecast 2025	Forecast 2026
O&M Costs	1,654,343	3,277,567	3,412,903
Lease Costs, Property Tax, Fees and Levies	159,155	399,959	407,958
Subtotal O&M Costs, Lease Costs, Property Tax, Fees and Levies	1,813,498	3,677,526	3,820,862
Depreciation	-	3,270,818	3,270,818
Amortization of CIACs	-	-	-
Subtotal Depreciation and Amortization	-	3,270,818	3,270,818
Deemed Interest	2,118,647	4,298,869	4,274,172
Return on Equity	2,737,134	5,553,818	5,521,912
Subtotal Cost of Capital	4,855,782	9,852,687	9,796,084
Income Tax	-	-	-
Total Capacity Revenue Requirements	**6,669,280**	**16,801,031**	**16,887,764**
Heating Service Portion[1]	3,378,424	8,524,126	8,573,204
Cooling Service Portion[2]	3,290,855	8,276,905	8,314,560
Rate Stabilization Account (RSA)			
Opening Balance (at Jan 1st)	-	3,196,678	5,500,676
Additions / (Reductions)			
Total Capacity Revenue Requirements	6,669,280	16,801,031	16,887,764
Less: Revenues from Capacity Charges	(3,472,601)	(14,497,034)	(14,786,974)
Revenue Deficiency / (Surplus)	**3,196,678**	**2,303,997**	**2,100,790**
Heating Service Portion[3]	1,585,460	1,169,754	1,071,745
Cooling Service Portion[4]	1,611,218	1,134,243	1,029,045

The forecast capacity charge revenues are based on the following proposed Capacity Charges for the Test Period with the implementation of the levelized rate plan as presented in Table 38 of the Application:

[84] Prepared by the BCUC with data from Exhibit B-1, p. 65, Table 30; Attachment: 2024-06-04-OakridgeEnergy-2024-2026-RevenueRequirements-Rates-FinancialModel, Tabs "Sch1-RevReq" and "Sch6-RB_Def"; p. 71, Table 36; and p. 77, Table 39. Oakridge Energy states that the forecasts for 2024 are prorated for its costs for six months, while the forecasts for 2025 and 2026 are for the entire year (Exhibit B-1, p. 5).

Table 3: Proposed Capacity Charges[85]

	July 1, 2024	January 1, 2025	January 1, 2026
Heating Capacity Charge ($/kW/month)	$23.66	$24.13	$24.61
Cooling Capacity Charge ($/kW/month)	$23.00	$23.46	$23.93

Panel Determination

Subject to the directives and determinations in this decision, the Panel approves the total annual RSA additions for each of heating and cooling services in Table 2 and the Capacity Charges set out in Table 3 above, effective July 1, 2024, January 1, 2025 and January 1, 2026, on a permanent basis.

Other than the required changes to reflect the BCUC's decision on Stage 2 of the BCUC's Generic Cost of Capital (GCOC) decision (GCOC Stage 2 Decision), the Panel finds the various components of Oakridge Energy's forecast Capacity Revenue Requirement, as set out in Table 2, reasonable for setting permanent Capacity Charges for the Test Period. Oakridge Energy's proposed allocation of the Capacity Revenue Requirement between heating and cooling services for the Test Period is reasonable, although we consider that Oakridge Energy should continue to collect information regarding the respective costs of providing heating and cooling services for future test periods as previously discussed in Section 2.1.

To clarify the specific components of the revenue requirements, the Panel now examines several key issues and approvals sought, as follows:

- The reasonableness of the SG&A cost component of O&M, which plays a key role in evaluating operational efficiency and cost control.
- The reasonableness of the capital additions cost component on the rate base, ensuring that investments are appropriately reflected and justifiable.
- The reasonableness of the forecast deemed interest and ROE including the impact of the BCUC's decision on Stage 2 of the GCOC proceeding.
- The reasonableness of creating a RCVA to track differences between forecasted and actual external regulatory costs, thereby mitigating volatility in regulatory expenses and supporting financial stability.

The Panel addresses in Section 3.5 how the difference between the approved interim and permanent Capacity Charges for 2024 will be treated.

3.1 Selling, General and Administrative Costs

SG&A costs are a component of Oakridge Energy's forecast O&M costs, which are the annual expenses needed to operate and maintain the Oakridge Energy DES.[86]

SG&A costs comprise 24.0 percent on average of the annual forecast total O&M during the Test Period. The forecast SG&A costs encompass charges paid to Corix and Creative Energy through services agreements (Services Agreements) for the provision of services related to the corporate governance of Oakridge Energy as shown in Table 4 below. Oakridge Energy states these services are essential for the safe, efficient, reliable and responsible operation and management of the Oakridge Energy DES to ensure quality service delivery to

[85] Exhibit B-1, p. 76, Table 38.
[86] Exhibit B-1, p. 38.

customers.[87] The use of Services Agreements allows Oakridge Energy to leverage resources from Corix and Creative Energy, thus reducing the need for in-house staff and associated fixed costs.[88]

Table 4: Forecast SG&A for the Test Period[89]

All figures in $s	**Forecast** 2024	**Forecast** 2025	**Forecast** 2026	**Rate** Type
Corporate Services				
Corporate Services	210,400	438,195	451,121	Quarterly
Support Services				
Engineering	5,482	11,418	11,755	Monthly
Human Resources	15,000	31,240	32,162	Monthly
Regulatory	44,812	14,933	44,839	Hourly
Insurance Support	6,250	13,017	13,401	Hourly
A/R & A/P, Payroll and General Accounting	45,900	95,595	98,415	Monthly
Financial Planning and Analysis	14,400	6,665	13,722	Hourly
Information Technology & Cybersecurity	63,810	132,896	136,816	Monthly
Health, Safety & Environment	2,091	4,355	4,484	Monthly
Communications	865	1,802	1,855	Monthly
Customer Service	1,730	3,603	3,709	Monthly
Subtotal Support Services	200,341	315,523	361,157	
Total SG&A	**410,741**	**753,718**	**812,278**	

Oakridge Energy explains that the forecast SG&A costs are flow-through expenses, meaning they are passed through to customers at the predetermined quarterly, monthly and hourly rates for services contained in the Services Agreements, without any markup. These costs are based on anticipated operational needs, particularly for services billed on an hourly basis.[90] Oakridge Energy explains that Corix and Creative Energy staff calculated and then reviewed each other's predetermined rates. Oakridge Energy then gave its final approval for the established rates.[91] Oakridge Energy considers that these rates are no more than fair market value, on the basis that if it procured these services from an external third-party provider, it would expect the third-party rates to include a mark-up to cover costs and generate profit.[92]

Oakridge Energy explains that the quarterly SG&A service rate for Corporate Services includes board fees, executive oversight and corporate finance. It based the estimated cost of the "board fee" component on the

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[87] Exhibit B-1, p. 41.
[88] Exhibit B-1, p. 42.
[89] Prepared by the BCUC with data from Exhibit B-1, Appendix A, Schedule 10 (SG&A) and Exhibit B-4, BCUC IR 7.1.
[90] Exhibit B-4, pp. 41–42; Exhibit B-4, BCUC IR 7.1. Oakridge Energy states that the Services Agreements were established in October 2021 and amended in 2024 to reflect updated labour costs and to improve administrative efficiency (Exhibit B-1, p. 42).
[91] Exhibit B-4, BCUC IR 7.4.
[92] Exhibit B-4, BCUC IR 7.5.

actual quarterly board fees at a utility owned by a former Corix company. It based the estimated costs for the "Executive Oversight" and "Corporate Finance" components on current staff compensation and estimated hours.[93]

Similarly, the monthly SG&A service rates are based on estimated monthly costs for services that were calculated using current staff compensation rates and estimated hours.[94]

The hourly SG&A service rates are based on the actual compensation rates of employees providing the services to Oakridge Energy. The rate range is set by the highest and lowest compensation rates for each position, with the forecast costs calculated based on the median of these hourly rate ranges.[95]

Oakridge Energy states that it intends to review the SG&A service rates at least once every three years, but no more than annually, ensuring flexibility and efficiency. The Services Agreements allow for an annual increase of three percent per year for the hourly rates, which is in alignment with Oakridge Energy's annual labour cost escalation. Quarterly and monthly rates may need more frequent reviews, but not more than once a year, since the Services Agreements do not allow for a standard three percent annual increase to these rates.[96]

Panel Determination

The Panel finds that Oakridge Energy's forecast SG&A costs for the Test Period are reasonable. Oakridge Energy has supported its forecast by relying on compensation rates for current staff and comparable entities and has made reasonable assumptions. Given the magnitude of these costs in relation to the total revenue requirement, the Panel considers that ongoing monitoring of these costs and the associated SG&A service rates is warranted to inform future forecasts. **Therefore, the Panel directs Oakridge Energy to provide more detailed supporting information in its next revenue requirements application, including, but not limited to, a variance analysis between forecast and actual SG&A rates and costs for the Test Period and an explanation for any significant differences and any updates to the forecasts for the next test period as a result.** This additional information will help ensure greater transparency and allow for a more accurate assessment of Oakridge Energy's future SG&A cost forecasts.

3.2 Capital Additions

Oakridge Energy forecasts 2024 capital additions of $123,543,959, including Allowance for Funds Used During Construction (AFUDC), with no further additions in 2025 or 2026.[97] Oakridge Energy reports a variance of -0.07 percent (in 2024 dollars, excluding AFUDC) between the project capital cost to construct the Oakridge Energy DES (Project) for 2024 in the Application and the Project capital costs forecast for 2024 as previously reported to the BCUC.[98] Oakridge Energy previously reported 2024 Project capital costs in a Material Change Report filed with the BCUC on January 30, 2023. Oakridge Energy responded to BCUC Staff Questions regarding the Material Change Report on April 11, 2023.[99]

The Phase 1 capital cost estimate provided in the CPCN application was $80.808 million (in 2020 dollars, excluding AFUDC). The Material Change Report explains that the reasons for the increase in Phase 1 capital costs are 1) an increase in scope clarity, 2) changes to the scope of the Project, and 3) inflation.[100] Oakridge Energy

[93] Exhibit B-4, BCUC IR 7.1.
[94] Exhibit B-4, BCUC IR 7.1.
[95] Exhibit B-4, BCUC IR 7.1.
[96] Exhibit B-4, BCUC IR 7.7.
[97] Exhibit B-1, p. 34; Appendix A, Schedule 3 (Plant Continuity) and Schedule 4 (Utility Plant in Service).
[98] Exhibit B-1, p. 30.
[99] Exhibit B-1, Appendix D.
[100] Exhibit B-1, p. 28.

estimates that inflation accounts for approximately 29.0 percent of the variance in Phase 1 capital cost estimates provided in the Application as compared to the CPCN.[101]

While it is outside of the Test Period, Oakridge Energy notes for informational purposes that the forecast 2027 capital additions are $32,095,936 for when Phase 2 commences service.[102]

Panel Determination

The Panel finds the forecast capital additions of $123,543,959 during the Test Period to be reasonable and is satisfied with the explanations provided in the Material Change Report regarding the cost variances between the current Application and the CPCN application. The Panel notes that all capital additions are forecast to take place in 2024 when the Phase 1 service commences.

3.3 Cost of Capital

Oakridge Energy's Test Period revenue requirements include amounts for the cost of capital, comprising cost of debt and ROE. These amounts are based on the following financing assumptions:

Table 5: Financing Assumptions[103]

Capital Structure	Deemed Debt	57.5%
	Deemed Equity	42.5%
Cost of Debt	Deemed Interest Rate	5.95%
Return on Equity	Benchmark Utility ROE	9.65%
	Equity Risk Premium	0.75%
	ROE	10.40%

Oakridge Energy notes that the capital structure, equity risk premium and deemed interest rate are subject to change pending the BCUC's final decision on the Stage 2 GCOC proceeding.[104]

<u>Background on GCOC Proceeding</u>

In 2021, the BCUC initiated a GCOC proceeding to establish the method to determine the appropriate cost of capital for regulated utilities in British Columbia, as well as to review the appropriateness of continuing to use a benchmark utility. During that proceeding, the BCUC determined that FortisBC Energy Inc. (FEI), with a deemed equity component of 45.0 percent and an allowed ROE is 9.65 percent, would be the benchmark utility (Benchmark Utility) for all types of utilities that use the benchmark to set their cost of capital.[105]

On November 29, 2024, the BCUC issued its GCOC Stage 2 Decision, which set a TES Default with a deemed equity component at 49.0 percent and an allowed ROE of 10.4 percent, as the typical TES continues to have greater business risk than the Benchmark Utility.[106] The BCUC considers a TES Default to be reflective of the risk profile of a typical TES. The typical TES refers to one that faces a combination of the eight risk factors commonly faced by TES utilities as the BCUC determined in the 2014 GCOC Stage 2 Decision.[107] These risk factors include the greenfield characteristics of the TES, reliance on non-traditional rate structures, small size, complex systems

[101] Exhibit B-1, p. 29.
[102] Exhibit B-1, p. 34; Appendix A, Schedule 3 (Plant Continuity).
[103] Exhibit B-1, p. 58, Table 26.
[104] Oakridge Energy Final Argument, p. 13.
[105] BCUC GCOC Stage 2, Order G-6-24 dated January 11, 2024, Appendix C, p. 8.
[106] BCUC GCOC Stage 2 Decision and Order G-321-24 dated November 29, 2024 (GCOC Stage 2 Decision), p. 65.
[107] GCOC Stage 2 Decision, p. 63.

and high upfront capital costs, competition with other energy sources and TES providers, and reliance on a limited number of counterparties for revenue.[108]

The BCUC stated that establishing a TES Default will continue to reduce regulatory burden on small utilities and promote regulatory efficiency. However, the BCUC found that the TES Default should not be automatically applied and that each future TES should have the opportunity to justify its proposal, which could be the TES Default or higher or lower than the TES Default, based on its business risk and circumstances at the time of its regulatory filing.[109]

The BCUC also established a deemed interest rate methodology effective January 1, 2024 for utilities when they do not have third-party debt.[110]

<u>Oakridge Energy Cost of Capital</u>

Oakridge Energy submits that its equity risk premium of 75 basis points and its capital structure, based on a deemed equity ratio of 42.5 percent, are consistent with those approved by the BCUC in the 2014 GCOC proceeding. Oakridge Energy notes that it will update both items based on the BCUC's final decision regarding the default equity component and default equity risk premium for rate-regulated TES.[111]

To arrive at the deemed interest rate of 5.95 percent, Oakridge Energy proposes to use a 50/50 blend of the interest rate methodology for each of Corix and Creative Energy, since they are equal partners in Oakridge Energy. Creative Energy's interest rate methodology is based on an average of its short-term annual interest rate forecasts for each year of the Test Period, resulting in an average rate of 6.16 percent. Corix, however, relies on a deemed interest rate methodology approved in the 2014 GCOC decision, which results in an average interest rate for the Test Period of 5.74 percent. The deemed interest rate methodology applicable for Corix is subject to change based on the BCUC's determination in the Stage 2 GCOC proceeding, which will impact Oakridge Energy's deemed interest rate.[112]

Oakridge Energy also highlights the following uncertainty related to the GCOC Stage 2 Decision as it relates to Oakridge Energy's cost of capital:

> If the BCUC issues an unequivocal GCOC Stage 2 decision for a new district energy utility by establishing a "Default TES" based on a "typical" district energy utility then OE [Oakridge Energy]anticipates it can prepare a compliance filing for this rate application by simply updating the capital structure and ROE. However, if the BCUC issues a decision that is based on a "minimum default TES" that does not reflect the business risks of Oakridge Energy district energy system then Oakridge Energy would then need to file additional evidence in this rate application so the BCUC can make a decision for Oakridge Energy that meets the Fair Return Standard as required by the Supreme Court of Canada.[113]

Oakridge Energy addresses the impact on its business risk from any decision to disallow variance treatment for certain costs. Specifically, if variance treatment for land lease, depreciation, amortization, income tax, deemed interest on debt, return on equity, fees and levies and return on equity costs are not approved, this would increase business risk to the utility and require an increase in the allowed ROE to account for the impact of that

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[108] GCOC Stage 2 Decision, p. 60.
[109] GCOC Stage 2 Decision, pp. 61–62, 67.
[110] GCOC Stage 2 Decision, pp. 82 and 91.
[111] Exhibit B-1, pp. 60 and 62.
[112] Exhibit B-1, p. 61.
[113] Oakridge Energy Final Argument, p. 14.

disallowance. Oakridge Energy submits that considering inflation, costs are generally irregular and may unexpectedly spike up.[114]

Panel Determination

At the time Oakridge Energy filed this Application, Stage 2 of the GCOC was ongoing and thus, Oakridge Energy made certain assumptions regarding its cost of capital. As noted in its final argument, Oakridge Energy submits that if the BCUC establishes a TES Default that is based on a "typical" district energy utility, then it expects it will be able to prepare a compliance filing for this Application by updating the capital structure and ROE. With the benefit of the GCOC Stage 2 decision that is now available, the Panel finds that the TES Default of 49.0 percent deemed equity component and 10.4 percent ROE is applicable to Oakridge Energy and appropriate to use for this utility.

In the GCOC Stage 2 decision the BCUC discussed certain risk factors that TES utilities commonly face. The Panel acknowledges that Oakridge Energy generally fits the description of a typical district energy utility, particularly due to its greenfield nature, competition against other energy sources and TES providers, and high upfront capital costs. We also note Oakridge Energy's submission that any disallowance of the variance treatment for certain costs would increase business risk to the utility and require an increased return. In this case, however, Oakridge Energy did not establish the need for variance treatment of those costs and therefore we disagree with Oakridge Energy that by disallowing variance treatment, it increases Oakridge Energy's business risk.

Further, while the greenfield nature of a TES and the reliance on non-traditional rate structures such as levelized rates may be common among TES utilities, the Panel does not accept that variance treatment in a manner that Oakridge Energy proposes is consistent with the risk factors applicable to the TES Default. Most utilities are subject to a certain degree of forecast risk of their costs. While the Panel understands Oakridge Energy's argument that the lack of variance treatment may increase its business risk and thus warrants a higher return, by the same logic, another argument could be that the utility is of lower business risk by having variance treatment and thus warrants a lower return. Taking into account the directives and determinations in this decision, including the denial of variance treatment for certain costs and revenues, the Panel is satisfied that Oakridge Energy's business risk is consistent with the risk of a typical TES as contemplated in the GCOC Stage 2 Decision.

With respect to debt, the Panel accepts the blended approach for the deemed interest rate for each of Creative Energy and Corix to reflect that they are equal partners in Oakridge Energy on a 50/50 basis. For the Creative Energy portion, we accept the use of the average short-term annual interest rate forecast for each year of the Test Period. For the Corix portion, Oakridge Energy provided the deemed interest rate based on the previously approved methodology in the 2014 GCOC Decision. Now that the BCUC in the GCOC Stage 2 Decision has established an updated deemed interest rate methodology, which is applicable when a utility such as Corix that does not have third-party debt, the Panel finds that it would be appropriate for Oakridge Energy to update the deemed interest rate for the Corix portion.

Accordingly, Oakridge Energy is directed to update the cost of capital components included in its Capacity Revenue Requirement for the Test Period Capacity Charge rates, in accordance with the TES Default and deemed interest rate methodology as set out in the GCOC Stage 2 Decision, in its final compliance filing for this proceeding.

3.4 Regulatory Costs Variance Account Request

Oakridge Energy seeks approval to establish a rate base deferral account named the Regulatory Costs Variance Account, to record differences between forecast and actual external regulatory costs. Oakridge Energy intends

[114] Exhibit B-4, BCUC IR 13.3 and 13.6.

to amortize the deferral account balance fully over the next test period, though the exact number of years to be requested is currently uncertain.[115] Oakridge Energy outlines the following third-party regulatory costs that it expects to incur as a result of BCUC regulation:[116]

- Annual cost recovery levies assessed on Oakridge Energy by the BCUC;
- Costs awarded by the BCUC to participants in regulatory proceedings involving Oakridge Energy;
- Costs incurred by the BCUC related to the review of Oakridge Energy filings;
- Any external public consultation costs that Oakridge Energy will incur when mandated by the BCUC;
- Any external legal or consulting costs that Oakridge Energy may incur directly associated with participation in BCUC proceedings; and
- Any other unforeseen third-party costs that Oakridge Energy will incur arising from BCUC regulation.

Oakridge Energy submits that the above-noted costs are inherently uncertain due to their non-routine nature, variability, and the utility's lack of control over them.[117]

Panel Determination

The Panel approves Oakridge Energy to establish a non-rate base deferral account attracting WACC, the RCVA, to record differences between forecast and actual external regulatory costs. Oakridge Energy is directed to include a proposed amortization period for the RCVA in in its next rates application such that the balance in the account is amortized by the end of the subsequent test period at the latest. The Panel accepts that these costs are largely outside of Oakridge Energy's control and notes that the BCUC regularly approves this type of treatment. The Panel notes that Oakridge Energy has requested to treat the RCVA as a rate base deferral account. However, regulatory costs are not associated with property, plant, or equipment and therefore the Panel does not consider them capital assets or appropriate to include in rate base. While the Panel supports the RCVA attracting interest at Oakridge Energy's WACC, Oakridge Energy has not provided the rationale for including this deferral account in rate base.

3.5 Final Compliance Filing and Variance Between Interim and Permanent Rates

Oakridge Energy identifies three options to address any difference between the interim rates approved by Order G-169-24 and the permanent rates, as follows:

(a) re-calculate individual bills and refund/recover the difference back in a single period or over multiple periods depending on the magnitude of the difference; or

(b) group the aggregate difference for the customers and then refund/recover it back to these customers through a one-time adjustment to customer accounts or over an appropriate amount of time through a rate rider applied over multiple periods; or

(c) apply the aggregate difference to the RSA. There is no need to create a new deferral account when the RSA can capture the difference.

Oakridge Energy states that the variance between interim and permanent rates should attract WACC as it is consistent with past practice for other utilities such as Corix and FEI, and that a short-term interest rate unnecessarily complicates matters. Specifically, Oakridge Energy submits that "If the variance was placed in the RSA rate base deferral account, it would not be possible to calculate an interest rate only for the variance in rate

[115] Exhibit B-1, pp. 53, and 56-57.
[116] Exhibit B-1, pp. 53–54.
[117] Exhibit B-1, p. 41.

base. However, it would be possible to create a non-rate base deferral account attracting short-term interest, but it would incur a lot of unnecessary work for such a small deferral account."[118]

Oakridge Energy submits that a compliance filing is the most efficient approach to finalize the disposition of interim rates, considering the unknown magnitude and outcome of the GCOC Stage 2 Decision.[119]

Panel Determination

The Panel considers that Oakridge Energy's proposal to address the disposition of interim rates in a final compliance filing is an efficient approach, to allow the utility time to consider the impact of any updates to cost of capital on Test Period rates, prior to making a proposal. Further, the Panel supports the variance between interim and permanent rates attracting interest at Oakridge Energy's WACC, considering there is no evidence to suggest that Oakridge Energy would finance such items using only debt, as opposed to a combination of debt and equity. For clarity, **Oakridge Energy is directed to refund to or recover from customers the difference between the interim and permanent 2024 Capacity Charges, with interest at Oakridge Energy's WACC.** The method by which Oakridge Energy achieves this will be addressed in the final compliance filing.

Oakridge Energy is directed to file a final compliance filing for this proceeding by January 22, 2025, to include the following:

- **Updated financial schedules, permanent rates, and tariff pages for the Test Period to reflect the directives and determinations in this decision; and**
- **A proposal for the BCUC's consideration to address the refund or recovery of the variance between the interim and permanent 2024 Capacity Charges, with supporting rationale.**

4.0 Energy Supply Revenue Requirement and Rates

In this section, the Panel reviews the proposed Energy Charges for the Test Period, the design and associated rate setting mechanism of which were approved in Section 2.2.

The Heating Energy Charge and Cooling Energy Charge are based on forecast commodity-related energy supply costs to provide heating and cooling services to customers. The forecast energy supply costs or Energy Supply Revenue Requirement for the Test Period are summarized in Table 6 below:

[118] Exhibit B-4, BCUC IR 11.2.
[119] Oakridge Energy Final Argument, p. 5.

Table 6: Forecast Energy Supply Costs for the Test Period[120]

Energy Supply Costs ($)	Test Period		
	2024 Forecast	2025 Forecast	2026 Forecast
Heating			
Electricity	205,641	833,248	807,158
Natural Gas	70,573	277,461	298,030
Water (Purchase)	4,500	9,180	9,364
Water (Dispose) - Sewer	4,016	8,193	8,357
Chemical/Safety/Testing	2,082	24,984	25,484
Total Heating Energy Supply Costs	**286,812**	**1,153,066**	**1,148,392**
Cooling			
Electricity	309,276	1,253,175	1,213,937
Natural Gas	0	0	0
Water (Purchase)	25,500	52,020	53,060
Water (Dispose) – Sewer	22,759	46,428	47,356
Chemical/Safety/Testing	8,328	99,936	101,935
Total Cooling Energy Supply Costs	**365,863**	**1,451,558**	**1,416,289**
Total Energy Supply Costs	**652,675**	**2,604,625**	**2,564,681**

As presented in Table 38 of the Application, Oakridge Energy proposes to establish an initial Heating Energy Charge of $0.061/kWh and initial Cooling Energy Charge of $0.135/kWh, effective July 1, 2024.[121] It derived these proposed charges from the 2024 forecast energy supply costs divided by the forecast energy demand for heating and cooling services, as shown below:

Table 7: Energy Charge Calculation[122]

	Heating	Cooling
Forecast Energy Supply Cost ($)	$286,812	$365,863
Forecast Energy Demand (kWh) (kWh = MWh x 1000)	4,722,000 kWh	2,707,000 kWh
Energy Charge ($/kWh)	**$0.061/kWh**	**$0.135/kWh**

To calculate the energy demand forecast, Oakridge Energy used an EUI figure for each building, measured in kWh per square meter. Oakridge Energy states it used a different EUI for each type of building (residential, retail, or office) and energy use type (space heating, DHW, or space cooling) and then applied these to the floor area of each building.[123] Oakridge Energy explains it prorated the 2024 forecast energy demand based on the most recently available building connection dates.[124]

Oakridge Energy states that if the annual ECRA process suggests that a change to either Energy Charge is warranted, it would request the first change by no later than March 1, 2025, in accordance with the methodology of the Energy Charge Rate Setting Mechanism described in Section 2.2 above, for Energy Charge

120 Exhibit B-1, p. 47, Table 23.
121 Oakridge Energy Final Argument, p. 3.
122 Prepared by the BCUC with data from Exhibit B-1, p. 24, and p. 47, Table 23,.
123 Exhibit B-1, p. 23.
124 Exhibit B-1, p. 24.

rates effective April 1, 2025. Future changes to the Energy Charges would be reviewed and changed effective April 1st of each year, subject to BCUC approval.[125]

Panel Determination

The Panel finds the Energy Supply Revenue Requirement and forecast energy demand reasonable for the purpose of setting the Energy Charges. As such, **the Panel approves Oakridge Energy to charge the following variable Energy Charges as filed on a permanent basis, effective July 1, 2024:**

- **A Heating Energy Charge of $0.061/kWh; and**
- **A Cooling Energy Charge of$0.135/kWh.**

5.0 Other Items

5.1 Proposed Tariff

Oakridge Energy seeks approval of the proposed Tariff,[126] which includes the terms and conditions of service, a rate schedule for heating and cooling services, and the standard fees and charges associated with the provision of thermal energy services to Oakridge Energy customers.

Oakridge Energy identified a typographical error in response to BCUC IR 16.2 and provided an updated version of the Tariff in Attachment 16.2 of Exhibit B-4. Oakridge Energy requests that the BCUC approve the proposed Tariff, with any necessary rate adjustments to be made based on the final decision of the Application. After the final decision, Oakridge Energy plans to submit a compliance filing with the amended Tariff for endorsement.[127]

Panel IRs explored whether the undiversified peak load for each building customer should be included in the rate schedule for heating and cooling services, because the fixed monthly Capacity Charge for each Oakridge Energy customer will be determined based on the respective heating and cooling design peak load. Oakridge Energy states that this is not necessary because this information will be specified in the Customer Service Agreement. Specifically, the Customer Service Agreement consists of a completed Service Application Form and the proposed Tariff, and the Service Application Form will include the heating and cooling design peak load information for each customer.[128]

Panel Determination

The Panel approves the Tariff as filed in the Application and amended by Oakridge Energy in response to BCUC IR 16.2. We are satisfied that the Customer Service Agreement will inform Oakridge Energy's ratepayers of the undiversified peak load for each building customer and therefore it is not necessary for that information to be included in the Tariff.

5.2 Discontinuance of Semi-Annual Progress Reports Request

As noted in Section 1.2, Oakridge Energy seeks BCUC approval to discontinue semi-annual progress reports on the construction of the Oakridge Energy DES. The BCUC directed Oakridge Energy in the CPCN Decision to file semi-annual progress reports, material change reports and a final report on the Project. In addition to directing

[125] Exhibit B-1, p. 50; Oakridge Energy Final Argument, p. 8.
[126] As filed in Appendix C of the Application and updated in Attachment 16.2 in response to BCUC IR 16.2 (Oakridge Energy Final Argument, p. 4).
[127] Oakridge Energy Final Argument, p. 9.
[128] Exhibit B-6, BCUC Panel IR 2.2.

reporting for the duration of project construction, the BCUC also directed Oakridge Energy to include information in its subsequent annual reporting once it has commenced operations. For example, Oakridge Energy annual reporting must include information regarding the peak demand and diversity factor for the Oakridge Energy DES.[129]

The Oakridge Energy CPCN Decision stated that each semi-annual progress report on the Project must include:[130]

- Summary of the status of implementation for each phase of the Project;
- Anticipated construction, commissioning and operations completion dates compared to the implementation schedule show in Figure 9 of the [CPCN] Application, with an explanation for any variance;
- For each building, the actual or anticipated in-service date compared to the anticipated connection year provided in Table 8 of the [CPCN] Application, with an explanation for any variance;
- For each building, the current forecast energy demand and forecast undiversified peak load compared to the forecast energy demand and forecast undiversified peak load shown in Table 8 of the [CPCN] Application, with an explanation for any variance;
- Actual costs incurred to date compared to the estimate provided in Table 14 of the [CPCN] Application highlighting variances with an explanation of significant variances;
- Updated forecast of costs, highlighting the reasons for significant changes in Project costs anticipated to be incurred; and
- The status of Project risks, highlighting the status of identified risks, changes in and additions to risks, the options available to address the risks, the actions that Oakridge Energy is taking to mitigate the risks and the likely impact on the Project's schedule and cost.

Oakridge Energy outlines that it has filed five semi-annual progress reports and anticipates filing five more before Phase 2 of the Oakridge Centre Redevelopment is completed. Oakridge Energy estimates that each semi-annual progress report costs approximately $3,300 to prepare and requires approximately 38 hours of effort on the part of Oakridge Energy and external staff.[131]

Oakridge Energy states that discontinuing filing semi-annual progress reports is consistent with the BCUC's streamlined utility reporting initiatives, specifically those outlined by BCUC Letter L-46-23.[132] Oakridge Energy states that the BCUC will remain informed of the actual annual capital expenditures associated with constructing the Oakridge Energy DES through the Oakridge Energy DES annual report, as well as material change reports[133] and the final report on the project as directed in the Oakridge Energy CPCN Decision.[134] Oakridge Energy states that much of the semi-annual progress reporting information was most relevant prior to the commencement of operation. Oakridge Energy will address changes to project construction costs in its next revenue requirements application, which it anticipates filing before the end of 2026. Oakridge Energy asserts that continuing to file semi-annual progress reports is not required because the BCUC will continue to be informed of the construction of the Oakridge Energy DES through these other required filings and applications.[135]

[129] Exhibit B-1, p. 10.
[130] Oakridge Energy CPCN Decision, p. 47.
[131] Exhibit B-1, p. 11; Exhibit B-4, BCUC IRs 18.1 and 18.2.
[132] Exhibit B-1, p. 12.
[133] Bullet 2 of Section 10.0 in the Oakridge Energy CPCN Decision (p. 47) directs Oakridge Energy to file a Material Change report in the event that the Project experiences a material change in schedule, cost and/or project scope.
[134] Bullet 3 of Section 10.0 in the Oakridge Energy CPCN Decision (p. 48) directs Oakridge Energy to file a Final Report within three months of substantial completion of the Project.
[135] Exhibit B-1, pp. 13–14.

Panel Determination

The Panel determines that the discontinuance of semi-annual progress reporting for the duration of construction of the Oakridge Energy DES project is warranted. The Panel finds, however, that it would be appropriate for Oakridge Energy to file annual progress reports on the Project,, containing the same information as previously directed for the semi-annual reports, for the duration of construction of the Oakridge Energy DES project. **Accordingly, the Panel varies the directive regarding reporting requirements set out in Section 10.0, bullet 1, of the decision accompanying Order C-2-22 to read as follows:**

1. Annual Progress Reports on the Project

Each report must include:

- **Summary of the status of implementation for each phase of the Project;**
- **Anticipated construction, commissioning and operations completion dates compared to the implementation schedule show in Figure 9 of the Application, with an explanation for any variance;**
- **For each building, the actual or anticipated in-service date compared to the anticipated connection year provided in Table 8 of the Application, with an explanation for any variance;**
- **For each building, the current forecast energy demand and forecast undiversified peak load compared to the forecast energy demand and forecast undiversified peak load shown in Table 8 of the Application, with an explanation for any variance;**
- **Actual costs incurred to date compared to the estimate provided in Table 14 of the Application highlighting variances with an explanation of significant variances;**
- **Updated forecast of costs, highlighting the reasons for significant changes in Project costs anticipated to be incurred; and**
- **The status of Project risks, highlighting the status of identified risks, changes in and additions to risks, the options available to address the risks, the actions that Oakridge Energy is taking to mitigate the risks and the likely impact on the Project's schedule and cost.**

Oakridge Energy must file annual progress reports by January 31 of each year for the previous year ending December 31.

The Panel is persuaded that, since the Oakridge Energy DES has recently commenced operations, it is appropriate to revisit the need for semi-annual reporting. Considering the broad scope of the semi-annual report, the Panel is not persuaded, however, that the level of information that will be available from the other forms of reporting noted above – which we acknowledge is meaningful – will be sufficient. For example, Oakridge Energy notes the uncertainty of timing of customer connections to the Oakridge Energy DES, which could have an impact on its revenues. We consider it important that the BCUC remain informed of overall Project status, including actual and forecast costs, schedules and risks, as well as significant changes in scope, through an annual reporting process as directed above.

5.3 Confidentiality Requests

As noted in Section 1.2, Oakridge Energy makes certain requests for confidentiality in the Application and in its responses to IRs. Specifically, Oakridge Energy requests that the unredacted versions of the Services Agreements with each of Corix and Creative Energy, as well as the responses to the following IRs in attachments, be kept confidential in perpetuity:[136]

[136] Exhibit B-1, pp. 5–6; Exhibit B-4, Cover Letter, p. 1.

- Attachment BCUC Confidential IR 6.3 regarding the calculation of forecast operating labour costs; and
- Attachment BCUC Confidential IR 7.1 regarding the calculation of forecast SG&A costs.

Oakridge Energy requests that the BCUC maintain the confidentiality of the unredacted versions of the Services Agreements to protect commercially sensitive information. In particular, since the Services Agreements outline the specific charges for the services provided, the disclosure of this information could harm the competitive negotiating positions of Corix and Creative Energy as the provision of district energy is a competitive field involving both regulated and non-regulated operators.[137]

With respect to the IR responses, Oakridge Energy states that the disclosure of the redacted information could potentially reveal individual employee compensation, causing harm to the relevant employee, since some of the cost categories presented in the response represent a single staff member.[138] In addition, because Oakridge Energy has provided detailed forecast information regarding full-time equivalents for the SG&A cost categories that will be invoiced via hourly rates, this information could be used to back-calculate information which is otherwise held confidential by Oakridge Energy and has previously been accepted by the BCUC as confidential during the review of the 2020 Oakridge Energy DES CPCN application proceeding. [139]

Panel Determination

Unless otherwise ordered by the BCUC, the Panel grants Oakridge Energy's request for confidential treatment of:

- **the unredacted versions of the Services Agreements with each of Corix and Creative Energy;**
- **Attachment BCUC Confidential IR 6.3 regarding the calculation of forecast operating labour costs; and**
- **Attachment BCUC Confidential IR 7.1 regarding the calculation of forecast SG&A costs.**

The Panel is satisfied that disclosure of Services Agreements could harm the competitive negotiating positions of Creative Energy and Corix, and that disclosure of the IR responses could reveal personal information or information that the BCUC has previously accepted as confidential.

5.4 Services Agreements

Section 9.0 of the Services Agreement provides a "termination for convenience" clause, which stipulates that "Either Party may terminate this Agreement for its sole convenience at any time by providing thirty (30) days' notice to the other Party. Oakridge Energy must obtain approval from its board prior to initiating such termination."[140]

Oakridge Energy acknowledges that termination of the Services Agreement by either Corix or Creative Energy could signal a change in ownership or control of the utility. In such a case, Oakridge Energy considers that the remaining owner would take over the services previously provided by the terminating owner where possible. For any services that the remaining owner cannot provide, Oakridge Energy would need to either procure the service(s) externally or hire additional staff to meet the service requirements.[141]

[137] Exhibit B-1, p. 6.
[138] Exhibit B-4, Cover Letter, p. 1.
[139] Exhibit B-4, Cover Letter, p. 2.
[140] Exhibit B-1, Appendix G, p. 13; Appendix H, p. 13.
[141] Exhibit B-4, BCUC IR 17.6.

To maintain continuity of service to customers if Corix or Creative Energy terminated its Services Agreement, Oakridge Energy states it is amenable to amending the Services Agreements with both Corix and Creative Energy to extend the notice of termination period from 30 days to 90 days.[142]

Panel Determination

The Panel considers that if either Corix or Creative Energy terminates its Services Agreement with Oakridge Energy for its sole convenience, Oakridge Energy will likely need more than 30 days to arrange for an alternative service provider. The Panel acknowledges that Oakridge Energy has indicated it is open to amending the notice period for termination and invites the parties to amend section 9.2 of each of the Services Agreements to provide for a notice of termination period of 90 days, rather than 30 days.

The Panel directs Oakridge Energy to provide an update to the BCUC within 90 days after the issuance of this decision, reporting on the status of amendments made to section 9.2 of the Services Agreements.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of December 2024.

Electronically signed by Blair Lockhart

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E. B. Lockhart
Panel Chair/Commissioner

Electronically signed by Bernard Magnan

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B. A. Magnan
Commissioner

[142] Exhibit B-4, BCUC IR 17.6.

Oakridge Energy Limited Partnership
Oakridge Energy District Energy System 2024 to 2026 Revenue Requirements and Rates

LIST OF TERMS AND ACRONYMS

Term/Acronym	Description
AFUDC	Allowance for Funds Used During Construction
Application	Oakridge Energy Limited Partnership 2024 to 2026 Revenue Requirements and Rates application for the Oakridge Energy DES
BC	British Columbia
BCUC	British Columbia Utilities Commission
Benchmark Utility	The BCUC in its Generic Cost of Capital Stage 2 Order G-321-24 and accompanying decision dated November 29, 2024 determined that FortisBC Energy Inc. (FEI) would be the benchmark utility for all types of utilities.
Capacity Revenue Requirement	The “fixed costs” for the provision of heating service and cooling service that do not vary with energy sales and are driven primarily by the capacity of the major components of the Oakridge Energy DES. These costs are referred to as the capacity or “non-energy” costs
CIAC	Contributions in Aid of Construction
Clean Technology ITC	Clean Technology Income Tax Credit
Capacity Charges	The Cooling Capacity Charge and the Heating Capacity Charge, collectively
Cooling Capacity Charge	The levelized capacity charge to recover the capacity or “non-energy” costs for cooling service
Cooling Energy Charge	The variable energy charge to recover the variable or commodity-related energy supply costs for cooling service
Corix	Corix Group of Companies
CPCN	Certificate of Public Convenience and Necessity
Creative Energy	Creative Energy group
DES	District energy system
Developers	Westbank Holdings and QuadReal Property Group
DHW	Domestic hot water

ECRA	Energy Cost Reconciliation Account
Energy Charges	The Heating Energy Charge and the Cooling Energy Charge, collectively
Energy Supply Revenue Requirement	The variable or commodity-related energy supply costs for the provision of heating service and cooling service that vary with energy sales
EUI	Energy use intensity
FEI	FortisBC Energy Inc.
GCOC	Generic Cost of Capital
GCOC Stage 2 Decision	BCUC Order G-321-24 and the accompanying decision on the BCUC's Generic Cost of Capital Stage2 proceeding
Heating Capacity Charge	The levelized capacity charge to recover the capacity or "non-energy" costs for heating service
Heating Energy Charge	The variable energy charge to recover the variable or commodity-related energy supply costs for heating service
IRs	Information requests
kW	Kilowatt
kWh	Kilowatt-hour
Oakridge Energy	Oakridge Energy Limited Partnership
Oakridge Energy CPCN Decision	Oakridge Energy Application for a Certificate of Public Convenience and Necessity for a District Energy System, Decision and Order C-2-22 dated February 15, 2022
Oakridge Energy DES	Oakridge Energy district energy system
Oakridge Centre Redevelopment or Oakridge Park	The joint venture project between Westbank Holdings and QuadReal Property Group for the Oakridge Centre property redevelopment
O&M	Operating and maintenance
RCVA	Regulatory Costs Variance Account
ROE	Return on equity
RSA	Revenue Stabilization Account
Services Agreements	The agreements between Oakridge Energy and Corix, and Oakridge Energy and Creative Energy, for the counterparty to provide certain services to Oakridge Energy

Tariff	The terms and conditions, rate schedule, and standard fees and charges for Oakridge Energy
Test Period	July 1, 2024 to December 31, 2026
UCA	*The Utilities Commission Act*
WACC	Weighted average cost of capital

Oakridge Energy Limited Partnership
District Energy System 2024 to 2026 Revenue Requirements and Rates

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	June 21, 2024 – Panel Appointment
A-2	June 21, 2024 – BCUC Order G-169-24 establishing a regulatory timetable
A-3	July 31, 2024 – BCUC Information Request No. 1 to Oakridge Energy
A-4	September 9, 2024 – BCUC Order G-240-24 amending the regulatory timetable
A-5	October 22, 2024 – BCUC Panel Information Request No. 1 to Oakridge Energy
A-6	November 18, 2024 – BCUC Panel Information Request No. 2 to Oakridge Energy
APPLICANT DOCUMENTS	
B-1	**PUBLIC** - June 4, 2024 - **OAKRIDGE ENERGY LP (OAKRIDGE ENERGY)** - District Energy System (DES) 2024 to 2026 Revenue Requirements and Rates Application (RRA)
B-1-1	**CONFIDENTIAL** - June 4, 2024 – Oakridge Energy - DES 2024 to 2026 RRA confidential Appendix-G-2 - H-2-Amendments
B-1-2	June 13, 2024 – Oakridge Energy – Contact information update
B-2	July 9, 2024 – Oakridge Energy submitting Public Notice compliance with Order G-169-24 Directives
B-3	July 25, 2024 – Oakridge Energy submitting social media posts confirmation in compliance with Order G-169-24
B-4	**PUBLIC** - August 29, 2024 – Oakridge Energy submitting responses to BCUC Information Request No. 1
B-4-1	**CONFIDENTIAL** - August 29, 2024 – Oakridge Energy submitting confidential response to BCUC Information Request No. 1
B-5	October 29, 2024 – Oakridge Energy submitting response to BCUC Panel Information Request No. 1

B-6	November 20, 2024 – Oakridge Energy submitting response to BCUC Panel Information Request No. 2

Oakridge Energy Limited Partnership
Oakridge Energy District Energy System 2024 to 2026 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 directives in this summary and those in the body of the decision, the wording in the decision shall prevail.

Determination/Directive	Page
Oakridge Energy is approved to recover its Capacity Revenue Requirement subject to a levelized rate plan, with a fixed Heating Capacity Charge and Cooling Capacity Charge levied in $/kW per month.	8
The Panel finds that Oakridge Energy's approach to allocating the Capacity Revenue Requirement between heating and cooling services to be reasonable.	8
The Panel finds that a two percent annual escalation rate provides predictable and stable rates over the Test Period and that the 10-year levelization period is reasonable for determining the Capacity Charges.	8
The Panel approves Oakridge Energy to establish a non-rate base deferral account, the RSA, attracting interest at Oakridge Energy's WACC. The RSA is approved to capture annual revenue deficiencies or surpluses resulting from the difference between the annual revenue at the approved Capacity Charges and the approved Capacity Revenue Requirement.	8
The Panel directs Oakridge Energy to continue to segregate the Capacity Revenue Requirement, Capacity Charges revenue and RSA additions between the heating and cooling services in its next rates application.	8
The Panel also direct Oakridge Energy to provide in its next rates application an analysis of the forecast versus actual Test Period costs for each of the heating and cooling services, including a discussion of the impact of the results on: i) the levelized rate plan; ii) the cost allocation between the heating and cooling services; and iii) the subsequent test period's forecast costs and rates.	9
As such, the Panel declines to grant variance treatment and recovery through the RSA for property taxes. Instead, we direct Oakridge Energy to establish a non-rate base Property Tax Variance deferral account, attracting interest at Oakridge Energy's WACC, to record the variance between forecast and actual property taxes. Oakridge Energy is directed to include a proposed amortization period for the Property Tax Variance deferral account in its next rates application such that the balance in the account is amortized by the end of the subsequent test period at the latest.	11
Accordingly, the Panel declines to grant variance treatment and recovery through the RSA for lease costs.	11

Therefore, the Panel declines to grant variance treatment and recovery through the RSA for fees and levies.	11
The Panel declines to grant variance treatment and recovery through the RSA for income taxes. Considering its status as a partnership, Oakridge Energy is directed as part of its next rates application to provide the rationale for including income tax expense as part of its revenue requirements.	12
The Panel denies deferral account treatment for amortization expense because, if Oakridge Energy does receive a Clean Energy ITC as a CIAC via its corporate owners, it will be towards the end of the Test Period and thus have a minimal impact.	12
The Panel directs Oakridge Energy to provide a status update on the CIAC as part of the next revenue requirements application.	12
Therefore, the Panel declines to grant variance treatment and recovery through the RSA, for the following items: • depreciation, • deemed interest on debt, and • ROE.	12
The Panel declines to grant variance treatment and recovery through the RSA for O&M costs.	13
The Panel declines to grant Oakridge Energy's request to capture the variance between forecast and actual revenues from the Capacity Charges in the RSA for as long as the RSA exists.	14
Oakridge Energy is approved to recover the variable energy supply costs on a flow through basis for each of the heating and cooling services with a Heating Energy Charge and a Cooling Energy Charge, levied in $/kWh.	15
The Panel also approves the Energy Charge Rate Setting Mechanism, as well as the establishment of an ECRA for heating service and an ECRA for cooling service, to record the difference between the actual energy supply costs and the revenues collected through the Energy Charges, with the balances in the ECRAs to be amortized over a 12-month period without carrying costs.	15
Subject to the directives and determinations in this decision, the Panel approves the total annual RSA additions for each of heating and cooling services in Table 2 and the Capacity Charges set out in Table 3 above, effective July 1, 2024, January 1, 2025 and January 1, 2026, on a permanent basis.	17
The Panel finds that Oakridge Energy's forecast SG&A costs for the Test Period are reasonable	19

Therefore, the Panel directs Oakridge Energy to provide more detailed supporting information in its next revenue requirements application, including, but not limited to, a variance analysis between forecast and actual SG&A rates and costs for the Test Period and an explanation for any significant differences and any updates to the forecasts for the next test period as a result.	19
Accordingly, Oakridge Energy is directed to update the cost of capital components included in its Capacity Revenue Requirement for the Test Period Capacity Charge rates, in accordance with the TES Default and deemed interest rate methodology as set out in the GCOC Stage 2 Decision, in its final compliance filing for this proceeding.	22
The Panel approves Oakridge Energy to establish a non-rate base deferral account attracting WACC, the RCVA, to record differences between forecast and actual external regulatory costs. Oakridge Energy is directed to include a proposed amortization period for the RCVA in in its next rates application such that the balance in the account is amortized by the end of the subsequent test period at the latest.	23
Oakridge Energy is directed to refund to or recover from customers the difference between the interim and permanent 2024 Capacity Charges, with interest at Oakridge Energy's WACC.	24
Oakridge Energy is directed to file a final compliance filing for this proceeding by January 22, 2025, to include the following: • Updated financial schedules, permanent rates, and tariff pages for the Test Period to reflect the directives and determinations in this decision; and • A proposal for the BCUC's consideration to address the refund or recovery of the variance between the interim and permanent 2024 Capacity Charges, with supporting rationale.	24
The Panel approves Oakridge Energy to charge the following variable Energy Charges as filed on a permanent basis, effective July 1, 2024,: • A Heating Energy Charge of $0.061/kWh; and • A Cooling Energy Charge of$0.135/kWh.	26
The Panel approves the Tariff as filed in the Application and amended by Oakridge Energy in response to BCUC IR 16.2.	26

Accordingly, the Panel varies the directive regarding reporting requirements set out in Section 10.0, bullet 1, of the Decision accompanying Order C-2-22 to read as follows: Annual Progress Reports on the Project Each report must include: • Summary of the status of implementation for each phase of the Project; • Anticipated construction, commissioning and operations completion dates compared to the implementation schedule show in Figure 9 of the Application, with an explanation for any variance; • For each building, the actual or anticipated in-service date compared to the anticipated connection year provided in Table 8 of the Application, with an explanation for any variance; • For each building, the current forecast energy demand and forecast undiversified peak load compared to the forecast energy demand and forecast undiversified peak load shown in Table 8 of the Application, with an explanation for any variance; • Actual costs incurred to date compared to the estimate provided in Table 14 of the Application highlighting variances with an explanation of significant variances; • Updated forecast of costs, highlighting the reasons for significant changes in Project costs anticipated to be incurred; and • The status of Project risks, highlighting the status of identified risks, changes in and additions to risks, the options available to address the risks, the actions that Oakridge Energy is taking to mitigate the risks and the likely impact on the Project's schedule and cost. Oakridge Energy must file annual progress reports by January 31 of each year for the previous year ending December 31.	28
Unless otherwise ordered by the BCUC, the Panel grants Oakridge Energy's request for confidential treatment of: • the unredacted versions of the Services Agreements with each of Corix and Creative Energy; • Attachment BCUC Confidential IR 6.3 regarding the calculation of forecast operating labour costs; and • Attachment BCUC Confidential IR 7.1 regarding the calculation of forecast SG&A costs.	29
The Panel directs Oakridge Energy to provide an update to the BCUC within 90 days after the issuance of this decision, reporting on the status of amendments made to section 9.2 of the Services Agreements.	30