

GREENEST CITY

Vancouver considers incentives for utilities

Taxpayers may have to pay for Central Heat Distribution's conversion to low-carbon energy, official says

JEFF LEE

VANCOUVER SUN

Vancouver taxpayers may have to subsidize the conversion of Central Heat Distribution's system to a low-carbon energy utility, city manager Penny Balllem acknowledged Tuesday.

With the city keen to cut greenhouse gas emissions to meet its Greenest City Action Plan targets, and with the construction of district energy utilities now seen as a major plank in that plan, Vancouver has prepared a number of incentives to help utility owners.

These incentives, outlined in documents the city issued last year while seeking energy proposals, range from breaks on property taxes to grants and capital financing to bylaws requiring the mandatory hookup of new buildings to low-carbon utilities. The city views them as necessary because neighbourhood utilities, with their need for underground services, are expensive to build.

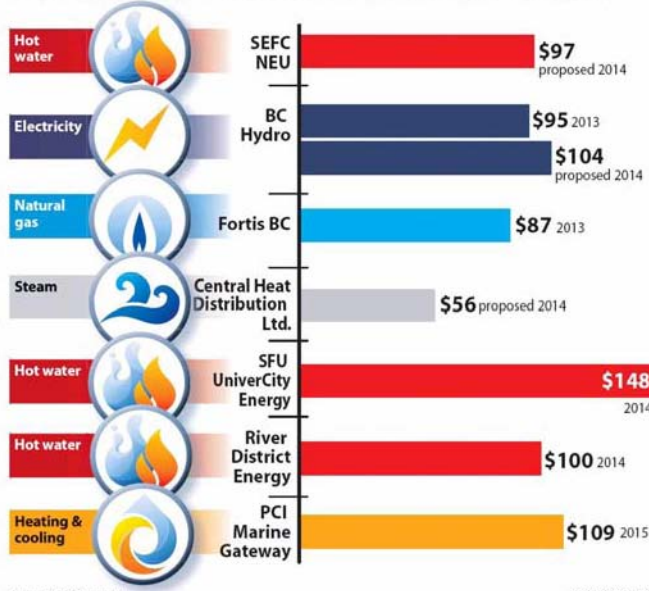
The likely first test of that plan will be when Creative Energy Canada Platforms, the new owner of Central Heat, prepares a business case for converting its legacy natural gas boilers to a low-carbon source, she said.

Developer Ian Gillespie, the sole director of Creative Energy, told The Vancouver Sun last week he has been in discussions with the city about changing Central Heat to a biomass source of power. He said he will make a call for new biofuel technology this spring and expects to reach a decision soon on a site for a new energy-generation plant.

Balllem said Creative Energy/Central Heat is obligated to produce low-carbon energy for the new Northeast False Creek utility district encompassing

Energy utility rates in Metro Vancouver

A comparison of the price per megawatt-hour that customers pay at a variety of neighbourhood energy utilities, as well as the rates for BC Hydro and FortisBC.



Source: City of Vancouver.

projects being built by Concord Pacific and Aquilini Investment Group. Those connections will likely be made in the next 18 months, before Creative Energy moves to a new low-carbon source. The city is allowing the phased-in conversion over a number of years, she said.

Brian Crowe, Vancouver's director of water, sewers and district energy, said Creative Energy is expected to submit

a business plan for low-carbon sources within the next year or two, with plans to convert within five years. It doesn't have to be biomass, or wood waste, but can be other sources as well, he said.

"We will be very interested when they come forward to the city to look at what their plan is. They will come forward with a business case and will likely want to know what we are

going to do to help them," Balllem said.

"We have already signalled in our guidelines that we have certain things we could bring to the table if necessary and appropriate to help with their business case and to help with the long-term performance of any major utility investment."

Gillespie did not return a request Tuesday for an interview.



"Just changing the energy source should not lead to dramatic rate increases because the big part of rates is the capital in the ground."

MARK JACCARD
ENERGY ECONOMIST

The city's subsidy support is also likely to be extended to any proponents the city selects for new district utilities, including along the Cambie corridor. Last year the city sought requests for up to two services on the north and south ends of Cambie, one using heat from the BC Children's Hospital and BC Women's Hospital and the other using sources around the Oakridge Centre development.

Balllem said the city received four proposals. A decision will be made by council later this year.

The prospect of public subsidies came despite the fact Central Heat, which the B.C. Utilities Commission says is the fifth-largest utility in B.C., has the lowest utility rates in the province, well below BC Hydro and FortisBC.

Central Heat's rates are also about half that charged by a number of small and medium neighbourhood energy utilities around Metro Vancouver, including the city-owned Southeast False Creek Neighbourhood Energy Utility, which powers the Olympic Village.

Mark Jaccard, an energy economist with Simon Fraser University's School of Resource and Environmental Management, said he doesn't believe Creative Energy/Central Heat's utility rates need to be significantly increased to pay for the conversion to low-carbon sources.

"Just changing the energy source should not lead to dramatic rate increases because the big part of rates is the capital in the ground," he said.

Jaccard was chairman of the B.C. Utilities Commission for five years and oversaw rate applications by Central Heat.

He said while biomass is in large supply in B.C., he's not convinced it is the best alternative for Vancouver.

"To the extent we understand the science of climate change, just using any fossil fuel as the source is not really moving you that much further to a sustainable solution," he said. "I actually had been critical of Vancouver's Greenest City Action Plan because I told them they weren't really encouraging enough fuel-switching. You need to be using fuels that are not fossil fuels."