CREATIVEENERGY

December 1, 2017

Via Email
Original via Mail

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear: Mr. Wruck:

Re: CE Application – 2018-2022 IBR Mechanism
Please find enclosed Creative Energy's Application for Approval of a Multi-Year Index Based Ratemaking (IBR) mechanism for the years 2018-2022. In the Application, Creative Energy seeks interim and final approval of an increase to Steam Rates of 2.15% effective January 1, 2018.

If you require further information or have any questions regarding this submission, please contact the undersigned.

Kelsey Devine

(original signed)

Manager, Customer Development
cc (e-mail only): Registered Participants in the 2016-2017 RRA and Rate Design for NEFC Hot Water Service proceeding

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CITYBUILDERS

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Creative Energy Vancouver Platforms Inc.

Revenue Requirements Application

2018-2022

DEC 1, 2017

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Table of Contents

List of Appendices

1.0 Introduction

With this 2018-2022 Revenue Requirements Application ("Application"), Creative Energy Vancouver Platforms Inc. (Creative Energy) is seeking to increase current Steam rates by an inflation factor for each of the next five years. In addition to annual increases due to inflation, rates may increase for reasons unrelated to inflation. However, such increases will be limited to a very few exceptions as described in this Application.

This Application is a response to market circumstances and follows the principles established for Stream B utilities in the TES Guidelines[1]. The main objective of this Application was to establish a mechanism for rate-setting purposes other than cost of service regulation. That is, Creative Energy is proposing to set rates that may not recover the overall cost of service. However, Creative Energy is a Stream B utility facing significant competitive pressures to retain customers. In these circumstances, Creative Energy believes the method for setting rates for Steam customers should result in rates that are predictable over a long period, and are stable.

The applied for method for setting rates for Steam customers is simple; it begins by adjusting the approved 2017 Revenue Requirements, and then divides that amount by the approved 2017 load forecast. The resulting rates are then increased by an inflation factor. At the risk of losing sight of the simplicity of this rate-setting method, Creative Energy refers to this method as an Index Based Rate-making (IBR) method or mechanism. It could just as easily be called a method that sets rates by an inflation factor or be called an inflation factor mechanism.

The rate-setting mechanism proposed in this Application is simple and appropriately simple. Creative Energy firmly believes that achieving simplicity should now become relevant to, if not the core aim of rate-setting at Creative Energy. In recent processes and decisions, the small size of Creative Energy has been overlooked as a relevant consideration. (i.e. The Decision approving the 2014 RRA was four pages long, and the Decision approving the 2016-2017 RRA was eighty-six pages long)

Creative Energy is small, and the regulatory parameters and processes that are established for Creative Energy should recognize its size and its market circumstances. It is time that once again proportionality becomes the guiding principle for rate-making purposes at Creative Energy. With this Application, Creative Energy is assuming significant risks over a five-year period to enable much greater simplicity for rate-making purposes. Simplicity that the Commission contemplated in the TES Guidelines.

[1] BCUC TES Guidelines, Appendix A, p.23

1.1 The Application

Creative Energy seeks approval of a multi-year mechanism for the years 2018-2022 to be applied to existing Steam Rates, including approval of Steam Rates for 2018 in accordance with the IBR mechanism.

Creative Energy believes that the IBR mechanism is an appropriate, reasonable model that will reduce the regulatory burden of recent Commission processes and decisions while maintaining safe, reliable, and customer-oriented utility service. The IBR mechanism will increase risks to the Company, with the benefit of predictable rates for customers for the next five years. In other words, the IBR mechanism may reduce rate increases below what may be justified based on cost of service regulation. Creative Energy is nonetheless proposing the IBR in response to competitive pressures and to reduce regulatory costs.

Creative Energy has not provided cost of service forecasts with this Application, given the Company's commitment that rate increases for five years will not exceed inflation, and given the rates are based on 2017 approved revenue requirements. The IBR will provide a sound framework for rate-making purposes that will permit Creative Energy to focus on the challenges driven by policy and business environment changes. Unlike PBR mechanisms, the IBR is not designed to provide incentives to the Company to reduce costs. Such opportunities are limited, and competitive pressures provide more than sufficient incentives to the Company to reduce costs.

Creative Energy's policy and business environment has changed considerably in the past few years. In the long-term, there will be considerably more value to customers if employees have an opportunity to focus on customers service issues and growth opportunities than spending time in regulatory processes. In short, there is a direct benefit to customers related to having the utility employees focus on managing the business rather than the regulatory process. This is especially true in a small utility.

The Collective Bargaining Agreement (CBA) expires on December 31, 2017. The union and the Company are currently negotiating the terms of a new CBA, which may include a term that matches the IBR term. The operator's salaries represent one of the largest operational expenses. At the time of filing, the Company does not expect to revise this Application for the new CBA.

This Application includes the proposed allocation of steam costs between Steam Service customers and Other Projects. Creative Energy proposes to continue to charge NEFC customers for steam service using the Steam tariff. This approach was approved in the 2016-2017 RRA Decision[2]. Creative Energy proposes to allocate all other costs, other than direct assignment costs, to Other Projects based on the Massachusetts Formula as described in Appendix 4.

[2] Creative Energy 2016-2017 RRA-RD Decision, p.64

Creative Energy does not propose to increase the NEFC Hot Water Service rates in 2018. For that reason, Creative Energy expects to seek approvals related to certain deferral accounts early in 2018. Such approvals are not expected to affect rates in 2018.

1.2 Multi-Year IBR Mechanism

With this Application, Creative Energy hopes to restore consistent, stable rates to customers for a five-year period. Heating represents a major operating expense to many of Creative Energy's customers, and Creative Energy has received an increased number of customer calls regarding rate increases. With this Application, building managers and strata councils can with more certainty plan and budget. In particular, approving a 5-year application will provide customers with more rate predictability for long-term customer budgets.

Index based rates further benefit the customers in that it promises a steady and reliable rate forecast for a five year period which should allow for longer term contracts to be signed, higher customer satisfaction, and a more stable business.

While a COS approach has been effective in the past, Creative Energy would like to set rates for longer periods of time, and under COS it is impractical to do so. The approach Creative Energy is seeking approval for would allow Creative Energy to set a component of the rates for a 5-year period reducing the regulatory commitment that has burdened Creative Energy over the previous 4 years. The shift to IBR for 5 years requires Creative Energy to manage costs as well as loads to ensure a fair return.

Moving to a five-year application period rather than two or three years would allow more time to be focused on streamlining operations and improving customer service. Creative Energy's core steam system has been operating for almost 50 years, and costs have stabilized over time. Our system is currently operating in a steady state environment, with no large changes forecasted for the next five years.

IBR assumes that operational and service costs will remain stable over the proposed 5 years of the IBR mechanism, which incentivizes the utility to keep costs down so that the forecasted revenue requirement is not exceeded. If the revenue requirements increase faster than inflation, the utility will earn a lower rate of return or even have a net loss of revenue.

The IBR must continue to confer an opportunity to earn a fair return. The IBR assumes the Company will continue to provide the same or a better level of service. Creative Energy has approximately 200 customers, a loss of even one of those customers, is significant to Creative Energy. As a result, there is no need for any regulatory oversight, or regulatory penalties resulting from a degradation of service, to ensure the level of service continues under the IBR. Creative Energy will respond to customer service requirements, and if necessary, such response may affect the opportunity to earn a fair return.

1.3 The TES Guidelines

Creative Energy has always used a Cost of Service Energy (COS) methodology for determining Steam Rates. During the 2016-2017 RRA proceeding, FAES argued that the COS ratemaking mechanism, as stated in Section 2.4.4 of the TES Guidelines, should be considered as a method of last resort. Because Creative Energy Steam Service had been regulated on a COS basis prior to the TES Guidelines being released, the Panel found it reasonable to continue under this regulation[3]. Nevertheless, this Application now follows the TES Guidelines.

1.4 Approvals Sought

In this Application, Creative Energy is seeking an Order of the Commission granting approvals required to implement the IBR for a five-year period, and approvals of an increase in rates for Steam Service.

1.4.1 IBR

This Application seeks approval of the IBR mechanism set out in Section 3 of this Application for setting rates for Steam Service customers for the years 2018-2022.

1.4.2 2018 Rates

This Application seeks interim and final approval of an increase in Steam Rates of 2.15% effective January 1, 2018 as per Appendix 3.

1.4.3 Deferral Accounts

Approval of the modification of three deferral accounts as follows:

a) approval of the balances of the TPRCDA, including the LTRP costs as per Financial Schedule 12; and
b) amortization and disposition of the balances of the TPRCDA over two years, 2018 and 2019, instead of one year as set forth in Financial Schedule 12;
c) amortization and disposition of balances of the Pension Baseline Expense Deferral Accounts over two years, 2018 and 2019, as described in section 6.3 and set forth in Financial Schedule 12;
d) approval of the recovery of the balance of the Regulatory Transitional Adjustment Account as described in section 6.3.3 and set forth in Financial Schedule 12; and
e) approval of the change in amortization of the FCSA from two years to one year.

[3] Creative Energy 2016-2017 RRA-RD Decision, p.9.

1.4.4 Accounting Policies

Approval of the allocation of costs between the Steam Service revenue requirement and Other Projects based on the Massachusetts Formula as described in Appendix 4.

1.5 Regulatory Process and Framework

In 2014, rates increased by 11.3% and in 2015 rates increased by 10%. In 2016, (effective May 1, 2017) rates increased by 6.23% and in 2017 rates decreased by 3.15%. The four-year average annual rate increase of 6% as compared to the five-year average rate increase under the IBR can reasonably be expected to decrease by 4% to approximately 2%. Increases may exceed this amount in order to recover the costs of capital projects, but such costs will first require Commission approval by a CPCN. Therefore, as compared to the previous four years, the Application seeks approval for rate increases significantly less than the previous four year average rate increase of 6%.

All past rates processes have been the subject of a written hearing process (i.e. 2007, 2014, 2015-2017 and 2016-2017). Creative Energy submits that a written hearing process is appropriate. In the past, Creative Energy reasonably expected that its applications would attract no or very limited participation by customers. That continues to be true. However, interveners, after almost forty years, began to be active participants in Creative Energy processes with the NEFC proceeding. In that proceeding, Creative Energy sought approval for a franchise agreement that would have facilitated the development of a new low carbon energy source, in part, by reducing load uncertainty.

Creative Energy no longer believes that active participation in its rates proceedings by interveners can be justified given the cost of such participation relative to the annual revenues of Creative Energy. Specifically, the rate increase requested in this application will increase revenues, if approved, by approximately $210,000. The cost of intervener participation in the 2016-2017 RRA review was approximately $50,000 or 25% of the increase in revenues the Company is seeking approval for in 2018. The total cost of the 2016-2017 RRA proceeding, not including internal time, was approximately $170,000, or approximately 85% of the increase in revenues proposed in this Application. Creative Energy respectfully submits that now is the time for the Commission to return to past practices for the review of applications from small utilities like Creative Energy. In particular, proportionality should once again become the overarching consideration in establishing the review process.

It is not in the public interest for the Commission to establish a process that is likely to result in costs that are going to be very close to the proposed revenue increase. Moreover, Creative Energy submits that the additional costs of intervener participation are costs that are not necessary to ensure an efficient and effective regulatory review of this Application. Creative Energy believes that customers can rely on staff participation in the review of the Application to

ensure an adequate record for the Commission to approve fair and reasonable rates. Until the 2015-2017 RRA proceeding, this approach was the approach relied upon by the Commission.

In consideration of a written process proposed above for this Application, the table that follows sets out Creative Energy's proposed regulatory timetable with the dates to be

Action	Date (all 2018)
Information Requests	January 10
Response to Information Requests	January 31
Customer Submissions, if any	February 7
Creative Energy response to Customer Submissions	February 14

1.6 Principal Contact

All notices and other communications with this Application should be directed to:

Paul Tai

Chief Financial Officer

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2.0 IBR Base

2.1 Determining the IBR Revenue Requirement

As a starting point, Creative Energy will be using the 2017 Revenue Requirements as the base year for this application. The 2017 Revenue Requirements were the subject of a full review and were approved in the Order G-147-16 and Decision following two rounds of IRs and final submissions.

The Company proposes to adjust the approved 2017 Revenue Requirements to derive the "IBR Revenue Requirement". These adjustments are:

a. Adjustments for employees benefits that relates to the Plant and service employees from the "Employee Benefits" expense as per Appendix 6;
b. Adjustments to reflect the allocation of SG&A based on the Massachusetts Formula as per Appendix 6;
c. Removal of Revenue Deficiency carry over from 2016 as per Appendix 2; and
d. Removal of Amortization of Rate-Base (RB) and Non-Rate Base (NRB) Deferral accounts as per Appendix 2.

Based on the above adjustments, the IBR Revenue Requirement is $8,043,600. See Appendix 2.

2.1.1 Adjustments for Employee Benefits

In Appendix 6, Column D, WCB (Line 46) and Employee Benefits (Line 47) includes costs relating to the Steam Production (Line 2) and Steam Distribution (Line 12) section. As these are direct and not shared costs, these have been re-classed so that it is not part of the Allocation amounts to the other projects.

2.1.2 Cost Allocations

2.1.2.1 Allocation Methodology

Creative Energy is proposing the use of the Massachusetts Formula for the allocation of SG&A as set forth in Appendix 4.

In the 2016/2017 Revenue Requirements Application, there was a combined total of $1,814,000 (Sales/Promotional Expense $70,200, Total Admin Expense $1,694,600 plus Maintenance of General Plant $49,200) for Sales, General and Admin costs (SG&A). Appendix 6, Lines 37, 50 and 54 are the shared cost items that will be the subject of allocation.

Shared costs (after direct assignment of costs to varying projects) are adjusted and the percentages derived from the Massachusetts formula are then applied to the Base SG&A of $1,510,000 (Appendix 6, Column E, Line 55). Line 55 is the total of Lines 37, 50 and 54.

2.1.3 Removal of Deficiency Carryover

In the approved 2017 Revenue Requirements Creative Energy carried over a revenue deficiency of $268,500 from 2016 to 2017. This has been removed from the IBR Revenue Requirements.

2.1.4 Removal of RB and NRB Deferral Amortization

In the approved 2017 Revenue Requirements Creative Energy included $166,500 and $110,500 to recover the amortization of RB and NRB Deferred Expenses. These amounts have been removed from the IBR Revenue Requirements. Recovery of these expenses in future years is explained in Section 6.

2.2 Base IBR Rate

The IBR Revenue Requirements is 5.11% lower than the 2017 Approved Revenue Requirements. Therefore using the approved 2017 load forecast, the Base IBR Rate is 5.11% lower than the 2017 Rate (see Appendix 2).

3.0 Index-Based Rate-Making

3.1 IBR Formula

As described above, Creative Energy will be using 2017 as the base year for this application, and has calculated an inflation factor of 1.84% to determine rates effective January 1, 2018. After the five years are complete, a new application will be submitted to recalculate the base rate and ensure all assumptions and inputs are still relevant. The formula to determine an IBR Rate for each year from 2018-2022 is shown below.

$$Rate_t = (Rate_{t-1})*(1+ I)$$

Where

Rate = Charge to Customer

t= Current Year

I= Inflation factor

3.2 Components of IBR mechanism

3.2.1 Index

Creative Energy proposes to set the rate change factor using indices, which meet the following criteria:

1) Indicative of the cost pressures faced by Creative Energy;

2) Published by an independent and reputable office or agency;

3) Transparent and understandable; and

4) Reasonably stable over time.

This is similar to the list of criteria used by Fortis when selecting indices for that company's Performance Based Ratemaking plan[4]. While the rate setting approach requested in the current Application is different from Fortis' current Performance Based Ratemaking plan, the two rate setting approaches have similar requirements for appropriate indices.

For the labour component of the rate change factor, Creative Energy proposes to use actual average weekly earnings information for B.C. (BC-AWE). This is the same index and methodology approved by the Commission for use in Fortis' PBR plan[5]. For each

[4] Multi-Year Performance Based Ratemaking Plan for 2014 Through 2018, Exhibit B-1, Section 6.2.2.1 (p 46).
[5] Multi-Year Performance Based Ratemaking Plan for 2014 Through 2018, Final Decision, Section 2.2.2 (pp 32-34).

year's rate adjustment, Creative Energy will use the change in the average level of the index over the most recent August-July period, relative to the average level of the index over the prior August-July period. July BC-AWE data is not released until the end of September, so using the August-July period gives Creative Energy sufficient time to prepare the application for each year.

For Creative Energy's new rates as of January 1, 2018, the labour component of the rate change factor would be:

$$\frac{[Average\ BC{-}AWE\ value\ from\ July\ 2017\ through\ June\ 2018]}{[Average\ BC{-}AWE\ value\ from\ July\ 2016\ through\ June\ 2017]} - 1$$, expressed as a %.

For the current application, the labour component of the rate change factor is 1.71%[6].

For the non-labour component of the rate change factor, Creative Energy proposes to use actual CPI information for Vancouver (Vancouver-CPI). This is the same methodology approved by the Commission for use in Fortis' PBR plan, and a similar index[7]. Fortis' approved PBR plan uses BC-CPI, not Vancouver-CPI. Creative Energy proposes to use Vancouver-CPI as it is more reflective of the unique cost pressures faced by a business which operates entirely in downtown Vancouver. Vancouver-CPI information is based on data from the entire Vancouver metropolitan area, which is roughly contiguous with the boundaries of Metro Vancouver[8].

For each year's rate adjustment, Creative Energy will use the change in the average level of the index over the most recent August-July period, relative to the average level of the index over the prior August-July period. For the current application, the non-labour component of the rate change factor would be:

$$\frac{[Average\ Vancouver{-}CPI\ value\ from\ July\ 2017\ through\ June\ 2018]}{[Average\ Vancouver{-}CPI\ value\ from\ July\ 2016\ through\ June\ 2017]} - 1$$
expressed as a %.

[6] A detailed calculation of the factor is provided in Appendix 5.
[7] Multi-Year Performance Based Ratemaking Plan for 2014 Through 2018, Final Decision, Section 2.2.2 (pp 32-34).
[8] Creative Energy did compare prior year results from the two indices. From August 2007 to August 2017, the cumulative increase in BC-CPI was 14.0% and the cumulative increase in Vancouver-CPI was 16.3%.

For Creative Energy's new rates as of January 1, 2018, the non-labour component of the rate change factor is 1.98%[9]. Based on the company-specific weighting of the labour and non-labour components of the rate change factor, the rate change factor is 1.84%:

$$1.71\% * 53\% + 1.98\% * 47\% = 1.84\%.$$

3.2.2 2018 IBR Rates

Applying the above Index of 1.84% to the IBR Base Rates, results in the following 2018 IBR Rates:

$$\text{IBR Rate}_{2018} = \text{IBR Base Rate} * (1+1.84\%)$$

This is a -3.27% increase from 2017 approved rates (see Appendix 3).

3.2.3 Capital

Included in the IBR Revenue Requirements are the 2017 costs of financing rate base. The IBR mechanism assumes the 2017 costs of financing rate base, adjusted for inflation, are fair and reasonable based on historical capital expenditures. The capital expenditures over the past seven years have been on average $1.1M. See Table 1 below.

Table 1- Average Capital

	2011	2012	2013	2014	2015	2016	2017
Capital Additions	1,161,000	769,000	1,293,000	692,000	957,000	1,507,000	1,270,000
5 Year Rolling Average					974,000	1,044,000	1,144,000
Average of line 2							1,054,000

Creative Energy believes the approved capital expenditures of $1.27 million in 2017, adjusted for inflation, are a fair and reasonable basis to determine the Base IBR Capital for the period 2018-2022. Under all rate-making approaches other than cost of service, incorporating capital mechanisms into the rate-making approach has been difficult. In particular, defining base capital criteria to determine whether future capital expenditures are base capital has been difficult. Fortunately, Creative Energy does not anticipate capital expenditures other than base capital expenditures, with the exception of, capital expenditures related to energy sources, including the existing plant. Those types of capital expenditures would be lumpy and would require a CPCN. For that reason and because Creative Energy is small, Creative Energy does not propose base capital criteria. In the future, if a capital project exceeds what Creative Energy considers

[9] A detailed calculation of the factor is provided in Appendix 5.

base capital, then Creative Energy will seek approval for such capital expenditures before committing to the capital project.

3.2.3.1 Capital Exclusion

While this application is intended to set rates for each of the next 5 years, there are certain situations in which it will not apply, and a separate regulatory application will need to be submitted to address this. This IBR model does not account for major capital projects as it assumes that maintenance capital costs will stay constant from the base year. This assumption could be incorrect if there is an unexpected major project that occurs during the five-year period. For example, a major piece of equipment breaks down and needs to be replaced, or a construction site damages our distribution piping by accident. A large capital project would need to be included in the customer rates so that it can be recovered, otherwise Creative Energy could suffer large revenue losses in the event of a major incident.

Creative Energy has left a "Base IBR Capital" amount in the IBR rates to cover regular capital additions to the System. Regular capital additions include boiler upgrades to the plant and to the manholes within the distribution system. The boiler upgrades include control upgrades, back up and redundancy instrumentations. The distribution capital additions pertain to restoration of several manholes.

The "Base IBR Capital" is the full, approved capital amount from 2017, as outlined in section 2.2. As the Base Capital has been relatively consistent during the previous 5 years, Creative Energy determines this should be included in the IBR formula going forward.

This inclusion of major capital projects in the customer rates would be done through the submission of a CPCN application to the BCUC.

A portion of the Base IBR Capital will be used to proceed with the remote metering installations in customer buildings. As the installation are expected to take place over a period of 5 years, Creative Energy does not tend to seek approval for these installations as it fits within the Base IBR Capital budget for the period of the IBR.

Creative Energy proposes the following criteria to determine if a CPCN Application is required:

1. The project is likely to generate significant public concerns;

2. Creative Energy believes the project is outside of the business as usual capital projects; or
3. The Commission deems necessary for a CPCN application regardless of the criteria.

Capital projects approved by a CPCN will be outside of the IBR mechanism and recovered outside of the IBR Rate. There will be no re-basing during the 5-year IBR period. Annual costs associated with excluded, approved capital projects (depreciation, financing, etc.) will be divided by the 2017 load forecast to arrive at rate amounts that will be added to the IBR Rate.

3.2.3.2Earning Sharing Mechanisms

The Company does not propose an earnings sharing mechanism (ESM) as part of IBR. The primary purpose of an ESM is to share earnings with customers that deviate in a meaningful way (positive and negative) from the levels of earnings associated with the approved ROE. As noted above, the Company does not expect to achieve meaningful operating efficiencies and is not proposing the IBR in order to provide an incentive to achieve operating efficiencies. Moreover, the Company does not expect customer growth that will result in earnings that deviate in a meaningful way from the levels of earnings associated with the approved ROE.

The reasons outlined in the X-factor paragraph apply to this scenario as well; Creative Energy is a 50-year-old system that has reached steady state. Operations and Maintenance costs are not expected to fluctuate significantly, and if anything, they will increase due to the replacement of equipment as the system ages further. It is unlikely that there is any cost savings to be found in the O&M budget, and therefore a low probability of unexpected overall savings.

There is also a low probability of new customers connecting to our system and generating unexpected earnings. This is because the new rezoning policies require buildings to connect to a system that has a higher efficiency than Creative Energy's steam system, or is a low carbon source. Our steam system does not meet these requirements, and therefore new buildings are unlikely to connect. All existing buildings in downtown Vancouver in range of our system are either already connected, or have already chosen not to connect and implemented another thermal solution. Therefore, there is a very limited amount of system expansion possible and a limited potential for unexpected earnings.

Creative Energy will accept a significant amount of risk associated with the IBR mechanism. For example, load forecast risk, cost risk, and revenue risk will all be borne by the Company if the IBR mechanism is approved. Often these types

of risk are the subject of deferral accounts. Creative Energy has not applied for such deferral accounts, in part, so as to avoid regulatory costs of such accounts. For reasons similar to why the Company has not proposed deferral accounts for load forecast risk, cost risk, and revenue risk, Creative Energy does not propose an ESM. Instead, Creative Energy proposes to continue to absorb incremental risks that would otherwise be partially or fully offset by an ESM.

In Creative Energy circumstances, meaningful earnings variances are not expected for reasons noted above, and also because , variations in loads, costs, and revenues will often offset each other.

3.2.4 Continuous Customer Service Quality

Vancouver's thermal energy market is a competitive one. Buildings in downtown Vancouver have multiple options of heating suppliers, and can also easily build their own standalone networks if none of the existing suppliers satisfy their requirements. With low gas prices, Creative Energy has found it increasingly difficult over the past few years to compete with on-site solutions such as high efficiency natural gas boiler systems. Creative Energy's cost of service is regularly compared strictly to gas bills, making our service appear much more costly to users. There is no regulation saying that buildings must connect to Creative Energy's system, and so both customer acquisition and customer retention is based on the quality of service we can deliver. It is for this reason that service quality will not be affected with the switch from COS rates to IBR. Customer service has always and will always be a core value at Creative Energy, and will be unaffected by our rate-setting mechanisms. As a company, we cannot afford to sacrifice customer service as a way to reduce costs and increase earnings, as it would lead to a loss of customers and therefore loss of earnings.

Creative Energy is a small company with a hands on approach to customer service. If a customer has a question or complaint, they can call our front desk to talk to our Admin staff, or they can call or email our Operations Manager directly. On average, Creative Energy receives about 10-15 customer calls per month. We respond to all customer service inquiries within 24 hours if not immediately. As a small company, we pride ourselves on being able to put a face and a name behind our services. These customer requests and their respective solutions are logged and recorded in our monthly Operations report, which is received by all members of the company at the end of each month. This keeps the whole company accountable to our customers, and aware of any and all issues that may occur.

The core steam system at Creative Energy is almost 50 years old, which means that there has been almost 50 years of optimization to the process. There is a limit to how much the physical system can be improved at this age of production, and our current equipment is already operating at maximum efficiency. Due to the fact that we are always operating in a competitive environment, Creative Energy is always looking for new ways to improve the customer experience without large capital investments that would affect rates.

For example, Creative Energy now offers customer service response 7 days a week. Prior to 2017, the Service Line team was composed of four people working 5 days a week, and a rotating schedule of who would deal with After Hours Callouts on evenings and weekends. Any customer services outside of regular hours would be billed as overtime by our staff. This was costing Creative Energy a lot of money in overtime staff pay, increased the stress level of employees who would be required to come back into work from home when called in, and increased customer response time to any calls. To solve this, Creative Energy hired a fifth Service Line member and extended customer service hours. Now, a Service Line staff is available from 7am to 12 midnight on all weekdays, and 8am-6pm on weekends. The overall staffing cost is virtually the same due to the reduction in overtime, and a reduction in external consulting on projects when Service Line time was limited. Additionally, more operational and service work is able to be completed during the downtime, which is a more efficient use of staff time and leads to even higher customer service and satisfaction. This is only one way that Creative Energy is constantly striving to improve our customer's experience.

3.2.5 Off-ramps

Other companies have proposed formal Off-Ramps that are triggered by both financial and non-financial indicators. A Mid-term Review is required to review these indicators, in which case a decision could be made to abandon the cost mechanism if deemed necessary. While the value of a formal checkpoint of assessment is understood, a mid-term review would mean that a full assessment of the IBR mechanism would occur after two or three years. This extra financial burden removes the main incentive of implementing an IBR mechanism in the first place, which is to reduce the amount of regulatory work to be completed by Creative Energy and moving to a 5 year application period rather than every 2 or 3 years. We are a small company with limited manpower, with no staff members dedicated solely to regulatory applications. Decreasing the amount of time spent on this type of documentation is a priority, and so a Mid-Term Review is not being proposed. Similarly, the indicators reviewed in these sessions are related to the SQIs mentioned above, which Creative Energy

is not intending to implement. Therefore, a formal Off-Ramp is not part of this proposal.

3.2.6 Review

Creative Energy is not proposing any annual reviews during the 5-year period. Because the main driver of the IBR mechanism is to decrease the regulatory burden associated with rates, Creative Energy sees an annual review as counterproductive.

During the period of the IBR plan, Creative Energy will need to manage the risks associated with the plan to ensure neither the Utility nor the Customers are negatively impacted by the mechanism. It will be up to Creative Energy to review actuals frequently and make adjustments as necessary to operations, maintenance, and load where possible, to stay within the IBR Revenue Requirements.

Items outside of the IBR formula will have to be reviewed annually to adjust the non-IBR portion of the rates. See Section 6.

In summary, the IBR proposal provides limited rate relief, and avoids the need to file a detailed cost-of-service application.

4.0 Demand Forecast

Creative Energy will be taking load forecast risk on the IBR Rates for the 5-year period of this Application. The approved 2017 load forecast, submitted as part of the 2016-2017 Application, will be used in the determination of rates when necessary for the 5-year period of the IBR. There are currently no new customers anticipated to connect to the steam system in the next two years, and no knowledge of any significant changes to individual customers loads. This will give Creative Energy increased incentive to approach new customers in order to maintain and potentially grow the load. Because Creative Energy is bearing the load risk for the 5-year period, it is fair that exceeding the load forecast should benefit the utility.

For rate-making purposes related to excluded capital and deferral accounts, Creative Energy proposes to use the 2017 load forecast for the five year IBR mechanism. There has been a declining trend for five years in loads and customer growth, with the exception of the 2016-17 winter. For that reason, during the five years of the IBR mechanism, Creative Energy does not expect significant changes in loads. Further, any changes in loads are not expected to result in a material change to rates as compared to using the 2017 load forecast, given the limited use of the 2017 load forecast proposed in this Application.

5.0 Fuel Costs

Creative Energy was directed in Order G-167-16 to amortize the balance of the Fuel Cost Stabilization Account (FCSA) over a 2-year period should the balance exceed +/- 5% of the previous 12-months fuel costs[10]. The balance in the account is to be reviewed bi-annually, and therefore it is unlikely the amount required to be amortized would be greater than $100,000. Due to the relatively small amount, Creative Energy requests a variance the amortization period be shortened to a 1-year period. Other than the shortened amortization period, Creative Energy is not requesting any changed to the FCAC and will continue to manage the FCAC and the FSCA, as directed in Order G-167-16.

[10] Creative Energy 2016-2017 RRA-RD Decision, p.30

6.0 Deferral Accounts

6.1 Previous Variances

As directed by the BCUC[11], a comprehensive explanation for each deferred expense item is listed below, as well as the reasoning behind any variance between the approved and actual amounts. As the 2017 numbers have not yet been finalized, only the 2016 variances will be described in detail in this report, and the 2017 variances will be outlined in the next rate application that addresses deferral accounts. Creative Energy has two deferral accounts: the Third Party Regulatory Costs Deferral Account (TPRCDA) and the Pension Baseline Expense Deferral Account.

6.1.1 TPRCDA

The TPRCDA is split into two sections for ease; the Regulatory section and the Revenue Requirements Application (RRA). The numbers for the 2016 and 2017 approved budgets are listed below, as well as the 2016 actuals and variances.

Table 2 - Summary of TPRCDA

CREATIVE ENERGY VANCOUVER PLATFORMS INC.							
THIRD PARTY REGULATORY COSTS DEFERRAL ACCOUNT							
	EXPENSE ITEM	2016 APPROVED	2016 ACTUAL	2016 VARIANCE	2017 APPROVED	2017 ACTUAL	2017 VARIANCE
REGULATORY							
1	BCUC QUARTERLY FEES	28,000	17,622	10,378	43,000	21,684	21,316
2	STEAM SHARE - NEFC PACA	-		-			-
3				-			-
4	ANNUAL CONTRACTING PLAN	5,000	0	5,000			-
5	BCUC - REGULATORY REPORTING	-	-	-	-		-
6	CONSULTANTS - LTRP	-		-	48,000	714,880	(666,880)
				-			-
RRA							
1	CONSULTANTS - SALARY REVIEW	12,000	10,000	2,000			-
2	CONSULTANTS - RRA	30,000	57,887	(27,887)	48,000		-
3	CONSULTANTS - RATE DESIGN	100,000	7,139	92,861			-
4	PACA	26,250	37,386	(11,136)	27,200		-
5	BCUC (PROCEEDING COSTS)	11,250	49,518	(38,268)	15,000		-
	TOTAL (DEFICIENCY)/SURPLUS	212,500	179,552	32,948	181,200	736,564	(645,564)

6.1.1.1 Regulatory

Under the Regulatory section of this account, there are 3 deferred expense items that were approved for the 2016-2017 period. The first item is the "BCUC Fees" line for annual levies of the BCUC. This item had a positive variance of $10,378 by the end of the 2016 term. This line item was forecast for 2017, and for similar

[11] Creative Energy 2016-2017 RRA-RD Decision P.50

reasons to the previous year there is a positive variance from the forecast of $21,316.

The next line item is the "Annual Contracting Plan", which was originally estimated to cost $5000 in external contracting fees. However, this contracting plan was done internally as our staff members now have more experience in the business and are capable of completing the work without external consultants, and therefore the variance at the end of 2016 was positive at $5000.

On June 9, 2017, in accordance with section 44.1 of the *Utilities Commission Act* (UCA), the Company submitted a Long Term Resource Plan (LTRP) to the Commission. The LTRP Application specifically addressed the Fuel Switch Program. The Application was filed following Directive #3 in Commission Order G-98-15 and Decision for the Creative Energy 2015-2017 RRA, and Directive #3 in Commission Order C-12-15 and Decision for the CPCN for a Low Carbon Neighbourhood Energy System for NEFC. By Order G-147-17, the Commission adjourned the review of the LTRP, and directed the Company to file a complete and updated LTRP.

In this Application, the Company seeks recovery of incurred costs of the LTRP Application. The incurred costs include costs that pre-date the approval of the TPRCDA and, in part, for that reason were not forecast in accordance with the 2016-2017 RRA Decision.

6.1.1.2 RRA

Under the RRA section, there are 5 deferred expense items for the 2016-2017 period. The first item is the "Consultants- Salary Review", where a Benchmarking Management Compensation review was conducted to review the salaries of Management within the company. The variance on this project was positive by $2000 as the consultant who conducted the review gave us a reduced rate in return for a feedback survey on the services performed.

The next item is the "Consultants-RRA", which is the amount of money spent on Consultants to prepare the previous RRA. The variance on this item is negative by $27,887 as the RRA required more time than initially estimated due to the number of questions received and interveners that participated.

The third item in the TPRCDA RRA account is the "Consultants Rate Design", which was set aside for Consultants to look into a new rate design model for the core steam system. A large amount of money was saved in this account as the majority of the analysis was able to be done internally rather than outsourcing it to our consultants. This left $92,861 in the deferral account.

The fourth line item is the funding for Public Consultation fees, or "PACA". This line item is for the fees required to pay our Lawyer during the public consultation process. The variance on this item is also negative by $11,136 as more time was required by our lawyer than initially budgeted for due to the number of inquiries and responses received.

The final item in the TPRCDA- RRA account is the "BCUC" fees paid to the British Columbia Utilities Commission for proceedings. As mentioned, the entire process took longer than initially estimated, and a lot of coordination and consultation was required with BCUC staff. This resulted in a negative variance of $38,268.

6.1.2 Pension Baseline Expense Deferral Account

The Pension Baseline Expense Deferral Account was created as per Order G-98-15 to capture the variance between the forecast Pension Expense recovered in rates and the Pension Expense reported in the company's audited financial statements. This account includes the Pension expenses for the plant staff, service staff, and management. The variance for this account at the end of 2016 was positive at a value of $75,237, as the market performed better than expected, and so less funding was required than expected in order to adjust for market performance.

The second item in this account is the Pension Revaluation that occurred on December 31, 2016. Every three years the Pension account is revaluated against the value of Creative Energy itself, and any deficiencies are added to the pension fund to ensure repayment of pension funds in the event of a termination of the business.

These deferral amounts are summarized in the table below.

Table 3 - Summary of Pension Expense

CREATIVE ENERGY VANCOUVER PLATFORMS INC.							
PENSION BASELINE							
	EXPENSE ITEM	2016 APPROVED	2016 ACTUAL	2016 VARIANCE	2017 APPROVED	2017 ACTUAL	2017 VARIANCE
REGULATORY							
1	PENSION EXPENSE	219,100	143,863	75,237	224,000		224,000
	Per Commission Order G-98-15, 2015-17 RRA						
2	Pension exp, 31 Dec 2016 Revaluation		257,600	(257,600)			
	TOTAL (DEFICIENCY)/SURPLUS	219,100	401,463	(182,363)	224,000	-	224,000

6.2 Treatment of Existing Deferral Accounts

Forecast costs related to existing deferral accounts (TPRCDA and Pension Expense Deferral Account) are included in the base revenue requirement, with the approved 2017 amount being considered a "Base Amount". Any variance from the approved 2017 amount (increasing by index annually) will be captured in the deferral accounts and amortized in the following years. For each year Creative Energy will take the amount to be amortized that year and divide it by the 2017 load forecast to arrive at a $/M# amount to be included in rates.

6.3 Existing Variances

Variances from 2016 captured in the deferral accounts will be recovered in 2018, as well as existing deferred expenses in the Regulatory Transition Adjustment Account. The Regulatory Transition Adjustment Account will be closed at the end of 2018 as directed in the 2016-2017 RRA Decision[12].

6.3.1 TPRCDA

Creative Energy is requesting approval for the Long Term Resource Plan (LTRP) expenses to be captured in the TPRDCA and is proposing a two-year amortization period at WACD. Creative Energy is requesting that the amortization be longer than the 1-year period approved in the 2016-2017 decision in order to smooth the rate impacts of the LTRP. The amount to be recovered in the TPRDCA in 2018 will be $322,782 from the LTRP and ($27,948) in variances from 2016, totaling $306,308. Based on the 2017 load forecast, the rate implications for 2018 is 3.42%.

6.3.2 Pension Expense Deferral Account

Creative Energy received a revaluation adjustment to the December 2016 pension of $257,600. Creative Energy is requesting approval for the revaluation to be captured in the Pension Expense Deferral Account[13] and is proposing a two-year amortization period at WACD. Creative Energy is requesting that the amortization be 2 years in order to smooth the rate impacts. The amount to be recovered in the Pension Expense Deferral Account in 2018 will be $128,800 from the revaluation and ($75,237) in variances from 2016, totaling $53,563. Based on the 2017 load forecast, the rate implications for 2018 is 0.65%.

[12] Order G-167-16 p.58
[13] Order G-98-15 p.54

6.3.3 Regulatory Transitional Deferral Account

The Regulatory Transitional Deferral Account is in its final year of amortization[14] and the amount $116,619 will be recovered in 2018. Based on the 2017 load forecast, the rate impact for 2018 is 1.38%.

[14] Order G-98-15 p.50

7.0 2018 Final Rates

The 2018 final rates charged to customers will include the Base Rates as well as the 3 deferral accounts mentioned above; the TPRCDA, Regulatory Transition, and Pension. Table 4 summarized the amounts included in the 2018 rates for each of the items.

Table 4-Summary of Rates

Base Rate	Reg. Trans	TPRCDA	Pension	Total
-3.27%	1.37%	3.42%	0.63%	**2.15%**

An updated rate sheet can be found in Appendix 7.

8.0 Summary of Directives

2015-2017 RRA Application Decision

Directive	Solution	Page Number
"The Panel has considered the evidence submitted in this proceeding, and as a result denies the 3-year test period sought."... " Accordingly, the Panel finds that approval of only a 1 year test period for 2015 is warranted."	Creative Energy acknowledged that the 2015-2017 period was not approved and submitted an application in 2016 for the test period of 2016-2017	8
The Panel determines that Creative Energy must file a long-term resource plan pertaining to the existing steam utility no later than two years from the date of this Decision and prior to making an investment decision regarding any low carbon fuel switch that may impact the existing steam customers. The LTRP shall include information available from the fuel switch feasibility study.	Creative Energy filed a Long Term Resource Plan in June 2017.	15
The Panel directs Creative Energy, in its next revenue requirements application, to propose a permanent treatment of this Fuel Cost Stabilization Account. As a minimum, the proposal must address: 1) whether this account should be established as a non-rate base or a rate base deferral account, or by way of another method; and 2) the appropriate means to compensate customers for the interest to be accrued on the surplus balance or excess of billings to customers in respect to fuel costs over actual costs incurred. As an interim measure, the Panel directs Creative Energy to apply its weighted average cost of debt to the most current balance of this Fuel Cost Stabilization Account (balance as at the date of this Decision). The resulting interest cost (customer credit) shall be treated as a revenue-offset to the 2015 revenue requirements. In the compliance filing arising from this Decision, Creative Energy is to include a schedule showing the reconciliation of the Fuel Cost Stabilization Account in the format of Table 6.1.7.D in Tab 6 of the Application, up to the date of this Decision.	Completed.	19
The Panel directs Creative Energy to file a Phase I rate design application within one year from the date of this Decision specifically in regard to the recovery of fuel costs. This fuel cost recovery rate design application is to include a review of the appropriate Base Cost component of the	Creative Energy filed a Phase I rate design application in 2016	25

Steam Tariff and the degree to which the Base Cost should be increased to capture the bulk of the fuel costs in the Steam Tariff, as it originally did when the Base Cost of 41 cents was established and as is the accepted practice with other thermal energy utilities in British Columbia. The rate design should include discussion of any potential adverse impacts on existing core steam utility customers and new customers such as the NEFC utility and how these adverse impacts might be mitigated. 4.3 What degree of reporting and Commission oversight is warranted regarding the Fuel Cost Stabilization Account? The mechanism by which the Fuel Cost Adjustment charge is periodically adjusted?		
The Panel directs Creative Energy to include an annual reconciliation of the Fuel Cost Stabilization Account with its Annual Report to the Commission and also with its Annual Gas Contracting Plan required according to the Commission's Rules for Natural Gas Supply Contracts.[77] The reconciliation report should be in the form provided in Table 6.1.7C and Table 6.1.7D in Tab 6 of the Application. In its Annual Contracting Plan, Creative Energy should also discuss the extent to which it intends to reduce fuel price volatility through use of the Fuel Cost Stabilization Account in combination with entering into fixed price hedging contracts or other alternative price risk management strategies. The Panel also directs Creative Energy to file with the Commission, for information purposes, a copy of the notice of a change to the Fuel Cost Adjustment Charge and the details showing the amount of the change, the new Fuel Cost Adjustment Charge, effective date, and updated versions of the schedules that are Table 6.1.7.C and Table 6.1.7.D in Tab 6 the Application within 10 business days of the effective date of each change. 27 As part of its compliance filing for this Decision, Creative Energy must file an amended version of the Fuel Cost Adjustment clause in the tariff to reflect the reporting changes directed above. Creative Energy is to include in the compliance filing schedules in the format of Table 6.1.7.C and Table 6.1.7.D for the 12 month period up to the date of this Decision, showing the closing balance for the Fuel Cost Stabilization Account as of the date of this Decision, the current Fuel Cost Adjustment charge as at the date of the compliance filing and a history of the changes to the Fuel	Creative Energy now files annual compliance filings in relation to the FCSA.	26

Cost Adjustment charge in 2015 to the date of the compliance filing.		
Therefore, the Panel denies the 2015 and 2016 transition costs for Executive No. 1. Creative Energy is to include with its compliance filing a confidential document to the Commission demonstrating the reduction in 2015 O&M due to disallowance of transition costs for Executive No. 1.	Complete.	30
Further, Creative Energy must clarify in the confidential component of its compliance filing the amount by which the O&M is reduced due to this disallowance and how the transfers will be tracked. Creative Energy is also directed to file a cost allocation methodology with the Commission within 24 months of this Decision, to address resource sharing, cost allocation	This will be included in the 2018 RRA	34

policies and the Panel's concerns on potential cross subsidization expressed in this Decision.		
For these reasons, the Panel directs Creative Energy to file a capitalized overhead study in its next RRA outlining the utility's policies on allocating costs from O&M to capital. This cost allocation policy should govern costs that are directly charged to capital, any general overhead allocations and indirect labour allocations.	This will be included in the 2018 RRA	35
The Panel accepts the 2015 load forecast, however Creative Energy is directed to consider other methods of load forecasting in its next RRA. If the same method is to be employed (customer surveys) then Creative Energy should consider adjusting for any inherent bias in the customer driven forecasts.	Same method is employed and inherent bias has been accounted for.	40
As such, the Panel does not consider that the WACC is an appropriate return for a medium term deferral account of this nature and for this reason determines that the carrying cost is more appropriately Creative Energy's weighted average cost of debt (WACD). Further, the Panel directs that the carrying costs on deferral accounts are to be calculated on the mid-year balance and not the opening balance.	Noted and corrected.	52
Accordingly, the Panel approves a Pension Expense Deferral Account to capture the variance between the forecast Pension Expense recovered in rates and the Pension Expense reported in the company's audited financial statements. The deferral account is to be amortized over a one year period (in the following test period) with a carrying cost on the mid-year unamortized balance at Creative Energy's short term debt rate. Further, the Panel directs that when determining the mid-year After-tax Regulatory Pension Asset in future test periods the opening balance will equal the previous year's December 31 Pension Asset (after-tax) reported on the audited financial statements. The test periods ending balance will be calculated in accordance with Table 8.9 of this Decision. Should the Pension Asset become a Pension Liability at any point in the future, Creative Energy must continue to include the Pension Liability in rate base as a credit.	Noted	54
Creative Energy is directed to make this correction in its subsequent compliance filing. The allowed rate base financing shall be calculated on the mid-year unamortized balance.	Noted.	56

Further, the Panel finds that the most appropriate amortization period for this deferral account is two years, 2016 and 2017.		
The Panel directs Creative Energy to collect the difference between the interim rates and final rates from customers by way of one-time billing adjustment for each customer based on each customer's consumption during the interim period. Alternatively, Creative Energy is to propose different options for the recovery of the difference between the 2015 interim rates and the final rates in its compliance filing.	Complete.	57
For future RRAs, the Panel directs that Creative Energy must take into account the following minimum requirements: • Revenue Requirement summary table followed by supporting schedules for each major line item. Supporting schedules should contain cross references to related schedules and must be accurate to the best of the applicant's knowledge; • Each major revenue requirement line item must contain a description, explanation and/or justification in the body of the application; • Previous 5 year actuals along with forecasts for the test period. Comparison of previous year's actuals to approved amounts are also necessary; • All financial schedules must be reported on an accrual basis rather than cash basis and must match the financial schedules for accounting purposes. Any discrepancies must be fully explained and reconciled; • A working excel model of the revenue requirement calculations and schedules are ideal and may be filed confidentially along with the application; • The need to continually file a full set of Terms of Conditions should be evaluated. Creative Energy should consider whether a revision only to the tariff page can be accommodated; • List of previous Commission directives along with references/notes on the status of compliance. Reasoning must be provided for any items that the applicant is non-compliant with.	Complete.	57

2016-2017 RRA

Directive	Solution	Page Number
However, the Panel directs CE to exclude construction work in progress from working capital starting in 2016 and account for it outside of rate base until such time as those projects become used and useful.	Noted and accounted for as directed	ii
The Panel also directs CE to include in its next revenue requirement application, information comparing the forecast, the approved and actual historical demand as presented in response to BCUC IR 8.1.	Addressed in the 2018 RRA	21
Therefore, the Panel denies Creative Energy's proposed treatment to include NEFC's forecast revenue as a credit to the Steam Service revenue requirements calculation in 2016 and 2017, and instead directs Creative Energy to account for NEFC as it would any other steam customer, through the inclusion of NEFC's load in the total Steam Service load forecast.	Complete.	22
The Panel does not approve the total 2017 Steam Service demand forecast at this time but instead will allow Creative Energy to file, for approval, an updated 2017 steam demand forecast before the	Complete.	23

Commission sets the permanent 2017 Steam rates.		
Accordingly, the Panel determines there is a need to establish processes to manage the FCSA allowing it to function in a manner more typical of a Commission approved deferral account. Accordingly, the Panel directs the following: 1. The base cost of 0.41 cents per one million Btu of fuel will continue to be recovered through the Steam Rate portion of the tariff until such time as the Commission approves an alternative handling methodology. 2. The remaining fuel cost for each test period will continue to be recovered through the FCAC. 3. The FCAC must be approved by the Commission and will be made up of the following two elements; (i) the Fuel Cost; and (ii) Amortization of the FCSA. 4. Starting January 1, 2017, the Commission will set the Fuel Cost for each year, as part of the revenue requirements application, as follows: [(Total annual Fuel Cost forecast approved by the Commission in the revenue requirements application) – (annual $0.41 Base Cost recovered as part of the revenue requirements)] divided by (the Commission approved annual load forecast). 5. Starting January 1, 2017, any positive or negative variances between forecast Fuel Costs and actual Fuel Costs (including any variance between the forecast and actual Base Cost volume), are to be captured in the FCSA. 6. The FCSA will have carrying charges at the WACD calculated on the mid-year balance. The carrying charges are to be added to the FCSA and not forecast as a credit to the revenue requirements. 7. Where the balance in the FCSA exceeds plus/minus 5 percent of the most recently approved 12 month forecast total Fuel Cost any amount in excess of this is to be distributed through the FCAC rate rider with an amortization period of two years.	Currently managing as directed, aside from Step 1 as the 0.41 cents per one million Btu of fuel was removed in the Phase 1 rate design application.	30

8. The Panel sets the January 1, 2017, FCAC at $9.92 per M# ($11,913,531-$1,015,000/1,098,514) on an interim basis, pending the filing of the updated 2017 load forecast. If the balance in the FCSA exceeds the plus/minus 5 percent threshold at the time Creative Energy files the 2017 load forecast, it must propose an amortization of the FCSA excess balance to be included in the final approved FCAC. 9. The appropriate amortization of the FCSA is to be assessed by CE at June 30 and December 31 of each year. If the FCAC needs to be updated to reflect an update to the amortization of the FCSA, Creative Energy must file with the Commission, within 30 days of those dates, a request to change the FCAC. The information to be filed as part of the request should be in the same format as currently filed with the Commission and include the following; • the current FCSA balance as compared to the threshold set by the Commission; • the updated FCSA amortization calculation; • a breakdown of the FCAC between the updated FCAC amortization and the Commission set Fuel Cost; and • an explanation and calculation for all variance added to, or credited from, the FCSA. 10. Creative Energy must continue to include an annual reconciliation report of the FCSA as part of its Annual Report to the Commission as outlined in the CE 2015-17 RRA Decision.		
Given the lack of justification the Panel directs CE to reduce its actual water cost estimate by 1 percent and reflect a 4 percent increase only. The Panel approves Creative Energy's proposed water related expenses of $904,200 in 2016 and $973,000 in 2017 less the impact to remove the one percent from the water portion of the expense.	Completed – reflected in 2016/17 RRA Compliance Filing	32
The Panel directs CE to deduct ROE incentive amounts from its forecast and apply these costs to the account of the shareholder	Completed – reflected in 2016/17 RRA Compliance Filing	36

Creative Energy is directed to adjust the 2016 and 2017 forecast for incentive payouts to 80 percent of the maximum payout.	Completed – reflected in 2016/17 RRA Compliance Filing	36
The Panel considers it reasonable to expect that Creative Energy will provide some of its employees with incentive plan performance targets for NEFC and Other Projects. However, there is insufficient evidence to provide adequate guidance to the Panel as to an appropriate amount to allocate to either NEFC or Other Projects. **To ensure this is addressed in future revenue requirements, Creative Energy is directed to address this in its cost allocation study**.	Noted and reflected in current application	37
The Panel directs Creative Energy to allocate $5,000 in both 2016 and 2017 of Sales Expense costs out of Steam to Other Projects.	Complete.	45
Accordingly, the Panel directs Creative Energy to allocate $16,000 in both 2016 and 2017 to other business activities and split these evenly between NEFC and Other Projects.	Complete.	45
The Panel accepts this explanation and approves the proposed expenditures of $27,768 in 2016 and $28,323 in 2017. However, for the next RRA Creative is requested to provide a more detailed IT plan outlining any further project requirements and explaining why outside consultants are required to complete the work	Outside consultants are required as it is not cost effective to have a full time IT individual to complete any IT projects	46
Accordingly, Creative Energy is directed to identify all NEFC direct costs within Special Services and move them to NEFC as part of its compliance filing. The Panel approves the remaining Steam Special Services costs as proposed by CE.	Complete.	46
Accordingly, the Panel directs Creative Energy to remove Insurance Costs in the amount of $25,000 for 2016 and $33,000 for 2017 from Steam Service and allocate them evenly between NEFC and Other Projects.	Complete.	47
In all future revenue requirements applications (RRA) Creative Energy is directed to provide a comprehensive explanation for each deferred expense item as follows: a detailed description of the expense item; a justification as to why the particular variance is eligible to be included in the	Addressed in 2018 RRA.	50

TPRCDA; and an explanation of why the expense item was greater or less than forecast.		
Therefore, the Panel does not approve the actual tax amounts proposed by CE for each of these tax accounts. Creative Energy is directed to update the tax calculations reflecting any changes resulting from determinations made in this Decision and file as part of its compliance filing following this Decision.	Complete.	52
Therefore, the Panel relieves Creative Energy of the requirement to have a capitalized overhead study performed at this time. In future RRAs Creative Energy is directed to use the same capitalized overhead rates for regulatory reporting as it does for financial reporting. It also must provide a table in future RRAs disclosing a five year history of the following: (a) the capitalized overhead rates and amounts used for financial reporting purposes, (b) the forecast and actual capitalized overhead amounts used in the RRA, and (c) the forecast and actual capitalized labour.	Noted	54
Therefore, starting in 2016 the Panel directs Creative Energy to exclude CWIP from working capital and account for it outside of rate base, attracting AFUDC and add it to rate base only when projects become used and useful.	Addressed in 2018 RRA	56
Therefore, the Panel directs Creative Energy to address, as part of its cost allocation study, what portion of that After Tax Pension Asset should be allocated to Steam Service and NEFC's rate base and what portion, if any, to the Other Projects.	Addressed in the current 2018 RRA application	57
The Panel approves the forecast amortization of the Regulatory Transition Adjustment Account of $110,500 in each of 2016 and 2017 as it is consistent with Order G-98-15. Once the balance in the Regulatory Transition Adjustment Account is fully amortized at the end of 2018, Creative Energy is directed to close the account.	Noted.	58
The Panel directs CE to add the 2015 $86,484 pension expense variance to the Pension Expense Deferral Account and amortize it in 2016 consistent with the terms set out in the Decision attached to Order G-98-15.	Complete.	59

The Panel also directs the cost allocation study to address how the amortization of the pension expense variance is to be allocated between Steam, NEFC, and Creative Energy's Other Projects in the future.	The variance will be applied in accordance with what is being proposed in the current RRA application.	59
For these reasons the Panel determines there is insufficient evidence to approve an interim Steam Service rate increase of 7.15 percent in 2017 and directs the 2017 interim Steam Service rate to be set without a rate increase.	Complete.	60
Creative Energy is directed to file the updated 2017 load forecast and to recalculate the 2016 and 2017 revenue requirements reflecting the adjustments outlined in this Decision and the resulting final 2017 Steam Service rates in a compliance filing to be made no later than December 30, 2016	Complete.	60
Therefore, the Panel rejects CE's proposal and directs it to charge NEFC for fuel through the Commission approved FCAC and any variance between actual and forecast fuel to provide NEFC with steam will be captured in the FCSA	Complete.	65
Therefore, the Panel approves NEFC's Steam Cost Expenses of $43,000 in 2016 and $222,700 in 2017. The Panel does not approve the Natural Gas Purchases of $53,000 and $314,000 or the Base Cost credit of ($4,000) and ($19,000) in 2016 and 2017, as the methodology used to calculate these amounts was rejected. The Panel directs NEFC to recalculate the forecast fuel costs based on applying the Steam Service FCAC. As explained in Section 5.6.2, any differences between NEFC's forecast and actual Steam purchases, including the FCAC, will be recorded in a deferral account.	Complete.	66
The Panel also directs that the WACC be applied to the balance in the RDDA as the Commission approved that rate as part of the NEFC CPCN, and Creative Energy has not requested otherwise.	Noted and complete	69
The Variance Deferral Account must be amortized over a one-year period with the amortization being recovered through the revenue requirements.	Noted	70

Normally it would be appropriate for the account to have carrying costs at the short term interest rate; however, given that Creative Energy will not be recovering the full revenue requirements at this time, the Panel approves a WACC until such time as amortization on the RDDA commences at which time the carrying costs will revert to a short term interest rate.		
In future RRAs, Creative Energy is to report on the Variance Deferral Account in the same format as directed for the TPRCDA.	Noted	71
Creative Energy is directed to recalculate the 2016 and 2017 NEFC revenue requirements reflecting the adjustments outlined in this Decision in a compliance filing to be made no later than December 30, 2016.	Complete.	74

Appendix 1 – Financial Schedules

Appendix 2 – 2017 IBR Rate Summary

Appendix 3 – 2018 Rate Summary

Appendix 4 – Cost Allocation Study

Appendix 5- Index Determination

Appendix 6 – Cost Allocation Table

Appendix 7 – 2018 Rate Sheet

Appendix 8 – Interim Order

Appendix 9 – Final Order