CREATIVENERGY

21 May 2020

Via E-filing

Mr. Patrick Wruck
Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
2019-2020 Revenue Requirements Application (RRA) for the
Core Steam System and Northeast False Creek Service Areas (Application)

Creative Energy writes to submit its Final Argument in the above noted proceeding, in accordance with the Regulatory Schedule as amended under Order G-103-20 (Exhibit A-7).

For further information, please contact the undersigned.

Sincerely,

Rob Gorter
Director, Regulatory Affairs and Customer Relations

Enclosure.

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British Columbia Utilities Commission

Creative Energy Vancouver Platforms Inc.

2019-2020 Revenue Requirements Application

Core Steam System and Northeast False Creek Service Areas

Creative Energy Vancouver Platforms Inc.

Final Argument

May 21, 2020

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Attachment 1 - Draft Order

1 Introduction

1.1 Overview of Final Argument

1. On December 19, 2019, Creative Energy Vancouver Platforms Inc. (**Creative Energy**) filed with the British Columbia Utilities Commission (**BCUC, Commission**) its Revenue Requirements Application (**RRA** or **Application**) in respect of each of the Core Steam system (**Core**) and Northeast False Creek Hot Water (**NEFC**) system, for the two years 2019 and 2020.

2. Our Final Argument into the Commission's review of the Application is organized as follows:

   - Section 1 provides a brief summary of the Application and review process, the statutory regime supporting the Commission Panel's deliberations, and a listing of all requested approvals. Section 1 also discusses the 2020 business outlook in contemplation of the impacts of COVID-19 on our customers and operations. The current outlook sets out that Creative Energy intends to file, very soon[1], a separate application for a COVID-19 Deferral Account in respect of the incremental impacts on our operations, and in that context, Section 1 concludes with Creative Energy's general comments in relation to the matters explored through information requests (**IRs**) submitted in this proceeding.

   - Section 2 provides a summary of the areas of ostensible concern into the Core cost of service that have been explored during the proceeding and where Creative Energy considers that any initial concerns have been satisfied.

   - Section 3 provides Creative Energy's argument into the rate and cost recovery mechanisms that support the Core RRA.

   - Section 4 provides Creative Energy's argument into matters arising in the NEFC RRA.

   - Section 5 provides a discussion of the PARQ Hot Water Plant steam meter issue and Creative Energy's argument into the preferred option to address this issue prospectively and in support of the requested approvals for both Core and NEFC rates.

   - Section 6 provides Creative Energy's argument into its proposal regarding recovery of costs recorded to the Fuel Switch Study and LTRP Deferral Account.

3. By letter dated May 12, 2020, the Commission Panel wrote to ensure that Creative Energy provide certain information and address certain matters in its Final Argument (filed as Exhibit A-8). Creative Energy provides in the concordance table below a summary of the Panel's request and a reference to the sections of this Final Argument where such matters are addressed, and with comments noted as applicable.

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[1] At the present time, Creative Energy expects to file such an application for a COVID-19 Deferral Account before the end of May 2020.

Panel Request	Final Argument Reference	Comment
A comprehensive summary listing of the approvals sought, including amended draft orders, for each of the service areas	Section 1.4 Attachment 1	A single Order of the Commission to Creative Energy Vancouver Platforms Inc. is appropriate in respect of all requested approvals for the Core and NEFC.
A comprehensive summary overview of the under-reported steam consumption at the PARQ hot water plant steam meter, …	Section 5	The matter is fully set out in Section 5 for the Commission's deliberation.
The merits of amending the Massachusetts Formula method for allocating general and administrative cost (e.g. the inclusion of NEFC and revising the number and/or type of factors applied) in this proceeding considering that the current method was recently reviewed and approved in October 2018	Section 3.2	For the reasons elaborated upon in Section 3.2, the implementation of the 3-factor Massachusetts Formula has allowed Creative Energy to review the relative fairness in cost allocation and consider options to improve fairness while maintaining the benefits of the formulaic approach. Although the formula was recently approved for Creative Energy in October 2018, Creative Energy submits that the evidence in this proceeding is sufficient for the Commission to decide upon the merits of Creative Energy's requested modification for approval.
Whether a deferral account to capture steam load variances for the Core Steam System may be warranted in light of the evidence of recent variances between forecast and actual load and ongoing developments regarding the COVID-19 global pandemic.	Section 1.5	A deferral account to capture the direct revenue loss and avoided cost related to steam load variances is warranted given the impact of COVID-19 on our customers and operations. Section 1.5 discusses certain considerations for the Panel in this proceeding and in relation to a separate COVID-19 Deferral Account application that Creative Energy will file soon, and which ought to be reviewed separately in respect of the discrete, incremental impacts.

1.2 Application and Review Process

4. At the time of filing the Application, Creative Energy's Core and NEFC rates were in place on an interim approval basis, since January 1, 2019, pursuant to BCUC Order G-248-18.

5. The Application included the following requested approvals for Core:

- To set 2019 rates equal to 2019 interim approved rates, on a permanent basis effective January 1, 2019;
- To set 2020 rates at levels reflecting a 4.2 percent increase over 2019 rates, on a permanent basis effective January 1, 2020; and
- To establish a new rate rider (the Deferral Account Rate Rider or **DARR**), effective January 1, 2020, to recover non-rate base regulatory and pension related deferred costs from Core Steam system customers.

6. The Application included the following requested approvals for NEFC:

- To set 2019 rates equal to 2019 interim approved rates, on a permanent basis effective January 1, 2019;
- To set 2020 rates at levels reflecting a 3.7 percent increase over 2019 rates, on a permanent basis effective January 1, 2020; and
- To charge a Fuel Cost Adjustment Charge (**FCAC**) Rate Rider directly to NEFC customers, effective January 1, 2020, to recover from these customers the amounts the BCUC approved to be recovered from Core Steam customers though the FCAC Rate Rider approved by Order G-226-19.

7. In the Application (as set out in Appendix E and as summarized further in section 6 below), Creative Energy also sought an extension to the date for filing a proposal for recovery of some or all of the Fuel Switch Study and LTRP Deferral Account balance, from the January 31, 2020 filing date (as specified by Order G-205-18) to December 31, 2020.

8. Pursuant to Order G-7-20A, the BCUC approved the requested rate increases and rate riders set out above, on an interim and refundable basis, effective January 1, 2020. Also pursuant to Order G-7-20A, any variances between approved interim rates and the permanent rates as determined at the time the BCUC renders its final decision on the Application are subject to refund/recovery, with interest at the average prime rate of Creative Energy's principal bank for its most recent year. The BCUC also directed Creative Energy to file its proposal for recovery of the balance in the Fuel Switch Study and LTRP Deferral Account by February 21, 2020.

9. The Commission established a written hearing process to review the Application. Creative Energy provided notice of the Application broadly to potentially interested parties, in accordance with the BCUC's directions in Order G-7-20A. One intervener, the Commercial Energy Consumers Association of British Columbia (**CEC**) actively participated in the proceeding.[2]

10. The record of the written hearing includes Creative Energy's Application and Evidentiary Update (Exhibits B-1 and B-1-1), its Proposal regarding the Fuel Switch Study and LTRP Deferral Account (**FSS and LTRP Proposal** (Exhibit B-3) and its responses to two rounds of information requests (**IRs**) into these matters, as submitted by the BCUC and CEC.

1.3 Statutory Regime

11. The BCUC is continued under Part 1 of the *Utilities Commission Act*, R.S.B.C. 1996, c. 473, as amended (the ***UCA***). Part 2 of the *UCA* empowers the BCUC to manage its own affairs including, for example, the engagement of employees and consultants, and the organization of the BCUC into Panels. Part 3 of the *UCA* - "Regulation of Public Utilities" - sets out the regulatory powers of the BCUC in regard to public utilities as well as imposing obligations on public utilities directly.

[2] FortisBC Alternative Energy Services Inc. registered as an intervener (Exhibit C1-1) but did not participate in the proceeding.

Generally, the BCUC has jurisdiction to determine levels of service, and rates, while public utilities are required to actually provide the service.

12. Sections 58-61 of the *UCA* prescribe the BCUC's powers to set rates and the matters the BCUC is to consider when setting rates, which provisions are engaged in relation to this Application. In particular, the BCUC's role in regard to this Application is to determine the just, reasonable and sufficient rates to be observed and in force (s. 58(1)) and to, by order, set the rates (s. 58(2)). Section 60 of the *UCA* specifies the matters the BCUC is to consider and have due regard to in setting the rate. Section 59 sets out the circumstances in which a rate is deemed to be "unjust" or "unreasonable" – in the context of revenue requirements a rate is unjust or unreasonable if the rate is:

    - insufficient to yield a fair and reasonable compensation for the service provided by the utility, or

    - more than a fair and reasonable charge for service of the nature and quality provided by the utility.

13. Put as succinctly as possible, perhaps, the rate must be sufficient and not excessive.

14. The steps to determine and set the rates involves determination of the cost of service for each of 2019 and 2020 and also the manner of recovering it, whether in current charges or in deferred charges.

15. The next section provides an update of the approvals Creative Energy is requesting in this proceeding, including the rate and deferral account mechanisms to recover the cost of service.

1.4 Summary of Requested Approvals

16. Creative Energy's intent through the 2019-2020 RRA overall is to maintain smooth and predictable rate increases over the entire 2019 to 2020 period, for both the Core and NEFC service areas, while allowing it to recover its cost of service in response to inflationary increases and significant regulatory cost pressures and with a fair opportunity to earn it's allowed ROE.

17. As reflected in Creative Energy's requested approvals overall, the setting of the rates to recover current charges is interdependent with the proposals regarding deferral accounts**.** To the extent that the proposals regarding deferral accounts are not accepted, for example, there will be flow-through effects on the rates required to recover the cost of service.

18. Creative Energy's request for permanent approval of rates remains as set out in the Application and accompanying draft orders at Appendix B of the Application; namely:

    - Permanent approval, effective January 1, 2019 of:

        1. the Core Steam rates set forth in Appendix B-3 of Exhibit B-1;

        2. the NEFC hot water rates set forth in Appendix B-4 of Exhibit B-1;

- Permanent approval, effective January 1, 2020 of:

    1. the Core Steam rates set forth in Appendix B-5 of Exhibit B-1;

    2. the Core DARR set forth in Appendix B-5 of Exhibit B-1;

    3. the NEFC hot water rates set forth in in Appendix B-6 of Exhibit B-1; and

    4. the NEFC FCAC Rate Rider set forth in Appendix B-6 of Exhibit B-1.

19. Creative Energy seeks approval of a 2020 steam load forecast of 1,140,634 thousand pound of steam (**M#**) for the purpose of determining the average rate increase in the 2020 RRA test period and for other rate-making purposes as required (for example, forecasting the fuel charge ($/M#) for the Gas Year beginning November each year, forecasting recovery of Fuel Cost Stabilization Account balances under the approved rate rider in effect, forecasting the DARR, and implementing the load variance component of the COVID-19 Deferral Account, which will be filed separately for Commission review and approval as elaborated in section 1.5.

20. Creative Energy seeks approval of the following rate setting and cost recovery mechanisms, as set out in the Application and as developed through the response to IRs during the evidentiary phase of the proceeding, which together support the requested approvals above:

    - A modified 2-factor Massachusetts Formula for cost allocation of residual General and Administration expenses among Creative Energy projects. In the course of this proceeding Creative Energy has also become agreeable to continued use of the 3-factor formula, but using undepreciated values for the "property, plant and equipment" factor. Please refer to section 3.2.

    - A Water Cost Deferral Account (**WCDA**) to record variances between total annual actual versus forecast water costs for the Core, as charged by the City of Vancouver for the use of water to produce steam. Please refer to section 3.4.

    - A Property Tax Deferral Account (**PTDA**) to record variances between total annual actual versus forecast property taxes for the Core given that final property taxes are typically determined 5-months into any given RRA test year. Please refer to section 3.5.

21. In the course of this proceeding, and as a result of updating information through the Exhibit B-1-1 Evidentiary Update and responses to IR, and the BCUC's direction to submit the FSS and LTRP Proposal, Creative Energy amends its Application to make the following additional requests:

    - Approval to add $103,241 to the 2019 balance of the Third-Party Regulatory Cost Deferral Account (**TPRCDA**), which represents a change from the amount set out in the Evidentiary Update of $85,241. This proposed amendment has no effect on the request for approval of permanent approval of 2019 Core rates, nor on the level of the DARR in 2020 as requested. Please refer to sections 3.1 and 3.3 for further elaboration.

- Approval to recover from Core steam customers $214,185 of the balance in the Fuel Switch Study and LTRP Deferral Account, which is Creative Energy's cost for the efforts of its consultants in 2016 directed toward supporting Creative Energy's ongoing resource planning efforts in view of it becoming increasingly imperative to decarbonize the energy supply for the Core steam system to meet current load and future customer growth. Please refer to section 6 for Creative Energy's argument into the matters raised through its proposed recovery of a portion of the costs recorded to the Fuel Switch Study and LTRP Deferral Account.

    i. Approval to write off the amount of $64,222 of the balance in the Fuel Switch Study and LTRP Deferral Account, which is attributable to internal management and related support to the study and preliminary design of the Green House Project. Please refer to section 6.

22. Finally, Creative Energy clarifies its proposal in respect of implementation of the DARR mechanism, as follows:

- Creative Energy requests permanent approval to use the DARR mechanism itself, which is a matter separate from the level of the rate rider, the latter of which will be determined from time to time in consideration of actual deferral account balances, the length of the amortization period applicable to any specific deferral account, bill impacts and intergenerational equity for example. The basis and merits of the DARR mechanism to recover the balance in multiple deferral accounts over time is summarized in section 3.3.

- The requested permanent approval of the level of the DARR in 2020 remains as set out in the Application and in the tariff pages at Appendix B-5, and as currently in effect on an interim approved basis. The level of the DARR can be reviewed in the normal course in future RRAs, which recognizes that the underlying drivers of the balance in any deferral account that the DARR aims to recover will continually vary and that the billing determinants of the DARR – i.e. steam load – may also vary from the approved load forecast.

23. Please refer to Attachment 1 to this Argument for an updated draft order in respect of Creative Energy's requests for permanent approval of 2019 and 2020 rates.

1.5 2020 Outlook and COVID-19

24. In this section Creative Energy addresses the competing objectives of making regulatory review of an RRA efficient and also basing revenue requirements on the best available information given that circumstances will evolve over the course of regulatory review of an RRA. Utility management continues to make decisions and external cost drivers continue to evolve during the course of the proceeding, resulting in ongoing and evolving variances as between actual results and the forecasts prepared months ago and submitted with the RRA (in this case, the 2019-2020 RRA was filed with the BCUC in December 2019).

25. There is a legitimate desire of the utility, interveners and the Commission to base revenue requirements, and rates, on the best information available, to minimize the likelihood of rates

being higher or lower than they ought to be. In this proceeding, this desire manifested itself in the formal evidentiary update filed as Exhibit B-1-1, several IRs in the course of the proceeding asking for further updates, and BCUC IR series 42.0 asking for a comprehensive update.

26. This desire to base revenue requirements, and rates, on the most current information available can lengthen and complicate the review of the RRA as the record develops with potentially a mix of comprehensive updates and updates of discrete items in isolation. This issue is particularly significant in the current circumstances of the evolving impacts of the COVID-19 pandemic that certainly were not accounted for in the 2019-2020 RRA as prepared in the fall of 2019 and filed in December.

27. This Application was informed by an outlook that operating conditions during 2020 would be business as usual for Creative Energy; that system load was expected to remain generally stable with modest new customer load in each of the Core System and NEFC service areas, and that the need to increase rates effective January 1, 2020 is driven primarily by increased charges and levies by governmental bodies and general inflationary cost pressures.

28. With the emergence of COVID-19, current operations do not reflect a business as usual outlook. Creative Energy is incurring unplanned expenses related to its efforts to manage the safety and reliability risks associated with COVID-19. Creative Energy is also experiencing lower steam load and delayed and possibly unrecoverable receivables due to the operational and financial constraints that its customers are experiencing.

29. While the business as usual outlook for 2020 no longer applies in fact, Creative Energy has not made any amendments to the RRA in regarding to COVID-19 impacts[3] and, instead, Creative Energy will file a separate application requesting approval to establish a new COVID-19 Deferral Account to record the cost of service and revenue variances that directly result from the impact of COVID-19 on customers and on operations. Creative Energy believes that this is an appropriate approach in consideration of the following:

- Operating cost pressures in 2019 were partially offset by higher revenues due to actual 2019 steam load (1,126,060 M#[4]) that was 2.5 percent higher than the 2018 approved load forecast, due to colder weather. The impacts of COVID-19 did not materialize until 2020.

- The 2020 RRA rate increase is driven largely by inflationary increases across all business functions that are independent and unaffected by the impact of COVID-19: an approximate 3% increase to Wages and Benefits over the two years from 2018 to 2020 as well as significant increases to City of Vancouver water expenses and Property Taxes, among other externally-controlled factors. The forecast increase in 2020 load (4%) compared to the 2018 Approved load forecast offsets these cost pressures, with a net increase in steam rates of 4.2 percent required in respect of these cost pressures.

- Creative Energy submits that the 2020 Core steam load forecast of 1,140,634M#, developed as per the methodology set out Appendix C of the Application, should be approved on its

[3] Exhibit B-9, response to BCUC IR series 41.0.
[4] Exhibit B-1-1, p. 2.

merits, all else equal; that is, assuming that COVID-19 had not arisen. The forecast itself is transparent and reasonably determined; it is indicative of forecast weather-normalized load and has been developed using existing forecast methodologies with minor exceptions. There were no issues raised during the proceeding into the 2020 steam load forecast.

- Separate consideration of the application for the COVID-19 Deferral Account provides for expedient consideration of the extraordinary and hopefully short-term impacts of COVID-19 independent of Creative Energy's business as usual cost of service.

- Approval of the 2020 load forecast as proposed in the Application will provide the appropriate basis for comparison and measurement of the revenue loss relief that will be sought through the mechanism of the COVID-19 Deferral Account.

1.6 Matters Explored through the IRs

30. In the Application, Creative Energy summarized its Operations and Maintenance costs according to the following five categories of cost drivers with variance explanations that elaborated on these costs as grouped. Cost items were further grouped according to a qualitative assessment of whether management is generally able to exercise budgeting control and decision-making and where the cost is commonly understood to be within the scope of management control, or whether the cost item is largely outside Creative Energy's control (e.g., rates applicable to Creative Energy's water, electricity and natural gas consumption). The intent of the groupings was both to offer clarity on the cost of service across Creative Energy's business and to facilitate understanding of the specific drivers of the cost pressures causing the need for rate increases in the 2020 test period. A summary of the groupings is as follows:

- Wages and Benefits (Steam, Distribution and Management) - the only external cost categorization under 'Wages and Benefits' are pension-related costs, while wages, overtime and benefits are categorized as generally within management's control;

- Water-related (primarily, and Electricity Expense) – applicable rates are all externally set, and volumes are driven by and vary with load;

- Maintenance and some related Operation (e.g. parts, supplies, safety, vehicles) - are considered overall as under management control although a specific driver of required maintenance may be outside management's ability to control;

- Special Services (Regulatory, Audit, Legal, Third-party consultants) – are categorized as external in relation to regulatory costs and audit fees, while outside legal fees and consultants are considered generally controllable although such costs can be driven by the need for special expertise to meet external regulatory requirements; and

- Other General and Administrative plus Sales Expense - are categorized as generally controllable in relation to office-related expenses, such as supplies, phones and information

technology, as well as directors' fees and sales expense, while insurance, permits and bank charges are categorized as externally driven.[5]

31. Creative Energy submits that accounting for its cost of service in this manner has been a helpful and transparent means to discern and explain the key elements and variances driving its requested approvals and it has thereby assisted an efficient review of its costs of service.

32. A large number of the Commission and intervener IRs into the cost of service components of the 2019-2020 Core and NEFC RRAs sought further detail and clarification without ostensible indication of concern about the costs. Several IRs also sought updates to the forecast costs in relation to developments subsequent to filing the Application, and in relation also to certain accounting treatments. The key examples of the impact of these lines of inquiry are as provided through the component changes to the RRA schedules summarized in the response to BCUC IR series 42.0.

33. Where the IRs could be viewed as indicating potentially some initial concern about particular costs, Creative Energy submits that any such initial concerns have been settled by the evidence submitted in response. These areas of interest are addressed in sections 2 and 4.1, below.

34. Overall, the key areas of particular interest in the IR process relate not to the determination of the 2019 and 2020 cost of service but rather to the allocation of costs and to the rate-related mechanisms (i.e., the use of Steam and Hot Water rates, rate riders and deferral accounts) that are required to fairly and reasonably recover the cost of service from customers. These matters are addressed in in sections 3 and 4.2 of this Final Argument.

35. Largely separate from the above matters are the approach to the steam metering issue at the PARQ Hot Water Plant and Creative Energy's proposal regarding recovery of costs recorded to the Fuel Switch Study and LTRP Deferral Account, each of which was an area of significant interest in the proceeding. These two matters are addressed in sections 5 and 6 of this Final Argument, respectively.

2 Core RRA – Cost of Service Areas of Interest

2.1 Maintenance

36. The 2020 budget for maintenance costs reviewed the average of actual costs from both 2018 and 2019 adjusted for inflation and gives a higher weight to more recent actual maintenance costs, which are more current to ongoing requirements. The forecast is consistent with the 2020 budget that operations management must follow. Actual amounts are tracked on a monthly basis and reviewed with operations management. Each month, finance and operations management reforecast and assess required spending to ensure that costs are appropriately prioritized to meet budget.[6]

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[5] Exhibit B-4, response to BCUC IR 2.9.1.
[6] Exhibit B-4, response to BCUC IR 13.3.1.

37. Creative Energy considers that any possible initial concern about these costs have been settled by the evidence provided in response to the applicable IRs.

2.2 Overtime

38. Overtime in the plant typically relates to shifts at the steam plant being missed on short notice due to employee sickness. Creative Energy requires a minimum number of staff for each and every shift at the steam plant for operational and safety reasons, which leads to the circumstance where Creative Energy will use overtime to meet the staffing requirement when any staff member is absent due to sickness. In addition, there are situations where overtime is used to cover staff absences to complete scheduled plant and distribution projects that cannot be rescheduled and that have minimum personnel requirements for safety reasons.

39. Overtime is also used for steam plant safety training, which must occur during overtime because steam plant personnel regular time is fully used for on shift coverage. By contrast, distribution and service safety training is typically scheduled during regular time as there is more flexibility in their work.[7]

40. Estimated overtime expense is based on a qualitative judgement. The number of sick days in 2018 was higher than average, in part due to one employee who had two periods of sick leave before going on short term disability in 2018.[8] As an evidentiary update, actual overtime for 2019 was lower than 2018 and Creative Energy considers that an estimate of overtime expense based on the average of the 2018 and 2019 actuals is reasonable for 2020, considering also that the risk related to sick days is outside of Creative Energy's control. Creative Energy factored this revision into its responses to BCUC IR Series 42.0.[9]

2.3 Regulatory Costs

41. Regulatory costs are difficult to forecast accurately. Variances between forecast and actual regulatory costs can be material and are driven by factors largely outside of Creative Energy's control. It is for this reason that Creative Energy has a Commission-approved TPRCDA in place, as do many other utilities under the Commission's jurisdiction. The TPRCDA mitigates the material risk that neither its customers nor shareholders ought to be bear regarding the limited ability to accurately forecast regulatory costs in advance of a test year and to manage these costs during the year.

42. The level of regulatory costs in 2019 were extraordinary and Creative Energy considered it reasonable to forecast 2020 regulatory expenses closer in range to 2018 Approved levels based on the information available at the time of preparing the RRA. It therefore maintains a budget of $150,000 in regulatory costs for the 2020 test period, which is an increase of approximately 10 percent over the 2018 Approved level.

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[7] Exhibit B-9, response to BCUC IR 44.4.
[8] Exhibit B-4, response to BCUC IR 8.2.
[9] Exhibit B-9, response to BCUC IR 44.1.

43. Creative Energy further confirms that developments since the Application was filed again highlight the uncertainty in these costs. For example, the regulatory costs forecast in the Application does not provide for the unanticipated requirement in this proceeding to prepare the FSS and LTRP Proposal nor the BCUC, contractors and intervener costs related to its review.[10]

44. Per existing BCUC approval, Creative Energy will apply the difference between forecast and actual total 2020 regulatory expenses to the TPRCDA.

2.4 Outside Services

45. The average of 2015-2018 actual costs for outside services was initially used for the 2020 test year forecast. The evidentiary update for 2019 actual amounts confirms that estimate is reasonable for 2020. Creative Energy anticipates having a similar amount of government advisory costs related to low carbon initiatives in 2020. Other advisory and consulting costs are required when Creative Energy's internal staff does not have capacity or specific expertise and the additional cost of hiring a full headcount cannot be justified.[11]

46. Creative Energy considers that any possible initial concern about these costs has been settled by the evidence provided in response to the applicable IRs.

2.5 Pension Expense

47. Creative Energy has a limited pension plan. All unionized employees are eligible to join the plan. Unionized employees include those that work on the plant and distribution teams. Non-unionized management and administration staff that started working for Creative Energy prior to July 2018 are enrolled in the plan. The plan was closed in 2018 to new non-unionized staff only as it is a requirement for unionized staff.

48. Required pension contributions are based on actuarial evaluations as periodically remeasured. Pension remeasurements cannot be forecast in advance. The Evidentiary Update reports a gain of $446,700.[12] During 2018, there was a loss on plan assets. Therefore, the value of the net defined benefit pension assets decreased by both the loss on plan assets and the interest on the defined benefit obligation. The remeasurement and other items also includes costs paid to Creative Energy's actuary and administrator. This is typical and outside of Creative Energy's control.

49. The remeasurement gain will be recorded as a reduction in the deferral account balance. The Deferral Account Rate Rider for 2020 and 2021 is currently based on the 2018 balance and the remeasurement loss from that year. Given the one-year time lag between remeasurement gains and losses and the timing of when those costs are recovered from or reimbursed to customers,

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[10] Exhibit B-9, response to BCUC IR 47.1.
[11] Exhibit B-9, response to BCUC IR series 48.0.
[12] Exhibit B-4, response to BCUC IR 21.3

the remeasurement gain for 2019 will be refunded through the Deferral Account Rate Rider starting in 2021 and through 2022.[13]

50. Creative Energy would accept if the Commission were to direct that the DARR be amended for the remeasurement gain in 2019 to remove the timing difference, but certain factors would then need to considered as discussed in section 3.3.[14]

2.6 Directors Fees

51. There were no external Directors in 2019 that charged fees,[15] but an estimate of Directors Fees was incorporated into the 2020 RRA as approximately equal to the 2018 approved amount for Directors Fees, with the expectation that external Directors will be appointed in 2020 in connection with the anticipated addition of a second indirect shareholder.

52. Creative Energy received approval under Order C-1-20 of its Application for a CPCN for the Expo–Beatty Plants and Reorganization, the result of which will include reorganization steps and the addition of the anticipated second indirect shareholder. Consistent with the forecast Creative Energy expects to incur Directors Fees in 2020.[16]

2.7 Electricity Costs

53. The Commission inquired into whether Creative Energy's 2020 test year cost of service should be decreased on account of the Commission's Order G-32-20 reducing BC Hydro's electricity rates by 1.01% effective April 1, 2020 on an interim basis. Creative Energy's submits that the 2020 forecast cost of service should not be reduced because the reduction in the electricity rates, if made permanent, will reduce Creative Energy's electricity costs by approximately only $1,600. Commission changes to BC Hydro's rates on an interim or final basis is a recurring matter that results in uncertainty but Creative Energy considers that the overall materiality of the variance to its electricity costs resulting from this change to an externally-set rate does not warrant the burden of determining and administering a deferral account in response.[17]

2.8 Capital Planning, Projects and Additions

2.8.1 Capital Planning Process

54. Like other companies including other utilities, Creative Energy's capital project planning and prioritization is a continuous process. The forecasts of capital expenditures and additions included in the RRA reflect a 'snapshot' at a point in time of the planning process. Subsequent to filing the RRA, projects continue to advance through the planning process and projects will often move to implementation sooner or later than forecast at the time of the RRA filing. Projects will

[13] Exhibit B-9, response to BCUC IR 54.4.
[14] Exhibit B-9, response to BCUC IR 54.4.1.
[15] Exhibit B-4, response to BCUC IR 15.1.
[16] Exhibit B-9, response to BCUC IR 60.6.
[17] Exhibit B-9, response to BCUC IR 46.1.

be reprioritised as priorities change based on urgent need, customer development schedule, resource availability, etc.[18]

55. For example, changes to the timing of customer connection projects have associated impacts to the timing of capital additions as referred to at Exhibit B-9 in the responses to the BCUC IR 51 series. Please also refer to Exhibit B-9, the response to BCUC IR 42.1, for a summary of the evidentiary adjustments to the RRA financial schedules associated with such timing differences.

2.8.2 Management of Capital Project Execution Risks

56. With respect to project execution risks in general, Creative Energy takes a rigorous, formal approach to risk management, in line with best practices established by the Project Management Institute. For each risk Creative Energy assesses likelihood and consequences, implements mitigation measures, and monitors and manages risks and outcomes on an ongoing and iterative basis. For projects involving construction work in downtown Vancouver, special attention is paid to traffic management and protection of workers, cyclists and pedestrians to mitigate or eliminate safety risks.[19]

2.8.3 Variances between Forecast and Actual Capital Additions

57. Variances between the reported Actual and RRA forecast capital additions primarily relate to the timing of when an asset is put into service relative to what was assumed in the point in time RRA forecast. These variances result from such timing differences and are not manifestations of project execution risks (e.g., a project running over or under budget).

58. Any impact on the cost of service of such variances between Actual and RRA forecast capital additions is mitigated as follows:[20]

- Assets are not added to Plant in Service until they are in service.
- Capital additions are adjusted for actuals when the information becomes available the next year. As an adjustment is made for actuals, the variance does not have any impact on rates beyond the year of the rate application.
- Depreciation does not commence on capital additions until the year after an asset is added to Plant in Service.
- Actual additions within a specific asset category (e.g., Distribution) might be significantly less than the RRA Forecast one year, however, that variance is typically offset by higher additions in other categories reflecting the reprioritisation of projects, as noted above. Thus, the variance in total additions across all asset categories is typically much smaller and might not be significant.

[18] Exhibit B-9, response to BCUC IR 50.2.
[19] Exhibit B-9, response to BCUC IR 50.2.1.
[20] Exhibit B-9, response to BCUC IR 50.2.

59. Creative Energy considers that the impact of variances between Actual and RRA forecast capital additions, given the overall materiality of the impact on the cost of service, is adequately mitigated by the above factors and measures and that the burden of any further regulatory accounting measures therefore would not be justified.

3 Core RRA – Rate and Cost Recovery Mechanisms

3.1 2019 Rate Setting

60. Creative Energy acknowledges and fully understands the general practice of the BCUC to establish rates for a public utility on the basis of utility revenue requirements filed on a test year plan basis. In the present case, the approach to filing for final 2019 rates mere days before the end of 2019 resulted from (i) a BCUC decision in October 2018 denying Creative Energy's application for a multi-year index based ratemaking mechanism for the 2018-2022 period and approval of interim rates effective for 2019 shortly thereafter, necessitating a revenue requirement application or applications for 2019 and 2020 rates; and (ii) Creative Energy had resource constraints earlier in 2019 related in part to its operational and regulatory response to very high fuel costs during the winter of 2018/2019. The effect of the circumstances overall was an ultimate decision by Creative Energy to file in December 2019 a single RRA for the two-year period 2019-2020.

61. Creative Energy further acknowledges that by determining the final 2019 rates and the amount to be recorded to the TPRCDA in 2019 for future recovery, the Commission will effectively determine Creative Energy's actual ROE for 2019. This is because Creative Energy's steam sales and O&M costs for 2019 are known. This is not a situation where actual load might vary from an approved forecast or where actual O&M costs might vary from an approved plan; actual load and actual O&M costs are known.

62. Although the timing of this filing for final 2019 rates is uncommon in practice before the BCUC, Creative Energy does not consider that review and approval of final 2019 rates presents any extraordinary considerations for the Panel outside of its existing mandate under the *UCA* to ensure that Creative Energy's ratepayers receive safe, reliable and non-discriminatory energy services at just and reasonable rates, and that shareholders are afforded a reasonable opportunity to earn a fair return on their invested capital.

63. Creative Energy proposes that 2019 rates be set on a permanent basis equal to 2018 rates in an effort to maintain smooth and predictable rates and avoid the need for a controversial recovery mechanism if 2019 rates were to be increased after 2019 has ended. This is accomplished by ascribing the benefit to ratepayers of higher than normal load in 2019 due to colder weather while accruing $103,241 to the TPRCDA, which is a partial amount of the significant regulatory costs incurred in 2019 and equivalent to the remaining 2019 revenue deficiency.

64. Setting aside for a moment the challenges that would result from increasing 2019 rates after 2019 has ended, Creative Energy would have otherwise required a rate increase of about 3.5 percent in 2019 to contend with 2019 cost pressures.[21]

- Approximately 87 percent of the total projected increases in 2019 costs compared to 2018 Approved were related to externally driven cost pressures largely outside of Creative Energy's control.[22] The large majority of externally-driven costs were due to much higher regulatory costs in 2019 compared to 2018 approved (~$178,000 higher)[23] and much higher water costs as set by the City of Vancouver (~$194,000 higher)[24].

65. The 2019 steam load of 1,126,060 thousand pounds of steam (**M#**) was 2.5 percent higher than the 2018 Approved load forecast of 1,098,514 M# due to colder weather overall in 2019.[25] The increased revenue due to higher than forecast load in 2019 has partially offset the increased costs.

66. The objective to maintain smooth and predictable rate increases over the entire 2019 to 2020 period is then supported by accruing an incremental portion of the higher than forecast regulatory costs in 2019 (~$103,000 of the ~$178,000 additional regulatory costs) to the TPRCDA in 2019. The beneficial sharing, with customers through rates, of the higher revenues due to higher load in 2019 allows Creative Energy to meet this objective.

67. Creative Energy understands that if the BCUC was to order that 2019 final rates shall be increased from the level of the interim rates, effective January 1, 2019, Creative Energy would be required to immediately bill customers for the difference between what they were charged in 2019 under interim rates and what Creative Energy is required to charge them under the higher 2019 final rates ordered by the BCUC. Creative Energy considers that a better and far less controversial approach is to accrue the proposed amount to the TPRCDA in 2019 for prospective recovery through a rate rider as Creative Energy has proposed (refer to section 3.3).

68. In summary, Creative Energy's proposal to maintain 2019 final rates equal to the interim approved 2019 rates and to record a portion of the extraordinary regulatory costs in 2019 to the TPRCDA for recovery beginning in 2020 through the DARR reflects a fair and beneficial sharing of the higher than forecast actual load in 2019 and is also beneficial in relation to avoidance of controversy.

69. Creative Energy's requested approvals are consistent with the deemed capital structure and ROE that was approved by the BCUC in its Generic Cost of Capital (**GCOC**) Stage 2 Decision. By Order G-52-15 the Commission confirmed that the return on equity and deemed equity thickness for Creative Energy rate setting for its existing system of core customers will continue to be based

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[21] 2019 revenue requirement are ~315,000 higher than 2018 Approved as shown in the Schedule 1 of the attachment to Exhibit B-9, response to BCUC IR 42.1.
[22] Refer the updated Table 4 at Exhibit B-4, response to BCUC IR 2.10.1.
[23] The difference between 2018 Approved and 2019 Regulatory costs reported in Exhibit B-1-1, Table 27 Update
[24] Exhibit B-1-1-1, Table 23 Update.
[25] Refer to Exhibit B-1, section 1.1.1.2.

on the default equity thickness of 42.5 percent and an equity risk premium of 75 basis points as typically allowed for regulated thermal energy systems.[26]

3.1.1 Context to the Additions to the TPRCDA

70. The amounts recorded to the TPRCDA are the reasonably incurred regulatory costs required to support Creative Energy's applications before the Commission as a regulated public utility as governed by the *UCA* and in accordance with the Commission's jurisdiction.[27]

71. The TPRCDA captures the variance between forecast and actual third party costs relating to regulatory filings and proceedings required under the *UCA*, which necessarily and appropriately means that it will also capture the variance related to filings and proceedings that may not have been contemplated or otherwise anticipated in a previous RRA.

72. It is not clear to current Creative Energy staff therefore as to why in the context of the 2018-2022 RRA there were not third-party regulatory costs forecast for review of the Beatty Redevelopment CPCN, for example. Be that as it may, however, there is no basis to suggest that the actual costs were not necessarily incurred nor otherwise ineligible for inclusion in the TPRCDA as per the purpose of the deferral account.[28]

3.2 Massachusetts Formula

73. Commission Order G-205-18 approved for Creative Energy the use of the Massachusetts Formula methodology to allocate Sales and General & Administrative costs between Creative Energy's Core steam service and its other regulated Vancouver projects.

74. The Panel in the 2018-2022 RRA proceeding agreed with Creative Energy's assessment that the methodology is used by many utilities and is a valid methodology commonly used to allocate costs to outside projects or other entities. The Panel approved the methodology for application in future revenue requirements. All salaries and benefits that are not directly assigned and capitalized to projects are included in the category of General & Administrative costs for allocation as per the Massachusetts Formula methodology.

75. The approved Massachusetts Formula methodology derives the percentage ratio between individual regulated Vancouver projects and Creative Energy Vancouver Platforms overall for each of the following three factors: Property, plant and equipment (**PPE**); Direct labor expenses; and Revenues.

76. A combined percentage ratio is then derived for each project as the simple average of these three factors. The combined ratio for each project is applied to the applicable General and Administrative costs of Creative Energy Vancouver to determine the amounts to be allocated to each project.

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[26] Exhibit B-6, response to CEC IR 1.3.
[27] Exhibit B-4, response to BCUC IR 22.6.
[28] Exhibit B-4, response to BCUC IR 22.6.1.

77. Creative Energy has found the use of the Massachusetts Formula in practice to be a simple, effective and non-controversial approach and confirms that there is no reason why the methodology ought not to continue to be applied.

- In view of the practical approach to allocating general and administration costs among Creative Energy projects, and with due regard to the fact that the NEFC, while a customer of the Core Steam system, is also a separate energy system with its own customers and administration processes, Creative Energy now believes that these costs should be estimated and consistently allocated through the Massachusetts formula in the same manner as for its other energy systems.

- Creative Energy therefore submits that this approach is an improvement of the means on which to estimate NEFC overhead costs for recovery in rates but it clarifies that this approach does not require approval as separate from acceptance. The move to the formulaic approach to estimate certain costs was approved for Creative Energy in 2018 and the Panel's consideration now of the NEFC cost of service concerns the reasonableness of the estimate as derived using the Massachusetts formula.[29]

78. Creative Energy will continue to use the Massachusetts Formula, however, requests approval to modify the formula to use only two factors, Direct labour expenses and Revenues, and excluding Property, plant and equipment. The purpose of the modification is to improve the fairness in the relative cost allocation across all systems and to the individual customers served while maintaining the benefits of the formulaic approach for doing so in a simple, effective and non-controversial manner.

79. The proposed 2-factor approach accounts for the disparate age and size of each Creative Energy utility system and the number of customers served as a means to improve the fairness in the cost allocation between each system consistent with the expected level of administrative and management effort required. In general, it appears to Creative Energy to not be the most equitable result to allocate administration cost in part based on the relative depreciated asset base because the Core system has comparatively lower embedded costs on a unit basis compared to newer systems. So, while the Core system has significantly more customers, the relative allocation of administration costs is disproportionately weighted toward newer systems with fewer customers.

80. Creative Energy also assessed, as another alternative approach, a 3-factor methodology that uses undepreciated asset values and would also serve to improve the fairness in the allocation of the residual general and administration costs across all Creative Energy projects. The results are shown in the table below and highlight that:

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[29] The response to BCUC IR 60.1 at Exhibit B-9 summarizes the reasons why the applicable NEFC costs should now be consistently allocated through the Massachusetts formula in the same manner as for Creative Energy's other energy systems given that the NEFC is separate energy system with its own customers and administration processes, but the response to BCUC IR 60.1 ought to have more correctly reflected that this approach may be accepted by the Commission but does not require a specific order approving it.

- Using depreciated asset values will have the effect of allocating proportionally higher costs to systems in early years when the capital balance is higher and less in later years when the assets are more fully depreciated, even though administration costs related to any specific system may not actually be declining over time.

- Using undepreciated asset values tracks more closely to Creative Energy's proposed 2-factor approach, both of which will provide a better result as the administration costs will be allocated on a more stable and consistent basis year over year.[30]

81. As Creative Energy concluded in response to CEC IRs, using undepreciated capital values under the 3-factor approach provides a better result compared to using depreciated values and would be consistent with the standard industry practice to use gross capital in the Massachusetts formula.[31]

	Core	Main & Keefer	Kensington	NEFC	South Downtown Heating	South Downtown Cooling	Pendrell	Total
Approved 3-factor (depreciated PPE)	77.1%	1.3%	3.6%	9.3%	5.0%	1.8%	1.9%	100.0%
3-factor (undepreciated PPE)	81.2%	1.1%	3.0%	7.9%	4.0%	1.4%	1.5%	100.0%
2-factor	83.4%	1.0%	3.0%	7.7%	2.8%	0.9%	1.2%	100.0%

82. For these reasons, Creative Energy would find it to be an acceptable result if the Commission were to approve the 3-factor Massachusetts formula using undepreciated values for Property, Plant and Equipment as the preferred alternative to improve the fairness in cost allocation compared to the approved application of the 3-factor formula currently in effect.

3.3 Deferral Account Rate Rider

83. Creative Energy requests permanent approval of a new DARR to recover the non-rate base regulatory and pension related deferred costs from Core Steam system customers amortized over two years.

84. Further to the introduction to this Final Argument, Creative Energy clarifies the dual-nature of its proposal in respect of 1) the implementation of the DARR mechanism and 2) the approved level of the DARR for any test period or at any point in time otherwise.

85. As below, the requested approval of the DARR mechanism anticipates also that pending approval of the WCDA and PTDA, the implementation of a single DARR will span the recovery of costs across the multiple approved-deferred accounts and under the approved amortization periods determined in respect of each account.

[30] Exhibit B-10, response to CEC IR 16.1.
[31] Exhibit B-10, response to CEC IR 16.1.

3.3.1 DARR Mechanism

86. Creative Energy requests permanent approval of the DARR mechanism itself, which is a matter separate from the level of the rate rider from time to time, which will depend on matters such as the actual balances in any deferral account and the length of the proposed amortization period applicable to any specific deferral account and other considerations such as bill impacts and intergenerational equity for example.

87. The proposed DARR mechanism is a straightforward and accepted means to recover the discrete costs that are appropriate for deferral account treatment separate from the base rates. This will support transparency and rate and revenue stability over time. The mechanism also provides for the ability to readily adjust the level of the rate rider in response to emergent changes in costs (for example, in response to the pension cost remeasurement gain if and as the Commission deems appropriate – refer to section 3.3.2) or when subject account balances have been cleared.[32]

88. The DARR promotes equitable allocation of cost recovery from customers as, by comparison, recovery of the deferral account balances through the declining block steam rate would necessarily mean that larger customers achieve a relative discount on their contribution to the recovery of the costs recorded to the subject deferral accounts.

3.3.2 2020 DARR

89. The requested permanent approval of the level of the DARR in 2020 remains as set out in the Application and in the tariff pages at Appendix B-5, and as currently in effect on an interim approved basis; that is $0.29/M#.

90. Creative Energy has two deferral accounts currently approved with indicated one-year amortization periods of recovery of recorded balances:

- The Pension Expense Deferral Account – as approved by Order G-98-15 – captures the annual variance between forecast Pension expenses recovered in rates and the pension expense reported in financial statements, with the balance to be amortized over one year at a carrying cost equal to Creative Energy's short-term debt rate; and

- The TPRCDA – as approved by Order G-167-16 – captures the annual variance between forecast and actual third party costs relating to regulatory filings and proceedings required under the *UCA*, with the balance to be amortized over one year at a carrying cost equal to Creative Energy's short-term debt rate.

[32] For example, in its Decision into Creative Energy's 2016-2017 RRA issued under Order G-167-16, the Commission directed Creative Energy to establish a Fuel Cost Stabilization Account (FCSA) to record variances between forecast and actual fuel costs and a fuel cost rate rider mechanism to recover or distribute excess balances in the FCSA when required, subject to an application for approval of the level of the rate rider and amortization period when required.[32]

91. In its Application Creative Energy proposed to commence recovery of the total balance in these accounts through the DARR over a two-year amortization period, which supports achieving an overall rate impact in 2020 that is less than 10 percent.

92. A shorter amortization period (e.g., a one-year amortization period) would advance the recovery of costs in compliance with the Orders approving the deferral accounts and would more closely align to the period over which costs were incurred, but the DARR rate impact would approximately double and the overall 2020 rate impact would exceed 10 percent. Additionally, the Commission inquired into various options or scenarios related to the impact on the proposed DARR if the TPRCDA or Pension Expense Deferral Account, and any applicable components, were to be amortized over one, two, or three years, or alternatively in some combination, and Creative Energy provided the requested rates and impacts.[33]

93. If the Commission were to direct that the DARR be amended for the Pension expense remeasurement gain of $446,000 in 2019 to remove the timing difference, this would effectively result in the proposed DARR of $0.29/M# recovering a significant portion of 2019 balance in the two deferral accounts over a one-year period, under the current 2020 load forecast (i.e. not factoring in the impact of COVID-19 on steam load.)

94. Overall Creative Energy continues to be of the view that the DARR presently in place on an interim basis is set at the appropriate level, even with regard to future uncertainty as to the balances in the deferral accounts, recovery lag and underlying the billing determinants of steam load. In Creative Energy's view the two-year amortization is reasonable and is consistent with the Commission's recent decision into a fuel cost rate rider for Creative Energy, as issued under Order G-226-19, approving a two-year amortization period in that case.[34]

95. With permanent approval of the DARR mechanism and in consideration of these factors, Creative Energy would intend to review the level of the DARR as part of its ongoing revenue requirements application processes but would be amenable to more frequent review as the Commission deems warranted.

3.4 Water Cost Deferral Account

3.4.1 Forecasting Water Costs

96. The cost of water is one of the major expenses for the Company. Creative Energy's water usage primarily consists of:

- Feed water as an input in steam production; and
- Water cooling applied to Distribution system condensate so that it can safely be discharged into the City of Vancouver's storm and sewer network.[35]

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[33] Refer to Exhibit B-4, response to BCUC IR Series 23.0, and Exhibit B-9, response to BCUC IR series 54.0 and 55.0, for example.
[34] Exhibit B-4, responses to BCUC IRs 23.3 and 23.6.
[35] Exhibit B-1, p. 28.

97. Creative Energy obtains the water it uses to produce steam from the City of Vancouver. In general, water costs are the product of (i) the volume of water used as driven by the load and weather, and (ii) the water rates and rate design as set by the City of Vancouver.

98. The City of Vancouver has been increasing its water rates by significantly more than inflation. Metered water rates increased as follows:

- 4 percent between 2016 and 2017;
- 6 percent between 2017 and 2018; and
- 10 percent between 2018 and 2019.[36]

99. Not only have the water rates been increasing significantly, also the City does not finalize the water rates until some point in the actual year of concern after Creative Energy has prepared and filed its RRA.

100. For the purpose of estimating overall 2020 water costs in the Application, Creative Energy used historical data from 2017-2019 to forecast the volume of water required for each M# of steam supplied to customers.[37] Water consumption was projected using the average ratio of pounds of steam sold for every pound of water consumed. The projected volume of water was multiplied by the 2019 City of Vancouver water rate plus an assumed 6.5 percent water rate increase for 2020. Creative Energy is of the view that 2019 water consumption is most relevant for forecasting water costs, in particular due to water use efficiency improvements that have been experienced since 2018.

101. Subsequent to filing the Application, the City of Vancouver informed Creative Energy that,

- the high season (with higher rates) has been extended by 45 days; the high season is now May 1 – October 15;[38] and
- the water rate increase for 2020 is 9.7 percent.

102. Relative to the assumptions used to forecast 2020 water costs in the Application, the estimated incremental impact in 2020 of these changes by the City of Vancouver is $57,543 consisting of $35,199 for the extended high season plus $22,344 for the rate increase.[39]

103. Water expenses are challenging to budget and forecast due to the underlying lag and uncertainty in the City of Vancouver's water rates and rate structure, which are inherently uncertain for the purposes of forecasting Creative Energy revenue requirements on a test year plan basis. Moreover, Creative Energy has routinely experienced variances of this magnitude in water costs – Creative Energy provides its internal budget for water costs that was used to

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[36] Exhibit B-1, p. 29
[37] Exhibit B-1, p. 29.
[38] We have recalculated the estimated cost of water based on actual 2020 rates and the new high season time frame in the response to BCUC IR 10.1.1.1.
[39] Exhibit B-1-1, p. 4; and Exhibit B-4, response to BCUC IR 10.1.1.

support the prior RRAs and actual costs, demonstrating the frequency and magnitude of the variances in water costs, as follows.[40]

Table 23 Updated and including 2015-2017 budgeted										
502 Steam Expenses - Partial	2015 Actual	2015 Budgeted	2016 Actual	2016 Budgeted	2017 Actual	2017 Budgeted	2018 Actual	2018 Approved	2019 Projected	2020 Test Year
Water	500,997	525,267	580,806	469,090	617,733	492,353	661,905	502,200	696,145	743,622

104. The reported variances, above, between actual and budgeted water costs are overall material in an absolute sense and directionally, with actuals persistently and materially higher than budget in 2016, 2017 and 2018 by an average amount of ~$130,000, or 27 percent. The magnitude of these variances further illustrates the risk in relation to this unpredictable item outside of Creative Energy's control. In addition, Creative Energy has encountered historical data limitations when building its forecast of water volumes, as noted in the response to BCUC IR 10.1.

3.4.2 Water Cost Deferral Account Proposal

105. Where forecasting is challenging, variance from forecast is uncontrollable and variances can be material in the context of the revenue requirement (e.g. water and fuel costs), a deferral account to record and carry forward such variances is appropriate. Conversely, where those factors are not present the risk of variance from forecast is appropriately borne by the utility and the burden of administering a deferral account is not warranted. Accordingly, Creative Energy now requests approval of a deferral account to track the difference between actual total annual water costs versus forecast total annual water costs (the **Water Cost Deferral Account** or **WCDA**).

106. Rather than further increase 2020 rates on account of the water cost increase, Creative Energy seeks the Commission's approval to establish the WCDA as the mechanism for managing uncertainty and for recovering forecast versus actual water costs. Under the proposed WCDA and recovery mechanism, beginning in 2021 the DARR would allow credit or recovery as necessary between actual annual water costs and the forecast of annual water costs currently factored into the proposed 4.2 percent increase in 2020 steam rates.[41]

107. Creative Energy proposes that the balance in the WCDA be amortized over a one-year period on an ongoing basis at a carrying cost equal to Creative Energy's short-term debt rate. Creative Energy proposes that the net balance in the WCDA, as between actual and forecast amounts from the prior year can be recorded for credit or recovery through the net amount of all outstanding balances for Creative Energy's deferral accounts that are recovered through the DARR.[42]

108. Creative Energy considered but is unable to propose a deferral mechanism alternative that adjusts only for differences between forecast and actual water rates for a given forecast water

[40] Exhibit B-9, response to BCUC IR 45.1.
[41] Exhibit B-4, response to BCUC IR 10.3.
[42] Exhibit B-4, response to BCUC IR 10.1.1.1.

volume, for example, nor is it able to consider a dead-band mechanism. The issue is the persistent, material and asymmetrical variance from budgeted amounts of the water expense. As the table above clearly highlights, outside of 2015 for which steam load was markedly lower than average, actual water costs have been persistently and materially higher than budget. Please refer also to the response to BCUC IR 45.1.1.2.

109. It might be appropriate to consider a dead-band mechanism if the variances between actual and forecast are often within a certain range, plus or minus some amount, with less frequent extreme excursions outside of the band. The data in the table above shows that, with one exception, the actuals have always been higher than the forecast, and so a dead-band would not be appropriate. There is currently no basis under which to propose a dead-band or other alternative and such a mechanism would therefore be expected to increase not lessen, the burden and cost to implement and administer this component of Creative Energy's cost of service through the proposed WCDA. Creative Energy has implemented a process to track its water volumes more closely with a view to evaluating and improving the rigor of its water expense forecast in future RRAs.[43]

3.4.3 Other Considerations

110. The WCDA will not impact Creative Energy's incentive to undertake projects that improve steam plant efficiency.

- Creative Energy's steam plant efficiency work includes work related to softener and chemical handling projects as described in Attachment 18.5 to the response to BCUC IR 18.5. Softener projects include the updating of controls and fine-tuning of regeneration cycles and resin-replacement with the improvements expected to be reflected in reduced water costs and reduced salt costs, and improved efficiency. Chemical handling system upgrades are not only a safety related project, but will further fine tune our water treatment program, resulting in hopefully lower blowdowns of our boilers, where a portion of the water is blown out to drain to reduce the total dissolved solids, sometimes due in part to inefficient water treatment dosing related older pumps with stroke control that is manually adjusted. The proposed WCDA will thus not affect the incentives to pursue these projects.[44]

111. The WCDA will not impact Creative Energy's incentive to contain costs.

- The WCDA will mitigate a significant risk that a public utility should not have to bear. As discussed above, the issue is the persistent, material and asymmetrical variance from budgeted amounts of the water expense due to factors outside of Creative Energy's control. The WCDA will control for some volume risk as it will track total annual forecast versus actual water expenses. The incentives for Creative Energy management to control controllable costs are not reduced by the proposed WCDA.

[43] Exhibit B-9, response to BCUC IR 45.1.1.
[44] Exhibit B-9, response to BCUC IR 45.3.

112. The WCDA will manage the same types of risks as the approved Fuel Cost Stabilization (deferral) Account and rate rider mechanism.

- The issues with predictability, controllability and materiality of variances in water costs are comparable to the fuel cost risk that Creative Energy faces under externally set rates for fuel and volumes driven by load and weather that are managed through Creative Energy's approved Fuel Cost Stabilization (deferral) Account and rate rider mechanism.

- The Fuel Cost Stabilization and rate rider mechanism similarly does not impact Creative Energy's incentives to contain fuel costs and undertake efficiency projects.

113. For the above reasons the WCDA will likewise not impact Creative Energy's approved ROE. The WCDA will reduce Creative Energy's exposure to a material risk that it is unable to reasonably forecast or control at this time and should not be required to bear.

114. As a concluding thought, Creative Energy agrees with the view expressed by the Commission, in its decision into BC Hydro's 2005-2006 RRA (among other matters)[45], that concerns about forecasts are relevant to a determination of the appropriateness of a deferral account for costs that have uncontrollable characteristics. Conversely with respect to costs that are controllable, the Commission recognized in that decision that customers, especially in the long-term, can reasonably be expected to benefit by the shareholder(s) assuming the risk, in part, because holding utility management accountable for variances around forecasts provides an incentive to control those costs that would otherwise be reduced with the creation of a deferral account.[46]

3.5 Property Tax Deferral Account

115. Property tax is another major expense for the Company, and another expense that has been increasing at rates significantly higher than inflation. Property taxes were $337,508 in 2015 increasing to a forecast of $763,300 for 2020 in the Application.[47]

116. The total property tax expense is a function of the value of the property, as assessed annually by BC Assessment, multiplied by various levy rates which are also externally determined and typically changed annually.

117. Between 2018 and 2019, the assessed value of Creative Energy's property increased 26 percent. The impact of this was approximately a $114,000 increase to property tax costs. This was offset by a decrease in mill rates. The utility rate decreased approximately 6 percent and the business and other utility rate by 14 percent, offsetting the 26 percent increase in assessed value.

118. For the 2019 Test Year, property tax expense is based on the actual assessment.[48]

119. For the 2020 Test Year, Creative Energy forecasts an increase property tax expense by 7.6% as further explained in the response to BCUC IR 17.2. The impact of this increase is approximately

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[45] Refer to the Order G-96-04 Decision, p. 30.
[46] Exhibit B-9, response to BCUC IR 45.4.
[47] Exhibit B-1, p. 34.
[48] Exhibit B-1, p. 35.

$60,000. An adjustment was also made to the reduction for non-regulated assets, an impact that increased the expense by $40,000. This adjustment relates to the fact that Creative Energy does not have rental income for its additional office space in 2020 and the allocation of property taxes related to this space has been removed.[49]

120. Similar to water expenses, property tax expenses are challenging to budget and forecast due to the underlying lag and uncertainty in the mill rates, which are typically not confirmed until June of the applicable year and are inherently uncertain for the purposes of forecasting Creative Energy revenue requirements on a test year plan basis for filing with BCUC some six months earlier.

121. Accordingly, for the same reasons related to predictability, controllability and materiality of variances as discussed above in the context of water costs and fuel costs, Creative Energy proposes that the difference between forecast and actual 2020 property taxes be deferred for future recovery or credit as required as part of Creative Energy's 2021 RRA. Similar to other deferral accounts interest should be accrued on this account based on Creative Energy's short-term interest rate of 3.5% on the mid-year value.[50] Creative Energy further proposes that recovery of the variance in property tax be amortized over one year.[51]

122. In summary, Creative Energy proposes that the 2020 property tax variance be deferred and recovered through the DARR beginning in 2021 at a forecast rate determined on the basis of a one-year amortization period and with interest accruing on: 1) the mid-year value in 2020 (opening balance equal to zero and closing balance equal to the full variance) and 2) the forecast mid-year value in 2021 (opening balance equal to the full variance and closing balance equal to zero). The net effect of which is to charge interest on a full-year balance.

4 NEFC RRA

4.1 Cost of Service and Proposed Rate Increase

123. The revenue requirements, rate design and rates for the NEFC service area were established by Order G-167-16 and the Commission's accompanying decision into Creative Energy' 2016-2017 RRA and Rate Design for NEFC Hot Water Service. Pursuant to Order G-167-16, the NEFC rates have been set on a levelized rate design basis with the Revenue Deficiency Deferral Account (**RDDA**) in place to record the impact of timing differences between the costs incurred to install the required infrastructure to serve hot water load and the revenues from buildout of customer load over time. The RDDA allows for a levelized rate structure to smooth rate increases over time recognizing that the initial rates will not be sufficient to recover forecast revenue requirements and shortfalls are approved to be added to the balance of the RDDA to be ultimately recovered through load growth and levelized rate increases over time. For greater certainty, the rates for the NEFC service area have never been set to recover a test year cost of

[49] Exhibit B-4, response to BCUC IR 17.4.
[50] Exhibit B-4, response to BCUC IR 17.3.
[51] Exhibit B-9, response to BCUC IR 49.1.

service. There is also a Variance Deferral Account in place in respect of NEFC, all as summarized in section 1.2.1 of the Application.

124. The Commission Panel for the 2016-2017 RRA directed that NEFC rates should not be increased through 2019 and indicated that RDDA recovery ought to commence in 2020.[52]

125. In this Application, Creative Energy requests approval to maintain interim 2019 NEFC rates on a permanent basis; that is, no increase to the rates set in 2017 and that remain in effect currently on an interim basis. This approach complies with the direction under Order G-167-16 not to begin recovery of the RDDA balance until 2020.

126. For 2020, Creative Energy requests approval to increase 2020 NEFC rates by 3.7 percent over the 2019 rates. Like the rates that have been in place for the NEFC service area since 2017, the requested 2020 rates are not calculated on the basis of recovering a test year cost of service. Rather, the requested 2020 rates are viewed as the reasonable minimum required rate increase in the context of continuing recovery of and on the infrastructure capital invested and targeting recovery of the RDDA in 15 to 20 years all else equal. The request for the 3.7 percent increase is aligned to the levelized rate design for NEFC, the Commission's direction to maintain NEFC rates unchanged through 2019 and commence RDDA recovery in 2020, the general range of indicative inflation of 2 percent per year, and also lowers the rate of addition to the RDDA that would otherwise occur absent a rate increase in 2020.

127. The Application, section 1.2.2, and numerous responses to Commission IRs[53] in the proceeding provide updates on the discussions Creative Energy and the City of Vancouver have had in relation to the buildout of the NEFC neighbourhood. Those updates are not relevant to the approvals sought in this Application, and therefore this argument will not repeat those updates. Except that based on that information, Creative Energy considers it premature at this time to advance a comprehensive proposal for full recovery of the RDDA by 2030. Creative Energy is reviewing the NEFC rate design and plans to bring forward a comprehensive proposal to support its next RRA for 2021.

128. As Creative Energy set out in the Application and as context to a number of IR responses, Creative Energy expects that the NEFC rate design application will revisit the allocation and recovery of the costs to serve the NEFC and the amounts that get added to the RDDA for future recovery. Creative Energy submits that its proposal of a 3.7 percent rate increase at this time is reasonable also in view of the planned future rate design application which it expects will entail a proposal to advance recovery from existing customers of some portion of the deferred costs that have accrued to the RDDA.[54]

129. Creative Energy submits that there were no specific material issues arising in regard to the NEFC cost of service in 2019-2020. Given that the costs of the NEFC are generally the initial capital costs already reviewed by the Commission in prior RRAs and allocations of O&M costs pursuant

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[52] Order G-167-16 Decision, p. 69.
[53] Refer to Exhibit B-4, responses to BCUC IR 25 series; and Exhibit B-9, responses to BCUC IR 57 series for the updates.
[54] Exhibit B-9, response to BCUC IR 58.3.

to the Massachusetts formula as proposed, Creative Energy considers that this proceeding generally did not inquire into the NEFC cost of service separate from the matters discussed above in the context of the Core. The next section therefore addresses the one remaining issue related to the NEFC RRA, being the request for approval to apply the FCAC Rate Rider directly to customers taking hot water service from the NEFC. The issues associated with the under-reported steam consumption at the PARQ hot water plant steam meter is a separate matter addressed in section 5

4.2 NEFC FCAC Rate Rider

130. Creative Energy requests approval in the Application to charge a Fuel Cost Adjustment Charge (**FCAC**) Rate Rider directly to NEFC customers, effective January 1, 2020, to recover from these customers the amounts the BCUC approved to be recovered from Core Steam customers though the FCAC Rate Rider approved by Order G-226-19.

131. In the proceeding that resulted in Order G-226-19, the Commission reviewed in depth the circumstances during the winter of 2018/19 that resulted in Creative Energy incurring excess fuel costs to generate steam to serve customers, including to supply thermal energy to the NEFC system to serve customers connected to the NEFC. Pursuant to Order G-226-19 the Commission determined the total amount of fuel costs to be recovered from customers, the mechanism for recovery (the FCAC Rate Rider) and the level of the rate rider ($4.40/M# currently) in consideration of matters such as intergenerational equity, bill impacts, carrying costs and amortization period such that the FCSA is expected to return to an acceptable balance in a reasonable time period.

132. The one issue that was not addressed in the Order G-226-19 proceeding was whether in respect of the NEFC system, (i) the FCAC Rate Rider should be charged to the NEFC system as a customer of the Core system, or (ii) the FCAC Rate Rider should be charged directed to the customers taking hot water service from the NEFC system. In the absence of Commission direction on that one remaining issue, by default in 2019 Creative Energy charged the FCAC Rate Rider to the NEFC system (that is, (i), above) and not directly to NEFC customers. The amounts charged to the NEFC are added to the Revenue Deficiency Deferral Account (**RDDA**) in respect of NEFC.

133. Creative Energy ought to have directly raised that remaining issue with the Commission in the context of the Order G-226-19 proceeding, but inadvertently did not do so. The component of the Application related to the FCAC Rate Rider seeks only to properly address the remaining issue by requesting the BCUC's approval to begin applying the FCAC Rate Rider directly to NEFC customers effective as of January 1, 2020. Creative Energy has been doing so on an interim basis as approved by Order G-7-20A.

134. Creative Energy informed its NEFC customers of the FCAC Rate Rider by way of a customer letter and it has not received any inquiries in reply. This is consistent with the very limited number of inquiries that Creative Energy received from its Core steam customers when the FCAC Rate Rider was first put into effect for those customers in March 2019.[55]

[55] Exhibit B-9, response to BCUC IR 58.1.

135. All of the matters the Commission might consider into whether this requested approval ought to be granted were considered and determined by the Panel that issued Order G-226-19.

- By Order G-226-19, the Commission established that Creative Energy should recover from its Core steam customers the extraordinary fuel costs Creative Energy incurred in the Winter 2018/2019 through the FCAC Rate Rider over a two-year amortization period. In the proceeding that resulted in Order G-226-19, the Commission considered alternative rate mechanisms and alternative amortization periods, for example, and decided that the public interest is best served through the recovery of these costs by a rate rider over a two-year amortization period.

- Creative Energy also confirmed in this proceeding that the proposed direct charging of the equivalent FCAC Rate Rider to NEFC customers in 2020 does not result in any subsidization from one group of customers to the other, and further confirmed that the effect of the direct charge of the FCAC Rate Rider to current NEFC customers is to avoid the potential intergenerational inequity of deferring these fuel costs for recovery from future NEFC customers, including new NEFC customers, which would be the case if these costs continue to be allocated to the RDDA for future recovery.[56]

- The impact in 2020 of the implementation of the direct charging of the FCAC Rate Rider to NEFC customers is a reduction of $309,360 to the amount that would otherwise be proposed to be added to the RDDA, as reported in Table 5 of the Evidentiary Update.

136. The use of a rate rider as the recovery mechanism and level of the rate rider proposed to be applied to NEFC customers will be the same as the Commission determined shall be applied to Core customers, and the bill impact to NEFC customers will be approximately the same as the bill impact the Commission decided was reasonable for Core customers.[57]

137. In the absence of applying the FCAC Rate Rider directly to NEFC customers, the FCAC Rate Rider amount charged to the NEFC system will continue to be added to the RDDA increasing the balance to be recovered from NEFC customers, including new NEFC customers, in the future instead. Creative Energy considers that such result would be contrary to the Commission's findings in the Order G-226-19 Decision in regard to the appropriate time period for recovery of the excess fuel costs incurred to provide service in 2018/19.

5 PARQ Hot Water Plant Steam Meter Issues

5.1 Technical Issues

138. The Core Steam system supplies thermal energy to the NEFC system at two energy transfer stations: the PARQ Hot Water Plant, and the Aquilini Center Hot Water Plant.

[56] Exhibit B-10, response to CEC IR 15.2.
[57] Exhibit B-4, response to BCUC IR 28.1.

139. Shortly before this Application was filed with the Commission, Creative Energy determined that the steam meter at the PARQ Hot Water Plant was underreporting steam flow. In the course of preparing the load forecast to support this Application, a discrepancy was noted between the recorded metering of steam delivered to the PARQ Hot Water Plant and the total revenue metering of hot water energy delivered to the three buildings connected to the PARQ Hot Water Plant. Briefly, the total metered energy consumption of the connected buildings was greater than the energy the PARQ Plant steam flow meter indicated was supplied to the system serving those buildings.

140. Creative Energy estimates that the PARQ Hot Water Plant steam meter likely began underreporting in March or April 2018.[58] Creative Energy also confirmed that as of the filing of the response to BCUC IR No. 1 on April 2, 2020, the PARQ Plant condensate meter had been repaired and transmitter electronics to the meter had been replaced, and the BTU meters were having their programming confirmed to be operating within manufacturer tolerances. Further on-site investigations into root cause(s) and testing occurred in April 2020.

141. For greater certainty, the revenue meters that measure the energy consumed by the three buildings connected to the PARQ Hot Water Plant were and are operating correctly. The issue was with the metering measuring energy delivered by the Core Steam system to the PARQ Hot Water Plant.

142. Given the plant and distribution efficiencies of the NEFC system, Creative Energy assessed that the metering at the PARQ Hot Water Plant was recording about 50 percent of the steam that would be expected given the total hot water energy consumed by the three customers connected to the plant.[59]

143. Creative Energy has also confirmed that every month it reviews each steam customer's monthly consumption and compares the current monthly consumption to the previous month and to the historical use of each building, year over year going back 10 years. The PARQ Plant steam meter was not included in this process until June 2019 as there was very limited historical data with which to analyze trends and data consistency.[60] Creative Energy has also confirmed that it will continue to monitor the repaired PARQ Plant metering also by way of: regular inspection and tests of the temperature sensors installed in both the supply and return district heating water, (BTU metering); regular inspection of the flow meters installed in district heating water system, (BTU metering); and regular inspection and review of the magnetic flow meter measuring the steam condensate meter (interdepartmental steam metering).[61]

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[58] Exhibit B-4, response to BCUC IR 27.1 estimated that the underreporting began in about January 2018. Recent analysis of efficiency performance data indicates the underreporting likely began in March/April 2018.
[59] Exhibit B-4, response to BCUC IR 27.3.1; and Exhibit B-9, response to BCUC IR 59.1.
[60] Exhibit B-4, response to BCUC IR 27.2.1.
[61] Exhibit B-9, response to BCUC IR 59.5.

144. Accordingly, the technical issues are summarized as follows:

- from about March 2018 to March 2020, the metering at the PARQ Hot Water Plant underreported steam delivered to the PARQ Hot Water Plant by about 50 percent;
- the revenue meters measuring hot water energy consumed by each of the three buildings connected to the PARQ Hot Water Plant were not impacted in any way by this underreporting of steam and are operating correctly; and
- as of about April 2020 the steam metering at the PARQ Hot Water Plant is operating correctly.

5.2 Financial Implications

145. Firstly, the underreporting of the steam meter had no impact on the correct billing to customers connected to and taking hot water service from the NEFC system, in accordance with the applicable rates in effect. Moreover, the rates for the NEFC service area have been maintained at the same level through the period 2017 to 2019 in accordance with Order G-167-16.

146. Secondly, there was not any under-billing at approved rates nor related under-recovery of Creative Energy's cost of service during the period that the meter was underreporting steam consumption. There was no need to back-bill NEFC customers as explained above and also no need to back-bill the NEFC system under the circumstances because Core Steam rates for both 2018 and 2019 have been calculated and set on the basis of the lower underreported metered steam consumption at the PARQ Hot Water Plant. Therefore, applying back-billing in respect of actual steam supplied to the NEFC system in 2018 or 2019 would result in over-recovery of the revenue requirement.

147. The only matter at issue is when and how to recognise the additional (previously underreported) steam supplied by the Core Steam system to the NEFC system for the purposes of revenue requirements, rates and deferral account determinations. Creative Energy proposes to recognise this additional steam in the 2020 steam load forecast,[62] as discussed in the Application. The impact is shown in the table reproduced below.[63]

Table C-1: Steam Load Forecast - Summary

M#	Core System Steam	NEFC System Steam	Total Steam	% Change Compared to 2018 Approved
2018 Approved	1,069,572	28,942	1,098,514	-
2019 Projected	1,099,443	30,391	1,129,834	3%
2020 Forecast	1,070,325	70,309	1,140,634	4%

148. As shown in the table, the impact is an increase to the steam forecast to be supplied to the NEFC system. The 2019 to 2020 NEFC increase and Core decrease are not equal because the 2020

[62] Exhibit B-1, section 4.1.2; and Exhibit B-4, response to BCUC IR 27.3.
[63] Exhibit B-1, Appendix C, Table C-1.

forecast also reflects a 4% increase overall including for new customer additions for example. The difference in 2019 between actual (underreported) metered steam load of the PARQ Hot Water Plant steam load and the expected amount based on observed system efficiencies is 30,678 M#.[64]

149. Recognition in 2020 of the increased steam supplied to the NEFC system increases the NEFC system's fuel and Steam Tariff costs (refer to the top two lines of Table 5 of the Application for example) and, at the NEFC rates requested in the Application, also results in an addition to the RDDA.

150. The only alternative to Creative Energy's proposed approach that might be considered is to recognize the increased steam supplied to the NEFC system effective for 2019 also. This would mean adjusting the 2019 financial schedules by increasing the steam supplied to the NEFC system by 30,678 M# and flowing through all resulting financial impacts. This alternative can be considered only because 2019 rates remain interim at this time and subject to adjustment, refund/recovery as determined by further order of the Commission. The financial impacts of this alternative would be as follows:[65]

- Steam load billed from the Core Steam system to the NEFC system would increase by 30,678 M#, with the impact that NEFC's Steam Tariff and Fuel costs would increase by $187,807 and $497,728, respectively. This would require either an increase in the RDDA balance from $7,230 to $692,764 in 2019, or an average increase of 74% to the variable rate for 2019 on account of the increased cost in 2019. Creative Energy considers that neither outcome would align to the expectations of the Commission set out in the Order G-167-16 Decision, as discussed above. Also, increasing the 2019 rates now, after 2019 has ended, would have controversial impacts as elaborated below.

- As a result of the 30,678 M# of increased steam billed to the NEFC system, the Core Steam system's revenues in 2019 would be deemed to increase by the same amounts noted above. If the 2019 Core Steam rates remain at the interim approved level, the impact would be a reduction in the 2019 addition to the deferral account as shown in the response to BCUC IR 24.3 ($149,446). Alternatively, 2019 Core Steam rates would be reduced on account of the deemed revenues from increased sales to NEFC but that could raise timing, allocation and other problematic matters as elaborated below.

- There would be no impact on the 2020 RRA. The proposed DARR could be reduced in order to refund the negative deferral balance addition for 2019 ($149,446).

151. Creative Energy does not support the above alternative for the reasons set out in its response to BCUC IR 59.2, which reasons are reproduced below:

"If the 2019 Core and NEFC rates were to be changed on account of correcting for the metering issue retroactive to the beginning of 2019, the mechanisms that would be required to collect

[64] Exhibit B-4, response to BCUC IR 27.3.1.
[65] Exhibit B-9, response to BCUC IR 59.2.

and to refund in relation to the rate changes would require much more deliberation.

- 2019 is over and thus there is no way to recover the noted cost in 2019. If 2019 NEFC rates were increased now that would mean that NEFC customers were undercharged in 2019 requiring a one-time surcharge on their bills for the full amount owing. The Tariff provides for Creative Energy to collect such surcharge through some sort of a payment plan with each customer to recover the amount owing over time plus interest. This approach would be very problematic and impractical at this time.

- A large one-time surcharge to each NEFC customer is clearly not an option, therefore, the only realistic options available are:

    1. do not change anything for 2019 but address the matter prospectively in 2020 as Creative Energy has proposed in the Application, or

    2. allocate the additional NEFC cost of service to and carry the amounts entirely through the NEFC RDDA balance for future recovery (under a mechanism not yet proposed nor determined) and correspondingly update the DARR to incorporate the negative deferral balance addition for the Core over an appropriate amortization period (also as not yet proposed nor determined).

- Option 2 would appear to be an expedient approach under the currently approved rate design, but it does not align with accepted ratemaking principles that support the fair allocation of costs that match cost recovery with cost causation. Furthermore, a change to the level of the interim-approved DARR to be charged to Core customers at this time may not be able to match the timing of the recovery from NEFC customers of the additional 2019 costs under any approach to rebalancing of 2019 costs.

- Creative Energy acknowledges, and this matter underscores, that the implications of this issue are of the same scale and scope, and the principles are the same, as that which motivates the NEFC rate design application that Creative Energy intends to file later this year. That application will address in part the fair allocation and recovery of steam and fuel costs to serve current NEFC customers that are rather being accrued to the RDDA for future recovery from existing and new NEFC customers, including the large balance of deferred steam and fuel costs proposed to be added in 2020 under the current rate design.

- In summary, Option 1 is favoured by Creative Energy because rebalancing the 2019 steam-related costs between the Core and NEFC may not be practical for the reasons noted, while correction to the steam load forecast in 2020 on a go-forward basis is reasonable and appropriately aligned with a future planned rate design application. A proposal to recover the additional steam related costs under Option 2 could be supported by the planned rate design application, subject to timing and process considerations. It appears likely that Creative Energy will be filing a separate NEFC rate design application prior to a decision being issued into this RRA."[66]

[66] Exhibit B-9, response to BCUC IR 59.2.

152. For all the above reasons, Creative Energy proposed in the Application and continues to support addressing this matter prospectively in the 2020 RRA using the methodology set out in section 4.1.2 of the Application.

6 Recovery of a portion of the balance in the Fuel Switch Study and LTRP Deferral Account

6.1 Background Information

153. In Creative Energy's approximately 50-year history it has filed one long-term resource plan (**LTRP**) with the Commission, being the 2017 LTRP filed in June 2017. The 2017 LTRP was focused on long-term options and issues for reducing greenhouse gas (**GHG**) emissions by fully or partially displacing the consumption of natural gas in the existing steam plant with low-carbon and renewable energy sources (referred to as "fuel switching").

154. The 2017 LTRP included a Fuel Switch Study evaluating the option of a new (supplemental) baseload low-carbon steam plant using clean urban wood waste (referred to as the "**Fuel Switch Project**", also called the "**Green House Project**"), which did not alter the ongoing need for the existing gas-fired steam plant as both a distribution centre and as a source of firm peaking and back-up energy.

155. The work specific to the Fuel Switch Project was undertaken in 2013 to 2015 and wound down by approximately the end of 2015. Work on components of the Fuel Switch Study, which is broader in scope than the Fuel Switch Project alone, continued in 2016. The final Fuel Switch Study report is dated March 17, 2017. The work in 2016 focused on optimization and enabling strategies and stakeholder engagement that applies to fuel switch projects generally and is incorporated into sections 9 and 13 of the final Fuel Switch Study report, respectively.

156. The 2017 LTRP was filed with the Commission in June 2017. Pursuant to Order G-147-17 dated October 3, 2017 the Commission adjourned consideration of the 2017 LTRP and directed Creative Energy to file an updated LTRP that satisfies the requirements under section 44.1 of the *UCA* when filing its RRA for the 2020-2021 test period. Pursuant to Order G-205-18 the Commission directed Creative Energy to establish a Fuel Switch Study and LTRP Deferral Account and transfer all costs related to the Fuel Switch Study and 2017 LTRP, net of all applicable offsetting grants, to this new deferral account. The Commission also approved Creative Energy to accrue a weighted average cost of debt return on the account balance. The Commission further determined that in the event that Creative Energy does not file an updated LTRP by December 31, 2019, Creative Energy is directed to file a proposal with the BCUC by January 31, 2020 for reviewing the potential recovery of the balance in the Fuel Switch Study and LTRP Deferral Account.

157. The total balance in the Fuel Switch Study and LTRP Deferral Account, net of all applicable offsetting grants, was $714,880 as of December 11, 2018.[67] The costs recorded in the Fuel Switch Study and LTRP Deferral Account were incurred over a four year period (2013-2016, inclusive) and in connection with numerous related activities (the Fuel Switch Project, the Fuel

[67] Creative Energy updated this total to $735,222 based on further review in preparing the Exhibit B-3 Proposal.

Switch Study, the 2017 LTRP application and related resource planning for low carbon energy generally). The majority of the balance in the Deferral Account comprises the costs Creative Energy incurred for the Fuel Switch Project - specifically for the assessment, definition and preliminary design of the 'Green House Project' described in the Fuel Switch Study included with the 2017 LTRP - as incurred during the period 2013 through 2015.[68]

158. In the 2019-2020 RRA, Creative Energy sought an extension of the January 31, 2020 filing date to December 31, 2020 at which time Creative Energy would file its updated LTRP and submit a proposal for recovery of some or all of the Fuel Switch Study and LTRP Deferral Account balance.[69]

159. Pursuant to its Order G-7-20A Decision, the Commission determined that the filing of an updated LTRP and a proposal regarding the potential recovery of the balance in the Fuel Switch Study and LTRP Deferral Account are two separate issues, and directed Creative Energy to file a proposal for the potential recovery of the balance in the Fuel Switch Study and LTRP Deferral Account by February 21, 2020.

6.2 Creative Energy's Proposal

160. Creative Energy proposes that $214,185 of the Fuel Switch Study and LTRP Deferral Account balance is appropriate for recovery from Creative Energy's Core system steam customers. These costs reflect Creative Energy's ongoing resource planning efforts in 2016 to support the increasing imperative to decarbonize the energy supply for the Core steam system to meet current load and future customer growth. The costs Creative Energy is requesting approval to recover exclude:

- Expenditures during the period 2013 through 2015 included in the Fuel Switch Study and LTRP Deferral Account. Creative Energy is not seeking recovery of these costs at this time because they are deemed to have been incurred for the Fuel Switch Project.

- Creative Energy internal project management, executive and legal support costs included in the Fuel Switch Study and LTRP Deferral Account. Creative Energy is not seeking recovery of these costs because it is not certain that these costs were not included in revenue requirements and rates in the applicable years.

- Expenditures during 2017, which are not included in the Fuel Switch Study and LTRP Deferral Account.

161. The amount that Creative Energy is seeking Commission approval to recover from its Core steam customers, $214,185, is entirely Creative Energy's cost for the efforts of its consultants – during the year 2016 only – that were directed toward supporting Creative Energy's ongoing resource planning efforts in view of it becoming increasingly imperative to decarbonize the energy supply for the Core steam system to meet current load and future customer growth.

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[68] Exhibit B-5, responses to BCUC IRs 36.2.3 and 38.1.1.
[69] Application, Appendix E – Long-Term Resource Planning Update.

162. Creative Energy further proposes that following review and Commission approval as part of this proceeding of the final amount for recovery, it will bring forward as part of its 2021 RRA a proposed rate mechanism to begin recovery of the approved amount including interest. Creative Energy expects that its proposed rate mechanism, including the billing determinants and length of recovery period, will be informed by the final approved amount as well as other considerations, such as customer bill impacts, that may be shaped by the context and drivers of its 2021 RRA, yet to be determined.[70]

163. As set out in the response to BCUC IR 35.2, Creative Energy is of the view that $64,222 (attributable to internal management and related support to the study and preliminary design of the Green House Project)[71] of the remaining balance in the Fuel Switch Study and LTRP Deferral Account can be appropriately written off, leaving $417,502 to carry forward in the deferral account for future consideration for recovery through capitalization to a future low-carbon project. In view of the imperatives to decarbonize energy supply, particularly to serve new buildings in Vancouver, it is likely that Creative Energy will bring forward a CPCN application for a low-carbon energy project in the relatively near-term (within 1-3 years).[72]

164. The numbers across the 2013-2016 period, by consultant activity and the project-related grants, are all reported in the response to BCUC IR 36.2.

6.3 Issue Arising

165. In the 2018-2022 RRA Creative Energy requested the Commission's approval to include costs incurred on account of its 2017 LTRP Application into the TPRCDA and to recover the balance of the TPRCDA in rates using a three-year amortization period.

166. The Commission did not approve that request. The Commission, in section 3.1.1 of its Order G-205-18 Decision into that RRA, made the following determinations:

> "…it would be inappropriate and premature for this Panel to make any determination as to whether any of the costs claimed on account of the Fuel Switch Study and the LTRP were prudently and reasonably incurred for the benefit of Creative Energy's core customers such that they ought to be approved for recovery in rates. Moreover, there is limited evidence in this proceeding that would substantiate whether the Fuel Switch Study was or will be useful in preparing the LTRP and whether the expenditures for the study were prudent and in the interests of ratepayers. **Accordingly, we make no determination as to whether the costs incurred to date ought to be approved for recovery at this time.**
>
> Generally, the review and recovery of regulatory proceeding costs recorded in deferral accounts are dealt with by an RRA panel as the recovery of these costs form part of the revenue requirements and rates being requested in an RRA. However, in the Panel's view, it would be appropriate for the subsequent panel assigned to review the updated

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[70] The component of the Proposal to commence recover in 2021 is further explained in Exhibit B-5, the responses to BCUC IRs 40.1, 40.1.1 and 40.1.2.
[71] Also refer to Exhibit B-7, the response to CEC IRs 13.1 to 13.2.1.
[72] Exhibit B-5, the response to BCUC IR 35.1.

LTRP to assess the reasonableness of the Fuel Switch Study and LTRP costs, as that panel will have a better understanding of the usefulness and applicability of the Fuel Switch Study to the overall LTRP filing. The recovery of any/all of the Fuel Switch Study and LTRP costs (i.e. over what time period these costs should be recovered) could then be determined by a future RRA panel based on the recommendations/determinations of the panel reviewing the updated LTRP."

167. As noted above, the Commission determined in the present proceeding that the filing of an updated LTRP and a proposal regarding the potential recovery of the balance in the Fuel Switch Study and LTRP Deferral Account are two separate issues.

168. Accordingly, Creative Energy submits that the issue in relation to the request for Commission approval to recover $214,185 of the Fuel Switch Study and LTRP Deferral Account balance from Core steam customers is whether the costs proposed for recovery were prudently and reasonably incurred for the benefit of Creative Energy's core customers such that they ought to be approved for recovery in rates.

6.4 Applicable Principles

169. In the BCUC's Order G-16-09 Decision into BC Hydro's F2009 and F2010 RRA, the Commission considered the proper approach to an examination of the prudency of a utility's expenses. The Commission made the following determinations:[73]

> "It was common ground among the parties to the hearing that the following paragraphs from the Ontario Court of Appeal decision in *Enbridge Gas Distribution Inc. v. Ontario(Energy Board)* [2006] O.J. No. 1355, 41 Admin L.R. (4th)69(C.A.) ("*Enbridge Gas*") represent the law on the proper approach to an examination of the prudency of a utility's expenses:
>
> > **10** The approach of the OEB to the "prudence" inquiry is captured in the following extract from its reasons:
> >
> > > While the parties described it in somewhat varying terms, in the Board's view they were in substantial agreement on the general approach the Board should take to reviewing the prudence of a utility's decision.
> > >
> > > The Board agrees that a review of prudence involves the following:
> > >
> > > - Decisions made by the utility's management should generally be presumed to be prudent unless challenged on reasonable grounds.
> > > - To be prudent, a decision must have been reasonable under the circumstances that were known or ought to have been known to the utility at the time the decision was made.
> > > - Hindsight should not be used in determining prudence, although consideration of the outcome of the decision may legitimately be used to overcome the presumption of prudence.

[73] Order G-16-09 Decision, at pages 31-33.

- Prudence must be determined in a retrospective factual inquiry, in that the evidence must be concerned with the time the decision was made and must be based on facts about the elements that could or did enter into the decision at the time.

11 Neither the Divisional Court nor either party to this appeal takes issue with the correctness of the above quoted passage from the OEB's reasons. The "prudence" inquiry described by the Board has two stages. At the first stage, the decision of Enbridge is presumed to have been made prudently unless those challenging the decision demonstrate reasonable grounds to question the prudence of that decision. At the second stage of the inquiry, reached only if the presumption of prudence is overcome, Enbridge must show that its business decision was reasonable under the circumstances that were known to, or ought to have been known to, Enbridge at the time it made the decision.

12 In the above quoted extract from its reasons, the OEB expressly alluded to the limited role played by hindsight. Hindsight, that is knowledge of facts relevant to the prudence of the business decision gained after the decision was made, could not be used at the second stage of the "prudence" inquiry to determine the ultimate question of whether the decision was prudent. Those facts could, however, be taken into consideration at the first stage in determining whether the presumption of prudence had been rebutted."

…

"No Intervener takes a contrary position in respect of the prudency aspect of expenditures that reflected BC Hydro's past decisions, or that the appropriate standard is that reflected in *Enbridge Gas*, and crystallized in *ATCO 2005* as the "two-part test." In essence, the onus to rebut the presumption of prudency is borne by the party seeking to impugn the decision of the utility, but once rebutted, the objective test of the utility's decision is the reasonableness of that decision in light of the facts known to it at the time the decision was made…"

170. The Commission reached the following conclusion:[74]

"Having considered the extensive submissions and authorities cited by the parties, the Commission Panel determines that in the case of reviewing the cost consequences of BC Hydro's past management decisions a rebuttable presumption of prudency is relevant, and that the two- part test arising from the *Enbridge Gas* and *ATCO 2005* decisions applies."

171. The Commission went on to determine that the presumption of prudency has little, if any, relevance to planned and forecast expenditures, as distinct from the cost consequences of past management decisions referred to above. At issue here is the prudency of the costs Creative Energy incurred in 2016 as a result of management decisions at that time.

[74] *Ibid*, at pages 38-39 (boldface in original).

172. Accordingly, the decisions Creative Energy made to incur the $214,185 of costs in 2016 should be presumed to be prudent unless challenged on reasonable grounds, the onus to rebut the presumption of prudency is borne by the party seeking to impugn the decision of the utility, and if rebutted, the objective test of the utility's decision is the reasonableness of that decision in light of the facts known to it at the time the decision was made.

6.5 Creative Energy's Submissions

173. The work completed in 2016 resulting in the $214,185 expenditure focused on two key areas of long-term resource planning for Creative Energy: consideration of government policy and stakeholder engagement at the municipal, provincial, and federal levels. Discussions with policymakers are common across any low-carbon energy resource that Creative Energy may develop. Activities during 2016 included not only consultation with all levels of government but also efforts to assess the efficacy of proposed policies and enabling tools and to facilitate communication between various levels of government.[75]

174. In addition to providing the company with valuable information about the evolving planning environment, this work provided the company with numerous ideas for how to successfully structure any low-carbon thermal energy offering, including managing a voluntary customer participation approach; selling offsets; identifying grant funding opportunities; and other strategies to support the development of low-carbon resources.

175. Taken together and with particular regard to the rapidly evolving policy environment that Creative Energy operates within, these efforts constitute ongoing good utility planning and practice. Specific examples of Creative Energy's efforts in 2016 are listed in section 3.1 of Exhibit B-3.

176. The CEC asked Creative Energy to elaborate on the benefits of this work to customers, and Creative Energy's response is as follows:[76]

> "It is necessary for Creative Energy to plan and study to enable and support low-carbon energy development, driven by the policy imperatives as referenced in the preamble to this IR and with Commission oversight as required in accordance with the applicable sections of the *Utilities Commission Act*.
>
> Creative Energy simply cannot ignore these requirements and it does not conceive of a legislative nor policy framework where these requirements do not expand and become more stringently enforced. Thus, Creative Energy must actively pursue these efforts to ensure that it is able to serve the thermal energy needs of existing and future customers. The benefit to Core Steam system customers, including the NEFC system, is continuity of cost-effective thermal energy service."

177. Thus, Creative Energy views this work as critical to its fundamental obligation as a public utility: continuity of cost-effective thermal energy service to existing and future customers.

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[75] Exhibit B-3, section 3.1.

[76] Exhibit B-7, response to CEC IR 11.3. Also refer to Exhibit B-9, the responses to BCUC IRs 66.1 and 66.1.1.

178. Creative Energy continues to focus on and incur costs related to ensuring the company is well-positioned to fully understand its objectives, means and policy support to pursue decarbonization of its core steam supply, independent of any specific project, and for supporting reporting out through long-term resource plans to be filed periodically with the Commission. The applicable costs in 2018 and 2019 were $84,102 and $77,283, respectively. Of these amounts, consultant costs comprise $79,915 and $72,686 in 2018 and 2019, respectively, with the remainders attributable to internal management time.[77] The 2020 revenue requirement include $105,466 related to outside services of which Creative Energy anticipates approximately $70,000 - $75,000 to relate to consulting and advisory services related to enabling low carbon energy development.[78]

179. The IRs in this proceeding regarding Creative Energy's request for approval to recover in rates $214,185 of the balance in the Fuel Switch Study and LTRP Deferral Account generally sought clarification of the accounting of these costs[79] and generally did not challenge the presumed prudency of the Creative Energy decisions at issue.

180. The BCUC asked an IR about the magnitude of consulting costs in 2016 relative to the amount of these costs in 2018-2020. Creative Energy provided a detailed explanation of the need for a higher level of activity in 2016 in Exhibit B-9, the response to BCUC IR 66.1. In short a high level of activity was required in 2016 to develop Creative Energy's understanding of the context and issues related to developing low-carbon energy resources to serve core steam and NEFC customers, as discussed in Exhibit B-3, section 3.1. The high level of effort in 2016 has allowed subsequent work to focus on maintaining relationships with local and senior government and monitoring further changes in relevant policies. Because of Creative Energy's investments during the 2016 timeframe in particular and ability to leverage that work, it currently does not require the same level of investment.

181. The only other issue raised through the IRs regarding this Proposal relates to Creative Energy's decision and process to select Reshape Infrastructure Strategies to perform this work. Creative Energy provided detailed explanations of this in Exhibit B-9, the response to BCUC IR 66.4 and Exhibit B-10, the response to CEC IR Series 22.0. In short, Reshape Infrastructure Strategies had the required expertise and was in the position to build on directly applicable work it had recently done for the City of Vancouver and Creative Energy. Additionally, the study plan and budget were subject to approval of both the City of Vancouver and Creative Energy.

6.6 Conclusion

182. Creative Energy submits that the $214,185 incurred in 2016 in connection with resource planning for low carbon energy was prudently and reasonably incurred for the benefit of

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[77] Exhibit B-5, response to BCUC IR 36.4.
[78] Exhibit B-5, response to BCUC IR 38.3.
[79] For example, several IRs inquired into the accounting for an approximate $20,000 discrepancy in the total balance of the deferral account (e.g., Exhibit B-10, the response to BCUC IR 63.1). Creative Energy has explained this discrepancy and has confirmed that it has no bearing on the $214,185 amount Creative Energy is requesting Commission approval to recover.

Creative Energy's Core customers such that the amount ought to be approved for recovery in rates.

183. Creative Energy submits that it must actively pursue these efforts into understanding the increasing imperative to decarbonize the energy supply for the Core steam system to ensure that it is able to serve the thermal energy needs of existing and future customers. The benefit to Core steam system customers, including the NEFC system, is continuity of cost-effective thermal energy service.

184. Under the approach to an examination of the prudency of a utility's expenses accepted by the Commission as reviewed above, the decisions Creative Energy made to incur the $214,185 of costs in 2016 should be presumed to be prudent unless challenged on reasonable grounds, the onus to rebut the presumption of prudency is borne by the party seeking to impugn the decision of the utility, and if rebutted, the objective test of the utility's decision is the reasonableness of that decision in light of the facts known to it at the time the decision was made.

185. Creative Energy submits that the $214,185 expense in 2016 was prudently incurred and that in any event the presumed prudency of the decisions to incur these costs has not been impugned nor rebutted in this proceeding.

All of which is respectfully submitted this 21st day of May 2020.

By: _____

Rob Gorter

Director, Regulatory Affairs and Customer Relations

Creative Energy Vancouver Platforms Inc.

Attachment 1

Draft Order for Final Approval of 2019 and 2020 Rates

Order Number

●

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

and

Creative Energy Vancouver Platforms Inc.
2019-2020 Revenue Requirements Application
for Core System Steam Service and Northeast False Creek Hot Water Service

ORDER

WHEREAS:

A. On December 19, 2019, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed with the British Columbia Utilities Commission (BCUC) a 2019-2020 Revenue Requirements Application (RRA) for the core steam system (Core System) and Northeast False Creek (NEFC) service areas (Application);

B. In the Application, Creative Energy requests for the Core System, among other things, the following approvals:

   (i) Permanent approval to maintain rates for the Core System (Steam Rates) at 2019 interim approved rates, effective January 1, 2019;

   (ii) Interim and permanent approval of an increase in Steam Rates of 4.2 percent, effective January 1, 2020; and

   (iii) Interim and permanent approval to establish a Deferral Account Rate Rider (DARR) to recover specific non-rate base regulatory and pension-related deferred costs from Core System customers over a two-year amortization period, commencing January 1, 2020;

C. Creative Energy also requests for the NEFC service area, among other things, the following approvals:

   (i) Permanent approval to maintain NEFC's fixed and variable rates (Hot Water Service Rates) at 2019 interim approved rates, effective January 1, 2019;

   (ii) Interim and permanent approval of an increase in Hot Water Service Rates of 3.7 percent, effective January 1, 2020;

(iii) Interim and permanent approval to directly charge a Fuel Cost Adjustment Charge (FCAC) Rate Rider to NEFC customers to recover the existing FCAC Rate Rider in effect for Core System customers, effective January 1, 2020 and ending February 28, 2021;

D. Creative Energy also requested an extension to the filing deadline of a proposal for the potential recovery of the balance in its Fuel Switch Study and Long-Term Resource Plan (LTRP) Deferral Account from January 31, 2020, as directed in Order G-205-18, to December 31, 2020 (Extension Request);

E. Pursuant to Order G-7-20A, the BCUC approved the requested rates on an interim and refundable basis and directed that any variances between approved interim rates and the permanent rates as determined at the time the BCUC renders its final decision on the Application are subject to refund/recovery, with interest at the average prime rate of Creative Energy's principal bank for its most recent year;

F. Pursuant to Order G-7-20A, the BCUC also directed Creative Energy to file a proposal with the BCUC for the potential recovery of the balance in its Fuel Switch Study and LTRP Deferral Account by February 21, 2020;

G. Pursuant to Order G-29-20, the BCUC extended the filing date for Creative Energy's proposal for the potential recovery of the balance in its Fuel Switch Study and LTRP Deferral Account to February 27, 2020;

H. On February 21, 2020, Creative Energy submitted an evidentiary update to the Application;

I. On February 27, 2020, Creative Energy submitted its proposal (Fuel Switch Study and LTRP Deferral Account Proposal) regarding the recovery of the balance in its Fuel Switch Study and LTRP Deferral Account;

J. …

K. The BCUC has considered the Application, evidence and submissions of the parties.

NOW THEREFORE, pursuant to sections 58 to 61 of the *Utilities Commission Act* and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

1. The Core System Steam Rates for 2019 set out at Appendix B-3 of the Application are approved on a permanent basis, effective January 1, 2019.

2. The Core System Steam Rates and DARR for 2020 set out at Appendix B-5 of the Application are approved on permanent basis, effective January 1, 2020.

3. The NEFC System Hot Water Service Rates for 2019 set out at Appendix B-4 of the Application are approved on a permanent basis effective January 1, 2019.

4. The NEFC System Hot Water Service Rates and FCAC Rate Rider for 2020 set out at Appendix B-6 of the Application are approved on a permanent basis, effective January 1, 2020.

5. Creative Energy is approved to add $103,241 to the 2019 balance of the Third-Party Regulatory Cost Deferral Account as set out in section [*#*] of the Decision.

6. Creative Energy is approved to recover in Core System Steam Rates $214,185 of the balance in the Fuel Switch Study and LTRP Deferral Account representing Creative Energy's cost for the efforts of its consultants in 2016 directed to supporting Creative Energy's ongoing resource planning in relation to decarbonizing the energy supply for the Core System, as set out in the Fuel Switch Study and LTRP Deferral Account Proposal. Creative Energy is directed to bring forward in its next RRA a proposal for the recovery of this amount in Core System Steam Rates.

7. Creative Energy is directed to write off the amount of $64,222 of the balance in the Fuel Switch Study and LTRP Deferral Account representing internal management and related support to the study and preliminary design of the Green House Project.

8. Creative Energy is approved to apply the DARR as proposed by Creative Energy and set out in section [*#*] of the Decision.

9. Creative Energy is approved to establish a Water Cost Deferral Account effective January 1, 2020 to record variances between total annual actual versus forecast water costs for the Core System, as charged by the City of Vancouver, as set out in section [*#*] of the Decision.

10. Creative Energy is approved to establish a Property Tax Deferral Account effective January 1, 2020 to record variances between total annual actual versus forecast property taxes for the Core System as set out in section [*#*] of the Decision;

11. Creative Energy is approved to use the [“*modified 2-factor Massachusetts Formula methodology, as set out in section 2.2 of the Application*”; *“3-factor Massachusetts Formula using undepreciated values for the ‘property, plant and equipment factor’”*] to allocate residual General and Administration expenses among the Creative Energy Core System and other projects.

12. Creative Energy is directed to comply with all directives identified in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this _____ day of [*Month*] 2020.