

James D Burns\*  
Jeffrey B Lightfoot\*  
Christopher P Weafer\*  
Gregory J Tucker, QC\* \*\* \*\*\*  
Laura A Wright  
James H McBeath\*  
Barbara E Janzen  
George J Roper\*  
Tony R Anderson  
Charlene R Joanes  
Lucky D Johal

Duncan J Manson\*  
Daniel W Burnett, QC\*  
Ronald G Paton\*  
Gary M Yaffe\*  
Harley J Harris\*  
Jennifer M Williams\*  
Scott H Stephens\*  
David W P Moriarty  
Katharina R Spotzl\*  
Steffi M Boyce  
H Hailey Graham

Alan A Frydenlund, QC\* \*\*  
Harvey S Delaney\*  
Paul J Brown\*  
Heather E Maconachie  
Jonathan L Williams\*  
Kari F Richardson\*  
James W Zaitsoff\*  
Daniel H Coles\* \*  
Sameer Kamboj  
Patrick J Weafer  
Brittney S Dumanowski

Allison R Kuchta\*  
James L Carpick\*  
Patrick J Haberl\*  
Terence W Yu\*  
Michael F Robson\*  
Paul A Brackstone\* \*  
Pamela E Sheppard\*  
Jocelyn M Bellerud\*  
Brian Y K Cheng\*\*  
Georgia Barnard

Rose-Mary L Basham, QC, Associate Counsel\*  
Josephine M Nadel, QC, Associate Counsel\*  
Hon Walter S Owen, OC, QC, LLD (1981)  
John I Bird, QC (2005)

\* Law Corporation  
\* Also of the Yukon Bar  
\*\* Also of the Alberta Bar  
\*\*\* Also of the Ontario Bar  
\*\* Also of the Washington Bar

PO Box 49130  
Three Bentall Centre  
2900-595 Burrard Street  
Vancouver, BC  
Canada V7X 1J5

May 28, 2020

**VIA ELECTRONIC MAIL**

British Columbia Utilities Commission  
6<sup>th</sup> Floor, 900 Howe Street  
Vancouver, B.C. V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary  
and Manager, Regulatory Support**

**Telephone 604 688-0401  
Fax 604 688-2827  
Website [www.owenbird.com](http://www.owenbird.com)**

Direct Line: 604 691-7557  
Direct Fax: 604 632-4482  
E-mail: [cweafer@owenbird.com](mailto:cweafer@owenbird.com)  
Our File: 23841/0224

Dear Sirs/Mesdames:

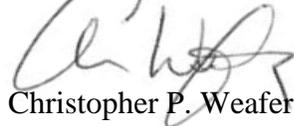
**Re: Creative Energy Vancouver Platforms Inc. (“Creative Energy”) - 2019 – 2020  
Revenue Requirements Application for Core Steam System and Northeast False  
Creek Service Areas**

We are counsel to the Commercial Energy Consumers Association of British Columbia (the “CEC”). Attached please find the CEC’s Final Submissions with respect to the above-noted matter.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

**OWEN BIRD LAW CORPORATION**



Christopher P. Weafer

CPW/jj  
cc: CEC  
cc: Creative Energy  
cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS  
ASSOCIATION OF BRITISH COLUMBIA**

**FINAL SUBMISSIONS**

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

**May 28, 2020**

**Commercial Energy Consumers Association of British Columbia**

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

**Table of Contents**

I. SUMMARY POSITION.....1

II. SUBMISSIONS.....2

A. Introduction .....2

    COVID-19.....3

Core Steam Service RRA Cost of Service .....4

    2019 Rates .....5

    Third Party Regulatory Costs Deferral Account.....8

    2020 Rates .....9

    Load Forecast .....9

    Operations and Maintenance .....10

        Wages and Benefits.....12

        Water and Electricity Expenses .....15

        Maintenance.....15

        Special Services .....16

        Other General & Administrative Sales Expense .....16

    Core Capital.....17

    Core Rate and Cost Recovery Mechanisms .....20

        Deferral Accounts .....20

        Third Party Regulatory Costs Deferral Account.....20

        Deferral Account Rate Rider (“DARR”) .....20

        Water Cost Deferral Account (“WCDA”) .....21

        Property Tax Deferral Account.....22

        Pension expense Deferral Account .....22

        Allocations Between Creative Energy Vancouver Platforms and Creative Energy Developments  
        Limited Partnership (Creative Energy Developments) - Massachusetts Formula .....22

        Fuel Switch Study and Long Term Resource Plan (“LTRP”) Deferral Account .....29

NEFC RRA .....33

    NEFC Fuel Cost Adjustment Charge (“NFAC”) Rate Rider.....35

    NEFC Load Forecast .....36

    PARQ .....37

    Revenue Deficiency Deferral Account (“RDDA”).....38

**COMMERCIAL ENERGY CONSUMERS ASSOCIATION  
OF BRITISH COLUMBIA  
FINAL SUBMISSIONS**

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

---

1. The Commercial Energy Consumers Association of BC (the “**CEC**”) represents the interests of ratepayers consuming energy under commercial tariffs in applications before the BC Utilities Commission (the “**BCUC**” or the “**Commission**”).
2. Creative Energy Vancouver Platforms Inc. (“**Creative Energy**” or the “**Utility**”) requests approval of its 2019-2020 Revenue Requirement Application (“**RRA**” or the “**Application**”).
3. The Application establishes permanent rates for its core steam service (“**Core Steam Service**”) for its Northeast False Creek (“**NEFC**”) hot water rates along with the addition of and various changes to certain deferral accounts and rate riders.
4. The proposed rates and Draft Orders are set out in Appendix B of the Application.
5. The CEC has participated in the proceeding and provides the following comments for the Commission’s review and consideration.

**I. SUMMARY POSITION**

6. The CEC recommends that the Commission evaluate the Application based on its merits using a ‘business-as-usual’ approach.
7. Contemplating a future deferral account for COVID-19, the CEC recommends that the Commission request a report from the Utility that will be available for review by the Commission and Interveners.
8. The CEC recommends that the Commission consider reducing the proposed addition to the Third Party Regulatory Cost Account because there is an inappropriate use of the account to recover an amount equal to its expected ROE.
9. The CEC recommends that the Commission deny the use of the 2-factor Massachusetts Formula for cost allocations and utilize the BCUC-approved formula because the evidence with regard to the 3-factor formula is inadequate.
10. The CEC recommends that the Commission approve the Creative Energy revenue requirement application conditioned on the use of the BCUC-approved Massachusetts Formula until such time as an alternative is properly advanced.

11. The CEC recommends that the Commission direct Creative Energy to conduct appropriate RFP processes for major expenditures for outside consulting services in the future.
12. The CEC recommends that the Commission consider write-downs of the Fuel Switch Deferral Account because of inadequate contribution to clear direction for the Company.

## **II. SUBMISSIONS**

### **A. INTRODUCTION**

13. Creative Energy applies for a variety of approvals for the Core Steam Service:
  - To set 2019 Core Steam system rates equal to 2019 interim approved rates, on a permanent basis effective January 1, 2019;
  - To set 2020 Core Steam system rates at levels reflecting a 4.2 percent increase over 2019 rates, on a permanent basis effective January 1, 2020;
  - To establish a new rate rider (the Deferral Account Rate Rider (“**DARR**”)), effective January 1, 2020, to recover non-rate base regulatory and pension -related deferred costs from Core Steam system customers, with the level of the DARR set to recover the balance over a two year amortization;
  - To modify the use of the Massachusetts Formula in allocating costs between the core service and other developments;
  - Continuance of the Fuel Switch Study and Long Term Resource Plan Deferral account with recoveries of approximately \$200,000 at this time, and write-offs of approximately \$60,000;
14. Creation of various deferral accounts.
15. Additionally, Creative Energy applies for the following:
  - To set 2019 rates equal to 2019 interim approved rates, on a permanent basis effective January 1, 2019;
  - A 3.7% rate increase for the NEFC; and
  - To charge a Fuel Cost Adjustment Charge (FCAC) Rate Rider to NEFC customers, effective January 1, 2020, to recover from these customers the existing FCAC Rate Rider in effect for Core Steam system customers pursuant to BCUC Order G-226-19.
16. Creative Energy provides a complete overview in its Final Argument at pages 4-6.

## COVID-19

17. As noted in Creative Energy's Final Argument at pages 6-8, there is a legitimate desire on the part of those participating in the proceeding to make decisions based on the best available information.
18. The Application was informed by and developed using an outlook that operating conditions in 2020 would be 'business as usual'. Due to the COVID-19 pandemic, there is no 'business as usual' and the Utility is experiencing, like all those in the economy, a different operational paradigm. In particular Creative Energy notes a lower than expected steam load and increased costs.<sup>1</sup>
19. Rather than undertaking to modify its Application, the Utility proposes to leave the Application as developed prior to the pandemic and will file a new application to establish a COVID-19 Deferral Account. This account will record the cost of service and revenue variances that directly result from the COVID-19 impacts on customers and operations.<sup>2</sup>
20. The CEC agrees that this is the preferred option.
21. As evidenced by the global situation, impacts of the pandemic are changing rapidly and are not predictable with any reasonable level of confidence. In the CEC's opinion, using the most recent information including COVID-19 impacts and forecasting forward would increase costs and not provide any definable improvement in forecasts.
22. Indeed, the CEC submits that such an approach might do more to confound the load and cost forecasting, which will continue to change. Further, it would make the establishment of an appropriate COVID-19 deferral account down the road more complicated as it would be necessary to determine what impacts were contemplated in a revised application and then isolate those from later changes due from COVID-19 impacts.
23. The CEC submits that a deferral account is or will be necessary to account for COVID-19 impacts and it is preferable to attempt to isolate those from business as usual rather than from a mid-pandemic waypoint.
24. The CEC acknowledges that the Utility may not experience a return to the 'business as usual' situation for some time, and it is possible that certain plans of the Utility may not materialize at all. The CEC submits that the Commission should bear this in mind when it undertakes its review.
25. The CEC submits that despite adopting a 'business as usual' outlook in its review, it is important for the Commission to recognize that ongoing expansion is not necessarily an appropriate 'business as usual' construct. Recessions and downturns are a normal part of

---

<sup>1</sup> CE Final Argument pages 6-8

<sup>2</sup> CE Final Argument pages 6-8

the economy over time and the Commission should not assume that the Utility would not be met with any such issues in the absence of COVID-19.

26. The CEC notes that a Deferral account could establish some ratepayer risks in facilitating the recovery of risk-related costs that would ordinarily accrue to the shareholder and should not become a 'slush' fund for transferring shareholder risk to ratepayers. Creative Energy's ROE incorporates an equity risk premium of 75 basis points.<sup>3</sup>
27. The CEC considers that it may be worthwhile for the Commission to flag any cost items in its approvals which it considers as being to the account of the shareholder, or where it expects COVID-19 to play a role. The CEC also notes that it is important that the Deferral account be established in a manner which incorporates under-spending as well as potential over-spending.

### **CORE STEAM SERVICE RRA COST OF SERVICE**

28. Creative Energy submitted its RRA for 2019 and 2020 in mid-December 2019.
29. Creative Energy is requesting Final Approval for 2019 rates, effective January 1, 2019 and interim and final approval of rates effective January 1, 2020.<sup>4</sup>
30. The following provides an overview of the Revenue Requirements for the Core Steam Service.

---

<sup>3</sup> Exhibit B-6, CEC 1.1.3

<sup>4</sup> Exhibit B-1, page 1

Table 2 Update: Core Revenue Requirements – Summary

Core Revenue Requirements Summary (\$)	2018	2019	2019	2020
Cost or Rate Component	Approved	Projected – Update	RRA – Update	RRA – Update
O&M - Total	4,475,257	4,934,103	4,934,103	5,126,308
Wages and Benefits (Steam, Distribution & Management)	2,692,446	2,745,630	2,745,630	2,992,604
Water-related and Electricity Expenses	776,350	900,422	900,422	991,046
Maintenance and related functional Operations	487,994	525,878	525,878	499,108
Special Services (Regulatory, Audit, Legal, Consultant)	233,315	487,878	487,878	313,215
Other General & Administration & Sales Expense	285,152	274,295	274,295	330,335
Municipal Access Fee	258,887	268,459	268,387	278,071
Property Taxes	595,160	663,826	663,826	763,300
Income Taxes	275,579	279,700	279,700	283,400
Depreciation	1,010,151	944,584	944,584	971,284
Interest Expense	600,856	585,000	585,000	608,000
Return on Equity	1,053,026	938,687	1,024,000	1,063,000
Total Return on Rate Base	1,653,882	1,551,594	1,609,000	1,671,000
Subtotal	8,268,916	8,614,359	8,699,600	9,093,363
Approved amort. of deferred Reg. and Pension expenses in steam rate	133,837	n/a	n/a	n/a
Amortization of deferred Regulatory and Pension expenses in DARR	n/a	n/a	n/a	331,097
Revenue	8,402,753	8,614,359	8,614,359 <sup>1</sup>	9,424,460
<b>Rate Summary</b>				
Steam Load M#	1,098,514	1,126,060	1,126,060	1,140,634
Average Steam Rate \$/M#	7.65	7.64	7.65	7.97
Average Steam Rate % increase	n/a	n/a	0.0%	4.2%
Deferral Account Rate Rider (DARR) \$/M#	n/a	n/a	n/a	0.29
DARR % rate impact	n/a	n/a	n/a	3.8%
<b>Rate of Return Summary</b>				
Rate Base	25,603,229	25,367,554	25,368,211	26,330,358
Debt	14,721,857	14,586,343	14,586,721	15,139,956
Equity	10,881,372	10,781,210	10,781,490	11,190,402
Debt %	57.5%	57.5%	57.5%	57.5%
Equity %	42.5%	42.5%	42.5%	42.5%
Weighted Average Cost of Debt	4.1%	4.0%	4.0%	4.0%
ROE	9.5%	8.7%	9.5%	9.5%

5

## 2019 RATES

31. For 2019, Creative Energy had been operating under interim rates pursuant to BCUC Order G-248-18,<sup>6</sup> which are equal to 2018 rates.<sup>7</sup> The Utility now proposes to set 2019 Core Steam system rates equal to 2019 interim approved rates on a permanent basis.<sup>8</sup>
32. The Utility states that the approach to filing for final 2019 rates on a test year basis is due in part due to a BCUC decision in October 2018 denying Creative Energy’s application for a multi-year index based ratemaking mechanism for the 2018-2020 period and noting that interim rates effective for 2019 were approved shortly thereafter, necessitating a

<sup>5</sup> Exhibit B-1-1, page 3

<sup>6</sup> Exhibit B-1, page 1

<sup>7</sup> Creative Energy Final Argument page 24

<sup>8</sup> Exhibit B-1, page 1

revenue requirement application or applications for 2019 and 2020 rates. Additionally, 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 a single Application for the two-year period 2019-2020. Creative Energy also confirms that it has filed for approval of 2020 rates on a forward-looking test year plan basis and intends to file for future year rates also on that basis in the normal course.<sup>9</sup>

33. Creative Energy considers that this avoids the need for a recovery mechanism if the 2019 rates were to be increased after 2019 has ended<sup>10</sup>, or presumably, a reimbursement if the rates were to be decreased.

34. Creative Energy states that:

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 Third Party Regulatory Costs Deferral Account (TPRCDA)<sup>11</sup>, which is a partial amount of the significant regulatory costs incurred in 2019 and equivalent to the remaining 2019 revenue deficiency.<sup>12</sup>

35. In BCUC 1.2.2.1, Creative Energy states that it would require a 1% increase in order to recover the 2019 revenue deficiency.<sup>13</sup>

---

<sup>9</sup> Exhibit B-4, BCUC 1.1.2

<sup>10</sup> Creative Energy Final Argument page 24

<sup>11</sup> The TPRDCA captures the variance between forecast and actual third party costs relating to regulatory filings and proceedings

<sup>12</sup> Creative Energy Final Argument page 24

<sup>13</sup> Exhibit B-4, BCUC 1.2.2.1

<b>2018 Approved Revenue Requirement</b>	<b>8,402,753</b>
<b>2018 Approved Load</b>	<b>1,098,514</b>
<b>Average Rate</b>	<b>7.65</b>
<b>2019 Actual Revenue</b>	<b>8,614,359</b>
<b>2019 Revenue Deficiency</b>	<b>85,241</b>
<b>2019 Revenue Requirement</b>	<b>8,699,600</b>
<b>2019 Actual Load</b>	<b>1,126,060</b>
<b>Average Rate</b>	<b>7.73</b>
<b>Increase in Average Rate</b>	<b>0.08</b>
<b>Increase in Permanent Rate = (.08/7.65)</b>	<b>1.0%</b>

14

36. In its Final Argument, Creative Energy acknowledges that it is general practice for the BCUC to establish rates on the basis of a test year, rather than on the basis of actual expenditures, and further that by determining the final 2019 rates and the amount to be recovered in the TPRCDA in 2019 for future recovery, the Commission will effectively determine the ROE for 2019.<sup>15</sup>

37. Creative Energy states:

“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.”<sup>16</sup>

38. The CEC submits that it is not appropriate for the Utility to present rates on a backwards-looking basis because it makes the potential for rate change more difficult, which is acknowledged by Creative Energy at page 15 of the Final Argument.

---

<sup>14</sup> Exhibit B-4, BCUC 1.2.2.1

<sup>15</sup> Creative Energy Final Argument page 14

<sup>16</sup> Creative Energy Final Argument page 14

39. The CEC submits that the Utility should be discouraged from operating in such a fashion, and in such instances the Commission should adopt the view that where there is a rate application based on historical data, variances should favour the ratepayer.
40. The CEC submits that it reasonable for the Commission to review the 2019 costs with the same caution as they would normally exercise when reviewing test year figures and attribute any cost reductions to the benefit of the ratepayer.
41. The CEC has reviewed the evidence with respect to the costs incurred in 2019.
42. The CEC finds them to be generally acceptable.

### **THIRD PARTY REGULATORY COSTS DEFERRAL ACCOUNT**

43. Creative Energy requests an addition of \$103,241 for 2019.<sup>17</sup>
44. They state that the objective to maintain smooth and predictable rate increases over the entire 2019 to 2020 period is supported by accruing an incremental portion of the higher than forecast regulatory costs in 2019 (~46,000 of the ~178,000 additional regulatory costs) for recovery through the Third- Party Regulatory Costs Deferral Account, beginning in 2019. Absent this treatment, Creative Energy would require about a 0.7 percent increase in the average 2019 rate effective January 1, 2019, even with the benefit of higher load factored in.<sup>18</sup>
45. In BCUC 1.2.3, Creative Energy acknowledges that the proposed addition of \$85,241 to Third Party Regulatory relates to ‘incorporating’ an allowed Return on Equity of 9.5% into the 2019 revenue requirement.
46. In defense of their proposal they point out that the Utility would otherwise have requested a rate increase of about 3.5% to contend with 2019 cost pressures,<sup>19</sup> and the plan reflects beneficial sharing of the higher than forecast actual load in 2019.<sup>20</sup>
47. In the CEC’s view the Third Party Regulatory Cost Account should not have the purpose of being used for balancing the Utility’s ROE.
48. The CEC submits that either the whole \$85,241, or part, could reasonably be denied because the Utility did not make an effort to conduct an RRA in a timely manner, and the risk should be to the shareholder.
49. The CEC submits that there is too much opportunity for the Utility to manipulate its costs in the event that it was exceeding its ROE at year end to permit backwards-looking revenue requirements without some risk to the Utility.

---

<sup>17</sup> Exhibit B-9, BCUC 2.42.1.1

<sup>18</sup> Exhibit B-1, page 5

<sup>19</sup> Creative Energy Final Argument page 24

<sup>20</sup> Exhibit B-4, BCUC 1.2.5

**2020 Rates**

- 50. Creative Energy applies for a 4.2% Steam Rate increase for 2020.<sup>21</sup>
- 51. The requested revenue requirement for 2020 is \$9,086,328 based on a forecast steam load of 1,140,634 M# resulting in an average rate of \$7.97/M#.<sup>22</sup>
- 52. Creative Energy states that the rate increase of 4.2% is necessary to recovery inflationary cost increases in the context of business-as-usual operating conditions.<sup>23</sup>

2020 Rate Increase Components				
Cost Component	General Category of Cost Control	2018 Approved to 2019 RRA	Explanatory Variance of Overall Steam Rate Increase: 2018 Approved to 2020 RRA	
O&M		458,846	651,051	7.7%
Wages and Benefits (Steam, Distribution & Management)	Not External	23,454	247,923	3.0%
	External	29,731	52,235	0.6%
Water-related expenses (Fees, treatment, electric service)	Not External	-	-	0.0%
	External	124,072	214,697	2.6%
Maintenance (including parts, supplies, safety and vehicles)	Not External	37,884	11,114	0.1%
	External	-	-	0.0%
Special Services (Regulatory, Audit, Legal, Outside Services)	Not External	48,579	49,563	0.6%
	External	205,983	30,336	0.4%
Other General & Administration (e.g. insurance, office)	Not External	(52,844)	(3,377)	0.0%
	External	41,987	48,560	0.6%
Municipal Access Fee	External	9,500	19,184	0.2%
Property Taxes	External	68,666	168,140	2.0%
Income Taxes	External	4,121	7,821	0.1%
Depreciation	External	(65,567)	(38,867)	-0.5%
Interest Expense	External	(15,856)	7,144	0.1%
Return on Equity	External	(29,026)	9,974	0.1%
<b>Summary</b>				
Amortization of deferred Regulatory and Pension expenses in steam rate			(133,837)	-1.6%
Controllable Costs as generally understood		57,073	305,222	3.6%
Externally Driven Costs as generally understood		373,611	519,225	6.2%
Load M#			42,120	-4.0%
<b>Total Steam Rate Increase 2020</b>				<b>4.2%</b>

24

- 53. The CEC notes that controllable costs as generally understood experience an increase of 3.6%, while externally driven costs experience an increase of 3.6%.

**Load Forecast**

- 54. Creative Energy provides the following load forecast in its Application.

<sup>21</sup> Exhibit B-1, page 1

<sup>22</sup> Exhibit B-9, BCUC 2.42.1.1

<sup>23</sup> Exhibit B-1, page 3

<sup>24</sup> Exhibit B-4, BCUC 1.2.10.1

**Table 12: 2019 and 2020 Steam Load Forecast - Summary**

M#	Core Steam	NEFC 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%

25

**Table 13: 2020 Forecast Steam Load – Existing and New**

M#	Core Steam	NEFC Steam	Total Steam
Existing Load	1,069,572	57,459	1,127,031
New Load	753	12,849	13,602
Total	1,070,325	70,309	1,140,634

26

55. The CEC has reviewed the evidence related to the load forecast and does not object to the forecast as a basis for the revenue requirement.

### **Operations and Maintenance**

56. As shown in the 2020 Rate Increase Components for 2020 Table, O&M is expected to increase by 7.7% over 2018.<sup>27</sup>
57. Creative Energy provides the following O&M by Business Function in its Evidentiary Update at Appendix 1 page 3.

---

<sup>25</sup> Exhibit B-1, page 21

<sup>26</sup> Exhibit B-1, page 21

<sup>27</sup> Exhibit B-4, BCUC 1.2.10.1

**Table 14 Update: Total O&M by Business Function**

		2015	2016	2017	2018	2018	2019	2020
Acct. #	Account Name	Actual (\$)	Actual (\$)	Actual (\$)	Actual (\$)	Approved (\$)	Test Year (\$)	Test Year (\$)
<b>Steam Production-Operation</b>								
500	Supervision and Labour	1,220,581	1,280,201	1,490,282	1,574,018	1,386,755	1,539,227	1,566,232
502	Steam Expenses	900,535	900,394	1,122,868	1,089,206	986,219	1,074,109	1,110,166
	<b>Total</b>	<b>2,121,116</b>	<b>2,180,595</b>	<b>2,613,150</b>	<b>2,663,224</b>	<b>2,372,974</b>	<b>2,613,336</b>	<b>2,676,398</b>
<b>Steam Production-Maintenance</b>								
506	Structures and Improvements	3,576	1,548	8,230	37,129	9,573	86,693	78,696
<b>Distribution - Operation</b>								
870	Supervision & Labour	551,027	529,141	520,275	592,644	549,834	592,563	662,757
874	Mains & Services	23,134	24,664	27,677	20,057	19,451	20,801	21,200
880	Other Distribution Operation	0	0	0	0	15,582	0	0
933	Transportation	14,102	11,198	13,612	13,191	24,951	23,481	20,840
	<b>Total</b>	<b>588,263</b>	<b>565,003</b>	<b>561,565</b>	<b>625,892</b>	<b>609,818</b>	<b>636,845</b>	<b>704,797</b>
<b>Distribution Expenses - Maintenance</b>								
887	Mains & Services	35,838	44,716	52,965	42,286	68,233	72,268	51,880
889	Meters & House Regulators	106,675	160,888	90,809	112,863	116,403	126,777	187,000
	<b>Total</b>	<b>142,513</b>	<b>205,604</b>	<b>143,774</b>	<b>155,149</b>	<b>184,636</b>	<b>199,045</b>	<b>238,880</b>
<b>Sales Promotion Expenses-Operation</b>								
910	Sales Expense	59,865	41,922	69,735	55,146	52,651	25,902	31,285
<b>Administrative &amp; General - Operation</b>								
915	Directors Fees	71,135	49,268	24,150	28,200	40,023	-	41,686
920	Admin & General Salaries	784,491	593,410	496,221	551,172	648,236	527,415	676,042
921	Office Supplies & Expenses	110,831	110,167	114,006	106,356	92,776	113,100	104,801
922	Admin & General Expenses	18,874	6,011	4,697	25,493	10,693	5,115	7,303
923	Special Services	246,122	386,217	110,595	510,491	233,315	487,878	313,215
924	Insurance	102,466	109,466	103,106	107,102	103,877	122,971	138,740
925	Injuries & Damages-WCB	7,078	6,959	4,527	6,622	5,907	7,206	6,520
926	Employee Benefits	159,930	70,199	208,074	253,445	107,621	86,426	87,573
	<b>Total</b>	<b>1,500,927</b>	<b>1,331,697</b>	<b>1,065,375</b>	<b>1,588,881</b>	<b>1,242,448</b>	<b>1,350,111</b>	<b>1,375,879</b>
<b>Administrative &amp; General - Maintenance</b>								
932	Maintenance of General Plant	15,814	16,873	22,980	71,747	23,932	22,171	20,372
<b>Gross O&amp;M Expense</b>		<b>4,432,074</b>	<b>4,343,242</b>	<b>4,484,809</b>	<b>5,197,167</b>	<b>4,496,032</b>	<b>4,934,103</b>	<b>5,126,308</b>
<b>O&amp;M Expenses Allocated to Capital \$</b>						<b>(20,775)</b>		
<b>Net O&amp;M Expense</b>		<b>4,432,074</b>	<b>4,343,242</b>	<b>4,484,809</b>	<b>5,197,167</b>	<b>4,475,257</b>	<b>4,934,103</b>	<b>5,126,308</b>

28

58. In CEC 1.8.1 and 1.8.2 the CEC requested explanations and justification for any increase exceeding 5% occurring between 2018 and 2019 Test year; and between 2019 and 2020 Test years.

59. However, Creative Energy declined to do so because:

“The accounting of costs shown in Table 14 is by BCUC system of accounts, and elaborating on the specific line item increases and variances in the table is not helpful for understanding the cost drivers of Creative Energy’s Application, as explained in section 3.2.1 of the Application.

Creative Energy notes that the explanations and drivers of variances as set out in the Application support the requested rate increase in 2020 as compared the

<sup>28</sup> Exhibit B-1-1 Appendix 1 page 3

average 2018 Approved rate and 201 Interim Approved and final proposed average rate, both equal to \$7.65/M#. The discussion in the Application sets out, in the appropriate context and where applicable, the variance explanations for both the cost drivers in 2019 through 2020 under each of the consolidated categories as presented overall in Table 15 and the sections that follow it.”<sup>29</sup>

60. Overall, the CEC notes that there is an approximate increase of \$600,000 between the 2018 Approved and the 2020 proposed, the bulk of which were incurred in 2019.
61. In Section 3.2.2 of the Application Creative Energy provides an overview of the five categories of cost drivers including wages and benefits, water related, maintenance and related operation, special series and other general and admin.

**Table 15 Update: Total O&M by Cost Driver and Control**

	Category of Cost Control	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Approved	2019 Test Year	2020 Test Year
O&M	Total	4,432,074	4,343,242	4,484,809	5,197,167	4,475,257	4,934,103	5,126,308
	Not external	3,190,434	2,997,434	2,961,241	3,195,497	3,248,280	3,305,352	3,553,502
	External	1,146,440	1,405,408	1,277,168	1,597,971	1,226,977	1,628,751	1,572,806
Wages and Benefits	Total	2,620,829	2,532,551	2,468,452	2,567,579	2,692,446	2,745,630	2,992,604
	Not external	2,478,382	2,339,375	2,297,301	2,403,029	2,502,162	2,525,616	2,750,085
	External	142,447	193,176	171,151	164,549	190,284	220,014	242,519
Water-related and Electricity Expenses	Total	770,298	830,476	924,810	928,734	776,350	900,422	991,046
	Not external	-	-	-	-	-	-	-
	External	770,298	830,476	924,810	928,734	776,350	900,422	991,046
Maintenance (including parts, supplies, safety and vehicles)	Total	329,376	329,805	414,331	457,744	487,994	525,878	499,108
	Not external	329,376	329,805	414,331	457,744	487,994	525,878	499,108
	External	-	-	-	-	-	-	-
Special Services (Regulatory, Audit, third-party consultants)	Total	246,122	386,217	110,595	510,491	233,315	487,878	313,215
	Not external	147,525	135,690	60,315	119,979	69,074	117,653	118,637
	External	98,597	250,527	50,280	390,512	164,241	370,225	194,578
Other General & Administration, Sales Exp (e.g. Insurance, office expenses)	Total	370,249	323,793	320,221	328,919	285,152	274,295	330,335
	Not external	235,151	192,564	189,294	214,744	189,049	136,205	185,672
	External	135,098	131,229	130,926	114,175	96,103	138,090	144,663
Pension revaluation		95,200	(59,600)	246,400	403,700	-	-	5,126,308

30

62. Creative Energy provides breakdowns of various accounts in the Application and Evidentiary Update Exhibit B-1-1.

**Wages and Benefits**

63. Wages and Benefits accounts for approximately \$3 million of the \$5 million in total O&M. They are proposed to be about \$300,000 higher than 2018 Approved and about \$270,000 higher than 2019 Test Year.

<sup>29</sup> Exhibit B-6, CEC 1.8.1

<sup>30</sup> Exhibit B-1-1, Appendix 1 page 4

**Table 16: Summary of Total Wages and Benefits**

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Approved	2019 Test Year	2020 Test Year
500 Supervision and Labour	1,220,581	1,280,201	1,490,282	1,574,018	1,386,755	1,525,479	1,566,232
870 Supervision and Labour	551,027	529,141	520,275	592,644	549,834	566,677	662,757
920 Admin & General Salaries	784,491	593,410	496,221	551,172	648,236	532,131	676,042
926 Employee Benefits	159,930	70,199	208,074	253,445	107,621	89,612	87,573
Subtotal	2,615,866	2,521,540	2,458,608	2,555,771	2,692,446	2,713,874	2,992,604
Total Pension Revaluation	95,200	(59,600)	246,400	403,700	-	-	-
Total	2,716,029	2,472,951	2,714,852	2,971,279	2,692,446	2,713,899	2,992,604

31

64. The CEC addresses only certain items of particular interest in the following:

**Wages – Steam Production Supervision and Labour**

The 2019 Test Year base wages of \$1,226,794 were approximately 9% higher than those of the 2018 Actual base wages of \$1,130,144.<sup>32</sup>

The union wage increase of 1.8% accounted for about \$20,343 of the \$96,650 increase.<sup>33</sup>

Creative Energy states that job vacancies in 2018, including the Chief Engineer position was not experienced in 2019, there was higher overtime in 2018 and probationary employees had lower earnings.<sup>34</sup>

The CEC has reviewed the evidence and is satisfied with the change in wages.

**Overtime**

The CEC understands Creative Energy is using the figure of \$49,146 for its overtime allocation in Steam Production Supervision and Labour instead of the \$53,692<sup>35</sup> originally used.

Creative Energy states that:

“Actual overtime came in lower than 2018 and Creative Energy would consider it reasonable to take an average of the 2018 and 2019 actuals (\$49,146) as a revised estimate. Accordingly, Creative Energy has factored this revision into its responses to BCUC IR Series 42.0”.

<sup>31</sup> Exhibit B-1, page 24

<sup>32</sup> Exhibit B-1-1 Appendix 1 page 4

<sup>33</sup> Exhibit B-4, BCUC 1.8.1

<sup>34</sup> Exhibit B-4, BCUC 1.8.1

<sup>35</sup> Exhibit B-1-1 Appendix 1 page 4

The evidence is that overtime expense has been as follows:

- 2017 Actual - \$36,001
- 2018 Actual - \$66,696
- 2019 Test Year - \$31,595
- 2020 Test Year - \$53,692.<sup>36</sup>

The CEC notes that the average of the three years including 2017, 2018, and 2019 is \$44,764.

This would result in a reduction of about \$4500 which would have a very minimal impact on the proposed average rate of less than one cent per M#. <sup>37</sup>

Nevertheless, the CEC submits that it is appropriate practice to use the average of the 3 years instead in order to avoid applying too much weight to the outlier 2018 year. The CEC submits it would be preferable for Creative Energy to standardize the figures used in its averages.

**Admin and General Salaries Management Labour and Benefits**

**Table 21 Update: Management Labour and Benefits – Accounts 920 and 926 - Summary**

920 Admin & General Salaries	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Approved	2019 Test Year	2020 Test Year
Wages	784,491	593,410	496,221	551,172	648,236	527,415	676,042
926 Employee Benefits							
Benefits	47,467	60,448	56,351	44,907	47,950	58,976	64,826
Pension	17,263	69,351	51,130	39,088	59,671	27,449	22,746
Pension Revaluation	95,200	(59,600)	100,593	169,450			
Subtotal Total	159,930	70,199	208,074	253,445	107,621	86,426	87,573
Total	944,421	663,609	704,295	804,617	755,857	613,840	763,614

38

**Table 22: Management Labour and Benefits – Accounts 920 and 926 - Variance**

920 Admin & General Salaries		2018 Approved to 2020 Forecast	
Wages	Not external	27,805	4%
926 Employee Benefits			
Benefits	Not external	16,876	35%
Pension	External	(36,924)	-62%
Subtotal		(20,048)	-19%
Total		7,757	1%
	Internal	44,682	6%
	External	(36,924)	-5%

<sup>36</sup> Exhibit B-9, BCUC 2.44.1

<sup>37</sup> Exhibit B-1-1 Appendix 1 to the Evidentiary Update page 4 Table 17

<sup>38</sup> Derived from Exhibit B-9, BCUC 2.44.2.1

The CEC notes that the 2020 test year is generally in keeping with the 2018 Approved, though significantly higher than the 2019 test year on an overall basis. Total Internal costs are increasing at 6% while external costs are declining. In particular Benefits increase by 35% which is related to the Employer Health Tax. The 4% increase in wages relates primarily to wage increases for given roles when filling vacancies.<sup>39</sup>

The CEC has reviewed Creative Energy’s explanations for the above changes and accepts them as being reasonable.

### Water and Electricity Expenses

65. The cost of water is one of the major expenses for the Company. Creative Energy’s primary water usage consists of:
- a) Feed water as an input in steam production; and
  - b) Water cooling applied to Distribution system condensate so that it can safely be discharged into the City of Vancouver’s storm and sewer network.<sup>40</sup>
66. The CEC has reviewed Creative Energy’s explanation regarding water and electricity expenses and finds it to be acceptable.

### Maintenance

67. Forecast increases in maintenance are in the order of 2%.

**Table 26: Maintenance and related functional operation – Multiple Accounts – Variance**

		2018 Approved to 2020 Forecast	
502 Steam Expenses - Partial	Not external	(89,001)	39%
506 Structures and Improvements	Not external	69,123	722%
880 Other Distribution Operation	Not external	(15,582)	-100%
933 Transportation	Not external	(4,111)	-16%
887 Mains and Services	Not external	(16,353)	-24%
889 Meters & House Regulators	Not external	70,597	61%
932 Maintenance of General Plant	Not external	(3,560)	-15%
<b>Total</b>	<b>Not external</b>	<b>11,114</b>	<b>2%</b>

<sup>39</sup> Exhibit B-1, page 27

<sup>40</sup> Exhibit B-1, page 28

<sup>41</sup> Exhibit B-1, page 30

68. The CEC accepts this as reasonable.

**Special Services**

69. Special services include Audit fees, Legal Fees, Outside Services and Regulatory.

**Table 27: Special Services – Account 923 – Summary**

923 Special Services	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Approved	2019 Test Year	2020 Test Year
Audit Fees	51,200	70,975	28,596	47,203	28,590	48,851	44,578
Legal Fees	18,284	20,242	7,875	18,654	17,869	8,647	13,171
Outside Services	129,241	115,448	52,439	101,325	51,205	114,872	105,466
Regulatory	47,397	179,552	21,684	343,309	135,651	312,991	150,000
Total	246,122	386,217	110,595	510,491	233,315	485,361	313,215

42

70. The CEC notes a significant increase in Outside Services with a variance of \$54,261, or 106% versus 2018 Approved.<sup>43</sup>

71. Outside Services relate to consulting costs for government advisory services, business development opportunities and the scoping of low carbon project opportunities and funding sources.<sup>44</sup>

72. Government advisory costs for the 2019 and 2020 Test Years are approximately \$50,000 per year. Consulting costs make up the remainder of the forecast annual total. The average actual cost from 2015 through 2018 has been approximately \$100,000 and actual average amounts are considered representative of ongoing company priorities as compared to 2018 Approved.<sup>45</sup>

73. The CEC notes that the Commission only approved \$51,000 in 2018.

74. The CEC is also concerned with the role of Reshape Infrastructure Strategies Inc. in Creative Energy’s activities, as discussed below under the Fuel Switch Study.

75. The CEC does not believe Creative Energy has adequately justified the planned levels of expenditure and submits that the Commission should consider denying half of the Outside Services costs.

**Other General & Administrative Sales Expense**

76. Creative Energy provides the following tables related to the increase in Other General and Administrative Sales Expense.

---

<sup>42</sup> Exhibit B-1, page 31

<sup>43</sup> Exhibit B-1, page 31

<sup>44</sup> Exhibit B-1, page 32

<sup>45</sup> Exhibit B-1, page 32

**Table 30: Other General & Administrative – Multiple Accounts - Summary**

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Approved	2019 Projected	2020 Test Year
915 Directors Fees	71,135	49,268	24,150	28,200	40,023	3,257	41,686
921 Office Supplies & Expenses	110,831	110,167	114,006	106,356	92,776	106,423	104,801
922 Admin & General Expenses	18,874	6,011	4,697	25,493	10,693	5,821	7,303
924 Insurance	102,466	109,466	103,106	107,102	103,877	136,994	138,740
925 Injuries & Damages - WCB	7,078	6,959	4,527	6,622	5,907	6,242	6,520
<b>Total</b>	<b>310,384</b>	<b>281,871</b>	<b>250,486</b>	<b>273,773</b>	<b>253,276</b>	<b>258,737</b>	<b>299,050</b>

**Table 31: Other General & Administrative – Multiple Accounts - Variance**

		2018 Approved to 2020 Forecast	
915 Directors Fees	Not external	1,663	4%
921 Office Supplies & Expenses	Not external	12,025	13%
922 Admin & General Expenses	Not external	(3,390)	-32%
924 Insurance	External	34,863	34%
925 Injuries & Damages - WCB	Not external	613	10%
<b>Total</b>		<b>45,774</b>	<b>18%</b>

77. The most significant change is in the cost of Insurance, which is an external cost.
78. The CEC also notes a significant increase in Office Supplies & Expenses, but also notes they are in keeping with historical spending. The CEC submits that it could be useful to review the 2018 decision and determine why the Office Supplies & Expenses were reduced from previous Actuals.
79. Creative Energy uses \$7,303 as the forecast for Admin and General Expenses.
80. In CEC 2.18.1 Creative Energy explains that the \$7,303 was developed from 2015-2018 figures, and excluded 2019 as it was not available.
81. The CEC notes that Creative Energy seems to use differing components for its averaging, dating back to 2015 for the Admin and General expenses and proposing only to use 2018 and 2019 for its overtime estimate.
82. Overall the CEC submits that it would be prudent for Creative Energy to use consistent components when calculating averages in costs, and accommodating outliers by assessing and adding back or deducting expenses as necessary.

**Core O&M Conclusion**

83. Overall the CEC has reviewed the evidence and accepts the 2020 O&M expense as reasonable subject to any notations above.

**CORE CAPITAL**

84. Creative Energy provides an overview of its Rate Base forecast and capital additions at pages 38-42 of the Application.

85. The year-over-year increases to Rate Base in 2019 and 2020 are primarily driven by capital additions. Projected capital additions are \$2.1 million in 2019 and \$1.6 million in 2020.<sup>46</sup>
86. Core system capital additions are laid out in Appendix D of the Application.

---

<sup>46</sup> Exhibit B-1, page 39

**Appendix D – Core System Capital Additions 2019-2020**

	2019 Test Year	2020 Test Year	Comments
<b>Steam Production Plant</b>			
Softener Project	92,789		Updated controls to extend life; changed resin to improve efficiency
Built space (asset management and tracking system)	84,602		Logbook system for current and future asset tracking to improve operational efficiency
Boiler 5 Burner	26,012		External casing replace around burner to extend useful life and improve safety
Scavenger Project	54,508		Existing asset was damaged internally, improves the heat recovery related to steam transferred to NEFC
Boiler 2 Controls	13,882		Boiler 2 will be replaced in the redevelopment, but the controls will be repurposed and used by Boiler 3
Other	13,634		
Chemical Handling		100,000	Safety and cost efficiency improvements
Boiler 6 Fan and VFD upgrade		100,000	Reliability and redundancy improvements
Boiler 3 Refractory Front Wall		60,000	Life extension
Deaerator 3 control valves		60,000	Operation efficiency
Softener to Delta V and exterior upgrades		35,000	Life extension
Boiler 6 Turbine Overhaul		30,000	Life extension
Air system upgrade		22,000	Improved filtering for air supplied to control valves and instrumentation
Subtotal	285,427	407,000	
<b>Steam Distribution System</b>			
MA 8.5 Drainage	438,867		Sump for collecting drainage water at Georgia and Hornby; tied draining into city's drainage system, life cycle improvement
Planter Replacements	39,415		Removing concrete planters and replacing with flush mount vents on manholes
Alberni Loop	35,196		Connection of steam line on Alberni for redundancy and customer liability
Other	20,005	9,667	
MB-1 Manhole Rebuild		500,000	Life extension
New Vehicle		50,000	Aging vehicle fleet replacement
Subtotal	533,483	559,667	
<b>Building Services</b>			
Remote Metering Project	293,666		Real time monitoring, improved customer service
Meters	102,056	50,000	Replacements, asset upgrades
Pressure Reducing Valves	24,354	113,868	Upgrading customer service connection
Subtotal	420,076	163,868	
<b>Customer Connections</b>			
Vancouver Post Office DPS	868,032	70,000	Relocating existing line due to Post Office construction to maintain service to two existing customers and one new customer
410 West Georgia		249,862	New customer load
402 Dunsmuir		100,920	New customer load
YWCA		97,600	New customer load
Subtotal	868,032	518,382	
<b>Total</b>	<b>2,107,018</b>	<b>1,648,917</b>	

87. 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

<sup>47</sup> Exhibit B-1, Appendix D page 76 of 79 PDF

are not manifestations of project execution risks (e.g., a project running over or under budget).<sup>48</sup>

88. Creative Energy outlines why the risks of variances between Actual and RRA forecast capital additions are adequately mitigated in its Final Argument at page 12-13.
89. The CEC agrees that the risk is adequately mitigated.
90. The CEC recommends that the Commission accept Creative Energy's capital plan as filed.

## **CORE RATE AND COST RECOVERY MECHANISMS**

### **Deferral Accounts**

#### **THIRD PARTY REGULATORY COSTS DEFERRAL ACCOUNT**

91. The CEC provides its views as to the requested addition earlier in these submissions.

#### **DEFERRAL ACCOUNT RATE RIDER ("DARR")**

92. 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.
93. The opening balance is \$641,614.<sup>49</sup>
94. The 2020 RRA reflects implementation, effective January 1, 2020, of the requested new DARR.<sup>50</sup>
95. Creative Energy clarifies the dual-nature of its proposal in respect of:
  - a) the implementation of the DARR mechanism and
  - b) the approved level of the DARR for any test period or at any point in time otherwise.<sup>51</sup>
96. The objective of the DARR and the two-year amortization period is to target smooth and stable recovery of irregular regulatory and pension cost impacts. Under the proposed DARR, these costs will be recovered on a single per unit basis (\$/M#) and not tied to the declining block steam rate design.<sup>52</sup>

---

<sup>48</sup> Creative Energy Final Argument page 13

<sup>49</sup> Exhibit B-1, page 49

<sup>50</sup> Exhibit B-1, page 7

<sup>51</sup> Creative Energy Final Argument page 18

<sup>52</sup> Exhibit B-1, page 49

97. In Creative Energy’s view this approach will promote more equitable allocation of cost recovery from customers and more predictable cost recovery by the utility.<sup>53</sup>
98. Creative Energy proposes to establish the DARR equal to \$0.29/M# in 2020 with recovery forecast over the 2020-2021 time frame. Creative Energy will seek approval to amend the level of the DARR if required to recover recorded variances between actual and forecast amount in subsequent periods.<sup>54</sup>

**Table 53: Forecast DARR Recovery**

DARR	0.29	\$/M#										
Annual Load	1,140,634			M#								
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Historical Load Shape	14.3%	12.3%	11.4%	8.6%	6.2%	4.5%	3.7%	3.5%	4.3%	7.2%	10.9%	13.3%
Monthly Load 2020	163,030	139,898	129,547	98,566	70,212	50,960	42,023	39,380	48,710	81,959	124,562	151,787
Opening Balance 2020	641,614	594,287	553,675	516,069	487,455	467,073	452,280	455,911	444,479	430,339	406,547	370,387
Interest								15,830				
Rate Rider Revenue	47,327	40,612	37,607	28,613	20,382	14,793	12,199	11,432	14,140	23,792	36,159	44,063
Ending Balance 2020	594,287	553,675	516,069	487,455	467,073	452,280	455,911	444,479	430,339	406,547	370,387	326,324
Monthly Load 2021	163,030	139,898	129,547	98,566	70,212	50,960	42,023	39,380	48,710	81,959	124,562	151,787
Opening Balance 2021	326,324	278,998	238,386	200,779	172,166	151,784	136,991	129,586	118,155	104,015	80,222	44,063
Interest								4,795				
Rate Rider Revenue	47,327	40,612	37,607	28,613	20,382	14,793	12,199	11,432	14,140	23,792	36,159	44,063
Ending Balance 2021	278,998	238,386	200,779	172,166	151,784	136,991	129,586	118,155	104,015	80,222	44,063	-

55

99. The CEC does not object to the approach of recovering costs on a single per unit basis which the CEC agrees is more equitable for customers as it is based on steam usage, and submits that a two-year time frame is appropriate for recovery. The CEC notes that a one year recovery would result in a 9% increase.<sup>56</sup>
100. The CEC recommends that the Commission approve the DARR as filed by Creative Energy.

**WATER COST DEFERRAL ACCOUNT (“WCDA”)**

101. Creative Energy requests approval of a Water Cost Deferral Account (“WCDA”) to track the difference between actual total annual water costs versus forecast total annual water costs.<sup>57</sup> 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.<sup>58</sup>

<sup>53</sup> Exhibit B-1, page 49

<sup>54</sup> Exhibit B-1, page 49

<sup>55</sup> Exhibit B-1, page 49

<sup>56</sup> Exhibit B-1, page 49

<sup>57</sup> Exhibit B-4, BCUC 1.10.1.1.1

<sup>58</sup> Exhibit B-9, BCUC 2.45.1.1

102. Differences between actual and forecast water expenses result primarily from variances in steam load and changes to the water rates and rate structure as set by the City of Vancouver, both of which are outside of Creative Energy's control.<sup>59</sup>
103. Creative Energy acknowledges that a deferral account will mitigate a significant risk but does not expect that a deferral account should impact its ROE since it is a risk comparable to fuel cost and should not be borne by the shareholder.
104. The CEC does not object to the establishment of the WCDA, and accepts that there is no requirement to adjust the ROE as a result.

**PROPERTY TAX DEFERRAL ACCOUNT**

105. 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:
  - a) the mid-year value in 2020 (opening balance equal to zero and closing balance equal to the full variance) and
  - b) 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.
106. The CEC has no objection to Creative Energy's proposal for the property tax variance.

**PENSION EXPENSE DEFERRAL ACCOUNT**

107. The CEC has reviewed the evidence related to the Pension Expense Deferral Account and is satisfied that it is complete.

**Allocations Between Creative Energy Vancouver Platforms and Creative Energy Developments Limited Partnership (Creative Energy Developments) - Massachusetts Formula**

108. Creative Energy provides its Budgeted Time Allocation and Project Assignment by role at page 16 of the Application.

---

<sup>59</sup> Exhibit B-9, BCUC 2.45.1.1.1

**Table 8: 2020 Budgeted Time Allocation and Project Assignment by Role**

	Time Allocation		Creative Energy Vancouver Platforms				
	Creative Energy Vancouver Platforms	Creative Energy Developments Limited Partnership	Project Assignment			Net Expense Assignment to Core RRA	
			Direct Assignment to CEV Projects (Capitalized)	Expensed to CEV	Net CEV Expense	Direct Assignment	Mass. Form.
Chief Executive Officer	50%	50%	0%	100%	50%	n/a	Yes
VP, Engineering & Projects	40%	60%	80%	20%	8%	n/a	Yes
VP, Business Development	0%	100%	n/a	n/a	0%	n/a	n/a
Chief Financial Officer	30%	70%	0%	100%	30%	n/a	Yes
Director, Regulatory Affairs	80%	20%	0%	100%	80%	n/a	Yes
Director, Operations	100%	0%	0%	100%	100%	n/a	Yes
Director, Engineering (planned)	40%	60%	80%	20%	8%	n/a	Yes
Mgr. Corporate Development	60%	40%	0%	100%	60%	n/a	Yes
Construction Manager	100%	0%	80%	20%	20%	n/a	Yes
Project Engineer	0%	100%	n/a	n/a	0%	n/a	n/a
Project Engineer	0%	100%	n/a	n/a	0%	n/a	n/a
Project Engineer (planned)	0%	100%	n/a	n/a	0%	n/a	n/a
Controller	70%	30%	0%	100%	70%	n/a	Yes
Accountant	80%	20%	0%	100%	80%	n/a	Yes
Accountant	40%	60%	0%	100%	40%	n/a	Yes
Office Coordinator	60%	40%	0%	100%	60%	n/a	Yes
Chief Engineer Steam Plant	100%	0%	0%	100%	100%	Yes	n/a
Steam Plant Crew (11)	100%	0%	0%	100%	100%	Yes	n/a
Distribution Lead	97%	3%	0%	100%	97%	Yes	n/a
Distribution Crew (6)	97%	3%	0%	100%	97%	Yes	n/a

60

109. The allocation was primarily judgement-based, and based on discussions with management and individual employees.<sup>61</sup>
110. The Massachusetts Formula is an accepted means of allocating Sales and General & Administrative costs and has been utilized by Creative Energy steam service and its other regulated Vancouver projects.<sup>62</sup>
111. 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:
  - a) Gross Property, plant and equipment (PPE);
  - b) Direct labor expenses; and
  - c) Gross Revenues.

<sup>60</sup> Exhibit B-1, page 16

<sup>61</sup> Exhibit B-6, CEC 1.6.1 (see also BCUC 1.3.4 and 1.3.5) for capitalization

<sup>62</sup> Creative Energy Final Argument page 16

112. 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.<sup>63</sup>

Factor Methodology

113. Creative Energy is proposing to modify the approved 3-factor model because Creative Energy deems that the outcome is unfair. Instead it proposes to use a 2-factor Massachusetts Formula for 2020<sup>64</sup> which removes the PPE from the calculation.

114. Creative Energy states:

“Creative Energy proposes in this Application to use a modified formula based on only two factors, Direct labour expenses and Gross revenues, and excluding Gross property, plant and equipment, the results of which are illustrated in Table 9.”

**Table 9: Massachusetts Formula: 3 Factor versus 2 Factor**

	Core	NEFC	Main & Keefer	Kensington Garden	SODO Heating	SODO Cooling <sup>5</sup>	Pendrell <sup>6</sup>	Total
<b>Factor (\$)</b>								
Capital	25,665,155	4,851,398	781,427	1,865,605	3,752,214	1,418,054	1,254,230	39,588,083
Revenues	9,087,307	1,581,195	135,544	341,167	418,675	159,541	167,156	11,890,586
Plant & Dist. Labour	2,228,989	51,691	19,384	77,536	51,691	12,737	25,845	2,467,874
<b>Ratio</b>								
Capital	65%	12%	2%	5%	9%	4%	3%	100%
Revenues	76%	13%	1%	3%	4%	1%	1%	100%
Plant & Distribution Labour	90%	2%	1%	3%	2%	1%	1%	100%
Combined Ratio: 3 Factor	77.2%	9.2%	1.3%	3.6%	5.0%	1.8%	1.9%	100%
Combined Ratio: 2 Factor	83.4%	7.7%	1.0%	3.0%	2.8%	0.9%	1.2%	100%
3-Factor Allocation	1,211,978	144,695	20,407	56,123	78,995	28,470	29,420	1,570,089
2-Factor Allocation	1,309,019	120,837	15,115	47,189	44,085	14,585	19,258	1,570,089
Difference	97,041	-23,857	-5,292	-8,934	-34,910	-13,885	-10,162	-

65

115. Creative Energy’s concern is related to the fact that the core system has comparatively lower embedded costs on a unit basis compared to new systems. ‘While the Core system has significantly more customers, the relative allocation of administration costs is disproportionately weighted toward newer systems with fewer customers’.<sup>66</sup>

<sup>63</sup> Creative Energy Exhibit B-1, page 17

<sup>64</sup> Exhibit B-4, BCUC 1.4.3.1

<sup>65</sup> Exhibit B-1, page 17

<sup>66</sup> Creative Energy Final Argument page 16

116. As demonstrated in the Table above, excluding PPE results in the Core customer base assuming an additional \$100,000 in expenses while the other projects have reductions ranging from \$5000 to \$34,000.
117. Creative Energy plans to continue to use the 2-factor formula going forward.<sup>67</sup>
118. Creative Energy intends to continue to use the formulaic approach but points out that it does not require separate approval.<sup>68</sup>
119. The CEC does not consider it appropriate to remove PPE from the Massachusetts Formula.
120. The Massachusetts Formula is an industry-accepted formula and developed as a standard methodology to establish what constitutes 'fairness' in allocating expense. The CEC submits that to the extent the Massachusetts Formula has been accepted by the Commission as being a fair method of allocation, it should be used as the standard of fairness.
121. In contrast, Creative Energy's proposed 2-factor Massachusetts Formula is a Creative Energy construct, and has no known precedent in any other jurisdiction.<sup>69</sup>
122. In the CEC's view, Creative Energy simply does not like the outcome and is intending to impose its own view of fair on the allocation.
123. The CEC notes that PPE is highly significant in the costs facing the utility and it would be inappropriate to make such significant changes to a model in order to achieve a particular outcome.
124. Creative Energy states that if the 3-factor formula were used for 2020, the average rate would decrease \$0.07 per M# from the average in the Evidentiary Update.
125. This would lower the overall increase by 1 percentage point, or about 25%, resulting in a net rate increase of 3.2% instead of the 4.2% requested.<sup>70</sup>
126. The CEC submits that a 1 percentage point change is significant. By constructing a new model, Creative Energy has effectively increased the Core rate increase by about 33% than would otherwise have been required under the 3-factor model.

---

<sup>67</sup> Exhibit B-4, BCUC 1.4.3.1

<sup>68</sup> Creative Energy Final Argument page 16

<sup>69</sup> Exhibit B-4, BCUC 1.4.4

<sup>70</sup> Exhibit B-4, BCUC 1.4.5

Difference between 2-factor and 3-factor	(86,982)
Revenue Requirement per Evidentiary Update	9,093,363
Revenue Requirement if 2-factor model is used	9,006,381
Load Forecast per Evidentiary Update	1,140,634
2020 Adjusted Average Rate	7.90
2020 Average Rate per Evidentiary Update	7.97
Difference in Average Rate	(0.07)
% Change from Evidentiary Update	-0.9%
2019 Average Rate	7.65
Difference in Average Rate	0.25
% Change from 2019 Average Rate	3.2%

71

#### Factor Using Undepreciated Capital

127. Creative Energy states that they are also open to utilizing an alternative 3-factor model using undepreciated asset values instead of depreciated asset values.<sup>72</sup>
128. In CEC 2.16.1, Creative Energy states that:
- “Creative Energy believes that using undepreciated capital values under the 3-factor approach would provide a better result compared to using depreciated values, and such an approach would be consistent with the standard industry practice to use gross capital in the Massachusetts formula.”<sup>73</sup>
129. Creative Energy provides the following comparison of the three methodologies.

---

<sup>71</sup> Exhibit B-4, BCUC 1.4.5

<sup>72</sup> Creative Energy Final Argument page 5

<sup>73</sup> Exhibit B-10, CEC 2.16.1

	Opening 2020 (projected)							
	Core Steam	Main & Keefer	Kensington	NEFC	South Downtown Heating	South Downtown Cooling	Pendrell	Total
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%
3-factor (depreciated PPE)	77.1%	1.3%	3.6%	9.3%	5.0%	1.8%	1.9%	100.0%

74

130. The 3-factor ‘undepreciated PPE’ would allocate more costs to the Core customer group than the depreciated PPE 3 Factor methodology, but slightly less than the 2-factor methodology.
131. In the CEC’s view, it is again inappropriate to revise the model in order to achieve a desired outcome.
132. The CEC submits that there is some discrepancy in the evidence as to what the BCUC approved in the use of the Massachusetts Formula.
133. On the one hand, page 17 of the Application indicated that Creative Energy was using Gross Capital in its approved 3-factor analysis when comparing the approved 3-factor and the 2-factor approaches.
134. However, Creative Energy notes that the ‘Approved’ 3-factor methodology was approved in BCUC Order G-205-18.<sup>75</sup>
135. In that proceeding, Creative Energy presented the, presumably standard, Massachusetts Formula Methodology as follows:

“The Massachusetts Formula is used extensively in the industry, and has been previously approved by the Commission. The Massachusetts Formula is composed of the arithmetical average of the following components:

- a) Average Net Book Value of capital assets;
- b) Salaries; and
- c) Operating Revenues.”

Order G-139-14, p. 214.<sup>76</sup>

<sup>74</sup> Exhibit B-6, CEC 1.7.1

<sup>75</sup> Exhibit B-1, page 16

<sup>76</sup> Creative Energy 2018-2022 RRA Exhibit B-1, Appendix 4 Cost Allocation Analysis page 2 of 6 PDF

136. Similarly, the Decision references Creative Energy's application of the Massachusetts Formula as follows:

Creative Energy notes that the Massachusetts Formula methodology has been approved by the BCUC and is widely used in the industry. It is made up of the arithmetic average of three components: the average net book value of capital assets; salaries; and operating revenues.<sup>77</sup> (emphasis added)

137. The CEC submits that there is some significant discrepancy in the evidence offered by Creative Energy.
138. This application implied on page 17 that the standard, and approved, Massachusetts Formula uses 'Gross revenues' and gross PPE' and that this was utilized in its analysis of the original 3-factor model. Later, CE indicated that a change to the approved formula would remove depreciation from the PPE and be more in line with a standard Massachusetts formula using 'gross capital'.
139. In other applications Creative Energy implies that a standard, and approved, Massachusetts formula uses 'net book value' and 'net revenues'.
140. In the CEC's view this substantive discrepancy in the evidence calls into question exactly what figures Creative Energy used in its original analyses, and what the relative impacts are.
141. The CEC also remains uncertain as to the treatment Creative Energy is proposing to use regarding revenues, and whether these are net revenues or gross revenues.
142. Further, it begs the question as to why Creative Energy would imply in one application that the Massachusetts Formula uses net book value and in another that it uses gross PPE.
143. The CEC submits it is necessary to understand exactly which components Creative Energy proposes to use and why.
144. The CEC submits that if there is a significant difference between what has been approved by the BCUC and what is 'standard practice', then a clear understanding of why the BCUC approved the formula the way it did before the utility makes changes to achieve a certain objective.
145. In the CEC's recollection there was some considerable discussion regarding the Massachusetts Formula in the original NEFC proceeding, as well as in FortisBC applications.
146. The CEC recommends that the Commission deny Creative Energy's request to use a 2-factor methodology.

---

<sup>77</sup> Decision G-205-18 page 35

147. The CEC recommends that the Commission deny any change to the original BCUC-approved Massachusetts Formula in light of the inconclusive evidence with regard to alternatives.

**Fuel Switch Study and Long Term Resource Plan (“LTRP”) Deferral Account**

148. The Fuel Switch Study and LTRP Deferral Account was established to enable the applicable costs to be carried forward for future consideration by the Commission of whether the costs or a portion of them will be recovered from customers. Creative Energy proposes that the Fuel Switch Study and LTRP Deferral Account continue until<sup>78</sup> such time that Creative Energy advances a low-carbon energy project through a CPCN application.<sup>79</sup>
149. The majority of the balance in the Fuel Switch Study and LTRP 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 Long Term Resource Plan (LTRP) - as incurred during the period 2013 through 2015.<sup>80</sup>
150. Creative Energy acknowledges that these costs were at one point in time expected to be capitalized as part of the overall development costs of the Fuel Switch Project.<sup>81</sup>
151. Creative Energy is not seeking to recover costs in the Fuel Switch Study and the LTRP Deferral Account as part of this Application.<sup>82</sup>
152. The RRA, at Appendix E, included Creative Energy’s proposal to address recovery of the balance in the Fuel Switch Study and LTRP Deferral Account at the same time that it files its updated LTRP with the 2021 RRA. Accordingly, these costs are unplanned O&M costs that will be added to the Third-Party Regulatory Costs Deferral Account as required.
153. Creative Energy has not forecast the cost associated with the review of its Fuel Switch Study and LTRP Deferral account proposal.<sup>83</sup>
154. Creative Energy does not intend to proceed with the Fuel Switch Project at this time.
155. Before the Fuel Switch Project could move forward, Creative Energy would need to complete the necessary work in support of an application to the Commission for a CPCN, submit such application and obtain CPCN approval. Creative Energy does not have a

---

<sup>78</sup> Exhibit B-5, BCUC 1.35.2

<sup>79</sup> Exhibit B-9, BCUC 2.47.3

<sup>80</sup> Exhibit B-3, page 2

<sup>81</sup> Exhibit B-3, page 2

<sup>82</sup> Exhibit B-1, Appendix E page 79 of 79 PDF

<sup>83</sup> Exhibit B-9, BCUC 2.47.2

current estimate of the cost and time to complete these steps in relation to the Fuel Switch Project.<sup>84</sup>

156. Creative Energy provides additional support for its proposal in Exhibit B-3 at page 2.<sup>85</sup>

157. Creative Energy states that:

“We continue to study the technical and financial viability of alternative projects for displacing natural gas in the steam plant. The efforts in 2016 support the ongoing good utility planning and practice and are applicable expenses for recovery from customers”.<sup>86</sup>

158. Creative Energy noted that the value is to the customers of the Core and NEFC systems<sup>87</sup> in terms of ‘continuity of cost-effective thermal energy service’<sup>88</sup>, as it is “necessary for Creative Energy to plan and study to enable and support low-carbon energy development.”<sup>89</sup>

159. The CEC inquired if Creative Energy proposed to recover any of the costs directly from the NEFC, to which the Utility replied that it simply acknowledges that the NEFC is itself a customer of the Core Steam utility.<sup>90</sup>

### **Fuel Switch Project**

160. Work on the Fuel Switch Project wound down at the end of 2015, and Creative Energy does not have current estimates of the cost and time to complete the Fuel Switch Project.<sup>91</sup>

161. Creative Energy proposes to recover \$214,185 from its Core steam customers<sup>92</sup> for costs 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.’<sup>93</sup> The costs were directed specifically to de-carbonization of the existing Core steam system.<sup>94</sup>

---

<sup>84</sup> Exhibit B-7, CEC 1.12.5.3

<sup>85</sup> Exhibit B-3, page 2

<sup>86</sup> Exhibit B-3, page 2

<sup>87</sup> Exhibit B-1, page 6

<sup>88</sup> Exhibit B-7, CEC 1.11.3

<sup>89</sup> Exhibit B-7, CEC 1.11.3

<sup>90</sup> Exhibit B-7, CEC 1.11.1

<sup>91</sup> Exhibit B-7, CEC 1.12.5.2

<sup>92</sup> Exhibit B-3, page 2

<sup>93</sup> Exhibit B-3, page 2

<sup>94</sup> Exhibit B-7, CEC 1.11.4

**Table 1: Report of Fuel Switch Study & LTRP Deferral Account Balance Net of Project-related Grants**

	Fuel Switch Project			Enabling Low Carbon Development
	2013	2014	2015	2016
Lead Consultant	18,060	54,568	191,228	214,185
Other Consultant Support	11,039	70,968	288,639	n/a
Creative Energy Internal Project Management, Executive & Legal Support	-	-	64,222	39,314
Subtotal	29,099	125,536	544,089	253,499
Total	698,724			n/a
Project-related Grants	-217,000			n/a
Net Total	481,724			n/a
Fuel Switch Project & LTRP Deferral Account Net of Project-related Grants				735,223 <sup>2</sup>
<b>Creative Energy Proposed Recovery</b>	n/a			<b>214,185</b>

95

162. The \$214,185 cost is Creative Energy’s costs for its consultants during 2016 only and is identified as ‘Enabling Low Carbon Development’.<sup>96</sup> Creative Energy believes that this amount produced work products in the form of intellectual property that will continue to support and be leveraged as part of the ongoing planning efforts for the steam generation system benefitting customers connected to the core and NEFC systems.<sup>97</sup>
163. Creative Energy will not be seeking to recover from customers either the \$64,222 or \$39,314 in Internal Project Management, Executive and Legal Support at any time in the future.<sup>98</sup> These costs will be written off.<sup>99</sup>
164. Creative Energy seeks 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.<sup>100</sup>
165. The CEC agrees that the costs should be written off.

<sup>95</sup> Exhibit B-3, page 2 and 3; CE identifies various corrections to the ledger which increases the balance in the deferral account and reduces the costs related to Enabling Low Carbon Development Exhibit B-7, CEC 1.13.4

<sup>96</sup> Exhibit B-3, page 2 and 3

<sup>97</sup> Exhibit B-3, page 6

<sup>98</sup> Exhibit B-7, CEC 1.13.2

<sup>99</sup> Exhibit B-7, CEC 1.13.2.1

<sup>100</sup> Creative Energy Final Argument page 6

166. The Lead Consultant was Reshape Infrastructure Strategies Inc. (Reshape).<sup>101</sup>
167. The CEC notes that Trent Berry is the principal of Reshape Energy Strategies and has been intimately connected with Creative Energy Vancouver Platforms Inc for many years including time as a Director and Chair of Creative Energy Canada Vancouver Platforms Inc. The CEC understands Mr. Berry also served in other roles.
168. The CEC continues to be concerned about Creative Energy's significant payments to Reshape for various projects and reports over the years where the work is conducted by a close alliance and paid for by ratepayers. The CEC notes that from 2013 on there are payments amounting to nearly half a million dollars from the above projects alone. This does not include other work conducted by Reshape on behalf of Creative Energy and paid for by ratepayers.
169. In CEC 2.22.1 Creative Energy states that there is no ownership interest of Creative Energy or any of its affiliates in Reshape or vice versa. Additionally, they state:
- A principal of Reshape Infrastructure Strategies, Mr. Berry, was appointed an independent board member of Creative Energy Vancouver several months after commencement of the FCM-funded Fuel Switch Study. There were no changes to the scope of Reshape's tasks or budget for the FCM-funded portions of the Fuel Switch Study. Reshape was also retained on a time and materials basis for follow-up to the study (Enabling Low Carbon Development Project). Mr. Berry was recused from any budget approvals required by the Board for follow-up tasks.
170. In CEC 2.22.1, Creative Energy acknowledges that an RFP process was not conducted for the Lead Consultant position and offers an explanation as to why.
171. The CEC has reviewed the invoices provided as attachments in BCUC 1.36.3 and finds them to be acceptable.
172. The CEC submits nevertheless that it is not appropriate for Creative Energy to have failed to conduct an appropriate RFP process for work in the order of hundreds of thousands of dollars regardless of whether or not it represents a 'follow-up'.
173. This is particularly true given Reshape's other involvement in the company, and other consulting payments.
174. In the CEC's view, the significance of the monies expended on Reshape and the inadequate nature of the contribution to providing clear direction to Creative Energy, calls into the question the validity of the expenditures.
175. The CEC recommends that the Commission considers a write-down of these costs to relieve Creative Energy's customers from a good portion of these costs.

---

<sup>101</sup> Exhibit B-7, CEC 1.13.6

176. Overall, the CEC acknowledges that there is value in a Utility pursuing means of meeting decarbonization goals which are reasonably expected to be mandated in the future.
177. The CEC does not object to Creative Energy's proposal regarding the Fuel Switch study and Enabling Low Carbon Development costs in the deferral account.
178. The CEC recommends that the Commission continue Creative Energy's proposal for the Fuel Switch Study and Long Term Resource Plan Deferral Account but begin the process of writing down the costs as excessive in establishing clear direction for the Company.

### **Long Term Resource Plan ("LTRP") Update**

179. Pursuant to Order G-147-17 dated September 25, 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 Act when filing its RRA for the 2020-2021 test period.<sup>102</sup>
180. Creative Energy does not have an updated LTRP at this time due to resource constraints and the ongoing uncertainty with respect to fuel switch planning and funding sources. They will continue to explore low carbon funding opportunities.
181. Given the current state, Creative Energy proposes to file a general updated LTRP for Commission review as part of its 2021 RRA. As a necessary condition to that effort and as generally contemplated by Order G-147-17, Creative Energy will seek to further review with the Commission staff the requirements of section 44.1 of the *Utilities Commission Act*, and whether it would be appropriate for Creative Energy to request to be exempted from any of those requirements given the nature of the services Creative Energy provides and the nature of its customers.
182. The CEC does not consider that it would likely be prudent to exempt Creative Energy from the LTRP requirements, but submits that this can be examined under a separate proceeding.

### **NEFC RRA**

183. Creative Energy requests approval for the following:
  - Maintain interim 2019 NEFC rates on a permanent basis; and
  - Increase 2020 NEFC rates by 3.7% over the 2019 rates.<sup>103</sup>
184. As noted in Creative Energy's Final Argument, the revenue requirements, rate design and rates for the NEFC service area were established by Order G-167-16 and the

---

<sup>102</sup> Exhibit B-1, Appendix E

<sup>103</sup> Creative Energy Final Argument page 26

Commission's accompanying decision into Creative Energy's 2016-2017 RRA and Rate Design for NEFC Hot Water Service.<sup>104</sup>

185. The Commission Panel for the 2016-2017 RRA directed that NEFC rates should not be increased through 2019 and that recovery of the Revenue Deficiency Deferral Account (RDDA) should commence in 2020.<sup>105</sup>
186. Creative Energy proposes to increase 2020 rates over the rates currently in effect by 3.7% as follows:
  - Fixed Rate of \$0.28 per square meter per month; and
  - Variable Rate of \$54.03 per MWh.<sup>106</sup>
187. The rate increase of 3.7 percent is equivalent to a one cent increase in the fixed charge per square meter per month and an approximate \$2 increase in the variable charge per MWh. For the reasons discussed in section 1.2.3, this increase is considered prudent under an overall objective to commence recovery of the RDDA balance at this time and to avoid a larger addition to the balance otherwise.<sup>107</sup>
188. The 3.7% increase for 2020 rates were not calculated on recovering a test year cost of service, but 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 15-20 years, all else equal. It 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".<sup>108</sup>
189. Creative Energy states that the proposal is reasonable and that it expects to revisit the allocation and recovery of the costs to serve the NEFC in an NEFC 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.<sup>109</sup>
190. In general, the CEC submits that a 3.7% rate increase is acceptable in the context of having stable rates for the last three years.
191. Creative Energy provides the following summary of its Revenue Requirements for NEFC in the table below.

---

<sup>104</sup> Creative Energy Final Argument page 25

<sup>105</sup> Creative Energy Final Argument page 26

<sup>106</sup> Exhibit B-1, page 45

<sup>107</sup> Exhibit B-1, page 45

<sup>108</sup> Creative Energy Final Argument page 26

<sup>109</sup> Creative Energy Final Argument page 26

Table 5 Update: NEFC Revenue Requirements – Summary<sup>2</sup>

Component	2017 Approved	2017 Actual	2018 Approved	2018 Actual	2019 RRA – Update	2020 RRA - Update
Fuel (excluding FCAC Rate Rider)	313,800	282,725	313,800	354,737	550,767	1,061,666
Steam Tariff	222,900	187,360	222,900	223,974	257,991	536,051
Subtotal Cost of Sales	536,700	470,085	536,700	578,711	808,758	1,597,717
O&M Expense	121,600	115,742	121,600	243,981	117,406	161,000
Municipal Taxes	10,100	10,601	10,100	13,077	18,097	19,765
Income Tax Expense	3,700	16,324	3,700	(28,741)	6,148	19,815
Depreciation Expense	180,300	-	180,300	96,582	191,400	216,000
Return on Rate Base	321,800	134,205	321,800	284,348	315,000	318,000
Total Revenue Requirement	1,174,200	746,957	1,174,200	1,187,958	1,456,808	2,332,296
Hot Water Sales Revenues	800,300	848,053	800,300	1,046,191	1,447,745	1,581,195
Revenue (Surplus)/Deficiency	373,900	n/a	373,900	n/a	9,064	441,741
FCAC Rate Rider Recovery						309,360

110

192. Creative Energy points out that the costs of the NEFC are generally the initial capital costs already reviewed by the Commission in prior RRAs and the allocations of O&M costs pursuant to the Massachusetts Formula.
193. As discussed above, the CEC does not support the Creative Energy proposal to change the Massachusetts Formula.
194. The CEC recommends that the Commission utilize the Commission-approved Massachusetts Formula.

### NEFC Fuel Cost Adjustment Charge (“NFAC”) Rate Rider

195. Creative Energy also proposes a new charge to NEFC customers to directly recover the approved FCAC Rate Rider on a \$/MWh basis and equal to \$16.15/MWh. The derivation of this charge is also set out in section 1.2.3.2 in relation to the NEFC load forecast report in Table 46 and Table 47.
196. Creative Energy therefore also seeks approval to add \$379,282 to the RDDA balance for recovery in a future period as discussed in section 1.2.3.3.
197. The FCAC Rate Rider of \$4.40/ M# remains applicable to all Core steam customers, including the NEFC system which is treated as a customer of the Core system. The application of the FCAC Rate Rider now directly to NEFC hot water customers does not require a downward adjustment to the level of the rate rider.<sup>111</sup>

<sup>110</sup> Exhibit B-1-1 page 4

<sup>111</sup> Exhibit B-6, CEC 1.5.1

198. The application of the FCAC Rate Rider directly to NEFC customers recovers revenue that offsets costs that otherwise would be added to the RDDA and does not reduce the FCSA balance.<sup>112</sup>
199. Creative Energy confirms that the direct charge on an equivalent FCAC Rate Rider to NEFC customers in 2020 does not result in any subsidization from one group of customers to another. Rather, the effect of the direct charge to avoid the potential intergenerational inequity of deferring fuel cost for recovery from future NEFC customers, including new customers.<sup>113</sup>
200. Creative Energy tracks the actual amounts recovered through the FCAC Rate Rider to steam customers and accordingly draws down the actual balance in the FCSA.
201. Creative Energy reports quarterly to the Commission on the balance in the FCSA relative to the approved 24-month amortization period to ensure that actual recovery is tracking to forecast. If necessary, Creative Energy could propose an adjustment to the level of the FCAC Rate Rider through a quarterly report if the forecast timing for full recovery of the excess balance in the FCSA were to vary from the approved 24-month amortization period.<sup>114</sup>
202. The CEC does not object to the addition of the Fuel Cost Adjustment Charge to the RDDA.

### **NEFC Load Forecast**

203. Creative Energy provides its forecast hot water loads for 2019 and 2020 at page 43 of the Application.
204. Creative Energy does not have a long history from which to derive its load forecast for hot water.
205. The 2019 Load forecast is for 17,178 MWh; which is based on the actual metered load for January 2019-September 2019, and includes a significant increase in October-December 2019 to reflect the addition of the Arc building.<sup>115</sup>

---

<sup>112</sup> Exhibit B-6, CEC 1.5.1

<sup>113</sup> Exhibit B-10, CEC 2.15.2

<sup>114</sup> Exhibit B-6, CEC 1.5.1

<sup>115</sup> Exhibit B-1, page 43

**Table 45: 2019 Projected NEFC Hot Water Load**

MWh	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Aquilini Plant Total	300	109	162	122	84	71	57	58	74	98	149	196	1,479
PARQ	1,268	1,959	1,254	696	287	161	48	58	219	624	941	1,385	8,899
One Pacific	517	600	493	384	269	216	172	177	218	332	412	545	4,335
Arc	176	231	173	139	76	55	48	52	87	368	456	604	2,465
PARQ Plant Total	1,960	2,790	1,919	1,219	633	432	267	287	524	1,325	1,808	2,534	15,699
Total	2,261	2,898	2,081	1,341	716	504	324	345	598	1,423	1,957	2,730	17,178

116

206. The 2020 load forecast is equal to the average of 2018 and 2019 consumption in MWh for existing customers, and the addition of the ARC building coming on in late 2019.

**Table 46: 2020 Forecast NEFC Hot Water Load**

MWh	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Aquilini Plant Total	223	126	158	112	78	74	61	66	65	98	149	196	1,405
PARQ	1,249	1,693	1,334	738	253	190	100	78	215	624	941	1,385	8,798
One Pacific	533	547	502	358	247	218	170	177	209	332	412	545	4,250
Arc	590	606	556	397	273	241	188	196	232	368	456	604	4,709
PARQ Plant Total	2,371	2,846	2,392	1,493	773	648	459	452	656	1,325	1,808	2,534	17,757
Total	2,595	2,972	2,549	1,605	851	722	519	518	721	1,423	1,957	2,730	19,162

117

207. Creative Energy establishes the steam necessary to support the load consumption using the measured efficiency of the various plants.<sup>118</sup>
208. The CEC submits that this is a reasonable methodology.
209. The CEC has reviewed the evidence and does not object to Creative Energy’s load forecast for the NEFC.

## PARQ

210. Creative Energy identified certain issues with the metering at PARQ and these are summarized in their Final Argument at page 30.
211. The CEC is satisfied that the issues have been resolved.
212. The CEC accepts Creative Energy’s proposal for how to recognize the additional steam supplied to the NEFC by addressing the matter prospectively in 2020 as outlined in Section 4.1.2 of the Application.<sup>119</sup>

<sup>116</sup> Exhibit B-1, page 43

<sup>117</sup> Exhibit B-1, page 43

<sup>118</sup> Exhibit B-1, page 43

<sup>119</sup> Creative Energy Final Argument page 32 and 33

### Revenue Deficiency Deferral Account (“RDDA”)

213. The NEFC RDDA captures timing differences between the installation of the required infrastructure to serve hot water load and the buildout of the customer load over time<sup>120</sup> The RDDA allows for a levelized rate structure.<sup>121</sup>
214. NEFC rates and an opening balance in the RDDA were approved for 2017 as follows:
- A fixed Rate of \$0.27 per square meter per month;
  - A Variable Rate of \$52.1 per megawatt hour (MWh); and
  - An addition to RDDA in the amount of \$373,900.<sup>122</sup>
215. 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.<sup>123</sup>
216. The proposed net addition to the RDDA in 2020 is \$440,370.<sup>124</sup> This is net of revenue related to the FCAC rate rider. Absent a rate rider of \$16.15 per MWh, Creative Energy would apply to add the amount of \$751,100 to the RDDA in 2020.<sup>125</sup> Similarly, Creative Energy would add \$56,417 absent the 3.7% rate increase proposed.<sup>126</sup>

---

<sup>120</sup> Exhibit B-1, page 7

<sup>121</sup> Creative Energy Final Argument page 25

<sup>122</sup> Exhibit B-1, page 8

<sup>123</sup> Creative Energy Final Argument page 26

<sup>124</sup> Amended in BCUC 2.42.1.1

<sup>125</sup> Exhibit B-4, BCUC 1.24.1

<sup>126</sup> Exhibit B-4, BCUC 1.24.5

217. The CEC approves of additions made to the RDDA, but recommends that they be adjusted to reflect any cost changes that might occur as a result of utilizing the Commission-approved Massachusetts Formula.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

***David Craig***

---

David Craig, Consultant for the Commercial Energy  
Consumers Association of British Columbia



---

Christopher P. Weafer, Counsel for the Commercial  
Energy Consumers Association of British Columbia