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March 26, 2021

VIA ELECTRONIC MAIL

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

Dear Sirs/Mesdames:

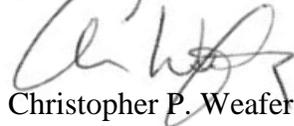
**Re: Creative Energy Vancouver Platforms Inc. Application for Heating Rates for the
Heating Thermal Energy System and Cooling Rates for the District Cooling System
at the Vancouver House Development ~ Project No. 1599048**

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. Application for Heating Rates for the Heating
Thermal Energy System and Cooling Rates for the District Cooling System at the
Vancouver House Development
Project No. 1599048**

March 26, 2012

Commercial Energy Consumers Association of British Columbia

**Creative Energy Vancouver Platforms Inc. Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for the District Cooling System at the Vancouver House Development
Project No. 1599048**

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

**Creative Energy Vancouver Platforms Inc. Application for Heating Rates for the Heating
Thermal Energy System and Cooling Rates for the District Cooling System at the
Vancouver House Development
Project No. 1599048**

The Commercial Energy Consumers Association of BC (“**CEC**”) represents the interests of ratepayers consuming energy under commercial tariffs in applications before the BC Utilities Commission (“**BCUC**” or “**Commission**”).

Creative Energy Vancouver Platforms Inc. (“**Creative Energy**” or “**CE**”) applies to the Commission for Heating Rates for the Heating Thermal Energy System (“**Heating Rates**”) and Cooling Rates (“**Cooling Rates**”) for the District Cooling System at the Vancouver House Development (“**Vancouver House**”).

The CEC has participated in the BCUC review proceedings and provides the following submissions for the Commission’s review and consideration.

I. SUMMARY POSITION

1. The CEC recommends that the Commission approve the rates as filed for the District Heating Thermal Energy System (“**Heating TES**”) as provided in the Evidentiary Update.
2. The CEC recommends that the Commission approve the rates as filed for the District Cooling System (“**Cooling DCS**”) as provided in the Evidentiary Update.
3. The CEC recommends that the Commission explicitly recognize the issue of higher TES rates relative to BC Hydro and FortisBC in this proceeding, and continue to enable examination of these issues in future rate applications.
4. The CEC submits that the Commission can do this by acknowledging this decision should not be seen as a precedent to be relied up in the future and leaving to future Commission panels whether or not less cost-effective energy services for utility customers should be enabled or discouraged.
5. The CEC recommends that the Commission provide notice that future rate increases for the Heating TES and Cooling DCS should not result in significant increases and or rate shock for end-users following the period(s) for rate-setting established in this proceeding.

II. SUBMISSIONS

A. BACKGROUND

6. By BCUC Order C-1-19, Creative Energy was granted a Certificate of Public Convenience and Necessity (“CPCN”) authorizing its final construction and operation of the Heating TES to serve the four buildings in Vancouver House, also known as the South Downtown Heating TES.
7. By BCUC Order C-2-20, the Commission granted a CPCN for Creative Energy to acquire and operate the Cooling DCS being constructed to serve the four buildings in Vancouver House.
8. Each of the projects has been successfully completed and is supplying heat/cooling, as applicable, to the customer(s) as intended in accordance with design specifications. The projects were completed on schedule in accordance with the Developer’s construction timelines as such timelines were revised through the course of construction.¹
9. Creative Energy has already received approval for Interim rates for both projects and now applies for permanent rates for each.
10. There are certain common elements in the Heating TES and the Cooling DCS as noted below:

Table 1: Cooling Rates Application versus Heating Rates Application Evidence

Component Evidence	Cooling	Heating	Comment
Revenue Requirements	Stand-alone	Stand-alone	Some O&M input assumptions are similar and could be defended together, but the capital, development and overall cost of service of each TES are separate and should be reviewed on a stand-alone basis.
Rate Design	Common		By definition the billing determinants of each system are different but the rate design, and the underlying evidence and support for such, is the same for each system and can be reviewed together.
Customer Service Agreement	Common		Outside of system-related references to cooling versus heating, the CSA for the Cooling DCS and the Heating TES is the same (and intended to be such upon permanent approval, including of the proposed Assignment provision as discussed in section 5).
Customers Impacted	Common		The Cooling DCS and the Heating TES serve the same customers.

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¹ Creative Energy Final Argument page 3

² Exhibit B-5, page 7

11. The capital and development and overall cost of service of the Heating TES and Cooling DCS are separate and were largely reviewed on a stand-alone basis.
12. Certain operating cost input assumptions were similar and reviewed together.
13. The CEC will indicate where its views may be applicable to each or both TES utilities.

B. LONG-TERM IMPLICATIONS FOR END-USERS AND BENCHMARK RATES FOR BOTH TES

14. Creative Energy states in its Final Argument that:

It is incumbent on Creative Energy to own, operate and maintain each system to provide safe and reliable service to the customers and to charge customers the rates for service approved by the Commission as just and reasonable.

The customers of the two systems are the owners of the buildings served. The materiality of ensuring cost-competitive rates for service was established at the point that the Owner/Developer decided how to heat and cool the buildings. Creative Energy was able to offer an attractive nature and quality of service at competitive rates and secured contracts with the Owner/Developer who decided how to heat or cool its buildings. Creative Energy will operate the system in an optimal manner to serve customer demand.

Each utility currently serves the same two customers – (1) the Strata Corporation in control of the residential tower, and (2) the owner of the Vancouver House Development in control of the other 3 buildings.

Creative Energy communicated its indicative cost of service, proposed rate design and indicative rates with the Owner/ Developer – future customer – at the time that it was in control of all four buildings at the Development (that is, prior to the assignment of the CSA to the Strata corporation). The customer expressed no concerns. All billing elements are transparent to, understandable and verifiable by the customers.³

15. Creative Energy also states:

The customers of the Heating TES and Cooling DCS understand and accept the rate design as set forth on an indicative basis during the CPCN applications for each system and as now implemented under the interim approvals in effect. The customers have not expressed any concern to Creative Energy about the level of rates or the manner in which costs are recovered, nor did they raise any concern to the Commission in this proceeding.⁴

³ Creative Energy Final Argument page 4

⁴ Creative Energy Final Argument page 14

16. The CEC does not agree with Creative Energy’s characterization of its “customers”, nor with the point at which the “materiality of ensuring cost-competitive rates was established”.
17. The “Owner/Developer” to which Creative Energy refers is its own parent company which potentially stands to benefit in terms of larger dollar value returns based on a higher rate base from its TES.
18. Creative Energy’s argument appears to be based on the premise that because there may be competition in the real estate space market in Vancouver, either:
 - a. what occurs beyond the utility/Owner Developer relationship is not relevant to Commission determinations; or
 - b. it should be assumed that the Owner/Developer “customer” would not agree to rates that would be excessive in order to remain competitive in their real estate space market.
19. The CEC submits that this is incorrect on both counts.

End User Pays the Rates with Limited Recourse

20. With regard to item (a), the fact is that the end-user will ultimately pay for the costs of the development and may have limited understanding of their overall costs. Creative Energy’s Final Argument speaks to the distinction between end-users and building owners’ understanding:

“The customers of the Heating TES and Cooling DCS (being building owners) are certainly capable of understanding a rate structure with rates that begin high and decline over time, but that is not to say the customers would prefer such a rate structure. They might accept such rate structure but only begrudgingly. Creative Energy considers that it would not seek to describe a higher initial rate as a benefit within the context of a building developer/future customer evaluating its options for procuring an economic and competitive option for heating and cooling a building/development. In general, such would also not accord with the Bonbright principle of customer understanding and acceptance of the rates.”⁵
21. In the CEC’s view, the insertion of an “Owner/Developer” – directly related to the utility - between the utility and its end-user does not negate the relevance of the overall rates paid by the end–user ratepayer.
22. The CEC submits that the impact of energy rates on consumers is well within the Commission’s broad jurisdiction and should be heavily weighted in the Commission’s determinations.

⁵ Creative Energy Final Argument page 17

23. The CEC notes that the energy is not “used” by the Owner/Developer in producing goods or materials, but is directly passed on to ratepayers as a heating or cooling rate.
24. Additionally, the CEC submits that the relationship between the Owner/Developer and the utility should also be considered. It is the CEC’s understanding that the two companies do not operate at arms’ length, and the CEC submits that there is little incentive for the Owner/Developer to exert any pressure on Creative Energy to minimize costs in their negotiations.

Owner/Developer is Incited to Permit High Energy Costs for End User

25. With regard to item (b) above, the CEC submits that there is virtually no incentive for the Owner/Developer to control costs in providing energy to its real estate space. The CEC submits that real estate purchase decisions cover many other significant considerations aspects such as location, floor size, amenities, property taxes, strata fees and overall price.
26. The CEC submits that because energy may be a small aspect of significantly larger decisions does not diminish the importance of managing the rates to an appropriate level any more than it does for any other monopoly utility.
27. The CEC submits that the Owner/Developer should not be considered as an independent “customer” and should place little weight on Creative Energy’s assertion that this is the point where materiality of cost-competitive rates is made.
28. In addition, the CEC notes that Creative Energy’s parent company “Westbank” is a major developer in the small Vancouver-area market, and as such may exercise considerable sway in the marketplace, which potential should not be disregarded by the Commission.
29. The CEC submits that continual development of multiple overly-costly Thermal Energy Systems for individual or small group “customers” will ultimately result in excessive rates paid by end-users who have few options to demand alternative, cost-effective rates.
30. The CEC submits that the BCUC has significant breadth of jurisdiction which includes the ability to examine the larger picture of utility and rates management in the province in its determination of the public interest.
31. The CEC submits that the BCUC should consider and weigh heavily the effects of continued development of “small-scale” Thermal Energy Systems on ratepayers, particularly when they are developed by a single company with an Owner/Developer that stands to gain from higher rates.
32. The CEC submits that the current approach of evaluating each individual Thermal Energy System without context on a standalone basis may be inconsistent with preserving the public interest and potential economies of scale and economic value foundation of utility service.

33. The CEC submits that the Commission could, in this proceeding, appropriately make explicit recognition of the long-term rate impacts that could occur for ratepayers as a result of multiple TES proliferating with high cost.
34. The CEC submits that it could be appropriate for the Commission to review its theory of competition currently underpinning the guidelines of Stream B Thermal Energy Systems at some time in the future and ensure that this proceeding is not used as a precedent for enabling higher cost of service energy for end-customers.

Relevance of Benchmark Rates

35. The CEC notes that Creative Energy’s proposed Heating Rates are significantly higher than those available to ratepayers through either FortisBC or BC Hydro, as shown later in these submissions under Heating TES Benchmark to Other Rates.
36. Creative Energy submits that:

““comparisons to other utilities” rates (as opposed to component costs of revenue requirement) – as have been reviewed in this proceeding are not useful when assessing whether the proposed rates are just and reasonable. Creative Energy stresses that these sorts of comparisons are of no value in setting a utility’s cost of service rates for the nature and quality of services provided.”
37. They go on to cite Commission Order and Decision G-36-21 at page 27, which relates to Shannon Estates Utility Ltd. (“SEUL”):

“The Panel agrees with SEUL that it is not appropriate to compare rates necessary for SEUL to recover its COS to other utilities’ rates. SEUL is a unique utility with a relatively fixed load, and its services are distinct from the energy services provided by other utilities, such as SEFC and BC Hydro. This lack of comparability is evident in the insufficiency of the current rates pegged to SEFC’s rates and the resulting significant accumulated balance in the 2017 RDDA. The \$3.5 million estimated balance of the 2017 RDDA demonstrates that SEFC is not a comparable utility.

With respect to Duffy’s comment that SEUL’s proposal is inconsistent with the City of Vancouver goal for DES to “keep energy affordable in the long-term”, it is not within the BCUC’s jurisdiction to determine whether SEUL’s utility system is consistent with the City of Vancouver’s goals or requirements. As discussed previously, it is within the BCUC’s jurisdiction to review and grant approval of CPCN projects, and to approve rates that allow SEUL a reasonable opportunity to recover its prudently incurred costs and to earn a fair return. To appropriately apply COS regulation, the Panel must first determine SEUL’s total Revenue Requirement as set out in Section 3 above. SEUL’s Revenue Requirement reflects the total amount of revenue that must be collected in appropriately designed rates.”⁶

⁶ BCUC Decision G-36-21 page 27

38. The CEC notes that SEUL's rates were initially pegged to those of the City of Vancouver's Southeast False Creek Neighbourhood Energy Utility and included writing off \$3.5 million in an effort to mitigate the severity of its requested rate increase, which was ultimately in the order of 57%.⁷
39. The CEC submits that it would be appropriate for the Commission to take note of the rate impacts occurring to ratepayers as a result of small scale Thermal Energy Systems and to consider the impact of having multiple costly TES relative to more cost-effective options such as BC Hydro and FortisBC.
40. The CEC notes that Creative Energy may be considered as a substantially different entity than SEUL. SEUL is a wholly-owned subsidiary of the Wall Financial Corporation and is a single purpose corporation established to own and operate Shannon Estates Thermal Energy System whereas Creative Energy operates multiple District Energy systems throughout the region.
41. The CEC recommends that the Commission continue to keep the issue of Benchmark rates alive in each application for Thermal Energy System rates, and provide ongoing scrutiny of the issue. This is also important because the future control of affordability of energy services through conservation and efficiency raises the rates to these customers and could therefore be discouraged.

C. DISTRICT HEATING THERMAL ENERGY SYSTEM

Requested Approvals

42. Creative Energy applies for permanent rates to recover the costs of constructing and operating its Heating TES which serves the four buildings in Vancouver House.
43. Creative Energy provides a Summary of Requested Approvals for its Heating TES in Section 1.2 of its Final Argument. These include:
 - The Levelized Capacity Charge rate design and the charges per kilowatt (kW) of design peak heating demand established upon that basis as set forth in Appendix C of the Evidentiary Update for the periods 2020, 2021, 2022 and 2023;
 - The Variable Charge rate design and the determination of the variable charges as set forth in Appendix C of the Evidentiary Update; namely, a variable Charge per megawatt hour (MWh) for all megawatt hours supplied during a month and calculated each month equal to total monthly fuel costs of the Heating TES for natural gas and electricity (in \$) divided by the total metered energy supplied by the Heating TES to the customers during the month (in MWh);
 - The Customer Service Agreement at Appendix D of the Evidentiary Update; and

⁷ BCUC Decision G-36-21 page i

- The Regulatory Cost Deferral Account (“RCVDA”) as described in section 4.4 of the Evidentiary Update.
44. Creative Energy anticipates an extension to the Heating TES to serve a fifth building, at 889 Pacific Street. The extension consists of an energy transfer station and distribution piping in the 700 and 800 blocks of Pacific Street,⁸ and Creative Energy has applied for a CPCN for the anticipated extension.
 45. The Heating Permanent Rates Application excludes all costs associated with providing service to the 889 Pacific Street site,⁹ which the CEC submits is appropriate.
 46. The CPCN application for the extension is being considered separately by a Commission Panel established for that purpose, and a decision into the granting of a CPCN for the extension is pending.¹⁰
 47. Creative Energy also anticipates moving a temporary boiler plant of the Heating TES to a permanent location or change to heating resource by 2023.¹¹ A separate application will be submitted for a CPCN to relocate the temporary boiler plant once the plans are further developed.¹²
 48. The CEC finds this approach to be appropriate as well.

Heating Capital and Development Costs

49. The Heating TES was constructed by Creative Energy.¹³
50. The total capital and development costs to be recovered through the applied-for rates are \$3,758,882 as presented in Table 2, page 8, of Exhibit B-5.¹⁴

⁸ Creative Energy Final Argument, page 5

⁹ Exhibit B-16, BCUC 3.68.1

¹⁰ Creative Energy Final Arguments page 5

¹¹ Creative Energy Final Argument page 5

¹² Exhibit B-5, page 4

¹³ Creative Energy Final Argument page 4

¹⁴ Creative Energy Final Argument page 4

Table 2: Capital and Development Costs

Description	Current		
	To Date	To Complete	Total
Development and Soft Costs	671,168	21,000	692,168
Engineering/Design	279,222	2,000	281,222
Containerized Boiler Plant	792,509	nil	792,509
Distribution Piping System (DPS)	841,056	100,000	941,056
Energy Transfer Stations (ETS)	671,900	13,000	684,900
Legal	37,767	nil	37,767
CPCN & Regulatory	63,101	nil	63,101
AFUDC	266,158	nil	266,158
Total	3,622,882	136,000	3,758,882

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51. The CEC notes that the Capital and Development costs are significantly higher than those applied for in Creative Energy’s CPCN application of \$3,508,000,¹⁶ which was largely the result of a change in reporting of AFUDC.

Table 5: All Phases Cost Report

Component	CPCN	Actual			Variance Overall
		To Date	To Complete	Total	
Development/Soft Costs	659,000	671,168	21,000	692,168	No material variance
Engineering/Design	261,000	279,222	2,000	281,222	No material variance
Containerized Boiler	730,000	792,509	nil	792,509	No material variance
DPS	936,000	841,056	100,000	941,056	No material variance
ETS	688,000	671,900	13,000	684,900	No material variance
PST	45,000	Within actuals			Not applicable
Legal Costs	35,000	37,767	nil	37,767	No material variance
CPCN & Regulatory	Within Dev.	63,102	nil	63,102	Actual costs as accounted for
Contingency	126,000	n/a	n/a	n/a	No separate contingency in actual
AFUDC	28,000	266,158	nil	266,158	Refer to Tables 3 and 4 & Sec. 3.2
Total	3,508,000	3,622,882	\$136,000	3,758,882	Refer to AFUDC and to Table 2

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¹⁵ Exhibit B-5, page 8

¹⁶ Creative Energy also developed a Stream A Application which indicated significantly lower costs identified as reported in the Phase 1 and Phase 3 Cost Reports of the Final Cost Report.

¹⁷ Exhibit B-5, Appendix A, Final Cost Report page 12 Table 5

52. As acknowledged in BCOAPO IR 3.9.1, the indicative amount reported in the CPCN application did not correctly report the full extent of the costs.¹⁸ The difference in the reported costs of the Heating TES is mainly explained by the effect of attributing AFUDC for the purpose of regulatory rate setting as a component of total actual costs.¹⁹

Table 2: Final Cost of the Heating TES compared to the CPCN Application

	CPCN	Actual	Difference \$	Difference %
Project Total	3,508,000	3,758,882	250,882	7.2%
AFUDC	28,000	266,158		
Project Total - Normalizing for AFUDC	3,480,000	3,492,724	12,724	0.4%

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53. In its Final Argument Creative Energy states:

“...the total cost of the heating TES is well within the range of forecast costs reported in the CPCN Application for the Project. The CPCN Application reported a forecast project cost of \$3,508,000 at an AACE Class 3 estimate accuracy of -5%/+30% as is typical for a forecast for purposes of a CPCN application per the Commission’s CPCN Guidelines. Accordingly, at the time of filing the CPCN application for the project costs were forecast to be between \$2,981,800 and \$4,560,400. The final costs of \$3,758,882 are well within the range of costs upon which the CPCN was granted.”²¹

54. Creative Energy discusses the comparison of the actual costs of the Heating TES and various pre-development cost estimates with respect to the issue of prudence at pages 12-13 of its Final Argument.
55. The CEC has examined the record and does not find evidence of grievous mismanagement or material concerns. The CEC notes the omission of various pre-development costs in the initial Stream A application, and the omission of AFUDC in the CPCN application, but agrees with Creative Energy that the omission does not constitute mismanagement at the threshold required for a prudence review.
56. The CEC recommends that the Commission approve the Capital and Development costs as outlined in the Evidentiary Update.

Revenue Requirement

57. Creative Energy provides the following Annual Revenue Requirements for its Heating TES in 2020 through to 2023.

¹⁸ Exhibit B-18, BCOAPO IR 3.9.1

¹⁹ Exhibit B-18, BCOAPO IR 3.9.1

²⁰ Exhibit B-5, Appendix A, Final Cost Report Table 2

²¹ Creative Energy Final Argument page 12

Table 4: Annual Revenue Requirements 2020-2023

Component	2020	2021	2022	2023
Electricity Cost (indicative)	10,653	11,663	11,896	12,134
Natural Gas Costs (indicative)	90,477	104,923	106,212	107,527
Total Variable Cost of Service	101,130	116,586	118,108	119,662
Maintenance	37,539	39,107	39,890	40,687
Operator Cost	25,506	26,010	26,530	27,061
Insurance	9,565	9,965	10,164	10,367
Municipal Access Fee	5,316	7,694	7,994	8,306
Financing Fees	6,101	6,145	5,929	5,713
Regulatory Costs	20,005	0	0	0
Administration	67,132	68,458	69,827	71,224
Depreciation	116,202	125,296	125,296	125,296
Income Tax	44,921	53,457	57,009	60,408
Interest	89,658	92,176	88,934	85,692
Return on equity	136,646	141,301	136,242	131,183
Total Fixed Cost of Service	558,590	569,610	567,815	565,938
Total Revenue Requirement	659,720	686,195	685,924	685,599

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58. Creative Energy has responded to multiple information requests regarding the calculation of the above costs.
59. The CEC notes that the costs for Depreciation, Income Tax, Interest and Return on Equity are not mainly within Creative Energy's control.
60. Creative Energy provides a summary of the Operations and Maintenance cost calculation basis in its Evidentiary Update.

Table 3: Operations and Maintenance Costs – 2021

	2021	Assumption
Maintenance	39,107	1% on total construction costs (capital + development)
Operator Cost	26,010	25% of a full-time equivalent operator at \$100K in 2019 dollars
Insurance	9,965	Modelled equivalent to the insurance under 0.29% for property and 0.02% for boiler and machinery insurance plus business interruption
Municipal Access Fee	7,694	1.25% of Revenue
Financing Fees	6,145	Annual refinancing charges
Administration	68,458	Allocation of residual General and Administration expense in accordance with the Commission approved Massachusetts formula
Total	157,380	

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²² Exhibit B-5, Evidentiary Update page 11

²³ Exhibit B-5, page 8

61. The CEC has reviewed the evidence with respect to the Operations and Maintenance line items included in the Annual Revenue Requirements and does not find any area of significant concern.
62. The CEC notes that there is little opportunity for Creative Energy to negotiate insurance premiums, and uses a reputable insurance broker to find the best rates.²⁴
63. The CEC submits that Annual Revenue Requirements are reasonably costed and recommends that the Commission finds the costs to be acceptable.
64. In BCOAPO IR 3.10.1, Creative Energy argues that any form of cap on capital and development costs would not align with how its thermal energy systems are designed and delivered.²⁵
65. The CEC submits that the utility is entitled to recover its prudently incurred costs and its approved return on equity, and the CEC supports these principles.
66. The CEC has therefore recommended approval of rates as filed by the Applicant.

Rate Design

67. FEI proposes to recover its costs through a variable charge and a levelized fixed capacity charge.
68. The Fixed Capacity charge will recover capital and development costs that do not vary with energy consumption, and the variable charge would be equal to fuel costs of²⁶ the Heating TES for natural gas and electricity divided by the total metered energy supplied to customers during the month.
69. Creative Energy will bill the Developer and the Strata Corporation solely and directly, and those entities will determine how their costs for heating will be passed through to tenants and strata unit owners.²⁷

VARIABLE CHARGE

70. Variable fuel costs comprise:
 - a. natural gas costs, which will be determined directly as the invoice for service under FortisBC Rate 5 for General Firm Service, and

²⁴ Exhibit B-16, BCUC 3.74.2

²⁵ Exhibit B-18, BCOAPO 2.10.1

²⁶ Exhibit B-5, Evidentiary Update page 2

²⁷ Exhibit B-1, page 3

- b. electricity costs, which will be determined directly as the invoice for service under BC Hydro Medium General Service Rate.²⁸

71. The CEC is satisfied with the proposed calculation of the variable charge and submits it is an appropriate cost for a variable rate.

LEVELIZED CAPACITY CHARGE

72. Creative Energy provides the following Proposed Levelized Capacity Charge and includes information relative to its expected Cost of Service rates.

Table 5: Proposed Levelized Capacity Charge versus Cost of Service Rates 2020-2023

Capacity Charge	Unit	2020	2021	2022	2023
Levelized – Proposed	\$/kW/year	141.63	186.44	190.17	193.97
	\$/kW/mo.	11.80	15.54	15.85	16.16
Cost of Service	\$/kW/year	250.49	223.55	222.85	222.11
	\$/kW/mo.	20.87	18.63	18.57	18.51
Billing Determinants	kW	2,230	2,548	2,548	2,548
Levelized recovery	\$	315,836	475,048	484,549	494,240
Cost of Service recovery	\$	558,590	569,610	567,815	565,938
Forecast RDDA additions	\$	242,754	94,561	83,266	71,698

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73. The CEC notes that the Cost of Service is not fully recovered in any of the four years identified, and the balance is proposed to be added to the Revenue Deficiency Deferral Account (RDDA) discussed later in these submissions.

74. In its Final Argument Creative Energy argues that the proposed rate design fairly allocates costs to customers.³⁰

75. They state:

“The fixed capacity charge will recover capital and development costs and those operating costs that do vary with energy consumption. The capacity charges are established on the basis of the total design peak demand for heating and cooling of each building, respectively; a \$ per unit of kW capacity as it were.

- Total design peak heating and cooling demand are the main drivers of the fixed costs of the systems. Correspondingly, the billing determinants to allocate those capital and operating costs to each building are the total design demands in kW of each building in the Vancouver House Development.

²⁸ Exhibit B-5, page 10

²⁹ Exhibit B-5, Evidentiary Update page 12

³⁰ Creative Energy Final Argument page 14

- The fixed structure of the capacity charge thereby fairly and reasonably aligns with a cost causation rate setting principle under which rates ought to recover costs in a manner consistent with the factors that cause those costs; that is, in this case, with respect to costs that are not expected to vary with energy consumption.”³¹

76. Creative Energy provides the Capacity Charge billing determinants at page 9 of its Application.³²

77. The CEC agrees that total design peak demands for heating and cooling in kW for each building is a reasonable methodology in that it generally allocates costs according to cost causation principles.

78. With respect to recovering “forecast” operating costs rather than actual costs through the fixed charge, Creative Energy states:

“The utility accepts a degree of risk by recovering operating costs that do not vary with energy consumption through the fixed charge. If such operating costs exceed the reasonable forecast of costs upon which the fixed charge is based, such costs will reduce the actual ROE. Creative Energy has the incentive to manage controllable operating costs within the reasonable forecast of costs as accepted by the Commission for the purpose of setting the rate.”³³

79. In the CEC’s view the above statement presents only one side of the relevant information.

80. In BCOAPO 3.13.1 Creative Energy confirms that:

““with respect to controllable costs that are not governed by any deferral mechanisms, actual costs that are” lower “than forecast would result in a” higher “than allowed ROE to the shareholder other things being equal.””³⁴

81. BCOAPO also inquired as to whether Creative Energy has an incentive to over-forecast its cost of service, to which Creative Energy replied as follows:

“12.5 Please explain why CE does not have an incentive, under the proposal, to over-forecast its cost of service.

RESPONSE:

The RDDA allows for a levelized rate structure. It does not transfer risk, guarantee recovery of actual costs, nor create any incentive(s).

³¹ Creative Energy Final Argument page 14

³² Exhibit B-1, page 9, Table 7

³³ Creative Energy Final Argument page 14

³⁴ Exhibit B-18, BCOAPO 3.13.1

Creative Energy believes that the cost forecast and related rate design and deferral account proposals in the Application are a reasonable basis for setting rates on a levelized basis over the rate setting period of the Application.

Please also refer to the Commission's determinations on page 20 of the Order G-36-21 Decision referenced above."

82. In the CEC's view it is not reasonable to consider that there is "no incentive" to over-forecast the Utility's Cost of Service when the evidence is clear that the Utility will receive a lower ROE if actual costs are higher than forecast, and a higher ROE if actual costs are lower than forecast.
83. The CEC submits that it is appropriate for the Commission to recognize the incentives that exist under a regulatory regime and provide appropriate oversight for the protection of ratepayers.
84. The CEC notes that the utility has committed to providing actual costs in the future for comparison.
85. The CEC recommends that the Commission be cognizant of this and be prepared to reduce the rates based on its weighting of this issue.

Period for Rate Levelization

86. Creative Energy proposes a 30 year levelization period for both energy systems³⁵ which matches the term of the Customer Service Agreement.
87. The CEC notes that there is expected to be limited additional capital expenditures, and Creative Energy states that the 30-year period of levelization supports smooth and predictable rates for customers.³⁶
88. The CEC submits that the levelization period does avoid having excessive ratepayer costs at the beginning of the term, which tends to obscure the actual costs of the thermal energy systems from customer understanding.
89. The CEC has no objection to the 30 year levelization period and support the levelization approach.

Rate Setting Period

90. Creative Energy proposes a four-year period for the rate setting period for the Heating TES.³⁷

³⁵ Creative Energy Final Argument page 5

³⁶ Exhibit B-16, BCUC 3.81.2

³⁷ Creative Energy Final Argument page 5

91. In its Evidentiary Update Creative Energy states that it is not able to propose rates for the period of 2024 or beyond, as such rates will be contingent upon plans to relocate the temporary boiler plant noted earlier in these submissions.³⁸ Creative Energy anticipates that a permanent solution will entail some changes to the underlying costs and required rates, thereby requiring a future rates application beginning in 2024.³⁹
92. Creative Energy plans to make period rate-setting filings for each TES over the course of the proposed 30 year levelization period based on economic or other material factors or change in circumstances.⁴⁰
93. Creative Energy has not developed a proposal over what multi-year period it would seek approval of rates for the period beginning in 2024 but that would be informed by a forecast of rates over the remaining period of the 30 year contract term.
94. Creative Energy states:

“The expectation is that such rate-setting filings will be less frequent under the proposed 30-year levelization period, than may otherwise be necessary if rates are set on a cost-of-service test year basis. The costs of more frequent rates applications would be out of scale to the small district energy utilities we have here”.⁴¹
95. The CEC does not agree that more frequent rate applications are necessarily out of scale to the TES, and could be undertaken in an appropriate way to control costs, if they were necessary.
96. The CEC submits that a rate-setting period of four years does create the potential for Creative Energy to receive undue benefits from its rates based on a forecast cost of service, which should be limited, particularly in that customers are already exposed to very high TES rates over the course of the levelization period.
97. The CEC submits that the four-year rate setting period is acceptable at this time, but that a careful analysis of the actual costs versus forecast costs be undertaken prior to the next rate-setting period.

Heating TES Benchmark to Other Rates

98. Creative Energy provides the following rate comparison in CEC 2.15.1.

³⁸ Exhibit B-5, page 4

³⁹ Exhibit B-5, page 4

⁴⁰ Creative Energy Final Argument page 5

⁴¹ Creative Energy Final Argument page 5

Update to Table 10 from the Application:

	Benchmark All-in Rate \$/MWh/yr	Energy Intensity kWh/m ²	Equivalent Benchmark All-in Rate \$/m ² /yr	Comparative Annual Cost (75 m ² suite)
Vancouver House Heating - Levelized Annual	119	62	7.39	554
Vancouver House Heating - Levelized Flat	135	62	8.34	626
Vancouver House Heating - Cost of Service	143	62	8.88	666
BC Hydro	126	62	7.81	586
FortisBC Energy Inc.	87	62	5.39	405
South East False Creek	117	110	12.81	961
River District Energy	106	92	9.75	731
Surrey City Energy	117	105	12.24	918
Richmond Oval Village	100	100	10.00	750

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99. BC Hydro figures are for residential service only.⁴³

100. The following provides BC Hydro's LGS rates:

	\$/kW/month	\$/MWh	average monthly demand as % of installed capacity		
BCH LGS Rates	12.14	59.6	75%		
	kW	MWh	demand	energy	total
total	2548	4028	\$ 278,394	\$ 240,069	\$ 518,463
\$/MWh					\$ 129

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101. Based on modeled thermal demand information Building 1 and 2 would likely qualify for FortisBC Rate 3, and Buildings 3 and 4 would qualify for FortisBC Rate 2 (commercial accounts under 2,000 GJ per year).⁴⁵

102. Under FortisBC Rate 2, the cost would be \$90/MWh/yr.

103. Overall, the CEC notes that Creative Energy's Cost of Service at \$148/MWh/year and Levelized Flat Rates are significantly higher than FortisBC's rates or BC Hydro's rates, and even those of other TES.

104. The CEC notes that Creative Energy provided the following table in BCUC 2.50.5.1 which shows a \$170.51/MWh/year cost for VHD based on cost of service for 2021.

⁴² Exhibit B-14, CEC 2.15.1

⁴³ Exhibit B-14, CEC 2.15.3.

⁴⁴ Exhibit B-17, CEC 2.36.2

⁴⁵ Exhibit B-17, CEC 2.36.1.1

2021	Benchmark all-in rate \$/MWh/year	Energy intensity kWh/m2	Equivalent all-in rate \$/m2/year	Estimated annual heating cost (75 m2 suite)
VHD – as proposed (based on 30-year levelization)	\$146.88	62	\$9.16	\$687
VHD – based on 15-year levelization	\$158.41	62	\$9.88	\$741
VHD – based on 10-year levelization	\$167.22	62	\$10.43	\$782
VHD – based on 4-year levelization	\$193.21	62	\$12.1	\$903
VHD – based on cost-of-service	\$170.51	62	\$10.6	\$798
Southeast False Creek NES	\$121	110	\$12.4	\$928
River District DEU	\$103	92	\$8.8	\$662
Surrey City Energy	120	105	12.03	\$902
Richmond Oval Village	94	100	9.40	\$705
FAES TELUS Garden (*rates include heating and cooling)	Not available	Not available	Not available	Not available
Creative Energy's NEFC NES	\$96.6	110	\$11.4	\$855
Creative Energy's core steam	\$61	110	\$6.7	\$503
BC Hydro Electricity	\$130	110	\$14.3	\$1073
FortisBC Energy Inc. 100% Natural Gas	\$92*	110	\$10.1	\$759
FortisBC Energy Inc. 100% Renewable Natural Gas	\$128**	110	\$14.1	\$1056
FortisBC Energy Inc. Mix of NG and RNG that satisfies the City of Vancouver's GHG intensity requirements	\$116***	110	\$12.8	\$957

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105. The CEC submits that the Cost of Service rate and Levelized Flat rate are the appropriate rates to which the TES Heating rates should be compared.
106. The CEC submits that the Heating TES represents very high energy costs for end-users relative to what they could pay with service from the larger utilities.
107. Creative Energy argues that that while some comparisons to other utilities component costs can be of use in assessing reasonableness of costs:

“comparisons to other utilities” rates (as opposed to component costs of revenue requirements) – as have been reviewed in this proceeding- are not useful when assessing whether proposed rates are just and reasonable. Creative Energy stresses that these sorts of comparisons are of no value in setting a utility’s cost of service rates for the nature and quality of services provided.”⁴⁷
108. They reference Commission Order G-36-21 which relates to a Levelized Rate Application for SEUL.
109. The CEC has provided its response to this argument earlier in these arguments.
110. The CEC submits that the Commission should continue to bear in the mind the high cost of distributed energy projects when making their determinations.

⁴⁶ Exhibit B-13, BCUC 2.50.5.1

⁴⁷ Creative Energy Final Argument page6

Revenue Deficiency Deferral Account (“RDDA”)

111. Creative Energy applies for a RDDA to record annual revenue deficiencies or surpluses resulting from the difference between annual revenue at the approved rates and the annual cost of service.⁴⁸
112. The proposed RDDA will not record variances between actual and forecast cost of service for future recovery or disbursement. Rather, balances in the RDDA for future recovery will be approved by the Commission on a forecast basis.⁴⁹
113. Creative Energy states that the RDDA allows for a levelized rate structure, and addresses any concerns related to retroactive ratemaking that may otherwise arise under rates set to recover less than the annual cost of service during the period of levelization.⁵⁰
114. BCOAPO inquired as to “why the proposed RDDA-guaranteed recovery of forecasted costs does not lead to a significant reduction of risk for the utility, and hence a reduction in appropriate Return on Equity”. Creative Energy replied that it does not transfer risk, guarantee recovery of actual costs nor create any incentives. Creative Energy also referenced BCOAPO.12.1 and 12.3 and Order G-36-21.
115. The CEC submits that recovering costs on a forecast basis can be likened to that of a period of typical Cost of Service in which the utility forecasts costs over a two-year period which are recovered in rates. In this instance, the levelized rates do not initially recover the costs and the difference between rates and forecast costs are instead captured in the deferral account for later recovery.
116. The CEC submits that the four-year period for rate-setting does tend to increase the risk that the utility can unreasonably benefit from over-forecasting its cost of service, some of which such as interest rates are difficult to predict and may not be largely under control by the utility.
117. The CEC notes that certain elements such as insurance or interest rates may sometimes be separated out into Flow Through accounts in Performance Based Ratemaking regimes in order to avoid having the utility unnecessarily benefitting or being disadvantaged by costs that are not under their control.
118. The CEC notes that Creative Energy has committed to recording, and providing in evidence at subsequent rate proceedings, the actual cost of service for each year covered.⁵¹

⁴⁸ Exhibit B-1, page 2

⁴⁹ Exhibit B-18, BCOAPO 2.13.2

⁵⁰ Creative Energy Final Argument page 9

⁵¹ Exhibit B-18, BCOAPO 3.12.6

119. The CEC submits that it would not be unreasonable for the Commission to identify costs such as Insurance and interest rates and have these recorded in a separate deferral account to be recovered at actual costs instead of forecast costs.
120. In BCUC 3.79.2 Creative Energy notes that the deferral account could either be established for the term of the rate-setting period for each of the Heating TES or Cooling DCS, or as permanent for the duration of the terms of the contracted services.⁵²
121. The CEC submits that it would be preferable to establish a shorter time frame for the deferral account such that it can be reviewed on a regular basis.
122. The CEC recommends that the Commission match the deferral account period to the rate-setting term.

Customer Service Agreement

123. Creative Energy also applies for approval of its Customer Service Agreement.
124. The proposed CSA is similar to the CSA that the Commission approved for Creative Energy's North-East False Creek ("NEFC") customers, by Order G-42-17.
125. The proposed CSA includes the addition of an Assignment provision, which is reproduced below.

The Customer may not assign this Customer Service Agreement or any of its rights or obligations hereunder without the prior written consent of the Utility, such consent not to be unreasonably withheld. The Utility may, subject to BCUC approval, assign this Customer Service Agreement or any of its rights or obligations thereunder (including,

*without limitation, by way of the sale of the majority of its shares or business or its material assets or by way of an amalgamation, merger or other corporate reorganization) to any of its Affiliates or to any other Person without the consent of the Customer, provided such Affiliate or Person is **accepted by the BCUC** to carry out the Customer Service Agreement and agrees in writing to assume and be bound by the provisions of this Customer Service Agreement in all respects and to the same extent as the Utility is bound.*

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126. The CEC notes that Creative Energy has modified the assignment provision to require BCUC acceptance, as shown in bold above. An affiliate or Person would require a CPCN from the BCUC to acquire and operate the Heating TES.⁵⁴

⁵² Exhibit B-16, BCUC 3.79.2

⁵³ Exhibit B-5, page 13-14

⁵⁴ Exhibit B-5, page 13 and 14

127. Creative Energy will execute individual Customer Service Agreements (“CSA”) with the Developer of the Vancouver House Development for each of the four buildings and the Developer will assign the CSA for the residential tower to the Strata Corporation at the prescribed time.⁵⁵
128. The CEC submits that BCUC approval of a proposed assignee, amalgamation, merger or other corporate reorganization is appropriate.

Regulatory Cost Variance Deferral Account (“RCV Deferral Account”)

129. Creative Energy seeks approval of a RCV Deferral Account.
130. Creative Energy does not expect there to be significant regulatory costs and any variances will be administratively simple to recover or credit through a rate rider applied to each building customer on a \$/MWh basis (i.e. using the same allocation method as for the Variable Charge).
131. Regulatory accounts such as the RCVDA can be used to record and carry forward variances between forecast and actual costs or revenues for recovery from or refund to ratepayers in future periods.⁵⁶
132. The CEC agrees that regulatory costs are uncertain and to some extent outside of Creative Energy’s control.⁵⁷
133. The CEC submits that the proposed RCVDA is appropriate and recommends that the Commission approve the deferral account.

D. DISTRICT COOLING SYSTEM (“DCS”)

Requested Approvals

134. Creative Energy applies for permanent rates to recover the costs of purchasing and operating its Cooling TES which serves the four buildings in the Vancouver House Development.
135. Creative Energy requests the following permanent approvals for the Cooling TES pursuant to sections 58 to 60 of the *Utilities Commission Act*.
 - The Levelized Capacity Charge rate design and the charges per kW of design peak cooling demand established upon that basis as set forth in Appendix B-2 of the DCS Rates Application for the periods September 1, 2020 to December 31, 2020, 2021, 2022, 2023, 2024 and 2025;

⁵⁵ Exhibit B-1, page 3

⁵⁶ Exhibit B-18, BCOAPO 2.12.2

⁵⁷ Creative Energy Final Argument page 11

- The Variable Charge rate design and the determination of the variable charges as set forth in Appendix B-2 of the DCS Rates Application; namely, a variable Charge per MWh for all megawatt hours supplied during a month and calculated each month equal to total monthly electricity and water costs (in \$) divided by the total metered energy supplied by the Cooling DCS to the customers during the month (in MWh);
- The CSA at Appendix C of the DCS Rates Application; and
- The RCVDA as described in section 1.1 of the Evidentiary Update.

Capital and Development Costs

136. The total capital and development costs of the South Downtown Cooling DCS to be recovered through the applied-for rates are \$2,701,614 for the Cooling TES as presented in Table 2, page 6, of Exhibit B-6.

	To Date	To Complete	Total
DCS Purchase Price			2,530,000
Design review and commissioning services	17,667		17,667
Civil works	15,000		15,000
Project Management	57,320	32,446	89,766
Legal services	3,424	7,000	10,424
Regulatory	38,757		38,757
Total	132,168	39,446	2,701,614

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137. The District Cooling System was constructed by the Developer.⁵⁹
138. Effective November 23, 2020 Creative Energy purchased the DCS at a cost of \$2.53 million which was reviewed in the proceeding established in respect of the Vancouver House DCS CPCN Application approved by Order C2-20.⁶⁰
139. The Developer assumed the risk of any construction costs over and above the DCS purchase price. Creative Energy was not required to compensate the Developer for any construction costs in excess the DCS purchase price.⁶¹
140. Creative Energy assumed responsibility only after the system was fully commissioned.⁶²

⁵⁸ Exhibit B-6, Vancouver House Development DCS page 6

⁵⁹ Creative Energy Final Argument page 7

⁶⁰ Creative Energy Final Argument page 7

⁶¹ Creative Energy Final Argument page 7

⁶² Exhibit B-16, BCUC 3.71.1.2

141. An overview of the Development costs was provided in the Application, and were subject to various information requests.
142. The CEC notes that the Design Review and commissioning services are better described as peer review⁶³ and was conducted by a third party Kerr Wood Leidel Consulting Engineers.
143. The CEC has reviewed the evidence and does not have any material concerns with the capital and development costs.

Revenue Requirement

144. Creative Energy provides their annual revenue requirement over the requested rates approval period.

Table 4: Annual Revenue Requirements 2020-2025⁵

Component	2020	2021	2022	2023	2024	2025
Electricity Cost (indicative)	16,802	70,400	71,808	73,244	74,709	76,203
Water Cost (indicative)	1,227	5,755	5,870	5,987	6,107	6,229
Total Variable Cost	18,030	76,155	77,678	79,232	80,816	82,433
Maintenance	10,711	32,776	33,431	34,100	34,782	35,477
Operator Cost	6,800	20,808	21,224	21,649	22,082	22,523
Insurance	3,755	11,492	11,722	11,956	12,195	12,439
Municipal Access Fee	1,683	5,526	5,749	5,981	6,223	6,475
Financing Fees	1,553	4,660	4,505	4,350	4,194	4,039
Lease Payments	10,880	33,293	33,959	34,638	35,331	36,037
Regulatory Costs	20,000	-	-	-	-	-
Administration	12,081	36,967	37,706	38,460	39,230	40,014
Depreciation	-	90,054	90,054	90,054	90,054	90,054
Income Tax	-	32,582	31,665	30,320	28,976	27,631
Interest	20,342	62,137	60,066	57,995	55,923	53,852
Return on equity	34,866	107,260	103,624	99,988	96,352	92,716
Total Fixed Costs	122,672	437,555	433,705	429,491	425,341	421,257
Total Revenue Requirement	140,701	513,710	511,383	508,722	506,157	503,690

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145. Creative Energy provided explanations for the calculation of depreciation, income tax, return on capital and the following rationale for other items.

⁶³ Exhibit B-16, BCUC 3.71 series

⁶⁴ Exhibit B-6, page 11

Table 3: Operations and Maintenance Costs – 2021

	2021	Assumption
Maintenance	32,776	1 percent of total project cost based on actual cost to construct
Operator	20,808	20% of a full-time equivalent operator at \$100K in 2019 dollars
Insurance	11,492	Modelled equivalent to the insurance under 0.29% for property and 0.02% for boiler and machinery insurance plus business interruption
Municipal Access Fee	5,526	1.25 percent of Revenue
Lease Payments	33,293	\$20 per square foot for the building floor space utilized by the cooling plant
Administration	36,967	Allocation of residual General and Administration expense in accordance with the Commission approved Massachusetts formula
Financing Fees	4,660	Annual refinancing charges
Total	145,522	

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146. Creative Energy also responded to various information requests which the CEC found to be satisfactory.
147. The CEC recommends that the Commission approve the revenue requirements for the rate-setting period approved.

Rate Design

148. By Order G-225-20 the BCUC approved the capacity charge and variable charge as set out in Appendix B-1 of the Cooling Rates Application on an interim and refundable basis.⁶⁶
149. Creative Energy applies for permanent rates set equal to its existing interim rates for the periods September 1, 2020 to December 31, 2020, 2021, 2022, 2023, 2024 and 2025.

VARIABLE CHARGE

150. The Variable Charge will recover on a flow-through basis the actual electricity and water costs of the DCS, which are driven directly by cooling energy consumption.⁶⁷
151. The Variable Charge is to be calculated each month equal to total monthly electricity and water costs of the DCS, divided by the total metered energy supplied by the DCS to the customers during the month (in MWh).⁶⁸

⁶⁵ Exhibit B-6, page 8

⁶⁶ Creative Energy Final Argument page ii

⁶⁷ Exhibit B-6, page 15

⁶⁸ Exhibit B-6, Creative Energy Vancouver House Cooling Application Appendix B-1, Interim Rate Sheet

- 152. Water costs are invoiced every four months by the City of Vancouver. The Cooling Plant is separately sub-metered for water consumption and will be assigned its share of total water costs by the Strata Corporation.
- 153. The CEC agrees that the flow through of the variable costs such as electricity and water is appropriate.

LEVELIZED CAPACITY CHARGE

- 154. Creative Energy provides the following Levelized Capacity Charges.

Year	2020	2021	2022	2023	2024	2025
\$/kW/mo.	11.45	11.68	11.91	12.15	12.39	12.64

The applicable Capacity Charge billing determinants to the four buildings in the Vancouver House Development are as follows:

Building Customer	Civic Address	Design Peak Cooling Demand (kW)
Building 1	1480 Howe Street	322
Building 2 Tower	1480 Howe Street	1,457
Building 3	1461 Granville Street	370
Building 4	1462 Granville Street	340

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- 155. The levelized capacity charges are the same as those approved under the Interim Rates.
- 156. As noted above in the Heating TES section of these submissions, a Levelized Capacity charge may provide rate smoothing and be generally more acceptable to customers than recovering costs on an annual cost of service basis.
- 157. The CEC does not object to the concept of rate levelization charges.
- 158. The levelized capacity charge will escalate annually at 2% and is determined such that the ROE over the 30-year term of analysis is equal to the allowed ROE of 9.5% under an annual cost of service rate structure over the same 30-year period.
- 159. The CEC notes that the levelized capacity charge does not recover the cost of service, resulting in the need for a Revenue Deficiency Deferral Account.

⁶⁹ Exhibit B-6, Creative Energy Vancouver House Cooling Application Appendices B-1 and B-2

Table 7: Proposed Levelized Capacity Charge versus Cost of Service Rates 2020-2025

Proposed Capacity Charge	Unit	2020	2021	2022	2023	2024	2025
Levelized	\$/kW/year	137.37	140.12	142.92	145.78	148.70	151.67
	\$/kW/mo.	11.45	11.68	11.91	12.15	12.39	12.64
Cost of Service	\$/kW/year	147.86	175.80	174.25	172.56	170.89	169.25
	\$/kW/mo.	12.32	14.65	14.52	14.38	14.24	14.10
Billing Determinants	kW	2,489	2,489	2,489	2,489	2,489	2,489
Levelized recovery	\$	113,972	348,756	355,731	362,845	370,102	377,504
Cost of Service recovery	\$	122,672	437,555	433,705	429,491	425,341	421,257
Forecast RDDA additions	\$	8,699	88,799	77,974	66,645	55,239	43,753

160. As noted above in the Heating TES section of these submissions, the CEC considers that recovering costs on a forecast basis instead of on the basis of actuals can create an incentive for over-forecasting.
161. The CEC submits that it could be appropriate for the Commission to compare historical actual costs to the forecast costs in the next rate-setting period for the purpose of making adjustments as the Commission may find necessary.
162. The CEC recommends approval of the proposed Levelized Capacity charge for the DCA.

PERIOD FOR RATE LEVELIZATION

163. Creative Energy proposes a 30 year levelization period for both energy systems.⁷⁰
164. Creative Energy states:

“Creative Energy will make periodic rate-setting filings over the course of the proposed 30-year levelization period for the rates of each system as necessary based on economic or other material factors or change in circumstance.

The expectation is that such rate-setting filings will be less frequent under the proposed 30-year levelization period, than may otherwise be necessary if rates are set on a cost-of-service test year basis. The costs of more frequent rates applications would be out of scale to the small district energy utilities we have here.”⁷¹
165. The CEC provided its comments under the Heating TES section of these submissions regarding this Creative Energy assertion.
166. The CEC recommends that the Commission approve the 30 year period for rate levelization.

⁷⁰ Creative Energy Final Argument page 5

⁷¹ Creative Energy Final Argument page 5

Rate Setting Period

167. Creative Energy proposes a five year period for the rate setting period for the DCS.⁷²
168. The CEC submits that there could potentially be regulatory cost savings if the rate setting periods for the TES and DCS were the same, and could be undertaken together periodically.
169. The CEC would consider either a four year or five year period for rate-setting or lower to be acceptable.

Customer Service Agreement

170. Creative Energy applies for approval of the associated terms and conditions of service.
171. Creative Energy's Customer Service Agreement is provided in Appendix C of its Vancouver House Development District Cooling System ("DCS") Application (Exhibit B-6)⁷³ and is considered under the Heating TES in these Submissions.

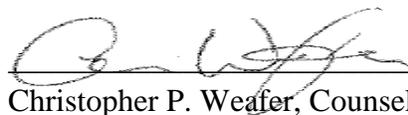
III. CONCLUSION

172. The CEC recommends that the Commission approve the proposed rates in this instance.

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

⁷² Creative Energy Final Argument page 5

⁷³ Exhibit B-6, Appendix C