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March 21, 2018

VIA ELECTRONIC MAIL

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

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

Dear Sirs/Mesdames:

**Re: Creative Energy Vancouver Platforms 2018 – 2012 Revenue Requirements ~ Project
No. 1598938 (the “Application”)**

We are counsel to the Commercial Energy Consumers Association of British Columbia (the “CEC”), a Registered Intervener in this proceeding. Attached please find the first set of Information Requests of the CEC in accordance with the Commission’s Procedural Order.

The CEC notes that the Application presumes that it is appropriate for Creative Energy to be regulated in accordance with the TES Guidelines. The CEC submits that it has not been established by the Applicant that the utility should be treated as a Stream B Utility under TES Guidelines and further that it is not established that the utility be regulated by other than Cost of Service regulation. The CEC submits that for the Commission to properly assess whether the Applicant should be regulated in accordance with the TES Guidelines, there should be a comparison to Cost of Service regulation. As a result, the CEC includes information requests around Cost of Service regulations so that a record can be created to determine whether the application should be approved and whether the utility should be continued to be regulated, as it has been since its inception, through Cost of Service regulation.

The CEC is not taking a position on whether the utility should be regulated pursuant to the Stream B Utility TES Guidelines or Cost of Service, but rather seeks to enable the Commission to be able to perform a comparison as to whether ratepayers interests are better protected under one mode of regulation versus the other.

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Page 2

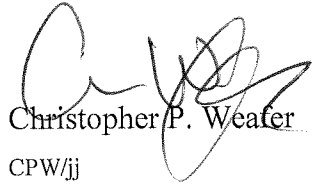
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If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION

A handwritten signature in black ink, appearing to read "Christopher P. Weafer", is written over a horizontal line.

Christopher P. Weafer

CPW/jj

cc: CEC

cc: Creative Energy

cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA**

INFORMATION REQUEST #1 TO CREATIVE ENERGY

**Creative Energy Vancouver Platforms Inc. 2018-2022 Revenue Requirements
Application - Project No. 1598938**

March 21, 2018

1. Reference: Exhibit B-1, page 1 and page 1

This Application is a response to market circumstances and follows the principles established for Stream B utilities in the TES Guidelines¹. The main objective of this Application was to establish a mechanism for rate-setting purposes other than cost of service regulation. That is, Creative Energy is proposing to set rates that may not recover the overall cost of service. However, Creative Energy is a Stream B utility facing significant competitive pressures to retain customers. In these circumstances, Creative Energy believes the method for setting rates for Steam customers should result in rates that are predictable over a long period, and are stable.

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

- 1.1 Please confirm that Creative Energy's application prioritizes stability, predictability and simplicity.
- 1.2 Please confirm that Creative Energy's rates to customers can be designed to be simple, stable and predictable under cost of service as well as under several other ratemaking options.

2. Exhibit B-1, page 2

1.1 The Application

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

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

- 2.1 Please confirm that the IBR mechanism could increase rate increases above what could be justified based on cost of service regulation.
 - 2.1.1 If not confirmed, please explain why not.
- 2.2 Please identify all the ratemaking options that Creative Energy considered and explain why they were discarded.
- 2.3 Does Creative Energy intend to stay on IBR indefinitely? Please explain.
- 2.4 If not, please describe Creative Energy's plans for reverting to cost of service or other ratemaking alternative.
 - 2.4.1 If Creative Energy intends to periodically or permanently revert to cost of service or other ratemaking option, please discuss the potential for issues to arise relating to utility incentives to build rate base during cost of service years and reduce operating and capital costs during IBR years.
- 2.5 If yes, please provide a full discussion of the long-term consequences of shifting to an IBR rate on a permanent basis and consider:
 - 2.5.1 Potential impact on customer rates;
 - 2.5.2 Appropriateness of long term departure of rates from cost of service;
 - 2.5.3 Risks of long term service degradation; and
 - 2.5.4 Light regulation of IBR and the risk of the Commission not being engaged sufficiently in the major initiatives of Creative Energy.

3. Exhibit B-1, page 2

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

- 3.1 Please provide a jurisdictional review of other utilities in Canada being regulated by IBR.

- 3.2 Please provide a list of independent resources, with links, reviewing the advantages and disadvantages of IBR ratemaking.
- 3.3 Please confirm that IBR will create a short term incentive for cost reduction.
- 3.4 Please identify any opportunities for cost reduction that do exist.
 - 3.4.1 Please quantify those opportunities with Creative Energy's best estimates.
- 3.5 Does Creative Energy expect to keep the same number of workers in the same positions over the 5 year period? Please explain why or why not.
- 3.6 Does Creative Energy understand that customers expect their utility to be accountable for justification of their costs and revenue requirements on a regular basis? Please explain.

4. Exhibit B-1, page 2

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

- 4.1 Please elaborate on Creative Energy's policies and business environment that have changed considerably in the past few years.
- 4.2 On which growth opportunities does Creative Energy intend to focus? Please identify each growth opportunity and explain how focusing on the opportunity will benefit customers.
- 4.3 Please identify all the customer service issues that Creative Energy is aware of.
- 4.4 Please identify on which customer service issues Creative Energy intends to focus instead of dealing with the regulatory process.
- 4.5 Is it Creative Energy's contention that it has not been able to address customer service or growth opportunities as a result of the existing regulatory issues?
 - 4.5.1 If so, please identify the customer issues that Creative Energy has failed to address as a result of the regulatory process and please quantify the benefits deferred.
 - 4.5.2 If so, please identify the growth opportunities that Creative Energy has failed to address as a result of the regulatory process and please quantify the benefits deferred.
- 4.6 Is it Creative Energy's contention that it has been unable to manage its business as a result of the regulatory process?
 - 4.6.1 If yes, please elaborate and specify the manner in which Creative Energy has been unable to manage its business.
- 4.7 Is it Creative Energy's contention that it will be unable to manage its business in the future if it is held to Cost of Service ratemaking? Please explain.
- 4.8 Please quantify the cost of the work that Creative Energy has applied to managing the regulatory process over the last 5 years by month and please relate these costs to specific regulatory application.

5. Exhibit B-1, page 2

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

- 5.1 Please provide the number of staff and identify the positions affected by the Collective Bargaining Agreement.
- 5.2 Please provide the total labour costs covered under the CBA for the last 10 years.
- 5.3 When was the last CBA negotiated?
- 5.4 Please provide an overview of the key terms and % increases included in the last CBA.
- 5.5 Please provide the existing CBA if not confidential.
 - 5.5.1 If confidential, please explain why and provide a brief discussion of the main terms and % increases and confirm that under a confidentiality declaration to the Commission this can be shared.
- 5.6 Please provide a comparison of the existing labour rates covered under the CBA vs. equivalent positions for Vancouver, BC and Canada.
- 5.7 Please confirm that the Company will not request relief if its new CBA increases exceed the inflation contemplated under Creative Energy's IBR proposal.
 - 5.7.1 If not confirmed please explain why not and discuss what conditions would trigger Creative Energy to request relief.

6. Exhibit B-1, page 3 and page 14

1.2 Multi-Year IBR Mechanism

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

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

- 6.1 Please provide Creative Energy's rates and revenue requirements for each year over the last 20 years.
- 6.2 Please provide a graph depicting Central Heat/Creative Energy rates over the last 20 years and overlay the cost of natural gas.
- 6.3 Please provide a table for each of the last 10 years identifying the number of customer calls and a summary of gist of the types of complaint. Please discriminate between a concern regarding rising rates and rate instability.

7. Exhibit B-1, page 3

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

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

- 7.1 Please discuss why it is impractical to set rates for longer under Cost of Service ratemaking.
- 7.2 Please confirm that if the company is operating in a steady state and has no large changes the Cost of Service revenue requirements applications could be much simpler than the applications that Creative Energy has recently brought before the Commission.

8. Exhibit B-1, page 3

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

- 8.1 Please confirm that if the revenue requirements increase slower than inflation, the utility will earn a higher rate of return than planned for in its IBR.
- 8.2 Please confirm, or otherwise explain, that Creative Energy would not be appropriately pursuing the IBR if it believed that it would not be to the shareholders' benefit.

9. Exhibit B-1, page 3

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

- 9.1 Please provide a detailed overview of the competition that Creative Energy faces.
- 9.2 Please discuss all the alternatives that are open to customers of Creative Energy.
- 9.3 Please provide a quantitative estimate of the costs that an average commercial customer would need to undertake to switch to each alternative for service.
- 9.4 Please elaborate on the impact to Creative Energy if a customer is lost, including the impact on rate of return. Please provide examples with quantification.
- 9.5 How would the loss of a significant customer impact customer rates? Please explain and provide examples with quantification.
- 9.6 Please explain how the 'opportunity to earn a fair return' could be impacted as a result of responding to customer service requirements.

10. Exhibit B-1, page 4 and Creative Energy 2016-2017 RRA-RD Decision

1.3 The TES Guidelines

Creative Energy has always used a Cost of Service Energy (COS) methodology for determining Steam Rates. During the 2016-2017 RRA proceeding, FAES argued that the COS ratemaking mechanism, as stated in Section 2.4.4 of the TES Guidelines, should be considered as a method of last resort. Because Creative Energy Steam Service had been regulated on a COS basis prior to the TES Guidelines being released, the Panel found it reasonable to continue under this regulation³. Nevertheless, this Application now follows the TES Guidelines.

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

- 10.1 Please confirm or otherwise explain that the 'Creative Energy 2016-2017 RRA-RD Decision' being referenced is Decision and Order G-167-16.
 - 10.1.1 If not confirmed, please provide the relevant Decision.
- 10.2 Please provide the TES Guidelines that are applicable to Creative Energy and provide an overview of where Creative Energy has met each of the requirements.
- 10.3 Please discuss the differences in the application that Creative Energy would have provided under Cost of Service regulation and the TES application it is now providing.
- 10.4 Please confirm that Creative Energy argued in the 2016-2017 RRA-RD application that relying on findings in previous Commission decisions is a reasonable approach to take and further than any utility would want prior approvals included on the record and that not-rearguing rate parameters which have already received approval is a rational approach.

- 10.5 Has Creative Energy requested or received prior approval from the Commission to change to a TES application? Please explain.
- 10.6 Please provide an estimate of the costs of this application.
- 10.7 Should Creative Energy shareholders bear the cost burden of this application if the Commission does not agree to TES regulation and requires a Cost of Service application instead? Please explain why or why not.

11. Exhibit B-1, page 1 and 5

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

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

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

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

- 11.1 Please identify when proportionality was established as the 'Guiding Principle' for ratemaking and the overarching consideration in establishing the review process and provide evidence to support these statements.
- 11.2 Please identify when proportionality ceased to become the Guiding principle or overarching consideration in the review process.
- 11.3 Was Creative Energy operating under Cost of Service during the time in which the review was proportional to its size? Please discuss.

- 11.3.1 If not, please describe the review process that Creative Energy considers to have resulted in 'proportionality'.
- 11.4 Please confirm that intervenor and total costs of the RRA applications are directly related to the level of concern held by the Commission and intervenors regarding the application and to the quality of the application.
- 11.4.1 If not confirmed, please explain why not.
- 11.5 Please confirm that the purchase of Central Gas and the development of the NEFC represented major departures from Creative Energy's historical business as usual operations.
- 11.6 Does Creative Energy agree that contentious projects being developed by a utility deserve a full public airing? Please explain why or why not.
- 11.7 Please provide an estimate of the internal time and costs for the 2016-2017 RRA.

12. Exhibit B-1, page 9

3.2 Components of IBR mechanism

3.2.1 Index

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

- 1) Indicative of the cost pressures faced by Creative Energy;
- 2) Published by an independent and reputable office or agency;
- 3) Transparent and understandable; and
- 4) Reasonably stable over time.

This is similar to the list of criteria used by Fortis when selecting indices for that company's Performance Based Ratemaking plan⁴. While the rate setting approach requested in the current Application is different from Fortis' current Performance Based Ratemaking plan, the two rate setting approaches have similar requirements for appropriate indices.

For the labour component of the rate change factor, Creative Energy proposes to use actual average weekly earnings information for B.C. (BC-AWE). This is the same index and methodology approved by the Commission for use in Fortis' PBR plan⁵. For each

- 12.1 Please confirm that Fortis' X factor and other components of its ratemaking formula do not allow permit the Company to simply receive an annual rate change adjustment based on inflation and keep any benefits.
- 12.2 Please provide quantifiable evidence of the future costs faced by Creative Energy.
- 12.3 Please provide Creative Energy's best 5 year forecasts for each line item in Operations and Maintenance expense.
- 12.4 Please provide Creative Energy's best 5 year forecasts for Municipal Access fees.
- 12.5 Please provide Creative Energy's best 5 year forecasts for Fuel, Fuel recovery and Net Fuel.
- 12.6 Please provide Creative Energy's best 5 year forecasts for all taxes.

13. Exhibit B-1, page 10 and 11

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

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

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

For the non-labour component of the rate change factor, Creative Energy proposes to use actual CPI information for Vancouver (Vancouver-CPI). This is the same methodology approved by the Commission for use in Fortis' PBR plan, and a similar index⁷. Fortis' approved PBR plan uses BC-CPI, not Vancouver-CPI. Creative Energy proposes to use Vancouver-CPI as it is more reflective of the unique cost pressures faced by a business which operates entirely in downtown Vancouver. Vancouver-CPI information is based on data from the entire Vancouver metropolitan area, which is roughly contiguous with the boundaries of Metro Vancouver⁸.

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

$$\frac{[\text{Average Vancouver-CPI value from July 2017 through June 2018}]}{[\text{Average Vancouver-CPI value from July 2016 through June 2017}]} - 1$$

expressed as a %.

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

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

- 13.1 Please provide all the input details for the calculation of the 53% and 47% for Labour and Non-Labour component or identify where it is included in the application.

14. Exhibit B-1, page 11-12 and page 12

3.2.3 Capital

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

Table 1- Average Capital

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

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

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

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

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

- 14.1 Please confirm or otherwise clarify that the Capital Additions cited above are Capital Additions to rate base and not capital expenditures prior to making a capital addition to rate base.
- 14.2 Please provide capital expenditures for the last 10 years broken down by the top five major projects.
- 14.3 Please confirm, otherwise explain, that Creative Energy is not proposing to factor capital expenditures into its revenue requirement through increases in rate base and cost of capital including return on equity and interest costs.
- 14.4 Please confirm, otherwise explain, that Creative Energy is not proposing to factor capital expenditures into its revenue requirements through changes to its depreciation as a result of changes to rate base.

15. Exhibit B-1, page 11 and page 12

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

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

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

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

- 15.1 Would costs related to a CPCN necessarily be treated as extraordinary to the base capital, or could the CPCN-related expenditures be included in base capital at the discretion of the Commission? Please explain.
- 15.2 Please explain why Creative Energy does not propose a materiality threshold.
- 15.3 If the Commission were to approve a materiality threshold, please provide a dollar figure that Creative Energy would deem to be appropriate and explain why.
- 15.4 Does Creative Energy have any projects currently contemplated that would likely fall into any of the categories listed above?
 - 15.4.1 If yes, please provide details of each, and quantification of expected capital and other expenses.

16. Exhibit B-1, page 13

3.2.3.2 Earning Sharing Mechanisms

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

- 16.1 Please explain why in Creative Energy's view, customers should not participate in any benefits that Creative Energy shareholders receive as a result of any savings it achieves.

17. Exhibit B-1, page 13

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

- 17.1 Please identify the x-factor paragraph to which Creative Energy is referring.

18. Exhibit B-1, page 14

3.2.4 Continuous Customer Service Quality

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

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

- 18.1 If the Commission were to require Service Quality Indicators, what SQI would Creative Energy deem to be appropriate. Please provide a list and provide a reason for each.
- 18.2 Please provide a discussion of the types of service issues that arise.
- 18.3 How can the Commission determine that adequate maintenance is being undertaken during the proposed IBR period?

19. Exhibit B-1, page 15

3.2.6 Review

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

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

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

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

6.0 Deferral Accounts

6.1 Previous Variances

As directed by the BCUC¹¹, a comprehensive explanation for each deferred expense item is listed below, as well as the reasoning behind any variance between the approved and actual amounts. As the 2017 numbers have not yet been finalized, only the 2016 variances will be described in detail in this report, and the 2017 variances will be outlined in the next rate application that addresses deferral accounts. Creative Energy has two deferral accounts: the Third Party Regulatory Costs Deferral Account (TPRCDA) and the Pension Baseline Expense Deferral Account.

- 19.1 Please list all items that will be treated outside the IBR formula and provide a brief statement as to why it should be outside the formula.
- 19.2 How does Creative Energy propose to deal with extraordinary windfalls? Please explain.

20. Exhibit B-1, page 15

3.2.5 Off-ramps

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

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

- 20.1 Does Creative Energy have the right to recover its regulated return on equity if it does not do so during the 5-year period? Please explain.

- 20.2 Under what circumstances (other than CPCNs) would Creative Energy apply to remove the IBR and/or have adjustments made to its Revenue Requirements?

21. Exhibit B-1, page 16

3.2.6 Review

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

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

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

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

- 21.1 What would Creative Energy expect the costs of an annual or mid-term review to be?
21.2 Please provide a list of the pros and cons of an annual and mid-term review.

22. Exhibit B-1, page 17

4.0 Demand Forecast

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

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

- 22.1 Please elaborate on the 'load forecast risk' for the IBR rates for the 5-year period and how a move of 1% in either direction (ie. Greater load or lower load) would affect Creative Energy's profitability and Creative Energy's Return on Investment.
22.2 Please discuss what factors will contribute to upside and downside risk.

23. Exhibit B-1, page 18

5.0 Fuel Costs

Creative Energy was directed in Order G-167-16 to amortize the balance of the Fuel Cost Stabilization Account (FCSA) over a 2-year period should the balance exceed +/- 5% of the previous 12-months fuel costs¹⁰. The balance in the account is to be reviewed bi-annually, and therefore it is unlikely the amount required to be amortized would be greater than \$100,000. Due to the relatively small amount, Creative Energy requests a variance the amortization period be shortened to a 1-year period. Other than the shortened amortization period, Creative Energy is not requesting any changed to the FCAC and will continue to manage the FCAC and the FCSA, as directed in Order G-167-16.

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

- 23.1 Please provide a discussion of the FCAC including the full name of the account.
- 23.2 Please provide a discussion of the Fuel Cost Stabilization Account.
- 23.3 Please provide historical balances in both accounts for the last 10 years.
- 23.4 Please provide a discussion of the FCSA.

24. Exhibit B-1, page 19

6.0 Deferral Accounts

6.1 Previous Variances

As directed by the BCUC¹¹, a comprehensive explanation for each deferred expense item is listed below, as well as the reasoning behind any variance between the approved and actual amounts. As the 2017 numbers have not yet been finalized, only the 2016 variances will be described in detail in this report, and the 2017 variances will be outlined in the next rate application that addresses deferral accounts. Creative Energy has two deferral accounts: the Third Party Regulatory Costs Deferral Account (TPRCDA) and the Pension Baseline Expense Deferral Account.

- 24.1 When will the next rate application be that addresses deferral accounts be provided?

25. Exhibit B-1, page 31 and Appendix 1, Schedule 14

<p>Accordingly, the Panel determines there is a need to establish processes to manage the FCSCA allowing it to function in a manner more typical of a Commission approved deferral account. Accordingly, the Panel directs the following:</p> <ol style="list-style-type: none"> 1. The base cost of 0.41 cents per one million Btu of fuel will continue to be recovered through the Steam Rate portion of the tariff until such time as the Commission approves an alternative handling methodology. 2. The remaining fuel cost for each test period will continue to be recovered through the FCAC. 3. The FCAC must be approved by the Commission and will be made up of the following two elements; <ol style="list-style-type: none"> (i) the Fuel Cost; and (ii) Amortization of the FCSCA. 4. Starting January 1, 2017, the Commission will set the Fuel Cost for each year, as part of the revenue requirements application, as follows: <p>[(Total annual Fuel Cost forecast approved by the Commission in the revenue requirements application) - (annual \$0.41 Base Cost recovered as part of the revenue requirements)] divided by (the Commission approved annual load forecast).</p> <ol style="list-style-type: none"> 5. Starting January 1, 2017, any positive or negative variances between forecast Fuel Costs and actual Fuel Costs (including any variance between the forecast and actual Base Cost volume), are to be captured in the FCSCA. 	<p>Currently managing as directed, aside from Step 1 as the 0.41 cents per one million Btu of fuel was removed in the Phase 1 rate design application.</p>	30
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CREATIVE ENERGY VANCOUVER PLATFORMS INC.
STEAM 2016-2017 REVENUE REQUIREMENTS APPLICATION
FUEL COST - BASE CHARGE

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Schedule 14

Line #	Item	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Approved	2015 Unaudited	2016 Forecast	2017 Forecast	Reference
1	Energy Consumed (MM BTU)	1,895,090	1,822,305	1,741,380	1,657,509	1,728,902	1,258,916	1,704,248	1,744,112	
2	Base Charge per MM BTU	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.41	
3	Base Charge Recovered Through Tariff	\$ 776,987	\$ 747,104	\$ 713,966	\$ 679,578	\$ 708,850	\$ 516,156	\$ 695,000	\$ -	
							\$ 53,000	\$ 748,000		

- 25.1 Please provide a discussion of the \$0.41 removal of Step 1 in the Phase 1 rate design and describe the change to methodology for accounting for fuel.
- 25.2 Please confirm that Creative Energy will account for any positive or negative variance between the actual fuel costs and the base energy charges of \$0.41 in the FCSCA.
 - 25.2.1 If not confirmed, please explain how Creative Energy will account for positive and negative variances between actual fuel costs and costs recovered from ratepayers.
- 25.3 Please confirm or otherwise explain that the Fuel Cost base charge recovered through the Tariff will increase according to the IBR formula.
- 25.4 If confirmed, why does Creative Energy believe that it is necessary to raise the Base Charge according to the rate change index?
 - 25.4.1 Would it be prudent for Creative Energy to remove fuel costs from IBR altogether? Please explain why or why not.
- 25.5 Please update Schedule 14 for 2016 Actuals and 2017 Projected.

- 25.6 Please explain the significant reduction in Energy consumed in 2015 Unaudited.
25.7 Please provide Creative Energy's internal expectations for the cost of natural gas.

26. Exhibit B-1 Appendices

- 26.1 Please provide 10 year historical information for each of the following:
- Appendix 2 RRA Approved detail;
 - Appendix 1 Schedule 3;
 - Appendix 1 Schedule 6;
 - Appendix 1 Schedule 7;
 - Appendix 1 Schedule 8;
 - Appendix 1 Schedule 9;
 - Appendix 1 Schedule 14;
 - Appendix 1 Schedule 15;
 - Appendix 1 Schedule 16;
 - Appendix 1 Schedule 21;
 - Total units of steam sold M# per year; and
 - Annual Approved SG&A expenses broken down by Line # as in Appendix 6.

27. Exhibit B-1, Appendix 2

REVENUE REQUIREMENTS				
2017 STEAM - SUMMARY				
	RRA APPROVED	Adjusted Base		
	2017	2017		
	Steam w/ Steam SG&A	Steam w/ Total SG&A	Variance	
1				
2 REVENUE REQUIREMENT - CHANGE SUMMARY				
3 Cost Of Service				
4 Fuel				
5 Fuel Recovery				
6 Hot Fuel				
7		4,427,100		
8 Costs Disallowed in G-167-16 Decision		52,800		
9 PER 2016/17 IIEFC O&M Approved		121,600		
10 G-167-16 Decision IIEFC (Capital)		12,000		
11 G-167-16 Decision Costs to Other Division/Projects		29,500		
12 TOTAL O&M before Direct Assignment & Allocation		4,643,000		
13 IIEFC Direct Assignment		(33,800)		
14 Allocation to Other Projects (Mass Formula)		(76,800)		
15 O&M	4,427,100	4,532,400	105,300	
16 Total Operating and Maintenance	4,427,100	4,532,400		
17 Municipal Access Fees (MAF)	257,200	255,100	(2,100) Schedule 17	
18 Total Operating and Maintenance (incl. MAF)	4,684,300	4,787,500		
19 Property Taxes	357,800	357,800	- Schedule 16	
20 Income Taxes	259,600	268,700	9,100 Schedule 19	
21 Depreciation	987,600	987,600	- Schedule 5	
22 Amortization of Rate Base Deferred Expenses	166,500	-	(166,500) Schedule 11	
23 Amortization of Non-Rate Base Deferred Expenses	110,500	-	(110,500) Schedule 12	
24 Actual/Proposed Interest	597,000	597,000	- Schedule 13	
25 Actual/Proposed Return on Equity	1,045,000	1,045,000	- Schedule 13	
26 Interest on FCSA	-	-		
27 Total Revenue Requirement for Year	Sum(Line 10 to 18)	8,208,300		
28 Steam Costs Allocated to IIEFC				
29 IIEFC Credit				
30				
31 Revenue Deficiency C/fwd from 2016	268,500	-	Pg 3, line 44	
32 Total Revenue Requirement	Sum(Line 19,20)	8,476,800		
33 Revenues @ 2016 Tariff Rate	8,751,500		Pg 6, line 6	
34 Revenues @ 2017 Tariff Rate		8,476,800		
35 Revenue Sufficiency	Line 21-22	\$ (274,700) \$ (433,200)		
36 Estimated Steam Revenue per Demand Schedule				
37 Estimated \$ Jan - Mar (Decision pg. 13 Denied)				
38 Estimated \$ Apr - Dec (Revenue Deficiency Pg. 13)				
39 Per Line 23				
40 Rate Increase / (Decrease)	Line 26/25	-3.14% -5.11%		
41 Revenue Adjusted 2017	Line 29*22	(274,700) (433,200)	Pg 6, line 10	
42 Revenue Deficiency/Surplus		\$ - \$ -		
43				
44 Average Steam Tariff Rate	Line 24/47	\$ 7.97 \$ 7.32	Pg 4A, line 43	
45				

27.1 Please explain why costs disallowed in G-167-16 Decision are added back in to the Adjusted Base.

28. Exhibit B-1, Appendix 1, Schedule 15 and Right Hand Column from Appendix 6

CREATIVE ENERGY VANCOUVER PLATFORMS INC.
STEAM 2016-2017 REVENUE REQUIREMENTS APPLICATION
OPERATING & MAINTENANCE EXPENSES

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Schedule 15

Line #	Acct. #	Account Name	2017 RRA APPRV.	2017 ADI. BASE	Reference	TOTAL SG&A
1		Steam Production-Operation				1,361,700
2	500	Supervision and Labour	1,158,000	1,361,700		968,400
3	502	Steam Expenses	968,400	968,400		2,330,100
4		Total Steam Production-Operation	2,126,400	2,330,100		
5						9,400
6		Steam Production-Maintenance				0
7	506	Structures and Improvements	9,400	9,400		9,400
8	512	Steam Production Equipment	0	0		
9		Total Steam Production-Maintenance	9,400	9,400		
10						539,900
11		Distribution Expenses-Operation				19,100
12	870	Supervision & Labour	451,400	539,900		0
13	874	Mains & Services	14,900	19,100		15,300
14	878	Removing & Resetting Meters	0	0		24,500
15	880	Other Distribution Operation	0	15,300		598,800
16	913	Transportation	24,500	24,500		
17		Total Distribution Expenses-Operation	490,800	598,800		
18						0
19		Distribution Expenses - Maintenance				0
20	885	Supervision & Labour	0	0		67,000
21	886	Structures & Improvements	0	0		114,300
22	887	Mains & Services	67,000	67,000		0
23	889	Meters & House Regulators	114,300	114,300		181,300
24	894	Other Distribution Maintenance	0	0		
25		Total Distribution Expenses Maintenance	181,300	181,300		
26						0
27		Customer Accounts Expenses-Operation				0
28	901	Supervision	0	0		0
29	902	Meter Reading & Billing Delivery	0	0		0
30	903	Customer Records & Collection Exp	0	0		0
31	904	Uncollectible Accounts	0	0		0
32		Total Customer Accounts Exp-Operation	0	0		
33						66,600
34		Sales Promotion Expenses-Operation				0
35	910	Sales Expense	49,500	66,600		66,600
36	911	Advertising	0	0		
37		Total Sales Promotion Exp - Operation	49,500	66,600		
38						45,800
39		Administrative & General - Operation				560,100
40	915	Directors Fees	33,400	45,800		99,800
41	920	Admin & General Salaries	584,000	560,100		10,300
42	921	Office Supplies & Exp	96,000	99,800		291,700
43	922	Admin & General Exp	11,000	10,500		117,600
44	923	Special Services	289,200	291,700		5,800
45	924	Insurance	91,100	117,600		187,700
46	925	Injuries & Damages-WCB	14,800	5,800		0
47	926	Employee Benefits	455,100	187,700		0
48	930.1	Institutional or Goodwill Advert Exp	0	0		0
49	930.2	Other Admin. And General Exp	0	0		
50		Total Admin & General-Operation	1,584,600	1,320,000		1,320,000
51						46,600
52		Administrative & General - Maintenance				46,600
53	932	Maintenance of General Plant	24,700	46,600		1,433,200
54		Total Admin & General-Operation	24,700	46,600		
55						4,552,800
56		Regulatory Gross O&M Expense	4,466,700	4,552,800		
57						0.43%
58		O&M Expenses Allocated to Capital %		0.43%		(20,400)
59		O&M Expenses Allocated to Capital \$	(20,400)	(20,400)		
60						0
61		O&M Allocated to Affiliate	(19,500)			
62						
63		Regulatory Net O&M Expense	4,427,100	4,532,400		
64						

28.1 Please confirm, or otherwise explain that the appropriate reference for the '2017 Adjusted Base' in Schedule 15 is Appendix 6 Total SG&A.

29. Exhibit B-1, Appendix 6 and Appendix 1, Schedule 15

SG&A Expenses		PER REA APPLICATION											TOTAL	
Line #	Account #	Account Name	2017	Adjustment	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
			PER REA APPLICATION	Per 2016/17 Decision	Subtotal	Revised	Decision	0.00%	0.53%	1.77%	0.23%	0.10%	0.33%	1.62%
								HEFC	Proj 1	Proj 2	Proj 3	Proj 4	Proj 5	Proj 6
1		Steam Production-Operation												
2	500	Supervision and Labour	1,178,000	(20,000)	1,158,000	109,700	1,361,700	0						
3	501	Team Expenses	573,300	(4,800)	568,500		568,500	0						
4		Total Steam Production-Operation	2,151,300		2,126,500	209,700	2,330,100	0	0	0	0	0	0	0
5														
6		Steam Production-Maintenance												
7	504	Structures and Improvements	9,400		9,400		9,400	0						
8	511	Steam Production Equipment	0		0		0	0						
9		Total Steam Production-Maintenance	9,400		9,400	0	9,400	0	0	0	0	0	0	0
10														
11		Distribution Expenses-Operation												
12	570	Supervision and Labour	467,500		467,500	72,400	539,900	0						
13	574	Maintenance	19,300		19,300		19,300	0						
14	571	Removal & Replacing Meters	0		0		0	0						
15	580	Other Distribution Operation	13,500		13,500		13,500	0						
16	593	Transportation	24,500		24,500		24,500	0						
17		Total Distribution Expenses-Operation	516,400		516,400	72,400	598,800	0	0	0	0	0	0	0
18														
19		Distribution Expenses - Maintenance												
20	583	Supervision and Labour	0		0		0	0						
21	586	Structures and Improvements	0		0		0	0						
22	587	Maintenance	87,000		87,000		87,000	0						
23	589	Meters & Valve Regulators	114,300		114,300		114,300	0						
24	594	Other Distribution Maintenance	0		0		0	0						
25		Total Distribution Expenses-Maintenance	181,300		181,300	0	181,300	0	0	0	0	0	0	0
26														
27		Customer Accounts Expenses-Operation												
28	501	Supervision	0		0		0	0						
29	502	Meter Reading & Billing Delivery	0		0		0	0						
30	503	Customer Accounts & Collection Exp	0		0		0	0						
31	504	Uncollectible Accounts	0		0		0	0						
32		Total Customer Accounts Exp-Operation	0		0	0	0	0	0	0	0	0	0	0
33														
34		Sales Promotion Expenses-Operation												
35	510	Sales Expense	70,200		70,200		70,200	0	(700)	(1,200)	(1,300)	(100)	(300)	(1,100)
36	511	Advertising	0		0		0	0						
37		Total Sales Promotion Exp - Operation	70,200		70,200	0	70,200	0	(700)	(1,200)	(1,300)	(100)	(300)	(1,100)
38														
39		Administrative & General - Operation												
40	915	Directors Fees	49,400		49,400		49,400	0	(500)	(500)	(500)	(100)	(100)	(1,000)
41	920	Admin & General Salaries	517,500	(27,500)	490,000		490,000	0	(5,500)	(10,000)	(1,500)	(400)	(2,500)	(29,000)
42	923	Office Supplies & Exp	109,300		109,300		109,300	0	(1,000)	(1,500)	(1,500)	(100)	(1,000)	(1,400)
43	922	Admin & General Exp	11,000		11,000		11,000	0	(200)	(200)	0	0	(200)	(500)
44	924	Special Services	307,300		307,300		307,300	0	(2,500)	(5,000)	(1,000)	(1,000)	(3,000)	(11,500)
45	925	Insurance	129,500		129,500		129,500	0	(1,200)	(2,300)	(3,500)	(1,500)	(3,000)	(11,500)
46	926	Injuries & Damages-WCB	14,800		14,800		14,800	0	(1,200)	(2,300)	(3,500)	(1,500)	(3,000)	(11,500)
47	928	Employee Benefits	465,100		465,100		465,100	0	(1,200)	(2,300)	(3,500)	(1,500)	(3,000)	(11,500)
48	930-1	Indemnity or Goodwill Advant Exp	0		0		0	0						
49	930-2	Other Admin. And Gen. Exp	0		0		0	0						
50		Total Admin & General-Operation	1,694,800	(27,500)	1,667,300	(776,400)	1,890,600	0	(13,100)	(24,600)	(3,500)	(1,400)	(5,400)	(23,500)
51														
52		Administrative & General - Maintenance												
53	931	Maintenance of General Plant	49,200		49,200		49,200	0	(500)	(500)	(1,000)	(100)	(200)	(1,800)
54		Total Admin & General-Maintenance	49,200		49,200		49,200	0	(500)	(500)	(1,000)	(100)	(200)	(1,800)
55	Per G-1	Regulatory Gross O&M Expense	4,632,800		4,632,800		4,632,800		(14,300)	(26,700)	(3,800)	(1,800)	(5,900)	(24,600)
56														
57		O&M Expenses Allocated to Capital %	0.43%					0.43%	0.43%	0.43%	0.43%	0.43%	0.43%	
58		O&M Expenses Allocated to Capital %	(19,500)		(19,500)		(19,500)	(1,200)	(1,200)	0	0	0	(1,000)	
59														
60		O&M Allocated to Amort	(19,500)		(19,500)		(19,500)							
61														
62		Regulatory Net O&M Expense	4,642,800		4,599,800		4,599,800	0	(14,300)	(26,700)	(3,800)	(1,800)	(5,900)	(24,600)
63														
64														

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Schedule 15

Line #	Acct. #	Account Name	2017 RFA APPROV.	2017 ADI BASE	Reference
1		Steam Production-Operation			
2	500	Supervision and Labour	1,158,000	1,361,700	
3	502	Steam Expenses	968,400	968,400	
4		Total Steam Production-Operation	2,126,400	2,330,100	
5					
6		Steam Production-Maintenance			
7	506	Structures and Improvements	9,400	9,300	
8	512	Steam Production Equipment	0	0	
9		Total Steam Production-Maintenance	9,400	9,300	
10					
11		Distribution Expenses-Operation			
12	870	Supervision & Labour	451,400	539,500	
13	874	Mains & Services	14,900	19,100	
14	878	Removing & Resetting Meters	0	0	
15	880	Other Distribution Operation	0	15,300	
16	933	Transportation	24,500	24,500	
17		Total Distribution Expenses-Operation	490,800	598,800	
18					
19		Distribution Expenses - Maintenance			
20	885	Supervision & Labour	0	0	
21	886	Structures & Improvements	0	0	
22	887	Mains & Services	67,000	67,000	
23	889	Meters & House Regulators	114,300	114,300	
24	694	Other Distribution Maintenance	0	0	
25		Total Distribution Expenses-Maintenance	181,300	181,300	
26					
27		Customer Accounts Expenses-Operation			
28	901	Supervision	0	0	
29	902	Meter Reading & Billing Delivery	0	0	
30	903	Customer Records & Collection Exp	0	0	
31	904	Uncollectible Accounts	0	0	
32		Total Customer Accounts Exp-Operation	0	0	
33					
34		Sales Promotion Expenses-Operation			
35	910	Sales Expense	49,500	66,600	
36	911	Advertising	0	0	
37		Total Sales Promotion Exp - Operation	49,500	66,600	
38					
39		Administrative & General - Operation			
40	915	Directors Fees	33,400	46,800	
41	920	Admin & General Salaries	594,000	560,100	
42	921	Office Supplies & Exp	96,000	99,000	
43	922	Admin & General Exp	11,000	10,500	
44	923	Special Services	289,200	291,700	
45	924	Insurance	91,100	117,600	
46	925	Injuries & Damages-WCB	14,800	5,800	
47	926	Employee Benefits	465,100	187,700	
48	930.1	Institutional or Goodwill Advert Exp	0	0	
49	930.2	Other Admin. And General Exp	0	0	
50		Total Admin & General-Operation	1,584,600	1,320,000	
51					
52		Administrative & General - Maintenance			
53	932	Maintenance of General Plant	24,700	46,600	
54		Total Admin & General-Operation	24,700	46,600	
55					
56		Regulatory Gross O&M Expense	4,466,700	4,552,800	
57					
58		O&M Expenses Allocated to Capital %		0.43%	
59		O&M Expenses Allocated to Capital \$	(20,100)	(20,400)	
60					
61		O&M Allocated to Affiliate	(19,500)		
62					
63		Regulatory Net O&M Expense	4,427,100	4,532,400	
64					

- 29.1 Please confirm that in arriving at its Total SG&A in Appendix 6, Creative Energy made its allocation deductions to the '2017 Application with Adjustments' figures rather than to the '2017 Approved figures' which are shown in the left column in Schedule 15.
- 29.2 Please explain why Creative Energy did this.
- 29.3 Please provide the allocations in Appendix 6 based on the 2017 Approved instead of the 2017 Application with adjustments as provided in Column E of Appendix 6.

30. Exhibit B-1, Appendix 3 and Appendix 1 Schedule 15 and Appendix 6

REVENUE REQUIREMENTS

		Appendix 3			
		IBR Base	TPRCDA	Pension Expense Deferral Account	Reg. Transition Deferral Account
2018 STEAM - SUMMARY		2018	2018	2018	2018
		Steam	Steam	Steam	Steam
1					
2	REVENUE REQUIREMENT - CHANGE SUMMARY				
3	Cost Of Service				
4	Fuel				
5	Fuel Recovery				
6	Hot Fuel				
7	OGM	4,532,400			
8	Total Operating and Maintenance	4,532,400			
9	Municipal Access Fees (MAF)	255,100			
10	Total Operating and Maintenance (incl. MAF)	4,787,500			
11	Property Taxes	357,800			
12	Income Taxes	268,700			
13	Depreciation	987,600			
14	Amortization of Rate Base Deferred Expenses				
15	Amortization of Non-Rate Base Deferred Expenses		289,834	55,301	116,619
16	Actual/Proposed Interest	597,000			
17	Actual/Proposed Return on Equity	1,045,000			
18	Interest on FCRA				
19	Total Revenue Requirement for Year	Sum(Line 10to18)	8,043,600	289,834	55,301
20	Steam Costs Allocated to HEFC				
21	HEFC Credit				
22					
23	Revenue Deficiency C/fwd from 2016				
24	Total Revenue Requirement	Sum(Line 19,20)	8,043,600	289,834	55,301
25	Revenues @ 2017 Tariff Rate	8,476,800			
26	Revenue Sufficiency	Line 21-22	\$ (433,200)		
27	2018 Index		1.04%		
28	Estimated Steam Revenue per Demand Schedule				
29	Estimated \$ Jan - Mar (Decision pg. 13 Denied)				
30	Estimated \$ Apr - Dec (Revenue Deficiency Pg. 13)				
31	Per Line 23				
32	Rate Increase / (Decrease)	Line 26/25	-3.27%	3.42%	0.63%
33	Revenue Adjusted 2017	Line 29/22	(433,200)		
34	Revenue Deficiency/Surplus		\$		
35					
36	Average Steam Tariff Rate	Line 24/47	\$ 7.32		
37					

Line #	Acct. #	Account Name	2017 RRA APPRV.	2017 ADJ. BASE	Reference
		O&M Expenses Allocated to Capital %		0.43%	
		O&M Expenses Allocated to Capital \$	(20,100)	(20,400)	
		O&M Allocated to Affiliate	(19,500)		
		Regulatory Net O&M Expense	4,427,100	4,532,400	

SG&A Expenses

		A	B	C = A+B	D	E = D+C								
		2017 PER RRA APPLICATION	Adjustment Per 2016/17 Decision	2017 Subtotal	Rebates	Total Adj For 16/17 Decision	0.90% NEFC	0.53% Proj. 1	1.77% Proj. 2	0.21% Proj. 3	0.10% Proj. 4	0.18% Proj. 5	1.62% Proj. 6	Total Allocated
37														
38	O&M Expenses Allocated to Capital %	0.43%						0.43%	0.43%	0.43%	0.41%	0.43%	0.41%	
39	O&M Expenses Allocated to Capital \$	(20,100)		(20,100)			(100)	(100)	0	0	0	0	(100)	(20,400)
40														
41	O&M Allocated to Affiliate	(19,500)		(19,500)									19,500	0
42														
43	Regulatory Net O&M Expense	4,642,800		4,550,000			0	(14,400)	(16,800)	(3,800)	(1,600)	(6,900)	(24,600)	4,532,400
44														

30.1 Please confirm that all items included in the Cost of Service IBR Base would be subject to Creative Energy's proposed Index.

31. Exhibit B-1, Appendix 6

SG&A Expenses																
		A	B	C = B/A	D	E = D/C									Total	
		2017	Adjustment	Total Adj For			0.00%	0.33%	1.77%	0.25%	0.10%	0.39%	1.63%	Total		
Line #	Acct #	Account Name	PER RRA APPLICATION	Per 2016/17 Decision	Subtotal	Federal Decision	NEFC	Proj 1	Proj 2	Proj 3	Proj 4	Proj 5	Proj 6	Allocated	TOTAL SG&A	
1		Steam Production-Operation														
2	900	Supervision and Labour	1,178,000	(20,000)	1,158,000	203,700	1,361,700	0						0	1,361,700	
3	901	Steam Expenses	973,300	(10,400)	962,900		966,400	0						0	966,400	
4		Total Steam Production-Operation	2,151,300		2,120,900	203,700	2,328,100	0	0	0	0	0	0	0	2,328,100	
5																
6		Steam Production-Maintenance														
7	904	Structures and Improvements	9,400		9,400		9,400	0						0	9,400	
8	911	Steam Production Equipment	0		0		0	0						0	0	
9		Total Steam Production-Maintenance	9,400		9,400	0	9,400	0	0	0	0	0	0	0	9,400	
10																
11		Distribution Expenses-Operation														
12	910	Supervision & Labour	467,200		467,200	72,400	539,600	0						0	539,600	
13	914	Mains & Services	19,100		19,100		19,100	0						0	19,100	
14	918	Removing & Reinstalling Meters	0		0		0	0						0	0	
15	920	Other Distribution Operation	15,300		15,300		15,300	0						0	15,300	
16	933	Transportation	24,300		24,300		24,300	0						0	24,300	
17		Total Distribution Expenses-Operation	526,400		526,400	72,400	598,800	0	0	0	0	0	0	0	598,800	
18																
19		Distribution Expenses - Maintenance														
20	923	Supervision & Labour	0		0		0	0						0	0	
21	924	Structures & Improvements	0		0		0	0						0	0	
22	927	Mains & Services	67,000		67,000		67,000	0						0	67,000	
23	929	Meters & House Regulators	114,300		114,300		114,300	0						0	114,300	
24	934	Other Distribution Maintenance	0		0		0	0						0	0	
25		Total Distribution Expenses-Maintenance	181,300		181,300	0	181,300	0	0	0	0	0	0	0	181,300	
26																
27		Customer Accounts Expenses-Operation														
28	901	Supervision	0		0		0	0						0	0	
29	902	Meter Reading & Billing Delivery	0		0		0	0						0	0	
30	903	Customer Records & Collection Exp	0		0		0	0						0	0	
31	904	Uncollectible Accounts	0		0		0	0						0	0	
32		Total Customer Accounts Exp-Operation	0		0	0	0	0	0	0	0	0	0	0	0	
33																
34		Sales Promotion Expenses-Operation														
35	910	Sales Expense	70,200		70,200		70,200	0	(700)	(1,200)	(200)	(100)	(300)	(1,400)	(3,600)	
36	911	Advertising	0		0		0	0						0	0	
37		Total Sales Promotion Exp - Operation	70,200	0	70,200	0	70,200	0	(700)	(1,200)	(200)	(100)	(300)	(1,400)	(3,600)	
38																
39		Administrative & General - Operation														
40	915	Directors Fees	49,400		49,400		49,400	0	(200)	(900)	(100)	(100)	(200)	(300)	(1,600)	
41	920	Admin & General Services	517,900	(27,500)	490,400		490,400	0	(5,300)	(10,400)	(1,700)	(100)	(2,800)	(8,800)	(29,800)	
42	921	Office Supplies & Exp	103,200		103,200		103,200	0	(1,200)	(4,800)	(500)	(100)	(400)	(1,700)	(7,400)	
43	922	Admin & General Exp	11,000		11,000		11,000	0	(200)	(200)	0	0	0	(200)	(400)	
44	923	Special Services	307,300		307,300		307,300	0	(2,800)	(5,400)	(100)	(100)	(1,400)	(5,000)	(11,600)	
45	924	Insurance	113,900		113,900		113,900	0	(1,300)	(2,200)	(700)	(100)	(500)	(2,000)	(4,600)	
46	925	Injuries & Damages-Work	14,800		14,800	(8,700)	6,100	0	(100)	(100)	0	0	0	(100)	(300)	
47	926	Employee Benefits	465,100		465,100	(187,400)	187,700	0	(1,400)	(3,500)	(700)	(200)	(800)	(2,200)	(10,500)	
48	930.1	Institutional or Goodwill Acquis Exp	0		0		0	0						0	0	
49	930.2	Other Admin. And General Exp	0		0		0	0						0	0	
50		Total Admin & General-Operation	1,694,600	(27,500)	1,667,100	(276,500)	1,390,600	0	(13,100)	(24,600)	(3,500)	(1,400)	(5,400)	(22,600)	(70,600)	
51																
52		Administrative & General - Maintenance														
53	912	Maintenance of General Plant	49,200		49,200		49,200	0	(700)	(800)	(1,700)	(100)	(200)	(700)	(3,400)	
54		Total Admin & General-Maintenance	49,200	0	49,200	0	49,200	0	(700)	(800)	(1,700)	(100)	(200)	(700)	(3,400)	
55		Per G-16716, PG 50, Table 11, Line 14	1,514,000	(27,500)	1,786,100	(276,500)	1,509,600	0	(14,500)	(26,700)	(5,300)	(1,400)	(5,600)	(24,300)	(78,500)	
56		Regulatory Gross O&M Expense	4,682,400		4,619,400	0	4,619,400	0	(14,500)	(26,700)	(5,300)	(1,400)	(5,600)	(24,300)	(78,500)	
57																
58		O&M Expenses Allocated to Capital %	0.43%					0.43%	0.43%	0.43%	0.43%	0.43%	0.43%			
59		O&M Expenses Allocated to Capital %	123,200		123,200			(300)	(100)	0	0	0	0	1,300	720,000	
60																
61		O&M Allocated to AM/Rate	132,500		132,500									19,200	0	
62																
63		Regulatory Net O&M Expense	4,642,800		4,590,600	0	4,590,600	0	(14,400)	(26,600)	(4,800)	(1,400)	(5,500)	(23,000)	(76,600)	
64																

31.1 Please confirm that the Steam Production-Operation expenditures included in Appendix 6 Line items 1-5, are included in the O&M Line 7 in Appendix 3 and form part of the IBR Base.

31.1.1 Please confirm explain that as such, the Steam Production-Operation expenditures including Supervision and Labour and Steam Expenses would be subject to the annual inflation index as proposed by Creative Energy.

31.1.2 If not confirmed, please explain.

31.2 Please provide Line items 4 and 5 for Appendix 3.

31.3 Please provide details of steam expenses or identify where they are located in the application.

31.4 Please provide the detail of the components of steam expenses historically for 10 years.

31.5 Please provide the volume of natural gas utilized by Creative Energy annually for the last 10 years.

31.6 If Total Steam Production-Operation expense does not include fuel please explain how fuel becomes accounted for in rates, and whether or not it is subject to Creative Energy's proposed Inflation Index.

32. Exhibit B-1, Appendix 2, Appendix 1 Schedule 15 and Appendix 6

REVENUE REQUIREMENTS			
2017 STEAM - SUMMARY			
	RRA APPROVED	Adjusted Base	
	2017	2017	
	Steam w/ Steam SG&A	Steam w/ Total SG&A	Variance
1			
2 <u>REVENUE REQUIREMENT - CHANGE SUMMARY</u>			
3 <u>Cost Of Service</u>			
4 Fuel			
5 Fuel Recovery			
6 Net Fuel			
7		4,427,100	
8 Costs Disallowed in G-167-16 Decision		52,800	
9 PER 2016/17 IIEFC O&M Approved		121,600	
10 G-167-16 Decision IIEFC (Capital)		12,000	
11 G-167-16 Decision Costs to Other Division/Projects		29,500	
12 TOTAL O&M before Direct Assignment & Allocation		4,643,000	
13 IIEFC Direct Assignment		(33,800)	
14 Allocation to Other Projects (Mass Formula)		(76,800)	
15 O&M	4,427,100	4,532,400	105,300
16 Total Operating and Maintenance	4,427,100	4,532,400	
17 Municipal Access Fees (MAF)	257,200	255,100	(2,100) Schedule 17
18 Total Operating and Maintenance (incl. MAF)	4,684,300	4,787,500	
19 Property Taxes	357,800	357,800	- Schedule 16
20 Income Taxes	259,600	268,700	9,100 Schedule 19
21 Depreciation	987,600	987,600	- Schedule 5
22 Amortization of Rate Base Deferred Expenses	166,500	-	(166,500) Schedule 11
23 Amortization of Non-Rate Base Deferred Expenses	110,500	-	(110,500) Schedule 12
24 Actual/Proposed Interest	597,000	597,000	- Schedule 13
25 Actual/Proposed Return on Equity	1,045,000	1,045,000	- Schedule 13
26 Interest on FCSA	-	-	-
27 Total Revenue Requirement for Year	Sum(Line 10to18) 8,208,300	8,043,600	
28 Steam Costs Allocated to IIEFC			
29 IIEFC Credit			
30			
31 Revenue Deficiency C/fwd from 2016	268,500	-	Pg 3, line 44
32 Total Revenue Requirement	Sum(Line 19,20) 8,476,800	8,043,600	
33 Revenues @ 2016 Tariff Rate	8,751,500		Pg 6, line 6
34 Revenues @ 2017 Tariff Rate		8,476,800	
35 Revenue Sufficiency	Line 21-22 \$ (274,700)	\$ (433,200)	
36 Estimated Steam Revenue per Demand Schedule			
37 Estimated \$ Jan - Mar (Decision pg. 13 Denied)			
38 Estimated \$ Apr - Dec (Revenue Deficiency Pg. 13)			
39 Per Line 23			
40 Rate Increase / (Decrease)	Line '26/25 -3.14%	-5.11%	
41 Revenue Adjusted 2017	Line '29'22 (274,700)	(433,200)	Pg 6, line 10
42 Revenue Deficiency/Surplus	\$ -	\$ -	
43			
44 Average Steam Tariff Rate	Line 24/47 \$ 7.97	\$ 7.32	Pg 4A, line 43
45			

Selection from Schedule 15

		2017 RRA APPRV.	2017 ADJ. BASE	Reference
33				
34	<u>Sales Promotion Expenses-Operation</u>			
35	910 Sales Expense	49,500	66,600	
36	911 Advertising	0	0	
37	<u>Total Sales Promotion Exp - Operation</u>	<u>49,500</u>	<u>66,600</u>	
38				

Selection from Appendix 6

Line #	Acct #	Account Name	A 2017 PER RRA APPLICATION	B Adjustment Per 2016/17 Decision	C = A+B 2017 Subtotal	D Reclass	E = D+C Total Adj For 16/17 Decision	0.00% NEFC	0.93% Proj. 1	1.77% Proj. 2	0.25% Proj. 3	0.10% Proj. 4	0.39% Proj. 5	1.62% Proj. 6	Total Allocated	TOTAL SG&A
32		<u>Total Customer accounts exp-operation</u>	0		0	0	0	0	0	0	0	0	0	0	0	0
33																
34		<u>Sales Promotion Expenses-Operation</u>														
35	910	Sales Expense	70,200		70,200		70,200	0	(700)	(1,200)	(200)	(100)	(300)	(1,100)	(3,600)	66,600
36	911	Advertising	0		0		0	0	0	0	0	0	0	0	0	0
37		<u>Total Sales Promotion Exp - Operation</u>	<u>70,200</u>	<u>0</u>	<u>70,200</u>	<u>0</u>	<u>70,200</u>	<u>0</u>	<u>(700)</u>	<u>(1,200)</u>	<u>(200)</u>	<u>(100)</u>	<u>(300)</u>	<u>(1,100)</u>	<u>(3,600)</u>	<u>66,600</u>

- 32.1 Please rationalize the changes identified in Appendix 2 lines 7-16 with the Sales Expense and Total Sales Promotion Ex-Operation line items of \$49,500 for the 2017 RRA Approved in Schedule 15 and the \$70,200 identified under Columns C and E in 2017 Subtotal and Total Adj for 16/17 Decision in Appendix 6. In particular, why are the adjusted figures in Appendix 6 not the same as 2017 Approved shown in Schedule 15 and how do these changes relate to Appendix 2 adjustments to the Approved?
- 32.2 Please explain the differences and the rationale for using the RRA Application with adjustments as the basis for the allocations in Appendix 6, instead of the RRA Approved from Schedule 15.

33. Exhibit B-1, Appendix 1, Schedule 15, and Appendix 6 and Appendix 2

Selection from Schedule 15

		2017 RRA APPRV.	2017 ADJ. BASE	Reference
	<u>Administrative & General - Operation</u>			
315	Directors Fees	33,400	46,800	
320	Admin & General Salaries	584,000	560,100	
321	Office Supplies & Exp	96,000	99,800	
322	Admin & General Exp	11,000	10,500	
323	Special Services	269,200	291,700	
324	Insurance	91,100	117,600	
325	Injuries & Damages-WCB	14,800	5,800	
326	Employee Benefits	465,100	187,700	
30.1	Institutional or Goodwill Advert Exp	0	0	
30.2	Other Admin. And General Exp	0	0	
	<u>Total Admin & General-Operation</u>	<u>1,584,600</u>	<u>1,320,000</u>	

Selection from Appendix 6

		A	B	C = A+B	D	E = D+C								Total		
		2017 PER RRA	Adjustment Per 2016/17	2017		Total Adj For 16/17	0.00%	0.93%	1.77%	0.15%	0.10%	0.39%	1.62%	Total		
Line #	Acct. #	Account Name	APPLICATION	Decision	Subtotal	Reclass	Decision	NEFC	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Allocated	TOTAL SG&A
<u>Administrative & General - Operation</u>																
915		Directors Fees	49,400		49,400		49,400	0	(500)	(800)	(100)	(100)	(200)	(810)	(2,600)	46,600
920		Admin & General Salaries	617,900	(37,900)	590,000		590,000	0	(5,500)	(10,400)	(1,500)	(600)	(2,300)	(9,600)	(29,900)	560,100
921		Office Supplies & Exp	105,200		105,200		105,200	0	(1,000)	(1,800)	(300)	(100)	(400)	(1,700)	(5,400)	99,800
922		Admin & General Exp	11,000		11,000		11,000	0	(100)	(200)	0	0	0	(200)	(500)	10,500
923		Special Services	307,300		307,300		307,300	0	(2,900)	(5,400)	(600)	(300)	(1,200)	(5,600)	(15,600)	291,700
924		Insurance	123,900		123,900		123,900	0	(1,200)	(2,300)	(200)	(100)	(500)	(2,600)	(6,300)	117,600
925		Injuries & Damages-WCB	14,800		14,800	(8,700)	6,100	0	(100)	(100)	0	0	0	(100)	(300)	5,800
926		Employee Benefits	465,100		465,100	(267,400)	197,700	0	(1,200)	(3,500)	(500)	(100)	(800)	(3,200)	(10,600)	187,700
930.1		Institutional or Goodwill Advert Exp	0		0		0	0								0
930.2		Other Admin. And General Exp	0		0		0									0
		Total Admin & General-Operation	1,694,600	(27,900)	1,666,700	(276,100)	1,390,600	0	(13,100)	(24,600)	(3,500)	(1,400)	(5,400)	(22,600)	(70,600)	1,320,000

REVENUE REQUIREMENTS

2017 STEAM - SUMMARY

		RRA APPROVED	Adjusted Base	Variance
		2017	2017	
1		Steam w/ Steam SG&A	Steam w/ Total SG&A	
2	REVENUE REQUIREMENT - CHANGE SUMMARY			
3	Cost Of Service			
4	Fuel			
5	Fuel Recovery			
6	Hot Fuel			
7			4,427,100	
8	Costs Disallowed in G-167-16 Decision		52,800	
9	PER 2016/17 IIEFC O&M Approved		121,600	
0	G-167-16 Decision IIEFC (Capital)		12,000	
1	G-167-16 Decision Costs to Other Division/Projects		29,500	
2	TOTAL O&M before Direct Assignment & Allocation		4,643,000	
3	IIEFC Direct Assignment		(33,800)	
4	Allocation to Other Projects (Mass Formula)		(76,800)	
5	O&M	4,427,100	4,532,400	105,300
6	Total Operating and Maintenance	4,427,100	4,532,400	0

33.1 Please rationalize the differences between Schedule 15 2017 Approved and Columns C and E in in Appendix 6 for each line item for Administrative and General Operation and relate these to the adjusted base in Appendix 2 lines 7-16.

34. Exhibit B-1, Appendix 1 Schedule 15 and Appendix 6 and Appendix 2

Selection from Schedule 15

	2017 RRA APPRV.	2017 ADJ. BASE	Reference
Administrative & General - Maintenance			
Maintenance of General Plant	24,700	46,600	
Total Admin & General-Operation	24,700	46,600	
Regulatory Gross O&M Expense			
	4,466,700	4,552,800	
O&M Expenses Allocated to Capital %		0.43%	
O&M Expenses Allocated to Capital \$	(20,100)	(20,400)	
O&M Allocated to Affiliate	(19,500)		
Regulatory Net O&M Expense			
	4,427,100	4,532,400	

Selection from Appendix 6

Line #	Acct #	Account Name	A 2017 PER RRA APPLICATION	B Adjustment Per 2016/17 Decision	C = A+B 2017 Subtotal	D Reclass	E = D+C Total Adj For 16/17 Decision	0.00% NEFC	0.93% Proj. 1	1.77% Proj. 2	0.25% Proj. 3	0.10% Proj. 4	0.39% Proj. 5	1.62% Proj. 6	Total Allocated	TOTAL SG&A
		O&M Expenses Allocated to Capital %	0.43%													
		O&M Expenses Allocated to Capital \$	(20,100)		(20,100)											(20,400)
		O&M Allocated to Affiliate	(19,500)		(19,500)										19,500	0
		Regulatory Net O&M Expense	4,642,800		4,590,000			0	(14,400)	(26,800)	(3,800)	(1,600)	(5,900)	(24,600)	(76,800)	4,532,400

Appendix 2

REVENUE REQUIREMENTS

2017 STEAM - SUMMARY

	RRA APPROVED	Adjusted Base	
1	2017	2017	
	Steam w/ Steam SG&A	Steam w/ Total SG&A	Variance
2 REVENUE REQUIREMENT - CHANGE SUMMARY			
3 Cost Of Service			
4 Fuel			
5 Fuel Recovery			
6 Hot Fuel			
7		4,427,100	
8 Costs Disallowed in G-167-16 Decision		52,800	
9 PER 2016/17 IIEFC O&M Approved		121,600	
10 G-167-16 Decision IIEFC (Capital)		12,000	
11 G-167-16 Decision Costs to Other Division/Projects		29,500	
12 TOTAL O&M before Direct Assignment & Allocation		4,643,000	
13 IIEFC Direct Assignment		(33,800)	
14 Allocation to Other Projects (Mass Formula)		(76,800)	
15 O&M	4,427,100	4,532,400	105,300
16 Total Operating and Maintenance	4,427,100	4,532,400	0

- 34.1 Please explain why the Regulatory Gross O&M expense of \$4,466,700 shown in RRA Approved in Schedule 15 is about \$161,900 thousand lower than the 2017 Sub-Total of \$4,629,600 in Schedule 15 Column E; (noting that the same \$162,900 difference also transfers into the Regulatory Net O&M line items in the respective tables) and relate this to lines 7-16 in Appendix 2.

35. Exhibit B-1, Appendix 4 page 1

Per G-167-16, Section 4.4.4, pg 40

Table 11
SG&A Expenses

1 Sales, General & Admin	2011	2012	2013	2014	2015	2015	2016	2017
2 Account Name	Actual	Actual	Actual	Actual	Approved	Unaudited	Forecast	Forecast
3 Sales Expense	25,217	14,970	34,650	38,064	56,460	58,315	67,300	70,200
4 Directors Fees	22,500	26,000	30,000	30,830	42,000	60,815	48,200	49,400
5 Admin & General Salaries	475,326	573,924	562,683	772,641	729,719	455,906	584,600	617,900
6 Office Supplies & Exp	161,034	88,533	63,456	95,473	78,786	107,966	97,500	105,200
7 Admin & General Exp	-	-	-	12,071	9,180	18,874	10,800	11,000
8 Special Services	67,581	90,487	121,161	214,159	108,000	246,121	418,200	307,300
9 Insurance	84,815	83,789	83,363	86,854	106,600	105,466	114,100	123,900
10 Injuries & Damages-WCB	8,443	8,672	8,893	10,287	12,074	12,041	14,800	14,800
11 Employee Benefits	236,663	344,972	433,210	190,532	450,187	508,035	461,800	465,100
12 Sales, General & Admin	1,081,579	1,231,347	1,337,416	1,450,912	1,593,006	1,573,539	1,817,300	1,764,800
13 General Plant Maintenance	26,233	14,622	23,597	14,957	26,640	25,287	30,200	49,200
14 Operations & Maint. Expense	1,107,812	1,245,969	1,361,013	1,465,869	1,619,646	1,598,826	1,847,500	1,814,000
15 O&M Allocated to Capital	0	0	0	0	(15,459)	(18,000)	(19,700)	(20,100)
16 O&M Allocated to Affiliate	0	0	0	0	0	0	(22,000)	(19,500)
17 Total SG&A	\$ 1,107,812	\$ 1,245,969	\$ 1,361,013	\$ 1,465,869	\$ 1,604,187	\$ 1,580,826	\$ 1,805,800	\$ 1,774,400

The table below uses the highlighted section as the cast-off point (column A) for determining the adjusted base SG&A. For this reason, the 2017 adjusted base O&M (\$4,532,400) is greater than the 2017 Steam Approved O&M (\$4,427,100) (See Appendix 2).

- 35.1 Please explain why Creative Energy utilized the 2017 Forecast instead of the 2017 Approved as the basis for the adjusted base SG&A and provide any supporting Commission directives or determinations.

36. Exhibit B-1, Appendix 4 page 2

CREATIVE ENERGY VANCOUVER PLATFORMS INC.
2016-2017 REVENUE REQUIREMENT APPLICATION
OPERATING & MAINTENANCE EXPENSES
SG&A Expenses

Line #	Acct #	Account Name	A 2017 PER RRA APPLICATION	B Adjustment Per 2016/17 Decision	C = A+B 2017 Subtotal	D Reclass	E = D+C Total Adj For 16/17 Decision
1		<u>Sales Promotion Expenses-Operation</u>					
2	910	Sales Expense	70,200		70,200		70,200
3	911	Advertising	0		0		
4		<u>Total Sales Promotion Exp - Operation</u>	<u>70,200</u>	<u>0</u>	<u>70,200</u>	<u>0</u>	<u>70,200</u>
5							
6		<u>Administrative & General - Operation</u>					
7	915	Directors Fees	49,400		49,400		49,400
8	920	Admin & General Salaries	617,900	(27,900)	590,000		590,000
9	921	Office Supplies & Exp	105,200		105,200		105,200
10	922	Admin & General Exp	11,000		11,000		11,000
11	923	Special Services	307,300		307,300		307,300
12	924	Insurance	123,900		123,900		123,900
13	925	Injuries & Damages-WCB	14,600		14,600	(8,700)	6,100
14	926	Employee Benefits	465,100		465,100	(267,400)	197,700
15	930.1	Institutional or Goodwill Advert Exp	0		0		0
16	930.2	Other Admin And General Exp	0		0		
17		<u>Total Admin & General-Operation</u>	<u>1,694,600</u>	<u>(27,900)</u>	<u>1,666,700</u>	<u>(276,100)</u>	<u>1,390,600</u>
18							
19		<u>Administrative & General - Maintenance</u>					
20	932	Maintenance of General Plant	49,200		49,200		49,200
21		<u>Total Admin & General-Maintenance</u>	<u>49,200</u>	<u>0</u>	<u>49,200</u>	<u>0</u>	<u>49,200</u>
22							
23		<u>Per G-167-16, up 40, Table 11, Line 14</u>	<u>1,814,000</u>	<u>(27,900)</u>	<u>1,786,100</u>	<u>(276,100)</u>	<u>1,510,000</u>

Column B adjusts for amounts denied in the Order G-167-16 and Decision⁷ pertaining to the "Inclusion of potential incentives in the forecast".

Column D adjusts for a re-classification of Pension, Benefits and WCB costs for employees directly associated with Steam Production Expenses for "Supervision and Labor" and "Steam Distribution Expenses".

Column E are the line items that will be the subject of the cost allocation methodology.

36.1 Please elaborate on the justification for the Column D reclassification and identify any Commission directives or determinations relating to the reclassification.

37. Exhibit B-1, Appendix 4 pages 2 and 3

Massachusetts Formula Methodology

The Massachusetts Formula is used extensively in the industry, and has been previously approved by the Commission.

⁸ The Massachusetts Formula is composed of the arithmetical average of the following components:

- Average Net Book Value of capital assets;
- Salaries; and
- Operating Revenues.

1 In applying the Formula, the average percentages are calculated as follows:

	CORE	NEFC	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	TOTAL
Capital	24,219,962	-	283,943	1,427,592	198,503	82,950	315,912	340,785	26,869,647
Revenues	7,887,317	-	-	-	-	-	-	142,444	8,029,761
Salaries	1,600,455	-	28,860	-	-	-	-	30,264	1,659,579
Total	33,707,734	-	312,803	1,427,592	198,503	82,950	315,912	513,493	36,558,987
Capital	90.14%	0.00%	1.06%	5.31%	0.74%	0.31%	1.18%	1.27%	100.00%
Revenues	98.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.77%	100.00%
Salaries	96.44%	0.00%	1.74%	0.00%	0.30%	0.00%	0.00%	1.82%	100.00%
Average	94.93%	0.00%	0.93%	1.77%	0.25%	0.10%	0.39%	1.62%	100.00%

2
3

**CREATIVE ENERGY VANCOUVER PLATFORMS INC.
2016-2017 REVENUE REQUIREMENT APPLICATION
OPERATING & MAINTENANCE EXPENSES
SG&A Expenses**

		E - D+C										
		Total Adj For									Total	
Line #	Acct. # Account Name	Decision	NEFC	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Allocated		TOTAL SG&A
1	<u>Sales Promotion Expenses-Operation</u>											
2	910 Sales Expense	70,200	0	(700)	(1,200)	(200)	(100)	(200)	(1,100)	(3,600)		65,600
3	912 Advertising											0
4	<u>Total Sales Promotion Exp - Operation</u>	70,200	0	(700)	(1,200)	(200)	(100)	(200)	(1,100)	(3,600)		65,600
5												
6	<u>Administrative & General - Operation</u>											
7	915 Directors Fees	49,400	0	(500)	(900)	(100)	(100)	(200)	(800)	(2,500)		45,800
8	920 Admin & General Salaries	590,000	0	(5,500)	(10,400)	(1,500)	(600)	(2,500)	(2,600)	(20,000)		559,100
9	921 Office Supplies & Exp	105,200	0	(1,000)	(1,900)	(300)	(100)	(400)	(1,700)	(5,400)		98,800
10	922 Admin & General Exp	13,000	0	(100)	(200)	0	0	0	(200)	(500)		10,500
11	923 Special Services	307,300	0	(2,900)	(5,400)	(200)	(200)	(1,200)	(5,000)	(15,000)		291,700
12	924 Insurance	123,900	0	(1,200)	(2,200)	(300)	(100)	(500)	(2,000)	(6,300)		117,600
13	925 Injuries & Damages-WCB	6,100	0	(100)	(100)	0	0	0	(100)	(300)		5,800
14	926 Employee Benefits	197,700	0	(1,800)	(3,300)	(500)	(200)	(600)	(3,200)	(10,000)		187,700
15	930.1 Institutional or Goodwill Advert Exp	0	0									0
16	930.2 Other Admin. And General Exp											0
17	<u>Total Admin & General-Operation</u>	1,390,800	0	(13,100)	(24,800)	(3,500)	(1,600)	(5,400)	(22,600)	(70,000)		1,320,000
18												
19	<u>Administrative & General - Maintenance</u>											
20	937 Maintenance of General Plant	49,200	0	(500)	(900)	(100)	(100)	(200)	(800)	(2,600)		45,600
21	<u>Total Admin & General Maintenance</u>	49,200	0	(500)	(900)	(100)	(100)	(200)	(800)	(2,600)		45,600
22	Per Q-167-16, pg.40, Table 11, Line 14	1,510,000	0	(14,600)	(25,700)	(3,600)	(1,600)	(5,600)	(24,500)	(76,600)		1,433,200

5 Based on the Massachusetts Formula methodology, the total allocation to Other Projects is \$76,800.
6

- 37.1 Please describe Project 1, Project 2, Project 3, Project 4, Project 5, Project 6.
- 37.2 The CEC notes that only Project 6 has revenues. Please discuss why none of the other projects have revenues.
- 37.3 Are the projects all complete or is it possible that the projects will change in Average Net Book value of Capital assets; salaries and operating revenues? Please discuss.
- 37.3.1 To the extent that the Projects change during the 5 year period, how does Creative Energy intend to account for appropriate allocation changes in its revenue requirements? Please discuss.
- 37.4 Capital, Revenues and Salaries appear to be equally weighted in arriving at a percentage. Please discuss as to whether or not unweighted averages are always employed in calculating allocations using the Massachusetts formula or are there other methods? Please discuss.
- 37.5 Please provide references to literature regarding the proper use and application of the Massachusetts Formula, and its advantages and disadvantages.

- 37.6 Does Creative Energy anticipate that Hot Water service or any of the other projects will be regulated in regard to revenue requirements under Cost of Service or IBR? Please explain.
- 37.7 Please explain why Creative Energy has not applied for revenue requirements for all of its services and rate classes in this application.

38. Exhibit B-1, Appendix 4 page 4

Cost Drivers Methodology

Column F in the table below shows the allocation base for each line item as described.

**CREATIVE ENERGY VANCOUVER PLATFORMS INC.
2016-2017 REVENUE REQUIREMENT APPLICATION
OPERATING & MAINTENANCE EXPENSES
SG&A Expenses Cost Drivers**

			E = D+C	F
			Total Adj For	Cost Drivers - Basis
			16/17	of Allocation
Line #	Acct. #	Account Name	Decision	
1		<u>Sales Promotion Expenses-Operation</u>		
2	910	Sales Expense	70,200	# of Customers
3	911	Advertising		
4		<u>Total Sales Promotion Exp - Operation</u>	<u>70,200</u>	
5				
6		<u>Administrative & General - Operation</u>		
7	915	Directors Fees	49,400	# of Customers
8	920	Admin & General Salaries	590,000	# of Customers
9	921	Office Supplies & Exp	105,200	# of Customers
10	922	Admin & General Exp	11,000	# of Customers
11	923	Special Services	307,300	No Allocation
12	924	Insurance	123,900	Project Costs
13	925	Injuries & Damages-WCB	6,100	# of Customers
14	926	Employee Benefits	197,700	# of Customers
15	930.1	Institutional or Goodwill Advert Exp	0	
16	930.2	Other Admin. And General Exp		
17		<u>Total Admin & General-Operation</u>	<u>1,390,600</u>	
18				
19		<u>Administrative & General - Maintenance</u>		
20	932	Maintenance of General Plant	49,200	# of Customers
21		<u>Total Admin & General-Maintenance</u>	<u>49,200</u>	
22		<u>Per G.167-16, pg 40, Table 11, Line 14</u>	<u>1,510,000</u>	

Primarily, the above costs can be categorized into 2 allocation categories (3, if you include "no allocation", per Line # 11, Special Services). The allocation categories are:

- a) # of customers;
- b) Project costs; and
- c) No allocation

- 38.1 Please discuss the use of the Cost Drivers methodology in utilities regulated by the Commission, and in other jurisdictions.
- 38.2 On what year did Creative Energy base its Project Costs for allocation? Is this the same year as was used for the Massachusetts Formula methodology?

38.3 What, if any, other allocation metrics might have been relevant and why did Creative Energy not utilize them?

39. Exhibit B-1, Appendix 4, pages 4 and 5

a) # of customers

Using the Cost Drivers Methodology, most of the SG&A costs above are allocated by “# of Customers”. The number of customers as a cost allocator is representative of the drivers of these costs being incurred, and is consistent with cost-causality approach. For example, the number of customers reflects the complexity of the issues that need to be considered by the Board, and therefore number of customers reflects Director’s time. Similarly for Admin & General Salaries, the number of customers is an appropriate allocator for the cost of corporate office time. For similar reasons, Creative Energy concluded that the number of customers general is an appropriate allocator of the cost of these shared services.

b) Project costs

For insurance, project costs primarily drives insurance costs for insurance coverage.

c) No Allocation

For this particular line item, the costs consist of third party regulatory costs and do not include services provided to the Other Projects. The regulatory requirements of Other Projects are satisfied without third party services.

39.1 Please identify the key issues affecting steam and the key issues affecting each of the other projects.

40. Exhibit B-1, Appendix 1, Schedule 16

CREATIVE ENERGY VANCOUVER PLATFORMS INC.
STEAM 2016-2017 REVENUE REQUIREMENTS APPLICATION
PROPERTY TAXES

[Back to Legend](#)

Schedule 16

Line #	Item	2017 RRA APPRV.	2017 ADJ. BASE
1	PROPERTY TAX		
2	City of Vancouver Mill Rate		
3	Utility		
4	Business and Other Utility		
5			
6	Assessed Value - Taxable		
7	Utility - Land		
8	Utility - Building		
9	Business and Other Utility- Land		
10	Business and Other Utility - Building		
11			
12	Taxes		
13	Utility - Land	231,700	231,700
14	Utility - Building	600	600
15	Business and Other Utility- Land	230,500	230,500
16	Business and Other Utility - Building	1,300	1,300
17	Fees	700	700
18	Total for 720 Beatty Street	464,800	464,800
19			
20	Reduction for Non Reg	(107,000)	(107,000)
21			
22	Add Property Tax for 701 Expo Blvd.		
23			
24	PROPERTY TAXES FOR UTILITY PURPOSES	357,800	357,800
25			
26			
27	Leasable Area - Land		
28	Building Leasable Area Sq. Ft.	5,900	5,900
29	Total Land Area Sq. Ft.	51,744	51,744
30	Allocation %	11.40%	11.40%
31	Land Tax	299,460	299,460
32	Allocated to Non-Reg	\$ 34,142	\$ 34,142
33			
34	Portion of Land Tax related to BC Place Lease		
35	Leasable Area Sq. Ft.	12,519	12,519
36	Total Land Area Sq. Ft.	51,744	51,744
37	Allocation %	24.19%	24.19%
38	Land Tax	299,460	299,460
39	Allocated to Non-Reg	\$ 72,451	\$ 72,451
40			
41	Leased Area of Building		
42	Leased Area Sq. Ft.	5,900	5,900
43	Leased Area Sq. Ft.	5,400	5,400
44	Total Leased Area Sq. Ft.	11,300	11,300
45	Total Area of Building	40,803	40,803
46	Allocation %	27.69%	27.69%
47	Building Tax	1,248	1,248
48	Allocated to Non-Reg	\$ 346	\$ 346
49			
50	DEDUCTION FROM PROP TAX	\$ 107,000	\$ 107,000

40.1 Please fill in the greyed out portion of Appendix 1, Schedule 16.

41. Exhibit B-1, Appendix 3, page 1

This appendix provides detailed calculations of the labour and non-labour components of the rate change factor for 2018. The labour component is based on CANSIM table 281-0063, Average Weekly Earnings including Overtime for All Employees for British Columbia. The non-labour component is based on CANSIM table 326-0020, All Items for Vancouver, B.C. All information was retrieved from the Statistics Canada website on Oct 30, 2017. The below table shows the monthly values for each series, and the averages for Aug 2015-Jul 2016, and Aug 2016-Jul 2017.

	Labour Component (CANSIM 281-0063, BC, Industrial aggregate excluding unclassified businesses)		Non-Labour Component (CANSIM 326-0020, All Items, Vancouver BC)	
	Aug 2015 – Jul 2016	Aug 2016 – July 2017	Aug 2015 – Jul 2016	Aug 2016 – July 2017
Aug	907.74	920.30	122.7	125.6
Sept	912.59	919.84	122.7	125.4
Oct	915.24	917.50	122.4	125.4
Nov	910.21	927.86	122.7	124.6
Dec	918.18	931.43	122.4	124.7
Jan	906.99	931.06	122.7	125.3
Feb	913.20	928.94	122.8	125.5
Mar	915.42	934.30	124.0	126.1
Apr	920.95	935.01	124.0	126.3
May	917.48	939.88	124.9	127.1
Jun	927.60	942.26	125.3	127.5
Jul	911.54	936.85	125.7	128.1
Average	914.76	930.44	123.53	125.97
Increase		1.71%		1.98%
Weighting		53%		47%
Rate Change Factor				1.84%

- 41.1 Why does Creative Energy propose to use the Industrial Aggregate excluding unclassified businesses rather than Utilities?
- 41.2 Please provide the above information (both tables) historically for the last 10 years and the average increase per year.