

1.0 Reference: Exhibit B1, Application, page 1, 2017 Load Forecast

The referenced page states:

The applied for method for setting rates for Steam customers is simple; it begins by adjusting the approved 2017 Revenue Requirements, and then divides that amount by the approved 2017 load forecast.

- 1.1 Please provide the actual 2017 load as a comparator to the 2017 approved load forecast or a reference in the public record of the current filing as to where the requested datum may be found.

Response:

| 2017 Approved Load Forecast | 2017 Actual Load |
|-----------------------------|------------------|
| 1,098,515 M# | 1,173,129 M# |

- 1.2 Did Creative consider using, as the basis for its 5-year plan proposal, the use of actual data, e.g., actual 2017 operating costs, actual 2018 opening rate base, actual 2017 load, etc., so as to start the 5-year plan based on actual data? If not, why not?

Response: The base rates are based on a forecast test year approved in 2017 and has not been updated to reflect any actual costs, sales or revenues for 2017. The use of a forecast year allows for a more standardized basis as it assumes normal weather conditions and stable economic conditions, and does not include any extraordinary costs for the year. For that reason, the Company believes the 5-year plan should be based on a forecast year, instead of actual data.

2.0 Reference: Exhibit B1, page 2, CBA Status

The referenced page states:

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.

- 2.1 Please provide an update regarding the status of negotiations with the union as well as how often the Company's representatives have met with the Unions in this round of collective bargaining.

Response: Please see BCUC 1.1.1.

3.0 Reference: Exhibit B1, page 3, Cost Stability

The referenced page states:

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.

3.1 Please provide historical data that supports the claim that the steam system's costs have stabilized over time.

Response: Creative Energy's O&M costs have steadily increased over the past 5 years as demonstrated in the table below. We expect our operating costs to maintain this current trend over the period of the IBR, subject to capital requirements of maintaining an aging system. As evident by the table below Creative Energy's O&M costs are increasing at a rate faster than the proposed index. Creative Energy will have to manage its overall costs.

| 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|--------------|--------------|--------------|--------------|
| \$ 3,800,717 | \$ 4,028,927 | \$ 4,219,149 | \$ 4,334,401 | \$ 4,427,100 |

3.2 Does the fact that the steam system's costs have stabilized over time mean that this component of ratepayers' burden does not require inflationary adjustment over the 5-year term of the proposal? Please explain.

Response: No, costs that Creative Energy incur are also subject to inflation, if not increasing at a steady rate higher than inflation. For example, as stated in Response 2.1, the CBA negotiated that the salaries of staff will increase along with inflation, but other costs such as property tax may see year over year increases at a much greater rate. Creative Energy has proposed the index in order to provide customers with stable, longer term forecasts of rates and it will be up to Creative Energy to manage its costs within the boundaries of the index.

4.0 Reference: Exhibit B1, Application, page 5, Costs of Intervener Participation

The referenced page states:

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.

4.1 Please confirm that the cost of intervener participation in the 2016-17 RRA review was approximately 0.6% of the overall revenue requirement. If unable to so confirm, please explain.

Response: Confirmed.

- 4.2 Please confirm that even in the absence of intervener participation, Creative would incur internal regulatory costs associated with ongoing compliance, new approvals, and regulatory monitoring and reporting. If unable to so confirm, please explain.

Response: Confirmed.

- 4.3 Does Creative maintain that there would be a significant reduction in rates, were intervener participation to be limited over the 2018-22 proposed plan term? If so, please explain fully how that significant reduction would be achieved.

Response: Creative Energy participates in a competitive market. A small change in rates can, in some circumstances, affect the Company's competitive position. Further, a small increase in costs is a significant concern to Creative Energy if such costs are not borne by its competitors.

- 4.4 Please confirm that the 2017 approved revenue requirement included costs related to intervener participation and quantify these costs. If unable to so confirm, please explain.

Response: Third party costs for intervener participation were included in the TPRCDA. The cost of intervener participation in the 2016-2017 RRA proceeding was approximately \$50k.

- 4.5 4.5.1 Is Creative's statement regarding intervener participation an indication that it intends to seek to be exempt from all future public participation in its regulation by the BC Utilities Commission?

Response: The Company does not object to public participation in regulation by the BC Utilities Commission. Just the opposite, the Company encourages public participation in regulation by the BC Utilities Commission. Public participation in regulation should not be confused with paid intervener participation in regulation.

- 4.5.2 Is Creative's statement regarding intervener participation an assertion that the Commission staff has, for example, the expertise or particular knowledge of the concerns and issues that would be particular to BCOAPO *et al.*'s clients and members in this Creative Energy Application? (i.e. low and fixed income British Columbians who experience energy poverty)

Response: The Company has approximately 200 customers. On a routine and almost daily basis, the Company discusses service issues with its customers. Given the limited number of customers, the Company has a very clear appreciation of their concerns and issues.

5.0 **Reference:** Exhibit B1, page 3, and Appendix 1, Schedule 13, Return

The referenced page states:

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.

5.1 Please confirm that the equity rate of return embedded in the approved 2017 revenue requirement is 9.50%. If unable to so confirm, please explain.

Response: Confirmed.

5.2 Please confirm that the embedded ROE represents the most recent determination with respect to ROE undertaken by the BCUC.

Response: Confirmed.

5.3 Please provide the actual ROE received by Creative for 2017.

Response: Please see BCUC Response 27.2

5.4 Please confirm that there has been no material change in Creative's cost of debt since the evidence provided underpinning the 2017 BCUC Decision. If unable to so confirm, please explain.

Response: Confirmed.

5.5 Please confirm that Creative expects no material changes in its cost of debt over the proposed 5-year term of the plan. If unable to so confirm, please explain.

Response: Confirmed.

6.0 Reference: Exhibit B1, page 3, Service Quality

The referenced page states:

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.

6.1 With respect to the existing customers, please provide a list of alternative/substitute energy offerings these customers may choose from assuming that they decide to stay in their current locations and choose not to take service from Creative.

Response: Creative Energy cannot comment on all available alternative but has experience with steam customer implementing on-site natural gas or electric boilers, electric baseboard heaters, or heat pump systems to replace steam service.

6.2 Please confirm that Creative is not proposing to track or report any service quality indicators over the term 2018-22. If unable to so confirm, please explain.

Response: Confirmed.

6.3 Please provide Creative's forecast of customer attachments for 2018.

Response: Creative Energy has two customers forecasted to connect in 2018. One of the customers is connecting as a hot water customer in NEFC. Creative Energy has also lost a major steam customer. Customer names are commercially sensitive information and will not be released.

The forecasted loads of the customers both gained and lost are shown in the table below.

| Customer | Hotel | Residential Tower | Commercial Building |
|-------------------|--------------------|--------------------|---------------------|
| Anticipated Date | August 2018 | September 2018 | January 2018 |
| Annual Load (M#s) | 1,100 ¹ | 9,549 ² | 10,350 ³ |

¹ Load based on existing building gas bills

² Load based on engineering estimates from project mechanical consultant

³ Load based on 2017 approved load forecast

7.0 Reference: Exhibit B1, page 7, and Appendix 2 IBR Revenue Requirement

The referenced page states:

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

7.1 Please provide an update to Appendix 2, providing either actual 2017 experience or, if that is not available yet, Creative's most recent estimate of actual 2017 experience.

Response: Please see Creative Energy Exhibit B-3.

8.0 Reference: Exhibit B1, page 8, and Appendix 1, Schedules 2-11, Base IBR Rate

The first referenced page states:

Base IBR Rate

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

8.1 Do the "2017 Adjusted Base" figures that appear in the referenced schedules correspond to actual rate base figures? If not, please explain what the "adjustments" refer to.

Response: No, the 2017 Adjusted Base uses the forecast ratebase for 2017, approved in the last RRA proceeding.

8.2 Can Creative confirm that it is proposing to use the actual 2017 closing rate base balance as its starting rate base for the proposed plan? If not, please explain why not and provide updated schedules to show actual 2017 closing entries and updated depreciation and continuity schedules.

Response: Creative Energy is not proposing to use the actual closing ratebase as its starting base. Creative Energy has not previously and does not propose to use actuals as a basis for setting rates. See Supplemental Information filing, Schedules 4 and 5 for actual 2017 closing entries and updated depreciation and continuity schedules.

9.0 Reference: Exhibit B1, pages 9-10, IBR Formula

The referenced pages state:

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

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

Where

Rate = Charge to Customer

t = Current Year

I = Inflation factor

...

For the labour component of the rate change factor, Creative Energy proposes to use actual average weekly earnings information for B.C. (BC-AWE).

...

For the non-labour component of the rate change factor, Creative Energy proposes to use actual CPI information for Vancouver (Vancouver-CPI).

9.1 Please provide any available evidence that the proposed rate change component factors have accurately tracked Creative's historical costs.

Response: While there are some costs incurred that closely track against the proposed rate change component (eg. Wages), Creative Energy has proposed an index in order to set rates with stable, predictable increases, using an index (CPI and Average Weekly Earnings) that customers would likely be familiar with and is publicly available. As stated in IR response 11.2, the index is applied to the rates and not the revenue requirement and therefore should not be used to predict or track increases in individual line item costs. With many of our costs rising faster than CPI, it is up to Creative Energy as a company to manage our business and costs effectively to earn our approved ROE.

9.2 Please provide a list of the cost components of the revenue requirement (i) subject to escalation by the inflation factor and (ii) not subject to escalation by the inflation factor.

Response: See sections 2.1.3 and 2.1.4 of the Application submitted by Creative Energy for components that have been removed from the base and are not subject to the inflation factor. All other components of the revenue requirement are subject to the inflation factor.

9.3 Please provide a rough estimate with respect to the percentage of ratepayers' costs that will be subject to inflationary escalation.

Response: approximately 97% of rate payers cost will be subject to the inflationary escalation in 2018 and 2019. In 2020 to 2022, after the deferral accounts have been paid off, and assuming there are no CPCNs for capital projects, 100% of the costs will be subject to the inflationary escalation.

9.4 Have Creative's proposed escalators closely tracked other escalators used in IBR-type plans such as CPI and GDPPI?

Response: Yes, one component of Creative Energy's escalator is Vancouver CPI. For tracking again BC CPI please see response to BCUC IR 15.4.

10.0 Reference: Exhibit B1, page 11, Financing Rate Base

The referenced page states:

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.

10.1 Does this proposal amount to the assumption that – even in the absence of any net capital investment during the term of the proposal – that rate base costs would be escalated by the proposed inflation factor when, in fact, rate base costs would actually be decreasing (in the event of no net investment) due to increasing accumulated depreciation? Please explain and indicate why it is appropriate to inflate capital costs in this manner.

Response: It is assume the existing rate base is decreasing by depreciation. Separate to that, we forecast capital expenditures and those valued tend to have inflationary increases. With an aging system such as Creative Energy's, in order to maintain the reliability and performance of the system, a scenario where the net capital investment is zero is virtually impossible. Creative Energy has a five-year rolling capital plan to ensure that proper capital investment is made year over year to maintain the existing system.

11.0 Reference: Exhibit B1, page 2, Cost of Service

11.1 Please provide any Cost of Service estimates that Creative has available with respect to the year 2018.

Response: Creative Energy has not prepared cost of service estimates with respect to the year 2018.

12.0 Reference: Exhibit B1, Rebasing after the plan

12.1 If the proposal is approved substantially as proposed, does Creative intend to rebase to actuals at the end of the plan?

Response: It is highly likely that actual costs will play a major role in determining the appropriate base upon which future rate case will be based at the end of the plan.

12.2 Please provide a complete list of the actual data that Creative plans on tracking during the plan and making available to interested parties at the end of the plan for setting subsequent rates.

Response: All costs and loads will be tracked during the plan. Relevant information that is not commercially sensitive ? may be shared at the end of the plan.