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Utilities Commission

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Commission Secretary

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June 20, 2018

Sent via email/eFile

CREATIVE ENERGY 2018-2022 REVENUE REQUIREMENTS
EXHIBIT A-9

Mr. Robert Hobbs
President and CEO
Creative Energy Vancouver Platforms Inc.
Suite 1 - 720 Beatty Street
Vancouver, BC V6B 2M1
info@creative.energy

Re: Creative Energy Vancouver Platforms Inc. – 2018-2022 Revenue Requirements Application – Project No. 1598938 – Information Request No. 2

Dear Mr. Hobbs:

Further to British Columbia Utilities Commission Order G-90-18, amending the Regulatory Timetable with respect to the above-noted application, enclosed please find British Columbia Utilities Commission Information Request No. 2. In accordance with the Regulatory Timetable, please file your responses on or before Thursday, July 12, 2018.

Sincerely,

Original signed by Ian Jarvis for:

Patrick Wruck
Commission Secretary

/dg
Enclosure
cc: Ms. Kelsey Devine
Manager, Customer Development
Creative Energy Vancouver Platforms Inc.
kelsey@creative.energy

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Creative Energy Vancouver Platforms Inc.
2018-2022 Revenue Requirements Application

INFORMATION REQUEST NO. 2 TO CREATIVE ENERGY VANCOUVER PLATFORMS INC.

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28.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 4.2, 4.2.1, 6.2.1; Exhibit B-1, Application, Appendix 4, 6; Exhibit A2-2, Creative Energy 2016-2017 RRA NEFC Compliance Filing to Order G-167-16 (NEFC Compliance Filing), Schedule 1, p. 4; Exhibit A2-3, NEFC Compliance Filing, Schedule 15A, p. 15A; Exhibit B-1-1
Cost allocations

In response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 6.2.1, Creative Energy Vancouver Platforms Inc. (Creative Energy) clarifies that $12,000 of Special Services expenses were added back in error to Appendix 6 of the Application for the purposes of calculating the selling, general and administration (SG&A) expense allocations. Creative Energy further states that the amount "will be corrected in the schedule. This is reflected in Appendix A."

28.1 Please confirm, or explain otherwise, that the "Appendix A" referred to in Creative Energy's response to BCUC IR 6.2.1 is the revised schedule provided in Exhibit B-1-1.

28.2 Please confirm that the following table prepared by BCUC staff to revise (i) the second table on page 3 of Appendix 4 of Application to reflect a reduction of $12,000 of Special Services expenses, and (ii) lines 34 to 56 of Appendix 6 (from column E onwards), is correct. If not correct, please amend and provide a revised table.

SG&A Expenses - Massachusetts Formula Methodology												
Line #	Acct. #	Account Name	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
1		**Sales Promotion Expenses-Operation**										
2	910	Sales Expense	70,200	0	(700)	(1,200)	(200)	(100)	(300)	(1,100)	(3,600)	66,600
3	911	Advertising										
4		**Total Sales Promotion Exp - Operation**	**70,200**	**0**	**(700)**	**(1,200)**	**(200)**	**(100)**	**(300)**	**(1,100)**	**(3,600)**	**66,600**
5												
6		**Administrative & General - Operation**										
7	915	Directors Fees	49,400	0	(500)	(900)	(100)	(100)	(200)	(800)	(2,600)	46,800
8	920	Admin & General Salaries	590,000	0	(5,500)	(10,400)	(1,500)	(600)	(2,300)	(9,600)	(29,900)	560,100
9	921	Office Supplies & Exp	105,200	0	(1,000)	(1,900)	(300)	(100)	(400)	(1,700)	(5,400)	99,800
10	922	Admin & General Exp	11,000	0	(100)	(200)	0	0	0	(200)	(500)	10,500
11	923	Special Services	295,300	0	(2,700)	(5,200)	(700)	(300)	(1,200)	(4,800)	(14,900)	280,400
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)	(3,500)	(500)	(200)	(800)	(3,200)	(10,000)	187,700
15	930	Institutional or Goodwill Advert Exp	-	0	0	0	0	0	0	0	0	-
16	930	Other Admin & General Exp	-	0	0	0	0	0	0	0	0	-
17		**Total Admin & General- Operation**	**1,378,600**	**0**	**(12,900)**	**(24,400)**	**(3,400)**	**(1,400)**	**(5,400)**	**(22,400)**	**(69,900)**	**1,308,700**
18												
19		**Administrative & General - Maintenance**										
20	932	Maintenance of General Plant	49,200	0	(500)	(900)	(100)	(100)	(200)	(800)	(2,600)	46,600
21		**Total Admin & General - Maintenance**	**49,200**	**0**	**(500)**	**(900)**	**(100)**	**(100)**	**(200)**	**(800)**	**(2,600)**	**46,600**
22			**1,498,000**	**0**	**(14,100)**	**(26,500)**	**(3,700)**	**(1,600)**	**(5,900)**	**(24,300)**	**(76,100)**	**1,421,900**

28.3 Please confirm that the following table prepared by BCUC staff to revise the second table on page 6 of Appendix 4 of Application to reflect a reduction of $12,000 of Special Services expenses is correct. If not correct, please amend and provide a revised table.

SG&A Expenses - Cost Drivers Methodology													
Line #	Acct. #	Account Name	Total Adj. For 16/17 Decision	Cost Drivers Basis of Allocation	NEFC	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Total Allocated	Total SG&A
1		**Sales Promotion Expenses-Operation**											
2	910	Sales Expense	70,200	# of Customers	0	0	(1,100)	(400)	(400)	(400)	(400)	(2,700)	67,500
3	911	Advertising											
4		**Total Sales Promotion Exp - Operation**	**70,200**		**0**	**0**	**(1,100)**	**(400)**	**(400)**	**(400)**	**(400)**	**(2,700)**	**67,500**
5													
6		**Administrative & General - Operation**											
7	915	Directors Fees	49,400	# of Customers	0	0	(800)	(300)	(300)	(300)	(300)	(2,000)	47,400
8	920	Admin & General Salaries	590,000	Project Costs	0	(5,400)	(30,600)	(3,700)	(1,500)	(4,800)	(4,200)	(50,200)	539,800
9	921	Office Supplies & Exp	105,200	# of Customers	0	0	(1,600)	(600)	(600)	(600)	(600)	(4,000)	101,200
10	922	Admin & General Exp	11,000	# of Customers	0	0	(200)	(100)	(100)	(100)	(100)	(600)	10,400
11	923	Special Services	295,300	No Allocation	0	0	0	0	0	0	0	0	295,300
12	924	Insurance	123,900	Project Costs	0	(1,200)	(6,500)	(800)	(400)	(1,000)	(900)	(10,800)	113,100
13	925	Injuries & Damages-WCB	6,100	# of Customers	0	0	(100)	(100)	(100)	(100)	(100)	(500)	5,600
14	926	Employee Benefits	197,700	# of Customers	0	0	(2,900)	(1,000)	(1,000)	(1,000)	(1,000)	(6,900)	190,800
15	930	Institutional or Goodwill Advert Exp	-		0	0	0	0	0	0	0	0	-
16	930	Other Admin & General Exp	-		0	0	0	0	0	0	0	0	-
17		**Total Admin & General- Operation**	**1,378,600**		**0**	**(6,600)**	**(42,700)**	**(6,600)**	**(4,000)**	**(7,900)**	**(7,200)**	**(75,000)**	**1,303,600**
18													
19		**Administrative & General - Maintenance**											
20	932	Maintenance of General Plant	49,200	# of Customers	0	0	(800)	(300)	(300)	(300)	(300)	(2,000)	47,200
21		**Total Admin & General - Maintenance**	**49,200**		**0**	**0**	**(800)**	**(300)**	**(300)**	**(300)**	**(300)**	**(2,000)**	**47,200**
22			**1,498,000**		**0**	**(6,600)**	**(44,600)**	**(7,300)**	**(4,700)**	**(8,600)**	**(7,900)**	**(79,700)**	**1,418,300**

In Exhibit B-1-1, Creative Energy provides a revised IBR Base Operations and Maintenance (O&M) amount which removes the $12,000 referenced in response to BCUC IR 6.2.1; however, the "Allocation to Other Projects (Mass Formula)" line item remains the same as in the Application (Exhibit B-1).

28.4 Given Creative Energy's response to BCUC IR 28.2 above, please provide a revised Exhibit B-1-1 to reflect the impact on the "Allocation to Other Projects (Mass Formula)" line item from a reduction of $12,000 of Special Services expenses.

In response to BCUC IR 4.2, Creative Energy confirmed that the "2017 Subtotal" column (Column C) in Appendix 6 of the Application includes the Northeast False Creek (NEFC) O&M amount of $121,600.

Line 4 in Schedule 1 of the NEFC Compliance Filing shows 2017 Forecast amount for O&M expense for NEFC of $121,600.

In response to BCUC IR 4.2.1, Creative Energy stated:

> The amount approved in the 2016-2017 decision, to be directly assigned to NEFC, was removed from the total prior to Massachusetts formula being applied. See calculation below:
>
> 1. Total SG&A costs (all SG&A costs incurred by Creative Energy) - $35,600 (see response 7.4 for this number) = SG&A to be allocated between steam (with NEFC as a customer) and 6 projects
> 2. Allocation to the 6 projects, is done using the Massachusetts formula, and the remainder SG&A costs are recovered through the steam tariff.
>
> Because NEFC is treated as a steam customer, it is allocated cost based on the steam tariff rather than the Massachusetts formula.

Line 2 in in Schedule 1 of the NEFC Compliance Filing shows a 2017 Forecast Energy Cost for NEFC of $536,700.

28.5 Please confirm, or explain otherwise, that the $536,700 shown on line 2 of NEFC's revenue requirement (i.e. Schedule 1 of the NEFC Compliance Filing) includes the 2017 Forecast amount of $222,700 of steam energy costs allocated from the steam system per the steam tariff which is on line 32 of Schedule 15A of the NEFC Compliance Filing.

28.6 Please confirm, or explain otherwise, that the $121,000 shown on line 8 of NEFC's revenue requirement (i.e. Schedule 1 of the NEFC Compliance Filing) is made up of the following two categories of O&M expenses: (i) Distribution Expenses – Operations of $35,600 relating to NEFC direct assignment costs; and (ii) Sales, General & Administration (SG&A) expenses of $86,000 relating to costs allocated to NEFC.

28.6.1 Please confirm, or explain otherwise, that Creative Energy is not proposing to change the NEFC revenue requirement in this Application.

28.6.2 Please confirm, or explain otherwise, that the $86,000 is included in the total SG&A expense to be allocated between steam service (with NEFC as a customer) and the six projects.

28.6.2.1 If confirmed, please explain why Creative Energy believes that it is appropriate to recover the $86,000 reflected in both the NEFC revenue requirement and the cost allocation for steam customers.

28.7 Please revise the two tables confirmed in Creative Energy's responses to BCUC IR 28.2 and 28.3 above to also remove $86,000 of SG&A expenses related to NEFC's revenue requirement.

28.7.1 Please also provide a revised Exhibit B-1-1 for the response above.

29.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 4.1
Cost allocation methodology – Massachusetts Formula Methodology

In response to BCUC IR 4.1, Creative Energy stated that the source of the data highlighted in the table below cannot be tied to a schedule because the numbers are derived from a combination of 2016 Actuals and 2017 Forecast:

	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

29.1 Please provide all the supporting calculations and the source of the data used in the calculation for each of the amounts included in the table above in a working Excel document. For each number, please explain why that number is appropriate.

29.2 Please provide the table above using only 2017 Actuals.

29.2.1 Please further revise the two tables provided in responses to BCUC IR 28.7 using project cost allocation percentages which are based 2017 Actuals.

29.2.1.1 Please also provide a revised Exhibit B-1-1 for the response above.

30.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 4.4; Exhibit B-1, Appendix 4, pp. 3–6;
Exhibit B-9, CEC IR 36.1– 36.3
Cost allocation methodology – Cost Drivers Methodology

In response to BCUC IR 4.4, Creative Energy stated that the cost allocator for Admin & General Salaries was labelled incorrectly and that the correct cost allocator is "Project Costs".

On page 4 of Appendix 4 of the Application, Creative Energy states the following:

> 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… Similarly for Admin & General Salaries, the number of customers is an appropriate allocator for the cost of corporate office time.

30.1 Please clarify Creative Energy's response to BCUC IR 4.4 given the explanation for the allocation of Admin & General Salaries in Appendix 4 of the Application.

30.2 Based on Creative Energy's response to BCUC IR 4.4, please provide the rationale for why it is appropriate to allocate Admin & General Salaries based on projects costs as opposed to number of customers.

On page 6 of Appendix 4 of the Application, Creative Energy provides the following table showing the basis of allocation relating to # of Customers and Project Costs for the Cost Drivers Methodology:

Basis of Allocation				
Utility/Projects	Customers		Project Costs	
	# Customers	% Alloc	Costs	% Alloc
Steam	200	96.62%	44,590,750	91.55%
NEFC	-	0.00%	-	0.00%
Proj. 1	-	0.00%	439,455	0.90%
Proj. 2	3	1.45%	2,526,126	5.19%
Proj. 3	1	0.48%	299,713	0.62%
Proj. 4	1	0.48%	122,951	0.25%
Proj. 5	1	0.48%	388,181	0.80%
Proj. 6	1	0.48%	340,785	0.70%
	207	100.00%	48,707,962	100.00%

In response to Commercial Energy Consumers Association of British Columbia (CEC) IR 36.1, Creative Energy stated that Projects 1 through 6 are district energy projects and are currently under development.

In response to CEC IR 36.2, Creative Energy stated that the reason why only Project 6 has revenues is because Projects 1 through 5 are not yet supplying energy.

30.3 Please provide a description of Projects 1 through 6, including which of the projects Creative Energy anticipates seeking a Certificate of Public Convenience and Necessity (if any), and whether each project would likely be classified as a Stream A Thermal Energy Systems (TES), Stream B TES, or other.[1]

30.3.1 Are any of the projects contemplated to be part of the regulated portion of Creative Energy's business? If yes, please specify which projects.

30.4 Given that Projects 1 through 5 are not yet supplying energy, please explain who are the customers of these projects (as shown on page 6 of Appendix 4 of the Application) and what is their relationship to Creative Energy. Please also explain how they are customers if they are not generating revenue.

30.5 Please clarify whether or not Project 6 is complete. If Project 6 is not complete, please explain the source of the revenue amount of $142,444 (as shown on page 3 of the Appendix 4 of the Application) for this project.

In response to CEC IR 36.3, Creative Energy stated that "the projects are not yet complete and are not expected to be complete for 2-5 years."

30.6 If any/all of the projects identified in the response to BCUC IR 30.3.1 above are completed during the IBR term, please discuss the impact this would have (if any) on Creative Energy's load and the timing. Please provide a range of load impacts for each project and in aggregate for all projects, where possible.

30.7 If any/all of the projects identified in the response to BCUC IR 30.3.1 above are completed during the IBR term and, as a result, the SG&A allocations to other projects increase, please discuss the impact this might have on the SG&A for Creative Energy, whether this may result in a large decrease in the SG&A attributable to the steam service and the timing.

30.8 Beyond the impacts already discussed in BCUC IR 30.6 and 30.7 above, please discuss other ways in which the completion of the any/all of the six projects could impact Creative Energy's steam customers, and the resulting impact(s), if any, on the IBR plan and rates. For example, future capital spending.

Appendix 4 shows that under the Cost Drivers Methodology for cost allocation, the cost driver "# of customers" has been used to allocate costs for Directors Fees and Maintenance of General Plant.

30.9 Please discuss whether Creative Energy considered the "Project Costs" allocator to allocate costs for Directors Fees and Maintenance of General Plan under the Cost Drivers Methodology. If yes, please discuss why the "# of Customers" allocator was selected in favour of the "Project Costs" allocator. If not, why not?

30.10 Please revise the Cost Drivers allocation table to show revised cost allocations based on allocating Directors Fees and Maintenance of General Plant using the cost allocator "Project Costs" instead of "# of Customers."

[1] http://www.bcuc.com/Documents/Guidelines/2015/DOC_42213_TES-Guidelines.pdf/

31.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 4.8, 8.2, 9.1, 9.1.1; Creative Energy 2016-2017 Revenue Requirements Application and Rate Design for NEFC Hot Water Service, Decision and Order G-167-16 dated November 18, 2016 (2016-2017 RRA Decision), p. 54; Exhibit A2-1, Creative Energy 2016-2017 RRA Compliance Filing to Order G-167-16 (Compliance Filing), Schedules 15B, 22, pp. 38B, 46
O&M expenses allocated to capital

When asked in BCUC IR 4.8 to explain how the 0.43 percent allocation to capital was determined, Creative Energy responded as follows: "Please refer to 2016-17 RRA Decision G-167-16, p. 54, regarding Commission determination on capitalized overhead rates."

On page 54 of the Creative Energy 2016-2017 RRA Decision, the BCUC directed the following:

> **In future RRAs Creative Energy is directed to use the same capitalized overhead rates for regulatory reporting as it does for financial reporting. It also must provide a table in future RRAs disclosing a five year history of the following: (a) the capitalized overhead rates and amounts used for financial reporting purposes, (b) the forecast and actual capital overhead amounts used in the RRA, and (c) the forecast and actual capitalized labour.**

31.1 Please provide the information described in the above preamble, as directed by the BCUC in the Creative Energy 2016-2017 RRA Decision.

31.2 Please explain any significant differences between Forecast and Actual capitalized overhead rates and amounts for 2016 and 2017.

31.2.1 If Actual capitalized overhead amounts for 2016 and 2017 are significantly different than the amounts based on the approved 0.43 percent capitalized overhead rate, please explain why it is appropriate to utilize the 0.43 percent capitalized overhead rate and resulting amount for the proposed IBR term.

When asked in BCUC IR 9.1 and 9.1.1 to explain why the Actual O&M allocated to capital in 2016 was zero in Appendix 1, Schedule 15 of the Supplementary Information Filing (Exhibit B-3), Creative Energy stated: "This was an oversight in 2016 and will be corrected in the supplemental filing."

Creative Energy further stated in response to BCUC IR 9.1.1 that if the amount had been provided in the supplemental filing, the amount that should have been allocated to Capital in 2016 is $18,638.

In response to BCUC IR 8.2, Creative Energy provided the following Actual O&M Expenses Allocated to Capital for 2016 and 2017:

	NEFC		STEAM		TOTAL	
	2016	2017	2016	2017	2016	2017
Account Name	Actual	Actual	Actual	Actual	Actual	Actual
Regulatory Gross O&M Expense	**11,100**	**35,900**	**4,334,401**	**5,159,811**	**4,345,501**	**5,195,711**
O&M Expenses Allocated to Capital %						
O&M Expenses Allocated to Capital $			(19,700)	(20,100)	(19,700)	(20,100)
O&M Allocated to Affiliate			(22,100)	(19,500)	(22,100)	(19,500)
Regulatory Net O&M Expense	**11,100**	**35,900**	**4,292,601**	**5,120,211**	**4,303,701**	**5,156,111**

Schedule 15B of the Compliance Filing shows the following Approved O&M Expenses Allocated to Capital for 2016 and 2017:

			NEFC		STEAM		TOTAL	
			2016	2017	2016	2017	2016	2017
Line #	Acct. #	Account Name	Forecast	Forecast	Forecast	Forecast	Approved	Approved
57		**Regulatory Gross O&M Expense**	**98,100**	**121,600**	**4,359,300**	**4,466,700**	**4,457,400**	**4,588,300**
58								
59		O&M Expenses Allocated to Capital %	0.00%	0.00%	0.00%	0.00%	0.36%	0.43%
60		O&M Expenses Allocated to Capital $	0	0	(19,700)	(20,100)	(19,700)	(20,100)
61								
62		O&M Allocated to Affiliate			(22,100)	(19,500)	(22,100)	(19,500)
63								
64		**Regulatory Net O&M Expense**	**98,100**	**121,600**	**4,317,500**	**4,427,100**	**4,415,600**	**4,548,700**

31.3 Please explain why, in response to BCUC IR 9.1.1, Creative Energy stated that the Actual amount allocated to capital in 2016 is $18,638 given that the above table provided in response to BCUC IR 8.2 shows an 2016 Actual amount of $19,700.

31.4 Please explain why the Actual O&M Expenses Allocated to Capital in 2016 and 2017 are the same as the Approved amounts of $19,700 and $20,100, respectively, given that Actual Regulatory Gross O&M Expense is different from Approved Regulatory Gross O&M Expense for 2016 and 2017.

31.4.1 As part of the above response, please clarify how Creative Energy is calculating Actual O&M Expenses Allocated to Capital. Is Creative Energy applying a fixed percentage (i.e. 0.43 percent) or a fixed amount? If Creative Energy is applying a fixed amount as opposed to a fixed percentage, please explain why this is appropriate.

32.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 7.6, 8.2; Exhibit A2-1, Schedule 15B, p. 38B
O&M expenses allocated to affiliate

When asked in BCUC IR 7.6 to explain the $19,500 O&M amount allocated to an affiliate, Creative Energy referenced its response to BCUC IR 18.2 in the 2016-2017 RRA proceeding, which stated: "This relates to costs being allocated from the steam division to another division, Main & Keefer. The allocation is based on the Massachusetts Formula."

32.1 Please provide all the supporting calculations for the $19,500 allocation, including all of the inputs and allocators used to derive the amount.

32.2 Please confirm, or otherwise explain, that the Main & Keefer division is a Stream A TES, and confirm that is part of the regulated portion of Creative Energy's business.

32.2.1 Are there any other Stream A TES divisions/projects, in addition to Main & Keefer, which are treated in the same fashion as the Main & Keefer division?

32.3 Please explain why the use of the Massachusetts Formula for allocating O&M to the Main & Keefer division is appropriate. As part of this response, please explain why Creative Energy did not include the Main & Keefer division (or any other divisions/projects identified in response to the IR above) as part of its Massachusetts Formula calculations in Appendix 4 to the Application.

In response to BCUC IR 8.2, Creative Energy provided the following Actual O&M Allocated to Affiliate amounts for 2016 and 2017:

	NEFC		STEAM		TOTAL	
	2016	2017	2016	2017	2016	2017
Account Name	Actual	Actual	Actual	Actual	Actual	Actual
Regulatory Gross O&M Expense	**11,100**	**35,900**	**4,334,401**	**5,159,811**	**4,345,501**	**5,195,711**
O&M Expenses Allocated to Capital %						
O&M Expenses Allocated to Capital $			(19,700)	(20,100)	(19,700)	(20,100)
O&M Allocated to Affiliate			(22,100)	(19,500)	(22,100)	(19,500)
Regulatory Net O&M Expense	**11,100**	**35,900**	**4,292,601**	**5,120,211**	**4,303,701**	**5,156,111**

Schedule 15B of the Compliance Filing shows the following Approved O&M Allocated to Affiliate amounts for 2016 and 2017:

			NEFC		STEAM		TOTAL	
			2016	2017	2016	2017	2016	2017
Line #	Acct. #	Account Name	Forecast	Forecast	Forecast	Forecast	Approved	Approved
57		**Regulatory Gross O&M Expense**	**98,100**	**121,600**	**4,359,300**	**4,466,700**	**4,457,400**	**4,588,300**
58								
59		O&M Expenses Allocated to Capital %	0.00%	0.00%	0.00%	0.00%	0.36%	0.43%
60		O&M Expenses Allocated to Capital $	0	0	(19,700)	(20,100)	(19,700)	(20,100)
61								
62		O&M Allocated to Affiliate			(22,100)	(19,500)	(22,100)	(19,500)
63								
64		**Regulatory Net O&M Expense**	**98,100**	**121,600**	**4,317,500**	**4,427,100**	**4,415,600**	**4,548,700**

32.4 Please explain why the Actual O&M Allocated to Affiliate in 2016 and 2017 are the same as the Approved amounts of $22,100 and $19,500, respectively. Please provide all supporting calculations for the Actual 2016 and 2017 amounts.

33.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 8.2, 11.3; Exhibit A2-1, Schedule 15B, 22, pp. 38B, 46; Exhibit B-3, Appendix 4; Creative Energy 2016-2017 RRA Decision, pp. 35–37
SG&A expenses

In Appendix 4 to the Supplementary Information Filing (Exhibit B-3), Creative Energy provides a Forecast 2017 amount of $617,900 and a Preliminary 2017 amount of $486,180 for Admin & General Salaries.

33.1 Please confirm, or explain otherwise, that the Forecast 2017 amount of $617,900 for Admin & General Salaries includes the following: (i) $27,900 of disallowed costs, as calculated in line 27 of Schedule 22 of the Compliance Filing; and (ii) $6,000 of NEFC expenses, as shown in line 42 of Schedule 15B of the Compliance Filing.

33.1.1 If confirmed, please discuss whether the Forecast 2017 amount for Admin & General Salaries should be $584,000 ($617,900 less $27,900 less $6,000) for the purposes of comparing to Preliminary 2017 Admin & General Salaries of $486,180.

In Appendix 4 to the Supplementary Information Filing (Exhibit B-3), Creative Energy explains the variance between Forecast and Preliminary 2017 Admin & General Salaries amounts as follows: “Greater allocation to Capital and other Projects”.

In response to BCUC IR 11.3, Creative Energy stated the following:

> Upon further review of the 2017 YE Audit files, the amount that should have been reported in the Supplementary Information should have included an additional amount of $57K relating to Bonuses. This would bring the 2017 Admin & General Salaries in line with what was reflected in the 2016/17 RRA Decision. Please see Appendix A for correction.

33.2 Please explain why an addition of $57,000 is required to bring the 2017 "Admin & General Salaries in line with what was reflected in the 2016/17 RRA Decision" when the starting O&M amount for the IBR Base O&M is the 2017 Approved O&M, not the 2017 Actual O&M (i.e. $4,427,000).

33.3 Please explain whether the additional bonus amount of $57,000 includes amounts which was disallowed as part of the Creative Energy 2016-2017 RRA decision and removed as part of the Compliance Filing to Order G-167-16.

33.4 Please explain why it would be appropriate for Creative Energy to add a further $57,000 in bonuses beyond what was approved in the Creative Energy 2016-2017 RRA Decision. Please specifically reference the BCUC's determinations in pages 35-37 of the Creative Energy 2016-2017 RRA Decision as part of this response.

33.5 Please explain the nature of the additional bonuses and whether these bonuses are reasonably expected to be incurred on an ongoing basis over the term of the IBR plan.

In response to BCUC IR 8.2, Creative Energy provided the 2017 Actual O&M results, including an 2017 Actual Admin & General Salaries amount of $486,180.

33.6 Please explain why, given Creative Energy's response to BCUC IR 11.3, the amount provided in response to BCUC IR 8.2 was not updated to reflect the additional $57,000.

33.7 Notwithstanding Creative Energy's explanation regarding bonuses, please respond to BCUC IR 11.3 by providing a detailed breakdown and explanation for the variance between 2017 Approved and 2017 Actual Admin & General Salaries which explains the statement provided in Appendix 4 of the Supplemental Information Filing regarding a "greater allocation to capital and other projects".

34.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 13.1; Exhibit B-3, Appendix 1, Schedule 17; Exhibit B-1-1
Municipal taxes

Exhibit B-1-1 shows an adjustment to Municipal Access Fees (MAF) of $900.

Schedule 17 of Appendix 1 to the Supplemental Information Filing (Exhibit B-3) provides the calculations for MAF.

34.1 Please provide a revised Schedule 17.

35.0 Reference: DETERMINING THE IBR REVENUE REQUIREMENT
Exhibit B-7, BCUC IR 21.4–21.5.1
Non-recurring third party regulatory costs

In response to BCUC IRs 21.4 to 21.5.1, Creative Energy confirmed that the following 2017 Approved RRA amounts from Table 2 of the Application are included in the 2017 Adjusted Base O&M: (i)

Consultants RRA of $48,000; (ii) PACA of $27,200; (iii) BCUC Proceeding Costs of $15,000; and (iv) Consultants – Long Term Resource Plan (LTRP) of $48,000. Creative Energy further stated:

> These are forecast numbers and will be trued up/down to actuals and hence not appropriate to remove these expense[s] from the [2017] Adjusted O&M base. The Difference will be captured in the TPRCDA [Third Party Regulatory Costs Deferral Account].

35.1 Please confirm, or explain otherwise, that in each year of the five-year IBR term, Creative Energy will need to calculate the amount to true up/down each cost noted in the preamble, regardless of whether any regulatory expense is incurred.

35.2 Has Creative Energy considered any alternative treatment of non-recurring third party regulatory costs, such as removing the amounts noted in the preamble above from the 2017 Adjusted Base O&M such that any annual true up/down to actuals would only have to be calculated in those years which a regulatory expense is incurred? Please discuss each of the alternatives considered by Creative Energy and why it was not chosen in favour of Creative Energy's current proposal.

35.2.1 Please comment on the regulatory efficiency of Creative Energy's proposal compared to the treatment of non-recurring third party regulatory costs suggested in BCUC IR 35.2 above.

35.2.2 Would Creative Energy be amenable to removing the amounts noted in the preamble above from the 2017 Adjusted Base O&M? If not, why not.

B. IBR PLAN

36.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-1, p. 10; Exhibit B-7, BCUC IR 15.2.1, 15.3–15.4
Proposed indices to escalate rates during the IBR term

Creative Energy proposes to set rates by an inflation factor and proposes to use two indices in developing the inflation factor; these are: i) BC-AWE (average weekly earnings) rate for the labour component of the inflation factor, and ii) Vancouver-CPI (Consumer Price Index) rates for the non-labour component of the inflation factor. The proposed weighting of the two factors is 53 percent labour and 47 percent non-labour.

On page 10 of the Application, 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. In response to BCUC IR 15.2.1 and 15.4, Creative Energy indicates that it has considered the BC-CPI (All Items) for the non-labour component of the inflation factor.

In response to BCUC IR 15.3, it states "Creative Energy does not take a position on whether Vancouver-CPI is more volatile than BC-CPI. Creative Energy does observe that over the August 2011 – July 2017 period, the annual average value of the Vancouver-CPI (All Items) had a greater total increase than BC-CPI (All Items)."

Statistics Canada provides a discussion on the definitions, data sources and methods related to CPI, including factors affecting the quality of the CPI such as size, accuracy, and effectiveness of error correction and detections.[2]

[2] http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2301

36.1 Please explain whether Creative Energy has any evidence from a data quality or reliability perspective to support that the proposed Vancouver-CPI is equal to or better than BC-CPI. If yes, please provide.

36.2 Is Creative Energy concerned that there is a consistency issue if the labour component is based on a provincial level escalation factor (i.e. BC-AWE) but the non-labour component is based on a metropolitan level (i.e. Vancouver-CPI)? Please discuss.

37.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-1, pp. 9, 11; Exhibit B-10, FEI IR 1.2.1, 1.2.3
IBR formula

On page 9 of the Application, Creative Energy proposes that the formula to determine the IBR Rate for each year from 2018-2022 is as follows:

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

Furthermore, on page 11 of the Application, Creative Energy states that applying a 1.84 percent index to the IBR Base Rate results in the following 2018 IBR Rate, which is a 3.27 percent decrease from 2017 Approved rates:

$$\text{IBR Rate}_{2018} = \text{IBR Base Rate} * (1+1.84\%)$$

In response to FortisBC Energy Inc. (FEI) IR 1.2.1, Creative Energy stated that the IBR Base Rate is $7.32/M# based on the adjusted 2017 approved revenue requirement and 2017 approved load forecast, and as shown on line 44 of Appendix 2 of the Application. In response to FEI IR 1.2.3, Creative Energy also provided the following table:

	2017 (IBR Base Rate)	2018	2019	2020	2021	2022
Rate Change Factor	n/a	1.84%	2.00%	2.00%	2.00%	2.00%
Average IBR Rate		$7.32	$7.46	$7.62	$7.77	$7.92

37.1 Given the formula on page 11 of the Application, please clarify whether the IBR Rate for 2018 is $7.32, $7.45 (calculated as $7.32*[1+1.84 percent]), or some other amount.

37.1.1 Please provide a revised table in response to FEI IR 1.2.3, as appropriate.

37.2 Please provide the supporting calculation for the 3.27 percent decrease from 2017 approved rates for the IBR Rate for 2018.

38.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-9, CEC IR 12.2–12.5
Index and forecast O&M

In response to CEC IR 12.2, Creative Energy stated:

> ...Creative [Energy] expects future costs to follow historical trends. It is clear when looking at the year over year changes in costs, that many are rising at a rate higher than CPI [Consumer Price Index] or Creative Energy's proposed index. While there are some costs incurred that closely track against CPI… With many of our costs rising faster than

CPI, it is up to Creative Energy as a company to manager our business and costs effectively.

Creative Energy provided its best five year forecast for: (i) each line item in O&M expense in response to CEC IR 12.3, (ii) municipal access fees in response to CEC IR 12.4, and (iii) property taxes in response to CEC IR 12.5.

38.1 Given that Creative Energy provided a five year forecast based on applying a factor of 1.8 percent to 2.0 percent for each line item in O&M expense and municipal access fees, please reconcile, with explanation and justification, these responses to Creative Energy's statement that it "expects future costs to follow historical trends" considering that "many of [the] costs [are] rising faster than CPI."

38.2 Creative Energy forecasts 2018 property taxes of $595,160, which represents approximately a 66 percent increase over the 2017 adjusted base for property taxes of $357,800. Please provide a detailed breakdown by property of the reasons for the large forecasted increase in property taxes for 2018.

38.2.1 Creative Energy forecasts 2019 through 2022 property taxes based on applying a factor of 5 percent to forecast 2018 property taxes. Please explain and provide Creative Energy's rationale for applying a factor of 5 percent to forecast 2019 through 2022 property taxes.

39.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-7, BCUC IR 2.1
Multi-year IBR mechanism

In response to BCUC IR 2.1, Creative Energy stated the following:

> The large rate increases from 2014 to 2016 were mostly a result of one time changes that were unrelated to the operation and maintenance of the plant. In 2014 the Generic Cost of Capital structure changed according to the BCUC Order G-47-14 which allowed an increase in the rate of return and equity component… These expenses were one-time changes in accounting structure and strategy are not indicative of the steady state operation of the steam system itself. The rate decrease in 2017 was also due to a one-time change in accounting structure in accordance with Order G-167-16.

39.1 In the event that unexpected changes occur during the IBR term (such as the changes discussed in BCUC IR 2.1, or changes in Government policy, accounting policy, tax rates or other) and these changes impact Creative Energy's costs and/or revenues, please discuss how Creative Energy would propose to address these changes and the resulting impacts to its costs/revenues. Would a materiality ($ or %) threshold be appropriate? As part of this response, please discuss the potential regulatory mechanisms available which Creative Energy would consider, such as applying for approval of a deferral account.

40.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-1, Table 1, p. 11; Exhibit B-3, Appendix 1, Schedule 4; Exhibit B-7, BCUC IR 16.1, 16.3; Exhibit B-7-1, BCUC IR 16.3; Exhibit B-1-1; Creative Energy 2016-2017 RRA Decision, p. 9
Base capital

In Table 1 on page 11 of the Application, Creative Energy provides the "Capital Additions" for years 2011 through 2017.

Creative Energy further states on page 11 of the Application that it "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."

40.1 Please confirm whether the amounts provided in Table 1 on page 11 of the Application are the amounts added to plant in service (i.e. capital additions) in each year or the amounts spent on capital in each year (i.e. capital expenditures).

40.1.1 If the amounts in Table 1 on page 11 of the Application are the capital additions, please provide the annual Actual amounts spent on capital each year (i.e. capital expenditures) for the years 2011 to 2017.

40.2 Please clarify whether the $1.27 million, adjusted for inflation, is Creative Energy's proposed Base IBR Capital for capital additions, capital expenditures or both (i.e. capital additions are forecast to equal capital expenditures during the IBR term).

40.3 Please confirm, or otherwise explain, whether the $1.27 million, adjusted for inflation, includes or excludes Creative Energy's forecast capital spending on Projects 1 through 6.

40.4 Please explain what index Creative Energy's proposes to use to adjust Base IBR Capital for inflation. Does Creative Energy expect that inflation on capital additions/expenditures will be the same as the rate change factor for the non-labour component of O&M expenses? If not, please explain why not.

40.5 Please explain and provide a breakdown of the $1.27 million, adjusted for inflation, into Sustainment Capital, Growth Capital and Other Capital for each year of the IBR term based on the descriptions provided in BCUC IR 16.3.

40.5.1 Is Creative Energy's expected breakdown for spending on Sustainment Capital, Growth Capital and Other Capital consistent with historical trends? Please explain why or why not.

In response to BCUC IR 16.3 (Exhibit B-7), Creative Energy stated the following:

> Prior to 2014/15, the accounting records are kept in a manual format. To collate the information required, will be very manual intensive. Please see table that shows Capital Additions for 2015 through 2017 which were recorded after the manual system had been converted SAGE 300 ERP system.

In response to BCUC IR 16.3 (Exhibit B-7-1), Creative Energy provided the following table which is referenced in the response above, showing capital additions of $957,100 in 2015, $1,506,832 in 2016 and $436,695 in 2017:

Creative Energy Vancouver Platforms Inc.
Capital Additions

	2015	2016	2017
Boiler Plant	189,401	276,503	110,403
Distribution line	87,742	305,739	137,325
Building Services	542,176	914,069	142,226
Electronic Equipment/Website	133,705	2,696	46,740
Building Structure	4,077	7,825	
	$ 957,100	$1,506,832	$436,695

In Schedule 4 of Appendix 1 of the Supplementary Information Filing (Exhibit B-3), Creative Energy shows Actual 2017 capital additions were $399,771.

40.6 Please confirm, or otherwise explain, whether 2017 Actual capital additions were $436,695 (as shown above in Exhibit B-7-1) or $399,771 (as shown in Schedule 4 of Appendix 1 of the Supplementary Information Filing). Please provide a revised table for either Exhibit B-7-1 or Schedule 4 of Appendix 1, as needed.

40.7 Please add an additional column to the table provided in response to BCUC IR 16.3 (Exhibit B-7-1) to show a breakdown of Creative's Energy's proposed Base IBR Capital based on the categories in that table.

40.8 Please fill out the following table to classify the amounts provided in BCUC IR 16.3 (Exhibit B-7-1) into Sustainment Capital, Growth Capital, and Other Capital based on the descriptions provided in BCUC IR 16.3.

	2015	2016	2017
Sustainment capital			
Growth capital			
Other capital			
Total	**$ 957,101**	**$ 1,506,832**	**$ 436,694**

40.8.1 Please provide explanations for year over year variances for each category of capital spending.

In response to BCUC IR 16.1, Creative Energy states that the variance of $870,229 between 2017 Forecast and Actual capital expenditures were due to "unexpected delays in some of the major operating projects that had carried over to 2018 with respect to conflicting projects and delays to completing projects due to weather conditions and the City's approval."

40.9 Please provide a breakdown and description of the projects and associated costs forecast as part of the $1.27 million.

40.9.1 Based on the above response, please explain which projects were started/completed/delayed in 2017 and the associated costs which comprise the 2017 Actual capital additions confirmed in BCUC IR 40.6.

40.10 Please provide an update on the projects which were planned to be undertaken in 2017 but were delayed to 2018.

40.11 Please provide a forecast for Creative Energy's 2018 capital expenditures (please note that the request is for expenditures, not the addition to plant in service), including a description of the planned projects and their associated costs.

Line 22 of Exhibit B-1-1 shows depreciation expense of $987,600 is included in the IBR Base.

Page 9 of the Creative Energy 2016-2017 RRA Decision states that the accounting standards on which Creative Energy bases its financial statements are the Accounting Standards for Private Enterprises (ASPE).

40.12 Please confirm, or otherwise explain, that the $987,000 of depreciation expense is based on 2017 approved <u>opening</u> depreciable plant in service (net of fully depreciated assets).

40.12.1 If confirmed, please discuss whether this is acceptable accounting treatment under ASPE and/or provide reference to previous BCUC decisions or orders which approved this treatment. If this information is not available, please discuss why the IBR Base does not include depreciation expense on current year capital additions.

40.13 Please provide the forecast amount of depreciation expense for each year during the five-year IBR term, with supporting calculations in a working Excel document.

41.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-7, BCUC IR 2.1, 18.3; Exhibit B-9, CEC IR 6.3
Customer service quality

In response to BCUC IR 2.1, Creative Energy stated the following:

> The main service KPIs over the past years have remained relatively steady, especially with regards to service reliability. We have a 100 [percent] reliability status over the past 25 years, which means we haven't had a single unplanned outage in that time….As well, over the past three years we have had a consistent amount of customer service call outs, meter repairs, and Code 3 work (maintenance work on customer equipment that is billed directly back to them), proving that our level of customer service and maintenance schedules have steadied over time.

In response to CEC IR 6.3, Creative Energy provided the total number of calls annually, which were 374 in 2013, 348 in 2014, 255 in 2015, 257 in 2016, and 198 in 2017.

41.1 Please confirm, or explain otherwise, that Creative Energy internally tracks the annual number of unplanned outages, number of customer service calls, number of meter repairs, and amount of Code 3 work.

41.2 Please discuss the factors which Creative Energy considers have contributed to the downward trend in annual calls between 2013 and 2017.

In response to BCUC IR 18.3, Creative Energy stated that it has regular contact with its customers and receives frequent face to face feedback.

41.3 Please explain, and discuss, whether or not Creative Energy consulted with customers on the proposals in the IBR plan. If yes, please discuss the approach(s) to customer consultation which were used (e.g. public meetings, individual interviews, surveys, other), the results of these discussions, and how customers' feedback was incorporated into the proposals of the IBR plan. If no, please explain why not.

42.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-7, BCUC IR 19.3, 27.4.1; Exhibit B-9-1, CEC IR 9.4
Off-ramps

In response to BCUC IR 19.3, Creative Energy proposed an off-ramp trigger based on a dollar variance between Actual and Allowed return on equity (ROE) of $450,000 and a percentage variance between Actual and Allowed ROE of 4 percent.

In response to CEC IR 9.4, Creative Energy stated: "Every loss of $100,000 in revenue from a customer disconnection will have reduce [*sic*] the ROE by approximately 1 [percent]."

42.1 Please explain why Creative Energy considers the proposed dollar and percentage variance for an off-ramp trigger to be appropriate. Please include in the response how the proposed off-ramp trigger may relate to Creative Energy's response to CEC IR 9.4, if at all.

42.2 Please provide the supporting calculations in a working Excel document for the approximately 1 percent in reduction in ROE for every loss of $100,000 in revenue.

42.3 Based on Creative Energy's current tariff, please provide calculations for the amount and percentage variance in annual steam demand which would equate to a loss of $100,000 in revenue in a working Excel document.

42.3.1 What is the annual average amount of steam demand and revenue for a Creative Energy steam customer (excluding NEFC)? Please provide all supporting calculations.

42.3.1.1 Given the annual average amount of steam demand and revenue for a Creative Energy steam customer (excluding NEFC) provided in the IR response above, how many customer disconnections would equate to a loss of $100,000 in revenue?

In response to BCUC IR 27.4.1, Creative Energy reports a Preliminary 2017 ROE of 10.2 percent.

The questions which follow aim to find out Creative Energy's estimated ROE over the proposed IBR period based on the assumptions put forth in the Application, and to test the likelihood as to whether Creative Energy's proposed off ramp will be triggered.

42.4 Please provide a pro-forma analysis of Creative Energy's financial performance. The analysis should include Creative Energy's projected revenues, costs, net income, and ROE (including references to where in the Application or IR responses these projections have been provided) over the IBR term in a similar format as shown below:

			Preliminary	**Forecast**				
Line		**Reference**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
1	Sales units							
2	Avg sales rate							
3	Sales revenue							
4	Other revenue							
5	…							
6								
7	O&M expense							
8	Interest							
9	Depreciation							
10	Municipal taxes							
11	Property taxes							
12	…							
13	Net income							
14	Income taxes							
15	Net income after tax							
16	Equity							
17	…							
18	Estimated ROE		10.2%					

42.4.1 Please explain the methodology and assumptions that Creative Energy used in each forecast category (i.e. revenue and types of expenses).

43.0 Reference: COMPONENTS OF IBR MECHANISM
Exhibit B-7, BCUC IR 19.1–19.3
Annual review

Creative Energy stated in response to BCUC IR 19.1 that "Items outside of the IBR will require a review by the Commission and will require approval to change rates."

43.1 Please provide the following details regarding Creative Energy's proposed review:

(a) What regulatory review process would Creative Energy envision for non-IBR rate changes (e.g. rate changes arising from changes to deferral accounts)? For instance, would Creative Energy anticipate information requests being asked on the filing and would it be appropriate for interveners to participate in the review?

(b) How and when would the annual IBR rate change be communicated to/filed with the BCUC each year and for what effective date? Would this be done through an annual compliance filing with the BCUC with revised tariff pages for the BCUC's endorsement/approval?

(c) Would the IBR rate change and the non-IBR rate changes be filed with the BCUC at the same time? If not, please explain when and how often Creative Energy anticipates making filings for non-IBR rate changes.

43.2 Please discuss whether Creative Energy would be amenable to utilizing a rate rider for recovery of non-IBR rate changes (e.g. rate changes arising from changes to deferral accounts). If yes, please provide details of how that rate rider might be administered.

In response to BCUC IR 19.2, Creative Energy stated that it does not support annual reviews during the IBR term because they would "not be consistent with the rate setting principles," particularly the principle that the BCUC "should use the least amount of regulatory oversight to protect the ratepayer." Creative Energy further states the following in response to BCUC IR 19.2:

> The Company is seeking approval for the IBR mechanism that does not use load forecasts for rate-setting purposes. For that reason, it is not necessary for the Commission to consider or review load forecast variances…
>
> …The Company does not believe there are any areas/topics relevant to the IBR mechanism that require an annual review, assuming that an annual review process would be similar to those adopted under PBR Plans. The cost of such an annual review could easily exceed $50k.

43.3 Please confirm, or explain otherwise, that while the load forecast is not used for rate-setting purposes under the proposed IBR mechanism, variances between Forecast and Actual load have a direct impact on whether Creative Energy is over or under earning as compared to its allowed ROE.

43.4 Please explain how Creative Energy believes that ratepayers are adequately protected under the proposed IBR plan, particularly in consideration that Creative Energy's proposed plan does not include any of the following components: (i) annual review; (ii) midterm review; (iii) SQIs; (iv) off-ramp triggers; (v) earnings sharing mechanism; or (vi) deferral account to capture load variances.

43.4.1 In consideration of the above, please indicate which, if any, of the above components Creative Energy would be willing to incorporate into its IBR plan (excluding off-ramps as Creative Energy previously responded to this in BCUC IR 19.3).

In response to BCUC IR 19.3, Creative Energy stated the following: "If circumstances change dramatically during the IBR test period, then the IBR mechanism could be reviewed without a formulaic off-ramp trigger."

43.5 Please explain how, in the absence of annual reviews or a formulaic off-ramp trigger, the BCUC would be able to assess whether circumstances during the proposed IBR term have changed dramatically. Does Creative Energy believe that its annual report to the BCUC is sufficient for this purpose given that it is filed four months after fiscal year end? If yes, please discuss.

C. DEMAND FORECAST

44.0 Reference: DEMAND FORECAST
Exhibit B-1-1; Exhibit B-7, BCUC IR 24.1; Exhibit B-10, FEI IR 1.1, 2.1.2, 2.1.3., 2.1.3.1
Steam demand forecast

In response to BCUC IR 24.1 and FEI IR 1.1, Creative Energy confirmed that the load forecast that it proposes to use during the five-year IBR term is 1,098,514 M pounds of steam.

In responses to FEI IRs 2.1.2, 2.1.3 and 2.1.3.1, Creative Energy completed the three tables provided by FEI with respect to steam demand forecasts and revenue requirements. In each of these tables, Creative Energy forecast total steam demand of 1,106,476 M pounds of steam in each year of the five-year IBR term.

44.1 Please confirm, or otherwise explain, that in response to FEI IR 2.1.3, Creative Energy has provided its "Forecast Revenue" (Average IBR Rates x Forecast Total Steam Demand M#) in the line titled "Forecast Revenue Requirement."

44.2 Please clarify whether 1,098,514 M pounds of steam or 1,106,476 M pounds of steam is correct with respect to Creative Energy's forecast steam demand in each year of the five-year IBR term.

44.2.1 If it is 1,098,514 M pounds of steam, please provide the following:

(a) Revised responses to FEI IRs 2.1.2, 2.1.3 and 2.1.3.1; and

(b) Confirm that, given the proposed amendments in Exhibit B-1-1, the Average IBR Base Rate is $7.31/M# (=$8,033,100/1,098,514 M#)

44.2.2 If it is not 1,098,514 M pounds of steam, please explain why not and provide all supporting calculations for 1,106,476 M pounds of steam in a working Excel document. Please also provide a recalculated response to FEI IR 1.2.1 (average IBR base rate).

45.0 Reference: DEMAND FORECAST
Exhibit B-3, Appendix 1, Schedule 21; Exhibit B-7, BCUC IR 24.2
Steam demand variances

45.1 Please complete the following table to provide the 2016 and 2017 Forecast and Actual steam demand (in M#) and revenue ($) separated between Core Steam Customers and NEFC.

	2016 Forecast		2016 Actual		2017 RRA		2017 Actual	
	Steam Demand (M#)	Revenue ($)	Steam Demand (M#)	Revenue ($)	Steam Demand (M#)	Revenue ($)	Steam Demand (M#)	Revenue ($)
Steam Customers (Exluding NEFC)	1,067,999	$ -		$ -	1,069,572	$ -		$ -
NEFC	5,440	$ -		$ -	28,942	$ -		$ -
Total Demand (Steam + NEFC)	1,073,439	$ -		$ -	1,098,514	$ -		$ -

45.1.1 Please provide explanations for variances between 2016 and 2017 Forecast and Actual steam demand (in M#) for Core Steam Customers and NEFC.

45.2 Please discuss whether Creative Energy would be amenable to establishing a deferral account to record after-tax variances between forecast and actual load if a five-year IBR plan is approved.

45.2.1 If yes, please discuss whether it would be appropriate for a percentage variance trigger to be applied to the deferral account and propose an amount for the trigger (e.g. only variances greater than a certain percentage between forecast and actual load will result in amounts being recorded in a load forecast deferral account). If a percentage variance trigger is not appropriate, please discuss why not.

45.2.1.1 Please provide a numerical example illustrating the application of the load forecast deferral proposed in the IR response above.

45.2.2 If no, please explain why a deferral account is not appropriate.

D. FUEL COSTS

46.0 Reference: FUEL COSTS
Exhibit B-1, pp. 4, 18; Creative Energy 2016-2017 RRA Decision, p. 24;
Exhibit B-7, BCUC IR 25.2, 25.3
Approval sought – amortization period

On page 30 of the Creative Energy 2016-2017 RRA Decision, the BCUC ordered as follows:

> **Starting January 1, 2017, the Commission will set the Fuel Cost for each year, as part of the revenue requirements application…**
>
> **Where the balance in the FCSA [Fuel Cost Stabilization Account] exceeds plus/minus 5 percent of the most recently approved 12 month forecast total Fuel Cost any amount in excess of this is to be distributed through the FCAC [Fuel Cost Adjustment Charge] rate rider with an amortization period of two years.**

Creative Energy's current FCAC is at $10.85 per M pounds of steam, effective January 1, 2017. On pages 4 and 18 of the Application, Creative Energy states that it is not proposing to change the FCAC in the Application but that it is requesting BCUC approval to change the amortization period of the FCSA from two years to one year.

In 2017, in compliance with Order G-167-16, Creative Energy filed information regarding the FCAC on January 10, 2017, May 2, 2017, and June 26, 2017, with certain amendments.

Table 7 on page 24 of the Creative Energy 2016-2017 Decision shows the Fuel Expense Components as follows:

FUEL EXPENSE COMPONENTS												
Year	Data	Consumption (GJ)	Fortis Transportation			Natural Gas Commodity Costs ($)	Carbon Tax ($)	Ice Levy ($)	PST ($)	Clear Sky Joint Venture ($)	Backup Fuel Oil ($)	Total Fuel Expense ($)
			Firm (GJ)	Interruptible (GJ)	Total Transportation Charges ($)							
2011	Actual	1,984,888	730,000	1,254,888		7,897,989	2,077,301	-	-	316,073		
2012	Actual	1,921,651	732,000	1,189,651		5,738,452	2,462,701	-		248,003		
2013	Actual	1,836,099	730,000	1,106,099	$ 1,773,263	7,560,877	2,735,421	23,100	404,222	300,999	5,113	12,802,995
2014	Actual	1,747,788	730,000	1,017,788	$ 1,734,393	8,820,075	2,603,868	35,157	615,277	289,954	4,633	14,103,357
2015	Actual	1,640,655	730,000	910,655	$ 1,490,355	5,342,300	2,444,275	21,254	371,951	189,460	-	9,859,595
2016	Forecast	1,797,981	732,000	1,065,981	$ 1,644,781	5,468,015	2,678,633	21,746	380,559	226,691	-	10,420,425
2017	Forecast	1,840,038	730,000	1,110,038	$ 1,763,493	6,658,081	2,741,288	26,504	463,812	260,354	-	11,913,531

46.1 Please confirm, or otherwise explain, that Creative Energy is not seeking to change the 2017 Approved Fuel Cost of $11,913,531 over the five-year IBR term. If not confirmed, is there a need to establish an annual process to review and set the forecast fuel costs for each year during the IBR term. Why or why not?

46.2 In the same format as Table 7 on page 24 of the Creative Energy 2016-2017 RRA Decision, please provide an updated table with 2016 and 2017 Actuals, 2018 Forecast, and any future year forecasts that are available.

46.3 As per Order G-167-16, the appropriate amortization of the FCSA is to be assessed by Creative Energy at June 30 and December 31 of each year. Please clarify whether Creative Energy has submitted such assessments to the BCUC for the FCSA or FCAC since June 26, 2017.

46.4 The two year amortization period was specifically directed in the Creative Energy 2016-2017 RRA Decision. Creative Energy's rationale to shorten the amortization period to one year is based on its assertion that the amount to be amortized is unlikely to be greater than $100,000, and for speed of cost recovery and administrative efficiency.[3]

Please clarify why Creative Energy is proposing a change in the amortization period at this time when there is no contemplated change in the FCAC.

46.4.1 Please explain whether Creative Energy would be amenable to the BCUC reviewing the specific amortization period upon a FCAC rate change application.

In response to BCUC IR 25.2, Creative Energy provided the following FCAC and FCSA figures:

2017		2017
Jan/17	$10.85	(126,435)
Feb.	$10.85	(234,346)
Mar.	$10.85	(425,307)
Apr.	$10.85	(383,833)
May.	$10.85	(445,998)
Jun.	$10.85	(431,260)
Jul.	$10.85	(430,140)
Aug.	$10.85	(389,894)
Sep.	$10.85	(274,758)
Oct.	$10.85	(295,453)
Nov.	$10.85	(280,339)
Dec.	$10.85	(475,034)

2018		2018
Jan/18	$10.85	(748,807)
Feb.	$10.85	(927,574)

[3] Exhibit B-7, BCUC IR 25.3

46.5 In accordance with Order G-167-16, please provide the supporting calculation in a working Excel document to show that the FCSA does not exceed plus/minus 5 percent of the most recently approved 12 month forecast total Fuel Cost. Please include the assessment that was done on June 30, 2017 and December 31, 2017. At a minimum, the assessment should contain, by month:

- beginning FSCA balance
- approved FCAC rate
- unit of sales
- revenue
- fuel cost
- carrying charges at the Weight Average Cost of Debt
- ending FSCA balance
- most recently approved 12 month of forecast Fuel Cost
- calculation whether or not the FCSA exceed plus/minus 5 percent of the most recently approved 12 month forecast total Fuel Cost

On page 30 of the Creative Energy 2016-2017 RRA Decision, the BCUC, in directive 9, ordered that "The appropriate amortization of the FCSA is to be assessed by Creative Energy at June 30 and December 31 of each year. If the FCAC needs to be updated to reflect an update to the amortization of the FCSA, Creative Energy must file with the Commission, within 30 days of those dates, a request to change the FCAC."

46.6 In the event that the IBR plan is approved by the BCUC, please confirm that Creative Energy will continue to comply with directive 9 as noted above.

46.7 Please discuss whether Creative Energy will be amenable to filing bi-annual reports to confirm that there are no changes to the FCAC. If not, please explain why such reporting is not necessary.

E. DEFERRAL ACCOUNTS

47.0 Reference: DEFERRAL ACCOUNTS
Exhibit B-7, BCUC IR 22.1, 22.2, 22.3.1, 22.4, 22.6; Exhibit B-3, pp. 1–2; Creative Energy 2017 Long-Term Resource Plan proceeding, Appendix A to Exhibit B-1 Long-term Resource Plan (LTRP)

On page 2 of the Supplemental Information Filing (Exhibit b-3), Creative Energy provides a table listing the names of 15 consultants used on the LTRP project.

In response to BCUC IR 22.1, Creative Energy stated: "The majority of the costs incurred are from multiple consulting firms that contributed to the feasibility work required to complete the study."

In the Creative Energy 2017 LTRP proceeding, Creative Energy filed a fuel switch study titled "A Low-Carbon Legacy for Downtown Vancouver."[4]

47.1 Please confirm, or explain otherwise, that the Fuel Switch Study was undertaken for other purposes beyond meeting the requirements of the *Utilities Commission Act* (UCA) and the BCUC's directive in Order G-98-15.

[4] Creative Energy 2017 Long-Term Resource Plan proceeding, Exhibit B-1, Appendix A.

47.1.1 If confirmed, please explain the other purposes for undertaking this report, beyond providing it to the BCUC as part of the LTRP.

47.2 Please provide the total cost incurred by each consultant by year and a detailed description of the activities performed by each consultant including how their work contributed to the fuel switch study.

In response to BCUC IR 22.2, Creative Energy stated: "The Grants are related to the Feasibility Study for a 'Low Carbon Conversion of Central Heat Steam Utility Study for Downtown Vancouver.' The City of Vancouver and the Federation of Canadian Municipalities provided the grants."

In response to BCUC IR 22.6, Creative Energy stated: "The credit of $126,160 includes the grants and it represents the total grant credit plus any invoices that were incurred during the year."

47.3 Please provide the total amount of grants received (i.e. excluding any offsetting costs from invoices that were incurred during the year).

47.4 Please explain why grants were provided from the City of Vancouver and the Federation of Canadian Municipalities, including whether the City of Vancouver required or requested the Fuel Switch Study and/or the Feasibility Study be undertaken to assist with its planning objectives.

In response to BCUC IR 22.3.1, Creative Energy stated the following:

> Pursuant to section 44.1 of the UCA, a public utility must file with the Commission a long-term resource plan. In order to satisfy the requirements of s. 44.1, it was necessary for the Company to investigate alternative energy sources. Preliminary efforts to satisfy the requirements s. 44.1 of the UCA began prior to the costs incurred to prepare the Fuel Switch Study. In any event, s. 44.1 of the UCA required the Company to incur the costs set forth in the above table from 2013-2017. Although the Commission did not direct Creative Energy to file a LTRP until Order G-98-15 dated June 9, 2015, the requirement to file a LTRP is also the subject of section 44.1 of the UCA.

47.5 Please explain why Creative Energy considered it necessary to undertake a study of the magnitude indicated in terms of number of consultants, time spent and costs incurred in order to meet the requirements of section 44.1 of the UCA.

47.6 As part of this response, please discuss why it is reasonable, when considering Creative Energy's size and customer base, to recover costs in the amount of $720,232 for preparation and filing of the LTRP.

47.7 Please explain whether, based on the BCUC's determinations on the LTRP proceeding in Order G-147-17, Creative Energy considers that it satisfied the requirements of section 44.1 of the UCA.

On page 1 of the Supplementary Information Filing (Exhibit B-3), Creative Energy provides the amounts incurred for the LTRP from years 2013 through 2017. For years 2013 through 2015, the amounts totalled approximately $470,000.

In response to BCUC IR 22.4, Creative Energy stated: "The costs incurred in 2013 through 2015 were not forecast as part of previous revenue requirements because the Company did not seek recover of such costs as part of previous revenue requirements."

47.8 Please explain why Creative Energy did not seek recovery of the costs incurred in 2013 through 2015 as part of either the Creative Energy 2015-2017 RRA or the 2016-2017 RRA, or, in lieu of seeking recovery, seek approval of a deferral account to record the costs already incurred.

47.9 Please confirm, or explain otherwise, that as part of the Creative Energy 2016-2017 RRA, Creative Energy forecast amounts of $0 and $48,000 for Test Years 2016 and 2017, respectively, regarding LTRP consultants.

47.10 Please explain why Creative Energy did not provide the amount already spent on the LTRP of approximately $470,000 during the Creative Energy 2016-2017 RRA proceeding, either in the Application or in responses to IRs.

47.10.1 As part of this response, please explain why Creative Energy forecast an amount of $0 for 2015 given the amounts already spent in previous years.

47.11 Please explain why Creative Energy considered a forecast amount of $48,000 for the LTRP to be reasonable for 2016 in consideration of the amounts spent in previous years and in consideration of the scope of work Creative Energy was in the process of undertaking.

47.12 Please confirm, or explain otherwise, that beyond the $48,000 forecast provided in the Creative Energy 2016-2017 RRA, Creative Energy has not requested or received approval of expenditures related to the LTRP prior to the current Application.

48.0 Reference: DEFERRAL ACCOUNTS
Exhibit B-7, BCUC IR 23.2; Exhibit B-7-2
Pension baseline expense deferral account

In response to BCUC IR 23.2, Creative Energy provided a confidential filing of its Pension Valuation as at December 31, 2016 in Exhibit B-7-2.

48.1 Please respond to BCUC IR 23.2, which requests Creative Energy to confirm, or explain otherwise, that the December 31, 2016 pension revaluation of $257,600 represents the variance between the Forecast pension expense recovered in rates and the pension expense reported in Creative Energy's audited financial statements. Please provide the supporting information for this response, with references, including the pension expense amounts recovered in rates and the pension expense reported in the audited financial statements.