

11 June 2020

Via E-filing

Ms. Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**Re: British Columbia Utilities Commission (BCUC, Commission)
Application Respecting Disposition of the Pendrell Street Thermal Energy System (TES)
(Application)**

Creative Energy writes to submit its response to BCUC Information Request (**IR**) No. 1 with respect to the above noted Application. Please note that a confidential response to BCUC IR 1 - 7.10 has been filed under separate cover.

For further information, please contact the undersigned.

Sincerely,



Rob Gorter
Director, Regulatory Affairs and Customer Relations

Enclosure.

Creative Energy Developments Limited Partnership
Application for the Disposition of the Pendrell Street Thermal Energy System from Creative Energy
Developments Limited Partnership to Creative Energy Pendrell Limited Partnership

RESPONSE TO BCUC IR 1

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A. APPLICANTS

**1.0 Reference: INTRODUCTION
Exhibit B-1 (Application), Section 1, p. 1; Section 3, p. 2
Applicants**

Page 1 of Creative Energy Developments Limited Partnership’s (CEDLP) application to transfer the thermal energy system (TES) assets and operations located at 1770 Pendrell Street (Pendrell Street TES) from CEDLP to its wholly owned subsidiary Creative Energy Pendrell LP (CEPLP) (Transfer) (Application), CEDLP states:

This Application requests the approval of the British Columbia Utilities Commission (“**Commission**”) for the transfer from Creative Energy Developments Limited Partnership (“**Creative Energy Developments LP**”) to its wholly owned subsidiary Creative Energy Pendrell LP (“**Creative Energy Pendrell LP**”) of the thermal energy system assets and operations located at 1770 Pendrell Street (the “**Pendrell Street TES**”).

On page 2 of the Application CEDLP states:

The Pendrell Street TES has already been transferred to Creative Energy Pendrell LP. Creative Energy Developments LP and Creative Energy Pendrell LP completed the documentation for the transfer

1.1 Please confirm and provide supporting evidence that the Application is being submitted by both CEDLP and CEPLP.

RESPONSE:

The application includes requests to the Commission by each of Creative Energy Developments LP (CEDLP) and Creative Energy Pendrell LP (CEPLP). These requests are set out in section 4 of the Application and explained further below.

- CEDLP requests the approval of the Commission pursuant to section 52 of the Utilities Commission Act for the disposition of 100% of its interests in the Pendrell Street TES to CEPLP;
- CEDLP requests the Commission to rescind directive 2 of Order G-109-18 in regard to annual reporting; and
- CEPLP submits with the Application the New Owner Attestation Requirements form pursuant to the TES Regulatory Framework Guidelines, and also requests that the Commission issue a new directive requiring CEPLP to provide the annual reports going forward.

Please also see the draft Order included with the Application.

2.0 Reference: CORPORATE REORGANIZATION
Exhibit B-1, Section 3, p. 2; Creative Energy Vancouver Platforms Inc. Application for a Certificate of Public Convenience and Necessity (CPCN) for the Beatty-Expo Plants and Reorganization proceeding, Exhibit B-1, Appendix M, p. 1; Order C-1-20 dated March 5, 2020
Corporate Structure and Affiliated Parties

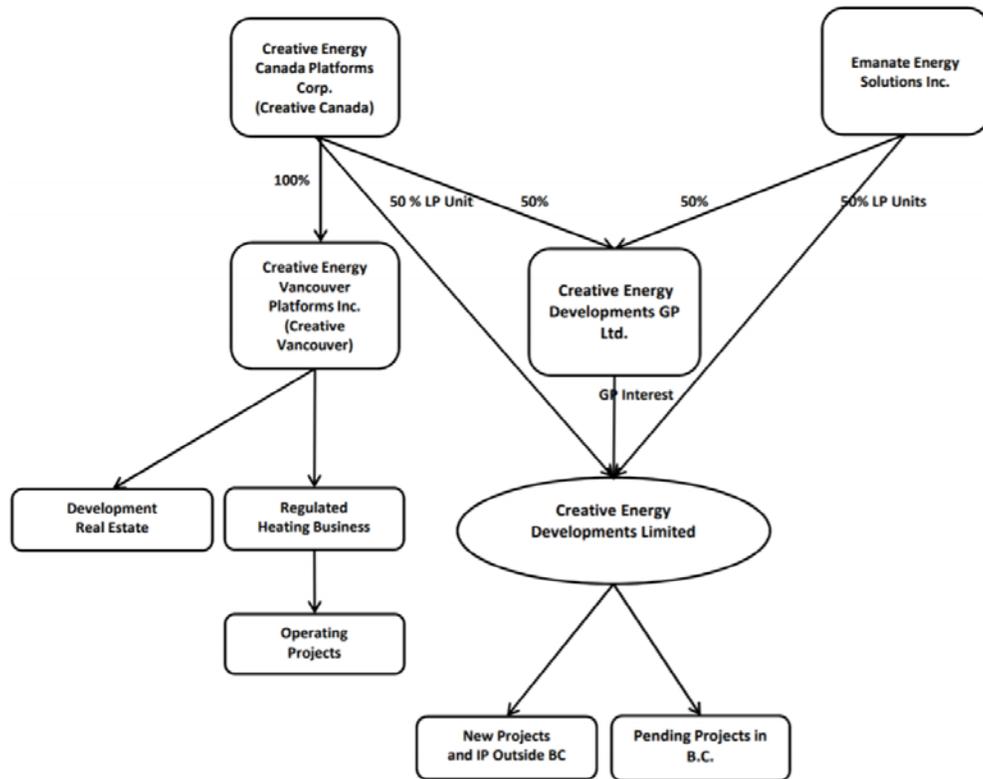
On page 2 of the Application, CEDLP states:

In the case of the Pendrell Street TES, Creative Energy Pendrell LP is the wholly owned subsidiary of Creative Energy Developments LP that has been formed for the purpose of owning and operating the Pendrell Street TES.

On June 29, 2018, Creative Energy Vancouver Platforms Inc.'s (CEVP) applied for a CPCN to construct and operate new and renovated steam plant works and related facilities at CEVP's existing site at 720 Beatty Street and at an adjacent site within BC Place Stadium, including a proposed corporate reorganization involving CEVP, Westbank Projects Corp., Emanate Energy Solutions Inc. and Creative Energy Developments Limited Partnership (Expo-Beatty Plant Application).

By Order C-1-20, dated March 5, 2020, the British Columbia Utilities Commission (BCUC) approved the Expo-Beatty Plant Application, including the corporate restructuring subject to approval by the Lieutenant Governor in Council.

On page 1 of Appendix M to the Expo-Beatty Plant Application, CEVP provided the following organizational chart showing the anticipated structure at the time of application:



2.1 Please provide an organizational chart, similar to the one provided in the preamble above, to show where CEPLP is located in the above corporate structure, to include the location of the following:

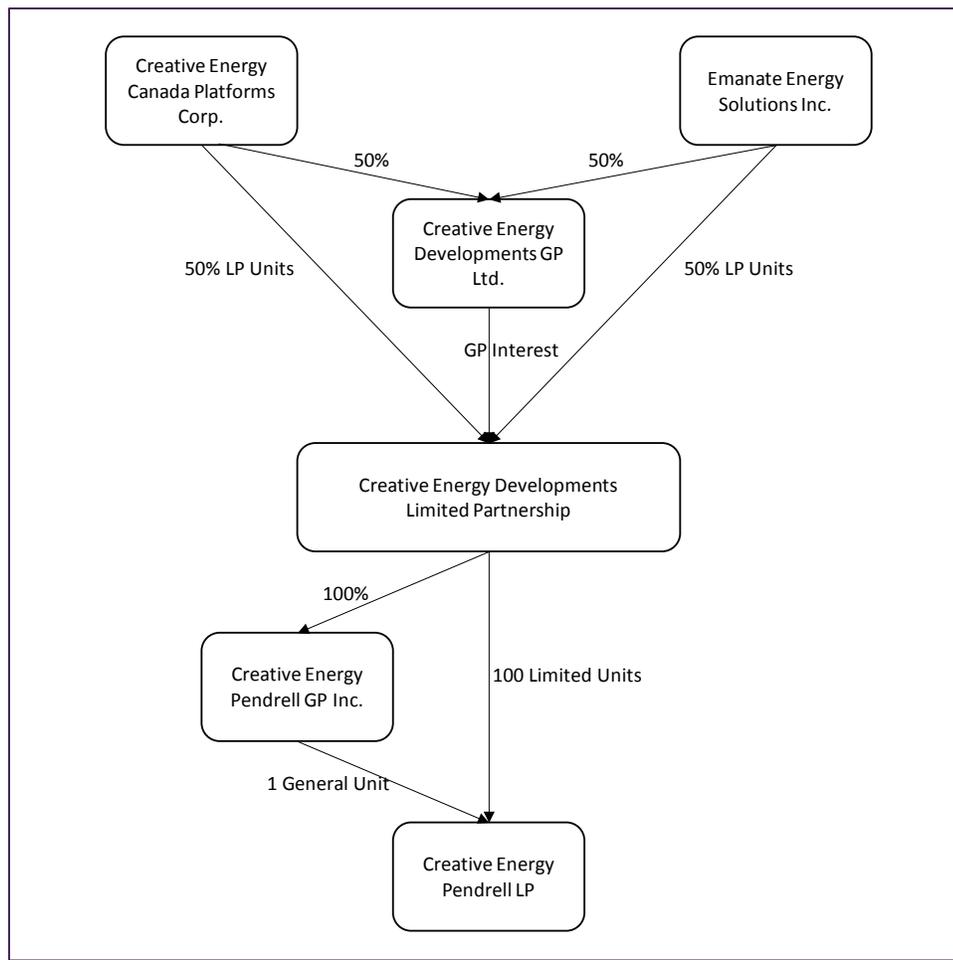
- Creative Energy Pendrell Street Limited Partnership (include the General Partner (GP) and Limited Partners (LPs));
- Creative Energy Developments Limited Partnership (include the GP and LPs);
- Creative Energy Developments GP Ltd.;
- Creative Energy Vancouver Platforms Inc.;
- Westbank Projects Corp.;
- Emanate Energy Solutions Inc.;
- Creative Energy Canada Platforms Corp.;
- any affiliate, associate, subsidiary or parent companies not identified above that have direct or indirect interests in CEPLP or CEDLP.

Please clearly identify the following in the organizational chart:

- public utilities (current or proposed); and
- all General Partners and Limited Partners, where applicable to the public utilities.

RESPONSE:

Please refer to the following chart and the discussion that follows.



CEDLP is the sole shareholder of Creative Energy Pendrell GP Inc. and holds 100 Common shares.

- **The ownership of CEPLP is split into two classes of Units, the Class A (Limited) Units of which 100 are issued and held by CEDLP, and the Class A (General) Units of which 1 is issued and held by Creative Energy Pendrell GP Inc.**
- **Creative Energy Pendrell GP Inc. is the general partner of CEPLP and CEDLP is the sole limited partner of CEPLP.**
- **All of the shares of Creative Energy Pendrell GP Inc. are held by CEDLP.**
- **As such, CEPLP is a wholly owned subsidiary of CEDLP, as illustrated in the chart, and was set up that way in order to insulate the assets and liabilities associated with this particular project, so that they are not exposed to liabilities from other operations.**

Creative Energy Vancouver Platforms Inc. (CEVP) is a separate entity and at this time is affiliated to CEPLP through Creative Energy Canada Corp., which is CEVP's parent company and also a 50 percent interest holder in CEDLP. Upon completion of the transactions approved by the Commission pursuant to Order C-1-20, CEVP will become a subsidiary of CEDLP. Please also note that the only matter requiring Lieutenant Governor in Council (LGIC) consent in connection to Creative Energy is the amalgamation of CEVP as reviewed in the Order C-1-20 proceeding. The Commission recommended that the LGIC consent to that amalgamation, and the LGIC's consent is pending.

Westbank Projects Corp. is not applicable nor relevant to the organizational chart for CEPLP. Westbank Projects Corp. is affiliated with Creative Energy Canada Platforms Corp. in that both entities are ultimately indirectly owned 100% by Westbank Holdings Ltd.

2.2 If the relationships between CEPLP, CEDLP and any of its affiliated parties, including CEVP are affected by the corporate restructuring approved by Order C-1-20, please update the organizational chart provided in response to information request (IR) 2.1.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 2.1.

2.3 Please provide a copy of the statement of registration for CEPLP.

RESPONSE:

Please refer to Attachment 2.3.

2.4 Please describe the operational and governance structure for CEPLP and include a copy of any partnership agreements relating to the same.

RESPONSE:

CEPLP is a limited partnership. As such, the day to day management of CEPLP will be through its general partner, Creative Energy Pendrell GP Inc., and the directors and officers of that entity. Please refer to the Limited Partnership Agreement for CEPLP at Attachment 2.4.

With respect to operations, please refer to the responses to BCUC IR 9.1.

2.4.1 Please provide details of the governance structure for the partnership. Who are the people that will make the operational and management decisions of the partnership?

RESPONSE:

Please refer to the response to BCUC IR 2.4

2.5 Please describe the operational and governance structure for CEDLP.

RESPONSE:

Please refer to the organizational chart included in the response to BCUC IR 2.1 for the governance structure of CEDLP. Creative Energy Developments GP Ltd., as the general partner of CEDLP, and the directors and officers of that entity, ultimately have operational control of CEDLP in respect of day to day management decisions.

2.5.1 Please provide details of the governance structure of the partnership. Who are the people that will make the operational and management decisions of the partnership?

RESPONSE:

Please refer to the response to BCUC IR 2.5

- 2.6 If either the limited partner or the general partner seeks to terminate or dissolve the partnership, please explain the dissolution process, including any regulatory approvals that may be required.

RESPONSE:

CEPLP may be dissolved by way of a resolution of the limited partner, CEDLP. The general partner and limited partner of CEPLP are ultimately controlled through CEDLP, and CEPLP is a wholly owned subsidiary of CEDLP. As such it would ultimately be the decision of CEDLP to dissolve CEPLP.

The approval of the BCUC would be required in connection with such dissolution, for example, if the dissolution involved disposition of CEPLP's utility assets and/or discontinuance of utility service.

- 2.6.1 Please discuss the implications of dissolution of CEPLP on the operation and maintenance of the Pendrell Street TES, and the partnership's obligation to provide service to its customers.

RESPONSE:

The implications are the same as if CEPLP were a company. If CEPLP is dissolved, its assets and undertaking would need to be liquidated and ultimately the ownership, operation and maintenance of the Pendrell Street TES, and its obligation to provide service to its customers, would be transferred to another entity subject to the approval of the BCUC. There are no different dissolution or liquidation rights afforded to CEPLP nor regulatory requirements applicable to it because it is a limited partnership.

- 2.6.1.1 In the event of a partnership dissolution, please identify the party that CEPLP expects would be responsible for the ownership of the Pendrell Street assets, the provision of service, and would be regulated by the BCUC.

RESPONSE:

In this hypothetical scenario, the party that would assume ownership and responsibility for the TES assets and services provided would be the party that the BCUC approves CEPLP to dispose the TES assets to.

- 2.6.2 In the event of a partnership dissolution, please discuss the process for the transfer of liabilities.

RESPONSE:

In this hypothetical scenario, the liabilities would either be settled prior to any change in ownership or assumed by the entity that was taking ownership of the TES assets, otherwise the general partner of CEPLP would remain liable for all liabilities of CEPLP.

B. PUBLIC INTEREST

**3.0 Reference: TRANSFERRING THE PENDRELL STREET TES TO CREATIVE ENERGY PENDRELL LP WILL HAVE NO DETRIMENTAL AFFECT
Exhibit B-1, Section 5, p. 4
Benefits**

On page 4 of the Application CEDLP states:

The transfer to Creative Energy Pendrell LP provides better separation of the ownership of the Stream A TES versus the nonregulated activities and assets of Creative Energy Developments LP, providing better transparency of reporting to both the Commission and the customer. The transfer has no detrimental affect such that it is overall beneficial to the public interest.

3.1 Please elaborate further on the benefits of the Transfer, including any operational benefits, benefits to the customer and/or any benefits associated with the separation of liabilities.

RESPONSE:

The transfer of the Pendrell Street TES assets from CEDLP to CEPLP is an internal transfer from a parent to a wholly owned subsidiary.

The Pendrell Street TES has one customer being the owner of the apartment building at 1770 Pendrell Street. From the perspective of the utility's customer and from the perspective of utility operations, the transfer to CEPLP does not result in any changes. Specifically, the transfer does not diminish or change:

- **the services provided by the Pendrell TES,**
- **the customer service agreement or rates,**
- **the utility's responsibilities under the Utilities Commission Act as a Stream A TES, or**
- **the individuals managing and operating the Pendrell TES and interacting with the customer as needed.**

CEPLP's ownership of the utility will result in no detrimental effect on the customer and the utility's level of service will be maintained. The utility's ability to raise equity and debt financing is unchanged by the transfer and, by virtue of the existing assets being rolled over to CEPLP, their structural integrity is unaffected.

The Commission typically approves transactions like this one if it is satisfied that the disposition will not detrimentally affect utility customers – a no harm test. Please refer to BCUC Order G-31-87 Decision regarding Utilicorp United Ltd. acquisition of West Kootenay Power and Light Company (now called FortisBC Inc.), Order G-116-05 Decision regarding Kinder Morgan, Inc. acquisition of Terasen Inc. (now called Fortis Energy Inc.), and Order G-160-18 Decision regarding Shannon Wall Centre Rental Apartments LP disposition of interest in the Shannon Estates TES to Shannon Estates Utility Ltd.

The transfer to CEPLP has no detrimental effect on the customer, the utility or the regulatory oversight of the utility, and provides the following benefits:

- **transparent financial reporting for the Pendrell Street TES; and**
- **separation of the ownership of regulated Stream A TES assets from the non-regulated assets and interests of CEDLP.**

The benefits of transparent reporting accrue to those that use the financial reporting, being the Commission, CEDLP and potentially the customer. The benefits of separating the ownership of the Stream A TES assets from non-regulated businesses also accrue to greater transparency and to limiting the utility's exposure to liabilities of CEDLP. Accordingly, the impact of the transfer is either neutral or positive, and this transfer fully satisfies the criteria the Commission has applied to approve similar transactions.

3.1.1 Please discuss whether the benefits would result in any reductions in rates and/or improvements in service.

RESPONSE:

No, the transfer does not result in any reduction in rates or improvement in service. The benefits are limited to improved transparency of financial reporting and improved separation of the ownership of the regulated Stream A TES assets from non-regulated assets and interests of CEDLP. Please refer to the response to BCUC IR 3.1.

3.2 Please explain whether there are any disadvantages associated with the Transfer.

RESPONSE:

There are no disadvantages associated with the transfer other than the transaction costs to complete the transfer, including the costs associated with this regulatory process. As noted in the response to BCUC IR 3.1, these costs will not impact the utility's rates which are already in place under the customer service agreement.

3.3 Please elaborate further on how the Transfer preserves the public interest.

RESPONSE:

Please refer to the response to BCUC IR 3.1.

C. CUSTOMER AND CONSULTATION

**4.0 Reference: CONSULTATION
Exhibit B-1, Section 6, p. 4
Consultation**

On page 4 of the Application, CEDLP states:

In this case, the transfer is of an exempt on-site Stream A TES to a wholly-owned subsidiary. The Pendrell Street TES has one customer under a long-term customer service agreement that will remain unchanged. The one customer of the Pendrell Street TES has been notified of the transfer and has no concerns with the transfer.

4.1 Please provide further information on CEDLP's consultation process with the existing customer, including the notification process, copies of any communications, and any issues raised by the customer.

RESPONSE:

Creative Energy contacted the customer representative for the Pendrell Street TES by phone to provide notification of the transfer and the customer had no concerns.

**5.0 Reference: THE PENDRELL STREET TES
Exhibit B-1, Section 2, p. 1
Customer**

On page 1 of the Application, CEDLP states:

The Pendrell Street TES consists of thermal energy utility equipment and operations located within a rental apartment building at 1770 Pendrell Street, Vancouver. The Pendrell Street TES serves the thermal energy requirements for space heating and domestic hot water of the on-site apartments and shared spaces in the apartment building only. The owner of the apartment building at 1770 Pendrell Street is the only customer of the Pendrell Street TES; the TES does not serve any other buildings or customers.

5.1 Please provide the number of units served by the 1770 Pendrell Street TES.

RESPONSE:

There are 173 units.

5.1.1 Please confirm, or otherwise explain, whether all the units are rental units.

RESPONSE:

Confirmed.

5.2 Please provide details of the relationship between the customer, CEDLP and CEPLP.

RESPONSE:

The customer, '1700 Pendrell Property Inc.', is affiliated with Creative Energy Canada Platforms Corp., in that both entities are ultimately indirectly owned 100% by Westbank Holdings Ltd.

5.2.1 If the customer is affiliated with any of the parties identified in the organizational charts provided in response to IRs 2.1 or 2.2, please update the organizational charts to include the customer.

RESPONSE:

Please refer the responses to BCUC IR 5.2 and 2.1.

D. TRANSFER OF PENDRELL STREET TES ASSETS

**6.0 Reference: CORPORATE REORGANIZATION
Exhibit B-1, Section 3, p. 2
Corporate Reorganization**

On page 2 of the Application, CEDLP states:

The Pendrell Street TES has already been transferred to Creative Energy Pendrell LP. Creative Energy Developments LP and Creative Energy Pendrell LP completed the documentation for the transfer, for the reasons outlined above, prior to seeking the BCUC's approval due to misunderstanding the scope of exemptions for Stream A TES. It was not understood at the time that the exemption for Stream A TES does not include the section of the UCA requiring a public utility to first obtain the Commission's approval before transferring a TES to a wholly-owned subsidiary. If the Commission does not approve this application, the parties will be able to reverse the transfer of the Pendrell Street TES.

6.1 Please provide the date on which the transfer was completed.

RESPONSE:

The transfer was completed October 10, 2019.

6.2 Please provide the documentation for the Transfer referenced in the preamble above.

RESPONSE:

Please refer to the Attachment 6.2-A, which is the Contribution Agreement dated October 10, 2019, pursuant to which CEDLP transferred to CEPLP all of its right title and interest in and to the Pendrell Street TES.

Please refer to the Attachment 6.2-B, which the Assignment and Assumption Agreement of specific contracts dated October 24, 2019, including an assignment of all interest of CEDLP to CEPLP and an assumption of all obligations by CEPLP in the statutory rights of way, construction agreement and Customer Service Agreement relating to the TES, as well as a general assignment of licenses, permits. Contracts, warranties, and guarantees relating to the TES.

6.3 Please explain whether CEDLP and CEPLP entered into a transfer agreement, or similar, for the transfer of assets to CEPLP.

RESPONSE:

Please refer to the response to BCUC IR 6.2.

6.3.1 If so, please provide a copy of the agreement(s).

RESPONSE:

Please refer to the attachments to the response to BCUC IR 6.2.

6.3.2 If not, please explain why not, and discuss how the terms of Transfer were established.

RESPONSE:

Please refer to the response to BCUC IR 6.2.

6.4 Please explain whether the Transfer was subject to a purchase payment, or similar.

RESPONSE:

The transfer was effected based on a fair market value of \$1,143,426 as at the date of the transfer, and in consideration for the transfer, CEDLP received a credit to its capital account in CEPLP in the amount of \$1,143,426.

6.4.1 If so, please provide details of the terms for the payment, the payment amount and explain how the payment amount was calculated.

RESPONSE:

Please refer to the response to BCUC IR 6.4.

6.5 Please explain how the transfer was completed, for example, asset purchase agreement, share purchase agreement etc.

RESPONSE:

Please refer to the response to BCUC IR 6.2.

6.6 Please detail any enactments and/or regulations applicable to the Transfer and confirm that the Transfer is in compliance with the identified enactments and/or regulations.

RESPONSE:

There are not any enactments and/or regulations applicable to the transfer other than the provisions of the *Utilities Commission Act* and TES Regulatory Framework Guidelines referred to in the Application.

E. THERMAL ENERGY SYSTEM ASSETS

**7.0 Reference: CORPORATE REORGANIZATION
Exhibit B-1, Section 3, p. 2
Pendrell Street TES Assets**

On page 2 of the Application, CEDLP states:

The Pendrell Street TES has already been transferred to Creative Energy Pendrell LP. Creative Energy Developments LP and Creative Energy Pendrell LP completed the documentation for the transfer, for the reasons outlined above, prior to seeking the BCUC's approval due to misunderstanding the scope of exemptions for Stream A TES.

7.1 Please provide the in-service date for the Pendrell Street TES.

RESPONSE:

RESPONSE:

The Pendrell TES was commissioned on September 9, 2019.

7.2 Please provide a list of all of the assets that were included in rate base for the CEDLP.

RESPONSE:

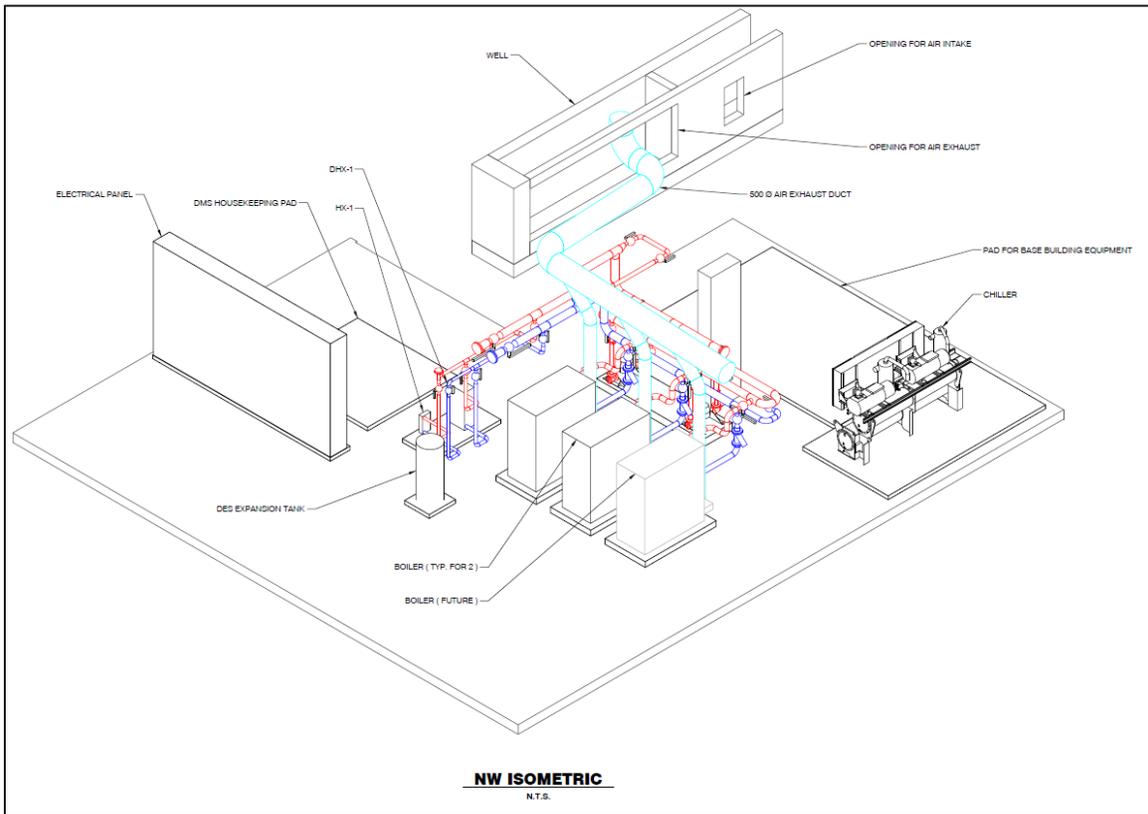
The assets included in the rate base for CEDLP were:

- **Condensing Boilers (x2)**
- **Distribution Pumps (x2)**
- **Expansion tank (x1)**
- **Heat Exchanger or space heating (x1)**
- **Heat Exchanger for domestic hot water (x1)**
- **Revenue meter (x1)**
- **Safety relief valves for boilers, expansion tank, and heat exchangers**
- **Makeup water assembly and flow meter**
- **Boilers flue gas exhaust**
- **Boilers air intake duct**
- **Housekeeping pads for equipment**
- **TES Piping system and fittings**
- **Gas piping system and fittings including shutoff valve, isolation valves, regulators, piping, emergency E-Stop hand switches**
- **Controls programming, instruments, sensors, valves, pressure and temperature gauges, panels**
- **Controls Remote monitoring system**
- **Equipment wiring**
- **Electrical equipment, panels, wiring, cable tray, LED fixtures, emergency lights,**
- **Piping insulation**
- **Piping support system**
- **Chemical treatment station**
- **Hand and eyewash station**

7.3 Please provide a site plan and/or a piping and instrumentation diagram, illustrating the location of the Pendrell Street TES, the building(s) being served and demarcation points for ownership of assets.

RESPONSE:

Please refer to the following diagrams and to Attachment 7.3.



7.3.1 Please confirm, or otherwise explain, whether the assets include land.

RESPONSE:

The assets do not include land.

- 7.3.2 Please confirm that all of the assets identified in response to questions 7.2 and 7.3.1 have been transferred to CEPLP.

RESPONSE:

Confirmed.

- 7.3.2.1 If not confirmed, please detail any assets that have not been transferred, explain why the assets were not included in the Transfer, and the impact on the provision of safe and reliable service.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 7.3.2.

- 7.4 Please discuss whether any modifications were made to the Pendrell Street TES assets prior to, or after the Transfer.

RESPONSE:

The Pendrell Street TES assets have not been modified prior to or after the transfer.

- 7.4.1 If so, please discuss the impact on the Pendrell Street TES and the provision of safe and reliable service.

RESPONSE:

Not applicable. Please refer to the responses to BCUC IR 3.1 and 7.4.

- 7.5 Please provide the book value of the Pendrell Street TES assets prior to the Transfer and explain how the book value was calculated.

RESPONSE:

The book value of the Pendrell Street TES assets is \$1,299,272 at December 31, 2019. This is calculated based on actual costs accounted for to October 10, 2019 (the date of transfer) of \$1,143,426 and additional costs until December 31, 2019 of \$155,846 where invoices were received after the date of transfer. Invoices received between October 10, 2019 and December 31, 2019 were paid for by CEDLP on behalf CEPLP and a payable balance was recorded on the books of CEPLP for that amount.

- 7.5.1 Please confirm, or otherwise explain, that the Pendrell Street TES assets were transferred from CEDLP to CEPLP at the stated book value.

RESPONSE:

Confirmed. Please refer to the response to BCUC IR 7.5.

7.6 Please confirm, or otherwise explain, that CEPLP had no assets or liabilities prior to the completion of the Transfer.

RESPONSE:

Confirmed.

7.7 Please provide details of any and all liabilities, obligations and/or related contractual commitments transferred to CEPLP from CEDLP, or any other entity.

RESPONSE:

Please refer to the response to BCUC IR 6.2.

7.8 Please provide the proposed journal entry for all impacted entities that will record the transaction.

RESPONSE:

The following are the journal entries related to the transfer that occurred on October 10, 2019.

On the books of CEPLP:

- **Debit Property, Plant and Equipment \$ 1,143,426**
- **Credit Equity \$1,143,426**

On the books of CEDLP:

- **Debit Investment in CEPLP \$1,143,426**
- **Credit Construction in Progress \$1,143,426**

7.9 Have there been any financial losses recorded for CEDLP in the past, including tax losses that can be carried forward?

RESPONSE:

There are no financial losses related to the Pendrell Street TES assets in CEDLP that can be carried forward. All costs incurred on the Pendrell Street TES asset were capitalized. The Pendrell Street TES was not operating or incurring losses during the time it was being developed within CEDLP.

7.9.1 If so, did CEDLP receive any tax benefits from those losses?

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 7.9.

7.10 Please provide balance sheets from CEDLP immediately prior to and immediately after the Transfer.

RESPONSE:

Please refer to the confidential response to this IR, filed under separate cover.

7.11 If the Application is denied, and the Transfer is reversed, please discuss any impacts on the Pendrell Street TES and the provision of service to the customer and/or tenants.

RESPONSE:

If the Application is denied and the transfer is reversed, the impact will be the loss of the benefits described in the response to BCUC IR 3.1. There would be no change to the provision of service.

**8.0 Reference: CORPORATE REORGANIZATION
Exhibit B-1, Section 5, pp. 3-4
Agreements**

On page 3 of the Application CEDLP states:

The Pendrell Street TES is an exempt Stream A TES with a single customer. Pursuant to the transfer, Creative Energy Pendrell LP assumes the entirety of the Pendrell Street TES assets, liabilities and obligations, including any and all related contractual commitments of Creative Energy Developments LP. The disposition will result in no capital gain or loss to Creative Energy Developments LP.⁶

⁶The transfer would incur a GST charge; however, this GST charge would be fully recoverable as an income tax credit.

On pages 3 to 4 of the Application, CEDLP states:

The transfer of the Pendrell Street TES to Creative Energy Pendrell LP does not in any way change:

...

- the terms and conditions of the service provided as set out in the existing customer service agreement;

8.1 Please provide details of any statutory rights of way (SRW) or access agreements required for access, ongoing operation and maintenance, and emergency response for the Pendrell Street TES.

RESPONSE:

There is a Statutory Right of Way Agreement (SRW) registered in the Land Title Office on August 31, 2018, under registration numbers CA7041038 to CA7041043, which provides rights required for access, ongoing operation and maintenance, and emergency response for the Pendrell Street TES. This SRW was assigned to CEPLP pursuant to the Assignment and Assumption Agreement referenced and attached to the response to BCUC IR 6.2.

8.1.1 Please confirm that all SRW and/or agreements have been transferred to CEPLP.

RESPONSE:

Confirmed. All SRWs and other agreements were assigned to CEPLP pursuant to the Assignment and Assumption Agreement referenced and attached to the response to BCUC IR 6.2. Following the approval of this application by the BCUC, CEPLP will also register a transfer of the SRW in the Land Title Office such that the Land Title Office records properly reflect the assignment.

8.1.1.1 If not confirmed, please explain why not.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 8.1.1.

8.2 Please explain whether CEDLP leased any spaces from the building owner for the Pendrell Street TES.

RESPONSE:

There is no lease of space from the building owner for the Pendrell Street TES. All access is permitted through the SRW referenced in the response to BCUC IR 8.1.

8.2.1 If so, please provide details of any lease agreements and explain whether the lease agreement has been transferred to CEPLP.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 8.2.

8.3 Please explain whether the customer service agreement (CSA) between CEDLP and the customer has been transferred to CEPLP or whether a new CSA has been executed between CEPLP and the customer.

RESPONSE:

This CSA was assigned to CEPLP pursuant to the Assignment and Assumption agreement referenced and attached to the response to BCUC IR 6.2.

8.3.1 If the CSA has been transferred, please explain whether the terms and conditions have been updated to reflect the new owner.

RESPONSE:

The terms and conditions have not been updated to reflect the new owner, nor do they need to be. Notice of the assignment of the CSA was delivered to the customer by CEPLP on October 24, 2019.

8.4 Please provide details of any other agreements and/or contractual commitments relating to the Pendrell Street TES that have not been identified above, explaining the purpose of the agreements and whether the agreements have been transferred to CEPLP.

RESPONSE:

There is a Construction Agreement between the owner/developer and CEDLP which allows for the construction of the Pendrell Street development and the Pendrell Street TES in a manner that ensures they are compatible with one another, and requires the owner/developer to grant the SRWs mentioned above to CEDLP and enter into the CSA mentioned above. This Construction Agreement was assigned to CEPLP pursuant to the Assignment and Assumption agreement referenced and attached to the response to BCUC IR 6.2.

F. TECHNICAL CAPACITY

**9.0 Reference: CORPORATE REORGANIZATION
Exhibit B-1, Section 5, p. 3
Technical Capacity to Operate the Pendrell Street TES**

On page 3 of the Application, CEDLP states:

The transfer of the Pendrell Street TES to Creative Energy Pendrell LP does not in any way change:

- the operations and performance of the Pendrell Street TES – the TES equipment is the same, and the same individuals will manage and operate the TES and interact with the customer and the Commission;
- the ability of Creative Energy Pendrell LP to operate and maintain the TES assets, in terms of both financial strength and access to support services;

9.1 Please discuss CEPLP's experience with the general oversight/management of a public utility and operating a public utility.

RESPONSE:

Certain Creative Energy Vancouver Platforms Inc. (CEVP) staff will directly assign their time in relation to the activities supporting regulatory approval of this Application and in relation to any directly attributable operations and maintenance activities. This CEVP staff time is budgeted to that purpose and not included in CEVP revenue requirements. CEVP staff have extensive experience in the development, design, implementation, operation and maintenance and regulatory compliance of district TES.

The Pendrell Street TES is considered an unsupervised plant by Technical Safety BC and accordingly it does not need staff on site. Rather, CEVP staff will make routine visits for inspection and maintenance purposes, monitor the system through an internet-hosted control system and respond to alarm dial-outs from the supervisory control system as needed.

Other residual general and administration costs are shared across all projects in the Creative Energy family, including the Pendrell Street TES, through the allocation of such costs using the Commission-approved Massachusetts Formula.

9.2 Prior to the completion of the Transfer, please explain whether CEDLP had any full-time or part-time employees responsible for the administration, operation and maintenance, and regulation of the Pendrell Street TES.

RESPONSE:

CEDLP did not have any full-time or part-time employees responsible for the administration, operation and maintenance, and regulation of the Pendrell Street TES.

Rather, prior to the transfer certain CEVP staff and project managers directly charged their time for the activities related to project development and regulatory approval of the Pendrell Street TES and any directly attributable operations and maintenance activities during the one-month period that the Pendrell Street TES was in operation prior to the transfer. This CEVP staff time is budgeted to such purpose and not included in CEVP revenue requirements. CEVP staff have extensive experience in the

development, design, implementation, operation and maintenance and regulatory compliance of district TES. Please refer to the response to BCUC IR 9.1.

- 9.2.1 If so, please provide details on the number of employees, their respective roles and responsibilities, and their experience in undertaking such work.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 9.2.

- 9.2.2 If not, please explain how the administration, operation and maintenance, and regulation of the Pendrell Street TES was undertaken.

RESPONSE:

Please refer to the responses to BCUC IRs 9.1 and 9.2.

- 9.3 Please explain whether CEPLP has any full-time or part-time employees responsible for the administration, operation and maintenance, and regulation of the Pendrell Street TES.

RESPONSE:

CEPLP does not have any full-time or part-time employees responsible for the administration, operation and maintenance, and regulation of the Pendrell Street TES.

- 9.3.1 If so, please explain whether these employees were transferred from CEDLP.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 9.3.

- 9.3.2 If so, please provide details on the number of employees and their respective roles and responsibilities.

RESPONSE:

Not applicable. Please refer to the response to BCUC IR 9.3.

- 9.3.3 If not, please explain how CEPLP will operate the Pendrell Street TES. In your response please include details on the administration, operation and maintenance and regulation.

RESPONSE:

Please refer to the response to BCUC IR 9.1.

- 9.3.3.1 Please provide details of any contractual agreements in place for the provision of these services and provide details on the contracted party's experience with respect to service provided.

RESPONSE:

There are no contractual agreements. Please refer to the response to BCUC IR 9.1.

9.4 Please discuss any risks to the provision of service to the customer and/or customer rates that could result as a consequence of the Transfer.

RESPONSE:

There are no risks to the provision of service to the customer and/or customer rates that could result as a consequence of the transfer. Please refer to the responses to BCUC IRs 3.1 and 9.1.

G. FINANCIAL CAPACITY

**10.0 Reference: TRANSFERRING THE PENDRELL STREET TES TO CREATIVE ENERGY PENDRELL LP WILL HAVE NO DETRIMENTAL AFFECT
Exhibit B-1, Section 3, p. 2; Section 5, p. 3
Financial Capacity**

On page 2 of the Application, CEDLP states:

The plan is for Creative Energy Developments LP to identify, develop and finance potential project opportunities. For those projects that will proceed forward to construction and/or applications for regulatory approvals as required, a separate wholly-owned subsidiary limited partnership or company will be established to pursue the individual project. The intent is that each individual energy project is constructed, owned and operated by a separate wholly owned subsidiary of Creative Energy Developments LP.

On page 3 of the Application, CEDLP states:

The transfer of the Pendrell Street TES to Creative Energy Pendrell LP does not in any way change:

...

- the ability of Creative Energy Pendrell LP to operate and maintain the TES assets, in terms of both financial strength and access to support services;

10.1 Prior to the Transfer, please discuss and provide evidence of CEDLP's ability to raise equity and debt financing.

RESPONSE:

To date, CEDLP's partners have contributed over \$10 million to CEDLP to support the development of new projects, including the Pendrell Street TES. CEDLP's ability to raise equity for new projects is based on the appetite of its shareholders to fund its investments in such projects. At this point in time, the shareholders of CEDLP are considered to be supportive of funding the development and construction of new projects to completion. CEDLP has the ability to raise debt financing but has not raised any debt financing at this time.

10.2 Please discuss and provide evidence of CEPLP's ability to raise equity and debt financing.

RESPONSE:

CEPLP is funded by its limited partner, CEDLP. All equity and debt for CEPLP will be financed through CEDLP. Please also refer to the responses to this BCUC IR series 10 that follow below.

10.2.1 If CEPLP is required to request funding from CEDLP, please discuss the process and explain the time period between CEPLP submitting a funding request and the funds being received.

RESPONSE:

CEPLP is a wholly owned subsidiary of CEDLP and a funding request can be processed within 1 to 2 business days of the initial request.

10.2.2 Please discuss CEPLP's ability to access funds in an emergency.

RESPONSE:

CEPLP's ability to access funds in an emergency arises from its relationship to CEDLP and presents no issues if and as required.

10.3 Please discuss whether the Transfer in anyway reduces or impairs access to financing for the Pendrell Street TES.

RESPONSE:

The transfer has no impacts on access to financing for the Pendrell Street TES whatsoever as it continues to have access to the financing available to CEDLP.

10.4 Please discuss the capital reserve provisions required for the Pendrell Street TES and detail the methodology used to establish the reserve amount.

RESPONSE:

We believe that the estimate of maintenance expense, as factored into contracted rates for the customers of the Pendrell Street TES, is sufficient to cover any normal wear-and-tear of the TES assets. It is on this basis that it has been attested that sufficient capital reserves will be met, although a specific capital reserve fund will not be maintained. This approach is consistent with other recent projects in the Creative Energy family, including in respect of the indicative cost of service supporting recent Commission approvals of the CPCNs for the Vancouver House Heating TES and Cooling DCS.

10.4.1 Please confirm, or otherwise explain, that CEPLP has sufficient capital reserve provisions, and will continue to maintain adequate capital reserve provisions.

RESPONSE:

Confirmed. Please refer to the response to BCUC IR 10.4.

H. CORPORATE REORGANIZATION

11.0 Reference: **CORPORATE REORGANIZATION INVOLVING CREATIVE ENERGY Exhibit B-1, Section 3, p. 2 Corporate Reorganization Plan**

On page 2 of the Application, CEDLP states:

Creative Energy Developments LP is a limited partnership of Creative Energy Canada Corp. (“**Creative Energy Canada**”)² and Emanate Energy Solutions Inc. (“**Emanate Energy**”)³. The partners have formed Creative Energy Developments LP to develop, finance and manage urban energy infrastructure projects in North America including in British Columbia. The plan is for Creative Energy Developments LP to identify, develop and finance potential project opportunities. For those projects that will proceed forward to construction and/or applications for regulatory approvals as required, a separate wholly-owned subsidiary limited partnership or company will be established to pursue the individual project. The intent is that each individual energy project is constructed, owned and operated by a separate wholly owned subsidiary of Creative Energy Developments LP. This structure will provide separation and transparency of costs between each project, and also between each project and the parent Creative Energy Developments LP.

For example, the Creative Energy Vancouver Platforms Inc. (“**Creative Energy Vancouver**”) steam utility will become a wholly-owned subsidiary company of Creative Energy Developments LP as part of the corporate reorganization of Creative Energy Vancouver recently approved by Commission Order C-1-20.

² Creative Energy Canada is the parent company of Creative Energy Vancouver Platforms Inc., which is the approximately 50-year old steam distribution utility serving over 200 buildings in downtown Vancouver.

³ Emanate Energy is a wholly-owned subsidiary of the InstarAGF Essential Infrastructure Fund.

11.1 Please elaborate further on Creative Energy Canada Corp. and Emanate Energy Solutions Inc.’s corporate reorganization plan, including the key aspects of the plan, its purpose, and any benefits to the public utilities and/or customers associated with the plan.

RESPONSE:

Creative Energy Canada Corp. and Emanate Energy Solutions Inc. do not have a corporate reorganization plan beyond the transfer of the Pendrell Street TES and the reorganization steps approved by the Commission pursuant to Order C-1-20, subject to Lieutenant Governor in Council (LGIC) consent to the amalgamation step. Transferring the Pendrell Street TES from CEDLP to CEPLP aligns to the overall corporate organization structure reviewed in the Order C-1-20 proceeding and referred to in the preamble above.

11.2 With respect to establishing separate, wholly owned subsidiary limited partnerships or companies to operate as public utilities, please discuss the factors considered when developing the plan, including but not limited to: the economic viability of the public utilities, day to day operations, general oversight/management functions and rate setting.

RESPONSE:

The utility projects are physically independent of each other, and provide different services (steam heat, hot water heat, cooling) to independent customer bases. Some of the projects are or will be Stream A TES in B.C. largely exempt from regulation (e.g., the Pendrell Street TES) while others are or

will be Stream B TES fully regulated by the Commission (e.g., the Core Steam system). Other projects will be in jurisdictions outside B.C. Transparent financial reporting and separation of liabilities are critical for the business.

Transparent financial reporting facilitates rate setting and regulatory oversight. Separation of liabilities supports the ongoing viability of each utility by limiting its exposure to external liabilities. As discussed in the response to BCUC IR 3.1, the economic viability, day to day operations and management of the utility projects are not impacted, neither positively nor negatively, by separate legal entities. Operations and management functions are provided across the utilities by shared staff with their costs allocated to each utility either directly or through the Commission-approved Massachusetts Formula.

11.3 Please explain whether the corporate restructuring referenced in the preamble above has been approved by the Lieutenant Governor in Council.

RESPONSE:

The preamble does not refer to a corporate restructuring.

The only matter requiring LGIC consent in connection to Creative Energy is the amalgamation of Creative Energy Vancouver Platforms Inc. as reviewed in the Order C-1-20 proceeding. The Commission recommended that the LGIC consent to that amalgamation, and the LGIC's consent is pending.

11.4 Please discuss whether a Transfer Pricing Policy and a Code of Conduct should be filed with the BCUC following the corporate restructuring.

RESPONSE:

Creative Energy does not at this time have a Commission-approved Transfer Pricing Policy (TPP) in place but agrees a TPP and associated Code of Conduct should be filed with the BCUC.

At the time of the filing of CEVP's 2019-2020 RRA for the Core steam and NEFC hot water system, a decision on Creative Energy's Application for a CPCN for Beatty-Expo Plants and Approval of Corporate Reorganization was pending. Creative Energy addressed this point directly in the CEVP 2019-2020 RRA in setting out its view that a TPP ought to be properly informed by the Commission's decision in the matter of the proposed corporate reorganization that forms part of that application.

Thus, through CEVP's 2019-2020 RRA for the Core steam and NEFC hot water systems, Creative Energy provided a transparent accounting of the allocation of its costs to its non-regulated and regulated thermal energy systems to demonstrate that concerns about cross-subsidization between customers of the different systems are properly addressed in practice, and in the absence of a governing TPP.

In this context, and as noted in the CEVP 2019-2020 RRA, Creative Energy has intended in the next CEVP RRA to file a TPP for Commission review and approval. Creative Energy expects that effort to be informed by the Commission proceedings and decisions into the 2019-2020 RRA, the Mount Pleasant District Cooling CPCN, the Horseshoe Bay TES Stream A Registration and the transfer of the Pendrell Street TES from CEDLP to CEPLP.

11.4.1 If not, please explain why not.

RESPONSE:

Please refer to the response to BCUC IR 14.1.