

11 August 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)**

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Creative Energy writes to submit its response to BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre (**BCOAPO**) Information Request (**IR**) No. 1 in the above noted proceeding, in accordance with Order G-179-20.

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 BCOAPO INFORMATION REQUEST NO. 1

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**1.0 Reference:** Exhibit B-2, BCUC IR 2.1

The referenced reply states:

*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.*

1.1 Would it be fair to say that the current corporate architecture also insulates other operations from liabilities associated with the Pendrell project?

#### RESPONSE:

We assume that the reference to “current corporate architecture” in the question is referring to the structure where the Pendrell Street TES is owned and operated by CEDLP. In that case, the other assets, operations and liabilities of CEDLP are not separated from those of the Pendrell Street TES. Transferring the Pendrell Street TES from CEDLP to CEPLP separates the Pendrell Street TES from the other assets, operations and liabilities of CEDLP.

**2.0 Reference:** Exhibit B-1, page 2, Exhibit B-2, BCUC IR 11.0 preamble, and Exhibit B-2, BCUC IR 2.1 Corporate Organizational Chart

The first two references state, in footnote 3,

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

2.1 Please provide some basic background high-level information regarding Emanate Energy, e.g., date formed, previous partnerships including with related affiliates, etc.

#### RESPONSE:

Emanate Energy is a wholly-owned subsidiary of the InstarAGF Essential Infrastructure Fund (the Fund) managed by InstarAGF Asset Management Inc. (InstarAGF). Emanate Energy is incorporated in Ontario. InstarAGF was launched in 2014 as an independent alternative asset management firm with an emphasis on North American middle-market opportunities in the

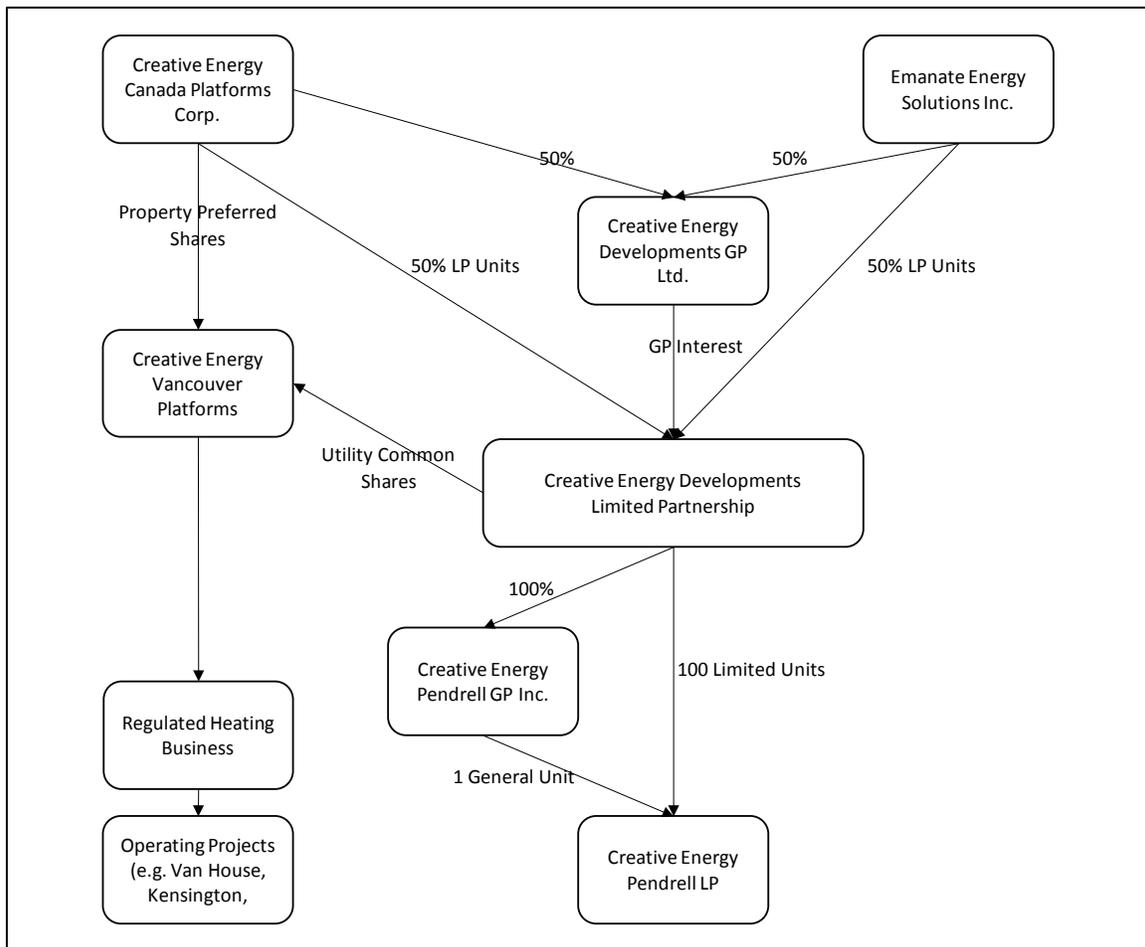
infrastructure sector and other alternative real asset categories. InstarAGF has a wealth of experience investing in and directing infrastructure businesses, including power generation, district energy, and renewable energy assets. The Fund is well capitalised and focused on helping urban communities and governments to renew, build and modernize the critical infrastructure underpinning the economy while generating stable income and building long-term value for investors.

2.2 Is InstarAGF related directly or indirectly to CEDLP, CEPLP or any entity other than Emanate Energy that is shown in the chart provided in response to BCUC IR 2.1? If so, please provide details.

**RESPONSE:**

Emanate Energy is a wholly-owned subsidiary of the Fund managed by InstarAGF. The organizational chart provided in the response to BCUC IR 2.1 depicts, as at the time of that response, the relationship of Emanate Energy, to CEDLP, CEPLP and Creative Energy Canada Platforms Corp.

For further context, provided below is the corporate structure and all affiliated companies following the corporate restructuring approved by BCUC Order C-1-20 and the amalgamation as approved by the LGIC. InstarAGF does not have a direct or indirect interest in any of the entities shown in the chart other than through Emanate Energy.



2.3 Is InstarAGF related directly or indirectly to Westbank Holdings Ltd. or to Westbank Projects Corp.? If so, please provide details.

**RESPONSE:**

**No.**

2.4 Has InstarAGF or any affiliate ever had any issues in respect of transfer pricing or taxation with authorities in Canada or in the US? If so, please provide details.

**RESPONSE:**

**The applicants are not aware of any such issues.**

2.5 Regarding the issue of transparency, with reference to the corporate organizational chart provided in response, can the Applicants please provide a brief sentence or two for each entity shown in the chart as to why the entity is necessary.

**RESPONSE:**

**Creative Energy Canada Platforms Corp. (CEC) is a subsidiary of the Westbank group of companies. CEC was incorporated to acquire all of the shares of CEVP in 2014. At that time CEVP was named Central Heat Distribution.**

**Emanate Energy is a subsidiary of the Fund managed by InstarAGF. Emanate Energy was incorporated to partner with CEC through CEDLP in 2018. CEDLP's purposes are described in section 3 of the Application.**

**CEPLP was created for the sole purpose of owning and operating the Pendrell TES as described in the Application.**

**CEDLP and CEPLP are limited partnership structures, each with a general partner and limited partner or partners as shown on the chart.**

2.6 In the Applicants' views, is the corporate structure shown in the chart an efficient corporate structure? If so, please briefly explain.

**RESPONSE:**

**Each component of the structure achieves its objectives efficiently. The use of the limited partnership structure (for CEDLP and CEPLP) provides for transparent accounting and taxation, and effectively limits exposure to liabilities of other related companies.**

**3.0 Reference: Exhibit B-2, BCUC IR 3.1**

The referenced response states:

*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 Can the Applicants confirm that the two points following the bullets are the only advantages of this proposed disposition, i.e., there are no liability issues, including decommissioning costs, tax, pricing issues, or asset protection (from potential litigation), or other financial benefits that will be enjoyed as a result?

**RESPONSE:**

**In addition to the two key advantages noted above, there may other potential advantages; for example, Creative Energy Pendrell LP may be protected from any external litigation issues that might arise.**

**4.0 Reference: Exhibit B-2, BCUC IR 3.2**

The referenced IR reads:

*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.*

- 4.1 Are the transaction costs on the record in this proceeding?

**RESPONSE:**

**Yes. Please refer to the response to BCUC IR 13.2.**

- 4.1.1 If not, do the Applicants object to putting this information along with the payee on the public record? If so, please justify; if not, please provide the figure on the public record.

**RESPONSE:**

**Please refer to the responses to BCOAPO IR 4.1 and BCUC IR Series 13.0.**

- 4.2 Is it reasonable to assume that the payee of the transaction costs expects to enjoy a net financial gain, i.e., the financial benefits that accrue to the payee will exceed the transaction costs paid, as a result of the proposed disposition? If so, please elaborate; if not, please explain.

**RESPONSE:**

**The purpose of the transaction is to achieve alignment with the business structure described in section 3 of the Application and elaborated in the response to BCUC IR 11.2. The benefits of such alignment are in the nature of risk management, and have not been quantified as a financial benefit against transaction costs.**

**Please also refer to the responses to BCUC IRs 13.1 to 13.3.**

**5.0 Reference: General**

- 5.1 Please confirm that this is the first asset disposition from CEDLP to CEPLP. If unable to so confirm, please provide details of previous dispositions.

**RESPONSE:**

**Confirmed. CEPLP was created for the sole purpose of owning and operating the Pendrell Street TES. The transfer of the Pendrell Street TES from CEDLP to CEPLP is the first and will be the only asset disposition from CEDLP to CEPLP. The disposition of the Pendrell Street TES assets from CEDLP to CEPLP achieves alignment with the overall business objective and structure of CEDLP as discussed in section 3 of the Application and elaborated in the response to BCUC IR 11.2.**

- 5.2 Please provide details of any similar dispositions from CEDLP to any other corporate entities.

**RESPONSE:**

**There have been no other similar dispositions.**

**With the exception of the Pendrell Street TES, for those project opportunities CEDLP decides will proceed forward to construction and/or applications for regulatory approvals as required, a separate wholly-owned subsidiary limited partnership or company is established to pursue the individual project. In some cases, there may be a transfer of pre-construction work-in-progress or intellectual property, for example, from CEDLP to the wholly-owned subsidiary that will pursue the project. The**

**intent is that each individual energy project is constructed, owned and operated by a separate wholly-owned subsidiary of CEDLP. The disposition of the Pendrell Street TES assets from CEDLP to CEPLP achieves alignment with this overall business objective and structure.**

- 5.3 Have the Applicants ever proposed any similar dispositions in Canada? If so, please provide a list of previous cases along with brief details of the proposals and regulatory approvals granted.

**RESPONSE:**

**No. Please refer to the response to BCOAPO IR 5.2.**