

19 October 2020

Via E-filing

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

BCUC File 64395

Dear Ms. Tresoglavic:

**Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
Commission Decision into Creative Energy's 2019-2020 Revenue Requirements Application
(RRA) for the Core Steam System and Northeast False Creek Service Areas (Application)
Order G-227-20 Compliance Filing**

Introduction

Creative Energy writes further to Order G-227-20 and the Commission Panel's directive on page 26 of the accompanying Decision for Creative Energy to:

" ... reduce the allowed return for 2020 by \$21,503 based on a mid-year After-tax Regulatory Pension Asset Account balance of \$268,202."

As we explain below, Creative Energy accepts for the purpose of its compliance with Order G-227-20 the Panel's determination as to the approved method to calculate the mid-year After-tax Regulatory Pension Asset Account balance. However, we respectfully request the Panel's clarification of the directive above in order to allow Creative Energy to calculate the impact on the allowed return in 2020 based on the correct inputs to the calculation method, which were not available to the Commission Panel and staff for the purpose of informing the directive above.

Request for Clarification and Amendment to the Directive

The matter of the calculation of the mid-year After-tax Regulatory Pension Asset Account balance and the impact on the allowed return is discussed in sections 2.2 and 3.1 of the Order-G-227-20 Decision, at pages 9-10 and 26, respectively. For the purpose of this request, we highlight that the directive and

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impact on the 2020 allowed return did not arise in and of itself; rather, the Commission Panel determination must be reviewed in the full context of both Creative Energy's calculation approach in the RRA and the Panel's determinations into the related elements, which we set out and annotate as follows:

1. *"... the Panel finds Creative Energy has not calculated the mid-year After-tax Regulatory Pension Asset Account and related return correctly for 2019 and 2020. Creative Energy uses the previous year's approved mid-year balance as the opening balance instead of the previous year's December 31 Pension Asset (after tax) reported on the audited financial statements as set out in the 2015-2017 Core Steam System Decision."*

Creative Energy confirms that it accepts the Commission's decision as to the method to calculate the mid-year After-tax Regulatory Pension Asset Account balance, and for the purpose of calculating the impact on the allowed return for 2020.

2. *The Panel uses the 2018 December 31 Pension Asset as the opening balance since the 2019 audited Financial Statements are not on the evidentiary record. Further, since Creative Energy did not provide forecast employer contributions for 2020 or otherwise request adjustments to the After-tax Regulatory Pension Asset for 2020, the Panel sets the 2018 forecast contributions equal to the approved forecast pension expense.*

On this point, Creative Energy understands that the Panel, with support from staff, uses the 2018 December 31 Pension Asset as the opening balance because the 2019 audited Financial Statements were not on the evidentiary record.

The Panel's commentary acknowledges that the correct input to this calculation ought to be based on the audited figure from 2019. Creative Energy notes that there was no purpose for Creative Energy, nor request otherwise, for either the 2019 audited Financial Statements to be placed on the evidentiary record or for the specific 2019 audited figure for the December 31, 2019 Pension Asset to have been reported in evidence. The calculation that Creative Energy used in the RRA to support its calculation of the mid-year After-tax Regulatory Pension Asset Account balance did not rely on those inputs.

We do note, incidentally, that our 2019 Annual Report, which included the audited financial statements, was filed with the Commission in June 2020 as a separate compliance matter and in advance of the Order G-227-20 Decision.

In our respectful submission, therefore, a clarified and amended Panel directive can confirm the method to calculate the mid-year After-tax Regulatory Pension Asset Account balance in accordance with the Panel's determination on this point, as per (1) above, and appropriately defer as a compliance calculation what the impact on the allowed return for 2020 ought to be based on the correct inputs, to be reviewed by staff in the normal course of their review of Creative Energy's Order G-227-20 Compliance Filing.

Calculation Adjustment

The following tables report the impact on the allowed return for 2020 based on the correct inputs to the calculation in compliance with item (1) above, provided in the context of the originating calculations for the Panel’s directive on page 26 of the Decision. For the reasons noted above, we believe that this calculation adjustment maintains fidelity with the Commission Panel’s determinations.

December 31, 2019 Pension Asset (pre-tax) on audited financial statements	1,020,900
Employer Contributions	358,919
Approved Forecast Pension Expense	(242,519)
Closing Asset	1,137,300
Average of Closing Actual and Forecast	1,079,100
Tax Rate	27%
After-tax Mid-year Balance	787,743

	Before 2020 Adjustment	After 2020 Adjustment (per BCUC)	After 2020 Adjustment (per CEV)	Impact on Allowed Return (per BCUC)	Impact on Allowed Return (per CEV)
After-Tax mid-year balance	800,780	268,202	787,743		
Equity of 42.5%	340,332	113,986	334,791		
Allowed Return on Equity of 9.5%	32,331	10,829	31,805	(21,503)	(526)

Please also note the following:

- The audited balance of the Pension Asset reflects a significant increase in 2019 due to the remeasurement (as discussed in the RRA) and Creative Energy therefore considers the impact to be material; and
- The average balance of the 2020 after-tax pension asset includes the forecast contributions in 2020, which is also not on the record of the proceeding. Consistent with previous years, employer contributions exceed the approved forecast pension expense due to solvency payments. As such, setting employer contributions to equal the approved forecast pension expense as was done in the Order G-227-20 Decision leads to an After-Tax Pension asset that is too low. In calculating the balance of the After-Tax Pension asset for 2020, Creative Energy is able to include the actual employer contributions including solvency contributions as prescribed by its actuary for 2020.

Conclusion

Under our request for clarification and amendment to the noted directive, the adjustments above remain compliant with the Commission Panel's determination to adopt the method to calculate the mid-year After-tax Regulatory Pension Asset Account balance in accordance with the 2015-2017 Core Steam System Decision.

The directive to reduce the allowed return for 2020 by \$21,503 did not arise in and of itself and, as demonstrated, the impact is material compared to the calculation based on the correct inputs. The impact could also be viewed as unduly punitive noting that our proposals into the related matter did not give rise to the need for the supporting inputs to the Commission's determination to have been placed on the evidentiary record of the RRA proceeding.

We are of the view that the Commission has the flexibility to clarify and amend the directive upon consideration of the merits of this submission, and without further process. If the Commission considers that a formal request for reconsideration and variance is required, then this letter will serve that purpose also.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Gorter', with a long horizontal line extending to the right.

Rob Gorter
Director, Regulatory Affairs and Customer Relations