

November 24, 2020

VIA E-FILING

Acting Commission Secretary
Marija Tresoglavic
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034

Our File: 7100.122

Dear Ms. Tresoglavic,

Re: Creative Energy Vancouver Platforms Inc. Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for the District Cooling System at the Vancouver House Development

We represent the BC Old Age Pensioners' Organization, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Information Requests No. 2 with respect to the above-noted matter.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Leigha Worth
Executive Director | General Counsel

Encl.

REQUESTOR NAME: BCOAPO *et al.*
INFORMATION REQUEST ROUND NO: #2
TO: Creative Energy Vancouver Platforms Inc. (CE)
DATE: November 24, 2020
APPLICATION NAME: Application for Heating Rates for the Heating Thermal Energy System at the Vancouver House Development – Project No. 1599048

1.0 Reference: Exhibit B-2, BCUC IR 1.1 and IR 17.1

The first referenced response includes the following passage:

Creative Energy proposes an RDDA as a rate smoothing mechanism but has not put forward any deferral mechanisms for capturing variances between the actual and forecast operating and maintenance costs to be recovered through the fixed charge. Please refer to item (1) above.

The second referenced response states:

Once the RDDA is reduced to zero it will be cancelled. That is, once rate smoothing is entirely accomplished over the contract term there should be no balance in the RDDA and its purpose is done. At the time that the RDDA balance is reduced to zero within the 30-year term, Creative Energy would no longer be seeking approval to record any changes to the balances in the account.

- 1.1 Can Creative Energy (CE) confirm that under its proposal and under any plausible circumstances, it will have no financial incentive to underspend on O&M costs or, equivalently, embed in rates forecasts costs that are higher than expected actual costs?
- 1.2 Could it ever be profitable for CE to over-forecast/underspend on maintenance in periods when maintenance can be deferred, so that actual maintenance costs are less than the amounts embedded in the revenue requirement and rates?
 - 1.2.1 If so, in the absence of any mechanism of any true-up mechanism, how would ratepayers be protected?

2.0 Reference: Exhibit B-2, BCUC IR 6.13, and IR 14.1

The first referenced IR and response states:

Please explain what is meant by “Commitment Fees” and why these are collected.

RESPONSE:

Commitment Fees reflect the incremental costs associated with establishing a new bank lending facility from Creative Energy's lender to finance the construction of the Heating TES.

The second referenced IR response states:

As per a Credit Agreement issued by Royal Bank of Canada to Creative Energy, debt drawn to support the construction of the Heating NES Plant bears interest at a rate of Prime plus 0.50%. Since October 25, 2018, Royal Bank's Prime Rate has been set at 3.95% for lending in Canadian dollars. Therefore, the all-in rate is 4.45%, which on a rounded basis, is equivalent to 4.5%.

- 2.1 Is the Royal Bank Creative's "lender"? If not, please confirm what entity is Creative's "lender" and indicate whether it is a related or unrelated entity.
- 2.2 Please indicate or explain in detail how stakeholders can independently determine the appropriateness of the quantum of the Commitment Fees.
- 2.3 Please indicate or explain in detail how stakeholders can challenge the appropriateness of the quantum of the Commitment Fees. If any such challenge has occurred, please provide a copy of the challenge (with identifying details redacted or in confidence) along with any supporting documents submitted as well as Creative's Response to said Challenge.

3.0 Reference: Exhibit B-3, CEC IR 2.4

The referenced IR and response states:

Please confirm or otherwise explain that Buildings 1 and 2 are already fully occupied.

RESPONSE: Creative Energy understands that Buildings 1 and 2 have been granted occupancy permits but Creative Energy does not have information on what percentage of the units are actually occupied at any given time.

- 3.1 Is it fair to conclude from the referenced response that CE is financially indifferent to the occupancy percentages in the buildings? If not, please explain.

4.0 Reference: Exhibit B-3, CEC IR 4.1

The referenced IR asked:

Please elaborate in detail and provide quantification of any potential cross-subsidization that could potentially occur between ratepayers of the steam heat utility and those of Vancouver House.

- 4.1 While we acknowledge that CE provided a response to this question, BCOAPO would like some clarity with respect to (i) how CE specifically defines ratepayer cross-subsidization, (ii) specifics showing how CE tests for ratepayer cross-subsidization in practice, and (iii) the metrics, if any, that CE employs in its tests for cross-subsidization.

5.0 Reference: Exhibit B-5, page 11

The referenced page states:

Regulatory Costs

Creative Energy updates the cost of service to include the regulatory expense to support preparation, review and approval of this Application. These costs were not included in the Application for Heating Rates. Regulatory costs are uncertain and generally outside of Creative Energy's control. Creative Energy therefore seeks approval of a Regulatory Cost Variance Deferral Account (RCVDA) to record the difference between the regulatory cost forecast provided in this Application and the final actual costs when so determined. Creative Energy does not expect there to be significant regulatory costs and any variances will be administratively simple to recover or credit through a rate rider applied to each building customer on a \$/MWh basis (i.e. using the same allocation method as for the Variable Charge). (Emphasis added.)

- 5.1 Please provide historic actual regulatory costs that CE has incurred in prior proceedings related to prior stages of the subject project.
- 5.2 Is it fair to conclude that CE is unwilling to incur any forecast risk in respect of regulatory costs?

6.0 Reference: Exhibit B-5, page 12 and Exhibit B-6, page 11, Table 4

The first referenced page states the following:

Return on Capital

Projected financing costs reflect a deemed capital structure of 57.5 percent debt and 42.5 percent equity and an equity risk premium of 75 basis points above the low-risk benchmark. The corresponding allowed return on equity (ROE) is 9.5 percent and Creative Energy estimates that an overall cost of debt of 4.0% is reasonable at this time and consistent with the current average debt rate in effect under rate approvals for Creative Energy's Core steam system.

- 6.1 Please provide CE's actual capital structure.
- 6.2 Please provide the impact on the revenue requirements shown in B-6 Table 4 of using the actual capital structure to determine the cost of capital component in this revenue requirement for each separate year (2020-23 inclusive).

Reference: Exhibit B-5, Appendix A, Table 1

- 6.3 Please augment the referenced table by adding a column that shows, for each row, the last cost estimate made for each cost component prior to beginning the project work associated with each component.

7.0 Reference: General

- 7.1 Please discuss the real financial risks that CE proposes to bear under the instant proposal.

8.0 Reference: Exhibit B-3, CEC IR 3.6

The referenced IR and response state:

What, if any, incentives exist for Creative Energy to conduct demand side management activities? Please explain.

RESPONSE:

The South Downtown Heating TES serves four brand new buildings designed and built to meet very high building performance standards – LEED Platinum New Construction Certification standards and green building policies of the City of Vancouver, including its General Policy for Higher Buildings. Creative Energy therefore is of the view that there are no cost-effective DSM opportunities in relation to the customers of this TES. (Emphasis added.)

- 8.1 Does CE include end-user targeted and installed DSM measures such as low-flow showerheads, pipe wrapping, etc., in its “*view that there are no cost-effective DSM opportunities in relation to the customers of this TES*”?
- 8.2 Did CE, in fact, engage in any evaluation of the project to identify any cost-effective DSM opportunities in relation to the customers of this TES? If so, please provide evidence of this evaluation on the record.
- 8.3 Does CE have any research or widely accepted industry information or guidance stating that there are no cost-effective DSM opportunities in relation to customers sited in LEED Platinum New Construction Certified Buildings or those built to the City of Vancouver’s “General Policy for Higher Buildings”? If so, please provide on the record.