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CREATIVE ENERGY HEATING AND COOLING RATES AT VANCOUVER HOUSE DEVELOPMENT EXHIBIT A-15
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Mr. Rob Gorter
Director, Regulatory Affairs & Customer Relations
Creative Energy Vancouver Platforms Inc.
Suite 1 - 720 Beatty Street
Vancouver, BC V6B 2M1
rob@creative.energy; info@creative.energy

Re: Creative Energy Vancouver Platforms Inc. – Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for the District Cooling at the Vancouver House Development – Project No. 1599048 – Information Request No. 3

Dear Mr. Gorter:

Further to your filing with respect to the above noted matter, enclosed please find British Columbia Utilities Commission Information Request No. 3. In accordance with Order G-4-21 establishing a further regulatory timetable for this proceeding, please file your responses on or before **Monday, February 22, 2021.**

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

/ae
Enclosure



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

INFORMATION REQUEST NO. 3 TO CREATIVE ENERGY VANCOUVER PLATFORMS INC.

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A. GENERAL

**68.0 Reference: GENERAL
Exhibit B-13, British Columbia Utilities Commission Information Request 20.2.2, 20.2.3
Distribution piping to other sites**

In response to British Columbia Utilities Commission (BCUC) information request (IR) 20.2.2 in the Creative Energy Vancouver Platforms Inc. (Creative Energy) Application for Permanent Rates for the Heating Thermal Energy System (TES) at the Vancouver House Development (VHD or Vancouver House) 2020-2023 (Heating Permanent Rates Application), Creative Energy states:

The capital and development costs of Items 1 – 3 are the amounts being reviewed in this Heating Rates application. The capital and development cost in respect of Item 4 is that being reviewed as part of the separate proceeding to review the Registration of the Extension to 889 Pacific Street. Please refer to Exhibit B-3 in that proceeding.

Item 4 refers to underground Distribution Piping System (DPS) to 889 Pacific Street.

68.1 In addition to the capital and development costs referenced in the preamble above, please confirm that the Heating Permanent Rates Application excludes all other costs associated with providing service to the 889 Pacific Street site.

68.1.1 If not confirmed, please provide a breakdown of any costs that Creative Energy seeks to recover in the Heating Permanent Rate Application. Please provide supporting rationale

for any costs for which Creative Energy seeks recovery.

In response to BCUC IR 20.2.3, Creative Energy states:

The estimated \$100,000 fee charged by City of Vancouver relates to the DPS work between the Heating TEC [Temporary Energy Centre] and Vancouver House Buildings 1 & 2. The City of Vancouver fee is the cost of road surface restoration.

68.2 Please explain whether there are any road surface restoration costs, or any other costs not already previously identified, for the DPS between the Heating Temporary Energy Centre (TEC) and Vancouver House Buildings 2 and 3.

68.2.1 If yes, please provide the road surface restoration costs.

B. CAPITAL AND DEVELOPMENT COSTS

69.0 Reference: CAPITAL AND DEVELOPMENT COSTS
Exhibit B-13, BCUC IR 21.1; Attachment 21.0; Creative Energy Application for a Certificate of Public Convenience and Necessity (CPCN) for a Neighbourhood Energy System (NES) in the South Downtown (SoDo) area of Vancouver (SoDo Heating CPCN Application), Order C-1-19 and accompanying Decision (SoDo Heating CPCN Decision), Section 1.1, pp. 1–2; Section 3.7, pp. 28–29; Heating TES final cost report

In response to BCUC IR 21.1, Creative Energy states, in part:

- In full view of this reconciliation and correction, the budget level detail presented in Attachment 21.0 is necessarily the project budget for Phase 1 and 2 – there is no distinction in project budgeting as between a Stream A budget versus a CPCN budget. It is a project budget.

Creative Energy also states:

- As explained in the CPCN proceeding and in Table 3 of the Final Cost Report, one key explanation of the Stream A application total costs of \$1.828 million compared to the CPCN application Phase 1 total of ~2.6 million is that it is apparent that the Stream A application under-reported actual and forecast project development costs in error. This error was not determinative of the definition of Phase 1 in terms of overall cost and the criteria under which the provision of construction heat in Phase 1 was granted a Stream A registration and temporary exemption for construction heating. [*Emphasis added*]

On page 28 of the SoDo Heating CPCN Decision for Creative Energy’s SoDo Heating CPCN Application, it stated:

The BCUC approved a request from Creative Energy to build a temporary facility to provide construction heat to Buildings 1 and 2, with associated capital costs of \$1,828,000. Creative Energy states that its actual capital costs incurred for building the Phase 1 NES were \$2,653,207, a budget overrun of 45 percent...The Panel is concerned that the “fees/overheads” and “soft costs” added to the approved budget for the Phase 1 NES may not all be properly attributable to ratepayers. There is insufficient evidence on the record to determine whether the costs allocated to the Phase 1 NES after its completion were just and reasonable, and insufficient time remains before the occupancy date of the Development for the Panel to explore the issue.

For these reasons, the Panel is unable to conclude whether the capital costs for the Phase 1 NES presented by Creative Energy are reasonable.

[Emphasis added]

The BCUC further stated on page 29:

The BCUC granted Creative Energy the authority to construct a temporary facility to provide construction heat to Buildings 1 and 2. However the Panel has two concerns with respect to Creative Energy's prudence in its development of the NES. Firstly, the Panel notes that the actual capital expenditures for the Phase 1 NES exceeded Creative Energy's estimated costs by approximately 45 percent. This over-expenditure is in excess of the accepted -20 to +30 percent accuracy range for an AACE Class 3 estimate, the standard to which the original Stream A costs were stated to meet... As a result, **the Panel recommends that the BCUC conduct a prudence review of the Phase 1 and Phase 2 NES capital expenditures prior to approving final rates for the Development.**

In accordance with the SoDo Heating CPCN Decision, Phase 1 NES refers to the installation of infrastructure and equipment for the provision of construction heating only to Buildings 1 and 2. Phase 2 NES refers to the installation infrastructure and equipment to provide domestic hot water (DHW) to Buildings 1 and 2 and heating services to Buildings 3 and 4.

In response to BCUC IR 21.1, Creative Energy provides Attachment 21.0, titled 'Budget and Actual Heating TES Costs'.

The following IRs are necessary to clarify whether the costs allocated to the Phase 1 NES are just and reasonable and are properly attributable to ratepayers. **In absence of the required information, the BCUC may not be able to determine whether the costs are just and reasonable, and as a result, the costs may not be recoverable in rates.**

69.1 Please update Attachment 21.0 to include the following:

- i. Budget for Phase 1 NES as provided in Exhibit B-2-1, Confidential Attachment 1.1 Stream A Costs in the SoDo Heating CPCN Application;
- ii. Update the 'Budget as per CPCN Application' column(s) to include only Phase 2 NES costs;
- iii. Detailed breakdown of Actual costs on a line by line basis. Actual costs are to be provided for each and every cost item identified in the budgets;
- iv. Variance column showing the variance between the Budget for Phase 1 NES and Actual and the variance between the Budget for Phase 2 NES and Actual;
- v. Detailed description of all variances on a line by line basis; and
- vi. For any costs that have been reallocated to a different cost category, a detailed explanation of the following: the original cost category; the new cost category; and the reason for the reallocation.

69.1.1 With respect to the error referenced in the preamble above where actual and forecast project development costs were under-reported, please clearly identify each line item that was impacted by this error.

**70.0 Reference: CAPITAL AND DEVELOPMENT COSTS
Exhibit B-13, BCUC IR 21.1; Attachment 21.0
Budget and Actual Heating TES Costs**

Attachment 21.0 provides the following Development/Soft Costs:

BUDGET AS PER CPCN APPLICATION			
DEVELOPMENT/SOFT COSTS			
Phase 1			
<i>Predevelopment</i>			
<i>Legal</i>		CPCN Legal costs	37,464
<i>Predevelopment</i>		Feasibility and general costs	14,699
<i>Predevelopment</i>		SoDo First Baptist assessment	1,589
<i>Predevelopment</i>		Legacy transfer from CE Canada	59,290
<i>Predevelopment</i>		Feasibility study	25,000
<i>Engineering</i>		CPCN screening work and Cobalt Study	99,535
<i>Engineering</i>	CEC	TEC site services dwg for CoV approval	4,300
<i>Engineering</i>	CEC	Central plant specification	3,544
<i>Engineering</i>	CEC	TEC Engineering + site plan	31,045
<i>Engineering</i>	CEC	Variance #001 - Additional work (site plans)	13,000
<i>Engineering</i>	CEC	TEC Construction support	39,800
<i>Contingency</i>		Contingency	38,148.90
<i>Engineering</i>		Internal Management time - Engineering	35,173.42
Construction		Internal Management time - TEC Construction	29,202.43
Construction		Internal Management time - DPS Construction	21,093.00
Construction		Internal Management time - ETS Construction	11,833.00
<i>Predevelopment</i>		Internal Management time	162,209.00
		Subtotal Management time	259,510.85
Phase 1 Subtotal			626,926
Phase 2			
<i>Predevelopment</i>		Legal - Regulatory (Stream B application)	\$ 35,000
<i>Predevelopment</i>		Internal Management time	\$ 32,000
Phase 2 Subtotal			67,000
Development/Soft Costs Subtotal			693,926

- 70.1 Please provide a description of the ‘SoDo First Baptist assessment’, including the party for which the assessment was completed, an overview of the assessment scope and justification for including the costs in rates.
- 70.2 Please provide a description of the ‘Legacy transfer from CE Canada’, including a description of what is included in the costs, why the costs have been transferred to Creative Energy and justification for including the costs in rates.
- 70.3 Please explain whether the \$25,000 for ‘Feasibility study’ relates to the Vancouver South Downtown Low Carbon Energy Systems Screening Study prepared by the Integral Group and provided as Confidential Attachment 4.9 to Exhibit B-2-1.
- 70.3.1 If not confirmed, please provide a description of the ‘Feasibility study’, including the party for which the assessment was completed, an overview of the assessment scope and justification for including the costs in rates.

With reference to the “Beach and Howe, Vancouver BC Low Carbon Energy Supply Feasibility Study” undertaken by Cobalt Engineering LLP (the Cobalt Study) 2012 and in response to BCUC IR 6.8 in Exhibit

B-2 for the Application for Interim Heating Rates for the TES at the VHD (Interim Heating Rates Application), Creative Energy states:

The costs for this study were not incurred by Creative Energy and are not included in the Heating TES costs.

- 70.4 Given that the costs for the Cobalt Study were not incurred by Creative Energy, please explain why the costs are included in the Development/Soft Costs for the 'Budget as per CPCN Application' column and the Engineering costs for the 'Budget as per CPCN Application (engineering re-categorization)' column.
- 70.5 Please explain whether the costs for the Cobalt Study are included in the Actual costs in the updated spreadsheet provided in response to BCUC IR 69.1.
- 70.6 Please explain the types of costs that are classed as Internal Management Time.
- 70.7 Please provide a detailed breakdown of the Predevelopment 'Internal Management Time' for Phase 1 NES totalling \$162,209.00. Include a description of the cost categories and the associated cost for each cost category that make up the Predevelopment 'Internal Management Time'.
- 70.8 Please explain why 'CPCN screening work and Cobalt Study' were recategorized to Engineering costs in the 'Budget as per CPCN Application (engineering re-categorization)' column.

In the 'Variance Commentary' column, cell X16 of Attachment 21.0, Creative Energy states:

Actual management time is 55% greater than reported in the CPCN (\$452,741 versus \$291,511). This is due to a longer than anticipated project and regulatory schedule and is offset by use of contingency budget from the CPCN forecast. Contingency in the CPCN forecast totalled \$177,221. This contingency was largely consumed by the increase in internal management time required to deliver the South Downtown TES.

- 70.9 Please provide a detailed breakdown, including costs, descriptions and detailed explanations of variances for the actual costs incurred for 'Internal Management Time'.
- 70.10 Please provide a description of the 'PO706 Legacy transfer', 'PO375 Legacy - DPS Engineering phase 1' and 'Legacy DPS materials order' included in cell I37, I38, and I77, respectively of Attachment 21.0. Include justification for recovering the costs in rates.

71.0 Reference: CAPITAL AND DEVELOPMENT COSTS
Exhibit B-6, Section 2.1, Table 2, p. 6; Exhibit B-13, BCUC IR 25.2, 25.3
District Cooling System – Capital and development costs

On page 6 of the VHD District Cooling System (DCS) Rates Application (Cooling Rates Application), Creative Energy provides Table 2, which outlines the total capital and development costs of the DCS that are to be recovered through rates:

	To Date	To Complete	Total
DCS Purchase Price			2,530,000
Design review and commissioning services	17,667		17,667
Civil works	15,000		15,000
Project Management	57,320	32,446	89,766
Legal services	3,424	7,000	10,424
Regulatory	38,757		38,757
Total	132,168	39,446	2,701,614

In response to BCUC IR 25.2, Creative Energy states:

Development costs forecast through November 2020 are detailed below:

Peer Review	\$17,667
Legal	\$3,424
Internal Management	\$93,164
Civil works	\$15,000
<u>CPCN</u>	<u>\$42,359</u>
Total	\$171,614

The variance is explained by additional internal management greater than budget and also including third-party regulatory costs for the CPCN review and approval in the total. Additional internal management greater than budget was required to coordinate with the Developer and their construction team, to monitor construction progress, commissioning and system automation progress, and review of system operation.

- 71.1 Please confirm, or otherwise explain, whether the 'Design review and commissioning services' noted in Table 2 of the Cooling Rates Application is the same as 'Peer Review' noted in response to BCUC IR 25.2.
- 71.1.1 If confirmed, please explain whether 'commissioning services' are also included in the 'Peer Review' costs.
- 71.1.2 If not confirmed, please explain under which category the costs for 'commissioning services' have been included.
- 71.2 Please confirm, or otherwise explain, whether the 'Regulatory' cost category noted in Table 2 of the Cooling Rates Application is the same as the 'CPCN' cost category noted in response to BCUC IR 25.2.
- 71.2.1 If not confirmed, please indicate where (i) the 'CPCN' costs are included in Table 2 of the Cooling Rates Application; and (ii) the 'Regulatory' costs are included in the tabular summary provided in response to BCUC IR 25.2.

In response to BCUC IR 25.3, which in part requests that Creative Energy detail any issues identified in the peer review conducted by Kerr Wood Leidal (KWL), explain whether the issues have been resolved and identify the party responsible for any associated costs, Creative Energy states:

The Peer Review confirms that overall concept meets all of the main requirements and design intent. Nothing in the design prevents the DCS from achieving the intended function.

- 71.3 Please explain whether KWL identified any issues with the DCS.
- 71.3.1 If so, please discuss the issues, explain whether they have been resolved and identify the party responsible for any costs.

**72.0 Reference: CAPITAL AND DEVELOPMENT COSTS
Exhibit B-13, BCUC IR 26.7, 36.1; Order G-225-20, dated August 31, 2020
Completion of the transaction to acquire the DCS**

By Order G-225-20, the BCUC approved the capacity charge and variable charge as set out in Appendix B-1 of the Cooling Rates Application, on an interim and refundable basis, effective the date Creative Energy completes the transaction to acquire the DCS from the owner of the VHD (the developer) and

begins providing cooling service as per the terms of the Construction and Purchase Agreement, and subject to further order of the BCUC.

In response to BCUC IR 36.1, Creative Energy provided the actual or forecast occupancy dates and service start dates for VHD Building 1-4:

	Occupancy date	Service Start Date (actual or forecast)	
		Heating TES	DCS
VHD Building 1	Dec 13, 2019	Apr 2018	Nov 23, 2020
VHD Building 2	July 29, 2020	Nov 2019	Nov 23, 2020
VHD Building 3	Oct 15, 2020	Jun 24, 2020	Dec 2020
VHD Building 4	Jan 2021	Sept 2, 2020	Jan 2021

- 72.1 Please confirm, or otherwise explain, that Building 4 has been granted an occupancy permit. If confirmed, please provide the occupancy date. If not confirmed, please provide the updated forecast date.
- 72.2 Please confirm, or otherwise explain, that Buildings 3 and 4 are receiving cooling service as per the terms of the Construction and Purchase Agreement. If confirmed, please provide the service start dates for both buildings. If not confirmed, please provide the updated forecast dates.

In response to BCUC IR 26.7, Creative Energy identified the following risk in the delay to completing the transaction to acquire the DCS from the developer:

The risk of capital cost recovery has been identified due to the delay in completion of the deficiencies in Buildings 3 and 4. Therefore, Creative Energy will start charging the Developer for the fixed rate as of the DCS closing date until the DCS in Buildings 3 and 4 satisfies Creative Energy’s minimum requirement.

- 72.3 Please explain what is necessary for Buildings 3 and 4 to satisfy the ‘minimum requirement’, and when it is reasonably expected to occur.

C. OPERATIONS AND MAINTENANCE COSTS

**73.0 Reference: OPERATIONS AND MAINTENANCE COSTS
Exhibit B-5, Section 4.2, Table 3, p. 8; Exhibit B-6, Section 2.2, Table 3, p. 8
Management’s control**

On page 8 of the Permanent Heating Rates Application, Creative Energy provides the following table:

Table 3: Operations and Maintenance Costs – 2021

	2021	Assumption
Maintenance	39,107	1% on total construction costs (capital + development)
Operator Cost	26,010	25% of a full-time equivalent operator at \$100K in 2019 dollars
Insurance	9,965	Modelled equivalent to the insurance under 0.29% for property and 0.02% for boiler and machinery insurance plus business interruption
Municipal Access Fee	7,694	1.25% of Revenue
Financing Fees	6,145	Annual refinancing charges
Administration	68,458	Allocation of residual General and Administration expense in accordance with the Commission approved Massachusetts formula
Total	157,380	

On page 8 of the Cooling Rates Application, Creative Energy provides the following table:

Table 3: Operations and Maintenance Costs – 2021

	2021	Assumption
Maintenance	39,107	1% on total construction costs (capital + development)
Operator Cost	26,010	25% of a full-time equivalent operator at \$100K in 2019 dollars
Insurance	9,965	Modelled equivalent to the insurance under 0.29% for property and 0.02% for boiler and machinery insurance plus business interruption
Municipal Access Fee	7,694	1.25% of Revenue
Financing Fees	6,145	Annual refinancing charges
Administration	68,458	Allocation of residual General and Administration expense in accordance with the Commission approved Massachusetts formula
Total	157,380	

73.1 Please specify, with rationale, which operations and maintenance (O&M) costs for the Heating TES and the DCS are within the scope of management’s control, and which are largely outside of management’s control.

**74.0 Reference: OPERATIONS AND MAINTENANCE COSTS
Exhibit B-13, BCUC IR 27.1, 27.2
Insurance**

In response to BCUC IR 27.1, Creative Energy states:

For the Interim Heating Rates Application, Creative Energy estimated Insurance costs based on high level assumptions that Creative Energy finds reasonable for most projects. These costs were updated based on actual insurance determinants for Creative Energy’s existing insurance policy when filing for final rates.

In response to BCUC IR 27.2, Creative Energy states:

Creative Energy’s Heating Rates Model does not contain the same variables necessary to calculate the cost for insurance consistent with the determinants of insurance cost under the insurance policy.

74.1 Please provide the insurance determinants used for Creative Energy’s insurance policy for the Heating TES and the DCS. Please provide commentary on how these determinants affect the cost of insurance.

74.2 Please explain if Creative Energy can negotiate its insurance premiums from year to year, and outline the process involved to do so.

**75.0 Reference: OPERATIONS AND MAINTENANCE COSTS
Exhibit B-5, Heating TES Rates Model Attachment (Heating Rates Model), Regulatory Model Tab; Exhibit B-13, BCUC IR 28.1.1; Heating TES Rates Model – BCUC IR 2 Attachment (Updated Heating Rates Model), Regulatory Model Tab
Administration**

In response to BCUC IR 28.1.1, Creative Energy provides the following chart to show the dollar and percentage rate impact to the Permanent Heating Rates Application from applying the three factor Massachusetts Formula:

Heating TES						
	2020	2021	2022	2023	2024	2025
Cost of Service - Interim	558,590	569,610	567,815	565,938	563,969	561,899
Fixed Charge - Interim	315,836	475,048	484,549	494,240	504,125	514,208
RDDA - Interim	242,754	94,561	83,266	71,698	59,844	47,692
Cost of Service - Evidentiary Update	545,707	547,568	545,340	543,020	540,601	538,074
Fixed Charge - Evidentiary Update	315,836	451,587	460,619	469,832	479,228	488,813
RDDA - Evidentiary Update	229,871	95,981	84,720	73,188	61,373	49,261
% Change - Cost of Service	-2.3%	-3.9%	-4.0%	-4.0%	-4.1%	-4.2%
% Change - Fixed Charge	0.0%	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%

The following are extracts of the Heating Rates Model (filed as an attachment to Exhibit B-5 in the Permanent Heating Rates Application):

Period End		31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
Fixed Charge Revenue Build-up							
Depreciation	[\$]	116,202	125,296	125,296	125,296	125,296	125,296
Operating Expense	[\$]	171,163	157,380	160,334	163,358	166,454	169,621
Return on equity (deemed)	[\$]	136,646	141,301	136,242	131,183	126,124	121,066
Interest (deemed)	[\$]	89,658	92,176	88,934	85,692	82,450	79,208
Return on revenue deferral (deemed)	[\$]	11,415	21,684	30,596	39,325	47,836	56,091
Income Tax	[\$]	44,921	53,457	57,009	60,408	63,645	66,709
Total Regulatory Deemed Fixed Revenue	[\$]	570,006	591,294	598,411	605,263	611,805	617,991
Revenue Build-up Deemed Fixed Charge	[Annual \$/m2]	9.82	9.15	9.26	9.37	9.47	9.57
Revenue Build-up Deemed Fixed Charge	[Annual \$/kW]	255.55	232.06	234.86	237.54	240.11	242.54
Deferral Fixed Charge (Nominal)	[Annual \$/m2]	182.78	186.44	190.17	193.97	197.85	201.81
Fixed Charge	[Annual \$/m2]	5.44	7.35	7.50	7.65	7.80	7.96
Fixed Charge	[Annual \$/kW]	141.60	186.44	190.17	193.97	197.85	201.81
Average Occupied Area	[m2]	58,023	64,598	64,598	64,598	64,598	64,598
Subscribed Capacity	[kW]	2,230	2,548	2,548	2,548	2,548	2,548
Total Fixed Charge Revenue Recovered	[\$]	315,836	475,048	484,549	494,240	504,125	514,208
RDDA Balance (opening)	[\$]	33,178	327,304	461,821	593,582	722,055	846,662
(Over Recovery) / Under Recovery Adj. for Taxes	[\$]	294,126	134,518	131,760	128,474	124,606	120,097
RDDA Balance (closing)	[\$]	327,304	461,821	593,582	722,055	846,662	966,759

75.1 Please explain why the 'Cost of Service-Interim' and 'RDDA-Interim' from the summary provided in response to BCUC IR No. 28.1.1, highlighted in purple and yellow above, do not agree to the 'Total Regulatory Deemed Fixed Revenue' and '(Over)/Under Recovery Adj. for Taxes' from the Heating Rates Model provided in the Permanent Heating Rates Application and highlighted in purple and yellow above.

75.1.1 If the 'Cost of Service-Interim' and 'RDDA-Interim' are included elsewhere in the Heating Rates Model, please indicate the worksheet tab and cell reference and provide a screen shot of the Heating Rates Model where these figures are located.

75.1.2 If the 'Cost of Service-Interim' and 'RDDA-Interim' are not included in the Heating Rates Model please explain why and provide the supporting calculations for each figure and include reference to the source figures in evidence.

The following are extracts of the Updated Heating Rates Model (filed as an attachment to Exhibit B-13 with the responses to BCUC IR No. 2):

Period End		31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
Fixed Charge Revenue Build-up							
Depreciation	[\$]	116,202	125,296	125,296	125,296	125,296	125,296
Operating Expense	[\$]	158,548	135,737	138,251	140,825	143,461	146,159
Return on equity (deemed)	[\$]	136,646	141,301	136,242	131,183	126,124	121,066
Interest (deemed)	[\$]	79,873	81,934	79,052	76,171	73,289	70,407
Return on revenue deferral (deemed)	[\$]	9,759	18,570	26,641	34,491	42,082	49,374
Income Tax	[\$]	44,309	52,306	55,546	58,620	61,517	64,224
Total Regulatory Deemed Fixed Revenue	[\$]	545,337	555,144	561,029	566,585	571,768	576,526
Revenue Build-up Deemed Fixed Charge	[Annual \$/m2]	9.40	8.59	8.68	8.77	8.85	8.92
Revenue Build-up Deemed Fixed Charge	[Annual \$/kW]	244.49	217.87	220.18	222.36	224.40	226.27
Deferral Fixed Charge (Nominal)	[Annual \$/m2]	171.26	174.68	178.18	181.74	185.38	189.08
Fixed Charge	[Annual \$/m2]	5.44	6.89	7.03	7.17	7.31	7.46
Fixed Charge	[Annual \$/kW]	141.60	174.68	178.18	181.74	185.38	189.08
Average Occupied Area	[m2]	58,023	64,598	64,598	64,598	64,598	64,598
Subscribed Capacity	[kW]	2,230	2,548	2,548	2,548	2,548	2,548
Total Fixed Charge Revenue Recovered	[\$]	315,836	445,093	453,995	463,074	472,336	481,783
RDDA Balance (opening)	[\$]	27,446	293,022	420,372	544,231	664,013	779,075
(Over Recovery) / Under Recovery Adj. for Taxes	[\$]	265,576	127,350	123,859	119,782	115,062	109,637
RDDA Balance (closing)	[\$]	293,022	420,372	544,231	664,013	779,075	888,712

75.2 Please explain why the ‘Cost of Service-Evidentiary Update’, ‘Fixed Charge – Evidentiary Update’, ‘RDDA-Evidentiary Update’ from the summary provided in response to BCUC IR No. 28.1.1, highlighted in red, blue and green above, do not agree to ‘Total Regulatory Deemed Fixed Revenue’, ‘Total Fixed Charge Revenue Recovered’, and ‘(Over)/Under Recovery Adj. for Taxes’ from the Updated Heating Rates Model provided as an attachment to the responses to BCUC IR No. 2 and highlighted in red, blue, and green above.

75.2.1 If the ‘Cost of Service-Evidentiary Update’, ‘Fixed Charge – Evidentiary Update’, and ‘RDDA-Evidentiary Update’ are included elsewhere in the Updated Heating Rates Model, please indicate the worksheet tab and cell reference and provide a screen shot of the Updated Heating Rates Model where these figures are located.

75.2.2 If the ‘Cost of Service-Evidentiary Update’, ‘Fixed Charge – Evidentiary Update’, and ‘RDDA-Evidentiary Update’ are not included in the Updated Heating Rates Model please explain why and provide the supporting calculations for each figure and include reference to the source figures in evidence.

**76.0 Reference: OPERATIONS AND MAINTENANCE COSTS
Exhibit B-13, BCUC IR 29.2, Attachment 29.2 – Operating Permit Operators**

In responses to BCUC IR 29.2, Creative Energy states:

The TES is below the TSBC [Technical Safety BC] thresholds for on-site supervision and we have confirmation of this since TSBC has inspected the TES and issued operating permits for the equipment. TSBC has confirmed that no full or part-time staffing is required for either the Heating TES or the DCS. There are no other requirements that apply as TSBC is the Authority having jurisdiction.

Accordingly, the TES will continue to be operated by Creative Energy’s Service Line personnel, who are available 7 days a week for ~12 hours per day and available on-call otherwise at all other times.

Creative Energy has received operating permits for Heating TES, which are attached to this response as permits for Boiler #1 and Boiler #2. The operating permits state the conditions of the permit, and no staffing requirements have been applied. TSBC has also issued the operating permits for DCS chillers and no staffing requirements have been applied.

Creative Energy provides the operating permits for the Heating TES in Attachment 29.2.

- 76.1 Please specify where in the TSBC Operating Permit it states “no staffing requirements” are necessary for the Heating TES.
- 76.2 Please confirm, or otherwise explain, whether a new TSBC Operating Permit will be required if the containerized boiler system is relocated.

**77.0 Reference: OPERATIONS AND MAINTENANCE COSTS
Exhibit B-5, Section 4.2, p. 9; Exhibit B-6, Section 2.2, p. 10; Exhibit B-13, BCUC IR 30.1, 60.2; Exhibit B-15, The British Columbia Old Age Pensioner’s Organization et al. IR 2.1, 2.2
Financing fees**

On page 9 of the Permanent Heating Rates Application, Creative Energy states:

Financing Fees

The reported amounts are the annual refinancing fees of 30 basis points on the credit facilities consistent with the TD and HSBC term sheet and allocated pro rata to the Heating TES on the basis of deemed debt.

On page 10 of Cooling Rates Application, Creative Energy states:

Financing Fees

The reported amounts are the annual refinancing fees of 30 basis points on the credit facilities consistent with HSBC term sheet and allocated pro rata to the DCS on the basis of deemed debt.

In response to the British Columbia Old Age Pensioner’s Organization et al. (BCOAPO) IR 2.1, Creative Energy states:

Creative Energy changed lenders in September 2020, as approved by BCUC Order G-187-20. Royal Bank is Creative Energy’s previous lender. HSBC and TD are the new lenders. These are unrelated entities to Creative Energy.

In response to BCOAPO IR2.2, Creative Energy provides the following chart:

The following fees were paid:

Payment to Former Lender’s Lawyers	15,190
Payment to Creative’s Lawyers	98,677
Payment to New Lender’s Lawyers	89,850
Fee from New Lender	116,400
Total Deferred Financing Fees	320,117

In response to BCUC IR 60.2, Creative Energy states:

... a commitment fee is required when new or incremental debt facilities are issued to

Creative Energy in support of a new project or system. Each incremental debt facility requires a separate approval from a lender, and Creative Energy's lenders charge a fee to Creative Energy when they deliver approved, incremental debt facilities.

In contrast, financing fees are charged on a recurring, annual basis for existing debt facilities whenever they are renewed. [*Emphasis added*]

- 77.1 Please confirm, or otherwise explain, that the refinancing fees of 30 basis points are charged annually and are consistent with the term sheet.
- 77.1.1 If no, please confirm, or otherwise explain, which fees are charged on an annual basis.
- 77.2 Please confirm, or otherwise explain, that a commitment fee was required when changing lenders.
- 77.2.1 If yes, please confirm, or otherwise explain, the TD and HSBC commitment fee that was charged and is consistent with the term sheet.
- 77.3 Please confirm, or otherwise explain, whether the 'Fee from New Lender' as noted in response to BCOAPO IR 2.2 is the same as the 'commitment fee' noted in response to BCUC IR 60.2.
- 77.3.1 If confirmed, please explain if this fee is a flat fee or charged based on the amount of debt issued.

In response to BCUC IR 30.1, Creative Energy states:

Creative Energy submits that recovering financing fees on the basis of a deemed debt allocation is appropriate as Creative Energy Vancouver does not have lending facilities that are specific to each energy system. As such, allocating financing fees on a deemed debt basis allows each system to bear its fair proportion of financing fees and no more than that.

Further, not including refinancing fees in the overall debt cost (i.e., the Cost of Debt for deemed debt) allows greater clarity for Creative Energy, the BCUC, and customers as to what specific debt costs the TES and DCS are bearing for each period.

In response to BCOAPO IR 2.2, Creative Energy states:

For accounting purposes in 2020 Creative Energy must record an expense for 3 months and 13 days of amortization which is \$91,589. In 2021, the remaining \$228,528 will be expensed. As the financing fees are used to fund multiple systems in Creative Energy Vancouver Platforms, these fees should be allocated fairly to each utility system.

- 77.4 Please confirm, or otherwise explain, that the accounting treatment for financing fees is the same for regulatory accounting purposes as it is for financial accounting purposes.
- 77.4.1 If not confirmed, please (i) provide the treatment for regulatory and financial accounting purposes; (ii) discuss the rationale for the difference; and (iii) indicate if there are any administrative considerations or costs associated with this difference in reporting.
- 77.5 Please explain how Royal Bank's annual financing fees were historically recovered. Please discuss whether these fees were allocated based on the Massachusetts Formula or on the basis of deemed debt.
- 77.5.1 If financing fees were allocated as part of the Massachusetts Formula previously, please explain why they are allocated on the basis of deemed debt in the Permanent Heating Rates Application and the Cooling Rates Application.

D. REVENUE REQUIREMENT

**78.0 Reference: OPERATIONS AND MAINTENANCE COSTS
Exhibit B-5, Section 4.4, pp. 11–12
Income tax**

On pages 11 and 12 of the Permanent Heating Rates Application, Creative Energy states the “...approved interim rates did not account for annual income tax for the purpose of regulatory rate setting.”

- 78.1 Please explain why interim rates did not account for annual income tax, and discuss the impact, if any, to the shareholder and customers by not accounting for annual income tax.
- 78.2 Please discuss whether the proposed permanent rates account for annual income tax. If not, please explain why not.

**79.0 Reference: REVENUE REQUIREMENT
Exhibit B-13, BCUC IR 33.1, 33.3, 33.3.3, 33.5, 33.6
Regulatory cost variance deferral account**

In response to BCUC IR 33.3 Creative Energy states:

A separate charge or credit (a rate rider of some form) would be an administratively simple and transparent means to recover or credit a regulatory cost variance outside of the base capacity and variable charges as applied for. ...

[...]

2. A simple percentage of total bill approach may also be reasonable, fair and easy to administer. The added benefit of this approach is that the billing determinant – i.e., the percentage itself – can be approved in this proceeding in advance of the balance being known, which would allow for a very simple compliance and reporting construct to support recovery of any balance with limited future regulatory process required.

[...]

...upon further review Creative Energy would prefer the percentage of total bill approach for the additional advantage noted above. Creative Energy would propose that a 5 percent allocator be approved as reasonable.

In response to BCUC IR 33.3.3 Creative Energy illustrates the forecast recovery of a \$25,000 variance through a \$/kW and \$/MWh rate rider under a one-year amortization period, to highlight the relative monthly effects of each charge.

- 79.1 Assuming the proposed deferral account is approved with the preferred percentage of total bill approach, and a variance of \$25,000 is recorded, please calculate the rate rider for a typical summer and winter month, in a format similar to Creative Energy’s response to BCUC IR 33.3.3. Please detail all assumptions and provide supporting calculations.
- 79.2 Please provide the proposed term (i.e. length of time) for the regulatory account and explain why that term is appropriate.
- 79.3 Under a scenario where the proposed deferral account is approved, please explain if Creative Energy will seek approval to recover regulatory costs with each future application.

In BCUC IR 33.6, Creative Energy was asked to explain the methodology it intends to apply to allocate the forecast and actual regulatory costs between the Heating TES and the DCS. Creative Energy referenced the response provided in BCUC IR 33.5 which only discussed the timing of when the rate rider for each application would commence.

79.4 Please explain the methodology Creative Energy intends to apply to allocate the forecast and actual regulatory costs between the Heating TES and the DCS.

In response to BCUC IR 33.1, Creative Energy states “...most if not all utilities regulated by the Commission have equivalent deferral accounts, including CEVP [Creative Energy] in respect of its Core Steam and NEFC [Northeast False Creek] service areas.”

79.5 Please describe the methodology used by Creative Energy to recover or credit the cost variance in the regulatory cost deferral account for the Core Stream and NEFC service areas. If different from the proposed approach in this proceeding, please explain why.

79.6 Please discuss the approximate bill impact the proposed percentage of total bill approach has on customers’ monthly bill as compared to (i) the \$/MWh methodology proposed in the Permanent Heating Rates Application; and (ii) the approach(es) used for Creative Energy’s Core Steam and NEFC service areas.

E. PROPOSED RATE DESIGN: LEVELIZATION AND REVENUE DEFICIENCY DEFERRAL ACCOUNT

**80.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-13, BCUC IR 35.3; Exhibit B-15, BCOAPO IR 1.1, 1.2
Over forecasting revenue requirement and underspending on O&M**

In response to BCUC IR 35.3, Creative Energy states:

With respect to controllable costs that are not governed by any deferral mechanisms, actual costs that are higher than forecast would result in a lower than allowed ROE [return on equity] to the shareholder other things being equal. [Emphasis added]

Creative Energy's responses to BCOAPO IR 1.1 and 1.2 are copied below:

- 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?

RESPONSE:

Confirmed. Additions to the RDDA are confirmed and approved by the Commission on a forecast not actual basis; that is, based on forecast cost of service and forecast revenues at approved rates.

- 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?

RESPONSE:

The RDDA is a rate smoothing account and not a means to protect the shareholder from the risk of variances in controllable costs or to absolve utility management from being accountable for variances around forecasts or to otherwise create a perverse incentive to not control costs that would otherwise be reduced with the creation of a deferral account.

Please refer to the responses to BCUC Series 35.0.

- 80.1 Please confirm, or otherwise explain, that if Creative Energy underspent on maintenance relative to its forecast, in periods when maintenance can be deferred, actual maintenance costs would be less than the amounts embedded in the forecast revenue requirement and rates, resulting in a higher than allowed ROE to the shareholders, other things being equal.

- 80.1.1 Please clarify whether this would amount to a financial incentive for Creative Energy to underspend on O&M costs relative to its forecast O&M costs. Why or why not?

**81.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-13, BCUC IR 36.5, 36.5.1, 36.8, 36.9, 36.10, 36.11, 36.13, 36.14
Cost of service and levelized rates**

In BCUC IR 36.5, Creative Energy confirmed that the VHD customer base is not building out over time like those of the BCUC-regulated DES cited as examples in the preamble to that question.

In BCUC IR 36.8, Creative Energy states that:

A more important consideration is that for the TES and DCS systems, with load forecast to be relatively flat over time, a cost of service rate will be relatively less stable and decline over time. *[Emphasis added]*

In BCUC IR 36.5.1, Creative Energy states that:

The proposed levelized rates [...] will [...] reasonably match cost recovery with cost causation and will recover the cost of service over 30 years. [...] A shorter-levelization period may have some benefit to advancing cost recovery, but rates would ultimately be less stable [...] *[Emphasis added]*

- 81.1 Since the VHD customer base is not building out over time and the load is forecast to be relatively flat over time, please confirm that Creative Energy does not expect to incur significant capital expenditures to provide heating and cooling services to its customers in the foreseeable

future.

81.1.1 If not, please explain why not and provide the reasons why Creative Energy anticipate incurring significant capital expenditures in the future in relation to the Heating TES and the DCS respectively.

81.2 If most of the capital expenditures for both systems are incurred in the first few years of the 30-year period, please clarify why leveling rates over a 30-year timeframe would better match cost recovery with cost causation.

81.2.1 As Creative Energy notes that a shorter levelization period has the benefit of advancing cost recovery, would a shorter levelization period not be a better alternative to match cost recovery with causation? If not, please explain why not.

81.3 Given that Creative Energy initially expected the Heating TES and the DCS to be registered as Stream A TES, and that Creative Energy would not have been able to employ a rate design with a regulated revenue deferral account like the Revenue Deficiency Deferral Account (RDDA) for a Stream A TES, please describe at a high-level the rate design that Creative Energy would have employed in the absence of an RDDA.

81.3.1 Would Creative Energy have preferred to recover its costs over a shorter period? Please explain why or why not.

In BCUC IR 36.9 and BCUC IR 36.13, Creative Energy provides the following Heating TES Rates and DCS Rates comparison:



81.4 In the above graph, the “Fixed Rate – 30 Year” orange line appears to be truncated before the end of the 30-year period. Please provide a graph where the “Fixed Rate – 30 Year” orange line is not truncated.

In BCUC IR 36.11, Creative Energy states:

All three levelized rate designs for less than 30 years are unpredictable, as all experience material rate shocks during the transition from levelized rate designs to cost of service. [Emphasis added]

81.5 Assuming Creative Energy continued to provide heating services to its customers after 30 years, would customers potentially face a material drop in their heating rates, from approximately \$350/kW¹ to around \$125/kW? If not, please explain why not.

81.6 Assuming Creative Energy continued to provide cooling services to its customers after 30 years, would customers potentially face a material drop in their cooling rates, from approximately

¹ This rate is being approximated since the graph was truncated.

\$250/kW to around \$150/kW? If not, please explain why not.

In BCUC IR 36.10, Creative Energy was asked to revise Table 5 of Exhibit B-5 to also include the levelized rates over three shorter periods. Creative Energy only provided a table with the three additional levelized rates.

81.7 Please add to the table provided in response to BCUC IR 36.10, for the years 2020 to 2034: 1) the billing determinants; 2) the proposed levelized rates (30 years), levelized recovery and RDDA change; and 3) the cost of service and cost of service recovery.

In BCUC IR 36.14, Creative Energy was asked to revise Table 7 of Exhibit B-6 to also include the levelized rates over three shorter periods. Creative Energy only provided a table with the three additional levelized rates.

81.8 Please add to the table provided in response to BCUC IR 36.14, for the years 2020 to 2034: 1) the billing determinants; 2) the proposed levelized rates (30 years), levelized recovery and RDDA change; and 3) the cost of service and cost of service recovery.

**82.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-13, BCUC IR 36.12
Bonbright Principles**

In response to BCUC IR 36.12, Creative Energy compares the proposed 30-year levelized rate with 4-year levelized rates followed by cost of service (COS) rates.

82.1 Please add the 10-year levelized rates followed by COS rates and the 15-year levelized rates followed by COS rates to this comparison so that all four alternative rates are included in the same comparison table.

With regard to the “customer understanding and acceptance” principle, Creative Energy states that the 4-year levelized rates followed by COS rates fair poorly against this principle because rates are very high followed by declining rates.

82.2 If Creative Energy explained to customers that a “benefit” of a shorter rate levelization period is to “advance cost recovery” of the system, as Creative Energy had noted in its response to BCUC IR 36.5.1, which results in higher rates initially followed by declining rates, please explain why Creative Energy believes that customers would not understand and accept these rates?

With regard to the “practical and cost-effective” principle, Creative Energy states that the 4-year levelized rates followed by COS rates fair “not as good” since COS rates will likely require more frequent regulatory applications without an RDDA in place.

82.3 Please confirm, or otherwise explain, that Creative Energy is concerned about having to file more frequent rate applications after rates have transitioned to COS rates but not necessarily during the period over which they are levelized with an RDDA in place.

82.3.1 Please confirm, or otherwise explain, that under a 10-year levelized rate design or a 15-year levelized rate design, Creative Energy would still propose to apply for rates approval every 5 years during the first 10 or 15 years of the levelization period?

82.4 Given that Creative Energy initially expected the Heating TES and the DCS to be registered as Stream A TES, and that Creative Energy would not have been able to employ a rate design with a regulated revenue deferral account like the RDDA for a Stream A TES, please clarify why the absence of an RDDA (once rates have transitioned to COS rates) would result in more frequent

regulatory applications to the BCUC if Creative Energy’s preference is to submit rates application every 5 years.

**83.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-13, BCUC IR 38.1, 50.5.1
Annual heating costs and benchmarking**

In response to BCUC IR 50.5.1, Creative Energy provides the following table for 2021:

2021	Benchmark all-in rate \$/MWh/year	Energy intensity kWh/m2	Equivalent all-in rate \$/m2/year	Estimated annual heating cost (75 m2 suite)
VHD – as proposed (based on 30-year levelization)	\$146.88	62	\$9.16	\$687
VHD – based on 15-year levelization	\$158.41	62	\$9.88	\$741
VHD – based on 10-year levelization	\$167.22	62	\$10.43	\$782
VHD – based on 4-year levelization	\$193.21	62	\$12.1	\$903
VHD – based on cost-of-service	\$170.51	62	\$10.6	\$798
Southeast False Creek NES	\$121	110	\$12.4	\$928
River District DEU	\$103	92	\$8.8	\$662
Surrey City Energy	120	105	12.03	\$902
Richmond Oval Village	94	100	9.40	\$705
FAES TELUS Garden (*rates include heating and cooling)	Not available	Not available	Not available	Not available
Creative Energy’s NEFC NES	\$96.6	110	\$11.4	\$855
Creative Energy’s core steam	\$61	110	\$6.7	\$503
BC Hydro Electricity	\$130	110	\$14.3	\$1073
FortisBC Energy Inc. 100% Natural Gas	\$92*	110	\$10.1	\$759
FortisBC Energy Inc. 100% Renewable Natural Gas	\$128**	110	\$14.1	\$1056
FortisBC Energy Inc. Mix of NG and RNG that satisfies the City of Vancouver’s GHG intensity requirements	\$116***	110	\$12.8	\$957

In response to BCUC IR 38.1, Creative Energy provides the following table:

Heating TES	Energy intensity kWh/m2	Annual heating load MWh	Benchmark all-in rate \$/MWh/year	Equivalent all-in rate \$/m2/year	Benchmark all-in rate \$/MWh/year	Equivalent all-in rate \$/m2/year	Benchmark all-in rate \$/MWh/year	Equivalent all-in rate \$/m2/year	Benchmark all-in rate \$/MWh/year	Equivalent all-in rate \$/m2/year	Benchmark all-in rate \$/MWh/year	Equivalent all-in rate \$/m2/year
			Year 2020	Year 2021	Year 2022	Year 2023	Year 2024					
Building 1 (retail)	90	3,413	\$113.77	\$7.09	\$153.14	\$9.55	\$156.00	\$9.73	\$158.92	\$9.91	\$161.89	\$10.09
Building 2 (high-rise residential)	58	N/A	\$113.77	\$7.09	\$153.14	\$9.55	\$156.00	\$9.73	\$158.92	\$9.91	\$161.89	\$10.09
Building 3 (office space)	90	294	\$146.33	\$9.10	\$200.20	\$12.45	\$204.00	\$12.69	\$207.88	\$12.93	\$211.84	\$13.18
Building 4 (office space)	90	321	\$129.74	\$8.11	\$176.23	\$11.01	\$179.55	\$11.22	\$182.94	\$11.43	\$186.40	\$11.65

83.1 Please clarify why, for 2021, the benchmark all-in rate for VHD as a whole is \$146.88/MWh/year while each of the individual building’s respective all-in rate are all above that rate (i.e. \$153.14, \$200.20, and \$176.23/MWh).

83.1.1 Please provide the Excel file supporting the heating rate calculations provided in BCUC IR 38.1.

83.2 Please confirm, or otherwise explain, that no building owner of the VHD would effectively pay in 2021 an equivalent all-in rate of \$146.88/MWh per year, as estimated in the first table above, because the proposed rate design results in each building owner paying a different equivalent all-in rate in \$/MWh, as shown in the second table above.

83.3 Please complete the following table for heating. In doing so, please ensure that Building 1 (mix use) and Building 2 (residential) are modeled separately as they represent separate customers, have different design peak demand and different relative peak design efficiency.

2021	Effective all-in rate \$/MWh/year ²	Energy intensity kWh/m ²	Equivalent all-in rate \$/m ² /year	Estimated annual heating cost (75m ² suite)
VHD as proposed (based on 30-year levelization)				
Building 1 (mix use)				
Building 2 (residential)				
Building 3 (office space)				
Building 4 (office space)				
VHD as proposed (based on 10-year levelization)				
Building 1 (mix use)				
Building 2 (residential)				
Building 3 (office space)				
Building 4 (office space)				

² Effective rate is a term that refers to the cost per MWh that a customer will pay for thermal energy services.

**84.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-13, BCUC IR 38.1 and BCUC IR 50.6
Annual cooling costs and benchmarking**

In response to BCUC IR 50.6, Creative Energy provides the following table for 2021:

2021	Benchmark all-in rate \$/MWh/year	Energy intensity kWh/m2	Equivalent all-in rate \$/m2/year	Estimated annual cooling cost (75 m2 suite)
VHD – as proposed (based on 30-year levelization)	\$211.40	27	\$6.58	\$493.33
VHD – based on 15-year levelization	\$216.39	27	\$6.73	\$504.99
VHD – based on 10-year levelization	\$230.45	27	\$7.17	\$537.80
VHD – based on 6-year levelization	\$241.85	27	\$7.53	\$564.40
VHD – based on cost-of-service	\$255.82	27	\$7.96	\$597.01
BC Hydro Electricity	N/A*	N/A*	N/A*	N/A*

In response to BCUC IR 38.1, Creative Energy provided the following table:

District Cooling System	Energy intensity kWh/m2	Annual cooling load MWh	Benchmark all-in rate \$/MWh/year	Equivalent all-in rate \$/m2/year								
			Year 2020		Year 2021		Year 2022		Year 2023		Year 2024	
Building 1 (retail)	23	1,574	\$213.54	\$6.14	\$213.65	\$6.14	\$217.92	\$6.27	\$222.28	\$6.39	\$226.72	\$6.52
Building 2 (high-rise residential)	30	N/A	\$213.54	\$6.14	\$213.65	\$6.14	\$213.65	\$6.27	\$213.65	\$6.39	\$213.65	\$6.52
Building 3 (office space)	50	237	\$279.24	\$14.07	\$280.66	\$14.07	\$286.27	\$14.36	\$292.00	\$14.64	\$297.84	\$14.94
Building 4 (office space)	39	199	\$301.71	\$11.76	\$303.58	\$11.76	\$309.65	\$12.00	\$315.84	\$12.24	\$322.16	\$12.48

84.1 Please clarify why, for 2021, the benchmark all-in rate for VHD as a whole is \$211.40/MWh/year while all of the individual buildings’ respective all-in rate are above (i.e. \$213.65, \$280.66 and \$303.58/MWh).

84.1.1 Please provide a fully functioning Excel worksheet supporting the cooling rate calculations provided in BCUC IR 38.1.

84.2 Please confirm, or otherwise explain, that no customer of the VHD would pay in 2021 an equivalent all-in rate of \$211.40/MWh per year, as suggested in the first table above, because each customer’s equivalent all-in rate in \$/MWh per year vary broadly as shown in the second table above.

84.3 Please complete the following table for cooling. In doing so, please ensure that Building 1 (mix use) and Building 2 (residential) are modeled separately as they represent separate customers, have different design peak demand and different relative peak design efficiency.

2021	Effective all-in rate \$/MWh/year ³	Energy intensity kWh/m2	Equivalent all-in rate \$/m2/year	Estimated annual cooling cost (75m2 suite)
VHD as proposed (based on 30-year levelization)				
Building 1 (mix				

³ See footnote 2.

use)				
Building 2 (residential)				
Building 3 (office space)				
Building 4 (office space)				
VHD as proposed (based on 10-year levelization)				
Building 1 (mix use)				
Building 2 (residential)				
Building 3 (office space)				
Building 4 (office space)				

**85.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-13, BCUC IR 50.5, 50.5.1
FortisBC Alternative Energy Services Inc. TELUS Gardens benchmark**

In response to BCUC IR 50.5 and 50.5.1, Creative Energy provides benchmark comparisons for the years 2020 and 2021, respectively.

85.1 Please provide the benchmarking information for FortisBC Alternative Energy Services Inc. (FAES) TELUS Garden and please use either the information below to do so or information gathered from Westbank Corp., a party related to Creative Energy, whichever Creative Energy prefers:

- 1) BCUC Order G-2-15 approved the rate, rate design and fuel deferral account for the TELUS Gardens TES that are set in the Amended Service Agreements. On PDF pages 22, 40 and 59 of FAES' Application⁴, the rate is set at \$0.112/kWh in 2015 escalated at 2% each year and adjusted every 5 years by the Performance Ratio and will include the Fuel Rate Rider which will be adjusted positively or negatively each year. Please escalate the \$112/MWh rate in 2015 by 2% each year to obtain a reasonable proxy for the rate in 2021 (note that this rate is a per MWh rate whether cooling or heating); and
- 2) FAES' 2013 CPCN and Rates Application⁵ to the BCUC provides the following information on annual energy use intensity:

Table 3-3: Summary of Peak⁸ and Annual Load Intensity Factors⁹

	Peak Load Density (W/m ²)			Annual Energy Use Intensity (kWh/m ²)		
	Space Cooling (W/m ²)	Space Heating (W/m ²)	DHW (W/m ²)	Space Cooling (kWh/m ²)	Space Heating (kWh/m ²)	DHW (kWh/m ²)
Residential	44	40	14	22	43	39
Office	66	62	4	67	22	8
Retail	127	121		111	109	
Total	237	222	18	200	174	48

⁴ https://www.bcuc.com/Documents/Proceedings/2014/DOC_42587_B-1_FAES-TELUSGardenTESRateApplication.pdf

⁵ https://www.bcuc.com/Documents/Proceedings/2012/DOC_32143_B-1_FAES_TELUS-Garden-TES-CPCN-Application.pdf

**86.0 Reference: PROPOSED RATE DESIGN: LEVELIZATION AND RDDA
Exhibit B-1, Section 6.3, pp. 13–14, Table 10
Fixed/Variable rate design**

On pages 13 to 14 of the Interim Heating Rates Application, Creative Energy states:

As reported in Table 10, Creative Energy’s proposed interim rates are competitive and lower cost compared to other district energy utility systems when factoring in the relative energy intensity of the associated buildings served by those utilities. [*Emphasis added*]

Table 10 provides the all-in benchmark rate comparison for a 75 m² suite.

86.1 When Creative Energy describes its rates as being “competitive”, does Creative Energy view the affected parties as being the building owners (e.g., Westbank Corp. or the Strata Corporation), or rather the unit owners or renters of the 75 m² suite that is given as an example in Table 10 of its Interim Heating Rates Application?

86.1.1 If Creative Energy views the affected parties as the building owners, please clarify why it is important for Creative Energy to offer competitive rates if 100% of the utility bills are passed on to the unit owners or renters.

F. PROPOSED RATE DESIGN: VARIABLE CHARGE

**87.0 Reference: PROPOSED RATE DESIGN: VARIABLE CHARGE
Exhibit B-13, BCUC IR 47.1, 49.1
Monthly variability in the variable charge**

In response to BCUC IR 49.1, Creative Energy provides the following monthly forecasts for the Heating and Cooling variable charges:

Heating													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		14.2%	12.3%	11.4%	8.6%	6.2%	4.5%	3.7%	3.5%	4.3%	7.2%	10.8%	13.3%
Variable Rate - 2021		\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94	\$28.94
Building 1/2	3413	485	420	389	294	212	154	126	119	147	246	369	454
Building 3	294	42	36	34	25	18	13	11	10	13	21	32	39
Building 4	321	46	39	37	28	20	14	12	11	14	23	35	43
Building 1/2 - Bill		14,027.5	12,150.6	11,261.5	8,495.5	6,124.7	4,445.3	3,655.1	3,457.5	4,247.8	7,112.5	10,668.8	13,138.4
Building 3 - Bill		1,208.3	1,046.7	970.1	731.8	527.6	382.9	314.9	297.8	365.9	612.7	919.0	1,131.8
Building 4 - Bill		1,319.3	1,142.8	1,059.2	799.0	576.0	418.1	343.8	325.2	399.5	668.9	1,003.4	1,235.7
Building 1/2 - % Change in Bill		6.8%	-13.4%	-7.3%	-24.6%	-27.9%	-27.4%	-17.8%	-5.4%	22.9%	67.4%	50.0%	23.1%
Building 3 - % Change in Bill		6.8%	-13.4%	-7.3%	-24.6%	-27.9%	-27.4%	-17.8%	-5.4%	22.9%	67.4%	50.0%	23.1%
Building 4 - % Change in Bill		6.8%	-13.4%	-7.3%	-24.6%	-27.9%	-27.4%	-17.8%	-5.4%	22.9%	67.4%	50.0%	23.1%

Cooling													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		2.2%	2.5%	3.4%	5.4%	8.7%	12.1%	21.6%	22.5%	13.2%	3.9%	2.5%	2.1%
Variable Rate - 2021		\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89	\$37.89
Building 1/2	1574	34	39	54	84	136	190	340	354	208	62	39	33
Building 3	237	5	6	8	13	21	29	51	53	31	9	6	5
Building 4	199	4	5	7	11	17	24	43	45	26	8	5	4
Building 1/2 - Bill		1,296.5	1,469.6	2,041.2	3,197.7	5,164.6	7,206.2	12,885.1	13,401.3	7,879.3	2,351.7	1,476.9	1,265.6
Building 3 - Bill		195.2	221.3	307.3	481.5	777.6	1,085.1	1,940.1	2,017.9	1,186.4	354.1	222.4	190.6
Building 4 - Bill		163.9	185.8	258.1	404.3	653.0	911.1	1,629.1	1,694.3	996.2	297.3	186.7	160.0
Building 1/2 - % Change in Bill		2.4%	13.3%	38.9%	56.7%	61.5%	39.5%	78.8%	4.0%	-41.2%	-70.2%	-37.2%	-14.3%
Building 3 - % Change in Bill		2.4%	13.3%	38.9%	56.7%	61.5%	39.5%	78.8%	4.0%	-41.2%	-70.2%	-37.2%	-14.3%
Building 4 - % Change in Bill		2.4%	13.3%	38.9%	56.7%	61.5%	39.5%	78.8%	4.0%	-41.2%	-70.2%	-37.2%	-14.3%

- 87.1 Since Buildings 1 and 2 are separate customers that will be billed separately, please revise the tables above by separating Buildings 1 and 2.
- 87.2 Please confirm, or otherwise explain, that the heating variable rate charged to customers may not be exactly \$28.94/MWh every month.
- 87.2.1 If confirmed, please discuss what factors could impact the monthly variable rate and cause it to be either higher or lower than the forecast \$28.94/MWh.
- 87.2.2 Does Creative Energy expect minimal variability around \$28.94/MWh every month or can the rate vary by a wide margin every month? Please discuss.
- 87.3 Please confirm, or otherwise explain, that the cooling variable rate charged to customers may not be exactly \$37.89/MWh every month.
- 87.3.1 If confirmed, please discuss what factors could impact the monthly variable rate and cause it to be either higher or lower than the forecast \$37.89/MWh.
- 87.3.2 Does Creative Energy expect minimal variability around \$37.89/MWh every month or can the rate vary by a wide margin every month? Please discuss.
- 87.4 Please discuss the pros and cons of using a fuel cost deferral account to record the difference between forecast fuel costs and actual fuel costs to smooth out any monthly variability in the variable rate? (In such a scenario, assume a rate rider in \$/MWh to be used for the recovery or refund of the fuel cost deferral account set each year on a prospective basis by Creative Energy to achieve a zero balance in the fuel cost deferral account by the end of the following year).

In response to BCUC IR 47.1, Creative Energy states:

Creative Energy intends to bill for water costs three times per year to flow-through the costs as incurred and invoiced for the prior four-month period. As shown in the application, indicative water costs are relatively small overall and this we would not expect thus to be a concern to customers to invoice for such costs in a single month. If

any concerns are raised Creative Energy can simply pro-rate the charges over 4 months.
[Emphasis added]

- 87.5 Please confirm, or otherwise discuss, that the creation of a fuel cost deferral account and rate rider would also result in a smoothing of water costs throughout the year.

G. RATES MODEL

**88.0 Reference: RATES MODEL
Exhibit B-13, BCUC IR 37.1, 37.2
Fixed/Variable rate design**

In response to BCUC IR 37.1, with respect to the Heating TES, Creative Energy states that “[i]n 2021 (the first full-year of operation), the variable charge is 18.3% of the total cost to the customer in that period.”

In response to BCUC IR 37.2, with respect to the DCS, Creative Energy states that “[i]n 2021 (the first full-year of operation), the variable charge is 16.4% of the total cost to the customer in that period.”

- 88.1 Please confirm, or otherwise explain, that Creative Energy expects to recover 81.7 percent and 18.3 percent of its total costs through the Capacity Charge and Variable Charge respectively for the Heating TES.
- 88.2 Please confirm, or otherwise explain, that Creative Energy expects to recover 83.6 percent and 16.4 percent of its total costs through the Capacity Charge and Variable Charge respectively for the DCS.
- 88.3 Please provide a fully functioning Excel spreadsheet with calculations supporting the percentages noted in the preamble.
- 88.4 Please confirm, or otherwise explain, that the above fixed/variable split is a result of the proposed rate design, whereby Creative Energy proposes to recover all fixed capital and operating costs through the Capacity Charge and to recover all fuel costs through the variable charge.

**89.0 Reference: RATES MODEL
Exhibit B-2, BCUC IR 7.4; Exhibit B-5, Section 4.2, Table 3, p. 8 and Table 4, p. 11;
Exhibit B-3, BCUC IR 28.1 in River District Energy CPCN Application and Rate Design,
Rates, Levelized Rates and RDDA for the First Five Years of Operation (2011 RDE
Application)⁶
O&M costs**

On page 8 of the Permanent Heating Rates Application, Creative Energy provides the following table:

⁶ https://www.bcuc.com/Documents/Proceedings/2011/DOC_28654_B-3_RDE_BCUC-IR-1.pdf

Table 3: Operations and Maintenance Costs – 2021

	2021	Assumption
Maintenance	39,107	1% on total construction costs (capital + development)
Operator Cost	26,010	25% of a full-time equivalent operator at \$100K in 2019 dollars
Insurance	9,965	Modelled equivalent to the insurance under 0.29% for property and 0.02% for boiler and machinery insurance plus business interruption
Municipal Access Fee	7,694	1.25% of Revenue
Financing Fees	6,145	Annual refinancing charges
Administration	68,458	Allocation of residual General and Administration expense in accordance with the Commission approved Massachusetts formula
Total	157,380	

On page 11 of the Permanent Heating Rates Application, Creative Energy provides the following table:

Table 4: Annual Revenue Requirements 2020-2023

Component	2020	2021	2022	2023
Electricity Cost (indicative)	10,653	11,663	11,896	12,134
Natural Gas Costs (indicative)	90,477	104,923	106,212	107,527
Total Variable Cost of Service	101,130	116,586	118,108	119,662
Maintenance	37,539	39,107	39,890	40,687
Operator Cost	25,506	26,010	26,530	27,061
Insurance	9,565	9,965	10,164	10,367
Municipal Access Fee	5,316	7,694	7,994	8,306
Financing Fees	6,101	6,145	5,929	5,713
Regulatory Costs	20,005	0	0	0
Administration	67,132	68,458	69,827	71,224
Depreciation	116,202	125,296	125,296	125,296
Income Tax	44,921	53,457	57,009	60,408
Interest	89,658	92,176	88,934	85,692
Return on equity	136,646	141,301	136,242	131,183
Total Fixed Cost of Service	558,590	569,610	567,815	565,938
Total Revenue Requirement	659,720	686,195	685,924	685,599

89.1 Please discuss whether a portion of Creative Energy’s maintenance costs (highlighted above in green) could be viewed as variable costs, i.e., would increase/decrease with the level of energy usage from customers.

89.1.1 If yes, please clarify what share of total costs would represent the Heating TES and the DCS.

In response to BCUC IR 7.4, Creative Energy provides the operator responsibilities.

89.2 Please discuss whether a portion of Creative Energy’s operator costs (highlighted above in blue) could be viewed as variable costs, i.e., would increase/decrease with the level of energy usage from customers. For example, would it be possible that some of the operator’s responsibilities described in BCUC IR 7.4 could be done less or more frequently depending on the level of energy usage from customers? Please explain.

89.2.1 If a portion of the operator costs could be viewed as variable, please clarify what share of total costs that would represent, for the Heating TES and the DCS.

In response to BCUC IR 28.1 in the 2011 RDE Application, River District Energy states:

28.1 Please provide a table with a detailed breakdown of the cost structure and the ratio of the DEU's fixed versus variable costs for each year of the 2012-2031 timeframe.

Response:

The ratio of fixed vs variable costs for each year of the 2012 – 2031 period for the original CPCN assumptions is included in Appendix 3. The ratio of fixed vs variable costs for the updated assumptions (see the response to BCUC IR1 15.4) is included in Appendix 4. Fixed operating costs and capital costs are considered to be fixed costs; variable fuel and operating costs and income taxes are considered to be variable costs. On a net present value basis, 66% of costs are fixed costs, and 34% are variable costs.

89.3 Please explain why Creative Energy considers income taxes (highlighted above in purple) as fixed costs, in contrast to River District Energy that considers them as variable costs.

89.3.1 If income tax were considered a variable cost, what share of total costs would that represent?

90.0 Reference: RATES MODEL
Exhibit B-1 in Creative Energy 2016-2017 Revenue Requirements Application and Rate Design for NEFC Hot Water Services, Section 5.6, p. 63 (2016-2017 RRA-RD Application); Order G-167-16 and accompanying Decision for the 2016-2017 RRA-RD Application (2016-2017 RRA-RD Decision), Section 5.7, p. 72
Fixed/Variable rate design

On page 63 of its 2016-2017 RRA-RD Application, Creative Energy states:

This change in how to characterize fixed and variable costs produces an approximate fixed/variable cost split of 60% fixed / 40% variable.

Given the above, Creative Energy proposes to adopt, for simplicity, a rate structure that recovers 50% of revenue through a fixed charge, and 50% of revenue through a variable charge. This is reasonably close to the underlying cost structure and is simple to communicate to customers. [*Emphasis added*]

On page 72 of the 2016-2017 RRA-RD Decision for the 2016-2017 RRA-RD Application, Creative Energy states:

[...] the Panel determines that a 40 percent fixed/60 percent variable cost allocation is appropriate, reflecting the allocation principles in the NEFC CPCN Decision and providing an efficient price signal to consumers.

90.1 Please re-calculate the Capacity Charge (\$/kW) and Variable Charge (\$/MWh) under the following alternative rate design scenarios, for both the Heating TES and the DCS.

- Creative Energy recovers 50 percent of its total forecast costs through the Capacity Charge and 50 percent of its total forecast costs through the Variable Charge.
- Creative Energy recovers 40 percent of its total forecast costs through the Capacity Charge and 60 percent of its total forecast costs through the Variable Charge.

90.2 Please make the necessary changes to Creative Energy's Updated Heating TES Rates Model and

DCS Rates Model⁷ in order to provide the response to the above questions. Please also submit the revised Updated Heating TES Rates Model and revised DCS Rates Model.

- 90.3 Please discuss the appropriateness of these two alternative rate design options with respect to each of the Bonbright principles.
- 90.4 For each of the above two scenarios (i.e., 50/50 fixed/variable split and 40/60 fixed/variable split), please complete the following tables, for both the heating rates and cooling rates.

2021	Cooling all-in rate \$/MWh/year ⁸	Energy intensity kWh/m2	Equivalent all-in rate \$/m2/year	Estimated annual heating/cooling cost (75m2 suite)
VHD as proposed (based on 30-year levelization)				
Building 1 (mix use)				
Building 2 (residential)				
Building 3 (office space)				
Building 4 (office space)				
VHD as proposed (based on 10-year levelization)				
Building 1 (mix use)				
Building 2 (residential)				
Building 3 (office space)				
Building 4 (office space)				

H. CUSTOMER SERVICE AGREEMENT

**91.0 Reference: CUSTOMER SERVICE AGREEMENT
Exhibit B-13, BCUC IR 56.1
Termination**

In response to BCUC IR 56.1, Creative Energy states

Rates are being designed to recover the capital costs of the TES and DCS over the initial term of the CSAs [Customer Service Agreement]. Creative Energy’s only recourse in respect of recovery of such costs is the CSA itself and the terms outlined above. Creative Energy considers the terms of the CSA are not unjust or unreasonable in the circumstances. On the other hand, it would not be reasonable if the customer is not required to provide a contribution in aid of construction or security for capital costs of the utility providing service, is charged rates based on a 30-year depreciation of utility equipment and is given the unilateral right to terminate the CSA during its initial 30 year term.[Emphasis added]

⁷ The Updated Heating Rates Model and DCS Rates Model filed as attachments to Exhibit B-13 with the responses to BCUC IR No. 2

⁸ See footnote 2.

- 91.1 Please describe how the “contribution in aid of construction” or “security for capital costs” would be calculated.
- 91.2 Please discuss if Creative Energy would apply to the BCUC for approval prior to recovering capital costs (through a “contribution in aid of construction”, “security for capital costs” or other method) from a customer that opts out or cancels service during the initial term.

I. EXTENSION TO SOUTH DOWNTOWN HEATING THERMAL ENERGY SYSTEM

- 92.0 Reference: EXTENSION TO SOUTH DOWNTOWN HEATING TES Exhibit B-5, Section 2.3, p. 4; Exhibit B-9, Panel IR 1.2, 1.2.3; Extension to South Downtown Heating TES (TES Extension) Application (TES Extension Application), Exhibit B-3, Consolidated Information Filing, Section 3.4, p. 8; Exhibit B-4, BUC IR 3.1, 4.1.**
- Impact of planned extension**

On page 4 of the Permanent Heating Rates Application Creative Energy states:

Creative Energy set out that the indicative impact of the extension on overall rates would be a reduction in the capacity charge of approximately 20 percent and that an updated rates application will be filed in 2021 prior to the planned in-service date of the extension of October 2021.

On page 8 of the Consolidated Information Filing for the TES Extension, Creative Energy states the “indicative forecast annual rate impact of the Extension beginning in the first full year of service (2022) would be a reduction in overall rates of approximately 9 percent.”

In response to BCUC IR 4.1 of the TES Extension Application, Creative Energy states that the overall reduction in indicative rates is a result of:

The change in the estimated rate reduction (that is, the indicative rates as modelled with the extension are higher than the indicative rates reported in the TES Extension Registration Form) is the net effect of:

1. The update to actual and forecast costs provided with the Consolidated Information Filing at (...dated October 30, 2020) since the timing of the filing of the TES Extension Registration Form (...dated June 25, 2020); and
2. The lower peak design capacity billing determinants of the system extension, as corrected to 941kW from 1,350kW as explained in section 3.3.2 of the Consolidated Information Filing.

- 92.1 Please explain whether the indicative impact of the TES Extension on overall rates would result in a reduction to the capacity charge of approximately nine percent. If not, please explain why not and provide the indicative impact of the TES Extension on overall rates.
- 92.2 Please make the necessary changes to Creative Energy’s Updated Heating Rates Model⁹ to incorporate the impact of the TES Extension on rates over the proposed 30 year term of service.
- 92.2.1 Please discuss how the TES Extension impacts the amounts recorded in the RDDA over the proposed 30 year term of service.

In response to Panel IR 1.2, Creative Energy states “a future rates application for a period beginning in

⁹ The Updated Heating Rates Model filed as an attachment to Exhibit B-13 with the responses to BCUC IR No. 2.

2024 can consider the rate impacts of both the extension to 889 Pacific Street and of the relocation of the temporary boiler plant (or change in the source of thermal energy as applicable).”

In response to Panel IR 1.2.3, Creative Energy states:

...a single rates application for a test period beginning in 2024 that factors in the cost of service impacts of both the extension and relocation of the temporary boiler plant would promote regulatory efficiency as compared to any alternative that would require an additional rates application to be filed in the intervening period.

92.3 Considering the planned in-service date of the TES Extension is October 2021, and Creative Energy’s proposal above is to file a single rates application for a test period beginning in 2024, please discuss the impact on the period between October 2021 and the test period beginning 2024 where Creative Energy will observe a higher capacity charge proposed in the Permanent Heating Rates Application. What are the implications of this higher revenue and specify the party that benefits during this period.

In response to BCUC IR 4.1 of the TES Extension Application, Creative Energy states:

We confirm our view as it is emphasized above that it is a prudent approach to address the future rate impacts of both the system extension and the relocation of the temporary boiler plant (or change in the source of thermal energy) in a single future rates application. The regulatory timetables for this proceeding and for the proceeding to set rates for the South Downtown TES and Cooling DCS suggest that decisions on each of the applications will be issued in mid-2021. On that basis, Creative Energy does not plan to file another rates application for the South Downtown TES in 2021. For greater certainty, Creative Energy is not opposed to a further rate adjustment for the South Downtown TES when the extension comes into service, assuming the Commission grants the CPCN required for that to happen, if there is a cost-effective way to implement such rate adjustment in terms of time and resources required and regulatory efficiency overall. [Emphasis added]

92.4 Please confirm, or otherwise explain, that “further rate adjustment” refers to filing an updated rates application for BCUC approval.

92.4.1 If not confirmed, please explain how the rate adjustment would be implemented considering it is not proposed in the Permanent Heating Rates Application.

92.4.2 If confirmed, please (i) provide the date in 2021 that Creative Energy expects to file its updated rates application for the proposed TES Extension; and (ii) discuss the rationale for seeking permanent rate approval for the proposed 2020-2023 test period, given Creative Energy intends to file an updated rates application in 2021.

J. TEMPORARY BOILER PLANT

93.0 Reference: **TEMPORARY BOILER PLANT
Exhibit B-9, BCUC IR 2.1; Exhibit B-13, BCUC IR 66.1
Relocation of the Temporary Boiler Plant – Costs**

In response to Panel IR 2.1, Creative Energy states:

Creative Energy incurred some minor costs to assess possible plant locations (less than \$25,000) prior to the filing of the CPCN Application for the Heating TES. Creative Energy does expect to incur further costs related to the relocation prior to the end of 2023 and,

as the details have not yet been finalized, no cost forecasts have been prepared. Any costs incurred during 2020-2023 associated with the relocation of the Temporary Boiler Plant or a change to the source of thermal energy for the development will be capitalized. *[Emphasis added]*

In response to BCUC IR 66.1, Creative Energy confirms that the abovementioned \$25,000 has been recorded and reflected in the final capital and development costs for the Heating TES “as these costs related to the ongoing development work to service the South Downtown customers

93.1 Please confirm, or otherwise explain, that the \$25,000 is being recovered in the rates proposed in the Permanent Heating Rates Application.

93.1.1 If confirmed, please explain why it is not included in the capital and development costs for the relocation of the Temporary Boiler Plant.