28 January 2021

VIA E-FILING

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

Our File: 7100.122

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

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 Creative Energy regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find BCOAPO's Information Request No. 3 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

Original on File Signed by:

Leigha Worth
Executive Director | General Counsel

Encl.

REQUESTOR NAME:	**BCOAPO *et al.***
INFORMATION REQUEST ROUND NO:	**#3**
TO:	**Creative Energy Vancouver Platforms Inc. (CE)**
DATE:	**January 28, 2021**
APPLICATION NAME:	**Application for Heating Rates for the Heating Thermal Energy System at the Vancouver House Development – Project No. 1599048**

9.0 Reference: Exhibit B-13, BCUC IR2 21.1, Table 2 Final Cost Report, and BCUC IR2 21.3.1

9.1 Can Creative Energy (CE) confirm that if <u>any</u> actual and significantly higher-than-forecast project cost line item is "normalized" ex post by removing the effect of it in comparing forecast and actual costs, then the overall estimate will look much more reasonable as a result of such "normalization"? For example, "normalizing" the estimate by removing the AFUDC which has ballooned to 9.5 times its original estimate.

9.2 In response to BCUC IR2 21.1, Creative states "*Creative Energy does not track costs by phase*." Does Creative agree that tracking costs by project phase would "*provide additional clarity in the tracking of project costs*"? Please explain fully.

10.0 Reference: Exhibit B-13, BCUC IR2 22.4

The referenced IR and response read:

Please clarify if there is an upper cap on the capital and development cost. If yes, please specify the cap amount.

RESPONSE:

There is no arbitrary 'cap' on capital and development costs. These costs are managed prudently.

10.1 Does Creative maintain that any upper cap, <u>however large</u>, would properly be characterized as an "arbitrary" cap? If so, please explain why.

10.1.1 If not, please describe the conditions under which an upper cap would not, in CES's view, an arbitrary one.

10.2 Is it the view of Creative that its statement that "These costs are managed prudently," on its own, constitutes incontrovertible proof that they are indeed managed prudently? If so, please explain.

11.0 Reference: Exhibit B-13, BCUC IR2 26.1 and 26.2 series

11.1 The first referenced IR includes the following:

"*The Purchase Agreement caps the purchase price for the DCS at the Developer's actual cost of constructing the DCS but in any case, no more than $2.2 million + 15 percent, for a total of $2.53 million. The Developer has assumed the risk of any construction costs over and above the purchase price. The Developer's costs of constructing the DCS are in excess of $2.53 million.*

Does the +15% added amount constitute an "arbitrary cap" in Creative's view?

11.2 Can Creative confirm that there are no circumstances under which the Developer will be able to shift unexpected costs onto Creative and its ratepayers?

11.2.1 If confirmed, upon what basis has the Utility come to that view?

11.2.2 Please file whatever materials Creative has relied upon to take the position that its ratepayers are being held riskless in this regard.

12.0 Reference: Exhibit B-13, BCUC IR2 35.1

The referenced IR and Response are reproduced below:

Please clarify whether Creative Energy is proposing to record in the RDDA annual revenue deficiencies or surpluses resulting from the difference between annual revenue at the approved rates and its forecast or actual cost of service for the Heating TES and the DCS.

RESPONSE:
As to the purpose of the RDDA we confirm that we are proposing to record the difference between forecast annual revenue at the approved rates and our forecast cost of service for the Heating TES and the DCS.

12.1 Can Creative confirm that the proposed RDDA treatment has the effect of <u>guaranteeing</u> that CE will ultimately collect its forecast cost of service from ratepayers regardless of actual load and actual costs? If not, explain why not; if so, please explain the risk that the shareholder is bearing in order to justify the return sought.

12.2 Does CE agree that deferral accounts are typically used to true up the difference between forecasted costs and the utility's actuals?

12.3 Please provide examples of other instances for which a deferral account was sought and approved to record variances from forecasted amounts with no corresponding reference to actual costs incurred.

12.4 Please explain why the RDDA proposal is fair to ratepayers, providing a numerical example to illustrate CE's position.

12.5 Please explain why CE does not have an incentive, under the proposal, to over-forecast its cost of service.

12.6 Please confirm that CE will record – and provide in evidence at subsequent rates proceedings – actual cost of service for each year covered under the instant proposal.

12.7 Please explain why the proposed RDDA-guaranteed recovery of forecasted costs does not lead to a significant reduction of risk for the utility, and hence a reduction in appropriate RoE.

13.0 Reference: Exhibit B-13, BCUC IR2 35.3

The referenced IR and part of CE's response are reproduced below:

Using a numerical example, please discuss how, in practice, the risk of variances between actual and forecast controllable costs is shared between the utility and the customers of the Heating TES and DCS. If actual controllable costs turn out to be higher or lower than forecast, what percentage share would be borne by the utility versus the customers and why?

RESPONSE:
A numerical example is not required. Please refer to the response to BCUC IR2 35.2. 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 to the shareholder other things being equal.

13.1 Please confirm that "with respect to controllable costs that are not governed by any deferral mechanisms, actual costs that are" <u>lower</u> "than forecast would result in a" <u>higher</u> "than allowed ROE to the shareholder other things being equal."

13.2 Is it CE's position that when asked to provide a numerical example to illustrate the effects of a proposal, it can simply deem the requested response to be "not required"?

13.3 BCOAPO would certainly benefit from provision of the requested response as it would add transparency, reduce costs, and potentially obviate the need for BCPIAC to provide its own numerical example(s) in submission – further lowering costs. Please provide the requested example as BCPIAC does not view the response provided to 35.2 to be responsive to the request in 35.3.

14.0 Reference: Exhibit B-13, IR2 24.4 and 24.6 and Exhibit B-15, BCOAPO IR2 6.1

BCOAPO IR2 6.1 and the response are reproduced below:

6.1 Please provide CE's actual capital structure.

RESPONSE:
At the end of December 31, 2020 Creative Energy Vancouver is projecting a capital structure of 60% debt and 40% equity. It is anticipated to be approximately 57% debt and 43% equity by the end of 2021.

The responses to BCUC IR 24.4 and 24.6 indicate equity ratios of 60.14% and 62.95% respectively.

14.1 Please explain why the equity ratios in response to BCUC IRs 24.4 and 24.6, 60.14% and 62.95% respectively, are nowhere near 40% equity and 43% equity referred to in BCOAPO IR2 6.1.