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Creative Energy Vancouver Platforms Inc.

Northeast False Creek Rate Proposal and  
2021 Revenue Requirements Application

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Decision  
and Order G-104-21

April 6, 2021

Before:

A. K. Fung, QC, Panel Chair  
K. A. Keilty, Commissioner  
B. A. Magnan, Commissioner

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**COMMISSION ORDER G-104-21**

**APPENDIX A List of Acronyms**

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## Executive Summary

On November 30, 2020, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed with the British Columbia Utilities Commission (BCUC) its 2021 hot water rates proposal and revenue requirements application (RRA) for the Northeast False Creek (NEFC) service area (Application).

In 2016, the BCUC approved NEFC's existing hot water levelized rate design. Under this design, rates were set so that increases would be smoothed in over time, recognizing that the rates in the earlier years would not be sufficient to recover forecast revenue requirements, due to the upfront costs incurred to install the required infrastructure to provide hot water service to initial customers and the expected future increase in customers and hot water load. The variances between approved revenue requirements and forecast revenues are recorded in the Revenue Deficiency Deferral Account (RDDA) for recovery at a later date.<sup>1</sup>

The BCUC Decision approving the 2019-2020 RRA for the Core Steam and NEFC service areas (2019-2020 Decision) provides relevant context for this Application. The 2019-2020 Decision cites evidence that the NEFC hot water demand is significantly less than the forecast demand that formed the basis for the levelized rate design, indicating that the current rates may not be sufficient to recover the capital costs incurred to build the NEFC system. Accordingly, the BCUC directed Creative Energy to file a rate design application for NEFC by June 30, 2021, in part to address any adjustments to the levelized rate design and recovery mechanism for the RDDA. As an interim step, the BCUC directed Creative Energy to file a proposal for setting NEFC 2021 rates, which is the current Application. In light of the issues identified with the NEFC rate design, the BCUC approved a 10 percent increase to NEFC hot water service rates for 2020, stating that this level of rate increase would limit further additions to the RDDA while keeping the rate increase below the level typically associated with rate shock. The Panel conducts its review of the Application with this context in mind.<sup>2</sup>

In this Application for approval of 2021 rates, Creative Energy seeks BCUC approval of a further 10 percent increase to NEFC hot water rates and an addition of \$480,745 to the RDDA, submitting that a 10 percent increase balances customer bill impacts with recognition that a plan for future rate increases will be considered as part of the upcoming rate design application for NEFC. Creative Energy also requests the approval of a new Refinancing Costs Deferral Account to record Creative Energy's debt refinancing costs incurred in September 2020.<sup>3</sup>

In light of the Creative Energy's pending rate design application, the Panel makes the following key findings:

- A 10 percent rate increase for NEFC hot water service for 2021 is reasonable to lessen RDDA additions and prevent rate shock for current customers;
- The forecast 2021 revenue requirement, which is consistent with the 2020 approved amount, provides a reasonable basis for determining the 2021 addition to the RDDA, except for the amortization of the Refinancing Costs Deferral Account; and
- The 2021 hot water and steam load forecasts are reasonable for the purpose of determining the forecast 2021 sales revenue and fuel and steam tariff costs.

The Panel approves the requested 10 percent rate increase for NEFC hot water service on a permanent basis, effective January 1, 2021. The Panel acknowledges that the approved rate increase effectively serves as a "bridge" until the filing of Creative Energy's rate design application for NEFC, which will address necessary

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<sup>1</sup> BCUC Decision and Order G-167-16, dated November 18, 2016.

<sup>2</sup> BCUC Decision and Order G-227-20, dated September 2, 2020, pp. 50–51.

<sup>3</sup> Exhibit B-1, pp. 1, 4 and 7.

changes to the current rate design and the recovery mechanisms for Creative Energy's deferral accounts. This approach is also consistent with the 10 percent rate increase approved by the BCUC for 2020.

Creative Energy is also approved to record the 2021 revenue deficiency of \$480,745 in the RDDA, less the amount of \$37,757 for the amortization of the Refinancing Costs Deferral Account. While the Panel approves the establishment of the Refinancing Costs Deferral Account, it denies Creative Energy's request to amortize the debt refinancing costs of \$37,757 in 2021 NEFC rates. Instead, final costs allocated to NEFC must be recorded in the deferral account following the BCUC decision in the review of the Creative Energy 2021 RRA for the Core Steam system that is underway. The disposition of the Refinancing Costs Deferral Account will be determined as part of Creative Energy's next RRA for NEFC.

Lastly, the Panel directs Creative Energy to record certain items in the Variance Deferral Account and to make a number of compliance filings as reflected in its decision.

## 1.0 Introduction

On November 30, 2020, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed with the British Columbia Utilities Commission (BCUC) its 2021 hot water rates proposal and revenue requirements application (RRA) for the Northeast False Creek (NEFC) service area (Application). In its Application, Creative Energy seeks BCUC approval of the following items<sup>4</sup>:

- 10 percent rate increase for NEFC hot water service in 2021, which results in the following rates:
  - Fixed rate of \$0.33 per square meter per month; and
  - Variable rate of \$63.04 per megawatt hour (MWh);
- 2021 additions to the Revenue Deficiency Deferral Account (RDDA) of \$480,745; and
- A new deferral account, the Refinancing Cost Deferral Account, to record in 2020 and recover in 2021 the costs allocated to NEFC for refinancing Creative Energy's debt facilities in September 2020.

In 2016, the BCUC approved NEFC's existing hot water levelized rate design. Under this design, rates were set so that increases would be smoothed in over time, recognizing that the rates in the earlier years would not be sufficient to recover forecast revenue requirements due to the upfront costs incurred to install the required infrastructure to provide hot water service to initial customers and the expected future increase in customers and hot water load. The variances between approved revenue requirements and forecast revenues are recorded in the RDDA for recovery at a later date.<sup>5</sup>

The BCUC Decision approving the 2019-2020 RRA for the Core Steam and NEFC service areas (2019-2020 Decision) provides relevant context for this Application.<sup>6</sup> The 2019-2020 Decision cites evidence that the NEFC hot water demand is significantly less than the forecast demand that formed the basis for the levelized rate design, indicating that the current rates may not be sufficient to recover the capital costs incurred to build the NEFC system. Accordingly, the BCUC directed Creative Energy to file a rate design application for NEFC by June 30, 2021, in part to address any adjustments to the levelized rate design and recovery mechanisms for the RDDA. As an interim step, the BCUC directed Creative Energy to file a proposal for setting NEFC 2021 rates, which is the current Application. In light of the issues identified with the NEFC rate design, the BCUC approved a 10 percent increase to NEFC hot water service rates for 2020, stating that this level of rate increase would limit further additions to the RDDA while keeping the rate increase below the level typically associated with rate shock. The Panel conducted its review of the Application with this context in mind.<sup>7</sup>

This decision sets out the key issues the Panel must review, provides an overview of relevant evidence, considers Creative Energy's proposals and outlines the reasons for the Panel's determinations.

In this decision, the Panel addresses the following key issues:

- Given Creative Energy's plans to file a comprehensive rate design application in June 2021 and the significant balances that have accumulated in the existing deferral accounts, is the proposed 10 percent rate increase for NEFC hot water service for 2021 an appropriate balance between minimizing additions to the deferral accounts and avoiding rate shock for existing ratepayers;
- Does the forecast 2021 NEFC revenue requirement and revenue deficiency provide a reasonable basis for setting 2021 rates; and

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<sup>4</sup> Exhibit B-1, pp. 1 and 7.

<sup>5</sup> BCUC Decision and Order G-167-16.

<sup>6</sup> BCUC Order G-227-20, Directive 13.

<sup>7</sup> BCUC Decision and Order G-227-20, pp. 50–51.

- Is approval of Creative Energy's proposed treatment of allocated debt refinancing costs appropriate?

## 1.1 Background

Creative Energy owns and operates several thermal energy systems, the largest being a steam production plant at 720 Beatty Street and the associated distribution network, which serves over 200 buildings in downtown Vancouver (Core Steam system). The Core Steam system also supplies thermal energy to the NEFC hot water system, which serves four buildings in the NEFC neighbourhood of Vancouver. NEFC is considered a customer of Core Steam and is also a separate service area with its own revenue requirements and rates for hot water service<sup>8</sup>; hence, this separate RRA for NEFC.

The current NEFC rate structure consists of a fixed charge per square meter per month (\$/m<sup>2</sup>/month) and a variable charge per megawatt hour of hot water consumption (\$/MWh). These rates are set using a levelized rate design, which was approved by the BCUC in 2016<sup>9</sup> for a period of 15 years ending in 2030.

A key element of the current rate design is the RDDA, which records variances between the approved revenue requirement and forecast revenues based on approved rates and load forecast. This allows for rate increases to be smoothed in over time, recognizing that the initial rates will not be sufficient to recover forecast revenue requirements due to timing differences between the costs incurred to install the required infrastructure to serve hot water load, and the revenues from the buildout of customer load over time.<sup>10</sup>

Creative Energy also has a Variance Deferral Account for NEFC, which captures the difference between approved and actual amounts for specific accounts, which are described in more detail in Section 2.2 below.

During the BCUC review of the 2019-2020 RRA for the Core Steam and NEFC service areas, Creative Energy presented evidence that the 2020 hot water demand for NEFC was significantly less than the demand that was forecast at the time the levelized rate design was approved by the BCUC in 2016. This indicates that the current hot water rates may not be sufficient to recover the capital costs incurred to build the NEFC system and also resulted in an RDDA balance in excess of \$1.4 million in 2020.<sup>11</sup> Further contributing to the uncertainty around future load growth for the NEFC service area, Creative Energy acknowledged that the City of Vancouver (the City) had extended its connection bylaw so that going forward the City, rather than Creative Energy, would provide distribution services to future developments in the NEFC neighbourhood as a municipal utility. While Creative Energy still expects to supply the energy to the City using the installed capacity and capital expansions Creative Energy had envisioned when the current rate design for NEFC was approved by the BCUC in 2016, there is currently no formal agreement in place for the provision of this service.<sup>12</sup> The Request for Proposals for energy services in NEFC are expected to be issued by the City in April 2021.<sup>13</sup>

In light of the aforementioned rate design issues and uncertainty with respect to load growth in the NEFC service area, the BCUC directed Creative Energy in the 2019-2020 Decision to file a comprehensive proposal for an NEFC rate design and for setting 2022 rates by June 30, 2021. The 2021 rate design application will address adjustments to the levelized rate necessary to reflect an updated load forecast as well as the recovery mechanisms for the RDDA and Variance Deferral Account. The BCUC also approved an interim 10 percent rate increase for NEFC for 2020, stating that this "level of increase will reduce the addition to the RDDA while keeping the rate below the level typically associated with rate shock."<sup>14</sup>

<sup>8</sup>Exhibit B-1, Creative Energy's 2021 RRA for the Core Steam system Application (2021 Core Steam RRA), p. 9.

<sup>9</sup> BCUC Decision in the 2016-2017 Core Steam System and NEFC Application.

<sup>10</sup> BCUC Decision and Order G-227-20, pp. 41–42.

<sup>11</sup> Ibid., p. 50.

<sup>12</sup> Ibid., p. 47.

<sup>13</sup> Exhibit B-3, BCUC IR 1.1.1.

<sup>14</sup> BCUC Decision and Order G-227-20, p. 51.

## 1.2 Regulatory Process and Legislative Authority

Creative Energy proposed a limited regulatory process for the review of the Application, separate from the BCUC review of the application for 2021 rates for the Core Steam system (2021 Core Steam RRA). Creative Energy submitted that this will promote regulatory efficiency and allow for a timely BCUC decision in advance of the NEFC rate design application to be filed in June 2021.<sup>15</sup> In prior test periods, Creative Energy filed one application to address revenue requirements and rates for both the Core Steam system and NEFC.

In light of Creative Energy's proposal and the NEFC rate design application that will be filed in June 2021, the BCUC established a written public hearing process and regulatory timetables for the review of the Application. The regulatory process included comments from stakeholders, one round of BCUC information requests (IRs) and an opportunity for Creative Energy to file final argument, if any.<sup>16</sup> Creative Energy did not file a final argument.

On December 18, 2020, the BCUC approved a 10 percent rate increase for Creative Energy NEFC hot water service on an interim and refundable/recoverable basis, effective January 1, 2021.<sup>17</sup>

Creative Energy filed the Application pursuant to sections 58 to 60 of the *Utilities Commission Act* (UCA). The UCA sets out the framework for approval of rates and includes:

- Section 59(5) which defines an “unjust” or “unreasonable” rate and section 59(4) that states the determination of what is “unjust” or “unreasonable” is a question of fact of which the BCUC is the sole judge;
- Section 60 which provides the BCUC the authority to establish rates and includes mandatory considerations, including the requirement that rates not be “unjust, unreasonable, unduly discriminatory or unduly preferential”; and
- Section 60(1)(b.1) which establishes that in setting a rate, the BCUC may use “any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period.”

The Panel conducted its review of the Application based on this legislative authority.

## 2.0 Revenue Requirement and Rates

In this section, the Panel reviews the following items:

- The 10 percent rate increase;
- The 2021 revenue requirement, sales revenues and the resulting addition to the RDDA; and
- The Refinancing Costs Deferral Account.

### 2.1 10 Percent Rate Increase

Creative Energy requests approval of a 10 percent rate increase for NEFC effective January 1, 2021. Creative Energy highlights three key considerations for the rate proposal, which Creative Energy submits were also key factors in the BCUC's decision to approve a 10 percent rate increase in 2020<sup>18</sup>:

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<sup>15</sup> Exhibit B-1, p. 8.

<sup>16</sup> BCUC Orders G-340-20 and G-31-21, dated December 18, 2020 and January 27, 2021.

<sup>17</sup> BCUC Order G-340-20.

<sup>18</sup> Exhibit B-1, p. 3.

1. There is uncertainty about load growth for NEFC and under the existing rate design the cost allocation and recovery between current and future customers is deficient. Accordingly, it is sensible to reduce excessive RDDA additions;
2. A 10 percent rate increase will limit RDDA additions and avoid rate shock for current customers; and
3. The 2021 rate proposal serves as a “bridge” until Creative Energy files its rate design application for NEFC in June 2021, which will address both necessary changes to the current rate design and the recovery mechanisms for the RDDA and the Variance Deferral Account.

The forecast 2021 revenue requirement is consistent with the 2020 approved amount and is addressed in Section 2.2 below.

A high-level assessment of the cost to serve the current NEFC customers in 2021 is provided in the Application as support for the reasonableness of the proposed 10 percent rate increase, as set out in Table 1 below.<sup>19</sup>

The assessment separates Creative Energy’s forecast 2021 cost of service between direct and capacity-related costs, which results in an estimated cost of \$2,103,568 to serve current NEFC customers in 2021.

**Table 1: Indicative High-Level Allocation of NEFC Cost of Service to Current Customers**

Cost Category	Total 2021 COS	High-level Cost Allocation to Current Customers		Indicative Allocation to Current Customers
		%	category	
Fuel	968,739	100%	direct	968,739
Steam Tariff	571,651	100%	direct	571,651
O&M Expense	197,143	100%	direct	197,143
Municipal Taxes	23,143	100%	direct	23,143
Income Tax Expense	26,329	60%	capacity utilization	15,797
Depreciation Expense	210,400	60%	capacity utilization	126,240
Return on Rate Base	297,000	60%	capacity utilization	178,200
Amortization of Financing Fees Deferral	37,757	60%	capacity utilization	22,654
Cost of Service	2,332,161			2,103,568

Creative Energy submits that a general rate increase of 25 percent would be required in 2021 to fully recover the costs of \$2,103,568 to serve current customers, as set out in Table 2 below.

<sup>19</sup> Exhibit B-1, p. 4.



**Table 2: Indicative High-Level Assessment of 2021 Rate Proposal<sup>20</sup>**

	Units	2020 Rates	2021 Rate Proposal	Full Recovery of Indicative Allocation - Imputed %
Rate Increase	%	-	10%	25%
Rates	\$/MWh	\$57.31	\$63.04	\$71.63
	\$/m2/month	\$0.30	\$0.33	\$0.37
Load	MWh	19,162		
	m2	162,481		
Revenues	\$	1,683,106	1,851,416	2,103,568
RDDA Addition	\$	649,055	480,745	228,593

Creative Energy concludes that a “10 percent increase thus balances customer bill impacts at this time with recognition that a plan for future rate increases will need to be considered as part of the future rate design application.”<sup>21</sup>

### *Panel Determination*

**Creative Energy is approved to charge the following rates for NEFC hot water service on a permanent basis effective January 1, 2021, which reflects a 10 percent rate increase:**

- **Fixed rate of \$0.33 per square meter per month; and**
- **Variable rate of \$63.04 per MWh.**

Creative Energy’s high-level assessment of the costs to serve current customers indicates that the required rate increase to fully cover the costs to serve these customers could be as high as 25 percent. Creative Energy acknowledges that the existing rate design does not adequately address cost allocation and recovery between current and future customers. However, given that these broader rate design issues will be addressed in the upcoming NEFC rate design application to be filed by June 30, 2021, the Panel agrees that a 10 percent rate increase for 2021 is reasonable in order to lessen RDDA additions and prevent rate shock for current customers. The Panel acknowledges that this rate increase serves effectively as a “bridge” until the filing of Creative Energy’s rate design application later this year in response to the BCUC’s direction in the 2019-2020 Decision, which will address necessary changes to the current rate design and the recovery mechanisms for the RDDA and the Variance Deferral Account. This approach is also consistent with the 10 percent rate increase approved by the BCUC for 2020.

## **2.2 Revenue Requirement, Revenues and RDDA Additions**

Creative Energy’s revenue requirement for NEFC reflects the total amount of revenue that must be collected in rates to recover its forecast costs of service and to provide Creative Energy an opportunity to earn a reasonable return. Under the current levelized rate design the difference between the approved revenue requirement and the revenues at approved rates (i.e., revenue deficiency) is recorded in the RDDA. Creative Energy requests approval to record the 2021 revenue deficiency of \$480,744 in the RDDA based on the forecast revenue requirement of \$2,332,161 less the forecast sales revenue of \$1,851,416, which includes the requested 10 percent rate increase.

<sup>20</sup> Exhibit B-1, p. 5.

<sup>21</sup> Ibid., pp. 4–5.

Creative Energy also has a Variance Deferral Account which captures the difference between approved and actual costs for the following items:

- Hot water sales revenue;
- Steam rates and total fuel costs;
- Distribution expenses<sup>22</sup>;
- Income tax expense; and
- Special services costs.

Creative Energy submits that the 2020 additions to the Variance Deferral Account will be provided as part of the final compliance filing for the Application, given that final audited results will not be available until April 2021.<sup>23</sup>

The NEFC revenue requirement includes costs allocated by Creative Energy using a combination of allocation via a three-factor Massachusetts formula approved by the BCUC<sup>24</sup> and direct allocations.<sup>25</sup> The Creative Energy code of conduct and transfer pricing policy, which is applicable to NEFC and Creative Energy's other thermal energy systems, is currently being examined as part of the separate BCUC review of the 2021 Core Steam RRA.

Table 3 sets out Creative Energy's forecast 2021 NEFC revenue requirement, hot water sales revenue and revenue deficiency compared to 2020 BCUC-approved and 2020 projected actual amounts.

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<sup>22</sup> Distribution expenses include GL Accounts 870, 874 and 880.

<sup>23</sup> Exhibit B-3, BCUC IR 1.5.1.

<sup>24</sup> BCUC Order G-227-20.

<sup>25</sup> Exhibit B-1, p. 6.

**Table 3: 2021 Creative Energy Revenue Requirement and Revenue Deficiency for NEFC<sup>26</sup>**

	2021 Forecast	2020 Approved	2020 Projected
Fuel	968,739	1,061,666	918,849
Steam Tariff	571,651	536,051	460,074
Total Cost of Sales	1,540,389	1,597,717	1,378,923
Operation & Maintenance Expense	197,143	166,357	169,763
Municipal Taxes	23,143	21,039	20,471
Total Operating and Maintenance Expense	1,760,675	1,785,113	1,569,157
Income Tax Expense	26,329	19,445	(45,170)
Depreciation Expense	210,400	216,000	210,400
Actual/Proposed Return on Rate Base	297,000	317,000	312,494
Amortization of Refinancing Cost Deferral Account	37,757		-
<b>Total Revenue Requirement</b>	<b>2,332,161</b>	<b>2,337,558</b>	<b>2,046,881</b>
<b>Total Revenues</b>	<b>1,851,416</b>	<b>1,683,106</b>	<b>1,637,708</b>
<b>Revenue (Surplus)/Deficiency</b>	<b>480,744</b>	<b>654,452</b>	<b>409,173</b>
<b>Addition to RDDA</b>	<b>480,744</b>		

Creative Energy's forecast revenue requirement for NEFC is set to increase by \$285,279 or 14 percent as compared to 2020 projected<sup>27</sup> and decrease by \$5,397 or 0.2 percent as compared to 2020 approved.<sup>28</sup> The primary drivers for the increase as compared to 2020 projected include fuel and steam tariff costs, operation and maintenance (O&M) expenses, income taxes and amortization of the new Refinancing Cost Deferral Account. The Panel addresses in this section the O&M costs and income tax expense, in addition to the fuel and steam tariff costs in the context of the load forecast. The amortization of the Refinancing Costs Deferral Account is addressed in in Section 2.3 below, as it relates to the request for approval of the new deferral account.

### **O&M Expenses**

2021 O&M expenses are forecast to increase by \$27,380 or 16 percent as compared to 2020 projected.<sup>29</sup> This increase is primarily due to higher administrative and general costs, which are forecast to increase by \$20,606 or 19 percent as compared to 2020 projected.<sup>30</sup>

Administrative and General expenses include salaries and benefits, office supplies and general legal and audit fees. Creative Energy submits that these costs are forecast to increase in 2021 on a consolidated basis, primarily due to wage increases and the planned hiring of four new positions in 2021. Costs associated with three of the new positions are allocated to NEFC using a three-factor Massachusetts formula. However, Creative Energy submits that the primary driver for the increase in administrative and general costs for NEFC specifically is

<sup>26</sup> Exhibit B-5, Appendix C, Schedule 1; BCUC Order G-220-20, Creative Energy Compliance Filing, Attachment 1, NEFC Schedule 1.

<sup>27</sup> Exhibit B-1, p. 6.

<sup>28</sup> Total approved 2020 revenue requirement is \$2,337,557 as outlined in Schedule 1 for NEFC in the compliance filing for the 2019-2020 Decision.

<sup>29</sup> Exhibit B-1, p. 6.

<sup>30</sup> Ibid., Appendix C, Schedule 14, Line 56.

\$13,000 of management time to prepare the NEFC 2021 rate design application that is budgeted to be directly allocated to NEFC.<sup>31</sup>

Variances between forecast and actual Administrative and General costs are not captured in the Variance Deferral Account. Accordingly, any differences between 2021 approved NEFC Administrative and General costs in this Application and the 2021 Administrative and General costs approved in the 2021 Core Steam RRA for allocation to NEFC will not be subject to variance treatment. However, Creative Energy submits that any impact is unlikely to be material.<sup>32</sup>

### **Income Taxes**

Creative Energy forecasts 2021 income taxes of \$26,329 using a tax rate of 27 percent and supporting calculations are provided in Schedule 18 of Appendix C to the Application. Variances between approved and actual income taxes are captured in the Variance Deferral Account.

### **Hot Water Load and Steam Load Forecasts**

The NEFC hot water load forecast is used in the calculation of the forecast sales revenue. In 2021 the forecast hot water load is set equal to the 2020 approved load of 19,162 MWh, which Creative Energy submits is appropriate given that no changes to operations and no new customers are expected in 2021, variances between forecast and actual revenues are included in the Variance Deferral Account, and there is “ongoing load uncertainty related to COVID-19.”<sup>33</sup> Creative Energy explains that the only basis for considering the impacts of the COVID-19 pandemic on forecast load would be to use actual 2020 load; however, “even then the estimate would be highly uncertain.”<sup>34</sup> Actual 2020 hot water load was 17,981 MWh.

The steam load forecast is used in the calculation of the forecast 2021 fuel and steam tariff costs, which represent costs charged to NEFC as a customer of the Core Steam system.<sup>35</sup> The forecast 2021 steam load is also set equal to the 2020 approved load of 70,309 M#, consistent with the treatment of the hot water load forecast. The actual 2020 steam load was 66,195 M#.<sup>36</sup>

As noted above, the Variance Deferral Account captures differences between forecast and actual sales revenue and total fuel costs, including variances in the steam load and the fuel costs charged. However, with respect to steam tariff costs, Creative Energy confirms that the Variance Deferral Account only captures the difference in the steam rate and not differences related to forecast and actual steam load.<sup>37</sup> For context, Creative Energy confirms that if the actual 2020 steam load was used in the calculation of forecast steam costs, the costs would be \$541,537 as compared to \$571,651 in the Application.<sup>38</sup>

### ***Panel Determination***

**The Panel finds the forecast 2021 revenue requirement reflected in Table 3 provides a reasonable basis for determining the 2021 addition to the RDDA, except for the amortization of the Refinancing Costs Deferral Account which is addressed in Section 2.3 below.** Creative Energy’s forecast revenue requirement for NEFC is set to increase by \$285,279 or 14 percent as compared to 2020 projected<sup>39</sup> and decrease by \$5,397 or 0.2

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<sup>31</sup> Exhibit B-3, BCUC IR 1.2.1.2.

<sup>32</sup> Ibid., BCUC IR 1.2.3.

<sup>33</sup> Exhibit B-1, p. 5.

<sup>34</sup> Exhibit B-3, BCUC IR 1.5.9.

<sup>35</sup> Exhibit B-1, p. 6.

<sup>36</sup> Exhibit B-3, BCUC IR 1.5.2.

<sup>37</sup> Ibid., BCUC IR 1.5.7.

<sup>38</sup> Ibid., BCUC IR 1.5.10.

<sup>39</sup> Exhibit B-1, p. 6.

percent as compared to 2020 approved.<sup>40</sup> The forecast costs are supported by sufficient evidence and for most cost categories, including income taxes, any variance between approved and actual costs is included in the Variance Deferral Account.

The increase in O&M costs as compared to 2020 projected is supported by sufficient evidence and is primarily related to higher Administrative and General costs, specifically due to a direct allocation of costs related to the preparation of the 2021 NEFC rate design application, in addition to wage increases and new hires on a consolidated level. The Panel notes that any difference between approved and actual Administrative and General costs are not recorded in the Variance Deferral Account. Further, there is an ongoing review of Creative Energy's code of conduct and transfer pricing policy in the 2021 Core Steam RRA, and the outcome of that review may impact the 2021 costs allocated to NEFC, including Administrative and General costs.

Considering the ongoing review of Creative Energy's code of conduct and transfer pricing policy as part of a separate regulatory process and the impact that the outcome of that review may have on 2021 costs allocated to NEFC, the Panel considers that a mechanism to account for any potential changes is necessary. **Accordingly, the Panel directs Creative Energy to record in the Variance Deferral Account the difference between:**

- a. **the 2021 NEFC Administrative and General costs filed in the Application as approved in this decision; and**
- b. **the 2021 Administrative and General costs approved for allocation to NEFC, as determined by the BCUC in the 2021 Core Steam RRA proceeding.**

**Within 30 days of the BCUC decision in the matter of the 2021 Core Steam RRA, Creative Energy is directed to provide a compliance filing outlining the 2021 costs approved for allocation to NEFC as a result of that decision.**

Creative Energy submits that the 2020 additions to the Variance Deferral account will be provided as part of the final compliance filing for the Application, given that final audited results will not be available until April 2021. **The Panel directs Creative Energy to file a continuity schedule for the Variance Deferral Account, including 2020 additions, as part of either the final compliance filing filed pursuant to Directive 6 of Order G-104-21 or the upcoming rate design application to be filed by June 30, 2021.**

**The Panel finds the hot water and steam load forecasts reasonable for the purpose of determining the forecast 2021 sales revenue and fuel and steam tariff costs.** Creative Energy proposes to use the approved 2020 load forecast for 2021 given that no changes to operations and no new customers are expected in 2021 and there is ongoing load uncertainty related to COVID-19. Further, differences between approved and actual sales revenue and total fuel costs, including differences related to the load forecast, are captured in the Variance Deferral Account. The Panel notes, however, that for steam tariff costs, the Variance Deferral Account only captures the difference in the steam rate and not differences related to approved and actual steam load. Further, the Panel agrees with Creative Energy that there may be continued load uncertainty in 2021 due to the COVID-19 pandemic and that load variances are outside of the control of Creative Energy. In 2020 for example, the actual steam load was 66,195 M# compared to the approved load of 70,309 M#. For these reasons, **the Panel directs Creative Energy to record the difference between 2021 approved and actual total steam tariff costs, including differences due to load, in the Variance Deferral Account.**

Under the current levelized rate design the difference between the approved revenue requirement and the revenues at approved rates (i.e., revenue deficiency) is recorded in the RDDA. **Based on the findings and determinations above and in Section 2.3 below, Creative Energy is approved to record in the RDDA the 2021**

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<sup>40</sup> Total approved 2020 revenue requirement is \$2,337,557 as outlined in Schedule 1 for NEFC in the compliance filing for the 2019-2020 Decision.

revenue deficiency of \$480,744, less the amount of \$37,757 for the amortization of the Refinancing Costs Deferral Account.

### 2.3 Refinancing Costs Deferral Account

Creative Energy requests approval of a new deferral account, the Refinancing Costs Deferral Account, to record the costs of \$35,853 allocated to NEFC for Creative Energy's debt refinancing on September 17, 2020. The costs include financing and legal fees. Creative Energy also seeks approval to amortize \$37,757 for the costs plus interest in 2021.

Creative Energy has allocated 11.2 percent of the total refinancing costs of \$320,117 to NEFC and submits that the evidence to support the fees and the allocation methodology is presented in the 2021 Core Steam RRA, which is the subject of a separate, ongoing BCUC review.

As part of the 2021 Core Steam RRA, Creative Energy outlines its accounting policy for debt refinancing costs, which is to amortize the costs over the life of the debt. Accordingly, for the debt financing costs incurred in September 2020, Creative Energy submits that in 2020 it "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."<sup>41</sup>

#### *Panel Determination*

**Creative Energy is approved to establish a Refinancing Costs Deferral Account, to record the costs allocated to NEFC for Creative Energy's September 17, 2020 debt refinancing costs. Following the BCUC decision in the review of the 2021 Core Steam RRA, the Panel directs Creative Energy to record the final costs allocated to NEFC in the deferral account, the disposition of which will be determined as part of Creative Energy's next RRA for NEFC.**

The total costs associated with Creative Energy's debt refinancing and the allocation of these costs to NEFC and other applicable utility systems is the subject of an ongoing, separate BCUC review of the 2021 Core Steam RRA. It is not appropriate to amortize the debt refinancing costs in 2021 NEFC rates, given that the refinancing costs allocated to NEFC may be impacted by the outcome of that separate review. **Accordingly, the request to amortize in 2021 NEFC rates the debt refinancing costs of \$37,757 is denied.**

**DATED** at the City of Vancouver, in the Province of British Columbia, this 6<sup>th</sup> day of April 2021.

*Original signed by:*

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A. K. Fung, QC  
Panel Chair / Commissioner

*Original signed by:*

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K. A. Keilty  
Commissioner

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<sup>41</sup> Exhibit B-3, p. 6; Exhibit B-1 in the Creative Energy 2021 Core Steam RRA, p. 47.

*Original signed by:*

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B. A. Magnan  
Commissioner



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**ORDER NUMBER  
G-104-21**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Creative Energy Vancouver Platforms Inc.  
Northeast False Creek Rate Proposal  
and 2021 Revenue Requirements Application

**BEFORE:**

A. K. Fung, QC, Panel Chair  
K. A. Keilty, Commissioner  
B. A. Magnan, Commissioner

On April 6, 2021

**ORDER**

**WHEREAS:**

- A. On November 30, 2020, Creative Energy Vancouver Platforms Inc. (Creative Energy) submitted its Northeast False Creek (NEFC) Rate Proposal and 2021 Revenue Requirements Application (RRA) to the British Columbia Utilities Commission (BCUC) seeking, among other things, interim and permanent approval to increase NEFC hot water service rates by 10 percent (Application) effective January 1, 2021;
- B. Creative Energy proposes a “more limited hearing process” to promote regulatory efficiency and allow a timely BCUC decision ahead of the filing of the Creative Energy NEFC rate design application by June 30, 2021;
- C. By Order G-340-20 dated December 18, 2020, the Panel approved a 10 percent hot water service rate increase on an interim and refundable/recoverable basis effective January 1, 2021 and established a regulatory timetable for the review of the Application, among other things. The regulatory timetable included a request for affected customers and interveners (together Affected Parties) in the Creative Energy 2019–2020 RRA for the Core Steam System and NEFC Service Areas proceeding to provide comments, if any, on the Application and submissions from Creative Energy and the Affected Parties on what, if any, regulatory process for the review of the Application would be appropriate and why;
- D. The Commercial Energy Consumers Association of British Columbia (CEC) and Creative Energy filed submissions, with the CEC indicating support for Creative Energy’s proposal in the Application and an expedited regulatory process; and
- E. By Order G-31-20 dated January 27, 2021, the Panel established a further regulatory timetable, which included one round of BCUC information requests (IRs) and an opportunity for Creative Energy to file a final argument, if any. Creative Energy did not file a final argument; and



- F. The BCUC has reviewed the Application, evidence and submissions filed in this proceeding, and considers that approval of the 10 percent rate increase for NEFC hot water service is warranted.

**NOW THEREFORE** pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

1. Creative Energy is approved to charge the following rates for NEFC hot water service on a permanent basis, effective January 1, 2021, which reflects a 10 percent rate increase:
  - Fixed rate of \$0.33 per square meter per month; and
  - Variable rate of \$63.04 per MWh.
2. Creative Energy is directed to record in the Variance Deferral Account the difference between:
  - a. the 2021 a NEFC Administrative and General costs filed in the Application, as approved in this decision; and
  - b. the 2021 Administrative and General costs approved for allocation to NEFC, as determined by the BCUC in the Creative Energy 2021 RRA for the Core Steam system proceeding.
3. Creative Energy is directed to record the difference between 2021 approved and actual total steam tariff costs, including differences due to load, in the Variance Deferral Account.
4. Creative Energy is approved to record in the Revenue Deficiency Deferral Account the 2021 revenue deficiency of \$480,744, less the amount of \$37,757 for the amortization of the Refinancing Costs Deferral Account.
5. Creative Energy is approved to establish a Refinancing Costs Deferral Account, to record the costs allocated to NEFC for Creative Energy's September 17, 2020 debt refinancing. Following the BCUC Decision in the review of the Creative Energy 2021 RRA for the Core Steam system, the Panel directs Creative Energy to record the final costs allocated to NEFC in the deferral account, the disposition of which will be determined as part of Creative Energy's next RRA for NEFC.
6. Creative Energy is directed to file with the BCUC a compliance filing with final 2021 financial schedules and amended tariff pages for endorsement within 30 day of this order, reflecting the directives and determinations outlined in this order.
7. Creative Energy is directed to provide a compliance filing within 30 days of the BCUC decision in the matter of the Creative Energy 2021 RRA for the Core Steam system, outlining the 2021 costs approved for allocation to NEFC as a result of that decision.
8. Creative Energy is directed to file a continuity schedule for the Variance Deferral Account, including 2020 additions, as part of either the final compliance filing filed pursuant to Directive 6 of this order or the upcoming rate design application to be filed by June 30, 2021.
9. Creative Energy is directed to provide all NEFC hot water service customers with notification of permanent rates as soon as is practicable.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 6<sup>th</sup> day of April 2021.

BY ORDER

*Original signed by:*

A. K. Fung, QC  
Commissioner

## GLOSSARY AND LIST OF ACRONYMS

\$/m2/month	Fixed charge per square meter per month
\$/MWh	Variable charge per megawatt hour
2019-2020 Decision	BCUC Decision for Creative Energy's 2019-2020 RRA for the Core Steam system and NEFC Service Areas.
2021 Core Steam RRA	Creative Energy's 2021 Revenue Requirement Application for the Core Steam system.
Application	Creative Energy Vancouver Platforms Inc.'s Northeast False Creek Rate Proposal and 2021 Revenue Requirements Application
BCUC	British Columbia Utilities Commission
The City	The City of Vancouver
Core Steam system	Creative Energy's steam production plant at 720 Beatty Street
Creative Energy	Creative Energy Vancouver Platforms Inc.
NEFC	Northeast False Creek
O&M	Operation and Maintenance
RDDA	Revenue Deficiency Deferral Account
RRA	Revenue Requirements Application
UCA	<i>Utilities Commission Act</i>

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Creative Energy Vancouver Platforms Inc.  
Order G-227-20 Directive 13 Compliance - Northeast False Creek Rate Proposal  
and 2021 Revenue Requirements Application

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated December 9, 2020 – Appointing the Panel for the review of Creative Energy Vancouver Platforms Inc. Order G-227-20 Directive 13 Compliance - NEFC Rate Proposal and 2021 RRA dated November 30, 2020
A-2	Letter dated December 18, 2020 – BCUC Order G-340-20 establishing a regulatory timetable
A-3	Letter dated January 27, 2021 – BCUC Order G-31-21 establishing a further regulatory timetable
A-4	Letter dated February 3, 2021 – BCUC Information Request No. 1 to Creative Energy
<i>APPLICANT DOCUMENTS</i>	
B-1	<b>CREATIVE ENERGY VANCOUVER PLATFORMS INC. (CREATIVE ENERGY)</b> - Order G-227-20 Directive 13 Compliance - Northeast False Creek (NEFC) Rate Proposal and 2021 Revenue Requirements Application (RRA) dated November 30, 2020
B-2	Letter dated January 15, 2021 – Creative Energy submitting reply submission on comments
B-3	Letter dated February 17, 2021 – Creative Energy responses to BCUC Information Request No. 1
B-3-1	<b>CONFIDENTIAL</b> - Letter dated February 17, 2021 – Creative Energy confidential response to BCUC Information Request No. 1.3.3

*LETTERS OF COMMENT*

E-1            COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC) - Letter dated  
January 12, 2021 submitting response to Exhibit A-2