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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-198-14**

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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Creative Energy Vancouver Platforms Inc.  
2015-2017 Revenue Requirements Application

**BEFORE:** L. A. O'Hara, Commissioner  
I. F. MacPhail, Commissioner December 15, 2014

**O R D E R**

**WHEREAS:**

- A. On November 28, 2014, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed its 2015-2017 Revenue Requirements Application with the British Columbia Utilities Commission (Commission), pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), seeking among other things, approval to increase its rates by 13.5 percent in 2015, 1.0 percent in 2016 and 1.6 percent in 2017 (Application);
- B. Creative Energy's Tariff consists of a tiered Steam Tariff Rate (rates) and a Fuel Adjustment Charge. The Application requests an increase to the rates portion only and not to the Fuel Adjustment Charge ;
- C. The Application also seeks an interim order, pursuant to sections 89 and 90 of the UCA, allowing Creative Energy to increase its rates for 2015, as applied for in the Application on an interim and refundable basis, effective January 1, 2015, pending a final determination of the Application;
- D. Creative Energy states that the proposed rate increase will result in an overall increase in operating margin of approximately \$1.0 million in 2015, \$74 thousand in 2016 and \$140 thousand in 2017;
- E. The proposed increase provides Creative Energy with a rate of return on common equity (ROE) of 9.5 percent and a deemed equity thickness of 42.5 percent, which Creative Energy states is consistent with the Commission's approved interim ROE established by Order G-47-14;

- F. Order G-47-14 Reasons for Decision, p. 129 states “Accordingly, for the time being [for Creative Energy formerly known as Central Heat] the common equity ratio shall be set at 42.5 percent and the equity risk premium at 75 bps as transitional amounts. The Commission Panel directs Central Heat to file within next 12 months [March 24, 2015] either a 2016 or multi-year revenue requirement application with the Commission reflecting the new business plan with a comprehensive justification for the equity thickness and equity risk premium.”;
- G. The Commission considers establishing a regulatory timetable for the review of the Application is necessary and in the public interest.

**NOW THEREFORE** the Commission orders as follows:

Regulatory Timetable

1. A regulatory timetable for the initial review of the Application is set out in Appendix A to this order. The Commission will seek submissions on further regulatory process after Creative Energy Vancouver Platforms Inc. (Creative Energy) files its responses to Information Request No. 1.

Rates

2. For the reasons set out in Appendix B to this order, the Commission approves for Creative Energy an interim rate increase of 7.9 percent, effective January 1, 2015.
3. Any differences between the 2015 interim and permanent rates that are determined by the Commission following final disposition of the Application are subject to refund/recovery, with interest at the average prime rate of Creative Energy’s principal bank for its most recent year, in the manner as set out by a Commission order that establishes permanent rates.
4. The Commission will accept, subject to timely filing by Creative Energy, amended rate schedules in accordance with the terms of this order.
5. For the reasons set out in Appendix B, the final determination on this Application will set 2015 permanent rates; however permanent rates for 2016 and 2017 will be set subject to a final determination of Creative Energy’s return on equity and deemed equity thickness.

Notice

6. Creative Energy is to provide a copy of this Commission order, electronically where possible, to all parties who participated in the Creative Energy 2014 Revenue Requirements Application proceeding.

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7. Creative Energy must publish in display-ad format, as soon as possible but no later than Monday, December 22, 2014; the Notice of Application attached as Appendix C to this order, in such appropriate news publications as may properly provide adequate notice to the public in its service area.
8. The Application and supporting material is to be made available for inspection at the head office of Creative Energy located at Suite 1, 720 Beatty Street, Vancouver, BC, V6B 2M1 and at the Commission, Sixth Floor, 900 Howe Street, Vancouver, BC, V6Z 2N3. Creative Energy is also to make the Application available on its website at <http://www.creativeenergycanada.com>.
9. Creative Energy is to provide its customers with a Commission reviewed bill message notice of the interim rates with its next customer mailing.

**DATED** at the City of Vancouver, In the Province of British Columbia, this        15<sup>th</sup>        day of December, 2014.

BY ORDER

*Original signed by:*

L. A. O'Hara  
Commissioner

Attachments

Creative Energy Vancouver Platforms Inc.  
2015-2017 Revenue Requirements Application

**REGULATORY TIMETABLE**

| <b>DEADLINES</b>   | <b>DATE (2015)</b>    |
|--|-----------------------|
| Intervener and interested party registration                                     | Monday, January 12    |
| Commission Information Request No. 1   | Tuesday, January 20   |
| Intervener Information Request No. 1   | Friday, January 23    |
| Creative Energy responses to Commission and intervener Information Request No. 1 | Thursday, February 19 |

Creative Energy Vancouver Platforms Inc.  
2015-2017 Revenue Requirements Application

**REASONS FOR DECISION**

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On November 28, 2014, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed its 2015-2017 Revenue Requirements Application with the British Columbia Utilities Commission (Commission) seeking among other things, approval to increase its rates by 13.5 percent in 2015, 1.0 percent in 2016 and 1.6 percent in 2017 (Application).

**INTERIM RATES**

The Application also seeks an interim order, allowing Creative Energy to increase its Steam Tariff for 2015 by 13.5 percent, on an interim and refundable basis, effective January 1, 2015, pending a final determination of the Application.

In the Application, Creative Energy details the 2015 revenue deficiency as follows:

| <b>Deficiency made up of:</b>          | <b><u>2015</u></b> |
|--|--------------------|
| Change in Load                         | 245,606            |
| Operating Costs                        | 522,477            |
| Income Tax                             | 95,504             |
| Property Taxes                         | 27,682             |
| Depreciation                           | 50,921             |
| Change in Debt Thickness               | (45,820)           |
| Cost of Equity 9.25% to 9.5%           | (11,506)           |
| Cost of Equity thickness to 42.5%      | 92,706             |
| GCoC 2013/2014 Deferral                |                    |
| Rate Base Treatment - Pension Asset    | 42,305             |
|  | 1,019,875          |
| <b>Net (Year over Year) Deficiency</b> | <b>13.5%</b>       |

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In regards to the operating costs increase of \$522,477,<sup>2</sup> the Application reports a forecast increase of \$422,451 in management wages; however minimal evidence is provided in the Application to support the forecasted 83 percent increase.

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<sup>1</sup> Exhibit B-1, p. 11.

<sup>2</sup> Ibid., p. 31.

## Commission Determination

The Panel determines that Creative Energy's request that the approved revenue deficiency should include increases related to executive compensation is an issue that should be examined in the full review of the Application. Therefore, since some of these costs are discretionary in nature and they all require a full examination, the Panel has excluded them from the approved interim rate increase. The Panel sets an interim rate of 7.9 percent, effective January 1, 2015, to cover the remaining components.

The interim rate has been determined as follows based on the calculation Creative Energy used to determine the percentage rate increase:

$$(\$1,019,875 \text{ forecast Revenue Deficiency} - \$422,451 \text{ Executive Compensation}) = \\ \$597,424 \text{ Revenue Deficiency for Interim Rates}$$

$$\$597,424 / \$7,544,179 \text{ Revenue at Approved 2014 Rates} = \mathbf{7.9 \text{ percent}} \text{ interim rate} \\ \text{increase}^3$$

All costs contributing to the revenue deficiency will be examined through the Commission's review of the Application, including executive compensation, in order for the Panel to make a final determination on their recovery in rates.

## RETURN ON COMMON EQUITY AND DEEMED EQUITY THICKNESS

Creative Energy's proposed rate increase reflects a rate of return on common equity (ROE) of 9.5 percent and a deemed equity thickness of 42.5 percent, which Creative Energy states is consistent with the Commission's approved cost of capital established by Order G-47-14, regarding the Commission's Generic Cost of Capital Stage 2 proceeding.

In the Generic Cost of Capital Stage 2 Decision, the Commission states "Accordingly, for the time being [for Creative Energy formerly known as Central Heat] the common equity ratio shall be set at 42.5 percent and the equity risk premium at 75 bps as transitional amounts. The Commission Panel directs Central Heat to file within next 12 months [by March 24, 2015] either a 2016 or multi-year revenue requirement application with the Commission reflecting the new business plan with a comprehensive justification for the equity thickness and equity risk premium."<sup>4</sup>

Pursuant to Order G-47-14, dated March 25, 2014, Creative Energy is to file, no later than March 24, 2015 an application for a comprehensive justification of the equity thickness and equity risk premium (Compliance Filing). It is anticipated that once Creative Energy submits its Compliance Filing the Commission will establish a process to review the application and make a final determination on the appropriate cost of capital to be effective January 1, 2016.

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<sup>3</sup> Exhibit B-1, p. 10.

<sup>4</sup> British Columbia Utilities Commission Generic Cost of Capital Stage 2, Decision, p. 129. [emphasis added]

### **Commission Determination**

Creative Energy has filed a 2015-2017 multi-year revenue requirement application (RRA) and has applied the ROE and deemed common equity thickness established in Order G-47-14 to all three years covered by the Application.

In regards to the Application currently before the Commission, the Panel determines that applying the transitional ROE and deemed equity thickness in 2015 is appropriate pursuant to Order G-47-14. However, the ROE and deemed equity thickness for 2016 and 2017 should not be based on the transitional amounts, but rather should be based on the finding in a final order on the Compliance Filing. Therefore, the Panel finds that the final determination on the Application will set the Steam Tariff for 2016 and 2017 as permanent subject to a final determination on the Compliance Filing.

# PUBLIC NOTICE

BRITISH COLUMBIA UTILITIES COMMISSION



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## CREATIVE ENERGY VANCOUVER PLATFORMS INC. APPLICATION FOR APPROVAL OF 2015-2017 REVENUE REQUIREMENTS

On November 28, 2014, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed their 2015-2017 Revenue Requirements Application with the British Columbia Utilities Commission (Commission), pursuant to sections 59 to 61, 89 and 90 of the *Utilities Commission Act* (UCA), seeking Commission approval to increase its Steam Tariff rates (Application). The Application also seeks interim relief to allow Creative Energy to amend its rates on an interim and refundable basis, effective January 1, 2015, pending the hearing of the Application and orders subsequent to that hearing.

The Steam Tariff rates are proposed to increase by 13.5 percent in 2015, 1.0 percent in 2016 and 1.6 percent in 2017. When taking into account the Fuel Cost Adjustment component effective November 30, 2014, this proposed increase results in an average net increase in steam costs of 4.8 percent in 2015, 1.0 percent in 2016 and 1.6 percent in 2017.

### HOW TO GET INVOLVED

Persons wishing to actively participate in the proceeding must register as an intervener through the Commission's website at [www.bcuc.com](http://www.bcuc.com) or in writing by January 12, 2015. Registrants must identify the issues they intend to pursue and indicate the extent of their anticipated involvement in the review process. Interveners will each receive a copy of all non-confidential correspondence and filed documentation, and must provide an email address if available.

Persons not expecting to actively participate, but who have an interest in the proceeding, should register as an interested party through the Commission's website or in writing, by January 12, 2015, identifying their interest in the proceeding. Interested parties receive an electronic copy of the decision when it is released.

Letters of comment can also be submitted on the application. All submissions and/or correspondence received relating to the application are provided to the panel and all participants in the proceeding. By participating and/or providing comment on the application, you agree that your submissions will be placed on the public record and posted on the Commission's website.



**VIEW THE APPLICATION**

The application and all supporting documentation are available on the Commission's website on the "Current Applications" page. If you would like to review the material in hard copy, it is available to be viewed at the locations below:

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| <b>British Columbia Utilities Commission</b><br>Sixth Floor, 900 Howe Street<br>Vancouver, BC V6Z 2N3<br><a href="mailto:Commission.Secretary@bcuc.com">Commission.Secretary@bcuc.com</a><br>Phone: 604-660-4700<br>Toll Free: 1-800-663-1385 | <b>Creative Energy Vancouver Platforms Inc.</b><br>Suite 1, 720 Beatty Street<br>Vancouver, BC V6B 2M1 |
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**FOR MORE INFORMATION OR TO REGISTER**

For more information or to register please contact Ms. Erica Hamilton, Commission Secretary using the contact information above.