



**ORDER NUMBER
G-242-22**

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

and

Creative Energy Mount Pleasant Limited Partnership
Application for Rates for the Mount Pleasant District Cooling System

BEFORE:

A. K. Fung, QC, Panel Chair
T. A. Loski, Commissioner
E. B. Lockhart, Commissioner

on August 22, 2022

ORDER

WHEREAS:

- A. On February 1, 2021, Creative Energy Mount Pleasant Limited Partnership (CEMP) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 58 to 60 and 90 of the *Utilities Commission Act* (UCA) and section 15 of the *Administrative Tribunals Act* for approval on an interim and refundable basis of rates for a three-year period, effective February 1, 2021 to December 31, 2023 (Current Rate-Setting Period) for its provision of cooling service to the Main Alley Development, amongst other things (Application);
- B. By Order C-5-20 dated December 3, 2020, the BCUC granted a Certificate of Public Convenience and Necessity to CEMP authorizing it to acquire and operate the existing Mount Pleasant District Cooling System (DCS), including specific extensions, renovations, expansions and upgrades that will be completed in phases. The BCUC also approved the related Customer Service Agreements;
- C. CEMP requests the following interim approvals in the Application:
 - A levelized fixed capacity charge [\$/kilowatt (kW)] for the Current Rate-Setting Period to recover capital and fixed operating costs (Capacity Charge);
 - A variable charge [\$/megawatt-hour] to recover the actual water and electricity costs on a flow-through basis (Variable Charge);
 - The establishment of a Revenue Deficiency Deferral Account (RDDA) attracting interest at CEMP's weighted average cost of capital to record revenue shortfalls during the initial years of service to be recovered through levelized rate increases over time. CEMP proposes that the levelization of rates extends over a period of 33 years, which represents the life of the Customer Service Agreements from 2021 to 2053; and

- The establishment of a Regulatory Costs Variance Deferral Account (RCVDA) to record the difference between forecast and actual regulatory costs;
- D. By Order G-46-21 dated February 18, 2021, the BCUC approved, among other things, the establishment of an RDDA, as well as the Capacity Charge and Variable Charge on an interim and refundable/recoverable basis, effective February 1, 2021;
- E. By Orders G-352-21, G-76-22 and G-131-22 the BCUC established the regulatory timetable to review the Application, which included, among other things, notice of Application, dates for intervenor registration, BCUC and intervenor information requests (IR) No. 1 and 2, CEMP's responses to IRs, and written final and reply arguments;
- F. As part of a status update filed on March 1, 2022, CEMP revised its approvals sought requesting final determinations on the following:
- Permanent approval of the rate structure for the proposed Capacity Charge and Variable Charge;
 - Permanent approval of the proposed Variable Charge; and
 - Permanent approval of the proposed RCVDA;
- G. The Commercial Energy Consumers Association of British Columbia registered as an intervenor in the proceeding to review the Application; and
- H. The BCUC has considered the Application, evidence and submissions of the parties and makes the following determinations.

NOW THEREFORE pursuant to sections 56 and 58 to 61 of the UCA and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

1. CEMP is approved to charge the Capacity Charge for the Current Rate-Setting Period on a permanent basis effective February 1, 2021, as set out in Attachment 1 to Exhibit B-9 and the updated rates model in Exhibit B-10, and subject to the directives and determinations outlined in this order and the decision issued concurrently.
2. CEMP is approved to charge the Variable Charge for the Current Rate-Setting Period on a permanent basis effective February 1, 2021, as set out in Attachment 1 to Exhibit B-9 and the updated rates model in Exhibit B-10, and subject to the directives and determinations outlined in this order and the decision issued concurrently.
3. CEMP is approved to continue use of the RDDA, effective February 1, 2021, over a 25-year levelization period to record the annual difference between the annual revenue at the approved Capacity Charge and the approved annual forecast cost of service, excluding water and electricity costs, with the balance earning a return equivalent to CEMP's weighted average cost of capital.
4. CEMP is approved to establish a RCVDA for the Mount Pleasant DCS, accruing interest at CEMP's weighted average cost of debt, to record the variance between the forecast and final actual regulatory costs.

5. CEMP is approved to amortize the balance of the RCVDA on a \$/kW basis within the rate-setting period commencing February 1, 2021 and ending December 31, 2023 (Current Rate-Setting Period).
6. CEMP is directed to depreciate the capital and development costs for the Mount Pleasant DCS on a straight-line basis over 25 years starting in the fiscal year following when the asset is placed into service.
7. CEMP is approved to use a deemed capital structure of 57.5 percent debt and 42.5 percent equity, including an equity risk premium of 75 basis points above the BCUC's current benchmark utility, FortisBC Energy Inc.
8. CEMP is approved to use debt-financing costs of 4.5 percent for the Current Rate-Setting Period.
9. CEMP is directed to re-calculate its revenue requirements and rates for the provision of cooling service for the Current Rate-Setting Period, subject to the adjustments resulting from the directives and determinations contained in this order and the decision issued concurrently, and to file a revised rate model and permanent rates sheets with the BCUC for endorsement within 15 days of the date of the Participant Assistance/Cost Award order for this proceeding.
10. CEMP is directed to collect from or refund to customers the difference between the interim and permanent rates for the Mount Pleasant DCS at the average prime rate of CEMP's principal bank for its most recent year.
11. CEMP must inform its customers of the Mount Pleasant DCS of the permanent rates by way of written notice to be included with their next customer invoice after CEMP's compliance filing for the Mount Pleasant DCS has been accepted by the BCUC.
12. CEMP is directed to file its next rates application for the rate-setting period commencing January 1, 2024, by June 30, 2023.
13. CEMP is directed to comply with all other directives and determinations outlined in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of August 2022.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner