



**ORDER NUMBER**  
**G-198-25**

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

and

Creative Energy Vancouver Platforms Inc.  
2024 to 2027 Rates for Heating at South Downtown TES

**BEFORE:**

E. B. Lockhart, Panel Chair  
W. E. Royle, Commissioner

on August 13, 2025

**ORDER**

**WHEREAS:**

- A. On December 20, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application (Application) for approval with the British Columbia Utilities Commission (BCUC), pursuant to sections 58 to 60 of the *Utilities Commission Act* (UCA), seeking, among other things, approval of rates, effective January 1, 2024 through December 31, 2027, for the provision of heating and hot water service to customers connected to its South Downtown thermal energy system (SODO Heating TES);
- B. By Order G-222-21 dated July 22, 2021, the BCUC approved, among other things, a rate design and rates consisting of a levelized capacity charge expressed in \$/ kilowatt (kW)/ month for the period from November 1, 2019 to December 31, 2023 and a variable charge expressed in \$/megawatt hour for the SODO Heating TES, effective November 1, 2019;
- C. On November 29, 2024, the BCUC issued its Decision and Order G-321-24 on Stage 2 of the Generic Cost of Capital (GCOC) proceeding (GCOC Stage 2 Decision). In the GCOC Stage 2 Decision, the BCUC established, among other things, a new cost of capital for the SODO Heating TES, effective January 1, 2024. The BCUC also directed Creative Energy to do the following:
  - (i) Establish a GCOC Variance Deferral Account, attracting the SODO Heating TES's weighted average cost of capital, effective January 1, 2024; and
  - (ii) Address the amounts to be added to the GCOC Variance Deferral Account and their disposition in the sooner of (i) Creative Energy's next rates application or (ii) a compliance filing to be filed with the BCUC by January 31, 2025;

- D. In the Application, Creative Energy requests that the BCUC approve the levelized capacity charges for the SODO Heating TES as set out in Appendix B of the Application. Creative Energy also requests approval to continue charging the variable charge on a flow-through basis and to terminate the Regulatory Cost Variance Deferral Account rate rider;
- E. By Order G-15-25 dated January 24, 2025 and the accompanying decision, the BCUC approved rates for the SODO Heating TES on an interim and refundable/recoverable basis, effective January 1, 2025, and established a regulatory timetable for the review of the Application, which included the filing of supplemental information, intervener registration, one round of information requests (IRs), and final and reply arguments. The BCUC denied Creative Energy's request for interim approval of the rate schedule and levelized capacity charge for the SODO Heating TES, effective January 1, 2024, stating that the 2024 rates would be a matter for consideration in the proceeding;
- F. On February 14, 2025, Creative Energy filed the supplemental information required by the BCUC, noting that it would provide further details to two of the responses in an evidentiary update to be submitted by February 25, 2025. Creative Energy also revised its requests related to the levelized capacity charges, among other matters;
- G. By Order G-43-25 dated February 24, 2025, the BCUC amended the regulatory timetable to provide for the filing of an evidentiary update;
- H. On April 7, 2025, Creative Energy filed its responses to IR No. 1 pursuant to Order G-43-25. As part of its responses, Creative Energy further revised its requests related to the levelized capacity charges, seeking approval of the rates as set out in Exhibit B-7 and amending the requested effective date of the proposed rates from January 1, 2024 to January 1, 2025; and
- I. The BCUC has considered the Application, evidence and submissions filed in this proceeding and makes the following determinations.

**NOW THEREFORE** pursuant to sections 58 to 61 of the UCA, and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. The following levelized capacity charges for the SODO Heating TES, effective from January 1, 2025, to December 31, 2027, are approved on a permanent basis, subject to final adjustments as set out in the decision accompanying this order:
  - (i) \$15.49/kW/month, effective January 1, 2025;
  - (ii) \$16.39/kW/month, effective January 1, 2026; and
  - (iii) \$17.34/kW/month, effective January 1, 2027.
2. A levelized capacity charge for the SODO Heating TES of \$14.64/kW/month, effective from January 1, 2024, to December 31, 2024, is approved on a permanent basis.
3. Creative Energy is approved to continue charging the variable charge for the SODO Heating TES, effective January 1, 2024, on a permanent basis as described in Section 4.1 of the decision accompanying this order.
4. Creative Energy is directed to recover the GCOC Variance Deferral Account balance over a three-year period commencing in 2025 through a GCOC Variance Rate Rider of \$0.41/kW/month, effective January 1, 2025.

5. Creative Energy is directed to re-calculate its revenue requirements and levelized capacity charges for the SODO Heating TES based on the Panel's determinations and directives set out in the decision accompanying this order and to file the revised financial model and tariff pages with the BCUC for endorsement within 30 days of the date of this order.
6. Creative Energy is directed to refund to or recover from customers the difference between the interim rates approved by Order G-15-25 and the permanent rates for the SODO Heating TES, with interest at the average prime rate of Creative Energy's principal bank for the most recent year, in the next billing cycle following the BCUC's endorsement of the revised tariff pages, by applying a one-time adjustment to credit or charge customers accordingly. If the one-time credit or charge would exceed 10.0 percent of the total bill for a customer, Creative Energy may spread the credit or charge to that customer over several months as long as the balance is fully repaid or collected by December 31, 2025.
7. Creative Energy is approved to refund to customers the balance of the TES Extension Deferral Account and close the account once the balance has been refunded as described in Section 4.2.1 of the decision accompanying this order.
8. Creative Energy is approved to terminate the Regulatory Cost Variance Deferral Account and the related rate rider as described in Section 4.2.2 of the decision accompanying this order.
9. Creative Energy is directed to file its next application for SODO Heating TES rates by November 15, 2027.
10. Creative Energy must comply with all other directives and determinations set out in the decision accompanying this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 13<sup>th</sup> day of August 2025.

BY ORDER

*Electronically signed by Blair Lockhart*

E. B. Lockhart  
Commissioner

Creative Energy Vancouver Platforms Inc.  
2024 to 2027 Rates for Heating at South Downtown TES

**DECISION**

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## Executive Summary

On December 20, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application (Application) with the British Columbia Utilities Commission (BCUC) seeking, among other things, approval of rates, effective from January 1, 2024 through December 31, 2027, for the provision of heating and hot water service to customers connected to its South Downtown thermal energy system (TES) (SODO Heating TES).

Creative Energy is a public utility in British Columbia that owns and operates several TES, including the SODO Heating TES, which provides service to three customers at five buildings in the south downtown area of Vancouver. In 2021, the BCUC approved a rate design and rates for the SODO Heating TES consisting of a levelized capacity charge for the period from November 1, 2019 to December 31, 2023, and a variable charge, effective November 1, 2019. The levelized capacity charge recovers the forecast capital and fixed operating costs, while the variable charge recovers the actual fuel costs of the SODO Heating TES on a flow-through basis.

During the proceeding, Creative Energy amended various requests, including its revenue requirements and resulting rates for the SODO Heating TES and two proposals in its Application related to levelized capacity charges. Creative Energy amended the requested effective date of its levelized capacity charge proposals from January 1, 2024 to January 1, 2025, asserting that an approval for 2024 is not necessary due to the BCUC's Generic Cost of Capital (GCOC) Stage 1 and 2 decisions. Creative Energy also amended the approvals it sought with respect to levelized capacity charges to include a rate smoothing mechanism to smooth the impact of the proposed increases over the revised three-year test period from January 1, 2025, to December 31, 2027 (Test Period). Creative Energy seeks approval of the following:

- To charge the levelized capacity charges for the SODO Heating TES as set out in Exhibit B-7, effective from January 1, 2025, to December 31, 2027, on a permanent basis;
- To continue charging the variable charge on a flow-through basis to SODO Heating TES customers, on a permanent basis;
- To terminate the Regulatory Cost Variance Deferral Account Rate Rider and close the Regulatory Cost Variance Deferral Account; and
- To refund the balance of the TES Extension Deferral Account as set out in Exhibit B-5 and close the account once the balance has been refunded.

The Panel established a public hearing process to review the Application including Creative Energy filing supplemental information and an evidentiary update, one round of BCUC and intervener information requests, letters of comment and final and reply arguments. The proceeding had three interveners and no letters of comment were received.

The Panel finds it necessary to approve a 2024 capacity charge for the SODO Heating TES. Creative Energy did not provide a forecast for 2024 costs to set the 2024 capacity charge, and therefore the Panel finds that the next best alternative is to maintain the 2023 BCUC-approved rate. For the 2025 to 2027 capacity charges, with the exception of certain adjustments, the Panel finds the forecast revenue requirements and Creative Energy's proposed rate smoothing mechanism reasonable for setting the rates. Accordingly, the Panel approves the following levelized capacity charges for the SODO Heating TES, on a permanent basis, subject to final adjustments to be made in a compliance filing as directed in this decision:

- \$14.64/kilowatt (kW)/month, effective January 1, 2024;
- \$15.49/kW/month, effective January 1, 2025;
- \$16.39/kW/month, effective January 1, 2026; and
- \$17.34/kW/month, effective January 1, 2027.

The Panel approves Creative Energy to continue charging the variable charge, calculated by dividing the SODO Heating TES's total fuel costs by the total metered energy consumption in megawatt-hour supplied by the TES, to flow-through the TES's actual fuel costs, effective January 1, 2024, on a permanent basis.

The Panel approves Creative Energy's requests to terminate the Regulatory Cost Variance Deferral Account and related rate rider, and to refund to customers the balance of the TES Extension Deferral Account and close the account once the balance has been refunded.

The Panel does not accept the proposed use of the RDDA to record the impact of the new cost of capital for the SODO Heating TES determined in the BCUC's GCOC Stage 2 Decision and instead directs Creative Energy to record this impact in the GCOC Variance Deferral Account, as directed by the BCUC in the GCOC Stage 2 Decision. The Panel also directs Creative Energy to recover the account balance over a three-year period commencing in 2025 through a GCOC Variance Rate Rider of \$0.41/kW/month, effective January 1, 2025.

## 1.0 Introduction

On December 20, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application (Application) with the British Columbia Utilities Commission (BCUC) seeking, among other things, approval of rates, effective from January 1, 2024 through December 31, 2027, for the provision of heating and hot water service to customers connected to its South Downtown thermal energy system (TES) (SODO Heating TES).<sup>1</sup>

Creative Energy is a public utility in British Columbia that owns and operates several TES, including the SODO Heating TES. The SODO Heating TES provides service to three customers at five buildings in the south downtown area of Vancouver, which Creative Energy describes as follows:<sup>2</sup>

- Howe Street Property Inc. (Building 1 at 1480 Howe Street; Building 3 at 1461 Granville Street; and Building 4 at 1462 Granville Street);
- Vancouver House EPS 5752 (Building 2 at 1480 Howe Street); and
- Strata Plan EPS7738 (Building 5 at 889 Pacific Street).

In 2021, the BCUC approved a rate design and rates for the SODO Heating TES consisting of a levelized capacity charge expressed in \$/kilowatt (kW)/month for the period from November 1, 2019 to December 31, 2023, and a variable charge expressed in \$/megawatt hour (MWh), effective November 1, 2019. The levelized capacity charge is based on design peak demand as the billing determinant and recovers the forecast capital and fixed operating costs, while the variable charge recovers the actual fuel costs of the SODO Heating TES on a flow-through basis.<sup>3</sup>

The BCUC reviews applications for changes to rates in accordance with sections 58 to 61 of the *Utilities Commission Act* (UCA). This decision sets out the key issues to be decided in this proceeding, provides an overview of the relevant evidence, considers the positions of the parties, and presents the Panel's determinations on the SODO Heating TES rates for the period January 1, 2024 to December 31, 2027.

### 1.1 Application and Regulatory Process

During the proceeding, Creative Energy amended the requested effective date of its levelized capacity charge proposals from January 1, 2024 to January 1, 2025.<sup>4</sup> The levelized capacity charge for 2024 is addressed in Section 3.0 of this decision.

Creative Energy seeks approval of the following:<sup>5</sup>

- To charge the levelized capacity charges for the SODO Heating TES as set out in Exhibit B-7, effective from January 1, 2025, to December 31, 2027 (Test Period), on a permanent basis;
- To continue charging the variable charge on a flow-through basis to SODO Heating TES customers, on a permanent basis;

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<sup>1</sup> Exhibit B-1, p. 9, Appendix B (Tariff Page for Endorsement).

<sup>2</sup> Exhibit B-1, p. 2; Exhibit B-9, CEC IR 11.2.

<sup>3</sup> Creative Energy Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for the District Cooling System at the Vancouver House Development, Decision and Order G-222-21 dated July 22, 2021 (2019-2023 SODO Rates Decision or 2019-2023 SODO Rates Decision and Order G-222-21), p. ii.

<sup>4</sup> Exhibit B-7, BCUC IR 1.0 Series.

<sup>5</sup> Creative Energy Final Argument, pp. 4–5.

- To terminate the Regulatory Cost Variance Deferral Account Rate Rider and close the Regulatory Cost Variance Deferral Account (RCVDA); and
- To refund the balance of the TES Extension Deferral Account as set out in Exhibit B-5 and close the account once the balance has been refunded.

On January 24, 2025, the BCUC approved Creative Energy to implement a capacity charge of \$15.62/kW/month for the SODO Heating TES and to continue charging the variable charge, effective January 1, 2025, on an interim and refundable/recoverable basis, subject to any further determinations made by the BCUC (Interim Rates Decision).<sup>6</sup>

The regulatory process included public notice of the Application, intervener registration, Creative Energy filing supplemental information and an evidentiary update, one round of BCUC and intervener information requests (IRs), letters of comment and final and reply arguments.<sup>7</sup>

Three parties registered as interveners in the proceeding:<sup>8</sup>

- British Columbia (BC) Old Age Pensioners' Organization, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenants Resource and Advisory Centre (BCOAPO);
- Residential Consumer Intervener Association (RCIA); and
- The Commercial Energy Consumers Association of British Columbia (the CEC).

The BCUC did not receive any letters of comment.

## 2.0 Setting the 2025-2027 Levelized Capacity Charges

Creative Energy's rates for SODO Heating TES comprise two parts, (i) a capacity charge, calculated on a levelized basis over a 30-year period, and (ii) a variable energy charge, calculated on the actual fuel costs incurred on a monthly basis. This section examines the proposed levelized capacity charges for the period from January 1, 2025, to December 31, 2027 for the SODO Heating TES, based on the TES's forecast cost of service, also referred to as its revenue requirements. The variable energy charge, which recovers the actual fuel costs with no additional mark-up, is discussed in Section 4.1.

Table 1 below sets out the SODO Heating TES's 2025 to 2027 forecast revenue requirements and the deferral of certain amounts in the revenue requirement to the Revenue Deficiency Deferral Account (RDDA). The SODO Heating TES's capacity charges are determined on a levelized annual basis based on a 30-year period, which is the duration of Creative Energy's Customer Service Agreements with its three customers and the depreciation period for the TES's capital assets.<sup>9</sup> Rates determined on a levelized annual basis differ from rates determined strictly based on the full recovery of the capital and fixed operating cost of service each year. During the initial years of service, levelized rates result in forecast revenues recovering less than the revenue requirements. The difference (revenue deficiency) between the annual forecast revenue at Creative Energy's proposed rates and the annual forecast revenue requirements is deferred to the RDDA. During the latter years of the levelization period, however, the forecast costs that were not previously recovered (i.e. the revenue deficiencies deferred to the RDDA) are recovered from customers to draw the RDDA balance down to zero.<sup>10</sup>

<sup>6</sup> Order G-15-25 dated January 24, 2025, Directive 1.

<sup>7</sup> Orders G-15-25 and G-43-25 dated January 24, 2025 and February 24, 2025, respectively.

<sup>8</sup> Exhibits C1-1, C2-1 and C3-1.

<sup>9</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, pp. ii.

<sup>10</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, pp. 44–53.



Creative Energy states that the BCUC has generally accepted levelized rates for thermal energy utilities as preferable to cost-of-service rates, which the BCUC’s TES Guidelines regard as a method of last resort. Creative Energy considers levelized rates advantageous to customers and thermal energy utilities because they promote stable rates and predictable revenues, reduce regulatory burden and process over time and result in more competitive rates than cost-of-service rates when service commences.<sup>11</sup>

**Table 1: 2025-2027 Forecast Revenue Requirements and RDDA<sup>12</sup>**

Component	2025 Forecast	2026 Forecast	2027 Forecast
Operations and Maintenance (O&M)	\$250,549	\$250,129	\$255,458
Depreciation	158,889	158,889	158,889
Cost of Debt	108,632	99,435	95,221
Cost of Equity	199,168	191,071	182,974
Income Tax	35,347	49,829	61,936
<b>Total Revenue Requirements</b>	<b>\$752,585</b>	<b>\$749,352</b>	<b>\$754,478</b>
Less: Revenues at Proposed Rates	\$648,559	\$686,239	\$726,109
<b>Revenue Deficiency Deferred to the RDDA</b>	<b>\$104,026</b>	<b>\$63,113</b>	<b>\$28,369</b>

To defer a portion and otherwise recover its revenue requirements, Creative Energy proposed various levelized capacity charges during the proceeding. Its final proposed levelized capacity charges are the rates with rate smoothing in Table 2 below. For comparison, the table includes the proposed rates that Creative Energy initially proposed in its Application, which it subsequently amended, as well as the amended rates with and without rate smoothing.

**Table 2: Proposed Levelized Capacity Charges<sup>13</sup>**

Year	2025	2026	2027
Capacity Charge (\$/kW/month) – At Application Filing	\$15.62	\$15.93	\$16.25
Capacity Charge (\$/kW/month) – With Rate Smoothing	\$15.49	\$16.39	\$17.34
Capacity Charge (\$/kW/month) – Without Rate Smoothing	\$16.55	\$16.88	\$17.22

Creative Energy updated the financial model supporting its rates throughout the proceeding to reflect various refinements, including revising the 2024 actual results, 2025 forecast O&M, and 2025 to 2029 forecast interest rates.<sup>14</sup>

<sup>11</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, p. 44.

<sup>12</sup> Table compiled based on Exhibit B-7, BCUC IR 3.3, “SODO Heating – Rates Application 2024-2027 – BCUC IR No. 1.xlxs” Attachment, Tab “BCUC IR 3.3 Scen.1,” Rows 112–115, 162, 177 and 182

<sup>13</sup> Exhibit B-1, p. 3; Exhibit B-7, BCUC IR 3.3, “SODO Heating – Rates Application 2024-2027 – BCUC IR No. 1.xlxs” Attachment, Tab “IR 3.3 S2 Bill Impact”, Row 12.

<sup>14</sup> Exhibit B-3, pp. 9, 12, Attachment: “Model-SODO Heating Rates 2024 -2027Supplemental Information- submitted.xlsm”; Exhibit B-5, pp. 3–4, Attachment: “SODO Heating - Rates Application 2024-2027 - Evidentiary Update Feb 2025.xlsx”; Exhibit B-7, BCUC IR 3.3, Attachment: “SODO Heating - Rates Application 2024-2027 -BCUC IR No.1.xlsx.”

As shown in Table 1 above, there are several cost components to the forecast revenue requirements. The discussion below addresses the issues that arose during the proceeding regarding some of these components and the proposed capacity charges, namely:

- The reasonableness of the forecast corporate overheads and salaries components of O&M (Section 2.1);
- Why actual maintenance costs have been lower than approved and the reasonableness of the Test Year forecast (Section 2.2);
- The reasonableness of recovering the forecast income tax from customers (Section 2.3); and
- Whether the proposed capacity charges should incorporate rate smoothing (Section 2.4).

## 2.1 Corporate Overheads and Salaries

Corporate Overheads (Billing, Admin and Support) and salaries are a component of the forecast O&M in the revenue requirements of the SODO Heating TES. Corporate Overheads are costs allocated to the SODO Heating TES, which include directors' fees, office supplies and expenses, general legal and audit fees, and residual salaries and benefits that are not assigned to a specific Creative Energy TES.<sup>15</sup> In addition, Creative Energy explains that it has a team of full-time operators that support the multiple Creative Energy TES and allocate their time among systems. Thus, it uses the term "Fulltime Operator Salary" to refer to the allocated salaries of the operations staff, including a manager, at the SODO Heating TES.<sup>16</sup>

Table 3 below sets out the 2025 to 2027 forecast Corporate Overheads and "Fulltime Operator Salary" costs of the SODO Heating TES along with the 2020 to 2023 approved and 2020 to 2024 actual costs.

**Table 3: Corporate Overhead and "Fulltime Operator Salary" Costs<sup>17</sup>**

Component	2020 Approved	2020 Actual	2021 Approved	2021 Actual	2022 Approved	2022 Actual
Corporate Overheads	\$48,869	\$67,132	\$49,835	\$68,458	\$50,832	\$69,827
Fulltime Operator Salary	\$25,506	\$27,336	\$26,010	\$38,458	\$26,530	\$39,376

Component	2023 Approved	2023 Actual	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast
Corporate Overheads	\$51,849	\$71,224	\$106,372	\$126,320	\$128,846	\$131,423
Fulltime Operator Salary	\$27,071	\$51,748	\$53,732	\$73,411	\$74,879	\$76,377

Creative Energy explains that the 2025 forecast Corporate Overheads cost is based on the actual results of the SODO Heating TES in 2023 and 2024 under the BCUC-approved Massachusetts formula allocation<sup>18</sup> for the

<sup>15</sup> Exhibit B-3, p. 7; These costs are also referred to as "General and administration expenses" in the Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, pp. 20-21.

<sup>16</sup> Exhibit B-9, CEC IRs 8.1, 8.5; Exhibit B-10, RCIA IR 2.1. In responses to RCIA IR 2.1, Creative Energy states "Full-time Operator Salary refers to Creative Energy's operators being full-time, but not necessarily full-time on any individual system. It represents a team of full-time operators that support multiple Creative Energy district energy systems and allocate their time between systems... This team also has a manager whose costs are allocated proportionally to these same systems."

<sup>17</sup> Table compiled based on the table at Exhibit B-3, p. 2 and Exhibit B-7, BCUC IR 3.3, "SODO Heating – Rates Application 2024-2027 – BCUC IR No. 1.xlxs" Attachment, Tab "BCUC IR 3.3 Scen.1", Rows 155 and 161.

<sup>18</sup> Exhibit B-7, BCUC IR 8.1.

Creative Energy group of companies.<sup>19</sup> Creative Energy states that the increase in forecast Corporate Overheads costs is driven by an increase in its administrative and general salaries, including information technology , finance, human resources and regulatory teams, because Creative Energy considered its staffing since 2021 to be insufficient to effectively manage the utility. Additionally, Creative Energy explains that it has increased salaries and benefits in line with market comparatives. Using the Massachusetts formula, Creative Energy states that the allocated percentage of costs to the SODO Heating TES has decreased from 3.7 percent in the 2023 and 2024 actuals to 3.4 percent in the 2025 forecast.<sup>20</sup> Therefore, the increase in the 2025 forecast Corporate Overheads costs is largely attributable to the increase in administrative and general salaries, as described above. As more Creative Energy TES become operational, Creative Energy states that the allocation of overhead costs to the SODO Heating TES will be reduced, thus resulting in a decreasing trend of the Corporate Overheads costs over time.<sup>21</sup>

Regarding the “Fulltime Operator Salary” cost, Creative Energy states that the 2025 forecast increase over prior years’ approved cost is due to increases in the actual “rates” for operations staff in the 2021 to 2024 period to include components of employee costs - such as pension costs, employer source deductions, WorkSafeBC fees and training and administrative costs. Creative Energy also submits that the manager position was added in 2023 due to the overall increased demands of the Creative Energy TES. The cost recovery for the manager position is factored into the hourly rates of the operations team.<sup>22</sup>

For the 2026 and 2027 forecast, Creative Energy states that it has assumed an escalation rate of 2.0 percent for all O&M costs. This assumption is based on the Bank of Canada’s long-term inflation target of 2.0 percent, which is used to set the Bank of Canada’s policy interest rates.<sup>23</sup>

### *Positions of the Parties*

All interveners raised concerns with the SODO Heating TES’s forecast operating costs, in particular the Corporate Overheads and “Fulltime Operator Salary” costs.

BCOAPO submits that the 2025 forecast increases in Corporate Overheads and “Fulltime Operator Salary” costs are “problematic and unsustainable” when compared to the 2023 approved costs that are the basis for the current approved capacity charge.<sup>24</sup> Considering that staffing and administrative-related expenditures are forecast to increase “many multiples greater than [consumer price index] CPI,” BCOAPO is concerned that Creative Energy has not planned for any cost containment measures for O&M. In BCOAPO’s view, “this level of disinterest or perhaps lack of concern” to cost mitigation planning “flies in the face” of the interests of both the utility and customers, and BCOAPO does not see adequate evidence to support that all proposed staffing expenditures are necessary.<sup>25</sup> BCOAPO also submits that given “Fulltime Operator Salary” and Corporate Overheads costs represent a major portion of total O&M and have increased at levels exceeding CPI, CPI should not be used as an escalator for O&M in 2026 and 2027. BCOAPO states that by continuing the pattern of underestimating the SODO Heating TES’s O&M costs, the BCUC and stakeholders will be in a difficult position of effectively having to accept the higher actual costs in future test years as the money will have already been

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<sup>19</sup> The Creative Energy group of companies refers to Creative Energy and all regulated and non-regulated affiliates to which the Creative Energy Inter-Affiliate Conduct and Transfer Pricing Policy (IAC/TPP) that is approved by Decision and Order G-110-23 applies. Readers should refer to Figure 2 of that decision for details.

<sup>20</sup> Exhibit B-7, BCUC IRs 8.1, 8.1.1

<sup>21</sup> Exhibit B-3, p. 7.

<sup>22</sup> Exhibit B-9, CEC IRs 8.1, 8.2, 8.5.

<sup>23</sup> Exhibit B-7, BCUC IR 8.2.

<sup>24</sup> BCOAPO Final Argument, pp. 2–3.

<sup>25</sup> BCOAPO Final Argument, pp. 5–6.

spent.<sup>26</sup> The CEC has similar concerns regarding higher actual growth rates in operating costs compared to CPI and Creative Energy's lack of consideration for cost containment.<sup>27</sup>

Further, BCOAPO recommends that, due to the magnitude of the O&M cost increases, Creative Energy's core steam TES and SODO Heating TES rate applications be filed jointly to allow for the "implications of expenditures made at the corporate level/Core [steam TES] to be assessed for SODO prior to their approval" and to avoid delay in SODO Heating TES filings for new rates.<sup>28</sup> BCOAPO submits that a joint filing may be advantageous because the Corporate Overheads and "Fulltime Operator Salary," being large components of the SODO Heating TES's forecast O&M, form part of cost increases at the corporate level which are reviewed in the core steam TES's revenue requirements application (RRA).<sup>29</sup>

In reply, Creative Energy reiterates that it had insufficient staffing in 2021 and that the Corporate Overheads costs stem from the growth of administrative and general expenses driven by additional hires, recruitment costs, regulatory costs and expanded office-related expenditures.<sup>30</sup> Creative Energy argues that the forecast increase in "Fulltime Operator Salary" costs is driven by basic operational needs and rate increases.<sup>31</sup> Creative Energy asserts that use of the CPI to forecast cost increases for 2026 and 2027 is prudent forecasting practice and represents a methodology appropriate for multi-year rate setting that regulated utilities have used for a long time.<sup>32</sup>

Regarding the BCOAPO's recommendation for a joint rate application filing, Creative Energy states that the primary reason the core steam TES and SODO Heating TES are filed separately is due to fundamental differences between the two systems - such as cost drivers, energy sources, and rate structures. In Creative Energy's view, a joint filing would add complexity and obscure each TES's distinct infrastructure needs and challenges, ultimately hindering targeted solutions. By comparison, separate applications ensure that the regulatory proceedings are focused and equitable, offering precise articulations of the rate adjustments for each TES.<sup>33</sup>

The CEC and RCIA each recommend a review of the costs allocated to the SODO Heating TES within the Creative Energy group, offering different approaches. The CEC recommends that the BCUC direct Creative Energy to "produce and file, annually, the Massachusetts formula as part of the Utility's annual RRA cycle, including details such as organizational charts with full-time equivalent allocations given that Corporate Overheads costs form a major portion of total O&M. The CEC notes that Creative Energy had stated it would have no objection to such a review but it would prefer to have the review undertaken as part of Creative Energy's core steam TES's RRA because that TES represents the most material component of the allocation.<sup>34</sup> RCIA recommends that the BCUC direct "an independent review" of Creative Energy's cost allocation methodologies across both its regulated and non-regulated systems to prevent cross-subsidization.<sup>35</sup>

Creative Energy argues that RCIA's recommendation regarding an independent review is unnecessary because the Massachusetts formula is an established methodology previously approved by the BCUC. Nevertheless, Creative Energy commits to including more information on the cost allocation methodologies and percentages in its future RRAs across all its systems.<sup>36</sup> Creative Energy did not specifically respond to the CEC's submission on an annual review of the Massachusetts formula.

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<sup>26</sup> BCOAPO Final Argument, pp. 6–7.

<sup>27</sup> The CEC Final Argument, pp. 7–8.

<sup>28</sup> BCOAPO Final Argument, p. 11.

<sup>29</sup> BCOAPO Final Argument, pp. 7–8.

<sup>30</sup> Creative Energy Reply Argument, p. 9.

<sup>31</sup> Creative Energy Reply Argument, p. 8.

<sup>32</sup> Creative Energy Reply Argument, p. 7.

<sup>33</sup> Creative Energy Reply Argument, p. 16.

<sup>34</sup> CEC Final Argument, pp. 8–9.

<sup>35</sup> RCIA Final Argument, PDF page 7.

<sup>36</sup> Creative Energy Reply Argument, pp. 10–11.

## Panel Determination

**The Panel finds the Corporate Overhead costs forecast for 2025 to 2027 reasonable.** Creative Energy forecast these costs by applying the BCUC-approved Massachusetts formula allocation. While the Panel is satisfied that the dollar amount of the increases (i.e. approximately \$20,000 between 2024 actual and 2025 forecast) is appropriate, we acknowledge interveners' concerns regarding cost escalation and transparency for this component of O&M. The Panel shares the CEC's view that more information about forecasts, cost allocation percentages and the rationale for cost increases related to the SODO Heating TES would improve transparency and customer acceptance. **Therefore, the Panel directs Creative Energy to provide the following information in future SODO Heating TES RRAs:**

- (i) **Forecast Corporate Overhead costs with a detailed breakdown by the major cost categories prior to allocation to any TES;**
- (ii) **Forecast Corporate Overhead costs with a detailed breakdown by the major cost categories allocated to the SODO Heating TES based on the application of the Massachusetts formula;**
- (iii) **Forecast number of full-time equivalents allocated to the SODO Heating TES broken down by business unit;**
- (iv) **Rationale for any changes in the number of full-time equivalents by business unit allocated to the SODO Heating TES between the forecast test period and the forecast used to set rates from the prior test period; and**
- (v) **Rationale and description for any changes in the cost allocation percentages to the SODO Heating TES between the forecast test period and the forecast used to set rates from the prior test period.**

Regarding BCOAPO's recommendation for a joint rate application filing for Creative Energy's core steam TES and the SODO Heating TES, we are persuaded that a joint rate application could introduce unnecessary complexity and obscure the distinct characteristics and infrastructure needs of each TES. The Panel notes that separate filings are the current practice and support a more transparent review by the BCUC. As Creative Energy notes, separate filings for different TES do not prevent the BCUC or interveners from drawing comparisons for benchmarking purposes. Further, we consider that detailed information on the working of the Massachusetts formula, as directed above, will be sufficient to address concerns regarding the implications of gross Corporate Overhead costs on the SODO Heating TES.

**The Panel finds the forecast Fulltime Operator Salary component of O&M for 2025 to 2027 reasonable.** The Panel is satisfied with Creative Energy's explanation of the increase in this cost and we consider that there is no evidence that the SODO Heating TES has more operations staff than needed.

The Panel accepts the CPI escalator for O&M for 2026 and 2027 as reasonable based on the Bank of Canada's long-term inflation target. However, the Panel also acknowledges intervenor concerns regarding the 2.0 percent escalator, when the previous two years' actual costs have increased at rates exceeding CPI. The difference (revenue deficiencies or surpluses) between the annual forecast revenues at the approved capacity charges and the approved annual forecast revenue requirements, excluding fuel costs, is deferred to the RDDA. As such, it is important for Creative Energy to accurately forecast its O&M to provide the utility shareholders with a reasonable opportunity to earn a fair return on their invested capital. If actual incurred costs differ from forecast, these differences are not recorded in the RDDA and will be to the account of the shareholder. If actual and forecast costs continue to vary significantly, the Panel expects Creative Energy to justify in the next SODO Heating TES RRA the continued use of the CPI escalator or the use of alternative methods for certain costs to forecast O&M.

## 2.2 Maintenance Activities

Maintenance costs are another component of the O&M in the SODO Heating TES revenue requirements. This section addresses the reasonableness of the forecast maintenance costs for 2025 to 2027, as well as the drivers behind the actual maintenance costs in previous years (2020-2023) being lower than the approved forecast. Table 4 below sets out Creative Energy's 2025 to 2027 forecast maintenance costs.

**Table 4: 2025 to 2027 Forecast Maintenance Costs<sup>37</sup>**

	2025 Forecast	2026 Forecast	2027 Forecast
<b>Total Maintenance</b>	\$17,644	\$17,997	\$18,357

Creative Energy notes that it did not forecast the maintenance costs separately for the distribution piping system (DPS), energy transfer station (ETS), or plant maintenance costs but rather, captured all types of maintenance costs in one forecast.<sup>38</sup>

Creative Energy sets out the 2020 to 2023 actual maintenance costs as compared to the approved cost for each year in Table 5:

**Table 5: 2020 to 2023 Maintenance Costs<sup>39</sup>**

	Approved				Actual			
	2020	2021	2022	2023	2020	2021	2022	2023
Plant Maintenance	\$14,182	\$15,289	\$15,595	\$15,906	\$568	\$5,545	\$5,339	\$12,256
DPS Maintenance	\$13,584	\$13,853	\$14,130	\$14,412	\$3,143	\$8,373	\$17,882	\$5,734
ETS Maintenance	\$9,773	\$9,966	\$10,165	\$10,369	-	-	-	-
<b>Total Maintenance</b>	<b>\$37,539</b>	<b>\$39,108</b>	<b>\$39,890</b>	<b>\$40,687</b>	<b>\$3,711</b>	<b>\$13,918</b>	<b>\$23,221</b>	<b>\$17,990</b>

As shown in Table 5 above, actual total maintenance costs were consistently lower than the approved forecast in the years 2020 to 2023. Creative Energy explains that, since there was no operational history for the SODO Heating TES, it estimated the 2020 to 2023 forecast maintenance costs to be 1.0 percent of the accumulated construction costs for the TES, and expected that these costs would vary from the original approved amount based on actual maintenance needs.<sup>40</sup> The 2025-2027 forecast maintenance costs are, however, based on historical experience, which Creative Energy submits results in a better forecast.<sup>41</sup> Creative Energy states that despite lower actual spending on maintenance costs to-date, it does not anticipate any elevated levels of risk to the reliability and performance of the SODO Heating TES. In fact, Creative Energy states that starting in 2024, it increased the level of preventative maintenance, resulting in higher costs. Further, Creative Energy explains that it is constantly working on improving its service and maintenance programs.<sup>42</sup>

### *Positions of the Parties*

BCOAP0 expresses concern that Creative Energy underspent on its maintenance activities in the last test period as compared to the approved costs, which it contrasts with the increases in corporate overheads and salary expenses. BCOAP0 attributes the gap between Creative Energy's actual versus approved maintenance

<sup>37</sup> Exhibit B-3, pp. 6–7.

<sup>38</sup> Exhibit B-7, BCUC IR 9.4.

<sup>39</sup> Exhibit B-3, p. 2.

<sup>40</sup> Exhibit B-7, BCUC IRs 2.1, 2.2.1.

<sup>41</sup> Exhibit B-3, p. 3; Exhibit B-7, BCUC IRs 2.2.1, 9.1.

<sup>42</sup> Exhibit B-7, BCUC IRs 9.2, 9.3, 9.3.1.



expenditures to its need to cut costs and not the result of overestimation stemming from a lack of system history.<sup>43</sup>

In reply, Creative Energy states that BCOAPO fundamentally mischaracterizes its maintenance spending patterns, reiterating that the 2020 to 2023 forecast maintenance costs were estimated using a generic approach rather than operational experience given the lack of operating history at the time. Lower actual maintenance activity spending in the 2020 to 2023 period was not due to cost cutting, but is a reflection of the original estimation methodology becoming less relevant with the availability of historic information.<sup>44</sup>

### *Panel Determination*

**The Panel finds the forecast maintenance costs for 2025 to 2027 reasonable.** The Panel is persuaded that Creative Energy has gained operating experience with the SODO Heating TES, and can now use that experience to forecast its maintenance costs based on actual historical data. We do not share BCOAPO's concern that the evidence points to a pattern of underspending to cut costs and are satisfied with Creative Energy's explanation that historical underspending is related to the forecasting methodology, rather than cost cutting. The Panel accepts that variances are to be expected when using a generic forecasting method, such as Creative Energy used for the 2020-2023 maintenance cost forecast. The Panel also finds it reasonable that Creative Energy spent less than initially forecasted for maintenance in 2020-2023, given Creative Energy's assertion that this was all that was needed to be incurred to ensure safe and reliable operation of the SODO Heating TES.

## **2.3 Recovery of Income Tax Expense**

Consistent with the SODO Heating TES's previous revenue requirements, Creative Energy includes forecast income tax in the TES's revenue requirements for recovery from its customers. As shown in Table 1 in Section 2.0 above, forecast income tax is \$35,347, \$49,829, and \$61,936 for 2025, 2026, and 2027, respectively.

Creative Energy explains that the income tax is a deemed calculation based on the depreciation for tax purposes and the deemed capital structure. Creative Energy clarifies that the SODO Heating TES is owned and operated by Creative Energy, which is a corporation, but that it had misstated earlier in the proceeding that the SODO Heating TES is held within a limited partnership that does not pay income tax. However, Creative Energy submits that regardless of the corporate structure of the utility and what entity pays the income tax, it is appropriate to recover from the SODO Heating TES customers the income tax expense related to providing them with service.<sup>45</sup>

### *Positions of the Parties*

The CEC recommends that the BCUC disallow the recovery in rates of the income tax expense for the SODO Heating TES.<sup>46</sup> However, the CEC also suggests that Creative Energy "has made an appropriate case for the recovery of corporate tax liability from ratepayers."<sup>47</sup>

In reply to the CEC, Creative Energy notes the CEC's contradictory statements, but submits that it believes the CEC supports the recovery of the income tax expense given the fullness of the CEC's supporting argument.<sup>48</sup>

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<sup>43</sup> BCOAPO Final Argument, pp. 4–5.

<sup>44</sup> Creative Energy Reply Argument, pp. 6–7.

<sup>45</sup> Exhibit B-3, p. 3; Exhibit B-7, BCUC IR 12.1; Creative Energy Final Argument, p. 9.

<sup>46</sup> CEC Final Argument, p. 1.

<sup>47</sup> CEC Final Argument, p. 9.

<sup>48</sup> Creative Energy Reply Argument, p. 10.

Although not related to the recoverability of the income tax expense, RCIA observes that there has been a “dramatic drop” in income tax from \$124,000 in 2023 to \$7,763 in 2024. RCIA uses this observation to support its recommendation that the BCUC direct an independent review of cost allocation methodologies across Creative Energy’s regulated and non-regulated systems and corporations as discussed earlier in Section 2.1.<sup>49</sup>

In reply to RCIA, Creative Energy notes that the income tax is not subject to any cost allocation methodologies, but rather, is calculated based solely on the earnings generated from the provision of thermal energy services by the TES.<sup>50</sup>

### *Panel Discussion*

**The Panel finds the proposed forecast income tax for 2025 to 2027 reasonable and that it is appropriate for Creative Energy to recover the income tax expense from SODO Heating TES customers.** The methodology used to calculate the income tax is consistent with the approach used in the prior RRA and there is no evidence to suggest that a different approach would produce a more accurate forecast. Although there was some discussion during the proceeding regarding whether Creative Energy is entitled to recover the income tax expense, that discussion arose because Creative Energy stated the SODO Heating TES is held within a partnership that does not pay income tax. Creative Energy corrected that misstatement, and as such, the Panel no longer considers this to be an issue.

The Panel is not persuaded by the RCIA’s assertion that the decrease in income tax supports the need for an independent review of cost allocation methodologies. As Creative Energy notes, income tax is calculated based solely on the earnings generated from the provision of thermal energy services to the specific TES and is not subject to a cost allocation methodology.

## **2.4 Rate Smoothing Proposal**

The final proposed levelized capacity charges (i.e. row 2 in Table 2 above) are based on Creative Energy seeking to smooth the 2025 to 2027 increases in the levelized capacity charges over the three-year Test Period, resulting in a proposed annual rate increase of 5.8 percent for each of 2025, 2026 and 2027. Including the indicative variable charges in these years that are the other component of customers’ bills (see Section 4.1), Creative Energy notes that the indicative year-over-year bill increase for customers ranges from -0.5 percent to +4.9 percent, depending on the building.<sup>51</sup>

For comparison, without rate smoothing, the increases to the levelized capacity charges would be 13.0 percent in 2025 and 2.0 percent for 2026 and 2027.<sup>52</sup> Including the indicative variable charges in those years, the indicative year-over-year bill increases for customers would range from -2.4 percent to +10.0 percent, depending on the building.<sup>53</sup>

Creative Energy states that a rate smoothing mechanism provides a better outcome for customers by maintaining rate stability and represents an effective use of the deferral account mechanisms already in place. Creative Energy submits that there are “no notable downsides” to smoothing rates. In contrast, Creative Energy states that without rate smoothing, the year-over-year bill increases introduce volatility that may not be in the best interest of customers.<sup>54</sup>

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<sup>49</sup> RCIA Final Argument, PDF page 7.

<sup>50</sup> Creative Energy Reply Argument, p. 9.

<sup>51</sup> Exhibit B-7, BCUC IR 3.3.

<sup>52</sup> Exhibit B-7, BCUC IR 3.3.

<sup>53</sup> Exhibit B-7, BCUC IR 3.3.1.

<sup>54</sup> Exhibit B-7, BCUC IR 3.3.1; Creative Energy Final Argument, p. 8.



## *Positions of the Parties*

All interveners support smoothing the capacity charge increases over the 2025 to 2027 period to remove the higher one-time rate impact in 2025.<sup>55</sup>

## *Panel Determination*

**The Panel finds that Creative Energy’s proposal for smoothing the levelized capacity charge increases over the next three years is reasonable.** The proposal is preferable to the volatility that would accompany a higher one-time rate impact in 2025, followed by modest impacts in the remaining two years of the Test Period.

### **2.5 Overall Panel Determination**

The Panel has reviewed the various components of the 2025 to 2027 forecast revenue requirements for the SODO Heating TES. **Subject to the directives and determinations contained in the remainder of this decision, the Panel finds the forecast revenue requirements set out in Table 1 above reasonable for setting the levelized capacity charges for 2025 to 2027. Accordingly, the Panel approves the following levelized capacity charges, effective from January 1, 2025, to December 31, 2027, on a permanent basis, subject to final adjustments:**

- **\$15.49/kW/month, effective January 1, 2025;**
- **\$16.39/kW/month, effective January 1, 2026; and**
- **\$17.34/kW/month, effective January 1, 2027.**

**Creative Energy is directed to re-calculate its revenue requirements and levelized capacity charges for the SODO Heating TES based on the Panel’s determinations and directives in this decision and to file the revised financial model and tariff pages with the BCUC for endorsement within 30 days of the date of this decision (Compliance Filing).**

**Creative Energy is directed to refund to or recover from customers the difference between the interim rate approved by Order G-15-25 and the permanent rates for the SODO Heating TES, with interest at the average prime rate of Creative Energy’s principal bank for the most recent year, in the next billing cycle following the BCUC’s endorsement of the revised tariff pages, by applying a one-time adjustment to credit or charge customers accordingly. If the one-time credit or charge would exceed 10.0 percent of the total bill for a customer, Creative Energy may spread credit or charge to that customer over several months as long as the balance is fully repaid or collected by December 31, 2025.** The approved carrying cost for the difference between interim and permanent capacity charges, which Creative Energy did not address, is consistent with the BCUC’s determination in the 2019-2023 SODO Rates Decision.<sup>56</sup>

Recognizing that the levelized capacity charges approved above are established up to December 31, 2027, Creative Energy must apply for and be granted approval of SODO Heating TES rates (interim or permanent) effective for January 1, 2028. **The Panel, therefore, directs Creative Energy to file its next application for SODO Heating TES rates no later than November 15, 2027 to provide the BCUC sufficient time to review the filing and consider next steps prior to the beginning of 2028.**

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<sup>55</sup> BCOAPO Final Argument, p. 11; RCIA Final Argument, PDF page 7; CEC Final Argument, p. 9.

<sup>56</sup> Exhibit B-7, BCUC IR 17.1; Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, Directive 18.

### 3.0 Setting the 2024 Levelized Capacity Charge

As noted in Section 1.1 of this decision, when Creative Energy filed the Application on December 20, 2024, it sought approval for a levelized capacity charge for 2024, effective January 1, 2024, on an interim and refundable/recoverable basis. During the proceeding, Creative Energy amended the requested effective date of its levelized capacity charge proposals to commence January 1, 2025 instead of January 1, 2024 (i.e. excluding the year 2024) for the reasons described below. This section examines the necessity of the approval of rates for 2024, including the issues to be considered by the Panel as set out in the Interim Rates Decision, and provides our determinations.

#### **Background and Impact of the BCUC Generic Cost of Capital Proceeding**

In 2021, the BCUC initiated a Generic Cost of Capital (GCOC) proceeding, in which Creative Energy was a registered intervener. The purpose of that proceeding was to establish a method to determine the cost of capital for regulated utilities in BC, as well as to review the appropriateness of continuing to use a benchmark utility (Benchmark Utility). On September 5, 2023, the BCUC issued its decision on the GCOC Stage 1 proceeding (GCOC Stage 1 Decision) and determined the deemed capital structure and allowed return on equity (ROE) of FortisBC Energy Inc. and FortisBC Inc.<sup>57</sup> As part of that decision, the BCUC directed that interim rates, effective January 1, 2024, be established on a refundable or recoverable basis for all other utilities, including Creative Energy, that use the Benchmark Utility to set their capital structure and equity return, pending the BCUC's final decision on the GCOC Stage 2 proceeding.<sup>58</sup>

On November 29, 2024, the BCUC issued its GCOC Stage 2 decision (GCOC Stage 2 Decision).<sup>59</sup> In that decision, the BCUC established the deemed equity component and allowed ROE for Creative Energy's SODO Heating TES, effective January 1, 2024. The BCUC acknowledged that Creative Energy did not have any rates proceedings for the SODO Heating TES during the course of the GCOC Stage 2 proceeding and approved the previously established SODO Heating TES interim 2024 rates as permanent, directing Creative Energy to do the following:<sup>60</sup>

- (i) Establish a new GCOC Variance Deferral Account, attracting the SODO Heating TES's Weighted average cost of capital (WACC), to record the variance between the previously established interim 2024 rates and the rates that would reflect the new cost of capital, effective January 1, 2024; and
- (ii) Address the amounts to be added to the GCOC Variance Deferral Account and their disposition in the sooner of (i) Creative Energy's next rates application (i.e. this Application) or (ii) a compliance filing to be filed with the BCUC by January 31, 2025.

#### **Creative Energy's Proposals for the 2024 Levelized Capacity Charge**

When Creative Energy filed the Application in December 2024, it sought approval of an interim and permanent 2024 capacity charge for the SODO Heating TES.<sup>61</sup> Creative Energy explained that it had billed customers throughout 2024 based on the 2023 approved capacity charge of \$14.64/kW/month and therefore its request was to make the 2023 approved rate permanent for 2024. It submitted that this was not retroactive ratemaking

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<sup>57</sup> BCUC Generic Cost of Capital Stage 1 (GCOC Stage 1), Decision and Order G-236-23 dated September 5, 2023 (GCOC Stage 1 Decision).

<sup>58</sup> GCOC Stage 1 Decision, Directive 4.

<sup>59</sup> BCUC GCOC Stage 2 (GCOC Stage 2), Decision and Order G-321-24 dated November 29, 2024 (GCOC Stage 2 Decision).

<sup>60</sup> GCOC Stage 2 Decision, Directive 2, p. 100.

<sup>61</sup> Exhibit B-1, p. 1.

since there was no adjustment or replacement of a prior approved rate. Creative Energy referred to the request as a need to address rates for a period in which service was provided and there was no approved rate.<sup>62</sup>

The BCUC stated in the Interim Rates Decision, however, that it was not persuaded that approval of a capacity charge on an interim basis for 2024 was needed given that the 2024 year had passed and, by the time Creative Energy filed the Application, it had already billed customers based on the 2023 approved rates for most of the year. Further, the BCUC stated that the issue of potential retroactive ratemaking for 2024, as well as how the directives in the GCOC Stage 1 and 2 Decisions regarding rate approvals for the SODO Heating TES may impact what further orders the BCUC can make regarding rates for 2024, should be considered before further rates for 2024 are set. The BCUC stated that these issues would be a matter for consideration in the current proceeding.<sup>63</sup>

Having considered the GCOC Stage 1 and Stage 2 Decisions, Creative Energy submits that the BCUC has already approved the 2024 capacity charge included in the Application on a permanent basis and therefore further approval of a 2024 capacity charge is unnecessary. Specifically, Creative Energy submits that the GCOC Stage 1 Decision approved Creative Energy's 2024 capacity charge as included in this Application, on an interim basis; and the GCOC Stage 2 Decision then approved that rate on a permanent basis.<sup>64</sup>

### *Position of the Parties*

BCOAPO states that it "vigorously disagrees" with Creative Energy's interpretation of the GCOC Stage 1 and 2 Decision, submitting that Creative Energy has proposed retroactive ratemaking. BCOAPO submits that the general regulatory rule against retroactive ratemaking is to serve the following goals:<sup>65</sup>

1. The protection of utility ratepayers from unfairly experiencing rate volatility through the payment of rate increases (or decreases) rooted in previous test periods; and
2. The avoidance of utility incentivization to incur costs without regulator oversight in the hopes that they will benefit from the perceived or actual advantage of begging for forgiveness rather than seeking permission beforehand.

The CEC states that "permanent rates for 2024 should be considered as final." However, the CEC recommends that the "GCOC rate parameters" from the GCOC Stage 2 Decision should apply starting in 2025.<sup>66</sup>

RCIA does not comment on this issue.

Creative Energy does not reply directly to the above submissions.

### *Panel Determination*

**The Panel approves a levelized capacity charge of \$14.64/kW/month for January 1, 2024, to December 31, 2024, on a permanent basis.**

The Panel finds it necessary to approve a 2024 capacity charge, as we do not accept Creative Energy's submission that the directives in the GCOC Stage 1 and Stage 2 Decisions have already approved the capacity charge.

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<sup>62</sup> Exhibit B-1, pp. 1–2.

<sup>63</sup> Interim Rates Decision, p. 2.

<sup>64</sup> Creative Energy Final Argument, p. 7; Exhibit B-7, BCUC IRs 1.1–1.3.

<sup>65</sup> BCOAPO Final Argument, p. 9.

<sup>66</sup> CEC Final Argument, p. 15.

The GCOC Stage 1 Decision directed that utilities using the Benchmark Utility to set their rates (which includes Creative Energy) would have interim rates, effective January 1, 2024, on a refundable or recoverable basis, pending the BCUC's final decision on Stage 2 of the GCOC proceeding. The Panel finds that the GCOC Stage 1 Decision did not approve a specific rate for the SODO Heating TES on an interim basis. Rather, that decision directed that any rate, effective January 1, 2024, established through separate regulatory processes would be interim insofar as that rate was impacted by the cost of capital decision in the Stage 2 of the GCOC proceeding.

In other words, the Panel considers that, following the GCOC Stage 1 Decision, it was expected that a future panel would review the revenue requirements and rates for 2024 for the SODO Heating TES to determine the appropriate interim rates. The BCUC did acknowledge, in the GCOC Stage 2 Decision, that Creative Energy did not have any rates proceedings for the SODO Heating TES during the course of the GCOC Stage 2 proceeding, which spanned most of the year 2024. However, in approving previously established interim 2024 rates as permanent, we find that the GCOC Stage 2 Decision meant that the specific rates that were to be established by a panel reviewing the 2024 SODO Heating TES's revenue requirements and rates are the permanent rates. This interpretation is consistent with how the 2024 and 2025 rates for River District Energy Limited Partnership (River District) were set, for example. In that instance, following the GCOC Stage 1 Decision, the BCUC established specific rates for River District, on an interim and refundable/recoverable basis, based on the review of River District's revenue requirements application.<sup>67</sup> Those rates were subsequently approved as permanent by the GCOC Stage 2 Decision.<sup>68</sup>

Thus, having found that the BCUC has not yet approved a specific capacity charge for 2024, the question before the Panel now is: what is a just, reasonable, and not unduly discriminatory or preferential levelized capacity charge for the SODO Heating TES for 2024?

The Panel notes that by the time Creative Energy filed the Application in December 2024, the opportunity to provide a forecast revenue requirement for the SODO Heating TES to inform rates had passed. Creative Energy provided its 2024 actual costs instead on February 14, 2025.<sup>69</sup>

The BCUC emphasized the importance of a forecast revenue requirement in determining utility rates in the Creative Energy 2019-2020 Core TES RRA Decision:<sup>70</sup>

In general, the Panel does not agree that it is appropriate to set utility rates based on hindsight, using actual results... Rates should be set prospectively based on a reasonable forecast of revenue requirement items, and the utility should be held accountable for its forecast with the exception of those revenue requirement items that the regulator approves as being appropriate for deferral treatment because the items are outside the control of management or are subject to a high degree of forecast uncertainty. If rates are set based on actual results, there is no incentive for a utility to operate efficiently since it is effectively guaranteed its allowed rate of return. This is contrary to the regulatory compact under which a utility is afforded a reasonable opportunity to earn a fair return on its invested capital. [*emphasis in original*]

The Panel agrees with the BCUC's reasons in the Creative Energy 2019-2020 Core TES RRA Decision, explaining why it is generally not appropriate to set utility rates based on hindsight, using actual costs. While not binding, we further note that, in the Creative Energy 2019-2020 Core TES RRA Decision, the BCUC found it was appropriate in similar circumstances to maintain the 2018 BCUC-approved rates and forecast cost of service for

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<sup>67</sup> Order G-94-24.

<sup>68</sup> GCOC Stage 2 Decision, pp. 97–98.

<sup>69</sup> Exhibit B-3, p. 5.

<sup>70</sup> Creative Energy 2019-2020 Core TES RRA Decision and Order G-227-20 dated September 20, 2020 (2019-2020 Core TES RRA Decision), p. 11.

setting the 2019 permanent rates.<sup>71</sup> The circumstances are similar in that Creative Energy sought to base its 2019 core steam TES rates on 12-months of actual results for certain costs and 9-months of actual results plus 3-months of forecast information for other items given the timing of its application when nearly all of the 2019 year had passed in the Creative Energy 2019-2020 Core TES RRA proceeding.

As in the case of the Creative Energy 2019-2020 Core TES RRA Decision, the Panel finds in the current circumstance that the next best alternative to having a forecast for 2024 costs available to set the SODO Heating TES's 2024 levelized capacity charge is to maintain the 2023 BCUC-approved rate, which was \$14.64/kW/month. Maintaining a previously approved rate is easily understood by customers and consistent with the rate that Creative Energy billed the SODO Heating TES customers through 2024. The Panel also finds that maintaining the 2023 BCUC-approved rate for the 2024 rates results in a just, reasonable, and not unduly discriminatory or preferential levelized capacity charge for the SODO Heating TES for 2024. The Panel is satisfied that there is no evidence to suggest that maintaining the 2023 rates and underlying 2023 approved forecast would not provide Creative Energy a reasonable opportunity to earn its allowed ROE. While the Panel recognizes that the GCOC Stage 2 Decision resulted in a different allowed return effective January 1, 2024, as discussed in Section 3.1 below, the Panel is satisfied that there is an established mechanism to recover the resulting cost of capital impacts, including the ROE, for 2024.

Finally, with respect to the potential retroactive ratemaking concerns raised by BCOAPO, the Panel notes that since specific rates for 2024 were not previously approved for the SODO Heating TES, as explained above, the Panel is therefore not changing a previously approved rate. Furthermore, maintaining the 2023 rates and the underlying 2023 approved forecast for 2024 will not result in the recovery of the 2024 actual costs from the SODO Heating TES customers. However, given the importance of setting rates on a prospective basis, as mentioned above, the Panel reminds Creative Energy to file all future rates applications in a timely manner.

### **3.1 2024 RDDA and GCOC Variance Deferral Account**

Notwithstanding Creative Energy's position that it does not require approval of a 2024 capacity charge, it makes submissions concerning the RDDA for 2024 and the use of the GCOC Variance Deferral Account that was directed in the GCOC Stage 2 Decision.<sup>72</sup> As noted earlier, the BCUC established the RDDA in the 2019-2023 SODO Rates Decision. The BCUC approved the RDDA to record the revenue deficiencies or surpluses for the SODO Heating TES that result from the difference between its annual forecast revenues at the approved capacity charges and the approved annual forecast revenue requirements, excluding fuel costs.<sup>73</sup>

For 2024, Creative Energy submits that the RDDA additions should be based on the 2024 actual costs of the SODO Heating TES.<sup>74</sup> Creative Energy explains that, although the BCUC directed it to establish a GCOC Variance Deferral Account, to reflect the difference between the SODO Heating TES's old or "original" cost of capital and new cost of capital (GCOC Variance), it has instead accounted for this difference in the RDDA.<sup>75</sup>

Creative Energy calculates that the GCOC Variance is \$43,340,<sup>76</sup> before considering carrying costs, as set out in Table 6 below.

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<sup>71</sup> Ibid., p. 12.

<sup>72</sup> Exhibit B-7, BCUC IRs 13.2, 13.2.1, 16.0 Series.

<sup>73</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, p. 57.

<sup>74</sup> Exhibit B-7, BCUC IR 13.2.1; Exhibit B-7, BCUC IR 3.3, "SODO Heating – Rates Application 2024-2027 – BCUC IR No. 1.xlxs" Attachment, Tab "BCUC IR 3.3 Scen.1", Cell M180.

<sup>75</sup> Exhibit B-7, BCUC IR 16.2.

<sup>76</sup> Exhibit B-7, BCUC IR 16.3.

**Table 6: GCOC Variance Calculation<sup>77</sup>**

2024 Rev. Req.	Units	Original	GCOC Stage 2	Variance
Equity/Capitalization	%	42.50%	49.00%	6.50%
Return on Equity	%	9.50%	10.40%	0.90%
Cost of Equity	%	4.04%	5.10%	1.06%
Mid-Year Rate Base	\$'000	\$ 4,095	\$ 4,095	\$ -
<b>Cost of Equity</b>	<b>\$'000</b>	<b>\$ 165</b>	<b>\$ 209</b>	<b>\$ 43</b>

Creative Energy compares its proposal to alternatives such as determining the amount of the 2024 RDDA additions using the approved 2023 RDDA additions. Creative Energy submits that most of the difference (approximately \$42,000) between the approved 2023 RDDA additions and Creative Energy's proposal using 2024 actual costs effectively equates to the GCOC Variance. As such, it submits that it would not be appropriate to set the 2024 RDDA additions based on the 2023 approved additions because it would not account for the impact of the GCOC Stage 2 Decision.<sup>78</sup> The accepted amount of the 2023 approved RDDA additions is \$112,994 as discussed in Section 4.3.1 of this decision.

Creative Energy submits that its proposed approach spreads the impact of the GCOC Variance over the longest period possible to help mitigate the already significant increase in rates for 2025, uses the fewest deferral mechanisms, and avoids undue complexity. Creative Energy acknowledges that although it has not established a GCOC Variance Deferral Account, the parameters it would have proposed would be identical to those of the existing RDDA.<sup>79</sup>

Nevertheless, Creative Energy submits that, if the Panel deems that a shorter GCOC Variance recovery period is appropriate, it would not be opposed to establishing the GCOC Variance Deferral Account.<sup>80</sup> The following table shows the bill impact of recovering the GCOC Variance, including the applicable carrying costs, over one-, three- and five-year amortization periods.

**Table 7: GCOC Variance Bill Impact Scenario Analysis<sup>81</sup>**

	1-Year Amortization	3-Year Amortization	5-Year Amortization
<b>Rate Rider to Recover the GCOC Variance Deferral Account Balance (\$/kW/month)</b>	<b>\$1.13</b>	<b>\$0.41</b>	<b>\$0.27</b>
<b>Annual Deferred Amount to Recover</b>	<b>\$47,284</b>	<b>\$17,152</b>	<b>\$11,171</b>
<b>Total Indicative Bills before Rate Rider<sup>82</sup></b>	<b>\$976,057</b>	<b>\$976,057</b>	<b>\$976,057</b>
<b>Percentage Bill Increase Resulting from Rate Rider<sup>83</sup></b>	<b>4.8%</b>	<b>1.8%</b>	<b>1.1%</b>

In Creative Energy's view, there is a clear detrimental impact on rates if the GCOC Variance Deferral Account is established through the inclusion of a "GCOC Stage 2 rate rider."<sup>84</sup>

<sup>77</sup> Exhibit B-7, BCUC IR 16.1.

<sup>78</sup> Exhibit B-7, BCUC IR 13.2.1.

<sup>79</sup> Exhibit B-7, BCUC IR 16.2.

<sup>80</sup> Creative Energy Final Argument, p. 10; Exhibit B-7, BCUC IR 16.2.

<sup>81</sup> Table compiled using amounts from Exhibit B-7, BCUC IRs 16.3, 3.3.

<sup>82</sup> Sum of the 2025 indicative total bill for Buildings 1 through 5 from the table at Exhibit B-7, BCUC IR 3.3.

<sup>83</sup> Calculated as the "Annual Deferred Amount to Recover" divided by the "Total Indicative Bills before Rate Rider."

<sup>84</sup> Exhibit B-7, BCUC IR 16.3.



## *Positions of the Parties*

BCOAPO states that since Creative Energy elected not to file for rates in 2024, the recovery through the 2024 RDDA of the difference between the TES's 2023 approved RDDA additions and the proposed RDDA additions based on the 2024 actual costs should be denied.<sup>85</sup> In BCOAPO's view, the 2024 RDDA additions should be derived based on the 2023 approved forecast revenue and cost of service, typical with past practice. BCOAPO notes that this is not a prohibitive amount for Creative Energy to absorb.<sup>86</sup>

RCIA does not comment on this issue. The CEC, however, as mentioned in Section 3.0 above, recommends the commencement of the "GCOC rate parameters" from the GCOC Stage 2 Decision in 2025.

In reply, Creative Energy argues that the ability of the utility to absorb the cost, as suggested by BCOAPO, should be dismissed. Rather, BCOAPO's proposal means forgoing the additional regulated ROE that the GCOC Stage 2 Decision approved for the SODO Heating TES, which Creative Energy does not believe is fair. In Creative Energy's view, the request to recover the GCOC Variance through the RDDA is not detrimental to customers as it results in a capacity charge increase of less than 1.0 percent.<sup>87</sup>

## *Panel Determination*

**The Panel directs Creative Energy to record RDDA additions of \$112,994 for the year 2024, which is the amount of BCUC-accepted 2023 RDDA additions as set out in Section 4.3.1 of this decision.**

**The Panel does not accept Creative Energy's proposal to record the GCOC Variance for the SODO Heating TES in the RDDA. Instead, the Panel directs Creative Energy to do the following:**

- **Record a GCOC Variance of \$43,340 in the GCOC Variance Deferral Account as directed by the BCUC in the GCOC Stage 2 Decision;**
- **Recover the GCOC Variance Deferral Account balance over a three-year period commencing in 2025 through a GCOC Variance Rate Rider of \$0.41/kW/month, effective January 1, 2025; and**
- **Close the GCOC Variance Deferral Account once the balance has been recovered.**

The Panel notes that in the 2019-2023 SODO Rates Decision the BCUC approved Creative Energy to record in the RDDA the difference between the SODO Heating TES's annual revenues at the approved capacity charges and the approved annual forecast revenue requirements, except for fuel costs. However, by basing its additions to the RDDA in 2024 on the SODO Heating TES's 2024 actual costs, the Panel finds that Creative Energy is effectively seeking to vary the approved use of the RDDA for one year, such that Creative Energy would recover actual costs (instead of forecast costs) from customers.

As the Panel stated in Section 3.0 above, we consider that utility rates should not be set based on actual results and, by extension, this applies to RDDA additions. As such, given our earlier determination that the 2023 BCUC-approved levelized capacity charge should be maintained in 2024, the Panel finds it is appropriate to base the 2024 RDDA additions on the 2023 approved forecast cost of service. We note that BCOAPO also supports this approach. Since Creative Energy is to maintain the 2023 approved levelized capacity charge for 2024 and there is no change to the design peak heating demand, which is the billing determinant of the capacity charge, it follows that the annual revenues for 2024 should be the same as for 2023 and thus the 2024 RDDA additions should be the same as for 2023.

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<sup>85</sup> BCOAPO Final Argument, pp. 9–10.

<sup>86</sup> BCOAPO Final Argument, pp. 10–11.

<sup>87</sup> Creative Energy Reply Argument, pp. 12–13.

The Panel recognizes Creative Energy's statement that determining the amount of the 2024 RDDA additions using the approved 2023 RDDA additions does not allow Creative Energy to recover the impact of the GCOC Variance. However, the Panel considers the recovery of the GCOC Variance is a separate matter from the RDDA additions, and the fact that most of the difference (approximately \$42,000) between the approved 2023 RDDA additions and Creative Energy's proposal using 2024 actual costs effectively equates to the GCOC Variance (approximately \$43,340) is purely coincidental.

The Panel notes that the RDDA and the GCOC Variance Deferral Account are intended for different purposes and may, therefore, warrant different mechanisms and timelines for recovery (despite Creative Energy's submission that it would propose identical parameters for the GCOC Variance Deferral Account as for the RDDA). The RDDA was established to implement a levelized rate structure over a 30-year period, with the recovery of the RDDA balance through the SODO Heating TES capacity charges. On the other hand, Creative Energy was directed to establish the GCOC Variance Deferral Account to record the impact of the new cost capital, determined in the GCOC Stage 2 Decision, on the SODO Heating TES's 2024 rates. The Panel accepts that the recovery of the GCOC Variance in the RDDA would result in lower bills for customers. However, given the intended purpose of the GCOC Variance Deferral Account, and consistent with the BCUC's treatment of other TES that use an RDDA,<sup>88</sup> the Panel considers it appropriate to record the GCOC Variance in a separate GCOC Variance Deferral Account for transparency and to allow for alternative amortization periods to be considered.

The Panels finds that a three-year amortization period, commencing January 1, 2025, for the GCOC Variance Deferral Account is reasonable based on the bill impact scenario analysis at Table 7. The Panel notes that the GCOC Variance only relates to the allowed return for 2024, which is now in the past. As such, the Panel finds that the GCOC Variance should be recovered as soon as practicable, while minimizing its future impact on customers' bills. The Panel also notes that the GCOC Stage 2 Decision approved previously-established SODO Heating TES interim 2024 rates as permanent and then directed Creative Energy to establish the GCOC Variance Deferral Account with the disposition of the account to be addressed in an application filed by no later than January 31, 2025. In the Panel's view, this meant that the BCUC contemplated the recovery of the deferred balance in the account to commence no earlier than the date of the related application. In this case, the Application was filed in late December 2024. Based on this information, the Panel finds that commencing amortization of the GCOC Variance Deferral Account at the start of the following month, which is January 1, 2025, is consistent with the commencement date contemplated in the GCOC Stage 2 Decision and it is consistent with Creative Energy's proposal to recover the GCOC Variance beginning in 2025 through the 2024 RDDA additions.

## **4.0 Other Items and Approvals Sought**

This section sets out the Panel's determinations with respect to other items and approvals sought, including other issues arising during the proceeding.

### **4.1 Proposed Variable Charge Rate Design**

Creative Energy requests approval to continue charging SODO Heating TES customers a variable charge that is calculated monthly and expressed in \$/MWh to flow-through its actual costs for natural gas and electricity (i.e. fuel costs) to operate the SODO Heating TES.<sup>89</sup> Creative Energy submits that the flow-through methodology of

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<sup>88</sup> For example, River District Energy Generic Cost of Capital Stage 2 Order G-321-24 Variance, Order G-97-25 with decision dated April 14, 2025 denied the request to record the GCOC Variance in the RDDA and instead directed the variance be recorded to the GCOC Variance Deferral Account.

<sup>89</sup> Exhibit B-1, pp. 7 and 9.



the variable charge incentivizes customers to lower their overall energy bills, since reducing energy consumption at the building level results in a direct decrease to the fuel costs that the customer incurs.<sup>90</sup>

For each month, Creative Energy confirms that the variable charge is calculated by dividing the SODO Heating TES's total fuel costs by the total metered energy in MWh supplied by the TES to its customers.<sup>91</sup> Creative Energy then bills each of the five customers based on their portion of the total metered energy consumption for the month.

Creative Energy provided its actual fuel costs invoiced from FortisBC Energy Inc. and British Columbia Hydro and Power Authority, as well as the actual metered energy consumption (MWh), actual variable charge (\$/MWh), and total variable costs for each of the SODO Heating TES's customers by month, from November 2019 to December 2024, demonstrating the flow-through methodology of the fuel costs.<sup>92</sup> Creative Energy explained that the customers' month-to-month bill volatility pertaining to the variable charges is primarily based on the customers' own consumption.<sup>93</sup>

During the proceeding, the BC Government repealed the provincial carbon tax on consumers effective April 1, 2025. The carbon tax was introduced in BC in 2008 and was applicable to the purchase or use of fuel such as gasoline, diesel, and natural gas.<sup>94</sup> Creative Energy submits that any cost reductions resulting from the repeal of the carbon tax are passed on immediately to SODO Heating TES customers.<sup>95</sup>

### *Positions of the Parties*

The CEC raised concerns regarding the relationship between the SODO Heating TES customers' metered consumption and the variable charge, namely that Creative Energy states the customers' monthly bill volatility is primarily due to the customers' own consumption. The CEC submits that this does not explain the higher variable charge that Creative Energy billed to customers for the warmer months as shown in Figure 1 below.<sup>96</sup>

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<sup>90</sup> Creative Energy Final Argument, p. 8.

<sup>91</sup> Exhibit B-1, Appendix B; Exhibit B-7, BCUC IR 4.2.

<sup>92</sup> Exhibit B-7, BCUC IR 5.1.

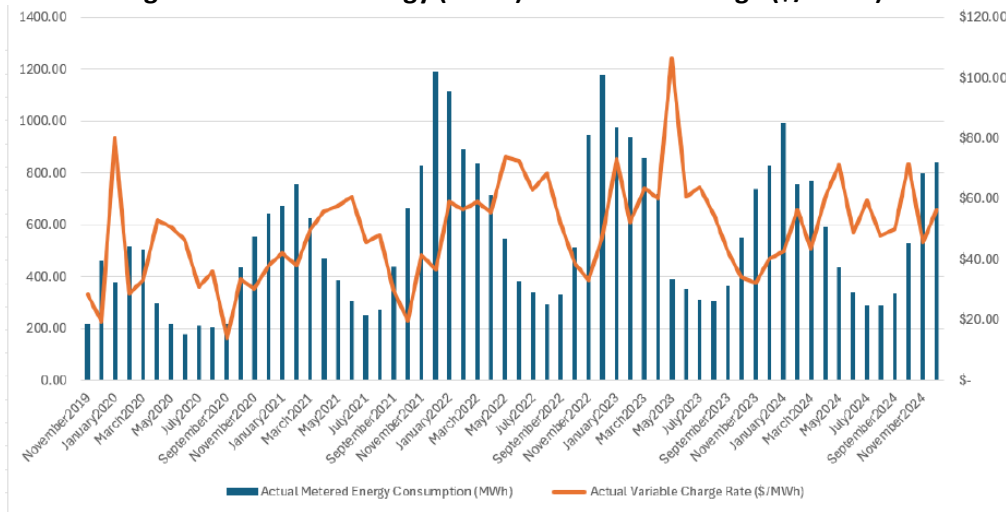
<sup>93</sup> Creative Energy Final Argument, p. 8.

<sup>94</sup> Exhibit B-7, BCUC IR 3.0; <https://www2.gov.bc.ca/gov/content/taxes/sales-taxes/motor-fuel-carbon-tax/publications/carbon-tax-rates-by-fuel-type>

<sup>95</sup> Exhibit B-7, BCUC IR 3.1.

<sup>96</sup> CEC Final Argument, p. 12.

**Figure 1: Metered Energy (MWh) vs. Variable Charge (\$/MWh)<sup>97</sup>**



The CEC requests the BCUC direct Creative Energy to confirm the reasons for what it purports to be an “inverse relationship” between the monthly variable charge and the monthly variable costs charged to customers. If the inverse relationship is reasonably confirmed, then the CEC recommends the BCUC direct Creative Energy “to bill customers on actual variable consumption and on the basis of the forecast costs of such consumption.”<sup>98</sup> If either the current method is maintained or if a forecast cost method is used, the CEC recommends that Creative Energy be directed to true-up its total variable costs on an annual basis.<sup>99</sup> Finally, the CEC requests the BCUC direct Creative Energy to address in a compliance filing how the cost reductions from the repeal of the carbon tax will be passed on to the end users of the SODO Heating TES (i.e. commercial and residential occupants) and the timing of such.<sup>100</sup>

In reply, Creative Energy submits that there is no “inverse relationship” as the evidence shows that its actual fuel costs are passed through to customers with a one-month delay as shown in Figure 2 below.<sup>101</sup>

<sup>97</sup> CEC Final Argument, p. 12.

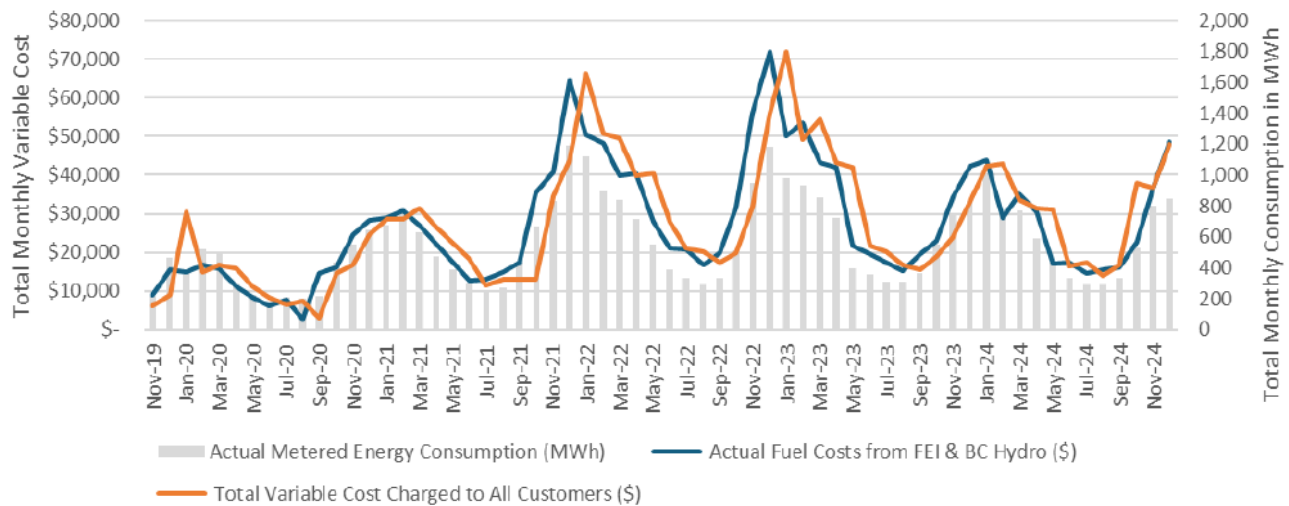
<sup>98</sup> CEC Final Argument, pp. 12–13.

<sup>99</sup> CEC Final Argument, p. 13.

<sup>100</sup> CEC Final Argument, p. 11.

<sup>101</sup> Creative Energy Reply Argument, p. 14.

**Figure 2: Monthly Variable Charges<sup>102</sup>**



Creative Energy outlines that it has been working with the SODO Heating TES customers to improve the billing process and since October 2024, Creative Energy has been able to bill its customers the actual fuel costs for the current month, thus eliminating the timing lag. Creative Energy rejects the CEC’s proposal to establish the variable charge on a forecast cost basis with an associated deferral account. In its view, this would complicate the billing system, add administrative burden, and make it harder for customers to understand their bills.<sup>103</sup> Regarding the removal of the carbon tax, Creative Energy argues that the CEC’s request that it identify how savings are passed on to end-users should be rejected because it offers no added value. Creative Energy reiterates that the cost associated with the carbon tax has been removed from all customers’ bills beginning in April 2025.<sup>104</sup>

### *Panel Determination*

The Panel is satisfied that the direct flow-through methodology for setting the variable charge, which the BCUC approved in 2021, remains reasonable and does not require an annual true-up mechanism since there is nothing to “true up.” In regards to the CEC’s concern about an inverse relationship between the monthly variable charge and the monthly variable costs charged to customers, we accept Creative Energy’s explanation that it has eliminated the timing lag in customer billing and therefore we are not persuaded that Creative Energy should adopt the CEC’s proposed alternative methodology of setting the variable charge on a forecast basis to reduce volatility.

Further, the Panel notes that Creative Energy has no control over how its customers pass on the benefits from the removal of the carbon tax to the end-users and therefore, we reject the CEC’s request that we direct Creative Energy to provide information on this.

**Therefore, the Panel approves Creative Energy to continue charging the variable charge, calculated by dividing the SODO Heating TES’s total fuel costs by the total metered energy in MWh supplied by the TES, to flow-through the TES’s actual fuel costs, effective January 1, 2024, on a permanent basis.** The Panel notes that the BCUC directed Creative Energy in the 2019-2023 SODO Rates Decision to include the calculation of the variable costs on the customers’ bill for transparency and to provide in its annual reporting to the BCUC for the SODO Heating TES: (i) the variable charge (\$/MWh) for each of the previous 12 months; and (ii) the actual total variable costs charged to each customer for each of the previous 12 months.<sup>105</sup> **In addition to those billing and**

<sup>102</sup> Creative Energy Reply Argument, p. 15.

<sup>103</sup> Creative Energy Reply Argument, p. 15.

<sup>104</sup> Creative Energy Reply Argument, p. 12.

<sup>105</sup> Creative Energy 2019-2023 SODO Rates Decision, p. 43.

annual reporting requirements, to assist with monitoring the volatility of the variable charge, the Panel directs Creative Energy to also provide its (i) actual total fuel costs for each of the previous 12 months; (ii) actual total metered energy (MWh) for each of the previous 12 months; and (iii) rationale for any difference between the actual total variable costs charged to customers and the actual total fuel costs for each of the previous 12 months.

## **4.2 Deferral Account Requests**

### **4.2.1 Termination of TES Extension Deferral Account**

Creative Energy requests approval to refund the balance of the TES Extension Deferral Account and close the account once the balance has been refunded.<sup>106</sup>

The SODO Heating TES initially comprised four buildings. Mid-way through the 2019-2023 SODO Rates proceeding, Creative Energy applied to extend the TES to include a fifth building (the TES Extension). Occupancy and thermal energy service at Building 5 began part way through that test period. However, Creative Energy did not include the related rate impacts (i.e. revenues or cost of service) in the calculation of the 2019 to 2023 levelized capacity charges of the SODO Heating TES.<sup>107</sup> The BCUC approved the TES Extension to commence service under the heating rates approved in that decision, and established the TES Extension Deferral Account to facilitate the refund or recovery of the capacity charge impact related to Building 5. The BCUC stated that Creative Energy could address the disposition of the account in the next revenue requirements application (e.g. an application for rates effective for the period beginning in 2024).<sup>108</sup>

The TES Extension Deferral Account bears interest at Creative Energy's weighted average cost of capital and records the annual revenues at the approved rates of the SODO Heating TES and the forecast estimated annual cost of service of Building 5.<sup>109</sup>

Creative Energy states that the balance of the TES Extension Deferral Account as at December 31, 2024 is a credit of \$203,001 (i.e. an amount refundable to customers), which includes the revenues and cost of service of Building 5 since thermal energy service began in that building until the end of 2024. Creative Energy proposes to refund the balance to customers in the form of a credit note that can be used against future invoices. The amount of the credit is to be allocated to customers proportionally based on the design peak demand (kW) for the building, with adjustments for stub periods for the timing of when the building connected to the SODO Heating TES. Creative Energy explains that customers would have discretion over when and how much of their credit note is applied, but from its experience, customers would typically apply the full amount against the next available invoice. Under this approach, Creative Energy anticipates all customers will be fully refunded within 2 to 3 months.<sup>110</sup> Creative Energy states that it does not foresee any incremental risks to operations and the provision of safe and reliable service to customers if the credit note results in no revenues being collected for 2 to 3 months as it has sufficient working capital.<sup>111</sup>

Creative Energy considers its proposed approach to be simpler for customers to understand, easier to administer, and refunds customers quicker as compared to the alternative approaches (e.g. a rate rider

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<sup>106</sup> Creative Energy Final Argument, pp. 5, 10.

<sup>107</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, pp. 64–65.

<sup>108</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, p. 67.

<sup>109</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, p. 67.

<sup>110</sup> Exhibit B-5, pp. 4–5; Exhibit B-7, BCUC IR 15.1.

<sup>111</sup> Exhibit B-7, BCUC IR 15.3.

credit/kW/month) considered. However, it is amenable to alternative approaches with a refund period that ends by no later than December 31, 2025 if directed.<sup>112</sup>

### *Positions of the Parties*

Intervenors either support or do not comment on Creative Energy's proposal to refund the balance of the TES Extension Deferral Account in the form of a credit note and to close the account once the balance has been refunded.<sup>113</sup> However, the CEC requests that the BCUC require Creative Energy to address, in a compliance filing, the mechanism by which the refunds "will be passed on from the Utility's customers to the commercial and residential occupants of buildings 1 through 5, and the timing of the same."<sup>114</sup>

Creative Energy does not respond to the CEC's request.

### *Panel Determination*

**The Panel approves Creative Energy's proposal to refund to customers the balance of the TES Extension Deferral Account in the form of credit notes that can be applied against future invoices and close the account once the balance has been refunded. The amount of the credit to be allocated to each customer is to be determined based on the design peak demand (kW) of the building(s), with adjustments for stub periods for the timing of when the applicable building connected to the SODO Heating TES.**

**The Panel directs Creative Energy to update the BCUC on the remaining credit balance as at December 31, 2025 in the TES Extension Deferral Account by way of a compliance filing due by January 15, 2026. If the balance has not been fully refunded by that time, Creative Energy must also include an explanation for why the balance has not been fully refunded, along with a description of any additional measures taken to fully refund the balance.**

#### **4.2.2 Termination of Regulatory Cost Variance Deferral Account and Related Rate Rider**

The RCVDA was established by the BCUC in the 2019-2023 SODO Rates Decision, bearing interest at Creative Energy's weighted average cost of debt, to record the allocated difference between the forecast and actual regulatory costs and to be amortized over the period from November 1, 2019 to December 31, 2023.<sup>115</sup>

Creative Energy confirms that by the end of 2023, the entire balance of the Regulatory Cost Variance Deferral Account (RCVDA) has been collected by the RCVDA rate rider and the period set to collect the rate rider has ended. Therefore, Creative Energy requests approval to terminate the deferral account and the related rate rider.<sup>116</sup>

### *Positions of the Parties*

Intervenors either support or do not comment on Creative Energy's request to terminate the RCVDA and the related rate rider.<sup>117</sup>

### *Panel Determination*

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<sup>112</sup> Exhibit B-5, p. 4; Exhibit B-7, BCUC IR 15.4.

<sup>113</sup> CEC Final Argument, p. 2; RCIA Final Argument, PDF page 8.

<sup>114</sup> CEC Final Argument, p. 2.

<sup>115</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, p. 60.

<sup>116</sup> Exhibit B-1, p. 9.

<sup>117</sup> CEC Final Argument, p. 2.

**The Panel approves Creative Energy’s request to terminate the Regulatory Cost Variance Deferral Account and the related rate rider.** We are satisfied that the entire balance of the Regulatory Cost Variance Deferral account has been collected and as such, there is no further need for this account or the rate rider.

### 4.3 Other Issues Arising

#### 4.3.1 2019 to 2023 RDDA Balances

As noted earlier in Section 3.1, the RDDA for Creative Energy’s SODO Heating TES is approved to record the annual revenue deficiency or surplus that results from the difference between its annual revenues at the approved capacity charges and its approved forecast annual revenue requirements, except for fuel costs.<sup>118</sup> The RDDA bears interest at Creative Energy’s weighted average cost of capital.<sup>119</sup>

Creative Energy asserts that the SODO Heating TES’s BCUC-approved RDDA additions for 2019 to 2023 total \$617,989 before carrying costs.<sup>120</sup> As such, including the carrying costs, the 2019-2023 RDDA balances that are used in the financial model to support the proposed SODO Heating TES capacity charges are as follows:

**Table 8: Creative Energy’s 2019-2023 RDDA Balances<sup>121</sup>**

	2019	2020	2021	2022	2023	2019-2023 Accumulated
Opening balance (A)	\$ -	\$25,667	\$261,967	\$399,652	\$544,325	N/A
Add/(less): RDDA variances (B)	\$25,667	\$234,673	\$121,083	\$119,345	\$117,221	\$617,989
Add: Carrying cost on deferral (C = A x E)	\$ -	\$1,627	\$16,602	\$25,328	\$34,497	\$78,054
<b>Closing balance (D = A + B + C)</b>	<b>\$25,667</b>	<b>\$261,967</b>	<b>\$399,652</b>	<b>\$544,325</b>	<b>\$696,042</b>	<b>N/A</b>
WACC (E)	6.34%	6.34%	6.34%	6.34%	6.34%	N/A

However, in response to staff questions dated December 22, 2021 in relation to a compliance filing to the 2019-2023 SODO Rates Decision (December 2021 Response), Creative Energy provided updated rates, annual additions to the RDDA and tariff pages containing the updated rates to reflect the directives in the 2019-2023 SODO Rates Decision, which the BCUC subsequently endorsed. The RDDA additions for 2019 to 2023 provided in the December 2021 Response totalled \$582,882 before carrying costs, which is \$35,107 less than the \$617,989 before carrying costs currently asserted by Creative Energy, as shown in the following table.

<sup>118</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, p. 57.

<sup>119</sup> Creative Energy 2019-2023 SODO Rates Decision and Order G-222-21, Order G-222-21, Directive 5.

<sup>120</sup> Exhibit B-7, BCUC IR 13.1.1.

<sup>121</sup> Table compiled based on Exhibit B-7, BCUC IR 3.3; “SODO Heating – Rates Application 2024-2027 – BCUC IR No. 1.xlxs” Attachment, Tab “BCUC IR 3.3 Scen.1”, Rows 186 to 194.

**Table 9: Comparison of RDDA Additions in December 2021 Response and Creative Energy's RDDA Additions**

	2019	2020	2021	2022	2023	2019-2023 Accumulated
RDDA Additions – December 2021 Response	\$23,231	\$214,398	\$117,048	\$115,211	\$112,994	<b>\$582,882</b>
Creative Energy RDDA Additions – Table 8 Row B	\$25,667	\$234,673	\$121,083	\$119,345	\$117,221	<b>\$617,989</b>
Difference	(\$2,436)	(\$20,275)	(\$4,035)	(\$4,134)	(\$4,227)	<b>\$35,107</b>

### *Positions of the Parties*

Intervenors make no submissions on the 2019 to 2023 RDDA balances.

### *Panel Determination*

The Panel directs Creative Energy to update the balances in the RDDA as part of its Compliance Filing, as follows:

- **Reduce the 2019 RDDA additions to \$23,231;**
- **Reduce the 2020 RDDA additions to \$214,398;**
- **Reduce the 2021 RDDA additions to \$117,048;**
- **Reduce the 2022 RDDA additions to \$115,211;**
- **Reduced the 2023 RDDA additions to \$112,994; and**
- **Calculate the carrying costs on the RDDA on the mid-year balance and not the opening balance.**

The Panel finds that the RDDA additions for 2019 to 2023 as presented in the December 2021 Response are the additions accepted by the BCUC and reflect the final rates approved in the 2019-2023 SODO Rates Decision, which were endorsed by the BCUC in the tariff pages. Given the long-term nature of the RDDA, which is approved for 30-years, we consider that it is important for the RDDA additions to reflect the final amounts that the BCUC has accepted because any difference is compounded by the carrying cost with the passage of time until the account is drawn down to zero.

The Panel acknowledges that the 2019-2023 SODO Rates Decision did not specify how the carrying costs on the RDDA should be calculated. As the BCUC explained in the FortisBC Inc. 2020–2021 Annual Review Decision, a deferral account creates a timing difference between when funds are spent and when those costs are returned to or recovered from customers, and that timing difference leads to financing costs for the utility.<sup>122</sup> The financing costs are both a function of the applicable interest rate and the time period over which the financing is applied. As illustrated in Table 8 above (where,  $C = A \times E$ ), Creative Energy's calculation of the carrying costs on the RDDA is the opening RDDA balance multiplied by its WACC. However, it is the Panel's view that calculating carrying costs based on the opening RDDA balances would not reflect the financing costs related to the contributions made during a given year. The Panel, therefore, finds that calculating the carrying costs on the mid-year balance of the RDDA would better reflect the actual cost of financing these long-term deferrals in order to take into account the deferred costs that are added through the course of the year.

<sup>122</sup> FortisBC Inc. Annual Review for 2020 and 2021 Rates Decision and Order G-42-21 dated February 12, 2021 (FortisBC Inc. 2020–2021 Annual Review Decision), p. 22.



### 4.3.2 Relocation of Temporary Energy Centre

The thermal generation and distribution equipment for the SODO Heating TES is in a temporary energy centre (TEC) that is a 30-foot shipping container located on the north side of Pacific Street, underneath the Granville Street bridge in Vancouver, BC. The containerized equipment includes two natural gas boilers, associated distribution and control equipment, as well as utility connections, and is collectively referred to as the “containerized boiler plant.”<sup>123</sup>

The energy centre is considered “temporary” in that Creative Energy had an agreement with the City of Vancouver to move the TEC to a permanent location by December 31, 2023. When the BCUC granted Creative Energy a Certificate of Public Convenience and Necessity (CPCN) for the operation of the SODO Heating TES (CPCN Decision), the BCUC set out the following requirements for Creative Energy pertaining to the location of the energy centre:<sup>124</sup>

- Directive 2 provided that Creative Energy must file a CPCN application at least one year prior to any anticipated move of the temporary containerized boiler plant or other change to the source of thermal energy for the [Vancouver House] development, including a description of its public consultation in accordance with the BCUC’s CPCN Guidelines; and
- Directive 3 provided that Creative Energy must file with the BCUC any agreements that it enters into with the City of Vancouver regarding the location of the containerized boiler plant, or specifications it receives from the City of Vancouver regarding a low-carbon energy source for the Development.

Creative Energy states that it has received an extension from the City of Vancouver for the relocation of the TEC from December 31, 2023 to August 31, 2027 due to uncertainty regarding the decommissioning timeline of the TEC and the location and design of the new permanent energy centre.<sup>125</sup>

Creative Energy explains that it has not included any forecast capital expenditures related to the relocation of the TEC in the 2025 to 2027 forecast revenue requirements because it is still working to find a permanent solution for the TEC and as such, it does not have a finalized or estimated cost to share. Creative Energy states that once it finalizes the timing and cost of the energy centre transition, it will submit a CPCN application to the BCUC and seek approval to add all relevant capital costs for the relocation of the TEC in the SODO Heating TES’s rate base.<sup>126</sup>

Notwithstanding the August 31, 2027 removal deadline, Creative Energy acknowledges that it does not plan to submit a CPCN application to the BCUC by August 31, 2026, which is the latest date to satisfy compliance with Directive 2 of the CPCN Decision noted above. Rather, Creative Energy states that it is discussing a further extension to the relocation deadline with the City of Vancouver, which will give it more time to finalize its plans for the TEC.<sup>127</sup>

Creative Energy notes that it has already incurred certain costs related to the relocation of the TEC, and provides the following table summarizing the amount, type of cost, and year the costs were incurred:

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<sup>123</sup> Creative Energy Application for a certificate of Public Convenience and Necessity for a Neighborhood Energy System in the South Downtown area of Vancouver, Exhibit B-1, Schedule 9, pp 1–2.

<sup>124</sup> Order C-1-19, dated May 3, 2019.

<sup>125</sup> Exhibit B-1, p. 3.

<sup>126</sup> Exhibit B-3, p. 8.

<sup>127</sup> Exhibit B-7, BCUC IR 7.1.



**Table 10: 2023-2024 TEC Relocation Costs<sup>128</sup>**

Year	Cost Type	Amount
2023	Third Party Engineering	\$61,300
2023	Legal Review	\$4,300
2024	Regulatory Consulting	\$30,000
2024	Public Engagement Support	\$11,500
<b>Total</b>		<b>\$107,100</b>

Creative Energy states that it has incurred these costs during the exploration of viable alternatives and it intends on recovering these costs upon approval of a permanent solution for the TEC.<sup>129</sup>

### *Positions of the Parties*

RCIA submits that the removal deadline of August 31, 2027 for the TEC introduces regulatory uncertainty for the final four months the SODO Heating TES's rates through December 31, 2027. As such, RCIA recommends that the BCUC condition any rates approval on the continued operation of the TEC infrastructure. RCIA also recommends that the BCUC direct Creative Energy to file a status update at the end of 2026, including its contingency plans for continued service to SODO Heating TES customers beyond the current TEC removal deadline.<sup>130</sup>

In reply, Creative Energy does not oppose RCIA's requests but notes that it is highly unlikely that the TEC will be removed by August 2027. Creative Energy also notes that it already provides regular updates to the BCUC on the status of the TEC. While Creative Energy commits to filing a CPCN for the removal of the TEC, it reiterates that it does not have a firm timing for that filing, nor does it plan to include any new capital expenditures related to the relocation of the TEC in the SODO Heating TES's revenue requirements prior to filing the CPCN.<sup>131</sup>

### *Panel Discussion*

The Panel acknowledges that the SODO Heating TES relies on an energy centre whose location is temporary and a matter for agreement between Creative Energy and the City of Vancouver. We also note the uncertainty of when Creative Energy must relocate the energy centre. We consider that the BCUC's Directives 2 and 3 of the CPCN Decision continue to be sufficient to keep the BCUC informed. Further, we are satisfied that these directives adequately address RCIA's recommendation for a status update by the end of 2026, including contingency plans for continued service to customers. The Panel does not agree with RCIA that the current removal deadline date for the TEC introduces regulatory uncertainty or that conditional approval based on the continued operation of the TEC is warranted. We note that in the unlikely event that Creative Energy is forced to remove the TEC prior to August 2027, the costs associated with this work may not be recovered from customers until a new revenue requirements application is filed (and the reasonableness of the expenditures would be assessed at that time). As such, the Panel is not persuaded that conditional approval of the thermal energy charges is necessary.

The Panel notes that while Creative Energy is not seeking recovery in this Application of the costs incurred in 2023 and 2024 related to the exploration of alternative locations for the energy centre, Creative Energy states that it intends to recover these costs upon approval of a permanent solution for the TEC. To avoid potential retroactive ratemaking issues, the Panel reminds Creative Energy of its responsibility to ensure that costs incurred in a previous period intended for future recovery are properly capitalized, such as in a construction work in progress account or in a deferral account. Although we make no determination at this time on the

<sup>128</sup> Table compiled from Exhibit B-7, BCUC IR 7.4.1.

<sup>129</sup> Exhibit B-7, BCUC IR 7.4.1.

<sup>130</sup> RCIA Final Argument, PDF page 8.

<sup>131</sup> Creative Energy Reply Argument, p. 13.

recoverability of those past costs, the Panel notes that Creative Energy will need to justify the recoverability, if it applies to have these costs included in rates. We encourage Creative Energy to consider whether it should request a deferral account to capture any future costs that it incurs.

### 4.3.3 Load Forecast

Creative Energy provided a revised and updated financial model to support the evidentiary update, noting that one of the main changes to the model was an updated load forecast, using a new methodology. Creative Energy states that its load forecast methodology for the SODO Heating TES now aligns with the methodology used in Creative Energy's 2024 Long Term Resource Plan and 2025 Core Steam Revenue Requirements filings. Creative Energy explains that the forecast approach incorporates a 50-year synthetic dataset of annual demand derived from historical monthly heating degree day (HDD) data. Creative Energy uses the monthly HDD-to-demand relationship from previous years, to determine a 50.0 percent probability of exceedance for future system demand.<sup>132</sup>

Creative Energy explains that it uses the load forecast to estimate the natural gas and electricity consumption costs. These costs form part of the indicative variable charge that Creative Energy uses to estimate the bill impact of the proposed levelized capacity charges.<sup>133</sup> Creative Energy notes that the load forecast does not impact the capacity charge proposals, but asserts that a more accurate load forecast enhances the accuracy of its forecast or indicative variable charges and therefore, provides a more accurate estimation of the indicative bill impacts of the proposed rates.<sup>134</sup>

#### *Positions of the Parties*

The CEC submits that Creative Energy's new load forecast model has a potential over-forecasting bias, which means that the 2025 to 2027 actual bill impacts could be higher than the estimates provided in the proceeding on account of lower realized load. The CEC notes that it made a similar submission in the Creative Energy 2025 Core Steam Revenue Requirements proceeding. In that proceeding, the CEC submitted that the load forecast model for the core steam TES contained a 1.6 percent over-forecasting bias.<sup>135</sup> The CEC, therefore, recommends that the BCUC direct Creative Energy to reduce its load forecast for the SODO Heating TES by at least 1.6 percent for each of 2025 to 2027.<sup>136</sup>

In reply, Creative Energy submits that the CEC has not provided any system-specific evidence to support its proposed 1.6 percent reduction. In Creative Energy's view, it would not be appropriate to apply data from the core steam TES to the SODO Heating TES. Creative Energy recommends that the BCUC reject the CEC's recommendation because implementing the proposed adjustment would introduce actual bias into a properly calibrated forecasting model.<sup>137</sup>

#### *Panel Determination*

**The Panel finds the load forecast in the evidentiary update reasonable.** We note that the CEC first suggested a forecasting bias in its final argument, introducing new evidence, largely from another BCUC proceeding. Further, we observe that the load forecast only impacts the indicative variable charge and not the capacity charge, and therefore does not impact the applied-for rates, only the estimated bill impact. As such, the Panel does not see any value in directing Creative Energy to adjust its load forecast as recommended by the CEC. Finally, the Panel accepts Creative Energy's assertion that it would be inappropriate to apply any alleged bias from the core steam

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<sup>132</sup> Exhibit B-5, p. 3.

<sup>133</sup> Exhibit B-5, p. 5.

<sup>134</sup> Exhibit B-5, p. 3.

<sup>135</sup> Creative Energy 2025 Core Steam Revenue Requirements, CEC Final Argument, p. 8.

<sup>136</sup> CEC Final Argument, pp. 14–15.

<sup>137</sup> Creative Energy Reply Argument, pp. 11–12.

TES to the SODO Heating TES, as they are distinct systems with their own load forecasting models. For these reasons, the Panel rejects the CEC’s recommendation.

#### 4.3.4 Capacity Rate Incentives

The CEC recommends that the BCUC direct Creative Energy to “establish capacity rate incentives before 2027, when the Utility intends to reconstitute the capacity supply capability of the SODO Heating TES...” and “provide appropriate pricing signals to enable efficiencies, and submit this to the [BCUC] for approval by January 1, 2026.”<sup>138</sup>

Creative Energy responds to the CEC that while it is amenable to introducing changes to its current rate structure to help its customers, it considers such changes should be part of the CPCN for the permanent SODO Heating energy centre and future SODO Heating TES rate applications. Therefore, it submits that the CEC’s recommendation that Creative Energy submit a detailed proposal to the BCUC by January 2026 is premature.<sup>139</sup>

#### *Panel Discussion*

The Panel does not accept the CEC’s recommendation; the CEC has not sufficiently explained what it means by capacity rate incentives and in any event, we do not consider it feasible for Creative Energy to develop a detailed proposal in what amounts to the next few months.

**DATED** at the City of Vancouver, in the Province of British Columbia, this        13<sup>th</sup>        day of August 2025.

*Electronically signed by Blair Lockhart*

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E.B. Lockhart  
Panel Chair/Commissioner

*Electronically signed by Wendy Royle*

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W. E. Royle  
Commissioner

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<sup>138</sup> CEC Final Argument, p. 2.

<sup>139</sup> Creative Energy Reply Argument, p. 6.

Creative Energy Vancouver Platforms Inc.  
2024 to 2027 Rates for Heating at South Downtown TES

**LIST OF ACRONYMS**

Term	Description
2019-2020 Core TES RRA Decision	Creative Energy 2019-2020 Core TES RRA Decision and Order G-227-20 dated September 20, 2020
2019-2023 SODO Rates Decision	Creative Energy Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for the District Cooling System at the Vancouver House Development, Decision and Order G-222-21 dated July 22, 2021
Application	Creative Energy's application for approval of rates effective January 1, 2024 through December 31, 2027, for the provision of heating and hot water service to customers connected to its South Downtown thermal energy system
BC	British Columbia
BCOAPO	British Columbia (BC) Old Age Pensioners' Organization, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenants Resource and Advisory Centre
BCUC	British Columbia Utilities Commission
Benchmark Utility	By Order G-6-24 dated January 11, 2024, FortisBC Energy Inc. was established as the benchmark utility
The CEC	The Commercial Energy Consumers Association of British Columbia
CPCN	Certificate of Public of Convenience and Necessity
CPCN Decision	Creative Energy Application for a certificate of Public Convenience and Necessity for a Neighborhood Energy System in the South Downtown area of Vancouver, Decision and Order C-1-19 dated May 3, 2019
Creative Energy	Creative Energy Vancouver Platforms Inc.
DPS	Distribution piping system
ETS	Energy transfer station
FortisBC Inc. 2020-2021 Annual Review Decision	FortisBC Inc. Annual Review for 2020 and 2021 Rates Decision and Order G-42-21 dated February 12, 2021
GCOC	Generic Cost of Capital
GCOC Stage 1 Decision	British Columbia Utilities Commission Generic Cost of Capital Stage 1, Decision and Order G-236-23 dated September 5, 2023

GCOC Stage 2 Decision	British Columbia Utilities Commission Generic Cost of Capital Stage 2, Decision and Order G-321-24, dated November 29, 2024
HDD	Heating degree day
Interim Rates Decision	Order G-15-25 dated January 24, 2025
IR	Information request
kW	Kilowatt
MWh	Megawatt hour
O&M	Operations and Maintenance
RCIA	Residential Consumer Intervener Association
RCVDA	Regulatory Cost Variance Deferral Account
RDDA	Revenue Deficiency Deferral Account
River District	River District Energy Limited Partnership
ROE	Return on equity
RRA	Revenue requirements application
SODO Heating TES	South Downtown thermal energy system
TEC	Temporary energy centre
TES	Thermal energy system
Test Period	The three year period, effective from January 1, 2025, to December 31, 2027
UCA	<i>Utilities Commission Act</i>
WACC	Weighted average cost of capital

Creative Energy Vancouver Platforms Inc  
2024 to 2027 Rates for Heating at South Downtown TES

### EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	January 7, 2025 – Panel Appointment
A-2	January 24, 2025 – BCUC Order G-15-25 establishing a regulatory timetable
A-3	January 30, 2025 – BCUC request for supplemental information from Creative Energy
A-4	February 24, 2025 – BCUC Order G-43-25 amending the regulatory timetable
A-5	March 18, 2025 – BCUC Information Request No. 1 to Creative Energy
A-6	March 18, 2025 – BCUC response to BCOAPO extension request to file Information Request No. 1 to Creative Energy
<i>COMMISSION STAFF DOCUMENTS</i>	
A2-1	March 18, 2025 – Creative Energy Vancouver Platforms Inc. 2022 Annual Report Extract
A2-2	March 18, 2025 – Creative Energy Vancouver Platforms Inc. 2023 Annual Report Extract
<i>APPLICANT DOCUMENTS</i>	
B-1	December 20, 2024 – <b>CREATIVE ENERGY VANCOUVER PLATFORMS INC. (CREATIVE ENERGY)</b> – 2024 to 2027 Rates for Heating at South Downtown Thermal Energy System (TES)
B-2	January 29, 2024 – Creative Energy submitting confirmation of public notice
B-3	February 14, 2025 – Creative Energy submitting supplemental information in compliance with BCUC Order G-15-25
B-4	February 20, 2025 – Creative Energy submitting confirmation of public notice
B-5	February 25, 2025 – Creative Energy submitting Evidentiary Update
B-6	March 18, 2025 – Creative Energy submitting response to Exhibit C1-2

- B-7 April 7, 2025 – Creative Energy submitting response to BCUC Information Request No. 1
- B-8 April 7, 2025 – Creative Energy submitting response to BCOAPO Information Request No. 1
- B-9 April 7, 2025 – Creative Energy submitting response to CEC Information Request No. 1
- B-10 April 7, 2025 – Creative Energy submitting response to RCIA Information Request No. 1

*INTERVENER DOCUMENTS*

- C1-1 February 19, 2025 – **BC OLD AGE PENSIONERS’ ORGANIZATION, COUNCIL OF SENIOR CITIZENS’ ORGANIZATIONS OF BC, DISABILITY ALLIANCE BC, TENANTS RESOURCE AND ADVISORY CENTRE (BCOAPO)** – Request to intervene by Irina Mis
- C1-2 March 17, 2025 – BCOAPO submitting Extension Request for Information Request No. 1
- C2-1 February 20, 2025 – **RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA)** – Request to intervene by Rory MacGregor
- C2-2 March 25, 2025 – RCIA submitting Information Request No.1 to Creative Energy
- C3-1 February 20, 2025 – **COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BC (CEC)** – Request to intervene by David Craig
- C3-2 March 25, 2025 – CEC submitting Information Request No.1 to Creative Energy
- C1-3 March 31, 2025 – BCOAPO submitting Information Request No.1 to Creative Energy

Creative Energy Vancouver Platforms Inc.  
2024 to 2027 Rates for Heating at South Downtown TES

**SUMMARY OF DIRECTIVES**

This summary is provided for the convenience of readers. In the event of any difference between the directives in this summary and those in the body of the decision, the wording in the decision shall prevail.

Directive	Page
<p>Therefore, the Panel directs Creative Energy to provide the following information in future SODO Heating TES RRAs:</p> <ul style="list-style-type: none"> <li>(i) Forecast Corporate Overhead costs with a detailed breakdown by the major cost categories prior to allocation to any TES;</li> <li>(ii) Forecast Corporate Overhead costs with a detailed breakdown by the major cost categories allocated to the SODO Heating TES based on the application of the Massachusetts formula;</li> <li>(iii) Forecast number of full-time equivalents allocated to the SODO Heating TES broken down by business unit;</li> <li>(iv) Rationale for any changes in the number of full-time equivalents by business unit allocated to the SODO Heating TES between the forecast test period and the forecast used to set rates from the prior test period; and</li> <li>(v) Rationale and description for any changes in the cost allocation percentages to the SODO Heating TES between the forecast test period and the forecast used to set rates from the prior test period.</li> </ul>	7
<p>Accordingly, the Panel approves the following levelized capacity charges, effective from January 1, 2025, to December 31, 2027, on a permanent basis, subject to final adjustments:</p> <ul style="list-style-type: none"> <li>• \$15.49/kW/month, effective January 1, 2025;</li> <li>• \$16.39/kW/month, effective January 1, 2026; and</li> <li>• \$17.34/kW/month, effective January 1, 2027.</li> </ul>	11
<p>Creative Energy is directed to re-calculate its revenue requirements and levelized capacity charges for the SODO Heating TES based on the Panel's determinations and directives in this decision and to file the revised financial model and tariff pages with the BCUC for endorsement within 30 days of the date of this decision (Compliance Filing).</p>	11



Creative Energy is directed to refund to or recover from customers the difference between the interim rate approved by Order G-15-25 and the permanent rates for the SODO Heating TES, with interest at the average prime rate of Creative Energy's principal bank for the most recent year, in the next billing cycle following the BCUC's endorsement of the revised tariff pages, by applying a one-time adjustment to credit or charge customers accordingly. If the one-time credit or charge would exceed 10.0 percent of the total bill for a customer, Creative Energy may spread credit or charge to that customer over several months as long as the balance is fully repaid or collected by December 31, 2025.	11
The Panel, therefore, directs Creative Energy to file its next application for SODO Heating TES rates no later than November 15, 2027 to provide the BCUC sufficient time to review the filing and consider next steps prior to the beginning of 2028.	11
The Panel approves a levelized capacity charge of \$14.64/kW/month for January 1 to December 31, 2024, on a permanent basis.	13
The Panel directs Creative Energy to record RDDA additions of \$112,994 for the year 2024, which is the amount of BCUC-accepted 2023 RDDA additions as set out in Section 4.3.1 of this decision.	17
<p>The Panel does not accept Creative Energy's proposal to record the GCOC Variance for the SODO Heating TES in the RDDA. Instead, the Panel directs Creative Energy to do the following:</p> <ul style="list-style-type: none"> <li>Record a GCOC Variance of \$43,340 in the GCOC Variance Deferral Account as directed by the BCUC in the GCOC Stage 2 Decision;</li> <li>Recover the GCOC Variance Deferral Account balance over a three-year period commencing in 2025 through a GCOC Variance Rate Rider of \$0.41/kW/month, effective January 1, 2025; and</li> <li>Close the GCOC Variance Deferral Account once the balance has been recovered.</li> </ul>	17
Therefore, the Panel approves Creative Energy to continue charging the variable charge, calculated by dividing the SODO Heating TES's total fuel costs by the total metered energy in MWh supplied by the TES, to flow-through the TES's actual fuel costs, effective January 1, 2024, on a permanent basis.	20
In addition to those billing and annual reporting requirements, to assist with monitoring the volatility of the variable charge, the Panel directs Creative Energy to also provide its (i) actual total fuel costs for each of the previous 12 months; (ii) actual total metered energy (MWh) for each of the previous 12 months; and (iii) rationale for any difference between the actual total variable costs charged to customers and the actual total fuel costs for each of the previous 12 months.	21

<p>The Panel approves Creative Energy’s proposal to refund to customers the balance of the TES Extension Deferral Account in the form of credit notes that can be applied against future invoices and close the account once the balance has been refunded. The amount of the credit to be allocated to each customer is to be determined based on the design peak demand (kW) of the building(s), with adjustments for stub periods for the timing of when the applicable building connected to the SODO Heating TES.</p>	22
<p>The Panel directs Creative Energy to update the BCUC on the remaining credit balance as at December 31, 2025 in the TES Extension Deferral Account by way of a compliance filing due by January 15, 2026. If the balance has not been fully refunded by that time, Creative Energy must also include an explanation for why the balance has not been fully refunded, along with a description of any additional measures taken to fully refund the balance.</p>	22
<p>The Panel approves Creative Energy’s request to terminate the Regulatory Cost Variance Deferral Account and the related rate rider.</p>	23
<p>The Panel directs Creative Energy to update the balances in the RDDA as part of its Compliance Filing, as follows:</p> <ul style="list-style-type: none"> <li>• Reduce the 2019 RDDA additions to \$23,231;</li> <li>• Reduce the 2020 RDDA additions to \$214,398;</li> <li>• Reduce the 2021 RDDA additions to \$117,048;</li> <li>• Reduce the 2022 RDDA additions to \$115,211;</li> <li>• Reduced the 2023 RDDA additions to \$112,994; and</li> <li>• Calculate the carrying costs on the RDDA on the mid-year balance and not the opening balance.</li> </ul>	24