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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-12-15**

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

and

**Creative Energy Vancouver Platforms Inc.
Application for a Certificate of Public Convenience and Necessity
for a Low Carbon Neighborhood Energy System
for Northeast False Creek and Chinatown Neighborhoods of Vancouver**

BEFORE: D. M. Morton, Panel Chair/Commissioner
C. A. Brown, Commissioner December 8, 2015
I. F. MacPhail, Commissioner

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On April 17, 2015, Creative Energy Vancouver Platforms Inc. (Creative Energy) applied to the British Columbia Utilities Commission (Commission) for an order approving a new Neighbourhood Energy Agreement (NEA) between Creative Energy and the City of Vancouver (CoV) under section 45(7) and granting a Certificate of Public Convenience and Necessity (CPCN) under section 45(9) of the *Utilities Commission Act* (UCA) to construct and operate a new Neighbourhood Energy System (NES) to serve new developments in the Northeast False Creek (NEFC) and Chinatown neighbourhoods of the CoV (Application);
- B. The Application seeks approval for the entire NEFC hot water network, including two new steam to hot water converter stations, new upstream steam infrastructure connecting NEFC to the existing Creative Energy steam plant, and Energy Transfer Stations within all connected buildings. The entire energy needs for the new NES will initially be met from Creative Energy's existing steam plant. The current estimate, including contingency, for the new infrastructure required to serve NEFC is \$11,281,283 in real 2015 dollars. Under current development expectations, the network will be built out by 2024;
- C. In its final argument, Creative Energy clarified the directives sought:
 - i. Approval of the NEA between the CoV and Creative Energy under section 45(7) of the UCA;
 - ii. Granting of a CPCN for NEFC under section 45(9) of the UCA for the full build out of the distribution network in the NEFC subarea outlined within the NEA;
 - iii. Approval of the NEFC & Chinatown Connection and Service Agreement under sections 59-61 of the UCA as filed by Creative Energy on September 8, 2015;

- iv. Approval of the NEFC Extension Test under sections 59-61 of the UCA and consistent with the Thermal Energy System (TES) Guidelines as filed in Section 2.6 of the Application, which will govern extensions to the Chinatown subarea within the NEA. For the purpose of the extension test only with the TES Guidelines, the Commission finds the initial TES capital cost is \$11,281,283 in real 2015 dollars;
- v. Approval of the creation of a revenue deficiency deferral account (RDDA) under sections 59-61 of the UCA, as described in Section 5.14 of the Application and Creative Energy's after-tax weighted average cost of capital (WACC) as the carrying cost for the RDDA;
- vi. Require Creative Energy to file the Long-Term Resource Plan (section 44.1 of the UCA) for NEFC as soon as practicable after completion of further feasibility work on low carbon energy sources and with the filing of an application for a CPCN for Energy Supply Phase 2 as described in Section 2.5 of the Application; and
- vii. The Commission imposition of the following conditions under section 45(9)(ii) of the UCA for rate-making purposes for NES as described in Section 5 of the Application:
 - A deemed capital structure of 57.5 percent debt and 42.5 percent equity for directly assigned capital costs;
 - Long-term debt costs equivalent to Creative Energy's overall projected third party debt costs (currently forecast at 4 percent) for directly assigned capital costs;
 - A return on equity (ROE) of 9.5 percent for directly assigned capital costs, which is equal to the currently approved Creative Energy ROE for core ratepayers and is also equivalent to the current benchmark equity return plus 75 basis points awarded to new stand-alone small-scale Stream B TES with comparable risks;
 - Operating costs as described in the Application, which includes the following:
 - incremental costs directly associated with NEFC NES as described in Section 5.5 of the Application;
 - NES Fuel Recovery Cost Allocation as set forth in Exhibit A2-1; and
 - NES Meter Cost Allocation as set forth in Section 5.4 of the Application consisting of the following four components:
 - Steam Production Costs;
 - Steam Distribution Costs;
 - Corporate overheads including office, building, selling and general expenses, insurance, property and income taxes, using the Massachusetts formula as a basis of allocating Corporate Overheads; and
 - Management Salaries;

- The creation of the Carbon Emission Rider and associated Carbon Reduction Fund, as required in the NEA, which will accumulate interest equal to Creative Energy's weighted average cost of debt;
 - The two part rate design as described in Section 5.13 of the Application, consisting of a fixed charge and a variable energy recovery charge based on the approximate share of fixed and variable costs in the indicative NEFC *pro forma*, which is comparable to the rate design for other new hot water systems in BC; and
 - The direct assignment of the initial capital costs, including project development costs incurred to date of approximately \$935,209 in 2015.
- D. The Application was reviewed through two rounds of Commission and intervenor information requests, a Panel information request, intervenor evidence and rebuttal evidence submissions, one round of information requests on intervenor evidence, an Oral Hearing and written argument;
- E. The Commission has reviewed the Application and has determined that it is in the public interest to grant approval of this CPCN Application and finds that it is not necessary for the public convenience and does not properly conserve the public interest to approve the NEA.

NOW THEREFORE the British Columbia Utilities Commission orders as follows:

1. Pursuant to section 45 of the *Utilities Commission Act*, a Certificate of Public Convenience and Necessity for the Neighbourhood Energy System, to serve new developments in the Northeast False Creek neighborhood of the City of Vancouver, is granted to Creative Energy Vancouver Platforms Inc.
2. The Neighborhood Energy Agreement between Creative Energy Vancouver Platforms Inc. and the City of Vancouver is not approved.
3. Creative Energy Vancouver Platforms Inc. is directed to comply with all the directives of the Commission set out in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of December 2015.

BY ORDER

Original Signed By:

D. M. Morton
Panel Chair/Commissioner