



ORDER NUMBER
G-227-20

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

and

Creative Energy Vancouver Platforms Inc.
2019-2020 Revenue Requirements Application for the
Core Steam System and Northeast False Creek Service Areas

BEFORE:

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

on September 2, 2020

ORDER

WHEREAS:

- A. On December 19, 2019, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed with the British Columbia Utilities Commission (BCUC) its 2019-2020 Revenue Requirements Application (RRA) for the core steam system (Core Steam System) and Northeast False Creek (NEFC) service areas (Application);
- B. In the Application, Creative Energy requests for the Core Steam System, among other things, the following approvals:
 - 1. Permanent approval to maintain rates for the Core Steam System (Steam Rates) at 2019 interim approved rates, effective January 1, 2019;
 - 2. Interim and permanent approval of an increase in Steam Rates of 4.2 percent, effective January 1, 2020; and
 - 3. Interim and permanent approval to establish a Deferral Account Rate Rider (DARR) to recover specific non-rate base regulatory and pension-related deferred costs from Core Steam System customers over a two-year amortization period, commencing January 1, 2020;
- C. Creative Energy also requests for the NEFC service area, among other things, the following approvals:
 - (i) Permanent approval to maintain NEFC's fixed and variable rates (Hot Water Rates) at 2019 interim approved rates, effective January 1, 2019;
 - (ii) Interim and permanent approval of an increase in Hot Water Rates of 3.7 percent, effective January 1, 2020; and

- (iii) Interim and permanent approval to charge a Fuel Cost Adjustment Charge (FCAC) Rate Rider to NEFC customers to recover the existing FCAC Rate Rider in effect for Core Steam System customers, effective January 1, 2020 and ending February 28, 2021;
- D. By Order G-7-20A, the BCUC approved the following on an interim and refundable basis, effective January 1, 2020: a 4.2 percent increase in Steam Rates; a 3.7 percent increase in Hot Water Rates; a DARR of \$0.29 per thousand pounds of steam for Core Steam System customers; and a FCAC Rate Rider of \$16.15 per megawatt hour for NEFC customers;
- E. By Orders G-7-20A, G-29-20 and G-103-20, the BCUC established and amended the regulatory timetable for the review of the Application, which included Creative Energy filing an evidentiary update and a proposal for the potential recovery of the balance in its Fuel Switch Study and Long term Resource Plan (LTRP) Deferral Account, two rounds of information requests (IRs) by the BCUC and interveners, and the filing of written final and reply arguments;
- F. The following interveners registered in the proceeding;
 - FortisBC Alternative Energy Services Inc.; and
 - Commercial Energy Consumers Association of British Columbia;
- G. The BCUC has reviewed the Application, the evidence and submissions by all parties in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently (Decision) with this Order, the BCUC orders as follows:

1. Creative Energy's 2019 interim Steam Rates for the Core Steam System are approved as permanent, effective January 1, 2019, incorporating the following determinations set out in Section 2 of the Decision:
 - a) The continuation of the non-rate base Third Party Regulatory Cost Deferral Account (TPRCDA) is approved, including the following:
 - i. The addition of \$207,659 plus interest related to 2018 forecast variances;
 - ii. The addition of \$177,340 plus interest related to 2019 forecast variances; and
 - iii. The amortization of 50 percent of the 2018 TPRCDA balance plus interest for 2019;
 - b) The continuation of the Pension Expense Deferral Account (PEDA) is approved, including the following:
 - i. The addition of \$377,966 plus interest related to 2018 forecast variances;
 - ii. The addition of \$502,432 plus interest related to 2019 forecast variances; and
 - iii. The offset of 2019 pension remeasurement gains against 2018 pension remeasurement losses; and
 - iv. The amortization of the 2018 current service cost variance of \$25,735 plus interest for 2019.

- c) Creative Energy is directed to reduce the allowed return for 2019 by \$14,862 based on a mid-year After-tax Regulatory Pension Asset Account balance of \$362,670.
- 2. Creative Energy is approved to include NEFC in its Massachusetts Formula cost allocation, commencing in 2020.
- 3. Creative Energy is approved to use a three-factor Massachusetts Formula, commencing in 2020, to include: the average gross book value of capital assets or property, plant and equipment; salaries or direct labour expenses; and operating revenues.
- 4. Creative Energy is approved to establish 2020 Steam Rates on a permanent basis, effective January 1, 2020, using a 2020 forecast revenue requirement of \$9,086,328, subject to the following determinations set out in Section 3 of the Decision:
 - a) The 2020 steam load forecast of 1,140,634 thousand pounds of steam is approved;
 - b) Recalculate the Massachusetts Formula-allocated costs for the Core Steam System;
 - c) The 2020 Forecast for outside services costs of \$105,466 is approved;
 - d) The 2020 Forecast for steam production overtime expenses is approved;
 - e) The request for permanent approval of the proposed DARR mechanism is denied;
 - f) The continuation of the non-rate base TPRCDA for 2020 is approved, including the following:
 - i. The TPRCDA must recognize amortization of \$281,170 plus interest to be amortized over a one-year period in 2020; and
 - ii. The amortization of the TPRCDA is to be recorded in the revenue requirements for 2020 Steam Rates.
 - g) The continuation of the PEDDA for 2020 is approved, including the following:
 - i. The PEDDA must recognize the amortization of \$98,732 plus interest to be amortized over a one-year period in 2020; and
 - ii. The amortization of the PEDDA is to be recorded in the revenue requirements for 2020 Steam Rates.
 - h) Creative Energy is directed to reduce the allowed return for 2020 by \$21,503 based on a mid-year After-tax Regulatory Pension Asset Account balance of \$268,202.
- 5. Creative Energy is approved to establish a non-rate base Water Cost Deferral Account (WCDA) to capture forecast variances for the 2020 test year only. The WCDA is to be amortized over one-year commencing January 1, 2021, with a carrying cost equal to Creative Energy's short-term debt rate, unless otherwise determined by the BCUC.
- 6. Creative Energy is directed to address the continued need for the WCDA and to re-evaluate its water cost forecast methodology in its next RRA for the Core Steam System. Creative Energy must provide in that application information comparing the forecast, approved and actual historical water expenses and volumes to assist in the timely review of the application.

7. Creative Energy is approved to establish a non-rate base Property Tax Deferral Account (PTDA) to capture property tax forecast variances. The PTDA is to be amortized over one year commencing January 1, 2021, with a carrying cost equal to Creative Energy's short-term debt rate on the mid-year value, unless otherwise determined by the BCUC.
8. Creative Energy is denied recovery of \$214,185 plus interest from Core Steam System customers, which it incurred in 2016 and recorded in the Fuel Switch Study and LTRP Deferral Account. Creative Energy is directed to write off these costs from the balance in the Fuel Switch Study and LTRP Deferral Account.
9. Creative Energy is approved to write off \$103,536 plus interest from the balance in the Fuel Switch Study and LTRP Deferral Account.
10. Creative Energy is denied its request to maintain a balance of \$417,502 plus interest in the Fuel Switch Study and LTRP Deferral Account and to defer for consideration the disposition of such costs until such time as a Certificate for Public Convenience and Necessity for a low-carbon energy project is submitted and an assessment of how much of the balance can be capitalized can be made. Creative Energy is directed to write off the remaining balance from the Fuel Switch Study and LTRP Deferral Account to the account of the shareholder and to close the deferral account thereafter.
11. Creative Energy is approved to establish 2019 interim Hot Water Rates for the NEFC on a permanent basis, effective January 1, 2019, incorporating the following determinations as set out Section 4 of the Decision:
 - a) The addition of a revenue deficiency of \$373,900 plus interest to the Revenue Deficiency Deferral Account (RDDA) for 2018;
 - b) The amount to be added to the Variance Deferral Account for 2018, which must be filed as part of a compliance filing to the BCUC within 30 days from the date of this Order, attached as Appendix A to this Order;
 - c) The request to transfer \$661,861 from the Variance Deferral Account to the RDDA in 2019 is denied;
 - d) The request to add the difference between the 2019 Actual revenue requirement and the revenues collected based on existing rates to the RDDA is denied;
 - e) Creative Energy is directed to recalculate the allocation of variances between the Variance Deferral Account and the RDDA for 2019 based on the 2017 approved forecast;
 - f) Creative Energy is to account for underreported fuel cost charges of \$497,728 arising from the PARQ metering issue in the Core Steam System's Fuel Cost Stabilization Account; and
 - g) Creative Energy is to account for the underreported fuel cost charges of \$497,728 arising from the PARQ metering issue in the Variance Deferral Account.
12. Creative Energy is approved to increase 2020 Hot Water Rates in the NEFC service area by 10 percent, effective January 1, 2020, using a 2020 forecast revenue requirement of \$2,330,926, subject to the following determinations set out in Section 5 of the Decision:
 - a) Recalculate the Massachusetts Formula-allocated costs for the NEFC;
 - b) The addition of any 2020 forecast variance related to the Variance Deferral Account from the following:

- i. Revenue shortfalls based on differences between actual revenues received and approved forecasts;
 - ii. Variances between forecast versus actual Steam Service Rate and Fuel Cost charged to NEFC;
 - iii. Variances between forecast versus actual Distribution expenses; and
 - iv. Variance between forecast versus actual Income Tax expense;
- c) The addition of variances between the approved revenue requirements and forecast revenues calculated on approved rates to the RDDA;
 - d) Creative Energy is approved to continue the Variance Deferral Account beyond December 31, 2020;
 - e) The request to use a hot water load of 19,162 MWh for revenue requirement purposes is approved;
 - f) The 2020 Forecast O&M expenses, subject to the recalculation of costs which are allocated to the NEFC using the Massachusetts Formula, as approved in directive #3 of this Order, are approved; and
 - g) The request for permanent approval of the proposed NEFC FCAC Rate Rider is denied;

13. For the NEFC, Creative Energy is directed to do the following:

- a) File a proposal for how rates should be set for 2021 by October 31, 2020; and
- b) File a comprehensive proposal for an NEFC rate design and for setting 2022 rates by June 30, 2021.

14. Creative Energy is directed to file a two-year RRA for the Core Steam System by November 1, 2020, which must include:

- a) Information detailing how other BC and Canadian regulated utilities treat pension remeasurement gains and losses for ratemaking purposes, as set out in Section 2 of the Decision;

15. Creative Energy is directed to file a compliance filing and amended tariff pages with the BCUC for endorsement within 30 days of the date of this Order in accordance with the requirements outlined in Appendix A. This compliance filing must include finalized financial schedules for the Core Steam System and NEFC, respectively, for 2019 and 2020.

16. Creative Energy is directed to comply with all other directives identified in the Decision and Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 2nd day of September 2020.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner

Creative Energy Vancouver Platforms Inc.
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COMPLIANCE FILING REQUIREMENTS

1. Creative Energy is directed to recalculate the costs allocated to the Core Steam System and NEFC, respectively, for 2020 based on the approved three-factor Massachusetts Formula established in Directive #3 of this Order and include the rate impact for each service area.
2. Creative Energy is directed to provide the calculation of and proposed timing by which customers will be refunded the DARR amounts collected in 2020 on an interim basis, plus interest, by way of bill credits.
3. Creative Energy is directed to recalculate the 2020 Steam Rate increase in accordance with Directive #4 of this Order and include updated financial schedules for the Core Steam System.
4. Creative Energy is directed to file the amount to be added to the NEFC's Variance Deferral Account related to 2018.
5. Creative Energy is directed to recalculate the allocation of variances between the Variance Deferral Account and RDDA for 2019 based on 2017 approved forecast and to include updated financial schedules for the NEFC showing the revised amounts in these two deferral accounts reflecting all the determinations in this Decision.
6. Creative Energy is directed to include detailed calculations supporting the 2019 Variance Deferral Account balance, including the details of the amount attributed to the PARQ metering issue.
7. Creative Energy is directed to provide the calculation of and proposed timing by which customers will be refunded the NEFC FCAC Rate Riders amounts collected in 2020 on an interim basis, plus interest, by way of bill credits.