CREATIVENERGY

December 15, 2025

Via E-filing

Keshni Nand, Registrar
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3
proceedings@bcuc.com

Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
2026 Revenue Requirements Application (RRA) for the Core Steam System (Application)

Creative Energy writes to file the enclosed Application and requests the approvals set out in **Section 1.5**.

Creative Energy requests interim approval of the 2026 rates, as detailed in the Tariff Pages found in **Appendix B**, effective January 1, 2026. Approval by January 19, 2026 is needed to ensure customers can be billed for January 2026 invoice in a timely manner. A draft order is attached at **Appendix A**.

Creative Energy also requests confidential treatment of **Appendix G** due to its sensitive nature.

Attached to the Application electronically is a working MS Excel model of the Revenue Requirement Schedules that support the Application.

Please contact the undersigned with any questions.

Sincerely,

Amr Ayad

Director, Regulatory Affairs

Suite 1 – 720 Beatty Street
Vancouver, Canada
V6B 2M1

604 688 9584 TEL
604 688 2213 FAX
creativeenergycanada.com

Creative Energy Vancouver Platforms Inc.

Core Thermal Energy System

2026 Revenue Requirements Application

December 15, 2025

CREATIVENERGY

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ATTACHED ELECTORNICALLY

Creative Energy_2026 Core TES RRA Schedules.xlsx

1 Application Summary

1.1 Executive Summary

Creative Energy Vancouver Platforms Inc. (**Creative Energy, CEVP**) owns and operates the steam production plant at 720 Beatty Street and associated steam distribution network, which began operating in 1968 and now serves 210 customers in downtown Vancouver. This system also serves customers connected to the hot water distribution networks in Northeast False Creek (**NEFC**) and the Butterfly Development (**Butterfly**). These systems together comprise the Creative Energy **Core Thermal Energy System** (or **Core TES**). This 2026 Revenue Requirements Application (**2026 RRA, Application**) presents the consolidated cost of service of the Core TES together with corresponding proposed rates for service in 2026.

In this Application, Creative Energy seeks approval of a steam rate of $14.51 per M#[1] ($41.82 per MWh for customers connected to the hot water distribution networks)[2], which is an increase in thermal energy rates of 7.73[3] percent above the amounts reflected in the final compliance filing for the 2025 Application filed with the BCUC on September 29, 2025 and approved by the Commission (at $13.47 per M#), as shown in **Tables 1, 2** and **3** that follow below[4]:

- **Table 1** presents a summary of the consolidated revenue requirements of the Core TES for the 2026 Test Year;
- **Table 2** highlights the key cost drivers. Cost variances are elaborated upon and explained in **Section 3** of this Application; and
- **Table 3** provides a summary of the overall average rate impacts and underlying cost drivers in the full context of the cost of service including fuel costs.

As reviewed in **Table 2** and **Table 3** and further discussed in the sections below, the key drivers of the requested 2026 rate are increases in: amortization of deferral accounts (3.0 percent), return on rate base (2.0 percent), depreciation (1.5 percent), and operations and maintenance costs (1.0 percent). This increase is partly offset by lower income taxes (-1.0 percent).

The overall increase in customer bills from 2025 to 2026 is driven by an increase in the steam rate and a significant increase in Fuel Cost Adjustment Charge (**FCAC**) rates[5] for 2026; however, looking at the period spanning 2024 through 2026, the overall customer bill is set to decrease. Further details are found in **Section 1.3** below.

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[1] M# symbolizes thousand pounds.
[2] Using an approved conversion factor of 0.347 MWh per M#.
[3] 7.25 percent by accounting for the RVDA rate rider.
[4] The Core TES RRA Schedules are attached electronically as well as a file that computes the declining block charges set out in **Appendix B** for interim approval.
[5] Driven by changes due to removal of Carbon Tax in April 2025.

Table 1: Consolidated 2026 Core TES Revenue Requirements –Summary

Core TES Revenue Requirements Summary	2025	2025	2026	Difference from
Cost or Rate Component	Approved	Projected	Application	2025 Approved
O&M – Total, $	8,864,736	8,759,912	9,029,694	164,958
Wages and Benefits (Steam, Distribution & Mgmt), $	4,961,077	4,764,011	4,994,245	33,168
Information Technology Services, $	608,346	574,979	463,591	-144,755
Water and Electricity Expenses, $	1,246,076	1,199,585	1,297,795	51,719
Maintenance and related functional Operations, $	763,019	928,949	925,988	162,969
Special Services (Regulatory, Audit, Legal, Consultant), $	616,409	720,016	735,691	119,282
Other General & Administration & Sales Expense, $	669,808	572,372	612,384	-57,425
Municipal Access Fee, $	371,709	371,709	389,757	18,048
Property Taxes, $	871,200	871,200	952,900	81,700
Income Taxes, $	340,800	340,800	172,900	-167,900
Depreciation, $	1,360,578	1,360,578	1,601,932	241,354
Interest Expense (deemed), $	985,000	985,000	1,096,000	111,000
Return on Equity, $	2,009,000	2,009,000	2,228,000	219,000
Total Return on Rate Base, $	2,994,000	2,994,000	3,324,000	330,000
Subtotal, $	14,803,023	14,698,199	15,471,184	668,161
Amortization of Deferral Accounts in Steam Rate, $	218,709	218,709	710,997	492,287
Revenue, $	15,021,732	14,916,908	16,182,180	1,160,448
Rate Summary				
Steam Load, M#	1,115,063	1,115,063	1,115,063	-
Average Steam Rate, $/M#	13.47	13.38	14.51	1.04
Average Steam Rate % increase (% decrease)	N/A	(0.70%)	7.73%	
Rate of Return Summary				
Rate Base, $	37,873,434	37,873,434	42,005,981	4,132,547
Debt, $	18,557,983	18,557,983	20,582,931	2,024,948
Equity, $	19,315,451	19,315,451	21,423,050	2,107,599
Debt	49.00%	49.00%	49.00%	0.00%
Equity	51.00%	51.00%	51.00%	0.00%
Weighted Average Cost of Debt (estimated)	5.31%	5.31%	5.33%	0.02%
ROE	10.40%	10.40%	10.40%	0.00%
Total Return on Rate Base	7.91%	7.91%	7.91%	0.01%

Table 2: Summary of Cost Components Impacting Rates Based on Cost Control

2026 Rate Increase Components		2026 Test Year to 2025 Approved	
Cost Component	Cost Control	Variance from 2025 to 2026	
		$	%
Wages and Benefits (Steam, Distribution & Management)	Internal	7,662	0.1%
	External	25,505	0.2%
Information Technology Services	Internal	-	0.0%
	External	(144,755)	(1.0%)
Water and Electricity Expenses	Internal	-	0.0%
	External	51,719	0.3%
Maintenance and related functional Operations	Internal	162,969	1.1%
	External	-	0.0%
Special Services (Regulatory, Audit, Legal, Consultant)	Internal	102,551	0.7%
	External	16,731	0.1%
Other General & Administration & Sales Expense	Internal	(22,768)	(0.2%)
	External	(34,657)	(0.2%)
O&M Total		164,958	1.1%
Municipal Access Fee	External	18,048	0.1%
Property Taxes	External	81,700	0.5%
Income Taxes	External	(167,900)	(1.1%)
Depreciation	External	241,354	1.6%
Interest Expense	External	111,000	0.7%
Return on Equity	External	219,000	1.5%
Amortization of Deferrals	External	492,287	3.3%
Revenue		1,160,448	7.73%
Summary			
RRA Internal control related	Internal	250,414	1.7%
RRA External control related	External	910,034	6.1%
Steam Load M#		-	0.0%
Total Core-related Steam Rate Increase 2026		1,160,448	7.73%

1.2 Structure of the Application

Section 1 provides a summary of the Application and further discusses the rate impact on average Core TES customers. This section also summarizes the regulatory approvals sought, and the proposed regulatory review process and the timetable for the Application.

Section 2 presents the load forecast and the methodology used, as well as the Load Forecast Variance Account for the Core TES.

Section 3 discusses the 2026 Revenue Requirements for the Core TES, including but not limited to operations and maintenance, property taxes, municipal access fees and depreciation and amortization expenses.

Section 4 covers return on rate base, cost of capital, Allowance for Funds Used During Construction (**AFUDC**), accumulated depreciation, Contributions in Aid of Construction (**CIAC**) and, the working capital for the Core TES in 2026.

Section 5 details the deferral accounts and their balances and requested amortizations.

Section 6 discusses other relevant matters to the Application, including the system contribution charge for the NEFC hot water distribution network, cost of extending the life of the steam plant, Creative Energy's Workforce Strategy, the allocable compensation of the General Manager, Core TES, the Core TES' manhole condition assessment and inventory, and cloud transition.

1.3 Average Core TES Customer Rate Impacts

Total average rates for thermal energy service are comprised of Core TES thermal tariff rates (i.e., that recover the cost of service through the approved revenue requirements) and fuel cost charges (i.e., that recover the cost of natural gas and renewable natural gas services on a flow-through basis backed by a fuel cost stability account), as shown in **Table 3** below on an equivalent $ per M# basis. This analysis does not include other charges such as the System Contribution Charge to NEFC hot water distribution network or the Fixed Monthly Charge for the Residential Tower owned by Nelson Burrard Holdings Inc. connected to the Butterfly hot water distribution network.

Table 3 below thus places the requested 2026 average rate increases and resultant average thermal tariff rate that is the subject of this 2026 RRA in the context of the total charges to the Core TES customers for service inclusive of fuel cost charges. When assessing the combined impact of the rates for thermal energy and associated gas costs, the overall change in rates represents a projected increase in the customer rates of 59.16 percent over the 2025 RRA charges, and a decrease of 8.12 percent from 2024 rates.

By way of further background, Creative Energy obtains its natural gas requirements from FortisBC Energy Inc. (**FEI**) for both commodity and delivery under FEI Rate 5, which is a firm rate. Creative Energy recovers its fuel costs from customers on a flow-through basis through a standard FCAC based on annual forecast fuel costs divided by approved annual load. A FCAC or a

FCAC Rate Rider may be approved from time to time, which is usually on an annual basis, if and as required to recover the balance in the Fuel Cost Stabilization Account (**FCSA**) if it exceeds a threshold balance.

The FCAC is approved by the Commission on a forecast basis for the Gas Year that is aligned with the calendar year[6]; that is, not in the scope of Creative Energy's revenue requirements applications and proceedings. A record of the last FCAC-related approvals is as follows:

- 2024/2025 FCAC of $18.55 per M#, effective November 1, 2024 – Order G-316-24;
- 2025 FCAC of $18.55 per M# and a FCAC Rate Rider of $(14.93) per M#, for an effective rate of $3.62[7] per M#, effective August 1, 2025 – Order G-210-25; and
- 2026 FCAC of $18.55 per M# and a FCAC Rate Rider of $(5.34) per M#, for an effective rate of $13.21 per M#, effective January 1, 2026 – Order G-298-25.

Table 3 below presents the Customer Rate Impact for the 2026 Test Year. Due to a notable change in the Effective FCAC rate—primarily resulting from the elimination of the carbon tax—Creative Energy has chosen to show not only the year-over-year change from 2025 to 2026, but also the cumulative change from 2024 to 2026 for a fulsome picture of the actual rate adjustments. Over this two-year period, the total customer rate would decrease by 8.12 percent since 2024.

Table 3: Summary of Average Rate Impacts

	2024 Approved	2025 Approved	2026 Test Year	Incremental Cost, $/M#		Rate Increase (Decrease) %	
				2024 to 2025	2025 to 2026	2025 to 2026	2024 to 2026
Steam Rate, $/M#	12.58	13.47	14.51	0.89	1.04	7.73%	15.35%
RVDA Rate Rider, $/M#	0.00	0.88	0.88	0.88	0.00	0.00%	N/A
Effective Steam Rates, $/M#	12.58	14.35	15.39	1.77	1.04	7.25%	22.34%
Effective FCAC, $/M#	18.55	3.62	13.21	(14.93)	9.59	264.92%	(28.79%)
Overall Customer Rate, $/M#	31.13	17.97	28.60	(13.16)	10.63	59.16%	(8.12%)

1.4 Application Assumptions

This application was prepared based on the following assumptions:

- The assumed interest rate is 5.33 percent for the 2026 Test Year; and
- Assumed inflation rate is 2.00 percent throughout the 2026 Test Year, unless stated otherwise.

[6] BCUC, Order G-210-25, 2025 Core TES Fuel Cost Adjustment Charge, August 27, 2025.
[7] Equals the FCAC rate + the FCAC rate rider.

1.5 Summary of Approvals Sought

In this Application, Creative Energy is seeking Orders of the Commission granting the approvals described below pursuant to the noted sections of the legislation. A draft Commission Order for interim approval of 2026 rates is provided in **Appendix A** to this Application while **Appendix B** provides the corresponding Tariff Pages.

Creative Energy requests the following approvals:

1. Approval, effective January 1, 2026, and pursuant to sections 58 to 60 and 90 of the *Utilities Commission Act* (**the Act**) and section 15 of the *Administrative Tribunals Act*, of the thermal service rates set forth in **Appendix B**;

2. Approval of proposed 2026 debt rate of 5.33 percent;

3. Approval of the 2026 thermal energy load forecast of 1,115,063 M# for the purpose of determining the average rate in the 2026 RRA Test Period and for other rate-making purposes, as required;

4. Approval of the proposed amortization plans of the following deferral accounts:
    - Low-Carbon Rate Design Deferral Account (**LRDDA**); and
    - Long-Term Resource Plan Deferral Account (**LTRPDA**);

5. Approval to establish the Manhole Condition Assessment Deferral Account (**MCADA**), attracting an average cost of debt (**WACD**), to hold the expenses associated with the Manhole Condition Assessment study as described in **Section 6.5** and **Appendix L** to this Application; and

6. Approval to close and discontinue the Revenue Variance Deferral Account (**RVDA**) by the end of 2026.

1.6 Recommended Regulatory Review Process and Timetable

Creative Energy proposes that this Application be reviewed through a written hearing process conducted by the Commission, commencing in January 2026. As part of this timetable, Creative Energy contemplates the potential need to file an Evidentiary Update to provide updates on financial information and actual balances of deferral accounts that are not available at the time of filing this Application.

Creative Energy respectfully requests that the regulatory process be completed no later than the end of June 2026.

Table 4 below illustrates the proposed regulatory timetable.

Table 4: Proposed Regulatory Timetable

Action	Date (2025 and 2026)
Application submitted to the Commission	Monday, December 15, 2025
Procedural Order, regulatory timetable and interim approval of the proposed rates	Monday, January 19, 2026
Public Notice of the Application	Monday, January 26, 2026
Creative Energy Evidentiary Update	Friday, January 30, 2026
Intervener registration deadline	Friday, February 6, 2026
Creative Energy confirmation of compliance with Public Notice requirements	Monday, February 9, 2026
BCUC Information Request (IR) No. 1	Monday, February 23, 2026
Interveners IR No. 1	Monday, March 2, 2026
Creative Energy responses to IR No. 1	Tuesday, March 17, 2026
Letters of comment deadline	Friday, March 20, 2026
Creative Energy Final Argument	Tuesday, April 7, 2026
Intervener Final Argument	Tuesday, April 14, 2026
Creative Energy Reply Argument	Tuesday, April 28, 2026
BCUC Final Decision Contingency for further process (if needed)	By the end of June 2026

2 Load Forecast and Load Forecast Variance Account

2.1 Introduction

All costs will be recovered based on the volume of thermal energy sold to Core TES customers. The thermal energy load forecast for the Core TES and for rate-setting purposes thus comprises:

1) Steam loads in M#, which are the essential billing determinants for the thermal energy consumption of customers connected to the steam distribution network, and

2) Hot water loads in MWh, which are the essential billing determinants for the thermal energy consumption of customers connected to hot water distribution.

For the purpose of determining the overall Core TES average rates and projected rate changes, the forecast thermal energy consumption in MWh is converted to M# at a standardized conversion factor of 0.347 MWh per M#, as reviewed and approved in the 2022 Core TES RRA application.

2.2 Load Forecasting Methodology

Per the determination and directives of Order G-199-25A, the Commission has found that Creative Energy's proposed methodology for load forecast presented as part of the 2025 RRA was satisfactory and hence was accepted. Based on this, Creative Energy is using the same methodology to develop the load forecast for the 2026 Test Year.

In accordance with Order G-199-25A directives, Creative Energy provides below a comparison of forecast and actual loads for the Core TES for January through October 2025, along with an explanation of any material variances.[8]

2.2.1. Core

This section covers the Core load, which is the Core TES load excluding the NEFC and Butterfly. The load forecast was developed using a weather-normalized model, establishing a relationship between Heating Degree Days (**HDD**) and steam consumption and demand.

Appendix E presents a study of the Core load. The review assessed the current Core load forecast model by comparing its projections with actual steam consumption data from 2024 and 2025 to confirm its reliability for the 2026 RRA. Observed monthly consumption consistently fell within the model's prediction intervals, with no instances of exceeding bounds. This pattern held across subsequent months, reinforcing the model's robustness. A strong statistical fit and annual comparisons further validate the model's predictive stability, supporting its continued use for

[8] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 5.

regulatory and planning purposes. Accordingly, Creative Energy requests approval to continue to use the same figure from the 2025 RRA, which was 1,040,428 M#.

2.2.2. NEFC

As discussed in detail in **Appendix F**, Creative Energy has conducted an assessment to evaluate the accuracy of the current load forecast model by comparing its predictions with actual load data from 2024 and 2025 to confirm its suitability for the 2026 RRA. Analysis showed that monthly consumption for January through October 2025 consistently fell within the model's prediction intervals, with no deviations beyond its bounds. The model demonstrated strong statistical performance and alignment between actual and projected consumption, indicating reliable predictive capability. These findings support continued use of the model for rate setting purposes. As such, there is no change in Creative Energy expectations for the NEFC load and accordingly, Creative Energy requests approval to continue to use the same figure from the 2025 RRA, which was 66,358 M#.

2.2.3. The Butterfly

In the 2025 RRA, Creative Energy stated that when fully occupied [9], the forecast annual load for the Butterfly hot water network would be 13,314 M#.

However, at the time of this Application, Creative Energy observes that occupancy levels—particularly at the Residential Tower—are lower than anticipated, resulting in actual load falling short of projections. The Residential Tower remains only partially occupied, and more operational data is needed to establish a reliable long-term 50th percentile load forecast for this location, similar to the Core and NEFC. Data on actual consumption from January through October 2025 indicates that annual consumption for the Butterfly hot water network is tracking at or below the estimate included in the 2025 RRA. Therefore, until sufficient data becomes available, the 2025 RRA load forecast continues to be the most appropriate basis.

Accordingly, for the 2026 load forecast, Creative Energy is requesting approval to maintain the same load forecast figure as the 2025 RRA, which is 8,277 M#.

2.3. Core TES Thermal Energy Load Forecast

Creative Energy is applying to set rates for 2026 based on a load forecast of 1,115,063 M#. Based on the expected approval of the Load Forecast Variance Account, any load variance between forecast and actual load would accrue to the Load Variance Account [10]. More detail on this is in **Section 2.4** below and **Section 5.2** of this Application. **Table 5** below provides details of the load forecast for 2026 in comparison to 2025.

[9] This was expected to occur in 2026.
[10] Please refer to **Section 3.2** in the 2023 RRA Application for details on the Load Variance Account.

Table 5: Thermal Energy Load Forecast

M#	2025 Approved	2026 Test Year
	Weather Normalized	Weather Normalized
Core	1,040,428	1,040,428
NEFC	66,358	66,358
Butterfly	8,277	8,277
Total	1,115,063	1,115,063

2.4. Load Variance Observed in 2025

As expanded on in **Section 6.2**, the variance in load, and the associated accruals to the Load Forecast Variance Account, are expected to be $438,482 as at December 31, 2025. The expected closing balance of the Load Variance Account at the end of 2025 is $450,123, including the first 10 months of 2025 based on the difference between actual loads and the forecast load to the end of October 2025 and the last two months of the year based on forecast backed by HDD estimates for the months of November and December.

3. Revenue Requirements

3.1. Revenue Requirements Drivers

Core TES Revenue Requirements are determined by the following five drivers:

1. Operations and Maintenance;
2. Municipal Access Fees;
3. Property Taxes;
4. Income Taxes; and
5. Depreciation and Amortization Expenses.

The following sections discuss each of the drivers in detail.

3.2. Operations and Maintenance Budgeting

3.2.1. Introduction

Operations and Maintenance (**O&M**) budgets and Capital budgets are prepared by Creative Energy's management team and then approved by its Board and are aligned with business functions as well as established BCUC accounts. In general, and as consistent with past practice in previous RRAs, prior year actuals and year-end projections are used as benchmarks to identify budgets since most O&M activities are recurring in nature and typically change with inflation. In addition, where informative and predictive, some maintenance expenses are pooled by equipment type and analyzed on a combined and trended basis for budgeting purposes. Other cost categories, such as water and electricity expenses, are subject to rate increases set by a separate utility or governmental body and the amounts required vary by load. Creative Energy develops an accurate operating budget reflecting estimated inflation rates, supply cost increases, necessitated repairs and requirements and contractor services.

3.2.2. Summary by Cost Driver and Control

To assist with the underlying assessment of cost drivers, the following section and the individual O&M components that follow illustrate O&M costs and variance explanations in relation to the following six categories of cost drivers.

1. Wages and Benefits (Steam, Distribution and Management);
2. Information Technology Services;
3. Water and Electricity Expenses;
4. Maintenance;
5. Special Services; and
6. Sales and Other General & Administrative.

Similar to previous RRAs, the categorization is meant to offer clarity on the cost of service across the Core TES and to present the specific costs driving the requested rate increases in the 2026 Test Year.

Cost drivers [11] are also grouped according to a qualitative assessment of where management is generally able to exercise budgeting control and decision-making as follows:

1. **Internal Cost:** this is where operating costs are commonly understood to be within the scope of management's control; and
2. **External Cost:** this is where determination is outside Creative Energy (e.g., rates applicable to Creative Energy's water, electricity, and natural gas consumption).

Although Creative Energy adds caution to the level of precision, it considers this approach to be the best one overall for providing insight and understanding of the drivers for the cost of service for the 2026 Test Year. Please refer to **Table 6** below for an overall summary of costs in accordance with this approach.

Table 6: Total O&M by Cost Driver and Control

2026 Rate Increase Components		2025 Approved			2026 Test Year		
Cost Component	Cost Control	$	% of O&M	% of Revenue	$	% of O&M	% of Revenue
O&M		8,864,736	100%	59%	9,029,694	100%	56%
Wages and Benefits (Steam, Distribution & Management)	Internal	4,727,023	53%	31%	4,734,685	52%	29%
	External	234,055	3%	2%	259,560	3%	2%
Information Technology Services	Internal	-	0%	0%	-	0%	0%
	External	608,346	7%	4%	463,591	5%	3%
Water and Electricity Expenses	Internal	-	0%	0%	-	0%	0%
	External	1,246,076	14%	8%	1,297,795	14%	8%
Maintenance and related functional Operations	Internal	763,019	9%	5%	925,988	10%	6%
	External	-	0%	0%	-	0%	0%
Special Services (Regulatory, Audit, Legal, Consulting)	Internal	251,369	3%	2%	353,919	4%	2%
	External	365,040	4%	2%	381,772	4%	2%
Other General & Administration & Sales Expense	Internal	265,718	3%	2%	242,951	3%	2%
	External	404,090	5%	3%	369,433	4%	2%

The subsequent sections provide an explanation of the costs associated with each of the six categories summarized above. Total O&M cost is also assessed by business function, as shown in **Table D-1** in **Appendix D**.

3.2.3. Wages and Benefits

As part of the 2025 RRA Final Decision and Order (Order 199-25A), the Panel directed Creative Energy to include the following information in all future RRAs for all management positions that charge a portion of their time to the Core TES: [12]

- A breakdown of all positions allocated to the Core TES, broken down by business unit;
- The percentage of time each position is forecast to spend on Core TES work; and
- An explanation of any changes in allocations, by business unit, compared to the previous RRA and how this change impacts the Core TES.

[11] Definitions of the six categories of cost derivers are discussed in **Appendix C** of this Application.
[12] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 14.

In the sections that follow, Creative Energy addresses the determinations and directive outlined above.

a. Approach and Summary

The Core TES is supported by Plant and Distribution operations staff and office and management staff, that are responsible for corporate development, corporate support and project engineering functions and allocate their time to ensure the Core TES is maintained and operates safely, efficiently and effectively. Managing those functions to budget is the responsibility of the entire management team. Attracting and retaining talent is critical to the success of Creative Energy and accordingly providing safe and reliable service to our customers. Creative Energy competes with other and typically much larger utilities in BC, other parts of Canada and in some cases North America for employees with specialized skillsets that are not widely available. In addition, there are specific risks associated with the size of Creative Energy. The loss of key employees can have a significant impact on the business given the small number of employees each having a multitude of skills and responsibilities.

Creative Energy's compensation strategy, therefore, continues to be to develop competitive market-based compensation packages that attract, motivate, and retain talent with the skills required for key roles, while also aligning the compensation of each management and office employee to their individual level of responsibility. Total compensation includes an incentive program designed to complement the compensation strategy. **Appendix G** on workforce strategy provides further information.

On the other hand, labour costs and year-over-year increases for unionized employees primarily working in steam production and distribution functions are set in accordance with a collective agreement.

Table 7 below provided a summary of Wages and Benefits. Compared to the Approved 2025 RRA, the cost of Total Wages and Benefits for the 2026 Test Year are planned to increase by 0.67 percent compared to the 2025 Approved amount, which is significantly less than inflation.

Table 7: Summary of Total Wages and Benefits

Total Wages and Benefits	2025 Approved	2025 Projected	2026 Test Year
500 Supervision and Labour, $	1,888,998	1,864,274	1,909,859
870 Supervision and Labour, $	992,024	1,213,328	1,131,112
920 Admin & General Salaries, $	1,828,738	1,454,413	1,740,126
926 Employee Benefits, $	251,317	242,096	213,148
Total, $	4,961,077	4,774,111	4,994,245

b. Steam Production Supervision and Labour

Compared to the Approved 2025 RRA, total steam production supervision and labour costs for the 2026 Test Year are planned to increase by 1.1 percent, which is less than inflation. Further details are shown below in **Table 8**. The variance between 2026 Test Year and 2025 RRA is shown in **Table D-2** in **Appendix D**.

Table 8: Steam Production Supervision and Labour – Account 500 – Summary

Account 500 Supervision and Labour	2025 Approved	2025 Projected	2026 Test Year
Wages, $	1,461,679	1,407,993	1,490,037
Overtime, $	110,000	146,784	121,000
Benefits, $	175,411	167,589	156,873
Pension, $	141,908	141,908	141,949
Total, $	1,888,998	1,864,274	1,909,859

Plant wages are based on a full-time equivalent (**FTE**) of eleven engineers and an assistant chief engineer. There are no additions to the headcount planned for 2026 for the Core TES. The increase in total expense from the 2025 application can be described by the following factors in **Table 9**. As shown in the table, wages increased by about 1.9 percent, which is less than inflation. Overtime has also increased slightly, which was offset by a decrease in the cost of benefits.

Table 9: Factors Driving Change in Cost of Steam Production Supervision and Labour

Wages, $	28,358
Overtime, $	11,000
Benefits, $	(18,538)
Pension, $	41
Total, $	20,861

Creative Energy requires a minimum number of staff per shift at the steam plant for operational and safety reasons, resulting in overtime when rescheduling is needed due to staff absences. Overtime also occurs for preplanned jobs requiring specific personnel, as well as for steam plant safety training, which must take place during overtime shifts. In contrast, distribution and service safety training is scheduled during regular workdays. Overtime costs are shared and allocated to the Core System using the Massachusetts formula. A small increase in overtime is planned for 2026, based on the average overtime over the past three years.

Benefits are estimated based on projected rates for categories such as Canada Pension Plan (**CPP**), Employment Insurance (**EI**), workers' compensation board (**WCB**), employer health tax and extended health benefits and based on the staffing complement.

Pension costs are determined by Creative Energy's actuarial consultant, using a 9.1 percent contribution rate for 2026 based on the 2023 valuation. This defined benefit plan and rate apply to all unionized and legacy staff enrolled in the plan, with any cost variances tracked in the approved Pension Expense Deferral Account. The contribution rate reflects the percentage of total wages that Creative Energy must contribute, not the percentage of employees enrolled.

c. Distribution Supervision and Labour

The Distribution team allocates its time directly to the energy systems it supports, including the Core TES, Main & Keefer TES, South Downtown Heating TES and DCS, Kensington Gardens TES, Mount Pleasant DCS, Horseshoe Bay TES, Pendrell TES, Alberni TES, and Sen̓áḵw TES. While certain employees focus on either the steam or hot water networks, they may assist the other team as needed, providing flexibility and reducing the need for more staff. The team currently

includes two managers and ten unionized service technicians, with no change in headcount from 2025. For the 2026 Test Year, total supervision and labor costs are budgeted to rise 14 percent over 2025 approved levels, mainly due to increased labor for Core TES, wage inflation, and higher pension and benefits costs, but are expected to be 6.8 percent less than the 2025 projected amount. For the 2026 rates application, a review was done of the past three years' actual time allocations to the other TES systems in order to set a reasonable expectation for 2026. There are also planned additional shifts and an allowance included for parental leave coverage which is mandated under the collective bargaining agreement.

The components of the Distribution Supervision and Labour costs are illustrated in **Table 10**. The detailed variance table for this cost is in **Appendix D-Table D-3**.

Table 10: Distribution Supervision and Labour – Account 870 – Summary

Account 870- Supervision and Labour	2025 Approved	2025 Projected	2026 Test Year
Wages, $	784,760	955,360	899,543
Overtime, $	26,816	34,268	25,460
Benefits, $	100,836	128,092	105,640
Pension, $	79,611	95,608	100,469
Total, $	992,024	1,213,328	1,131,112

The increases in the total cost of Distribution Supervision and Labour from 2025 to 2026 for the Core TES are described by the following drivers in **Table 11** below. Account 870 Total shows an overall increase of 14 percent. Specifically, in relation to wages, general salaries rose 2.8 percent, while the remaining increase in the wages category[13] is related to additional time and shifts required for the Core TES including Butterfly. While overtime decreased by 5 percent, this reduction is offset by an increase in benefits due to increased health and benefits costs. Additionally, pension costs grew significantly, increasing by 26 percent primarily due to the increase in wages, for which the defined benefit rate is 9.1 percent.

Table 11: Factors Driving Change in Cost of Distribution Supervision and Labour

Wages (General Salary, allocated time and additional shifts), $	114,783
Overtime, $	(1,356)
Benefits, $	4,804
Pension, $	20,858
Total, $	139,088

d. Management Labour and Benefits

Management Labour and Benefits are planned to decrease for the 2026 Test Year by 6.1 percent over the 2025 RRA approved level. In 2026, there are two primary explanations for changes in allocations for business units. First, the Massachusetts formula allocation has changed since there are two additional energy systems expected to be operational in 2026, which are Sen̓áḵw TES and Thompson Rivers University (**TRU)** TES. The planned addition of these two new systems, together with adjustments in allocation of management time to reflect other projects, operations, and corporate development activities within the Creative Energy group, has resulted in a

[13] Overall increase in wages is 14.6 percent.

reduction in the relative percentage of management labour and benefits costs allocated to the Core TES pursuant to the Massachusetts formula from 80.1 percent to 68.7 percent of total costs.

As part of the annual budget process, management annually reviews and adjusts time allocations where appropriate to reflect the workplan. **Table 12** below provides a summary of the Management Labour and Benefits and **Table 13** provides a breakdown of management labour and benefits variance by allocation. The detailed variance table for this cost is in **Appendix D-Table D-4.** A full breakdown of all positions allocated to the Core TES and the percentage of time allocated is provided in **Appendix H.**

Table 12: Management Labour and Benefits – Accounts 920 and 926 - Summary

Account 920- Admin & General Salaries	2025 Approved	2025 Projected	2026 Test Year
Wages, $	1,828,738	1,454,413	1,740,126
Account 926- Employee Benefits			
Benefits, $	235,783	229,560	196,006
Pension, $	15,534	12,535	17,142
Benefits and Pension Total, $	251,317	242,096	213,148
Total, $	2,080,055	1,696,509	1,953,274

This variance in Wages and Benefits is distributed as follows in **Table 13**. As can be observed, Management Labour and Benefits have decreased by 6.1 percent compared to the approved 2025 RRA figures. There has been a decrease in wages (4.8 percent) and benefits (16.9 percent) partially offset by an increase in pension costs (10.4 percent) which is based on a 9.1 percent contribution rate. The increase in pension costs is a function of the Management Labour who are members of the pension.

Table 13: Summary of Management Labour and Benefits Variance by Allocation

Wages (assumed 3.0% increase)	(88,612)
Benefits, $	(39,777)
Pension, $	1,608
Total, $	(126,781)

Table 14 below shows the costs by business unit for both the Approved 2025 RRA and 2026 Test Year as well as their respective variance.

Table 14: Summary of Management Labour and Benefits and Variance by Business Unit

Business Unit	2025 Approved	2026 Test Year	Variance
Business Development, $	228,100	289,590	61,490
Engineering & Projects, $	190,547	256,247	65,700
Executive Leadership, $	225,270	170,802	(54,469)
Finance and Customer Support, $	557,088	504,397	(52,691)
Human Resources, $	111,032	149,017	37,985
Information Technology Services, $	226,573	194,832	(31,741)
Operations Management, $	171,102	160,178	(10,924)
Regulatory, $	370,343	228,211	(142,132)
Total, $	2,080,055	1,953,274	(126,781)

The 2026 Management Labour and Benefits include the full year allocable amount of a few positions that started later in 2025 as well as the General Manager, Core TES, which is discussed in detail in **Section 6.4**.

The majority of business units have seen a decrease in the allocable costs to the Core TES in 2026, as a result of the reduction in the Massachusetts allocation. Costs for Wages and benefits under Accounts 920 and 926 that are associated with the Core System are allocated based on the Massachusetts formula or by direct assignment. Further details on this allocation are in **Appendix H**.

- **Management Positions Allocated to Core TES**

As discussed above, the Panel, in its Order G-199-25A, has directed Creative Energy to include the following information in **all future RRAs** for all management positions that charge a portion of their time to the Core TES:

(i) Breakdown of all positions allocated to the Core TES, broken down by business unit;
(ii) The percentage of time each position is forecast to spend on Core TES work; and
(iii) Explanation of any changes in allocations by business unit compared to the previous RRA and how this change impacts the Core TES.

Appendix H attached to this Application provides all the details requested above.

3.2.4. Information Technology Services

a. Introduction

As a result of ongoing development around the requirements for information technology services, as well as the historical underinvestment in critical infrastructure, Creative Energy applied for and received approval for a significant increase in these costs as part of the 2024 RRA. For the 2025 RRA, Creative Energy requested approval for expenditures related to information technology (**IT**) services that are in line with the approved costs from 2024. In 2026, the IT budget requested is 23.79 percent lower than the 2025 approved budget.

b. Cost Allocation and Summary

Allocations of Information Technology Services embody a holistic strategy aimed at enhancing operational efficiencies, bolstering proactive cybersecurity measures, and ensuring the delivery of safe and reliable services to customers. This comprehensive approach reflects a commitment to advancing technology initiatives that contribute to overall business excellence and customer satisfaction. The change in 2026 Test Year compared to Approved 2025 RRA is a decrease of 23.79 percent. This decrease is due in part to the increased maturity of Creative Energy's cybersecurity systems and processes, and the benefits that have been realized through the larger investments in general IT and cybersecurity in prior years. The revised allocation of costs under the Massachusetts formula has also contributed to the overall decrease in Information Technology Services costs.

Table 15 below provides a high-level illustration of the cost components of Information Technology Services.

Table 15: Summary of Information Technology Services

Information Technology Services	2025 Approved	2025 Projected	2026 Test Year
General IT, $	403,098	382,035	308,298
Data Backup and Recovery, System Maintenance, Software Licenses, Cloud Infrastructure, SaaS subscriptions, IT Consulting, IT contractor costs, Peripherals and Accessories, Managed Service Provider, Professional Development, Internet Service Provider			
Cybersecurity, $	205,248	192,944	155,293
Managed Security Operations Center, Security Tools, Security Audits			
Total, $	608,346	574,979	463,591

Table 16 below details the allocation of this total cost of Information Technology Services for the 2025 Test Year.

Table 16: Allocation of Cost of Information Technology Services

Directly Charged, $	137,356
Allocated via Massachusetts Formula, $	326,235
Total, $	463,591

Tables D-5 and D-6 in Appendix D provide a detailed breakdown of the General IT and Cybersecurity costs in a format similar to the tables provided in Creative Energy responses to BCUC IR 8.1 and 8.1.1 in the 2025 RRA proceeding [14]. These tables provide explanations for any significant variances between the 2026 RRA and 2025 RRA as directed by Order G-199-25A [15].

3.2.5. Water and Electricity Expenses

a. Introduction

The cost of water and electricity are major expenses for the Core TES Steam plant, which is used to operate the plant. Electricity costs are included in this cost category to reflect the entirety of the input costs and are broadly driven by factors and external rates outside of management control. With respect to water, Creative Energy's primary water usage consists of:

1. Feed water as an input in steam production; and
2. Water cooling applied to Distribution system condensate within the steam plant so that it can safely be discharged into the City of Vancouver's storm and sewer network.

The methodology to forecast the water expense is based on a historic ratio of actual water expense and actual steam load multiplied by forecast steam load, given the direct relationship between the water input and steam produced.

[14] Creative Energy, 2025 Core TES RRA Proceeding, Exhibit B-9, Response to BCUC IR No.1, pp. 25-27.
[15] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 15.

b. Summary

Water and Electricity Related Expenses are shown in **Table 17** below. The estimate for 2026 Test Year is 8.5 percent higher than 2025 Approved figures. The increase in water and electricity costs is primarily driven by the forecast change in water and electricity costs, over which Creative Energy does not have control.

Details about the estimation methodology of each cost component are discussed in **Appendix C**. The variance for this cost category is in **Table D-8** in **Appendix D**.

Table 17: Water and Electricity Related Expenses – Account 502 Partial and Account 874

Accounts 502 and 874	2025 Approved	2025 Projected	2026 Test Year
502 Steam Expenses - Partial			
Water, $	913,083	880,706[16]	986,280
Electricity, $	106,712	121,800	124,236
Water Treatment, $	140,000	169,431	151,000
Subtotal, $	1,159,795	1,171,937	1,261,516
874 Mains and Services			
Electricity, $	281	273	279
Water Mains, $	36,000	27,375	36,000
NEFC Operating Costs, $	-	-	-
Subtotal, $	36,281	27,648	36,279
Total, $	1,196,076	1,199,585	1,297,795

3.2.6. Maintenance

a. Introduction

Maintenance budgets are pooled across business functions overall and they may vary within the year based on priority or emergent need, as indicated by the variation in spend within and across the account category of expense. Maintenance cost includes multiple accounts as follows:

1. Steam Expenses – Maintenance & related Expenses;
2. Structures and Improvements;
3. Other Distribution Operation;
4. Transportation;
5. Mains and Services;
6. Meters & House Regulators; and
7. Maintenance of General Plant.

b. Summary

Forecast Maintenance Cost for 2026 is projected to be 22.4 percent higher than in 2025, as shown in **Table 18**. This increase is primarily due to several operational factors. The budget accounts for expenses, such as procuring replacement parts and paying for their freight delivery,

[16] Includes forecast addition to Water Cost Deferral Account of $94,809. Forecast cost before additions to the deferral account are $975,515.

purchasing and replacing tools, addressing safety requirements, entering service agreements for plant controls, and consultant fees. The plant and distribution management team creates the budget based on anticipated needs for 2026. For 2026, a 5 percent inflation factor was applied to several maintenance cost categories to account for the aging plant and equipment. Additionally, account 502 budget increases for 2026 include $30,000 for asbestos abatement and encapsulation, and $14,000 for additional safety valve testing required for environmental recertification. The budget for replacing parts in Meters & House Regulators was determined using the budgets from 2022 and 2023, as well as the 2025 forecast, resulting in a $29,000 increase over the 2025 Approved amount. Specific provisions for the NEFC and Butterfly sections of the system added $43,000 to Account 889 budget compared to the prior year. An extra $12,000 in this account was allocated for grounds maintenance due to increased vandalism stemming from social issues in downtown Vancouver. Further details on these budget variances can be found in **Table D-9** of **Appendix D**.

Table 18: Maintenance and related functional operation – Multiple Accounts – Detailed Summary

	2025 Approved	2025 Projected	2026 Test Year
502 Steam Expenses – Maintenance & Related Expenses	401,000	475,307	492,500
933 Transportation, $	16,000	9,114	13,000
887 Mains and Services, $	75,000	118,599	87,312
889 Meters & House Regulators, $	205,167	269,496	295,176
932 Maintenance of General Plant, $	59,500	56,433	38,000
Total, $	756,667	928,949	925,988

3.2.7. Special Services

a. Introduction

Special Services include the following:

1. Audit Fees: The fee for the 2025 Test Year is based on the actual quote from Creative Energy's auditor.

2. Legal Fees: Legal fees in this category of costs do not include expenses relating to regulatory applications and proceedings. Legal fees are typically driven by emergent priorities. An average forecast of legal fees has been determined using the most recent three-year weighted average approach (20/40/40 adjusted for inflation).

3. External Services: External Services are historically related to consulting costs for government advisory services, reviewing customer and business development opportunities, recruiting costs and external costs for preparing tax returns. There are also other items such as enterprise risk assessments, consulting related to benefits and the pension plan and ESG consultants. To estimate the base level of these costs, Creative Energy has used costs from previous years adjusted for inflation.

4. Regulatory: Consistent with the fact that the level of activity and absolute costs are difficult to forecast, Creative Energy will continue to apply differences between forecast and actual amounts to the Third-Party Regulatory Costs Deferral Account as approved.

b. Summary and Discussion

Table 19 below provides an overall summary of the Special Services costs. Overall, the 2026 Test Year forecast cost is higher than the 2025 Approved by 19.35 percent. The increase is primarily driven by the increase in the external service cost by $97,813 for consulting work on restructuring tax planning. Variances are detailed in **Table D-7** of **Appendix D**.

Table 19: Special Services – Account 923 – Summary

923 Special Services	2025 Approved	2025 Projected	2026 Test Year
Audit Fees, $	115,040	89,971	117,564
Legal Fees, $	46,804	115,559	51,542
External Services, $	204,565	264,486	302,378
Regulatory, $	250,000	250,000	264,207
Total, $	616,409	720,016	735,691

3.2.8. Sales and Other General & Administrative

a. Introduction

This section covers the costs of both Sales and Other General & Administrative**. Table 20** below illustrates these costs for 2025 Approved, Projected, and 2026 Test Year. The overall cost has decreased by 8.57 percent compared to 2025 Approved.

Table 2020: Sales and Other General & Administrative - Summary

Account 910	2025 Approved	2025 Projected	2026 Test Year
Sales Expense, $	83,140	28,936	15,806
Other General and Administrative, $	586,668	559,713	596,577
Total of Other General and Administrative Sales Expenses, $	669,808	588,649	612,383

b. Sales Expenses

The 2026 Test Year expense is a bottom-up budget consisting of promotional costs supporting the Low Carbon project and future growth in the Core TES. The components of this cost are as follows:

1. Core TES - Advertising
2. Core TES - Promotion
3. Core TES - Commissions
4. Core TES - Selling Expense-Trade Shows
5. Business Development Expense
6. Core TES - Dues & Membership
7. Core TES - Courses & Conferences
8. Core TES - Bad Debt

As shown in **Table 20** above, there is a decrease of 81.0 percent in the cost of sales primarily driven by reduced business development expenses, as well as the decrease in courses and dues expenses associated with the business development team. The decrease in 2026 is reflective of planned activities for 2026.

c. Other General and Administrative

Other General and Administrative Cost comprise a relatively small percentage of Creative Energy's cost of service. This cost is comprised of the following:

1. Director Fees;
2. Office Supplies & Expenses;
3. Admin & General Expenses;
4. Insurance; and
5. Injuries & Damages – WCB.

Table 21 below illustrates the details of this cost. There is an increase of 1.70 percent for the 2026 Test Year over the 2025 Approved. This increase is primarily driven by increases in office expenses, offset by the decrease in the rest of the drivers. The increase in office expenses is due to $90,000 in HR costs including amounts for Leadership Development and Training, and Culture and Engagement. The 2025 approved amounts for Admin & General costs included additional allocations for travel, meals and entertainment that did not occur in the 2025 actuals. This has been reflected in the 2026 Test Year, as the activity is projected to remain minimal. The variance table of the Other General & Administrative expenses is in **Table D-10** in **Appendix D**.

Table 21: Other General and Administrative- Summary

	2025 Approved	2025 Projected	2026 Test Year
915 Directors Fees	48,418	48,418	41,233
921 Office Supplies & Expenses, $	91,593	145,972	197,822
922 Admin & General Expenses, $	47,881	17,955	14,047
924 Insurance, $	385,597	339,127	334,115
925 Injuries & Damages - WCB, $	13,179	8,241	9,360
Total, $	586,668	559,713	596,577

d. Insurance

Per Order G-199-25A, the Panel directed Creative Energy to report on any actions it has taken or plans to take in order to monitor and mitigate risks related to insurance claims and the associated financial impacts [17].

In 2025, Creative Energy completed an infrared scan of the steam distribution system using specialized aerial technology. This scanning methodology is normal practice among other large steam system operators in North America. The scan catalogued areas with elevated temperatures throughout the distribution network. Data analysis is ongoing to assess each identified location, as elevated temperatures may result from normal operational conditions—such as anchor blocks—and do not necessarily indicate system deficiencies. Creative Energy will continue this work in 2026, including a follow-up scan and completion of the geospatial analysis. The aim is to prioritize areas of concern where elevated temperatures overlap with utility

[17] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 17.

crossings or other critical infrastructure. This focused approach will allow for targeted investigation and remediation where needed.

Creative Energy's operations technicians conduct regular line drives of the steam distribution system as part of normal operations. Line drives have been standard practice for the past years and involve visual assessment of the distribution network to identify any visible steam releases or any other unusual conditions that may indicate developing issues.

In addition to the above work, Creative Energy commenced work in 2025 to review and refresh business continuity plans for the Core TES, including the steam distribution system. Completion of this work in 2026 will enable Creative Energy to respond to steam releases or asset failures in a timely manner, minimizing both the duration and extent of any third-party impacts and associated insurance claims.

Creative Energy maintains property, and boiler and machinery insurance coverage on the Beatty Street Plant and commercial general liability insurance for all operations. The steam distribution system is covered by liability insurance only. Creative Energy self-insures for equipment damage to distribution assets due to the cost of property coverage for underground steam infrastructure. This coverage structure focuses insurance protection on third party liability exposure, which was the primary driver of the premium increases experienced in 2025. Creative Energy has an ongoing claim related to the deteriorated expansion joint EJ-29, which was replaced in 2025.

As reported in 2025 RRA, Creative Energy places its insurance annually through a third-party broker that markets the program to multiple insurers and conducts renewal strategy with Creative Energy three to four months prior to renewal to ensure best value for coverage. There was an extensive marketing exercise in 2023 for all lines of cover and there was another marketing exercise in 2024 for commercial general liability in which several insurers evaluated the commercial general liability coverage. Only one offered coverage at existing limits. Several alternatives proposed lower limits at higher rates. For 2026, Creative Energy renewed with incumbent markets as it best balanced price and coverage available in the market, and was able to realize a slight decrease in insurance premiums across all lines of coverage.

As also noted in the 2025 RRA proceeding, insurance premiums are typically based on loss history over a three-to-five-year period. While the actions described above are expected to reduce the frequency and severity of infrastructure-related incidents over time, Creative Energy does not anticipate immediate reductions in insurance premiums as a result. These monitoring and response measures will mitigate the likelihood of future losses.

3.3. Property Taxes

3.3.1. Introduction

The 2026 budget related to property taxes is based on an estimate of proposed property tax increases from the City of Vancouver posted on its website [18] as well as an assumption on the assessed taxable value of the land and building for the Core TES site. **Schedule 16** has further details on the mill rate and assessed value assumptions for the Property Taxes.

3.3.2. Allocation to Non-Regulated Operations

Creative Energy has historically allocated a portion of the total property tax to its non-Core TES operations, thus reducing the amount of its regulated revenue requirement and benefiting customers through lower rates.

Creative Energy's non-Core TES operations historically included leasing of surplus office space to tenants and parking rentals on land not used in utility operations. While this activity is now minimal, Creative Energy has still allocated a portion of the costs related to this space to the non-Core business. Creative Energy has also allocated out a portion of property taxes related to office staff that are not specifically working on the Core TES.

To calculate the appropriate amount to be allocated to non-Core TES operations, Creative Energy applies the levy rates to the total assessed value of the land and building and a portion is then allocated using building and land square footage.

In the 2021 RRA decision, Creative Energy was directed to address the allocation of property taxes and the treatment of land located at 720 Beatty Street and 701 Expo Boulevard related to the redevelopment. There is currently no change in use of the land planned for 2026. It is anticipated that the land will be fully utilized by the regulated operations and construction of the new regulated plant. As such, there will be no change in the methodology for allocation of property taxes in the 2026 RRA. It should be noted that Creative Energy has not been charging any property tax increases related to the valuation of the land changing since 2022, as this cost has been charged to the Developer. The rezoning occurred in 2023, and the component of property taxes related to the land valuation is fixed going forward. The only change in property tax included in the revenue requirements will be related to changes in the City of Vancouver rates. The impact on property taxes related to valuation of land is paid for by the developer.

3.3.3. Summary

Property taxes are paid to the City of Vancouver for the properties located at 720 Beatty Street and 701 Expo Boulevard. The total property tax expense is a function of the value of the property, as assessed annually by BC Assessment, multiplied by various levy rates, which are also

[18] The City of Vancouver Business and Other Property Tax Rates: https://vancouver.ca/home-property-development/business-and-other.aspx.

set amounts and typically changed annually. There is an increase in property tax of 9.4 percent due to the impact of rate changes. For the 2026 budget, rates were estimated to increase by the same percentage in 2026 as they had from 2024 to 2025. In addition, actual rates in 2025 were 7 percent higher than the 2025 rates application, leading to a forecast addition to the Property Tax Deferral Account of $24,878 for the year ended December 31, 2025.

Please refer to **Table 22** below for further details. Any variances between forecast and actual property taxes are captured in the Property Tax Deferral Account approved on an ongoing basis as per Order G-310-21.

Table 22: Property Taxes

	2025 Approved	2025 Projected	2026 Test Year
Total for 720 Beatty Street, $	964,465	1,052,823	1,069,166
Reduction for Non-Core TES, $	(145,000)	(162,000)	(169,000)
Property Tax for 701 Expo Blvd., $	51,701	4,600	52,735
Total Property Tax Allocated to Core System, $	871,165	895,423	952,900

3.4. Municipal Access Fees

Creative Energy has a thirty-year Municipal Access Agreement (**MAA**) with the City of Vancouver effective September 1, 1999. The current MAA was approved by the BCUC under Order C-13-00[19]. The MAA grants Creative Energy the right to continue to operate, construct and maintain its distribution system in the City of Vancouver streets for the supply of steam-heat and hot water services. In exchange for the rights under the MAA, Creative Energy pays the City an annual fee. The fee is based on a prescribed 1.25 percent of the total revenue requirement plus an additional flat fee that is escalated based on 2 percent.

Further details of how this annual fee is estimated are found in **Appendix C**. Also, **Table D-11** in **Appendix D** gives more details on the calculation for 2026 Test Year and **Table D-12** in the same appendix provides details on the calculation of the gas adjustment. This process is consistent with the RRAs from 2023-2025. Municipal Access Fees are paid in April of each subsequent year once the figures have been audited. Costs are accrued throughout the year based on the formula described in the MAA agreement. Please refer to **Table 23** below for the Municipal Access Fees, which reflects an increase in the fee of 4.85 percent primarily due to the increase in the revenue requirement between the two years. Please also refer to **Schedule 17** for further details.

Table 23: Municipal Taxes – Consolidated Core and NEFC

	2025 Approved	2026 Test Year
Total Municipal Access Fee, $	371,709	389,757

[19] BCUC, Order C-13-00, Certificate of Public Convenience and Necessity, Approval of a Municipal Access Agreement with the City of Vancouver June 15, 2000.

3.5. Income Taxes

3.5.1. Introduction

To calculate income tax expenses, Creative Energy uses a flow-through or current taxes method. Under this approach, the equity portion of the return on rate base, adjusted for permanent and temporary tax differences, and future enacted tax rates (both Federal and Provincial) are used in calculating the total tax expense. More details on income tax calculation are discussed in **Appendix C**.

It is important to note that on an actual basis, revenues are known and subsequently used in arriving at the Net Utility Income figure.[20] With respect to the forecast, the fundamental purpose of the revenue requirement is to determine the amount of revenue required to deliver utility services, cover all the expenses (including income tax), and provide for the allowed return on equity. Since the revenues are not "given", but the allowed equity return[21] is, we can use this percentage together with the rate base to calculate what the after-tax equity return would be. Working backwards and adjusting the after-tax equity return for tax differences, we can calculate the before tax income and consequently the income tax expense.

3.5.2. Summary

Forecast income tax expense for 2026 is reported in **Table 24** based on the income tax pertaining to regulated operations. The effective tax rate during the test period is 27 percent, which is the same as the 2025 RRA. Please also refer to **Schedule 19** for further details. Taxable income in 2026 is significantly lower than 2025 (a drop of $ 453,627) due to the reintroduction of the Accelerated Investment Incentive which allows for the accelerated claim of the capital cost allowance on eligible properties[22].

Table 24: Income Taxes- Consolidated Core and NEFC

	2025 Approved	2026 Test Year
Allowed/Proposed Return on Rate Base (After Tax), $	2,994,000	3,324,000
Add: Equity Portion of AFUDC		
Less: Financing Costs, $	(985,429)	(1,096,000)
Accounting Income After Tax, $	2,009,000	2,228,000
Total Additions (Depreciation Expense), $	1,484,900	1,740,000
Total Deductions (Capital Cost Allowance), $	(2,572,273)	(3,500,000)
Taxable Income/(Loss) for Tax Purposes (After Tax), $	921,627	468,000
Tax Gross Up, $	73.00%	73.00%
Taxable Income/(Loss) for Tax Purposes (Before Tax), $	1,262,503	641,000
Effective Income Tax Rate	27.00%	27.00%
Current Income Tax Expense , $	340,876	173,000

[20] Utility Revenues less Utility Expenses equal Net Utility Income.
[21] The equity return is after tax, and it is expressed as a percentage.
[22] Government of Canada, Department of Finance Canada, Investing in Jobs and Growth: https://www.canada.ca/en/department-finance/news/2024/12/investing-in-jobs-and-growth.html.

3.6. Depreciation and Amortization Expense

3.6.1. Introduction

Depreciation expense is a function of undepreciated plant balances and applicable depreciation rates. Please refer to **Table 25** below and to **Schedule 5** for further detail.

Table 25: Depreciation Expense- Consolidated Core and NEFC

	2025 Approved	2026 Test Year
Opening Accumulated Depreciation, $	(28,217,205)	(29,702,122)
Closing Accumulated Depreciation, $	(29,702,122)	(31,442,227)
Depreciation Expense, $	1,484,916	1,740,105

For each asset class, annual capital additions are tracked separately, and depreciation begins in the year following their addition. Once a particular annual capital addition has reached the end of its useful life, depreciation is no longer applied, and such additions are then taken out of the depreciable asset pool for calculation purposes. The increase of 17.2 percent in depreciation expense primarily relates to the incremental investments in IT in recent years and increased work on the manhole structures improvements. Please refer to **Table D-13** in **Appendix D** for the Core TES Asset Classes and Depreciation Rates.

3.6.2. Depreciation of Contribution-in-Aid-of-Construction (CIAC)

Depreciation of CIAC reduces the overall depreciation expense and effectively lowers the rates. Creative Energy uses the same approach as discussed above when calculating CIAC depreciation. There is only one CIAC class and its depreciation rate is set at 2.5 percent. The depreciation percentage approximates the overall deprecation rate for distribution plant to which the CIAC pertains. No addition to CIAC was made in 2025. Furthermore, there is no forecasted addition to CIAC in 2026.

Variances between the opening and closing balances shown in **Table 26** below are a result of CIAC depreciation of Core, NEFC, and the Butterfly project. **Schedule 6** provides further details.

Table 26: Depreciation Expense of CIAC

	2025 Approved	2026 Test Year
Opening Accumulated Depreciation, $	(3,271,510)	(3,147,889)
Closing Accumulated Depreciation, $	(3,147,889)	(3,010,421)

4. Rate Base Return

4.1. Summary

The rate base return represents the return on capital invested to provide regulated utility services. It combines both debt and equity return based on the capital structure and approved rates. **Table 27** below summarizes the Rate Base Return as calculated for the 2026 Test Year.

Table 27: Summary of Rate Base Return

	2025 Approved	2026 Test Year
Mid-year Rate Base, $	37,873,434	42,005,981
Cost of Capital		
Equity	10.40%	10.40%
Debt	5.31%	5.33%
Rate Base Return	7.91%	7.91%

Section 4.2 below provides further details on Return on Rate Base.

The forecast Rate Base Return for 2026 Test Year is $3,324,000, and it is calculated in accordance with the methodology and rates discussed below.

Interest rates have increased from 5.31 percent used in the 2025 RRA to 5.33 percent for the 2026 RRA. The 5.33 percent rate projection for 2026 is based on forward-looking interest rates. Consistent with previous RRA decisions, rates are not set based on current interest rates, but future interest rates that factor in risk.

Creative Energy's borrowing rate under its senior secured credit facility is determined by the lower of the Canadian Overnight Repo Rate (**CORRA**) plus margin and Prime Rate plus margin.

At the time of this Application, the Prime rate in Canada is 4.25 percent. With a debt to total capitalization percentage between 50-60 percent, Creative Energy's interest rate would be 5.50 percent to 5.75 percent (Prime plus 1.25 percent to 1.50 percent).

For CORRA rates, three major Canadian banks have been used for the analysis of future rates. The forecasted overnight rates are listed in **Table 28** below.

Table 28: Forecast Overnight Rates for the Major Canadian Banks

	Q1	Q2	Q3	Q4
TD	2.25%	2.25%	2.25%	2.25%
RBC	2.25%	2.25%	2.25%	2.25%
BMO	2.00%	2.00%	2.00%	2.00%
Average	2.17%	2.17%	2.17%	2.17%

The weighted average overnight rate forecast is 2.17 percent. After adding a margin of 2.50 percent to 2.75 percent based on Creative Energy's debt-to-cap ratio and the Term CORRA Adjustment of 0.32138 percent, the forecast rate would be 4.99 percent to 5.24 percent. Creative Energy also looked specifically at the Toronto-Dominion Bank (**TD**) and Royal Bank of

Canada (**RBC**) rates noting that they are more conservative when compared to the Bank of Montreal (**BMO**)'s forecast. This resulted in an average rate of 5.33 percent for 2025, which is comparable to the average forecast rate. Overall, this results in a similar rate to the weighted average.

The Mid-year Rate Base comprises the following components:

- Net Mid-year Plant in Service (comprising of gross plant in service, accumulated depreciation and adjusted for the timing of major additions);
- Net Mid-year CIAC (comprising of gross CIAC and accumulated depreciation of CIAC);
- Mid-year Plant Allocated to non-Core TES activities (portion of the plant used to support such activities);
- Mid-Year Deferral Accounts (representing the Company's funding of activities where there is a timing difference between cost incurrence and its collection in rates); and
- Mid-Year Working capital (representing Company's investment into non-capital assets used in support of regulated operations).

The Net Mid-year Plant in Service is the largest component of the Rate Base, and it represents the cumulative undepreciated investment in capital assets. It is Gross Plant in Service (**GPIS**) net of Accumulated Depreciation. GPIS comprises the prior year's closing balance carried over to the current period, plus capital additions, AFUDC, and capitalized overheads, less plant retirements. Each of these components and their balances are discussed in **Table 29** below.

Table 29: Rate Base Summary – Consolidated Core and NEFC

	2025 Approved	2026 Test Year
Gross Plant in Service		
Opening Balance, $	**64,394,265**	**69,964,975**
Closing Balance (estimated), $	**69,964,975**	**77,505,427**
Average Balance (Mid-Year), $	**67,179,620**	**73,735,201**
Accumulated Depreciation		
Opening Balance, $	**(28,217,205)**	**(29,702,122)**
Closing Balance (estimated), $	**(29,702,122)**	**(31,442,227)**
Average Balance (Mid-Year), $	**(28,959,663)**	**(30,572,174)**
Net Mid-year Plant in Service, $	**38,219,957**	**43,163,027**
Net Mid-year CIAC, $	**(3,209,700)**	**(3,079,155)**
Mid-year Net Plant Allocated to Non-Core TES, $	**(23,461)**	**(23,461)**
Mid-Year Rate Base Deferred Accounts, $	**1,877,812**	**900,807**
Mid-Year Working Capital, $	**1,008,826**	**1,044,763**
Mid-year Rate Base, $	**37,873,433**	**42,005,981**

In Order G-310-21 regarding the 2021 RRA Decision, Creative Energy was directed to address the allocation and accounting for land transferred to the developer in its 2022 RRA. Creative Energy has continued to include the land in its rate base since there is no change in the use of the land anticipated for the 2026 Test Year.

4.2. Equity Thickness and Allowed Return on Equity

The GCOC Stage 2 proceeding was concluded on November 29, 2024[23]. As part of its determinations, and in recognition of the increased risk faced by the Core TES, Creative Energy was directed to apply an Equity Premium of 6.0 percentage points over the Benchmark Utility, FEI. This adjustment increased the equity component from 49 percent to 51 percent and reduced the debt component from 51 percent to 49 percent, effective January 1, 2024. Additionally, Creative Energy was directed to maintain a Return on Equity (**ROE**) of 10.40 percent, which was used in the 2024 and 2025 RRAs. These assumptions remain unchanged in the 2026 RRA.

4.3. Debt Financing

Creative Energy renewed its credit agreement with RBC and other major banks in March 2025. By Order G-54-25, the Commission approved the revised terms of the debt financing. **Table 30** provides a summary of the key terms of Credit Facility.

Table 30: Credit Facility Summary

Tranche 1	**Revolving Facility**	**$10,000,000 (limit)**	**Prime + 1.25% or CORRA + 2.50% plus standby fee of 0.50% on the unused balance (based on a debt % less than 55%)**
Tranche 2	**Non-Amortizing Facility**	**$10,000,000**	**Prime + 1.25% or CORRA + 2.50%**
Tranche 3	**Amortizing Facility**	**$9,993,594**	**Prime + 1.25% or CORRA + 2.50%**

4.4. Capital Additions

The year-over-year increase to the Rate Base in 2025 is primarily driven by Capital Additions.[24] Projected Total Capital Additions are $7,540,452 in 2026.

Capital additions in the 2026 Test Period are summarized in **Table 31**. Detailed capital expenditures and incremental additions for the Steam Plant and the Distribution System are laid out in **Appendix I and Appendix J**, respectively.

Table 31: Core System Capital Additions

	2025 Approved	2025 Projected	2026 Test Year
Steam Plant, $	699,625	1,078,367	590,546
Distribution System, $	4,017,035	3,407,977	6,269,178
Customer Building Services, $	-	365,686	-
Customer Connections, $	-	984	-
Other, $	854,050	871,010	680,727
Total Capital Additions, $	5,570,710	5,724,024	7,540,452

[23] https://docs.bcuc.com/documents/decisions/2024/doc_79418_g-321-24-gcoc-stage2-final.pdf

[24] Capital additions are based on the year that costs are transferred from Construction in Progress into Plant in Service. Costs may be spent in a previous year but not added to the Rate Base in the subsequent year. Higher than average capital additions in one year could be directly related to lower-than-average capital additions in another year. The Rate Base is adjusted each year based on actual capital additions.

The breakdown of costs associated with each category is outlined as follows:

Steam Plant:

Given the uncertainty in decommissioning the existing Steam Plant and commissioning the New Beatty Energy Center, capital activities have been managed on a condition basis. In this approach, each year, Creative Energy reviews asset condition and operating risk and brings forward only the work required to maintain safety and reliability of the Steam Plant. In 2025, capital investments were made for Boiler 1, 2, 3, 4 and 6 repairs, feedwater pump 2 and 3 rebuilds, control system upgrades, and heat recovery system improvements. These repairs and upgrades addressed identified needs related to the safety, reliability, regulatory compliance, and operational efficiency of the Steam Plant. For 2026, Creative Energy has identified several planned items for Boilers 3, 4 and 6, as well as the Feedwater System and the replacement of the roof guardrail.

Appendix I *provides a detailed explanation of Capital Additions to the Beaty Steam Plant in 2025 for inclusion to the 2026 Core TES RRA and the memo in* ***Appendix K*** *provides more details on the planned capital projects on the Steam Plant for 2026.*

Distribution System:

Capital expenditures are primarily related to manhole rebuilds, insulation upgrades, emergency repairs, and the Steam Network Bonding initiative, which addressed identified needs related to system safety and reliability. The variances between initial estimates in the 2025 RRA and final costs reflect a combination of planned scope, unforeseen site conditions, regulatory requirements, and emergent repairs. Several projects, such as the MJ-1, MJ-3, and MJ-5 manhole rebuilds, experienced cost increases due to necessary design changes, additional structural supports, and city-mandated traffic and road restoration. Emergency repairs, including EJ-29 and MD-2.5, were not planned but were executed to address safety and reliability concerns. The Steam Network Bonding project saw its scope and cost refined through a pilot phase and value engineering, with costs kept in check in 2025 despite initial underestimation.

Appendix J *provides more information on capital additions to the Distributions System in 2025.*

Other:

This category captures Capital Additions that are outside the Steam Plant and the Distribution System. The drivers behind the increase in Capital Additions in the "Other" category are detailed in **Table 32**. As can be seen, there is a significant overall decrease in the expenditure by 20 percent between 2025 to 2026, mainly driven by the decrease in Information Technology Capital Costs (27 percent), and Office and Other costs (54 percent), and partially offset by an increase in Transportation Equipment costs (61 percent).

The decrease in Information Technology is driven by the deferral of a significant amount of IT capital additions from 2024 to 2025, which made the capital addition in 2025 much higher than normal. In Order G-199-25A, the Panel directed Creative Energy to provide, in its 2026 RRA

filing, the rationale for allocating all regulated IT capital additions to the Core TES, and to identify whether a different allocation across all regulated operations is warranted [25].

Creative Energy Submits that since the basis and factors on which these percentages have been determined in 2022 are relatively unchanged, Creative Energy confirms that it continues to apply the same methodology for IT capital additions as used in previous revenue requirements applications. This methodology allocates costs between regulated and non-regulated activities based on the distribution of employee headcount (64 percent/36 percent), which was approved as part of the 2022 RRA [26]. In addition, Creative Energy examines the nature of the capital cost and directly charges the applicable system as warranted. As part of the annual budget process, Creative Energy will further examine its practice on allocations and report to the Commission in the following RRA (2027 RRA).

Table 32: Capital Additions under the Category: Other

Capital Additions: Other	2025 Test Year	2026 Test Year
Information Technology Capital Costs, $	722,972	527,431
Transportation Equipment, $	81,078	130,204
Office and Other, $	50,000	23,093
Total, $	854,050	680,727

Appendix C provides expanded definitions for the different categories of Capital Additions.

4.5. Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the carrying costs—both debt and equity—associated with capital investments that are not yet in service. AFUDC ensures that the utility is permitted to recover the financing cost of long-term construction projects during the period before they are placed in service. For the 2026 RRA filing, AFUDC has been reviewed and applied in accordance with Commission practice; capital additions for 2026 did not include AFUDC due to their short-term nature.

4.6. Accumulated Depreciation

Accumulated Depreciation is a contra asset account that reduces the carrying costs of the underlying asset (such as any plant asset) in recognition of its finite useful life and diminishing economic value with the passage of time. Annual Depreciation expense adds to the Accumulated Depreciation balance whereas plant retirements and net proceeds from disposition reduce it.

The change in Accumulated Depreciation is explained entirely by the change in annual Depreciation expense. **Schedule 5** provides details on the Accumulated Depreciation.

[25] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 24.
[26] Exhibit B-1, Section 4.2.4, p. 24; BCUC, Order G-345-22, 2022 RRA Decision, November 29, 2022, Section 4.2.2, p. 40.

4.7. Contributions in Aid of Construction (CIAC)

A customer may be required to make a financial contribution, referred to as a Contribution in Aid of Construction, to extend utility services if the incremental cost of extending the service exceeds forecast incremental revenue over the planned or contracted period of service duration. When required, such contributions protect existing customers from subsidizing the cost of new customer connections.

CIAC reduces the rate base, and its net balance decreases over time recognizing the effect of depreciation. **Table 33** below details the balances of the Gross CIAC, Accumulated Depreciation and the Net CIAC.

Consistent with the proposed recovery of the System Contribution from NEFC customers over the remaining depreciable life of the NEFC assets, the contribution will be amortized over 22 years. Please refer also to **Schedule 6** for further details on CIAC.

Table 33: Contributions in Aid of Construction

	2025 Approved	2026 Test Year
Gross CIAC		
Opening Balance, $	(3,864,595)	(3,864,595)
Repayments, $	-	-
Additions, $	-	-
NEFC Transfer, $	-	-
Closing Balance, $	(3,864,595)	(3,864,595)
Accumulated Depreciation		
Opening Balance, $	593,085	716,706
Depreciation, $	21,591	21,591
NEFC Contribution Depreciation, $	32,660	32,660
Butterfly Contribution Depreciation, $	69,371	83,217
Closing Balance, $	716,706	854,174
Net CIAC		
Opening Balance, $	(3,271,510)	(3,147,889)
Closing Balance, $	(3,147,889)	(3,010,421)
Net Mid-Year CIAC, $	(3,209,700)	(3,079,155)

4.8. Working Capital

Working Capital[27] represents Creative Energy's investment in non-capital assets and accounts for the timing differences between payment of current period expenses (cash outlay) and their recovery in revenues. **Table 34** below provides a summary of the Working Capital Requirements. Please also refer to **Schedules 9 and 10** for further details.

Working capital requirements are calculated as forecast expenses multiplied by the applicable Lead/Lag Days, as currently approved by the Commission, plus any pre-paid expenses, such as

[27] Working capital is the amount of funds required to finance the day-to-day operations of a regulated utility and are included in the Rate Base for ratemaking purposes.

fuel oil inventory. **Table D-14** in **Appendix D** provides more details on the Approved Net Lead Days for the Working Capital.

Table 34: Working Capital Requirements

Working Capital Requirements	2025 Approved	2026 Test Year
Natural Gas & Oil Purchases, $	-	-
Operation & Maintenance Expense, $	490,102	502,612
Insurance, $	192,799	167,058
Other, $	-	-
Municipal Taxes, $	(252,469)	(264,728)
Income Tax Expense, $	(133,437)	(67,698)
Property Taxes, $	326,700	357,338
Subtotal, $	623,694	694,582
Oil Inventory, $	399,407	364,457
Customer Deposits, $	(14,275)	(14,275)
Work in Process, $	-	-
Total, $	1,008,826	1,044,763

5. Deferral Accounts

5.1. Rate Base Deferral Accounts

5.1.1. After-Tax Regulatory Pension Asset Account

The After-Tax Regulatory Pension Asset Account is equal to the average of the opening balance of the pre-tax pension asset reported on the most recently audited financial statements (December 31, 2024) and an ending balance based on estimated employer contributions for 2026 less approved forecast pension expense for 2026. The average balance is then multiplied by the tax rate. Creative Energy is not currently required to make solvency payments into the pension plan above its current service cost. Creative Energy plans to provide further details on this account in a future evidentiary update as part of the Application proceeding.

5.1.2. Revenue Variance Deferral Account (RVDA)

Creative Energy will continue to apply the RVDA rate rider of $0.88 per M# ($2.54 per MWh for customers connected to the hot water distribution networks) in 2026, as approved by Order G-23-25, effective January 1, 2025. This rate rider has been enacted on a permanent basis for a 24-month period, ending December 31, 2026. The RVDA account was established to record the difference between the permanent and interim thermal rates applied in 2024. Creative Energy anticipates that the RVDA balance will be reduced to zero by the end of 2026, at which point this deferral account will be discontinued.

5.2. Non-Rate Base Deferral Accounts

5.2.1. Introduction

This section summarizes non-rate base deferral accounts and the forecast balances reported to this point in time for proposed recovery in rates in 2026. Final balances in the non-rate base deferral accounts will be confirmed as part of an evidentiary update as part of the Application proceeding.

There exist seven existing deferral accounts (items 1 to 7) and a newly proposed account (item 8) in this Application that are non-rate base deferrals, as follows:

1. Pension Expense Deferral Account (**PEDA**);
2. Third Party Regulatory Costs Deferral Account (**TPRCDA**);
3. Long-Term Resource Plan Deferral Account (**LTRPDA**);
4. Water Cost Deferral Account (**WCDA**);
5. Property Tax Deferral Account (**PTDA**);
6. Load Forecast Variance Account (**LFVA**);
7. Low-Carbon Rate Design Deferral Account (**LRDDA**); and
8. Manhole Condition Assessment Deferral Account (**MCADA**)

The following sections discuss five of these accounts and their balances, while the last section provides a summary. Creative Energy will communicate further updates to the balances of these accounts in a future evidentiary update, as part of the Application proceeding. Further details on the remaining accounts are laid out in **Appendix C**.

5.2.2. Third Party Regulatory Costs Deferral Account (TPRCDA)

This deferral captures forecast variances in regulatory costs for items, such as Commission levies, intervenor cost award, and legal costs. **Table 35** below details the Opening and Ending balances for the TPRCDA. Details of the actual addition for December 31, 2025, will be provided during the course of the 2026 RRA proceeding.

Table 35: TPRCDA Balances

TPRCDA Deferral Account	Opening Balance	Ending Balance
2024 Actual, $	(135,239)	(1,571)
2025 Approved, $	(1,571)	(11,775)
2026 Test Year, $	(11,775)	-

5.2.3. Long-Term Resource Plan Deferral Account (LTRPDA)

a. Summary

This deferral account captures third-party consulting costs related to the Long-term resource plan (**LTRP**) activities. In accordance with Order G-199-25A, the Panel directed the establishment of a Long-Term Resource Plan Deferral Account (**LTRPDA**) to record the existing third-party consulting costs related to the LTRP activities that were originally recorded in the TPRCDA and any future costs. Interest is applied on the balance of this account are using the weighted average cost of debt (**WACD**). These third-party invoices are comprised of legal and consulting fees related to LTRP activities such as consulting for feasibility studies and cost award applications. Also, according to Order G-199-25A, the Commission directed Creative Energy to include details and justification of the LTRP third-party consulting costs recorded in the LTRPDA and propose an amortization period for the LTRPDA as part of its 2026 RRA[28]. Creative Energy reports that there are not any expected additions to the LTRPDA account in 2026.

b. Proposed Amortization Plan

Creative Energy proposes to amortize the balance over two years starting in 2027. This aligns well with the anticipated timeline of the next LTRP application[29]. This means that approximately half of the expected 2026 LTRPDA ending balance of $723,277 will be amortized in 2027 and a similar amount, not including interest, will be amortized in 2028. **Table 36** below details the Opening and Ending balances for the LTRPDA. Details of the actual addition for December 31, 2025, will be provided in an evidentiary Update during the course of the 2026 RRA proceeding.

[28] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 25.
[29] Per Order G-203-25, Creative Energy must file its next LTRP on or before the date that is the earlier of (i) 36 months from August 2025, and (ii) 24 months after Creative Energy's Core TES Decarbonization Project is in service.

Table 36: LTRPDA Balances

LTRPDA Deferral Account	Opening Balance	Ending Balance
2024 Actual, $	38,027	648,147
2025 Approved, $	648,147	686,704
2026 Test Year, $	686,704	723,277[30]

Sensitivity Analysis:

For completeness of this proposal, Creative Energy has conducted a sensitivity analysis to estimate the impact on rates if the two year amortization of this account starts in 2026 instead of 2027. For clarity, if half of the expected 2025 LTRPDA ending balance of $686,704 (i.e. $343,352) is amortized in 2026, the thermal service rate would increase to $14.82[31] per M#, which is 10.04 percent over the 2025 RRA approved rate.

5.2.4. Load Forecast Variance Account (LFVA)

The Load Forecast Variance Account (**LFVA**) neutralizes the financial impacts of load forecast uncertainty and variance on an ongoing basis. These variances may arise from weather, customer additions or attritions, operational changes, or any other external factor that cannot be reasonably predicted or controlled with certainty in advance. The LFVA allows Creative Energy to recover or refund the difference between the approved load forecast used for rate-setting and the actual load delivered during the test period. This help ensure customer protection as customers are shielded from the risk of over- or under-recovery caused by forecasting inaccuracies.

By smoothing out forecast risk, the LFVA supports stable rates and reduces the administrative burden associated with forecasting and rate-setting. An extended definition of the LFVA is provided in **Appendix C**.

Table 37 below summarizes the expected load variance account balances for the year 2026. **Schedule 12A** provides further information on the Load Forecast Variance Account and other deferral accounts.

Table 37: Load Forecast Variance Account

Load Forecast Variance Account	Opening Balance	Additions/ (Deductions)	Interest/ AFUDC	Net Additions	Amortization	Ending Balance
2024 Actual, $	949,329	481,147	46,518	527,665	(1,194,621)	282,373
2025 Projected, $	282,373	438,482	26,636	465,118	(297,368)	450,123
2026 Test Year, $	450,123	-	23,973	23,973	(474,096)	-

Creative Energy has amortized the estimated LFVA balance of 2025 in the current Application. This amortized balance may change following the realization of the actual variances by end of 2025.

[30] Assuming no additions due to cost related to the next LTRP are incurred in 2026.
[31] Compared to proposed rate of $14.51 per M#.

5.2.5. Low-Carbon Rate Design Deferral Account (LRDDA)

a. Summary

This deferral captures variances from the allowed $350,000 in third-party consulting costs for the Core TES rate design. This deferral account was established in 2025 in accordance with Order G-199-25A. Interest is applied on the balance using the weighted average cost of capital (**WACC**). **Table 38** below details the Opening and Ending balances for the LRDDA[32]. Details of the actual addition for December 31, 2025, can be provided during the course of the 2026 RRA proceeding.

Table 38: LRDDA Balances

LRDDA Deferral Account	Opening Balance	Ending Balance
2025 Approved. $	-	363,835
2026 Test Year, $	363,835	392,628

b. Proposed Amortization Plan

As part of the directives of Order Order G-199-25A, the Commission has directed Creative Energy to file the amortization plan of the LRDDA account as part of the 2026 RRA.

In its evidentiary update and throughout the information request process for the 2025 RRA, Creative Energy has recommended recovering the costs in this account over an extended period. Because this investment provides long-term benefits, Creative Energy believes that spreading the associated costs across multiple years will help alleviate the immediate impact on customer rates and ensure a fair allocation between current and future customers.

Based on the above and given that Creative Energy plans to file the Low Carbon and Rate Redesign Application in early 2026, Creative Energy proposes to start amortizing this cost beginning in **2027**[33] for a period of five years,[34] which has an estimated **annual impact on rates of 0.59 percent**.

[32] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, pp. 19-20. Actual expense is $405,000 as of July 31, 2025, but the amount is capped at $350,000.
[33] 2027 would be the first year in which the ratepayers will benefit from the new rate design.
[34] Five years has the least annual impact on rates and aligns with the long-term benefit of this work.

Sensitivity Analysis:

For completeness of this proposal, Creative Energy has conducted a sensitivity analysis to estimate the impact on rates for different scenarios. **Table 39** below illustrates the amortization plan for several scenarios: over two years, three years, and five years.

Table 39: Three Amortization Plans for the LRDDA

Scenario	Opening Balance in 2027, $[35]	Amortization, Year/Amount $[36]					Annual Impact on Rates[37]
		1	2	3	4	5	
2 Years	392,628	211,543	211,543	-	-	-	1.32%
3 Years	392,628	146,326	146,326	146,326	-	-	0.91%
5 Years (Proposed Plan)	392,628	94,378	94,378	94,378	94,378	94,378	0.59%

5.2.6. Proposed: Manhole Condition Assessment Deferral Account (MCADA)

Creative Energy proposes to establish a Manhole Condition Assessment Deferral Account (**MCADA**) to capture the costs of a comprehensive study of the Core TES manhole system. This initiative is a long-term investment in system reliability and safety, not a routine operating expense, as it will inform future capital planning and replacement priorities for aging infrastructure. The assessment, estimated at $367,000, will include detailed inspections, engineering analysis, and hazard evaluations for the remaining 58 manholes, addressing requirements under Order G-199-25A to report on age, condition, and remaining useful life. Given its strategic nature and enduring benefit to customers, Creative Energy requests Commission approval to record this cost in the proposed deferral account and to amortize the balance in future RRAs once the account and expense are approved as part of the current 2026 RRA. Creative Energy plans to propose an amortization plan as part of the 2027 RRA. Further details on this expense are in **Section 6.5** and **Appendix L.**

Sensitivity Analysis:

For completeness of this proposal, Creative Energy has conducted a sensitivity analysis to estimate the impact on rates in case the cost of this study was included as part of the Steam Expenses (Account 502) and recovered from customers in 2026. If this cost is included in the Revenue Requirements for 2026, the thermal service rate would increase to $14.84[38] per M#, which is 10.17 percent over the 2025 RRA approved rate.

[35] Ending balance of 2026 (as in Table 38 above).
[36] Including WACC and assuming it is constant until 2031.
[37] Based on Total proposed revenue for the 2026 Core TES RRA.
[38] Compared to proposed rate of $14.51 per M#.

5.2.7. Forecast Balances for Recovery in 2025 Rates

This section summarizes the forecast balances of the deferral accounts for rate recovery in the 2025 Test Year. **Table 40** below provides details on each of the accounts discusses above and their respective Opening and Ending balances expected for fiscal year 2026.

Table 40: Projected Deferral Account Balances

Deferral Account Name	2026 Opening Balance, $	Interest/ AFUDC, $	Net Additions, $	Amortization, $	Ending Balance, $
Pension Expense Deferral Account	117,008	6,232	6,232	(123,240)	-
Third Party Regulatory Costs Deferral Account	(11,775)	(627)	(627)	12,402	-
Long-Term Resource Plan Deferral Account	686,704	36,573	36,573	-	723,277
Water Cost Deferral Account	94,809	5,049	5,049	(99,858)	-
Property Tax Deferral Account	24,878	1,325	1,325	(26,203)	-
Load Variance Account	450,123	23,973	23,973	(474,096)	-
Low Carbon Rate Design Deferral Account	363,835	28,793	28,793	-	392,628
Manhole Condition Assessment Deferral Account (Proposed)	0		366,751	-	366,751
Total Deferred Accounts	1,725,583	101,318	468,069	(710,997)	1,482,656

6. Other Matters

In this section, we discuss other matters related to the Core TES that may not necessarily have a direct impact on the rate base for 2026. These matters were subject to certain directives and determinations of the Commission's Final Decision for the 2025 RRA. These matters include:

- System Contribution Charge for the NEFC Hot Water Distribution Network;
- Timing and forecast costs for the Core steam plant associated with delays in the Redevelopment Project[39];
- Creative Energy's workforce strategy[40];
- Allocation of the compensation of General Manager, Core TES;
- Manhole Inventory; and
- Cloud Transition.

6.1. System Contribution Charge for the NEFC Hot Water Distribution Network

The Commission's Final Decision for the 2025 RRA (G-199-25A) approved an increase in the System Contribution Charge from $10.60 to $10.99 per MWh. Creative Energy has committed to conducting annual assessments of this charge to ensure the NEFC Revenue Variance Deferral Account is recovered by the end of 2043.

For 2026, Creative Energy confirms following its annual assessment that the current charge is sufficient to fully recover the deferral account balance by 2043 and is not proposing any adjustment in the 2026 RRA.

6.2. Cost of Extending the Life of the Steam Plant

In Order G-199-25A, the Panel stated that "[g]iven the condition assessment report and the substantial increase in actual 2024 capital additions, combined with forecast 2025 capital additions and the delays in the Redevelopment Project, the Panel considers that continued monitoring of this spending is warranted in future RRAs. Therefore, **we direct Creative Energy, in its next RRA, to report on the timing and forecast costs associated with extending the life of the steam production plant due to the Redevelopment Project delay**."[41]

In the Condition Assessment memorandum that was included as part of the 2025 RRA, Creative Energy outlined the work believed necessary to sustain safe and reliable operation of the existing Beatty Steam Plant through 2029, with investments concentrated in the first two years of the 2025-2029 period. This assessment informed the 2025 RRA and reflected the best available information at that time.

[39] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 22.
[40] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 13.
[41] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 22.

In subsequent responses to the Panel, Creative Energy explained that, while the assessment represented the expected sustainment work to 2029, certain components are past or nearing end of useful life. As a result, additional repairs or replacements may be required if inspections indicate deterioration that could affect safe or reliable operation. This established that emergent work may arise as part of ongoing condition-based oversight.[42]

Consistent with that framework and the Panel's directive, the activities proposed for 2026 are new and emergent. They have been identified through recent inspections and operational experience and are limited to the work required to maintain safe and reliable service of the Beatty Steam Plant. Life extension is managed on a condition basis, and Creative Energy will continue to bring forward only prudent work needed to mitigate safety or reliability risk. For 2026, the forecast capital required to extend the plant's life is approximately $452,000.

There is no long-term major maintenance program planned for the existing plant. The Beatty Plant remains scheduled for decommissioning once the New Beatty Energy Center is in service. Until that transition occurs, only condition-driven sustainment will be undertaken, and any additional needs identified through inspections will be reported in future RRAs.

6.3. Workforce Strategy

As part of Order G-199-25A, the Panel has directed Creative Energy to submit a comprehensive long-term workforce strategy with its 2026 RRA. This strategy is required to justify recovery of increased wages and benefits in rates and must include the elements detailed in pages 25 and 26 of the 2023 RRA Decision[43] as follows:

(i) Details on the compensation practices to attract and retain talent.
(ii) How financial impacts are justified and reasonable.
(iii) Outline how ratepayers will benefit.
(iv) Include a breakdown by year (2023 actual, 2024 actual and 2025 projected and onward) of the resulting wages and benefits.
(v) Any future changes to the organizational structure of the Creative Energy Group that may impact on the regulated affiliates in any capacity, including a clear description of the proposed change, the supporting rationale, and any pertinent information on timing and forecast costs to justify the proposed changes.

Creative Energy has prepared a comprehensive memorandum on the Creative Energy Workforce Strategy, which is attached as **Appendix G** to this Application.

[42] Creative Energy, Response to BCUC Panel IR No. 1, IR 3.2, 2025 Core Steam Revenue Requirements, April 9, 2025.
[43] BCUC, Decision and Order G-358-23, December 21, 2023, pp. 25-26.

6.4. Compensation of General Manager, Core TES

6.4.1. Background

The Commission has previously denied recovery of this role's costs, citing concerns about timing, and justification for the role, in the absence of filing a comprehensive long-term workforce strategy.[44] Creative Energy has addressed these concerns by embedding the position in the 2026 RRA forecast, providing a comprehensive workforce strategy, as discussed in **Section 6.3** above and in further detail in **Appendix G**, and demonstrating the operational complexity and regulatory obligations that necessitate this role for the Core TES.

6.4.2. Role Justification

The General Manager, Core TES is essential for the following functions:

- **Executing Decarbonization Mandates:** Overseeing conversion of the Core TES from steam to low-carbon hot water system, integration of electric boilers, and compliance with the City of Vancouver's Zero Emissions Building Plan (**ZEBP**), including but not limited to the 2026 greenhouse gas intensity (**GHGi**) limits for buildings[45] and a future heat energy intensity (**HEI**) limit for natural gas and district energy use[46];
- **Managing Aging Infrastructure:** Coordinating multi-phase capital projects to maintain reliability and safety for both the Steam Plant and the Distribution System;
- **Regulatory Compliance:** Ensuring adherence to Core TES-related BCUC directives, the *Utilities Commission Act*, and municipal climate action plans and targets;
- **Strategic Planning:** Aligning long-term resource planning with customer needs for the Core TES and balancing long-term system needs with impact on customer rates;[47]
- **Asset Management Discipline:** Providing oversight for maintenance project prioritization criteria and documentation standards to support prudent decision-making and system reliability;
- **Rate Design and Customer Transition Oversight:** Coordinating rate design processes and customer transition activities related to system changes and updated service terms; and
- **Single Point of Accountability for Safety, Reliability, and Cost Control:** Providing centralized accountability and governance for safety programs, system reliability, and operational cost management, with clear lines of authority and decision-making responsibility.

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[44] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 13.
[45] City of Vancouver's Zero Emissions Building Plan: https://vancouver.ca/green-vancouver/greenhouse-gas-intensity-limits.aspx.
[46] Ibid.
[47] Amongst other accountabilities, the role of General Manager, Core TES incorporates the responsibilities of the former Director, Long-Term Resource Planning.

Creative Energy submits that the Core TES is undergoing transformative changes that require dedicated oversight beyond existing management capacity. The complexity of concurrent transition activities and ongoing operations necessitates centralized accountability to maintain operational integrity and manage competing priorities effectively.

6.4.3. The Role of General Manager, Core TES versus Director, Operations

The responsibilities of the General Manager, Core TES, are clearly distinct from those of the Director, Operations. While there may be some overlaps in certain duties, each position has unique functions that cannot be effectively managed by a single individual. **Table 41** below outlines the key differences between these two roles.

Table 41: Responsibilities of General Manger, Core TES versus Director, Operations

	General Manager, Core TES	Director, Operations and Chief Engineer
1	Strategic planning and oversight of the Core TES conversion from steam to low-carbon hot water TES utility, including leading the Decarbonization and the Rate Design projects.	Oversight of the Core TES' day-to-day operations and performance, ensuring smooth 24/7 operation and delivering a safe and reliable service to the Core TES customers.
2	Strategic planning and coordination of multi-phase capital projects to maintain reliability and safety for both the Steam Plant and the Distribution System at Core TES.	Day-to-day execution of the capital projects based on the approved plan.
3	No mandate for dealing with customer issues on a daily basis.	Rectifying any technical customer issues arising from to Core TES systems and assets on a daily basis.
4	Long-term Resource Plan development and execution.	No mandate for the Long-term Resource Plan, other than providing information.
5	Direct involvement in the Core TES Regulatory and compliance proceedings and strategic oversight of impacts from such proceedings.	No involvement in the Regulatory and compliance proceedings.
6	Strategic oversight of Federal, Provincial and Municipal energy and climate action policies impacting the Core TES.	No mandate for Federal, Provincial and Municipal energy and climate action policies.

6.4.4. Benefits to Ratepayers

Creative Energy submits that the recovery of the salary and benefits for this role through rates is fair and in the public interest for the following reasons:

- **Cost Efficiency:** Asset management discipline and documented decision-making criteria support prudent capital allocation and prevent unnecessary expenditures.
- **Risk Mitigation:** The presence of this leadership role, combined with the experience and expertise the individual brings to the Core TES, reduces the risk of delays, cost overruns, and compliance failures.
- **Rate Stability:** The experience and expertise of the current General Manager, Core TES, enable effective planning, which provides dedicated oversight of regulatory compliance, rate design, and capital projects reducing the risk of delays, cost overruns, and compliance issues.

- **Reliability and Safety:** Centralized accountability and governance for safety programs and system reliability ensures clear lines of authority for performance outcomes and service continuity.

6.4.5. Cost of Alternatives

a. External Resource(s)

Creative Energy submits that the alternative to a full-time, permanent, in-house General Manager, Core TES role would be relying on third-party consultants for the responsibilities of the General Manager, Core TES, as outlined in **Sections 6.4.2 and 6.4.3**.

As stated above, the General Manager, Core TES position is part of Creative Energy's workforce strategy and performs functions that would otherwise need to be outsourced to comply with the regulatory and operational obligations in a rapidly evolving municipal and provincial regulatory environment. The General Manager, Core TES is also critical to ensuring safe and reliable operation of the Core TES considering the aging infrastructure of the existing system, expected delays in completing the Redevelopment Project, and the interconnected nature of these issues with other key matters such as long-term resource planning, the completion of the Decarbonization Project and other potential system-conversion initiatives, and the ongoing low-carbon rate design process.

Creative Energy submits that relying on third-party consultants for Core TES's strategic functions is neither cost effective nor prudent. Consultants typically operate on short-term contracts with narrowly defined scopes and charge hourly rates that exceed those of internal staff, which can quickly escalate into a significant cost annually. Creative Energy submits that unless a particular consultant possesses unique skills that internal staff is lacking, reliance on third-party consulting services creates cost uncertainty for both ratepayers and Creative Energy and does not support the organization's long-term objectives.

In contrast, an in-house General Manager for Core TES provides continuity, accountability, and cost predictability, maintaining strategic oversight within Creative Energy. Creative Energy's earlier Director, LTRP position, which centralized accountability for long-term planning with a more limited scope, was instrumental in the company's first successful Long-Term Resource Plan filing in over nine years. The General Manager, Core TES role expands on this proven approach to provide dedicated internal leadership for the broader range of strategic functions.

Multi-year initiatives such as Decarbonization, Rate Design, and Long-Term Resource Planning[48] require consistent leadership with deep knowledge of Core TES operations, regulatory history, and stakeholder relationships. Relying on multiple consulting teams for these functions introduces fragmentation and risks misalignment with regulatory obligations. Creative Energy submits that embedding this expertise internally ensures continuity, accountability, and cost predictability.

[48] BCUC, Decision and Order, G-203-25, Creative Energy's 2024 Long-Term Resource Plan, August 19, 2025.

Establishing a General Manager role for Core TES embeds leadership and decision-making authority within Creative Energy, ensuring alignment with regulatory expectations. This approach builds internal capability, reduces reliance on external expertise, and supports prudent cost management for Core TES ratepayers.

b. Internal Resource

As noted above at **Section 3.2.3(d),** the amount of Creative Energy management time being allocated to the Core TES through the Massachusetts formula is decreasing in 2026, and this trend is expected to continue going forward. This is driven in part by the planned addition of new district energy systems to the Creative Energy group, and increased time required to be spent by members of management on other projects, operations, and corporate development activities in addition to the Core TES. Given the above, it is simply not possible for Creative Energy to backfill the responsibilities currently performed by the General Manager, Core TES using existing internal resources.

If Creative Energy were to attempt to reassign all duties currently performed by the General Manager, Core TES, to other internal resources, we anticipate that this would require increased allocation of time from at least the following internal resources:

- President & Chief Operating Officer;
- Director, Regulatory Affairs;
- Director, Engineering;
- Director, Construction;
- Director, Financial Planning and Analysis;
- General Manager, District Energy Systems and Project Management Office[49]; and
- Director, Operations.

For the avoidance of doubt, the individuals performing the above roles do not have the capacity to allocate the time that would be required to adequately discharge the responsibilities of the General Manager, Core TES that could theoretically be allocated to them, nor would these individuals necessarily be able to perform such responsibilities with the same degree of skill and expertise, as the current General Manager, Core TES. Further, if such individuals were required to divert time and attention from their current duties, it would then become necessary to either add additional internal resources or contract externally to backfill for the core responsibilities of these roles that would necessarily be required to go unperformed.

Even if it were possible to implement, the impact of this backfilling would be an increase in costs and a decrease in efficiency, which is neither prudent nor in the interests of the utility and its customers. Creative Energy conservatively estimates that reallocating the General Manager, Core TES duties to other internal staff would increase Core TES allocable compensation costs for this role by at least 25 percent. Therefore, Creative Energy submits that approving the addition

[49] This role has evolved from the former Director, Projects position. It now includes oversight of the Project Management Office and responsibility for operational efficiency across all regulated and non-regulated district energy systems, with the exception of the Core TES.

of the General Manager, Core TES in the Core TES RRAs remains the most efficient and least burdensome option for Core TES ratepayers.

6.4.6. Prior Commission Concerns

The following is a list of all the concerns that the Commission has raised with respect to the Director, LTRP role in the 2024 RRA and the General Manager, Core TES role in the 2025 RRA. Creative Energy submits that all of these concerns have been satisfactorily addressed in the current Application.

2024 RRA:

1. **Lack of Planning and Timely Evidentiary Support**[50]

The BCUC determined that Creative Energy did not adequately plan for or consider the need for the Director, LTRP position. Instead, this role was proposed only after the Commission asked about potential cost savings from delaying the hire and was not identified in the initial application or during the discovery stage. The Panel denied the request to fund the new LTRP role because it was not included in the initial forecast and was only brought forward during Final Arguments in response to BCUC questions. The Panel noted that if Creative Energy had anticipated the need for this position, it should have been proposed earlier in the application process.

Creative Energy acknowledges this issue and for that reason it is not seeking to recover the historical cost of this role.

2025 RRA:

2. **Absence of a Comprehensive Workforce Strategy**[51]

The Panel noted that Creative Energy had not complied with previous directives to file a long-term workforce strategy. Without such a strategy, the Commission found it difficult to assess the reasonableness of increases in Wages and Benefits costs, including those for the new General Manager role.

Creative Energy acknowledges this issue and is attaching its long-term workforce strategy at **Appendix G.**

3. **Insufficient Justification for Incremental Costs and Capacity Need**[52]

The BCUC determined that Creative Energy had not sufficiently justified the forecast costs for the General Manager role. The Panel was not persuaded that the current management team

[50] BCUC, Decision and Order, G-272-24, 2024 Revenue Requirements for the Core Thermal Energy System, October 24, 2024, pp. 10-11.
[51] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, pp. 12-13.
[52] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 13.

lacked the capacity to manage the Core TES or respond to safety or reliability risks and did not see evidence of a material change in operational complexity or staffing constraints.

Although Creative Energy believes that it has provided sufficient evidence in the 2025 RRA to demonstrate the need for this role—particularly with respect to increased operational complexity and emerging business requirements as well as expanding the business to new assets and systems[53]*— Creative Energy is submitting additional supporting evidence with this application to further substantiate its position reinforcing a forward-looking business case for this role.*

6.4.7. Conclusion

Section 59 of the *Utilities Commission Act* requires rates to be **just and reasonable** and Sections 60 and 61 allow public utilities to prudently recover incurred costs that are necessary for a safe and reliable service through customer rates.[54]

Creative Energy submits that the General Manager, Core TES role is integral to meeting statutory obligations and delivering public interest outcomes. Creative Energy further maintains that the recovery of the salary and benefits for the General Manager, Core TES, is a prudent and necessary cost that directly benefits customers through risk mitigation, cost control, and compliance assurance. Approval of this recovery through rates aligns with industry norms and fulfills the Commission's mandate to ensure safe, reliable, and cost-effective service to the Core TES customers.

Creative Energy further clarifies that the salary and benefits figures proposed for this role in this Application represent only a portion of the total compensation[55]. Specifically, they reflect a Massachusetts-allocated amount assigned to Core TES, which, as detailed in **Section 3**, has been significantly reduced.

For clarity, Creative Energy recognizes that the Commission has denied these costs in 2024 RRA and 2025 RRA and as such **it is requesting approval to include this cost on a go-forward basis starting in 2026 RRA.**

6.5. Manhole Inventory

In accordance with determinations of Order G-199-25A, Creative Energy was requested to report on its manhole inventory, including age, condition, remaining useful life, and replacement priority of each of the manholes in the Core TES[56].

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[53] Drop in Massachusetts Formula Allocation to Core TES is evidence of this expansion as it dropped for 2026 to 68.72% from 80.70%.
[54] *Utilities Commission Act*, RSBC 1996, c. 473, ss. 59-61.
[55] Allocation for General Manager, Core TES role in 2026 is as follows:
1. 45% Core direct (rate design, re-contracting, continuity plans, long term planning);
2. 40% Mass (regulated operations focused (DES+ SDS+ Plant);
3. 15% is capitalized in Core TES Capital projects.

[56] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 23.

Creative Energy notes that the last system-wide risk assessment for manholes was completed in 2014. That assessment used a standardized hazard matrix to rate each manhole for electrical safety, atmospheric risks, structural integrity, physical congestion, biological hazards, heat stress, traffic exposure, and other factors.

Recent condition reviews for MD-1, MD-3, MA-8, and MC-4 were completed in 2025 as part of design work related to the rehabilitation or replacement of these manholes. These reviews involved detailed site inspections and structural evaluations.

Table 42 below summarizes the current assessment of these manholes, including changes in assessment compared to the 2014 evaluation:

Table 4242: 2025 Manhole Assessment

Manhole	2014 Condition	2025 Condition	Notable Changes
MD-1	High risk, cracks	Poor, extensive spalling, section loss, failed supports	Immediate shoring required, supports missing
MD-3	High risk, cracks	Fair, localized defects	Remains repairable, no urgent repairs
MA-8	High risk, cracks	Poor, widespread wall and roof deterioration	Major repairs or replacement needed
MC-4	High risk, cracks	Poor, roof and wall deterioration	Immediate shoring, likely full replacement

Moreover, reviews for manholes MJ-3, MJ-5, and MJ-8 over the last few years resulted in recommendations for complete replacement. These outcomes indicate that, in many cases, deterioration has progressed to a stage where rehabilitation is not practical.

Creative Energy proposes to conduct an assessment of the remaining 58 manholes including field inspection and equipment, engineering analysis, hazard assessments and project management and administration. This assessment is set to start in early 2026 and is estimated to take several months and cost $367,000. **Appendix L** to this Application provides further background and details of this assessment.

6.6. Cloud Transition

The Commission has instructed Creative Energy to report on both the quantitative (such as performance metrics or cost savings) and qualitative efficiencies achieved through the transition to cloud-based solutions and Software-as-a-Service (**SaaS**) in the first revenue requirements application filed at least six months after the transition is completed [57]. Currently, Creative Energy has not finished its cloud transition for these systems. While SaaS subscriptions are in place for new platforms, we are still conducting data cleanup and migration preparations. Creative Energy expects to complete the cloud transition in the second half of 2026. Accordingly, Creative Energy anticipates providing this report in the next RRA, scheduled for 2027.

[57] BCUC, Decision and Order, G-199-25A, 2025 Core Steam Revenue Requirements, September 5, 2025, p. 15.