CREATIVEENERGY

December 2, 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 Senakw Limited Partnership (CESLP)
2026-2027 Rates Application (Application) for the Sen̓áḵw Thermal Energy System (Sen̓áḵw TES)

Creative Energy Senakw Limited Partnership (**CESLP**) writes to submit the enclosed Rates Application (**Application**) to the BCUC for approval of rates for the Sen̓áḵw TES. In this application, among other things, CESLP proposes heating and cooling rates for March 1, 2026 through December 31, 2027. Section 2.3 of the Application sets out all approvals sought as part of the Application.

Appendix A of this Application contains the proposed Draft Order, whereas Appendix B presents the proposed Tariff Pages for review and consideration.

For further information, please contact the undersigned.

Yours 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

CREATIV ENERGY

YOUR COMMUNITY ENERGY PARTNER

Creative Energy Senakw Limited Partnership

Sen̓áḵw Thermal Energy System 2026-2027 Rates Application

December 2, 2025

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ATTACHED ELECTRONICALLY

A MS Excel workbook for the Rates Model

APPENDICIES

Appendix A: Draft Order

Appendix B: Proposed Tariff Pages

EXECUTIVE SUMMARY

Creative Energy Senakw Limited Partnership (**CESLP**) submits this application to the British Columbia Utilities Commission (**BCUC**) seeking approval of the revenue requirements and rates for customers of CESLP effective **March 1, 2026** (**RRA**, or the **Application**), as outlined in Section 2.3 and supported by the draft order in Appendix A.

The Sen̓áḵw Thermal Energy System (**TES**) is designed to provide thermal energy services, including space heating, space cooling, and domestic hot water, to the Sen̓áḵw Development—a joint venture between Nch'ḵaẏ Development Corporation (the economic development arm of the Squamish Nation) and its development partners. The system will serve seven towers and two pavilions across the first two phases of the development, utilizing a combination of electric chillers, heat pumps, waste-water heat recovery, electric boilers, thermal storage, and natural gas boilers. At full build-out, the energy system will deliver **13.53 MW** of diversified heating capacity and **6.47 MW** of diversified cooling capacity, with annual energy demand forecasted to exceed **12,000 MWh** for heating and **4,000 MWh** for cooling. BCUC Decision and Order C-5-23, dated October 26, 2023, granted CESLP a Certificate of Public Convenience and Necessity (**CPCN**) for the Sen̓áḵw TES.

The timing of the in-service date for Phase 1 has been delayed by the Developer, resulting in a revised commissioning schedule and an increase in capital costs from the original CPCN estimate of **$26.4 million to $44.6 million**, not including AFUDC or cost escalation. These increases in capital costs are also attributable to inflation, supply chain disruptions, regional construction activity, and site-specific requirements. CESLP has coordinated closely with the Developer to align construction and commissioning activities with the updated schedule and continues to monitor and report on project milestones.

CESLP is in the process of developing an Alternative Safety Application to Technical Safety BC to reduce the staffing levels required for Sen̓áḵw TES. The intent of this approach is to reduce the cost of operations labour to customers. CESLP proposes the establishment of a deferral account for operations labour costs to capture the timing uncertainty of this process and ensure that customers only pay for the actual cost of staffing through this Test Period. Two staffing scenarios are presented, with the preferred scenario based on approval of an Alternative Safety Approach to reduce full-time supervision requirements.

The proposed rate design comprises capacity and energy charges for both heating and cooling services, supported by a levelized rate plan and revenue deficiency deferral account. This structure is intended to promote rate stability, accommodate customer growth, and manage the project phasing in the early years. The application includes detailed forecasts for capital, operating, and lifecycle intervention costs, and proposes flow-through treatment for variable energy supply costs.

CESLP requests that the Commission review this application through a written hearing process, as outlined in the proposed regulatory timetable. The application provides comprehensive supporting information accompanied by detailed modeling and scenario analysis.

In summary, this application establishes the framework for the provision of safe, reliable, and sustainable thermal energy services to the Sen̓áḵw Development, balancing the interests of

customers, the utility, and the broader community. CESLP remains committed to regulatory compliance, transparency, and ongoing engagement with the Commission and interest holders.

1. Introduction

1.1 Summary

CESLP files this Application with the BCUC for approval of the revenue requirements associated with the operation of the Sen̓áḵw TES Phase 1, alongside the proposed rate design, including capacity and energy charges applicable to heating and cooling customers for a Test Period of March 2026 through end of 2027.

On October 26, 2023, the Commission issued a CPCN to CESLP, authorizing it to build, own, and operate the Sen̓áḵw TES. This system is designed to deliver near-zero carbon heating and cooling services through a combination of electric chillers, heat pumps, waste-water heat recovery, electric boilers, and natural gas boilers used for peaking and backup purposes.

Phase 1 of the Sen̓áḵw Development is anticipated to be substantially completed in 2026. The first tower is scheduled to be commissioned by March 2026, requiring Sen̓áḵw TES to commence service in March 2026.

1.2 Structure of the Application

This Application is structured as follows:

Section 2 discusses the scope of the Application, and the proposed regulatory process.

Section 3 explains the context for the Application.

Section 4 presents the projected build-out schedule for the development and the customers, peak load and energy demand forecast.

Section 5 summarizes the expected capital expenditure.

Section 6 covers operating and maintenance (O&M) costs.

Section 7 summarizes costs associated with lifecycle interventions.

Section 8 details the cost of capital and other financial assumptions.

Section 9 outlines the variable costs, known as flow-through costs.

Section 10 provides a discussion on the proposed rate structure and revenue requirements.

Section 11 discusses the proposed deferral accounts.

Section 12 lays out the proposed rates for heating and cooling services, as well as the estimated monthly bill for a residential end-user connected to the Sen̓áḵw TES. It also discusses the sensitivity of rates based on selected scenarios.

2. Scope of the Application and Regulatory Process

2.1 Test Period

The proposed test period (**Test Period**) for this Application is from March 1, 2026 to December 31, 2027. This choice of this duration reflects certain aspects of the Sen̓áḵw TES, including but not limited to uncertainty around the timing of future customer buildings, i.e. Phase 2 buildout and connection timing, and current uncertainty regarding operator requirements and costs. As a greenfield utility entering its first operational phase, CESLP faces inherent uncertainties in customer connection timelines, operating costs, and energy demand. This Test Period allows CESLP to establish initial rates and monitor performance during Phase 1 of the Sen̓áḵw TES, while avoiding the administrative, regulatory burden and cost of an annual revenue requirement and rates filing. This approach also aligns with the proposed deferral account mechanisms, enabling CESLP to manage revenue and cost variances effectively during the start-up phase. The Test Period provides sufficient time to gather operational data and refine forecasts for future rate applications, while maintaining regulatory oversight and efficiency.

2.2 Approvals Sought

CESLP requests the following approvals from the Commission, pursuant to Sections 59 to 61 and Section 90 of the *Utilities Commission Act* (**UCA**):

1. Approval of the proposed revenue requirements for CESLP for 2026 and 2027 associated with the operation of the Sen̓áḵw TES;

2. Approval of the proposed rate design on a permanent basis, represented as capacity charges for heating and cooling services, as discussed in **Section 10** of the Application;

3. Approval of the levelization approach and duration proposed, as summarized in **Section 10** of the Application;

4. Approval of the proposed rates, effective March 1, 2026 through December 31, 2027 for capacity charges applicable to heating and cooling services, as laid out in **Section 12** of the Application and the attached Tariff Pages;

5. Approval and establishment of deferral accounts as stated in **Section 11** of this Application; and

6. Approval of the proposed variable charge approach, as discussed in **Section 9** of this Application.

2.3 Proposed Regulatory Process

CESLP proposes that this Application be reviewed through a written hearing process conducted by the Commission, commencing in December 2025. CESLP requests the Commission to limit the scope of this proceeding to the specific details of the proposed services and associated rates.

We also respectfully request that the process be completed by end of May 2026 to enable our resource-constrained team to deliver on other competing and equally significant regulatory filings.

Table 1 below sets out a proposed regulatory process and schedule for the review of the Application.

Table 1: Proposed Regulatory Process and Timetable

Action	Date
Application submitted to the Commission	December 2, 2025
BCUC Procedural Order	December 15, 2025
CESLP to provide public notice of the Application	December 22, 2025
Intervener registration deadline	January 5, 2026
CESLP confirmation of compliance with public notice requirements	January 12, 2026
BCUC Information Request (**IR**) No. 1 to CESLP	January 26, 2026
Intervener IR No. 1 to CESLP	February 2, 2026
CESLP Responses to BCUC and Intervener IR No. 1	February 16, 2026
Letters of comments	February 23, 2026
CESLP Final Argument	March 9, 2026
Intervener Final Argument	March 16, 2026
CESLP Reply Argument	March 23, 2026
BCUC Final Decision	By end of May 2026

3. Context for this Application

This section provides information on CESLP as the applicant, the Sen̓áḵw TES CPCN and developments following the CPCN approval in October 2023 to date.

3.1 Applicant

CESLP is a wholly-owned subsidiary of Creative Energy Developments Limited Partnership. CESLP was established specifically to develop, design, construct, own, and operate the Sen̓áḵw TES.

The Sen̓áḵw Development is being led by Nch'ḵay̓ West (the **Developer**), a partnership between Nch'ḵay̓ Development Corporation (**NDC**) and OPTrust[1]. NDC was founded in 2018 as the economic development arm of the Squamish Nation, with a mandate to develop, manage, and own the Nation's active business ventures.

CESLP's corporate structure and its relationship with the Sen̓áḵw Development interest holders are illustrated in **Figure 1** below.

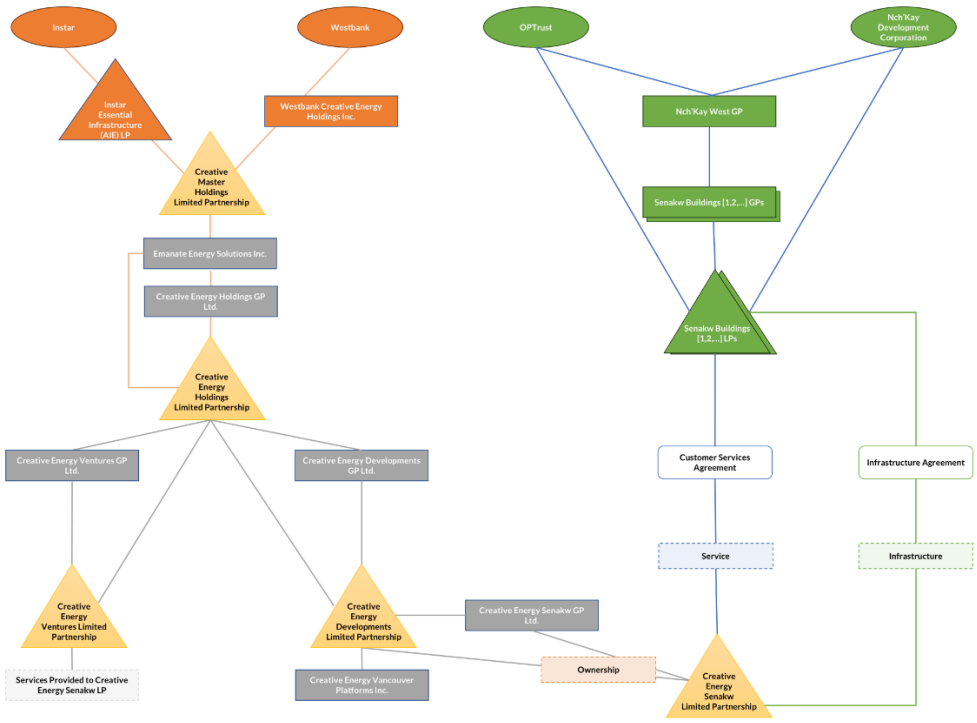

Figure 1: Structure of Ownership and Agreements

[1] In August 2025, Westbank Projects Corp. sold its remaining interest in the Sen̓áḵw Development to OPTrust, a large Canadian pension fund. Following the sale, OPTrust and the Squamish Nation each have a 50% ownership interest in the first two phases of the project. Further information can be found here: https://optrust.com/news/senakw-development-partnership-welcomes-50-ownership-stake-by-OPTrust.

Financial capacity is supported through a combination of equity contributions from its ultimate shareholders, Westbank Holdings Inc. and Instar Asset Management Inc. and third-party debt financing via CESLP's affiliate, Creative Energy Developments Limited Partnership.

Technical and operational expertise, including with respect to the development, design, implementation, operation, and maintenance of district-scale TES, is provided by CESLP's affiliate, Creative Energy Ventures Limited Partnership (**CEVLP**). CEVLP also provides certain support services, including finance and accounting, information technology, legal and human resources. Labour services relating to staff operators of the Senakw TES (as described in **Section 6.3**) are expected to be provided by CESLP's affiliate, Creative Energy Vancouver Platforms Inc.

3.2 Sen̓áḵw TES CPCN Approval

On October 20, 2022, CESLP, applied to the BCUC pursuant to Sections 45 and 46 of the UCA for a CPCN (the **CPCN Application**) to construct, own and operate a thermal energy system to provide heating and cooling to the first two phases of the Sen̓áḵw Development, which is located on Squamish Nation land on Kits Point adjacent to Vanier Park in Vancouver. Nch'ḵaẏ West undertook the Sen̓áḵw Development and engaged CESLP to provide a low carbon thermal energy system for heating and cooling.

The Sen̓áḵw TES includes an Energy Centre (the **Energy Centre**), Energy Transfer Stations at each building, and a Distribution Piping System. After evaluating various low-carbon technologies, CESLP determined that waste-water heat recovery was the most suitable option to meet the developer's sustainability goals.

On October 26, 2023, the BCUC issued Decision and Order C-5-23 (the **CPCN Decision and Order**) and concluded that the project met public convenience and necessity requirements, while establishing certain reporting obligations. The BCUC found the system to be appropriately sized with justified redundancy and confirmed CESLP's identification and mitigation of key risks, including construction costs and fuel availability.

The Sen̓áḵw TES was originally expected to be in service by November 2024, with an estimated capital cost of $26.4 million[2]. Developer-related delays have resulted in a postponement of the in-service date to March 2026. The capital cost estimate has subsequently increased to $44.6 million[3]. In addition to the Developer-related delays, the main reasons for the increased capital cost from the CPCN estimate are significant rises in equipment, material, and labour costs, which were driven by inflation, supply chain disruptions, and a labour shortage in the mechanical and electrical construction sectors. These factors were compounded by competing infrastructure projects in the region, such as major hospital construction, and by the project's unique site-specific requirements and construction complexity. Additionally, delays and a shortened construction window led to increased pressure on contractors to expedite work, further escalating cost.

[2] Creative Energy Sen̓áḵw Limited Partnership Application for a Certificate of Public Convenience and Necessity for the Sen̓áḵw District Energy System, Decision and Order C-5-23, October 26, 2023.

[3] Material Change Report No.1, dated October 29, 2024.

3.3 Directives from the Previous Application and Reporting Requirements

The CPCN Decision and Order included a directive to CESLP to file Semi-Annual Progress Reports, Material Change Reports (**MCR**) and a Final Report, as outlined in Appendix A to the Sen̓áḵw CPCN Decision and Order.

Below provides a summary of compliance filings and reports CESLP has filed with the Commission to date pertaining to the progress on the Sen̓áḵw TES.

CESLP completed detailed design work in mid-2024 but anticipated significant budget increases. This was confirmed in October 2024, with the updated capital cost estimate increasing to $44.6 million compared to $26.4 million in the original CPCN Application. As a result, CESLP filed its first Material Change Report in October 2024. Heating peak load forecast at the Energy Centre increased by 62% while cooling peak load forecast decreased by 6% due to building design changes. Construction progress reports in early 2025 showed contracts executed and major equipment procured, but delays pushed Energy Centre completion to July 2025.

By mid-2025, installation of key systems, such as the waste-water heat recovery (SHARC) unit, thermal tanks, chillers, boilers, electrical substation was underway, with actual spending reaching $20.3 million. However, continued development site servicing delays and development partnership changes triggered a second Material Change Report in September 2025 due to the duration of the anticipated scheduling delays. While the capital cost estimate was unchanged, this Material Change report updated the implementation schedule for Phase 2 to August 2029 and proposed a new cost template for better transparency.

4. Build-out, Customers, Peak Load, and Energy Demand Forecast

4.1 Sen̓áḵw Development Phases and Build-out Schedule

While the Sen̓áḵw Development is divided into four phases in total, only the first two phases of the development were the subject of the CPCN application that was approved by BCUC's Decision and Order C-5-23[4]. The equipment within the Sen̓áḵw Energy Centre has been sized to serve seven buildings to be constructed through Phases 1 and 2 of the Sen̓áḵw Development. Expansion of the Sen̓áḵw TES to serve potential future development Phases 3 and 4 is not in the scope of this Application.

Phase 1 includes Towers 1 to 3 and will be completed first, and Phase 2 comprises Towers 4 to 7. The Energy Centre will be commissioned during Phase 1 and has the capacity to service both Phases 1 and 2. The Build-out Schedule for Phases 1 and 2 are as follows in **Table 2** below.

Table 2: Phases 1 and 2 Build-out Schedule

Project Phase	Tower	In-Service Date (CPCN, Oct. 2022)	In-Service Date (MCR No. 2, Sept. 2025)	In-Service Date[5] (Updated Nov. 2025)	Schedule Variance Compared to CPCN (months)
Phase 1	Tower 1	Nov-2024	Mar-2026	Mar-2026	16
	Tower 2	Apr-2025	Jun-2026	Jun-2026	14
	Tower 3	Sept-2025	Jul-2026	Jul-2026	10
Phase 2	Tower 4	Sept-2026	TBD[6]	Oct-2028	25
	Tower 5	Sept-2026	TBD[6]	Apr-2029	31
	Tower 6	Feb-2026	TBD[6]	Mar-2029	37
	Tower 7	Dec-2026	TBD[6]	Aug-2029	32

CESLP notes that the in-service dates for Phase 2 provided in **Table 2** above remain uncertain. This uncertainty is due in part to the recent restructuring of the Sen̓áḵw development partnership described above and the transition to a new development manager. CESLP is using the most current dates available from the Developer for Phase 2 and is committed to communicating to the Commission any updates as new milestone information becomes available from the Developer.

4.2 Customers, Customer Service Agreements and Occupancy

4.2.1 Customers

There is a total of seven (7) customers to be connected to the Sen̓áḵw TES in Phases 1 and 2. See **Table 3** below for details.

[4] Creative Energy Sen̓áḵw Limited Partnership Application for a Certificate of Public Convenience and Necessity for the Sen̓áḵw District Energy System, Decision and Order C-5-23, October 26, 2023.
[5] CESLP considers the "In-Service date" to be the date on which CESLP starts billing the customer.
[6] These dates were not available at the time of filing Material Change Report No. 2.

Table 3: Sen̓áḵw TES Customers

Customer Name	Building Type	Floor Area (m^2)
Phase 1		
Senakw (Building 1) LP	Rental Residential and Commercial	20,290
Senakw (Building 2) LP	Rental Residential and Commercial	31,680
Senakw (Building 3) LP	Rental Residential and Commercial	40,246
Phase 2		
Senakw (Building 4) LP	Rental Office	4,158
Senakw (Building 5) LP	Rental Residential	15,620
Senakw (Building 6) LP	Rental Residential	21,975
Senakw (Building 7) LP	Rental Residential and Commercial	52,797

4.2.2 Customer Service Agreements

The Customer Service Agreement is attached as Schedule 9 to the Infrastructure Agreement between CESLP and the Developer, which was filed with BCUC, as Appendix B to CESLP's CPCN Application. The Customer Service Agreements for the customers in Phase 1 are intended to be executed following the completion of customer connection to the system and interim rates approval by the BCUC.

4.2.3 Occupancy and Developer-related Delays

The Infrastructure Agreement between CESLP and the Developer contemplates that if the provision of thermal energy in respect of a building has not occurred within 90 days of specified target and/or scheduled occupancy dates, the developer of such building will commence paying CESLP rates in respect of such building pursuant to the terms of the applicable Customer Service Agreement. CESLP discusses the anticipated impacts of delayed connection on rates in in **Section 12.4**.

4.3 Peak Load and Annual Energy Demand Forecasts

CESLP will provide heating and cooling thermal energy service to customers of its TES for space heating and cooling, and domestic hot water (**DHW**).

The load forecast for the development is summarized in **Table 4** below.

CESLP notes that at the time of the CPCN Decision in October 2023, it had reported a total diversified peak demand of 8,357 kW for heating and 6,890 kW for cooling. In its Progress Report No. 1, dated July 26, 2024, CESLP reported an increase of 62% to the diversified peak demand forecast for heating from the CPCN level, i.e. from an initial forecast of 8,357 kW to the current level of 13,526 kW (as shown in **Table 4**). This increase is attributable to the elimination of the heating water buffer tanks at the buildings, which were part of the building mechanical design at the time of the CPCN Application. CESLP determined that the Energy Centre can accommodate the higher intermittent peak demands using the large thermal storage tanks that are part of the system.

Similarly, CESLP, reported a decrease of 6% to the diversified peak demand forecast for cooling from the CPCN level, i.e. from an initial forecast of 6,890 kW load to the current level of 6,469 kW,

as a result of design development by the building mechanical designer, which has no impact on the plant or distribution pipe sizing.

Table 4: Peak Demand and Load Forecast for the Development

Phase No.	Building	In-Service Date	Peak Demands (kW)		Annual Loads (MWh)	
			Heating	Cooling	Heating	Cooling
1	Tower 1	Mar-2026	1,962	778	1,173	320
1	Tower 2	Jun-2026	3,641	1,507	2,309	716
1	Tower 3	Jul-2026	3,440	1,556	2,320	634
2	Tower 4	Oct-2028	242	517	231	164
2	Tower 5	Apr-2029	1,257	570	1,026	355
2	Tower 6	Mar-2029	2,031	770	1,444	499
2	Tower 7	Aug-2029	4,335	1,913	3,528	1,231
Total			**16,908**	**7,611**	**12,031**	**3,919**
Diversity Factor			**80%**	**85%**	**N/A**	**N/A**
Total Diversified Peak Demand (80% heating, 85% cooling)			**13,526**	**6,469**	**N/A**	**N/A**

5. Capital Costs

5.1 Project Capital Costs

The estimated capital cost for Phases 1 and 2 of the Sen̓áḵw TES is presented in **Table 5** below.

Table 5: Estimated Capital Costs for Phase 1 and Phase 2[7]

Category	CPCN Capital Cost Estimate[8]	Capital Cost Estimate as of Oct. 2024[9]	Actual Spend to Date as of Jun. 30, 2025	Actual Spend to Date as of Oct. 31, 2025
	($)	($)	($)	($)
Development	316,434	588,261	583,124	583,124
Regulatory	100,000	107,933	59,072	59,072
Detailed Design	460,000	722,913	376,298	404,345
Construction	21,299,794	38,183,990	18,480,198	27,996,766
Soft Costs – Legal, Insurance, Construction Consultants	869,418	1,558,600	646,480	862,150
Energy Centre Interior Walls & Finishes, Misc.	191,911	344,038	-	31,915
Mechanical – Phase 1	11,214,402	20,103,980	12,739,581	19,372,956
Electrical – Phase 1	2,812,653	5,042,224	2,482,660	4,268,923
Mechanical - Phase 2	2,379,729	4,266,124	-	-
Electrical – Phase 2	323,536	580,000	-	-
Buried Distribution Piping System – Phase 2	334,692	600,000	-	-
Civil – Waste-water Heat Recovery	414,340	742,784	666,328	667,495
Construction Management and Squamish Nation Procurement Fees	2,759,112	4,946,240	1,945,149	2,793,327
Admin/Other Soft Costs	65,615	-2,225,928[10]	-634,228	-607,833
Management	752,589	2,626,000	1,409,848	1,593,166
Contingency	3,406,518	4,630,445	-	-
Total	**26,400,949**	**44,633,614**	**20,274,312**	**30,028,640**

The table above follows the same capital cost estimate template and categorization CESLP has used in its Progress Report No. 3 filed with the BCUC on July 17, 2025[7], excluding estimated escalation and finance costs . It compares the estimated capital cost at the time of the CPCN and the October 2024 forecast, which has been included in the Material Change Report No. 1. **Table 5** further includes actual spend to date as of June 30, 2025, which was reported in Progress Report No. 3 filed in July 2025 as well as actual as of end of October 2025. CESLP has detailed the variances and associated underlying reasons for the change in its Capital Cost forecast since the CPCN Decision in its Material Change Report No. 1 filed in October 2024[11].

[7] This template for reporting the Capital Cost was approved by Order G-273-25 to vary Order C-5-23.
[8] Cost categories that were not in Table 6 of the CPCN Application have been estimated by CESLP.
[9] All significant variances to the CPCN Cost Estimate have been addressed in the Material Change Report No.1, dated October 29, 2024.
[10] Includes grant funding.
[11] CESLP, Senáḵw Material Change Report No. 1, Table 2, pp. 4-9.

As shown in **Table 5** above, the total capital costs, excluding AFUDC and Cost Escalation, is forecast to be $44,633,614.

Table 6 below shows the capital cost attributable to each of heating and cooling services, which is split at about 45% for the heating service and 55% for the cooling service. This percentage has been calculated by attributing each capital cost line item to its respective service, with common capital costs being shared 50/50 between heating and cooling.

Table 6: Capital Costs Split between Heating and Cooling at the Sen̓áḵw TES

Capital Costs	Cost ($)	Percentage (%)
Heating Capital Costs	$19,914,163	45%
Cooling Capital Costs	$ 24,719,450	55%
Total Capital Costs (excl. AFUDC and cost escalation)	**$ 44,633,613**	**100%**

5.2 Allowance For Funds Used During Construction (AFUDC)

Allowance for Funds Used During Construction (**AFUDC)** for the Sen̓áḵw project is estimated at $5,551,000 based on actual capital expenditure through October 2025 and forecasted expenditures thereafter. Capital costs remain in Work-in-Progress (**WIP**) until they are transferred to the rate base and AFUDC is calculated using the mid-year convention until the point of transfer. Consistent with previous filings and supported by our accounting standards, transfers to rate base happen once annually overnight on December 31st and depreciation commences on January 1st of the year an asset is placed in service.

Transfers from WIP to rate base are triggered by tower in-service dates. For example, Tower 1 is expected to be in service in March 2026. Construction costs will remain in WIP through year-end 2026 and then move to the rate base at the start of 2027 with depreciation beginning on January 1, 2027 (full year). If a tower does not enter service during any given year, AFUDC continues to accrue until the next transfer date.

The estimated AFUDC balance is higher than previously estimated due to project phasing delays. Specifically, Phase 2 in-service dates have been delayed by three years, resulting in additional AFUDC costs. These delays are outside CESLP's control, and we have deferred spending wherever possible to minimize carrying costs while meeting contractual obligations under the Infrastructure Agreement.

5.3 Contributions In Aid of Construction (CIAC)

There are two sources of grant funding awarded to CESLP for purpose of Sen̓áḵw TES completion and operation:

1. Total of $921,000 incentive funding from the British Columbia Hydro and Power Authority (**BC Hydro**) under its Low Carbon Electrification Program.[12] This funding is expected to be received:

[12] Further details could be found here: https://choose.bchydro.com/support-and-incentives/low-carbon-electrification#:~:text=BC%20Hydro%20offers%20a%20wide,Facility%20retrofits

- as to 90%, within 30 days upon BC Hydro receiving confirmation of the Sen̓áḵw TES commissioning showing anticipated energy consumption increase, which must happen by no later than March 31, 2026; and
- as to the remaining 10%, following completion of multiple measurement and verification analyses, based on 12 full months of reporting data post occupancy.

2. Total of $2,666,928 grant funding from the Investing in Canada Infrastructure Program (**ICIP**)[13], by the Federal and Provincial Governments, providing funding for Phases 1 through 4 as set out below:

    - The amount that is attributable to Phases 1-2 is estimated to be $1,516,928, which is currently included in CESLP's budget;
    - The amount that is attributable to Phase 3-4 is estimated to be $1,150,000.
    - Payments occur as claims are submitted for eligible costs. CESLP has received a total of $1,292,105 of grant funding as of November 2025, and expects to receive the remaining $224,823 of grant funding attributable to Phases 1-2 by July 2026.

Based on the above, CESLP is eligible for a total of $2,437,928 in BC Hydro and government grant funding in respect of Phase 1 and Phase 2 of the project, which is captured under Contributions in Aid of Construction (**CIAC**). These amounts are deducted in full from the rate base in the year in which they are received.

5.4 Capital Costs Escalation

The total capital cost escalation forecast is $1,859,000 and applies to the forecasted capital expenditure required to connect the towers in Phase 2. CESLP has price certainty on the forecasted capital costs for 2026 and therefore the 4.0% capital cost escalation percentage is only applied from 2027 through 2029 on an estimated capital cost of $12,454,000.

[13] Further details could be found here: https://housing-infrastructure.canada.ca/plan/icp-pic-INFC-eng.html

6. Operations and Maintenance (O&M) Costs

6.1 Drivers and Assumptions

CESLP used the following drivers and assumptions to forecast its O&M costs.

6.1.1 Inflation and Escalation

The inflation-control target adopted by the Bank of Canada in 1991 was last updated in December 2021. It establishes a Consumer Price Index (**CPI**) target range of 1.0% to 3.0% and a mid-point target of 2.0% over the medium-term. Based on this, CESLP expects annual escalation to be within the target range and trend to the 2.0% mid-point target over the near term. For the purposes of this Application, CESLP has used the data from the TD Bank long-term Canadian economic outlook publication as a reputable source with frequent updates.[14] The data is presented in **Table 7** below.

Table 7: CPI Outlook for the Test Period and Long Term

CPI Outlook	2026 Forecast	2027 Forecast	Long Term
TD Bank	2.20%	2.00%	2.00%

Creative Energy submits that the headline CPI is the appropriate benchmark for operating costs as our suppliers are national or international, and their cost drivers are varied and diverse. This approach balances simplicity, accuracy and administrative burden.

6.1.2 Labour Cost Escalator

CESLP provides that the labour escalation rate in the Collective Bargaining Agreement applicable to the operators that are expected to provide permanent staffing is 2.80% to the end of 2027[15].

6.2 O&M Costs Forecast

6.2.1 Cost Forecast for the Test Period

Operations and maintenance costs for the Sen̓áḵw TES have been estimated for the lifespan of the system. The estimates for these costs are based on equipment manufacturer recommendations and estimates, and internal estimates based on experience from operations of similar systems.

[14] Source: https://economics.td.com/ca-forecast-tables#lt-ca.
[15] Labour services relating to staff operators of the Senakw DES are expected to be provided by CESLP's affiliate, Creative Energy Vancouver Platforms Inc.

6.2.2 O&M Costs Split between Heating and Cooling Services

CESLP allocates O&M operating costs into two categories:

- **Directly Attributable Costs**
  These are costs that can be specifically linked to either heating or cooling services (e.g., equipment maintenance). Such costs are fully recovered through the respective heating or cooling rates.

- **General Operating Costs**
  These include shared expenses that support both services (e.g., SG&A, insurance, rent). Since these costs cannot be directly assigned, they are allocated between heating and cooling services based on the proportion of each service's capital investment relative to total capital expenditures. Under this approach, 45% of general operating costs are recovered from heating customers and 55% from cooling customers.

Table 8 below shows the recovery method for each operating cost category.

Table 8: O&M Cost Categories and Their Respective Recovery Methods

O&M Cost Category	Recovery Method
Labour Cost	Allocate based on capital ratio
Maintenance	Directly attributed to service
Regulatory Costs	Allocate based on capital ratio
Other Fixed O&M Costs	Allocate based on capital ratio
SG&A	Allocate based on capital ratio

6.3 Labour Cost

The level of supervision and qualifications of the person-in-charge for the Sen̓áḵw TES are set in accordance with the *Engineers and Boiler and Pressure Vessel Safety Act*[16] (the **Safety Act**). The Safety Act is administered and enforced by Technical Safety BC (**TSBC**). In accordance with the Safety Act, the Sen̓áḵw TES requires full-time supervision and a Chief Engineer with a minimum qualification of Second-Class Power Engineer. This requirement is based on the size of the refrigerant circuits in the heat pumps and chillers in the plant and the size of the electric boiler. Full-time supervision requires CESLP to have five (5) full-time employee (**FTE**) operators[17] to provide supervision of the plant 24 hours per day, 7 days per week. A Chief Engineer is required to take responsibility for the overall operation and safety of the plant in accordance with the Safety Act.

CESLP has engaged a consultant who is currently preparing an application to TSBC for an Alternative Safety Approach (**ASA**) to reduce the required supervision of the plant. This will reduce the number of staff required to operate the plant and the total cost of operating the plant. The basis for the reduced supervision during operation is the stringent safety standards the plant has been designed to, and the safety features that are built into the dedicated plant control system. The process for review and approval of the ASA cannot be started until operating permits have been secured from TSBC for all regulated equipment. Following the start of operation of the

[16] https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/17_104_2004.
[17] Four (4) shift engineers and one (1) relief engineer, assuming a two 12-hour shift schedule, with one (1) relief engineer to cover hours above labour hour limits, accrued time off, vacation time, sick days, etc.

plant the application will be submitted to TSBC for formal review. It is expected this review will take at least six months. The goal of the ASA is to reduce the number of FTE required to operate the plant to two (2) or less. A Chief Engineer is still required at the reduced staffing levels under the ASA.

At the baseline operating requirement, the estimated total labour cost for the Sen̓áḵw TES using CESLP staff operators will be approximately $972,000 per year. Based on the expectation that the ASA approval would result in reduced staffing levels, CESLP estimates total labour cost using staff operators for Sen̓áḵw TES to be approximately $114,000 per year. This assumes one operator on site four (4) hours per day, five (5) days per week. In addition, time will be required for maintenance of the equipment in the TES, which is estimated at approximately $46,000 annually following approval of the ASA. Maintenance work is assumed to be completed during the hours already required during full-time supervision of the plant.

Based on the above, CESLP has provided two scenarios for operating costs for the plant for the revenue requirements. The two scenarios considered have the same regulatory treatment but have a different basis for the initial rate setting. CESLP proposes the utilization of a deferral mechanism to de-risk the uncertainty around the timing of the ASA approval and final staffing levels that will be approved. A deferral account will capture the difference in costs between the actual cost of operations labour and the estimated costs during the Test Period. Following completion of the Test Period, and pending approval of the ASA, the deferral account balance will be dispositioned to refund to or recover outstanding amount from customers, as the case may be, over a future time period. Further details on the proposed deferral account, Labour Cost Deferral Account (**LCDA**), can be found in **Section 11**. The approach and the process by which this disposition is executed are not in the scope of this Application. The two proposed scenarios are as discussed below.

6.3.1 Scenario 1 (Base Case)

Summary:
Use non-CESLP contract operators for the initial operating period and CESLP staff operators following ASA approval, recording the variances in the LCDA

This is the scenario that CESLP recommends (**Base Case**). In this scenario, CESLP will use **contract operators** to provide both operations and maintenance services during the first 10 months of operations[18] until the end of 2026, for all equipment that is not serviced by third party contractors. Accordingly, rates are set based on the cost of the contract operators undertaking full-time supervision of the plant for the first 10 months following the commissioning of the plant. Additional costs are included for the oversight of the operators by the Chief Engineer. Rates for the second year of the operation, i.e. January to December 2027, are set using the cost of the reduced number of CESLP **staff operators** at the ASA application requested staffing levels. An additional $46,000 per year is included for equipment maintenance to cover required maintenance work that cannot be completed during the time required by the ASA staffing levels.

[18] This is a conservative assumption for the ASA approval timeline to cover any uncertainties associated with the approval and to facilitate setting the rates. Any variance resulting from this uncertainty in the ASA approval will be captured in the LCDA.

If the ASA is not approved, full-time staffing levels would be maintained throughout the balance of the Test Period using CESLP staff operators, and the difference between the forecast and actuals would be captured in the LCDA and recovered from customers in future test periods. The same would apply should the ASA approval take longer or shorter than the 10-month timeline estimated for the purposes of establishing the revenue requirement for 2026. Please refer to **Section 11.2** for full discussion on the establishment of the LCDA.

Advantages of Scenario 1

- The rates reflect the most likely outcome for the staffing levels required for the plant.
- Actual cost variances will be captured in the LCDA with customers only paying the actual costs for operations labour.
- This approach accounts for the timing and approved staffing level uncertainties associated with the ASA application, which will be captured by the mechanism of the LCDA account.

Disadvantages and Risks of Scenario 1

- If the ASA is not approved, a large LCDA balance will accumulate, requiring recovery from customers during future test periods leading to higher rates in the future.
    - If the ASA is not approved, the incremental LCDA balance by end of 2027 to be recovered from customers in future test periods is estimated to be approximately $1.15 million[19]. In addition to this cost, annual Labour Cost will increase from $201,000 to $907,000[20] on a go-forward basis starting from 2028, resulting in higher rates in future test periods.

6.3.2 Scenario 2 (Alternative)

Summary:
Use CESLP staff operators for the initial operating period and CESLP staff operators based on reduced staffing levels following ASA approval, recording the variances in the LCDA

This is an alternative scenario that CESLP is also amenable to use if directed to do so by the Commission (**Alternative**). In this scenario, rates for the first 10 months of operation until approval of the ASA would be set using the cost associated with CESLP **staff operators** undertaking full-time supervision of the plant. It is assumed that the CESLP staff operators will provide both operations and maintenance services during this time, for all equipment that is not serviced by third party contractors. Rates for the second year of operation, i.e., January to December 2027, are set using the cost of CESLP staff operators but at the ASA application requested staffing levels, assuming the ASA will be approved by the end of 2026.

If the ASA is not approved, the full-time supervision staffing levels would be maintained, and any difference between the forecast and actuals would be captured in the LCDA and recovered from customers in the future. The same would apply should the ASA approval take longer or shorter

[19] This is a high-level estimate as this scenario is the least likely scenario we expect. Also, this estimate is assuming the rates for 2026 and 2027 are approved as is and hence CESLP would under-recover this cost for the Test Period. The details of amortization of this balance are not in the scope of this Application as this is planned to occur in future test periods.
[20] Before cost escalation.

than the 10-month timeline estimated for the purposes of establishing the revenue requirement for 2026.

An additional $46,000 per year is included for equipment maintenance to cover the maintenance work required that cannot be completed during the time required by the ASA staffing levels.

Advantages of Scenario 2

- This approach utilizes CESLP staff operators allowing for greater staffing flexibility for the full-time supervision of the plant.
- If the ASA is approved, the deferral account balance would be negative, meaning customers would receive a refund in future test periods.
- If the ASA is not approved, the deferral account balance would be small and would only cover the difference between the forecast costs and actual costs limiting future rate increases.

Disadvantages and Risks of Scenario 2

- This approach would require CESLP to hire at least four (4) full-time operators on a temporary basis, and then remove those positions should the ASA be approved.
- This scenario yields significantly higher rates, as discussed in **Section 12.4.2.**

Table 9 below provides the cost of operations for the two scenarios described above.

Table 9: Operator Costs in Proposed Scenarios

Scenario		2026 (Real Terms)	2027 (Real Terms)	Notes
Baseline[21]	CESLP operators for full-time Supervision	$809,643	$971,572	Cost of one CESLP operator is $109 per hour in 2025.
Scenario 1	Non-CESLP contract operators for full-time supervision before ASA approval in 2026; CESLP staff operators in 2027 following ASA approval	$410,607	$201,375	Cost of one Non-CESLP contract operator is $49.75 per hour in 2025. Cost of one CESLP operator is $109 per hour in 2025.
Scenario 2	CESLP staff operators before ASA approval; CESLP permanent full-time staff operators based on reduced staffing levels following ASA approval	$809,643	$201,375	Cost of one CESLP operator is $109 per hour in 2025. See **Section 12.4.2** for further information.

CESLP will continue to work with TSBC to achieve approval of the ASA as soon as possible following the start of operation of the plant to pass the savings on to customers of the ASA approval should this be achieved.

[21] This baseline is not the Base Case and is not included in the modeling of rates and as such, is only used for comparison purposes only. These are the costs that would apply if this was the Base Case or the ASA were not approved by TSBC.

6.4 Maintenance Costs

Maintenance costs include all costs required to maintain the equipment and components of the system to maintain safe and reliable service to customers. Maintenance costs include:

- Equipment maintenance
- Water treatment
- IT and OT software maintenance and subscriptions
- Internet costs
- Materials, tools, and supplies
- Permits and licenses, and
- Safety supplies and training.

6.4.1 Equipment Maintenance

Equipment maintenance work is undertaken by specialist contractors or CESLP operators, depending on the complexity of the equipment and work required. In the initial operating period, maintenance work is predominantly undertaken by contractors, typically the original equipment manufacturer (**OEM**) or its representative, to ensure warranties are preserved. CESLP is in the process of negotiating contracts with equipment vendors/suppliers to provide maintenance services for the major equipment. The pricing we have received forms the basis of the equipment maintenance costs. Ad hoc maintenance work may be required from time to time and was estimated using experience of similar operating facilities.

6.4.2 Water Treatment

Water treatment is carried out by a water treatment specialist vendor. The water treatment costs carried in the Maintenance Costs are based on a quote for this work from CESLP's preferred vendor.

6.5 Regulatory Costs

Regulatory costs include third-party expenses incurred by CESLP due to BCUC regulation, such as annual BCUC levies, participant cost awards, and external legal or consulting fees in regulatory proceedings. These costs are forecast based on prior experience and expected regulatory activity, with intervener costs and the annual levy included for 2026 and 2027. Regulatory support provided by Creative Energy is accounted for under SG&A. CESLP applies a two-year cadence for regulatory costs, with future adjustments as needed.

6.6 Other O&M Costs

Other fixed O&M costs include:

- Lease costs
- Property taxes
- Permits and licenses
- Materials, tools, and other supplies
- Building and grounds maintenance

6.6.1 Lease Costs

CESLP will enter into a lease agreement with the Developer to compensate the Developer for the use of space on its premises for the Energy Centre. Although CESLP owns and operates the equipment, the physical location where the equipment is located belongs to the Developer, and therefore a lease is necessary to secure legal rights to occupy and use that space for the provision of energy services to customers. Below are the key terms of the lease.

- **Purpose:** Provides CESLP with exclusive use of the designated area for the Sen̓áq̓w TES Energy Centre and operations.
- **Rate:** $20 per square foot per annum.
- **Rentable Area:** 15,000 square feet.
- **Payment Commencement:** Lease payments begin on the commercial operation date of the first tower.

6.6.2 Property Tax

CESLP does not expect to incur any additional property tax expenses beyond those already included within our gross rent under the terms of the lease agreement. While the lease agreement does give the Developer the right to recover any additional property taxes levied on the Developer solely as a result of our energy system's presence on the property, we do not believe this to be likely from our operating experience. As a result, no property taxes or similar charges are forecasted for the test period.

6.7 Selling, General and Administrative (SG&A)

SG&A costs are allocated to CESLP from Creative Energy with no markup applied. SG&A costs are forecast for the following services that will be received by CESLP:

- Engineering
- Human resources
- Payroll
- Legal
- Regulatory support
- Insurance
- Accounting
- Finance
- Tax consulting
- IT & cybersecurity, including software and internet costs
- Health and safety support
- Communications
- Customer service, and
- Administrative services (Board fees, management and office).

7. Lifecycle Intervention Costs

7.1 Preface

Lifecycle interventions refer to planned major maintenance or replacement activities that occur during an asset's operational life to ensure continued safety, reliability and performance.

These interventions go beyond routine maintenance and typically involve:

- **Component Replacement**: typically for reliability of equipment, part or parts are replaced that have a finite lifespan which is shorter than the operational life of the asset. For example, chiller or heat pump compressor replacements at a recommended interval.
- **System Upgrades**: such as replacing aging equipment or controls to maintain efficiency and performance or replace outdated technology that does not meet safety or reliability requirements.
- **Recapitalization**: adding new capital components to extend the useful life of the system.

Proactively planning lifecycle interventions at the outset of an asset's life helps protect CESLP and its customers from potential risks related to costs, reliability, and compliance. Below is a brief discussion of these risks.

- **Cost**: lifecycle interventions can represent significant capital outlays. Failure to plan for these costs can lead to unplanned expenses and future rate shock.
- **Asset Reliability**: timely and planned interventions prevent catastrophic failures and maintain system performance and efficiency.
- **Compliance**: recapitalization may be required throughout an asset life to meet regulatory constraints or ensure compliance with safety and security standards.

7.2 Lifecycle Intervention Cost Estimate

CESLP has completed a lifecycle intervention cost estimate, including projected timing for the interventions. This estimate and the timing of the various interventions are included in the rates model as discussed in **Section 10**. **Table 10** below provides the costs and intervention interval in the rates model.

The cost estimates for each component and intervention interval were developed using Creative Energy's in-house knowledge from similar systems, information provided by the OEMs and information provided by suppliers and maintenance service providers. The cost is categorized into three main categories: Common Cost, Cooling System Cost and Heating System Cost.

Table 10: Lifecycle Intervention Costs

Year	Heating	Cooling	Common	Total
5	-	-	$11,075	$11,075
10	-	$769,063	$49,220	$818,283
15	-	-	$261,481	$261,481
20	$1,437,500	-	$5,392,897	$6,830,397
25	$1,988,149	$676,200	$78,752	$2,743,101
30	-	-	$11,500	$11,500
Total				**$10,675,837**

8. Capital-Based Costs

This section discusses the CESLP's capital-based costs, which is comprised of our cost of capital, depreciation and corporate income tax.

8.1 Capital Structure

For the purposes of rate setting, CESLP's capital structure is determined by the BCUC in the Generic Cost of Capital (**GCOC**) proceedings[22,]

Table 11 below summarizes the approved capital structures, as incorporated into the rate model for consistency with the BCUC's determinations.

Table 11: CESLP's Capital Structure in 2014[22] and 2024 Onward[22]

Category	Financing Assumption	Before 2024	2024 Onwards
Capital Structure	FEI's Equity Thickness (benchmark)	40.0%	45.0%
	CESLP's Equity Thickness Premium	2.5%	4.0%
	CESLP's Equity Thickness	**42.5%**	**49.0%**
	CESLP's Debt Thickness (Calculated)	**57.5%**	**51.0%**

8.2 Return on Equity

Table 12 below summarizes the approved return on equity. The 2024 Onwards values have been incorporated into the rate model for consistency with the BCUC's determinations.

Table 12: CESLP's Return on Equity in 2014 and 2024 Onward

Category	Financing Assumption	Before 2024	2024 Onwards
Return on Equity	FEI's Return on Equity (benchmark)	8.75%	9.50%
	CESLP's Equity Risk Premium	0.75%	0.90%
	CESLP's Return on Equity	**9.50%**	**10.40%**

8.3 Cost of Debt

The cost of debt for both the construction and rate application periods is determined using the weighted average interest rate of all outstanding and forecast debt instruments. This approach ensures that financing assumptions accurately reflect the actual interest costs required to support CESLP's operations and capital investments under the deemed capital structure. It aligns with Creative Energy's broader cost of debt methodology, and the cost of debt figures for the 2019-2025 period have been reviewed and approved by the BCUC as part of Creative Energy's Core TES revenue requirements and rates applications. The cost of debt assumption for 2026 onwards uses our current actual interest expense of 5.33% as the best predictor of future interest rates. CESLP will continue to review and adjust our cost of debt forecast in future rate applications as appropriate to reflect our actual financing costs.

[22] BCUC, Generic Cost of Capital - Stage 1, Order G-258-23, September 29, 2023, and Generic Cost of Capital – Stage 2, Order G-321-24, November 29, 2024.

Table 13 below shows the approved cost of debt percentages, as part of Core TES rate applications:

Table 13: Creative Energy's Actual Core TES Approved Cost of Debt

Period	2019	2020	2021	2022	2023	2024	2025
Cost of Debt	4.50%	4.50%	4.50%	4.50%	7.50%	7.85%	5.31%

CESLP's requested cost of debt for this Application is summarized in **Table 14** below.

Table 14: CESLP's Requested Cost of Debt in This Application

Period	2026 Forecast Onwards
Cost of Debt	5.33%

8.4 Corporate Income Tax

CESLP notes that corporate income tax liabilities arising from the sale of thermal energy to customers should be recoverable from ratepayers, regardless of whether the utility is structured as a corporation or a limited partnership.

The total effective corporate income tax rate applicable to CESLP is 27.0%, comprising a 15.0% federal and 12.0% provincial component. This rate reflects the statutory tax burden borne by the corporate partners of CESLP, who are ultimately responsible for remitting taxes on income generated by CESLP's operations.

While CESLP, as a limited partnership, is not itself a taxable entity, the income generated from regulated utility operations is subject to taxation within the broader tax group. The rate application calculates the actual corporate income tax liability attributable to the sale of thermal energy to CESLP customers. This liability is real, quantifiable, and directly linked to the provision of CESLP' regulated service.

CESLP acknowledges the Commission's prior concerns regarding the recovery of corporate income tax when assets are held in a limited partnership; however, the organizational structure affects only the locus of tax payment and does not change the existence or magnitude of the tax liability. The utility earns income from regulated operations, and that income is taxed. Whether the tax is paid by the limited partnership or its corporate partner is a matter of legal form but does not avoid the economic substance.

Creating a regulatory distinction between limited partnerships and corporations in the treatment of income tax recovery would introduce inconsistencies and inequities in the rate-setting framework. It would penalize utilities for choosing limited partnership structures, which are often selected for legitimate business, financing, or partnership reasons.

In summary, CESLP's treatment and understanding of tax is as follows:

- The tax liability is caused by regulated operations and is borne by the utility's tax group;
- The form of the entity should not dictate whether a real and attributable cost is recoverable; and

- A consistent approach across corporate forms promotes regulatory fairness, transparency, and efficiency.

8.5 Summary of the Capital Structure

Table 15 below provides a summary of CESLP's Capital Structure and Cost of Capital for the rate setting period.

Table 15: Summary of CESLP's Capital Structure and Cost of Capital

Category	Financing Assumption	Amount
Capital Structure	Debt Ratio	51.0%
	Equity Ratio	49.0%
Cost of Debt	Interest Rate	5.33%
Return on Equity	FEI's Return on Equity (benchmark)	9.50%
	CESLP's Equity Risk Premium	0.90%
	CESLP's Return on Equity	10.40%
Cost of Capital	Weighted Average Cost of Capital (WACC)[23]	7.81%

8.6 Depreciation

CESLP applies the straight-line method to depreciate capital assets on January 1st of the year in which it transfers to rate base in accordance with our accounting policy.

For the Sen̓áḵw Development, full build-out is projected to span four years, with the final building entering service in 2029. Accordingly, the initial capital investments net of CIAC will be depreciated over a 43-year period to account for the build-out period. The same approach is taken for lifecycle costs which are depreciated over the remaining system life from the date they are transferred to rate base and enter service.

This approach ensures a consistent and transparent allocation of capital costs over the useful life of the infrastructure. It also promotes fairness and equity by ensuring that all customers, regardless of when they connect during the build-out period, contribute to the recovery of capital costs and benefit equally from CIAC.

[23] (Equity Thickness x Return on Equity) + (Debt Thickness x Cost of Debt)

9. Indicative Variable Costs

Variable costs include the cost of electricity and make-up water, all of which are required to produce thermal energy to provide heating and cooling services to customers. CESLP requests that these costs are charged by directly flowing them through to customers monthly in recognition of variability of these costs and to reflect actual customer consumption, thereby sending price signals to optimize usage. The Application includes indicative estimates of variable costs, i.e., electricity, and water costs. These estimates have no material effect on the revenue requirements of the Sen̓áḵw TES for the purpose of rate setting.

Table 16 below provides a summary of these costs for Phase 1 Tower 1 through Tower 3). The basis on which these costs are calculated is discussed in the sections below. Variable cost for 2027 are the same as 2026 inflated at the escalation rates discussed in the sub-sections the follow.

Table 16: Indicative Variable Costs for Phase 1

	Test Period	
Energy Supply Cost ($)	**2026**	**2027**
Heating		
Electricity	**274,037**	**279,517**
Water[24]	-	-
Total Heating Energy Supply Costs (A)	**274,037**	**279,517**
Cooling		
Electricity	**30,325**	**30,931**
Water	**3,550**	**3,621**
Total Cooling Energy Supply Costs (B)	**33,875**	**34,552**
Total Energy Supply Costs (A+B)	**307,912**	**314,070**

Table 17 below shows the indicative variable cost for each customer tower, based on the loads presented in **Table 4** in Section 4.3.

Table 17: Indicative Variable Costs for Each Customer Tower (2026)

Tower	Load, MWh			Total Variable Cost in 2026[25]($)
	Heating	Cooling	Total Load	
1	1,173	320	1,493	61,528
2	2,309	716	3,025	124,655
3	2,320	634	2,954	121,730

9.1 Electricity

Electricity will be supplied by BC Hydro. Electricity costs are forecast for heating and cooling separately based on estimated monthly demand and consumption and the forecast rates for electricity supply. The Sen̓áḵw TES will have a dedicated BC Hydro meter and account, which will

[24] Water costs consist of heating make-up water, cooling make-up water and cooling tower use. In a closed-loop system under normal operational conditions, make-up water costs are insignificant; therefore, all water costs have been allocated to cooling tower use and is captured under cooling. See Figure 2 for details on variable cost allocation.
[25] Cost for 2027 is the same as 2026 inflated by 2%.

be transferred to CESLP upon commencement of service. Electricity rates are forecast based on BC Hydro's Large General Service Rate schedule with an escalation rate of 2% per year.

9.2 Natural Gas

Since natural gas boilers are only used for backup purposes, CESLP assumes there is no gas used in providing heating or cooling services to customers.

9.3 Water

Water for the Sen̓áq̱w TES will be supplied from the base building and is sub-metered. Water costs include the cost for water supply and the cost to dispose of the water in the sewer.

The hot water system and chilled water systems are closed loop systems. The expected annual water loss and associated make-up for these systems is not significant.

The majority of water cost is associated with the use of the evaporative cooling towers to reject the heat generated by chillers. Costs have been forecast based on the latest available water and sewer rates from the City of Vancouver and are escalated at 2% annually.

10. Revenue Requirements and Rate Design

This section outlines CESLP's proposed approach to recovery of revenue requirements and the structure and design of the rate used in this recovery.

10.1 Revenue Requirement

The revenue requirement for the Sen̓áḵw TES reflects the costs necessary to provide reliable heating and cooling services to our customers. The revenue requirements consist of fixed costs that do not vary with energy consumption and includes depreciation, cost of capital, taxes, and operating costs. **Table 18** below provides the proposed annual revenue requirements for the 2026- 2027 Test Period and includes a breakdown of the operating costs. CESLP notes that these figures are expressed in nominal terms.

Table 18: CESLP's Revenue Requirements Summary for the Test Period

Revenue Requirements ($)	Test Period	
	2026	2027
Operating Costs		
Maintenance	320,104	326,507
Operators (Labour Cost)	410,607	207,013
Insurance	21,226	25,980
Rent	255,500	312,732
Regulatory	40,880	-
SG&A	384,423	471,773
TES Set Up	25,576	-
Total Operating Costs	**1,458,316**	**1,344,005**
Capital-Based Costs		
Cost of Equity	-	1,873,478
Cost of Debt	-	998,579
Depreciation	-	865,028
Corporate Income Tax	-[26]	-[26]
Total Capital-Based Costs	**-**	**3,737,085**
Total Revenue Requirement	**1,458,316**	**5,081,090**

10.2 Rate Structure

CESLP proposes to recover the revenue requirements through capacity charges under a levelized rate structure. Capacity charges will be billed monthly on a dollar-per-kilowatt-per-month basis ($/kW/Mo) and escalate annually at CPI + 1.0%. The rate design specifics are discussed in greater detail in Section 10.3 and Section 12. Each customer's subscribed capacity (kW) is defined in the Building Service Application and the Customer Services Agreement (**CSA**) and remains fixed for the term of the CSA.

Energy-related costs will be recovered through a variable energy charge, billed monthly on a $/kWh basis. Energy charges will be calculated on a flow-through of actual costs, ensuring customers pay based on actual consumption and prevailing commodity prices. CESLP has

[26] Loss position so no income tax.

determined that levelization or smoothing of energy costs is not required. While monthly energy costs may fluctuate due to consumption variability, these costs represent a relatively small portion of the total bill because of the system's high operational efficiency. This design minimizes exposure to commodity price volatility and provides customers with predictable overall costs. A pass-through of actuals promotes transparency, equity, and fairness, while delivering appropriate price signals to encourage efficient energy use.

CESLP also proposes to establish separate capacity and energy charges for the heating and cooling services provided to customers. This approach is consistent with the indicative rate structure presented in the 2022 CPCN Application, approved by the BCUC under Order C-5-23. In this Application, CESLP establishes the revenue requirement for capacity-based charges for heating and cooling services and provides an estimate of energy-based charges. **Table 19** below provides a summary for the proposed Rate Structure.

Table 19: CESLP's Rate Structure

Charges	Billing Units	Heating Service	Cooling Service	Rate Structure
Capacity Charge ($/kW/month)	$/kW/month	Heating Capacity Charge	Cooling Capacity Charge	Levelized over 44 years
Variable Charge ($/kWh)	$/kWh	Heating Energy Charge	Cooling Energy Charge	Monthly flow-through of actuals

10.3 Rate Design

CESLP proposes a levelized rate plan for both heating and cooling services, supported by a Revenue Deficiency Deferral Account (**RDDA**) for each service. This approach is commonly used for greenfield utilities that require significant upfront capital investment before achieving full customer build-out. **Section 11.1** provides further details on the proposed RDDA account.

10.3.1 Purpose and Rationale

In the early years of the Sen̓áḵw project, the utility will not reasonably recover its full annual revenue requirement through rates due to the project phasing. To address this, the RDDA records the difference between billed customer revenues and the revenue requirement based on the total cost of service. This mechanism ensures that costs are recovered over time as the customer base expands.

10.3.2 Levelization Period and Escalation

Capacity rates will escalate annually at CPI + 1.0% and CESLP is proposing to levelize rates over the life of the system (until 2069). The extended levelization period of **44 years** aligns with the system's lifecycle and promotes intergenerational equity by spreading costs fairly across current and future customers. This approach ensures rate stability through gradual and predictable increases, as well as providing regulatory transparency by clearly tracking revenue deficiencies and recovery.

10.4 Cost Allocation

10.4.1 Capacity Charges

The total revenue requirement informing capacity charges is primarily calculated at the project level, with certain costs directly attributable to heating and cooling services. Costs such as annual and major maintenance are assigned directly to the respective service, while common costs are allocated based on an allocation ratio.

CESLP reviewed the project budget and categorized costs accordingly: directly attributable costs were allocated to heating or cooling, and common costs were initially apportioned on a 50/50 basis. A comparative analysis of total allocated costs resulted in an overall allocation ratio of approximately 45% to heating and 55% to cooling.

Table 20 below presents the allocation of the total revenue requirement between heating and cooling service.

Table 20: Allocation of the Total Revenue Requirement

Total Revenue Requirements ($)	Test Period	
	2026	2027
Heating		
Operating Costs[27]	$ 697,156	$ 646,469
Capital-Based Costs[28]	-	$1,683,404
Heating Service Revenue Requirement (A)	**$ 697,156**	**$ 2,329,873**
Cooling		
Operating Costs	$ 761,159	$ 697,536
Capital-Based Costs	-	$ 2,053,681
Cooling Service Revenue Requirement (B)	**$ 761,159**	**$ 2,751,217**
Total Revenue Requirement (A+B)	**$ 1,458,316**	**$ 5,081,090**

10.4.2 Energy Charges

CESLP has applied a similar methodology to allocate commodity costs between heating and cooling energy charges. Costs directly attributable to either heating or cooling are assigned accordingly, while common commodity costs are allocated based on monthly heating and cooling sales. This approach is dynamic and directly links customer behavior to cost, delivering timely and meaningful price signals.

An illustration of our approach is provided in **Figure 2** below.

[27] Directly Attributable Costs + Allocated Common Costs
[28] Cost of Equity + Cost of Debt + Depreciation + Income Tax

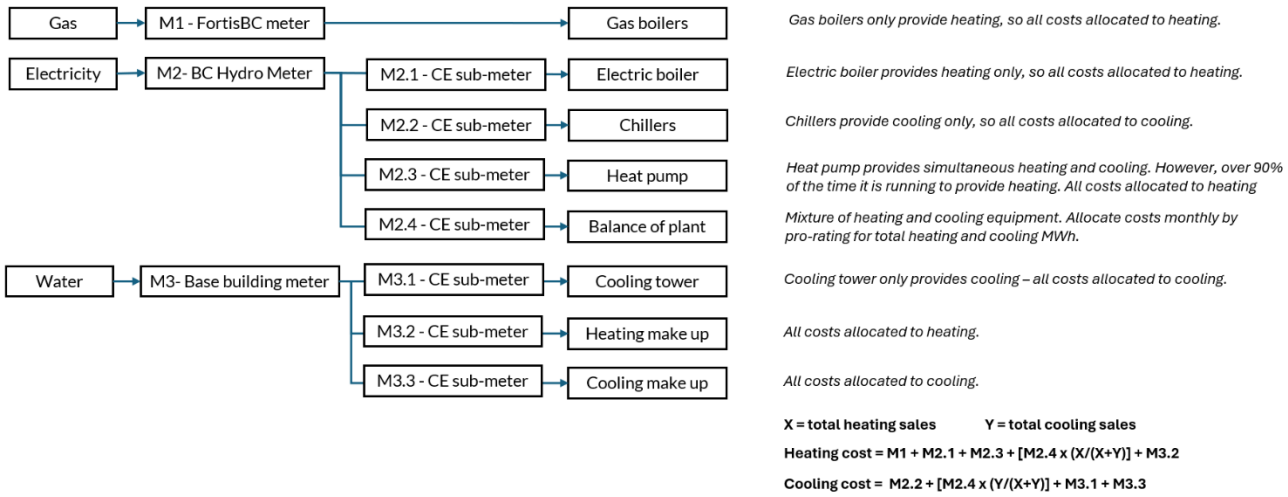

Figure 2: Approach to the Energy Charges Allocation

10.5 Bonbright Evaluation

Table 21 evaluates CESLP's proposed rate structure against the Bonbright[29] principles, which remain a cornerstone of utility rate design. These principles provide a comprehensive framework for assessing equity, efficiency, feasibility, and stability in pricing.

Table 21: Bonbright Assessment of Sen̓áḵw TES Rate Design

	Bonbright Principles	Assessment	Comments
1	Customer understanding and acceptance	Good	No confusion or controversy caused by interpreting the rates for heating and cooling. For both heating and cooling services, the fixed Capacity Charge recovers fixed costs, and the Energy Charge recovers variable energy supply costs. The Capacity and Energy Charge two-part rate structure approach has been approved for other BCUC regulated thermal energy utilities.
2	Practical and cost-effective	Good	It is simple, practical, and clear.
3	Recovery of total revenue requirements	Good	Effectively recovers total revenue requirements for CESLP using the levelized rate plan.
4	Revenue stability	Good	Stable revenue subject to additions of new phases.
5	Rate stability	Good	Use of rate stabilization approach such as the RDDA increases rate stability while providing revenue stability.
6	Avoid undue discrimination	Good	Rates will be charged fairly and recovered from customers who receive the actual service they need.
7	Promote economic efficiency and discourage wasteful use of service (Efficient pricing)	Good	Provides the appropriate price signal to customers by flowing through energy supply costs. Discourages wasteful use of service since higher customer consumption leads to higher costs for customers.
8	Cost fairness among customers	Good	Applied fairly to all customers in CESLP who all use Heating and Cooling services

Based on this assessment, CESLP submits that its approach to rate design is consistent with the UCA. CESLP believes this strategy best serves its customers by protecting their interests while also ensuring the utility can recover its costs.

[29] James C. Bonbright, Albert L. Danielsen and David R. Kamerschen, Principles of Public Utility Rates (2nd Edition; Public Utilities Report, Inc.: Arlington, Virginia, 1988).

11. Deferral Accounts

In this Application, CESLP is seeking approval to establish three deferral accounts:

1. Heating Revenue Deficiency Deferral Account (**Heating RDDA**);
2. Cooling Revenue Deficiency Deferral Account (**Cooling RDDA**); and
3. Labour Cost Deferral Account (**LCDA**).

11.1 Heating and Cooling Revenue Deficiency Deferral Accounts (RDDA)

The RDDA would capture annual revenue deficiencies or surpluses resulting from the difference between annual revenue at the approved Capacity Heating and Capacity Cooling Charges and the approved annual forecast cost of service, excluding variable, flow-through costs, and attracting Weighted Average Cost of Capital (**WACC**).

CESLP further proposes to use this account during the Test Period to capture any under-recovery variances that arise from Developer-related delays that defer service to customers. This application of the account is limited to the current Test Period. Afterward, the RDDA will be used exclusively to record the difference between the annual revenues generated at the approved Capacity Heating and Capacity Cooling Charges and the approved annual forecast cost of service.

The proposed RDDA is the deferral mechanism that allows the delivery revenues from the customer billed capacity charges and the rate smoothing effect to equal the delivery revenue requirement. The RDDA balance at any point in time is the cumulative difference between the revenue requirements without rate smoothing and the actual amounts billed to customers.

CESLP proposes two RDDA accounts, one for heating (**Heating RDDA**) and one for cooling (**Cooling RDDA**), to better capture revenue variances and optimize revenue requirements and rates for future test periods.

11.2 Labour Cost Deferral Account (LCDA)

As explained in **Section 6.3**, Labour Costs, the initial operating labour requirements for Senakw TES is five (5) FTE operators to be on staff to provide staffing coverage for 24 hours per day, 7 days per week. CESLP explained that it is currently preparing an application to TSBC for an ASA to reduce the required supervision of the plant. Consequently, the operations costs would be reduced. CESLP also noted that the process for review and approval of the ASA cannot be started with the TSBC until the plant is in operation. CESLP provided two scenarios for the operating costs for the plant and that the two proposed scenarios have the same regulatory treatment. CESLP proposes the utilization of a deferral mechanism to de-risk the uncertainty around the timing of the ASA approval and final staffing levels that will be approved. In this approach, the LCDA will capture the difference in costs between the actual cost of operations labour and the estimated costs during the Test Period and attracting Weighted Average Cost of Debt (**WACD**).

Following completion of the Test Period, and pending approval of the ASA by the TSBC the LCDA balance would be dispositioned to refund or recover outstanding amount from customers, over a future time period. The mechanism and the details of this disposition are not in the scope of this Application. CESLP plans to request to close the LCDA once this disposition is completed.

12. Proposed Rates for Heating and Cooling Services

CESLP proposes rates for heating and cooling services that utilize a levelized capacity rate plan through the use of an RDDA for each of the heating and cooling services. This rate levelization approach is explained further below.

12.1 Proposed Heating and Cooling Rates

Table 22 below shows the proposed Heating and Cooling Capacity and Energy Charge rates for the two-year Test Period with implementation of the levelized rate plan. CESLP is proposing:

- A monthly Heating Capacity Charge ($/kW); and
- A monthly Cooling Capacity Charge ($/kW).

Table 22: Proposed Heating and Cooling Rates for the Sen̓áḵw TES

Service	Heating and Cooling Capacity Charge Rates	2026	2027
Heating	Capacity Charge ($/kW) per month	**$11.59**	**$11.93**
Cooling	Capacity Charge ($/kW) per month	**$30.13**	**$31.03**
Total of Heating and Cooling Rates ($/kW) per month		**$41.72**	**$42.96**

12.2 RDDA Balances

The RDDA captures variances between annual revenue at the approved rates and the annual cost of service. **Table 23** below shows the forecast RDDA balances for 2026 to 2027. Based on current forecasts, full recovery of the RDDA is anticipated by the end of 2069.

Table 23: Revenue Deficiency Deferral Account Balances in 2026 to 2027

RDDA Balances, Thousand $	Test Period	
	2026	2027
Heating RDDA		
Opening Balance	-	14
Closing Balance	14	1,092
Cooling RDDA		
Opening Balance	-	16
Closing Balance	16	1,392

12.3 Estimated End-User Costs & Bill Impacts

As explained in Section 4.2, the entirety of the Sen̓áḵw Development is planned to be residential and commercial rental buildings with the Developer maintaining its ownership of all customer buildings. While CESLP will not be billing individual end-users, CESLP considers that an estimated annual cost impact for a typical residential end-user is a useful indicator of the reasonableness of the annual cost of residential heating and cooling services, as opposed to the annual estimated bill impact for an entire customer building.

Table 24 below presents a summary of the estimated total end-user cost impact for heating and cooling based on the proposed rates in this Application. This analysis is based on a typical 2-bedroom residential rental suite at the Sen̓áḵw Development with a conditioned space area of

750 ft^2 (70 m^2) and an average Energy Use Intensity (EUI) of 63 kWh/m^2 for heating and 18 kWh/m^2 for cooling per year. To provide this cost impact analysis, the proposed Capacity Charge was calculated for the unit using the average residential building peak demand intensity of 0.098 kW/m^2 for heating and 0.042 kW/m^2 for cooling.

Table 24: Estimated Total Heating and Cooling Costs to a Typical End User

Estimated Cost of Service to a Typical Customer ($)	Test Period	
	2026	2027
Residential Capacity Demand for Heating (kW)	6.83	6.83
Residential Capacity Demand for Cooling (kW)	2.90	2.90
Annual Heating Energy Consumption (kWh)	4,383	4,383
Annual Cooling Energy Consumption (kWh)	1,262	1,262
Heating Capacity Charge ($/kW) per month	11.59	11.93
Estimated Heating Variable Charge ($/kWh) per month	0.00394	0.00402
Total Estimated Monthly Heating Capacity Costs ($) (A)	79.17	81.54
Total Estimated Monthly Heating Variable Costs ($) (B)	17.25	17.60
Total Estimated Monthly Heating Costs ($) (A)+(B)	**96.42**	**99.14**
Cooling Capacity Charge ($/kW) per month	30.13	31.03
Estimated Cooling Variable Charge ($/kWh) per month	0.00169	0.00172
Total Estimated Monthly Cooling Capacity Costs ($) (C)	87.43	90.06
Total Estimated Monthly Cooling Variable Costs ($) (D)	2.13	2.18
Total Estimated Monthly Cooling Costs ($) (C)+(D)	**89.57**	**92.23**
Total Estimated Monthly Heating and Cooling Cost ($) (A)+(B)+(C)+(D)	**185.99**	**191.37**
Total Estimated Annual Heating and Cooling Cost ($)	**2,232**	**2,296**
Increase year over year (%)		2.90%

CESLP notes that it has also provided a comprehensive analysis of bills for Buildings 1, 2, and 3, presented individually in the MS Workbook attached to this application, under the "Rate Summary" tab.

12.4 Rates Sensitivity Analysis

12.4.1 Developer Delays

This section discusses the case of where the Developer delays in the commissioning of one or more buildings leading to delays in the Sen̓áḵw TES system connection and commencement of service. Any delays beyond the planned service commencement of March 2026 (for Building 1) will result in increases in rates for the following test period. In this scenario, CESLP assumes that by the time we are made aware of the delay, we will have the rates approved for the current Test Period and accordingly the resulting under-recovery of cost will impact the rates for the following test periods. **Table 25** below illustrates the impact on the RDDA deferral account balances for the current Test Period assuming a 90-day delay of all three Phase 1 buildings, which will be recovered in future test periods. Based on the table, the increase in the RDDA balance by end of the current Test Period is $249,000 for Heating and $242,000 for Cooling. The majority of this increase is in 2026.

Table 25: Rate Impact of 90-day Delay on Deferral Account Balances

Delay Scenario and Respective Variances, Thousand $	Test Period	
	2026	2027
Base Case (No Delay)		
Heating RDDA Closing Balance	14	1,092
Cooling RDDA Closing Balance	16	1,392
Developer Delay of 90 days		
Heating RDDA Closing Balance	244	1,341
Cooling RDDA Closing Balance	255	1,634
Variance		
Heating RDDA Closing Balance	230	249
Cooling RDDA Closing Balance	239	242

CESLP notes that if it becomes aware of any delays early enough in the proceeding[30] of this Application and before the approval of rates, it will update the modeling and the rates to reflect such update. **Table 26** below lays out the impact of 90 days of Developer-related delay on the rates for the current Test Period. As can be seen, the impact on rates is small and ranges between 1.1% and 1.2% over the Test Period.

Table 26: Rate Impact of 90-day Delay On Rates

Delay Scenario and Respective Variances	Test Period	
	2026	2027
Base Case (No Delay)		
Heating Capacity Charge, $/kW per Month	11.59	11.93
Cooling Capacity Charge, $/kW per Month	30.13	31.03
Developer Delay of 90 days		
Heating Capacity Charge, $/kW per Month	11.72	12.07
Cooling Capacity Charge, $/kW per Month	30.47	31.38
Variance		
Heating Capacity Charge	1.1%	1.2%
Cooling Capacity Charge	1.1%	1.1%

12.4.2 Alternative Scenario for Labour Cost

This section discusses the other scenario for labour cost, **Scenario 2**, which CESLP presents as an **Alternative Scenario** for its proposed approach for the treatment of labour cost (**Scenario 1 or Base Case**). As can be seen in **Table 27** below, the **Alternative Scenario** involves significantly higher rates compared to the **Base Case**. The increase in rates is between 15.8% and 16.6% in 2026 and between 15.9% and 16.6% in 2027.

[30] Any such notice must be received before final arguments are submitted. In this case, CESLP will present any necessary updates as part of the IRs or an evidentiary update, whichever is possible at that time.

Table 27: Rate Impact of Alternative Scenario for Labour Cost

Alternative Scenario for Labour Cost and Respective Variances	Test Period	
	2026	2027
Base Case (Scenario 1)		
Heating Capacity Charge, $/kW per Month	11.59	11.93
Cooling Capacity Charge, $/kW per Month	30.13	31.03
Alternative Scenario (Scenario 2)		
Heating Capacity Charge, $/kW per Month	13.43	13.83
Cooling Capacity Charge, $/kW per Month	35.13	36.18
Variance		
Heating Capacity Charge	15.8%	15.9%
Cooling Capacity Charge	16.6%	16.6%

APPENDIX A: PROPOSED DRAFT ORDER

Order Number
●

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

and

Creative Energy Senakw Limited Partnership
2026-2027 Revenue Requirements and Rates Application for the Sen̓áḵw Thermal Energy System

ORDER

WHEREAS:

A. On December 2, 2025, Creative Energy Senakw Limited Partnership (CESLP, Creative Energy) applied to the British Columbia Utilities Commission (**BCUC**) for the approval of rates on an interim basis, effective March 1, 2026, for its provision of heating and cooling energy services for the Thermal Energy System (**TES**) at the Sen̓áḵw Project site in Vancouver (**Sen̓áḵw TES**) (the **Application**), as set out in Appendix B to the Application; and
B. The BCUC has commenced review of the Application and determines that approving interim rates for the Sen̓áḵw TES, as well as establishing a regulatory timetable, is warranted.

NOW THEREFORE, pursuant to sections 58 to 60 and 90 of the *Utilities Commission Act* and section 15 of the *Administrative Tribunals Act*, the BCUC orders as follows:

1. Creative Energy is approved to charge the levelized capacity charge rate per kilowatt (kW) of peak heating and cooling demands to customers connected to the Sen̓áḵw TES, as set forth in Appendix B to the Application, on an interim and refundable/recoverable basis, effective March 1, 2026.
2. Any variance between the interim and permanent rates as determined by the BCUC following its final determination of the Application, is subject to refund or recovery from ratepayers, with interest at Creative Energy's weighted average cost of debt.
3. A regulatory timetable for the review of the Application is established as set out in Appendix ____ to this order.
4. The scope of Information Request No. 1 is limited to the specific topics outlined in Appendix ____ to this order.

5. On or before _____, 2025 Creative Energy is directed to provide a copy of this order and the Public Notice attached as Appendix ____ to this order, electronically where possible, to all customers of the Sen̓áḵw TES and registered interveners in ____.

DATED at the City of Vancouver, in the Province of British Columbia, this ____ day of December 2025.

APPENDIX B: PROPOSED TARIFF PAGES

Creative Energy Senakw Limited Partnership

1. RATE SCHEDULE

Applicability: Sen̓áḵw Thermal Energy System (TES) served by the Utility.

Class of Service: Thermal energy for the provision of heating, cooling and domestic hot water to the seven buildings currently served by the TES, as indicated in the table below.

Rates for Service:

Capacity Charge per kilowatt (kW) per month for 2026 through 2027:

Service	Unit	2026	2027
Heating	$/kW/month	$11.59	$11.93
Cooling	$/kW/month	$30.13	$31.03

The applicable Capacity Charge billing determinants to the seven buildings served by the TES are as follows:

Building Customer	Peak Heating Demand (kW)	Peak Cooling Demand (kW)
Phase 1		
Senakw (Building 1) LP	1,962	778
Senakw (Building 2) LP	3,641	1,507
Senakw (Building 3) LP	3,440	1,556
Phase 2		
Senakw (Building 4) LP	242	517
Senakw (Building 5) LP	1,257	570
Senakw (Building 6) LP	2,031	770
Senakw (Building 7) LP	4,335	1,913

Variable Charges per megawatt hour for all megawatt hours supplied during a month: $/MWh calculated monthly

The Variable Charges (for heating and cooling) are to be calculated each month equal to the total monthly fuel costs of the TES (in $) divided by the total metered energy supplied by the TES to the customers during the month (in MWh).