

22 July 2020

Via E-filing

Ms. Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
Application to Establish a COVID-19 Deferral Account (Application)
Project No. 1599104**

Creative Energy writes to submit its Final Argument into the above noted Application, in accordance with Order G-175-20.

For further information, please contact the undersigned.

Sincerely,



Rob Gorter
Director, Regulatory Affairs and Customer Relations

Enclosure.

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British Columbia Utilities Commission

Creative Energy Vancouver Platforms Inc.
Application to Establish a COVID-19 Deferral Account

Creative Energy Vancouver Platforms Inc.
Final Argument

July 22, 2020

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1 Introduction

1. On May 29, 2020, Creative Energy Vancouver Platforms Inc. (**Creative Energy**) filed an application with the British Columbia Utilities Commission (**BCUC, Commission**) requesting approval to establish a COVID-19 Deferral Account for each of its Core Steam (**Core**) and Northeast False Creek (**NEFC**) systems (**Application**);
2. The Application requests approval to:
 - Waive the application of the Core tariff and of the NEFC Customer Service Agreement in respect of the charging of the late payment charge on amounts invoiced for February 2020 through to amounts to be invoiced for July 2020;
 - Establish a new COVID-19 Deferral Account for the Core system, bearing interest monthly at Creative Energy's weighted average cost of debt, and to record to this account:
 - Any incremental, unplanned expenses related to the COVID-19 pandemic that Creative Energy has incurred related to continuing safe and reliable operations, including any incremental financing costs;
 - Any unrecoverable revenues (bad debt) resulting from customers that do not pay their bills due to the impacts of COVID-19 on their financial circumstances; and
 - Any direct revenue loss resulting from the loss of load from customers due to the impacts of COVID-19 on their operational and financial circumstances;
 - Establish a new COVID-19 Deferral Account for the NEFC system, bearing interest monthly at Creative Energy's weighted average cost of debt, and to record to this account:
 - Any unrecoverable revenues (bad debt) resulting from customers that do not pay their bills due the impacts of COVID-19 on their financial circumstances.
3. The Application provided a discussion of the expected accounting and variance mechanisms to support the administration of the deferral accounts in practice. The application noted that an application for recovery of the amounts that accrue to the final-approved COVID-19 Deferral Accounts will follow in due course at a date yet to be determined or as otherwise directed by the Commission.
4. Creative Energy requested that the Commission approve the Application on an interim basis without notice, pursuant to section 91 of the UCA, with any process for review and final approval of the Application to follow.
5. On June 4, 2020, the Commission issued information requests (**IRs**) to Creative Energy regarding the Application and Creative Energy filed its responses on June 10, 2020;
6. By Order G-151-20 dated June 12, 2020, the Commission then: i) approved the Application on an interim and refundable basis, ii) directed notification of the Application and Order G-151-20, including to all Core and NEFC customers and to registered interveners in the Creative Energy 2019-2020 Core and NEFC Revenue Requirements Application, and iii) established a public

hearing process providing for intervener registration and notification of intent to submit IRs to Creative Energy.

7. On June 25, 2020, the Commercial Energy Consumers Association of British Columbia (**CEC**) requested intervener registration and provided notice of intent to file IRs.
8. By Order G-175-20 dated June 30, 2020 the Commission established further written process to provide the opportunity for intervener IRs and final submissions from all participants.
9. On July 8, the CEC submitted IRs to Creative Energy and on this date also the BC Old Age Pensioners' Organization *et al.* (**BCOAPO**) requested intervener registration and submitted IRs to Creative Energy. Creative Energy's responses to the BCUC, CEC and BCOAPO IRs can be referred to at Exhibits B-2, B-3 and B-4, respectively.
10. As the evidence of this proceeding sets out and as summarized in particular through the response to BCUC IR 6.2, Creative Energy believes that all parties can reasonably acknowledge that: i) we are not operating under nor contending with anything resembling business as usual circumstances in consideration of the impacts of COVID-19 on our customers and our operations; ii) there is significant ongoing uncertainty as to the impacts of COVID-19 and the timing of economic recovery; and iii) it would be arbitrary and impractical to account at this time for significant changes in load that are entirely outside of management control.
11. Creative Energy's approach is therefore intended to minimize the losses due to COVID-19 in these highly uncertain circumstances by providing targeted relief to those customers that need it, and an individual payment plan specific to the unique circumstances of each customer that requires one. Creative Energy believes that approval of the COVID-19 Deferral Account to record the revenue loss, unplanned expenses and any bad debt that may arise due to the impact of the pandemic, and without an arbitrary cap, will mitigate significant risks that a public utility should not have to bear.
12. It is expected therefore that only unavoidable amounts will be added to the deferral accounts. Creative Energy believes that its approach is reasonable at this time and provides the appropriate basis for the future consideration of any matters related to the proposed recovery of the balances in the deferral accounts, which will follow in due course.
13. This Final Argument will emphasize that permanent approval of the Application is warranted, with particular attention to the focus of inquiry through Commission and Intervenor IRs, and that overall:
 - There no issues that would compel the Commission to determine that permanent approval to establish the COVID-19 Deferral Accounts as applied-for is not warranted in view of the significant impacts of the pandemic on the operational and financial circumstances of Creative Energy and its customers; and
 - There are no areas of ostensible concern that would alter the requested approvals with respect to either: i) the expected, estimated and ongoing impacts of the pandemic on utility and customer operational and financial circumstances, or ii) the mechanisms to track and record the revenue and cost impacts.

14. In our submission, such matters as reviewed in the Application and through the responses to IRs have been satisfactorily addressed for the purpose of establishing the COVID-19 Deferral Accounts. By extension, related issues with respect to recovery of the balances in the deferral accounts will be appropriately addressed in a future proceeding as applicable.

2 Comment on Process and Customer Impacts

15. All customers and identified stakeholders have been properly notified of the Application, its scope and potential impact, and have participated to their individual intent.
16. The participation of the CEC and BCOAPO is appropriate to the scope of the Application and assisted the clarification and understanding of the drivers and impacts of the requested approvals.
17. Creative Energy ensured that all of its customers were notified as directed. Creative Energy received one direct customer inquiry for Creative Energy to clarify the nature of the Application and of Order G-151-20.
18. Creative Energy has continued to actively engage with its customers as to their individual circumstances and to respond to customer inquiries and concerns as required and in a timely fashion. At this point in time there are three to four customers that Creative Energy is working directly with to arrange for individual payment plans on amounts owing since February 2020.
19. Creative Energy infers general ongoing acceptance of Creative Energy's operational response to the pandemic and if its efforts to work with individual customers to address their concerns where required. A review of the customer impacts of the recovery of the balance in the deferral accounts will be a matter for a future hearing.

3 Issues of Ostensible Concern to the Requested Approvals

20. Creative Energy offers the following observations into the limited matters raised through applicable IRs, noting that interim approval of our Application followed a relatively detailed inquiry by the Commission through the IRs that preceded the public hearing.

3.1 Incremental Unplanned Expenses

21. The Core COVID-19 Deferral Account will record any incremental, unplanned expenses related to the pandemic that Creative Energy has incurred to support continued safe and reliable operations.
22. Such costs are easily identified and recorded and include such expenses as employee mileage expense for driving to the office/plant instead of using public transportation, additional costs for cleaning and sanitizing, personal protective equipment (PPE) including gloves and masks, hand sanitizer, beds and bedding for shelter in place, and costs related to staff working from home.

Creative Energy will ensure that any applicable incremental cost savings are also likewise recorded to the deferral account.¹

23. Unplanned expenses and any applicable savings will be tracked and documented by cost category, and will be reported at the time that a proposal is brought forward to recover the net incremental expenses recorded to the final-approved deferral account. Creative Energy will record separately through its existing Third-Party Regulatory Cost Deferral Account the incremental regulatory costs associated with the COVID-19 Deferral Account Application.
24. Creative Energy submits that any possible initial concerns about this component category of costs and the related variance mechanism to record amounts to the deferral account have been settled by the evidence provided in response to the applicable IRs.

3.2 Incremental Financing Costs

25. The Core COVID-19 Deferral Account will record any incremental financing costs that may arise to manage any associated cash flow impacts due to the impact of COVID-19 on receivables and revenue.
26. Incremental financing costs include the cost to Creative Energy to finance the higher level of working capital caused by overdue receivables. Creative Energy clarified that there is no existing cost of service impact to Creative Energy for temporarily suspending the existing late payment charge insofar as late payment charges are not a forecast component of the cost of service for recovery through rates. However, there is a financial impact of waiving the late payment charge because there is a cost of incremental financing requirements due to the late payment that will not be compensated as a result of the waiver. Such costs amount to an incremental financing cost, which Creative Energy will record at its weighted average cost of debt.²
27. Incremental financing related to unpaid receivables is different from the interest that accrues on the deferral account balance in that the cost related to unpaid receivables arises through the timing difference of the carrying cost related to late payments, upon which any amounts would then be recorded to the deferral account. Creative Energy will ensure that it does not double count any such interest recorded on prior accounting for such costs.³
28. Creative Energy also clarified that incremental financing required to fund revenue losses or COVID-19 specific costs is captured through the interest accrued on the deferral account. Creative Energy continues to monitor the cashflow impact of the shortfall in its revenues and the possible need to manage this impact longer-term through a combination of debt and equity. Any material long-term cashflow impacts and long-term recovery of such, yet to be determined, may need to be managed through additional debt and equity. As circumstances warrant, Creative Energy may amend its proposal as appropriate for the COVID Deferral Account to earn interest at its weighted average cost of capital in respect of revenue loss and any bad debt that arises.⁴

¹ Exhibit B-2, Response to BCUC IR Series 1.0.

² Exhibit B-2, Response to BCUC IR 4.2; Exhibit B-4, Response to BCOAPO IR 3.1.

³ Exhibit B-2, Response to BCUC IR 5.3; Exhibit B-4, Response to BCOAPO IR 3.1.

⁴ Exhibit B-2, Response to BCUC IR 5.1 and 5.3; Exhibit B-4, Response to BCOAPO IR 3.1.

29. Creative Energy submits that any possible initial concerns about this component category of costs and the related variance mechanism to record amounts to the deferral account have been settled by the evidence provided in response to the applicable IRs.

3.3 Bad Debt

30. The Core and NEFC COVID-19 Deferral Accounts will record any unrecoverable revenues resulting from customers that do not pay their bills due to the impacts of COVID-19 on their financial circumstances.
31. Final amounts recorded to the deferral accounts for recovery will only include bad debt ultimately recorded at such time that Creative Energy would decide to discontinue service to a customer. In accordance with our proposal, no further payments will be assumed on amounts owing that remain outstanding as of December 31, 2021.
32. Creative Energy has explained why it will carefully assess the impact of any decision to disconnect customer service.⁵ We continue to actively monitor our unpaid receivables and to assess and understand the underlying risk with individual customers on a case by case basis, and will arrange for flexible payment plans to avoid having to disconnect customers and to record any unpaid receivables to the COVID-19 Deferral Accounts.
33. The mechanism and targeted time frame through December 2021 is considered to be fair to affected customers and reasonable overall to all ratepayers as it will allow Creative Energy to make every effort to recover the revenue owed from affected customers through payment plans specific to the unique circumstances of each affected customer, to avoid service disconnection and to mitigate the risk to other ratepayers to the extent possible under the circumstances.⁶
34. Creative Energy acknowledges that under the impacts of the pandemic there may be an increased risk that some customers cease operations or declare bankruptcy.⁷ Creative Energy is presently engaging directly with relatively few (3 to 4) affected customers at this time that have persistent outstanding balances to arrange for individual payment plans to mitigate the risk of bad debt.
35. Creative Energy submits that any possible initial concerns about this component category of costs and the related variance mechanism to record amounts to the deferral accounts have been settled by the evidence provided in response to the applicable IRs.

3.4 Direct Revenue Loss

36. The Core COVID-19 Deferral Account will record the direct revenue loss associated with the loss of load from customers due to the impacts of COVID-19 on their operational and financial circumstances.
37. As set out in the Application and as further confirmed and clarified through the responses to IRs, revenue loss will be determined in consideration of the following:

⁵ Exhibit B-2, Response to BCUC IR 2.6; Exhibit B-4, Response to BCOAPO IR 1.5.

⁶ Exhibit B-2, Response to BCUC IR 2.6; Exhibit B-3, Response to CEC IR 1.2.

⁷ Exhibit B-2, Response to BCUC IR 2.5.

- The observed load difference in 2020 as explained by the impact of COVID-19 compared to the proposed 2020 Core steam load forecast underpinning Creative Energy’s 2019-2020 RRA currently before the Panel in that proceeding, which we have submitted ought to be approved on the merits all else equal; that is, assuming that COVID-19 had not arisen.
 - Approval of the 2020 steam load forecast as proposed in the 2019-2020 RRA will then provide the normalized weather-adjusted basis for comparison and measurement of the relief to be sought through the mechanism of the COVID-19 Deferral Account.
 - Revenue loss arising through the impact of the pandemic will be estimated as the weather normalized difference in actual versus forecast monthly load multiplied by the approved average steam tariff.
 - Net revenue loss to be recorded to the deferral account will factor in the direct avoided costs related to reduced City of Vancouver water charges, which vary directly with steam load and are measurable and verifiable compared to forecast amounts. A mechanism to factor these avoided costs into the balance of the COVID-19 Deferral Account for Core will be proposed if necessary subject to the Commission Panel’s decision into Creative Energy’s proposed Water Cost Deferral Account in the 2019-2020 RRA proceeding.
38. As Creative Energy has established in the 2019-2020 RRA, the 2020 Core steam load forecast is transparent and reasonably determined; it is indicative of forecast weather-normalized load and has been developed using existing forecast methodologies with minor exceptions.⁸ As further explained in the response to BCUC IR 3.2.1, and in reference also to the agreement of the CEC with our proposed approach as noted in the 2019-2020 RRA proceeding, determination of the revenue loss related to the impacts of the pandemic necessarily requires reference to an approved 2020 Core steam load forecast assuming COVID-19 had not arisen, that being the 2020 load forecast as proposed in the 2019-2020 RRA.
39. In general, for the reasons elaborated upon in the responses to IRs, Creative Energy can be fairly certain as to the impact of COVID-19 on its steam load after normalizing for weather, customer attrition, retrofits or change in operations, and new customer connections.⁹
40. Creative Energy submits that any possible initial concerns about this component category of costs and the related variance mechanism to record amounts to the deferral account have been settled by the evidence provided in response to the applicable IRs.

4 Future Considerations

4.1 Persistence of Impacts and Timing for Recovery

41. Creative Energy has clarified that the persistence of the impacts of the pandemic on customer steam load and revenue losses are factors that will inform a future decision on the timing of an

⁸ Exhibit B-2, Response to BCUC IR 3.2.

⁹ Refer for example to Exhibit B-2, Response to BCUC IRs 2.7, 2.8, 3.1, 3.2 and to Exhibit B-3, Response to CEC Series 2.0.

application for recovery of the amounts that accrue to the COVID-19 Deferral Account. Creative Energy has no further update at this time on the timing of such an application.

42. Creative Energy will review as part of its 2021 RRA whether a new steam load forecast may be required to account for any potentially ongoing or permanent effects of COVID-19, as such billing determinants would then inform 2021 steam rates, and to concurrently assess at that time the need to continue the load variance account in respect of any ongoing uncertainty of the duration of the COVID-19 pandemic and its impact on our steam load.

4.2 Shareholder versus Ratepayer Concerns

43. The losses that Creative Energy is facing as a result of the pandemic are the revenue loss and consequent under-recovery of its cost of service. The revenue loss stems from the significant drop in the steam sales due the impact of the pandemic on our customers' financial and operational circumstances. As described in the Application, a significant portion of our cost of service does not vary with steam load and therefore the impact of reduced steam sales due to COVID-19 is directly resulting in under-recovery of our cost of service.
44. There is also a risk of revenue loss if bad debt arises as a result of a customer's impaired ability to pay for steam service provided, such as related to bankruptcy. As elaborated upon in the responses to the IRs of both the BCUC and CEC, Creative Energy's approach is intended to minimize or lower the risk of loss due to bad debt in these highly uncertain times by providing targeted relief to those customers that need it by waiving late payment charges for a period of time, and by providing an individual payment plan specific to the unique circumstances of each customer that requires one. It is expected therefore that only unavoidable amounts will be added to the deferral accounts for recovery.
45. Creative Energy has thus established that it would not be appropriate to place a cap on the balance in the proposed deferral accounts. Any discussion of a cap on deferral account amounts at this time is arbitrary, and the prudence of any costs recorded to the deferral account can be judged at the time that a proposal is brought forward to recover costs recorded to the deferral account.
46. Creative Energy believes that the Commission will have to consider and decide, at an appropriate time and pursuant to an appropriate proceeding, how and to what extent shareholders versus ratepayers ought to bear the losses due to COVID-19, noting that such issues are not unique to Creative Energy. Permanent approval of our proposed deferral accounts will enable that future consideration.

All of which is respectfully submitted this 22nd day of July 2020.

By:



Rob Gorter
Director, Regulatory Affairs and Customer Relations
Creative Energy Vancouver Platforms Inc.