

4 August 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 Reply 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.
Reply Argument

August 4, 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. Creative Energy filed its Final Argument in this proceeding on July 22, 2020. The Commercial Energy Consumers Association of British Columbia (CEC) and the BC Old Age Pensioners' Organization *et al.* (BCOAPO) each filed Final Argument on July 29, 2020.
3. Both the CEC and BCOAPO support permanent Commission approval of the proposed COVID-19 Deferral Accounts:
 - The CEC submits that Creative Energy has adequately demonstrated the need for the deferral accounts and is proposing to include the appropriate costs and revenues under reasonable terms. It recommends that the Commission approve the deferral accounts as proposed by Creative Energy.¹
 - The BCOAPO does not oppose approval of the application and the associated mechanisms to record the impacts of COVID-19.²
4. Creative Energy submits that the Commission ought to be fully satisfied that the proposed COVID-19 Deferral Accounts and the mechanisms to record amounts that will accrue to the accounts are reasonable, as reinforced both by the evidence on the record and the submissions of Interveners in support.
5. Both the CEC and BCOAPO acknowledge Creative Energy's position that there are certain matters regarding the future recovery of the balances in the deferral accounts that will be properly considered by the Commission at a later date in due course, and which do not affect the requested approvals at this time.
6. The CEC and BCOAPO each suggest certain Commission action into a few matters that, while not affecting Creative Energy's requested approvals nor determinative of a Commission decision into such, compel Creative Energy to provide a few brief comments in reply.
7. Such matters relate to Creative Energy's ongoing and prudent response to the pandemic, our access to and pursuit of external sources of funding, and the timing of an application for future recovery and compliance reporting. We provide further context and response into these matters now in the hopes of avoiding any unnecessary directives and reporting prior to an application for recovery of the amounts that accrue to the final-approved COVID-19 Deferral Accounts.

¹ CEC Final Argument, paragraphs 62 and 63.

² BCOAPO Final Argument, page 3.

2 Other Matters

2.1 Ongoing Response and Cost-cutting Measures

8. The CEC highlights that Creative Energy cannot mitigate revenue loss due to the reduced demand for steam by customers, the effect of which is driven by the pandemic directly and entirely outside of Creative Energy's control.
9. The CEC submits that many companies are making various attempts at cost savings and it is of the view that Creative Energy should be doing so to the extent possible.
10. The CEC indicates that subject to understanding further what measures or activities Creative Energy has put in place to control costs it may take the position in a future proceeding that the shareholder should be responsible for losses that might otherwise have been ameliorated, for example through changes in staffing levels or other cost reductions that might have been taken.
11. The CEC recommends that the Commission direct Creative Energy to conduct any appropriate cost-cutting measures to mitigate the potential losses.
12. Creative Energy continues to seek to limit the impacts of the pandemic to the greatest extent possible within its control. With respect to internal measures to limit costs, Creative Energy submits that the CEC recommendation to the Commission to direct Creative Energy to conduct any appropriate cost-cutting measures to mitigate potential losses is broad, if not also vague, and presumes, incorrectly and without evidence, that Creative Energy is not being properly attentive to its ongoing delivery of safe, reliable and essential service in a cost-effective manner.
13. As set out in the record of this proceeding, there are a few discretionary items that will be attributed as savings to the Core COVID-19 Deferral Account, outside of which Creative Energy cannot simply 'cut costs'.³ The CEC is aware that a significant portion of our cost of service does not vary with steam load and Creative Energy remarks that such is also evident on the record of the proceeding to review our 2019-2020 RRA. Our cost of service was largely accepted as reasonable by the CEC in its submissions in respect of the requested approvals in the 2019-2020 RRA proceeding.
14. With respect to ongoing attention to managing our cost of service, Creative Energy notes the following as it may assist for further context:
 - We have the minimum number of employees required to operate the steam plant as required by Technical Safety BC. Similarly, we are currently operating with a minimum number of office staff necessary to support our day to day business and operations and there is no practical nor prudent response to temporarily limit staffing levels;
 - We have managed our essential operations without interruption and our distribution and services team was able to continue its required activities unimpeded, if not in a more efficient manner given the ability to access manholes with minimal vehicular traffic; and

³ For example, an area of 'discretionary' operating costs that can be avoided are items like training, conferences, etc. as referred to in the response to BCUC IR 1.3 at Exhibit B-2.

- We have deferred some projects where possible to manage cash flows with recognition also of the uncertain access to resources, contractors, vendors and overall challenges around procurement of labour and materials.

2.2 Funding

15. The CEC notes that Creative Energy has not sought additional sources of revenue or assistance through Federal, Provincial, Municipal, charitable or other outside funding and it therefore recommends that the Commission direct Creative Energy to pursue any government or other funding that could be available to Creative Energy.⁴
16. As the CEC notes in respect of measures to control costs, it anticipates similarly that subject to evidence in a future proceeding it may take the position that the shareholder should be responsible for losses that might otherwise have been ameliorated through government or other programs. The BCOAPO makes similar submissions in this respect.
17. Creative Energy continues to seek to limit the impacts of the pandemic to the greatest extent possible. With respect to external sources of funding, Creative Energy notes the following as it may assist for further context at this time:
 - Receivables collection has to date been largely resolved in a timely manner and our existing financing has been sufficient; government support for credit and financing options is therefore not applicable;
 - Creative Energy does not pay a material amount of rent so any available rent support from government is not applicable;
 - Wage support through the Canada Emergency Wage subsidy may be relevant, but the purpose of the wage support is to enable the rehiring of workers previously laid off or to prevent further job losses; this matter is not an issue to Creative Energy as it continues to provide safe, reliable and essential service in a cost-effective manner under minimum required staffing levels; and
 - Creative Energy may save a small amount of interest due to delayed payment of federal taxes and GST. For monthly expenses, given that customer receivables have largely resolved, we are likewise paying our invoices to BC Hydro and FortisBC in a timely manner.

2.3 Timing of Application for Recovery of Balances in the COVID-19 Deferral Accounts

18. The CEC considers that there is significant uncertainty as to the potential impacts of the pandemic over the coming six months and it therefore “recommends that the Commission direct Creative Energy to bring forward a proposal in the first quarter of 2021 for the setting of a Commission process for the attribution of the losses.”⁵
19. Creative Energy considers that this CEC recommendation is unclear in respect of what action Creative Energy ought to take. We have 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

⁴ CEC Final Argument, paragraphs 52 and 57.

⁵ CEC Final Argument, paragraph 50.

yet be determined or as otherwise directed by the Commission. Such an application will necessarily include a proposal of the amounts to be recovered from ratepayers.

20. If the CEC recommendation is specific to a separate generic process among multiple utilities that the Commission could consider as to the sharing of cost recovery between shareholders and ratepayers, then no such proposal from Creative Energy is required to facilitate such a process, as that could be directed by the Commission at its discretion.
21. Subject to the Commission's discretion in respect of a more generic review proceeding, Creative Energy expands its view that an application for recovery of the amounts that accrue to the final-approved COVID-19 Deferral Accounts, ought not to be filed any sooner than concurrent with our RRA for the 2021 test period, which will support proper consideration of the ratepayer and utility impacts also in the context of our overall cost of service and load forecast.⁶
22. Creative Energy notes that this view is consistent the BCOAPO submission that any significant load losses attributed to COVID-19, as well as other impacts of the pandemic reflected in the deferral account balances should be subject to full Commission scrutiny as to the appropriateness of the individual elements comprising the deferral account balances.⁷

2.4 Reporting and Ongoing Review

23. The BCOAPO submits that quarterly reporting on the COVID-19 deferral accounts, with a year-end update would be reasonable. BCOAPO also suggests that as part of quarterly and annual reporting, Creative Energy should report on any steps taken to mitigate the impact of COVID-19 recorded in the deferral accounts.
24. Generally, and further to the discussion in section 2.3, Creative Energy submits that it may be unnecessary for ongoing reporting at this time into how Creative Energy is managing the economic and financial impacts on the utility and our customers. Creative Energy does consider however that quarterly reporting into the COVID-19 Deferral Accounts will be appropriate to follow approval of a rate mechanism to recover the deferral account balances. Such reporting would be expected to include a summary of actual and forecast recovery over an approved amortization period as well as a summary of any incremental impacts and additions that are expected to be carried forward for future review and approval.
25. Under this perspective, any matters regarding compliance reporting, etc. can be more fully reviewed during a proceeding to review the amounts in the deferral accounts and the proposed recovery mechanism.

All of which is respectfully submitted this 4th day of August 2020.



By:

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

⁶ Please refer also to paragraphs 41 and 42 of the Creative Energy Final Argument.

⁷ BCOAPO Final Argument, page 4.