

8 April 2021

Via E-filing

Mr. Patrick Wruck
Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

**Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
2021 Long-term Resource Plan (LTRP) – Appendix A Expenditure Schedule**

In accordance with Order G-93-21, Creative Energy writes to submit its Final Argument into the matter of our request for acceptance by the Commission of the expenditure schedule contained in Appendix A of the LTRP.

For further information, please contact the undersigned.

Sincerely,



Rob Gorter
Director, Regulatory Affairs and Customer Relations

Enclosure.

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Creative Energy Vancouver Platforms Inc.
2021 Long Term Resource Plan –
Appendix A Expenditure Schedule

Creative Energy Vancouver Platforms Inc.
Final Argument

April 8, 2021

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1 Introduction

1.1 Application and Review Process

1. On January 13, 2021, Creative Energy Vancouver Platforms Inc. (**CEV or Creative Energy**) filed its 2021 Long Term Resource Plan (**LTRP**) pursuant to section 44.1 of the *Utilities Commission Act (UCA)*, for acceptance by the British Columbia Utilities Commission (**BCUC or Commission**). In the LTRP, Creative Energy also seeks BCUC acceptance, pursuant to section 44.2 of the UCA, of the expenditure schedule (**Expenditure Schedule**) contained in Appendix A of the LTRP and filed confidentially with the BCUC.
2. In the initial filing of the LTRP (**Exhibit B-1**) and Appendix A (**Exhibit B-1-1**), Creative Energy requested that Appendix A be treated as confidential in its entirety pending completion of a City of Vancouver Request for Proposals for low carbon energy in order to protect its commercial and competitive interest in that process.
3. By Order G-40-21 dated February 8, 2021, the BCUC established a regulatory timetable for the review of the LTRP, which included a regulatory process for review of the request for acceptance of the Expenditure Schedule.
4. The Residential Consumer Intervenor Group (**RCIG**), the Commercial Energy Consumers Association of BC (**CEC**) and the BC Old Age Pensioners Organization *et al.* (**BCOAPO**) are participating as interveners in the proceedings to review the requested approvals in respect of the LTRP and the Expenditure Schedule.
5. The evidentiary record of the review of the request for acceptance of the Expenditure Schedule consists of: 1) the LTRP (Exhibit B-1), which sets forth the planning & policy environment applicable to Creative Energy and its existing and potential new customers, and also information on the expectations of customers, 2) Creative Energy's response to Directive 5 of Order G-40-21 (**Exhibit B-2**), which provides further information into the nature of the request and the reasons why confidentiality was sought in respect of Appendix A inclusive of the Expenditure Schedule, and 3) Creative Energy's responses to one round of information requests (**IRs**) from the BCUC (**Exhibit B-4**) and from interveners (respectively to the list above at **Exhibits B-5, B-6 and B-7**).
6. By Order G-93-21, dated March 24, 2021, the BCUC has now established a regulatory timetable for the receipt of arguments into the request for Commission acceptance of the Expenditure Schedule.
7. On March 26, 2021, Creative Energy filed a public redacted version of Appendix A, which is Exhibit B-1-2 in this proceeding. As explained in the cover letter to Exhibit B-1-2, Creative Energy seeks to maintain confidentiality of the actual and forecast costs to review the technical and economic feasibility of the decarbonization project described in Appendix A, and the high-level costs to construct the project.

1.2 Requested Approval and Statutory Regime

8. Pursuant to section 44.2(1)(b) of the UCA, Creative Energy has submitted for acceptance by the Commission the Expenditure Schedule containing capital expenditures Creative Energy has made and anticipates making to study and develop the decarbonization project described in Appendix A.
9. Creative Energy requests Commission acceptance of the Expenditure Schedule, pursuant to subsection 44.2(3)(a) of the UCA, on the basis that making the expenditures set out in the schedule is in the public interest. The expenditures are required to complete studies investigating the technical and economic feasibility of the decarbonization project described in Appendix A.
 - The costs identified on the submitted expenditure schedule are significant for Creative Energy, and will be incurred prior to submission of a contemplated Certificate of Public Convenience and Necessity (**CPCN**) application and prior to a Commission decision thereon.
 - Creative Energy therefore seeks the Commission's acceptance of the Expenditure Schedule on the requested timeframe to provide the certainty Creative Energy needs to incur the costs required to support a proper application for a CPCN and the anticipated Commission public hearing process.
 - This is the typical use of the section 44.2(1)(b) expenditure schedule filing option.¹
10. As our Final Argument sets out, the completion of the feasibility studies will advance the development and definition of the decarbonisation project. The contemplated project would, if implemented, support B.C.'s energy objectives and be responsive to low-carbon policy imperatives, and thereby align also with the obligations, constraints and preferences of both the utility and its current and future customers.
11. Commission acceptance of the Expenditure Schedule will provide the indication to Creative Energy that we should continue to investigate the decarbonization project in support of project development and definition that is expected to ultimately inform an application for a CPCN to construct and operate the project.
12. By the opposite measure and for clarity, we also confirm that Commission acceptance of the Expenditure Schedule is not in any manner approval to proceed with construction of the project.
 - For example, as clarified for the BCOAPO in our response to its IR 1.3, the results of the development activities and investigative analysis will necessarily inform and support the preparation of a business case in the form of a CPCN application, which will set out the evidence in support of a Commission determination at that time that construction and operation of the project is in the public interest.
13. The expenditures to study the technical and economic feasibility of the decarbonization project are significant for Creative Energy. In particular, a significant expenditure is required for BC

¹ Refer to Exhibit B-4, Response to BCUC Confidential IR 5.2.

Hydro to undertake to study the impacts to the BC Hydro system and concept design of a transmission line to service the contemplated decarbonization project, and the costs to complete the necessary system upgrades and transmission line, and we are therefore seeking acceptance early of the public interest in making the expenditure needed for BC Hydro to undertake this study.

1.3 Acceptance of the Expenditure Schedule

14. Acceptance of the Expenditure Schedule will provide Creative Energy the support to proceed with the contemplated studies and preparation of a CPCN application for approval to construct the project.
 - If the CPCN is granted, the costs in the Expenditure Schedule will be capitalized and recovered through the same rate mechanisms as all other capital costs of the project.
 - If the CPCN is not granted the accepted expenditures would be recovered from existing customers only as there would be no new customers to Creative Energy under current and emergent low carbon policy imperatives for new developments.²
15. If the Expenditure Schedule is not accepted by the Commission, Creative Energy would consider the Commission's reasons for not accepting it. Depending on the circumstances, the costs in the Expenditure Schedule would continue to be capitalized to the project if a future CPCN for the project is still contemplated, subject to further assessment of the risk to project development and timing.³

2 Advancing definition of the decarbonization project is in the public interest

16. Creative Energy considers that making the expenditures in the Expenditure Schedule is in the public interest because the expenditures are required to advance the development and definition of a project to the point where it can be properly put forward for CPCN approval. The decarbonization project, if approved and implemented, will support B.C.'s energy objectives, be responsive to low-carbon policy imperatives applicable to Creative Energy and its current and potential new customers, and support the obligation to provide a nature and quality of service that customers demand, cost-effectively, now and into the future.
17. Taken together we believe that within the planning and policy environment applicable to Creative Energy and its customers (as reviewed in section 4 of the LTRP) the imperative and public interest is self-evident for Creative Energy to pursue the development activities into the decarbonization project that are the subject of the expenditures set out in the filed Expenditure Schedule.

² Exhibit B-4 Response to BCUC Confidential IR 5.5.

³ Exhibit B-4 Response to BCUC Confidential IR 5.13.

2.1 BC Energy Objectives

18. The actual and forecast predevelopment expenditures set out in the Expenditure Schedule are made to advance the development and definition of the decarbonization project, as discussed in Appendix A, which if implemented will lend support to BC's energy objectives to:
- reduce BC greenhouse gas emissions (*Clean Energy Act (CEA)* section 2(g));
 - encourage the switching from one kind of energy source or use to another that decreases greenhouse gas emissions in British Columbia (CEA section 2(h));
 - encourage economic development and the creation and retention of jobs (CEA section 2(k)); and
 - achieve British Columbia's energy objectives without the use of nuclear power (CEA section 2(o)).

2.2 Low-Carbon Policy Imperatives and Customer Expectations

19. Creative Energy is a provider of thermal energy to buildings in downtown Vancouver, primarily for space heating of connected buildings. Creative Energy generates thermal energy (in the form of steam) primarily through the combustion of natural gas and with consequent greenhouse gas (GHG) emissions.
20. The LTRP at Section 4 reviews the current and future regulatory requirements and constraints applicable to Creative Energy, specifically as a producer of energy, provider of thermal energy for space heating of buildings, and emitter of GHGs in Vancouver. This includes the CEA, as described above, but also the applicable legislation and policies of all levels of government, including the City of Vancouver.
21. Notable policy requirements include:
- At the federal and provincial level, legislated requirements for targeted reductions of GHG and net zero emissions, support for sector-specific actions to reduce GHG emissions of new and existing buildings, and the implementation of the carbon tax on natural gas and other fossil fuels, which is passed on to Creative Energy's customers in the form of higher rates; and
 - At the municipal level, the City of Vancouver is acting upon its Greenest City Action Plan (GCAP) to place priority on working with partners, including Creative Energy, to reduce the amount of fossil fuels used for major heat sources in the City, and it aims to require all new buildings to be carbon neutral in operations. As reviewed in the LTRP, the key enabling policies and strategies of the City include:
 - the Zero Emission Building Plan (ZEBP) and supporting Envelope and Low Carbon Energy Systems (LCES) pathways;

- the Green Buildings Policy for Rezoning requiring Near Zero Emissions Buildings (Passive House or other similar designation) or Low Emissions Green Buildings (LEED Gold certified or other similar performance limits);
 - the Energy Retrofit Strategy for Existing Buildings to improve energy efficiency in buildings in advance of building replacements; and
 - the Climate Emergency Action Plan (CEAP) with accelerated “Big Move” actions and an intent to collaborate with utilities on the provision of renewable energy to support emission reductions from existing large commercial buildings.
22. Creative Energy provides the lowest cost thermal energy in Vancouver. Low rates for thermal energy have historically been Creative Energy’s competitive advantage, yet our customers are increasingly cognizant of the carbon-intensity of our energy.
23. The current and future regulatory requirements and the constraints applicable to Creative Energy and its current and potential new customers in downtown Vancouver (as discussed above), and also the expectations of some of such customers for environmental performance better than regulatory requirements, necessarily means that the low cost of Creative Energy’s thermal energy will not be sufficient alone to retain and attract these customers.
- As discussed in the LTRP, there are differing expectations and priorities among customers (among both current and potential new customers). The regulatory policy regime sets the minimum standards; however, some existing customers and potential new customers are looking for environmental performance that is better than the minimum standards. These customers are not looking for least cost energy, they are looking for energy that helps them to achieve their net zero commitments.
24. For example, new developments in downtown Vancouver might not be permitted to, or might choose not to, obtain their thermal energy requirements from Creative Energy unless Creative Energy offers low carbon energy at least as an optional service.
25. The actual and forecast predevelopment expenditures in the Expenditure Schedule are necessary to evaluate a transition to offer low carbon energy in order for Creative Energy to align with legislative and policy requirements. By the same measure, the investigation of the technical and economic feasibility of the low carbon energy project is the necessary evaluation of whether an attractive and cost-effective option can be secured for existing customers and that attracts new customers that require low carbon energy.
26. Within this frame of evidence and as a concluding submission, we strongly believe that existing and potential new customers will find the service offered by the contemplated decarbonization project attractive as compared to alternative sources of low carbon energy that may be available and that this further supports proceeding with the expenditures necessary to develop and define the project to bring forward for CPCN approval.
- Creative Energy provides service to and maintains relationships with existing customers, and we provide an economy of scale in generation and through existing distribution infrastructure and connections that will favour a Creative Energy low carbon solution.

- While existing customers may have alternatives, Creative Energy necessarily has the advantage of greater economy of scale than on-site solutions and the contemplated decarbonization project will leverage this advantage.⁴ It is unlikely that any single feasible alternative for most customers would be able to compete with the economy of scale in generation and distribution of the contemplated decarbonization project.
- Furthermore, many developers continue to value the overall proposition of connection to Creative Energy's network, as the connection allows developers to avoid some capital costs such as boilers or heat pumps, while freeing up mechanical space within their building.⁵
- Creative Energy therefore expects that its low rates will continue to be a competitive advantage and that it has the economy of scale to deliver an attractive low carbon energy service that customers need or want at rates that are lower than the costs of equivalent alternatives available to existing and potential new customers.⁶
- All told, we expect that the contemplated decarbonization project will be a cost-effective low-carbon option and reasonably likely to serve 50 percent of forecast space heating demand growth in downtown Vancouver, as reviewed in the LTRP.⁷ We believe further that implementation of the decarbonization project itself will generate support among our customers to receive such service.

All of which is respectfully submitted this 8th day of April 2021.

By:



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

⁴ Refer for example to the response to CEC Confidential IR 8.4.

⁵ Refer for example to the response to BCUC IR 7.7 (Exhibit B-8).

⁶ Refer for example to the response to BCOAPO IR 8.2 (Exhibit B-10).

⁷ Refer for example to the response to Order G-40-21 Directive 6 (Exhibit B-3) and to the response to BCUC IR 7.7 (Exhibit B-8)