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ORDER NUMBER
G-214-20

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

and

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

BEFORE:
A. K. Fung, QC, Panel Chair
E. B. Lockhart, Commissioner

on August 14, 2020

ORDER

WHEREAS:

A. On May 29, 2020, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application with the British Columbia Utilities Commission (BCUC) requesting approval of the following, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), for each of its Core Steam (Core) and Northeast False Creek (NEFC) systems (Application);

   (i) Waive the application of the Core tariff (at section 5) and of the NEFC Customer Service Agreement (at section 12) in respect of the charging of the late payment charge on amounts invoiced for February 2020 through to July 2020;

   (ii) Establish a COVID-19 deferral account (COVID-19 Deferral Account) for the Core system, bearing interest monthly at Creative Energy's weighted average cost of debt (WACD), and to record to this account:

      a. Any incremental expenses related to the COVID-19 pandemic that Creative Energy has incurred related to continuing safe and reliable operations, including any incremental financing costs;

      b. 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

      c. 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; and

   (iii) Establish a COVID-19 Deferral Account for the NEFC system, bearing interest monthly at Creative Energy's WACD, and to record to this account:

      a. Any unrecoverable revenues (bad debt) resulting from customers that do not pay their bills due the impacts of COVID-19 on their financial circumstances;

B. Creative Energy requested that the BCUC approve the Application on an interim basis without notice pursuant to section 91 of the UCA, with any process for review and approval of the Application on a final basis to follow;

C. On June 4, 2020, the BCUC issued information requests (IRs) to Creative Energy regarding the Application and Creative Energy filed its responses on June 10, 2020;

D. By Order G-151-20 dated June 12, 2020, the BCUC granted interim approval and established a public hearing process for the review of the Application. By Order G-175-20 dated June 30, 2020, the BCUC established the remainder of the regulatory timetable which included, among other things, the submission of IRs and final arguments from two interveners, namely, the British Columbia Old Age Pensioner's Organization et al. and the Commercial Energy Consumers Association of British Columbia; and

E. The BCUC has completed its review of the Application, the IR responses and submissions, and finds the following determinations on the Application to be warranted.

NOW THEREFORE, pursuant to sections 59 to 61 of the UCA, and for the reasons attached as Appendix A to this order, the BCUC orders as follows:

1. Creative Energy is granted final approval to:

    (i) Waive the application of the Core tariff (at section 5) and of the NEFC Customer Service Agreement (at section 12) 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;

    (ii) Establish a new COVID-19 Deferral Account for the Core system, bearing interest monthly at Creative Energy's WACD, and to record to this account:

        a. Any incremental, unplanned expenses and cost savings related to the COVID-19 pandemic that Creative Energy has incurred related to continuing safe and reliable operations, tracked by expense category, including any incremental financing costs. These incremental financing costs are not approved to attract interest at Creative Energy's WACD;

        b. 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

        c. 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. The revenue loss is to be calculated based on the final 2020 Core steam load forecast approved in Creative Energy's 2019-2020 Revenue Requirements Application (RRA) proceeding; and

    (iii) Establish a new COVID-19 Deferral Account for the NEFC system, bearing interest monthly at Creative Energy's WACD, and to record to this account:

        a. Any unrecoverable revenues (bad debt) resulting from customers that do not pay their bills due the impacts of COVID-19 on their financial circumstances.

2. Creative Energy is directed to file quarterly reports with the BCUC on the amounts in the COVID-19 Deferral Account for each of the Core and NEFC. The first quarterly report must be filed by October 30, 2020, and must include the following:

a. The total number of customers on flexible payment plans, in addition to the total amount of outstanding payments as part of the plans.

b. The balance of the COVID-19 Deferral Accounts, broken down as follows:

   i. Unrecoverable revenues (bad debt);

   ii. Unplanned, incremental expenses, by expense category;

   iii. Interest at Creative Energy's WACD that has accrued on the deferral account balance;

   iv. Incremental financing costs, including confirmation that any incremental financing costs associated with overdue receivables are not also attracting interest at Creative Energy's WACD; and

   v. Any cost savings related to COVID-19 that have been identified by Creative Energy to date;

3. Creative Energy is directed to file an application for recovery of the amounts that accrue to the COVID-19 Deferral Accounts in either its next RRA, or the following RRA at the latest.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of August 2020.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner

Attachment

Creative Energy Platforms Inc.
COVID-19 Deferral Account Application

REASONS FOR DECISION

1.0 Background and Introduction

On May 29, 2020 Creative Energy Platforms Inc. (Creative Energy) filed an application with the British Columbia Utilities Commission (BCUC) seeking various approvals for each of its Core Steam (Core) and Northeast False Creek (NEFC) systems related to the COVID-19 pandemic (Application).

On June 4, 2020, the BCUC issued information requests (IRs) to Creative Energy, and subsequently received responses from Creative Energy on June 10, 2020. By Order G-151-20 dated June 12, 2020, the BCUC granted interim approval for Creative Energy and established a public hearing for the review of the Application. By Order G-175-20 dated June 30, 2020, the BCUC established the remainder of the regulatory timetable.

This review process included intervener registration, intervener IRs and written final and reply arguments. The British Columbia Old Age Pensioner's Organization et al. (BCOAPO) and the Commercial Energy Consumers Association of British Columbia (CEC) actively participated as interveners in this proceeding.

The record in this proceeding closed on August 4, 2020 with the filing of Creative Energy's Reply Argument.

2.0 Approvals Sought

In the Application, Creative Energy requests the following for each of its Core and NEFC systems:[1]

(i) Waive the application of the Core tariff (at section 5) and of the NEFC Customer Service Agreement (at section 12) 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;

(ii) Establish a new COVID-19 deferral account (COVID-19 Deferral Account) for the Core system, bearing interest monthly at Creative Energy's weighted average cost of debt (WACD), and to record to this account:

a. 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;

b. 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

c. 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; and

(iii) Establish a new COVID-19 Deferral Account for the NEFC system, bearing interest monthly at Creative Energy's WACD, and to record to this account:

[1] Exhibit B-1, Application, Appendix 1.

a. Any unrecoverable revenues (bad debt) resulting from customers that do not pay their bills due the impacts of COVID-19 on their financial circumstances.

In its Final Argument, Creative Energy states it believes it is reasonable to acknowledge that it, and its customers are not operating under, nor contending with anything resembling business as usual, and as such it would be arbitrary and impractical to account for significant changes in load that are entirely outside of management control. Instead, Creative Energy's approach is to minimize the losses due to COVID-19 by providing targeted relief to those customers that need it, and the COVID-19 Deferral Account will mitigate significant risks that a public utility should not have to bear.[2]

Creative Energy confirms that any incremental, unplanned expenses that are recorded in the COVID-19 Deferral Account will be offset by any applicable savings, and will be tracked and documented by cost category.[3]

Additionally, Creative Energy explains that incremental financing costs include the cost to finance the higher level of working capital caused by overdue receivables. Creative Energy submits that 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. Creative Energy proposes that this amounts to an incremental financing cost, which it will record in the deferral account at its WACD. Creative Energy states that this 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.[4]

With regards to bad debt, Creative Energy will only include bad debt ultimately recorded at such time it would decide to discontinue service. No further payments will be assumed on amounts owing that remain outstanding as of December 31, 2021. Creative Energy will assess each individual account on a case by case basis, and arrange for flexible payment plans to avoid having to disconnect customers.[5]

In terms of direct revenue loss, Creative Energy is certain it can determine the impact of COVID-19 on its steam load after normalizing for weather, customer attrition, retrofits or changes in operations, and new customer connections. It submits that the 2020 Core steam load forecast is transparent and reasonably determined, and thus provides a basis for comparison to determine the observed load difference in 2020.[6] Creative Energy will review as part of its 2021 Revenue Requirements Application (RRA) whether a new steam load forecast may be required to account for any potentially ongoing or permanent effects of COVID-19.[7]

With regards to who should bear the costs of COVID-19, Creative Energy submits that the losses it is facing are a result of the revenue loss and consequent under-recovery of its cost of service, since a significant portion of its cost of service does not vary with steam load. Creative Energy believes that the BCUC 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.[8]

[2] Creative Energy Final Argument, p. 2.
[3] Ibid., p. 3.
[4] Ibid., p. 4.
[5] Ibid., p. 5.
[6] Ibid., p. 6.
[7] Ibid., p. 7.
[8] Ibid.

Positions of interveners

BCOAPO

In its Final Argument, BCOAPO does not oppose Creative Energy's Application or its proposals. BCOAPO finds Creative Energy's approach reasonable and will make submissions on Creative Energy's regulatory account recovery proposals at the appropriate time.[9]

BCOAPO submits that quarterly reporting on the COVID-19 Deferral Accounts, with a year-end update is reasonable and that Creative Energy should report on any steps taken to mitigate the impact of COVID-19 recorded in the deferral accounts.[10]

The CEC

The CEC recommends that Creative Energy's Application be approved as filed.[11] The CEC also recommends that Creative Energy bring forward a proposal in the first quarter of 2021 for the setting of a BCUC process for the attribution of the losses. The CEC also notes that Creative Energy has not yet sought additional sources of revenue or assistance through federal, provincial, municipal, charitable or other outside funding, and recommends that Creative Energy be directed to pursue government or other funding that could be available and conduct any appropriate cost-cutting measures to mitigate the potential losses.[12]

Creative Energy Reply Argument

In its Reply Argument, Creative Energy submits that the BCUC "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."[13]

Creative Energy also submits that the CEC recommendation to direct Creative Energy to conduct any appropriate cost-cutting measures to mitigate potential losses is broad, and presumes that Creative Energy is not being properly attentive to its ongoing delivery of safe, reliable and essential service in a cost-effective manner. Creative Energy points to some examples where it is already attempting to limit losses where discretionary.[14]

With regards to external sources of funding, Creative Energy notes that many of the criteria from external sources do not apply to Creative Energy's circumstances.[15]

Creative Energy concludes its Reply Argument by addressing the CEC's recommendation that Creative Energy bring forward a proposal in the first quarter of 2021 for setting of a BCUC process for the attribution of the losses. Creative Energy states that this recommendation is unclear in respect of what action Creative Energy ought to take, as it has 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. Creative Energy states that this application will necessarily include a proposal of the amounts to be recovered from ratepayers.[16] Creative

[9] BCOAPO Final Argument, p. 3.
[10] Ibid., p. 4.
[11] CEC Final Argument, p. 1.
[12] Ibid., p. 8.
[13] Creative Energy Reply Argument, p. 1.
[14] Ibid., p. 2.
[15] Ibid., p. 3.
[16] Ibid., p. 4.

Energy also submits that it may be unnecessary for ongoing reporting at this time into how it is managing the economic and financial impacts quarterly reporting into the COVID-19 Deferral Accounts would be appropriate to follow approval of a rate mechanism to recover the deferral account balances. Such reporting would 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.[17]

Panel determination

The Panel notes that in general, the CEC and BCOAPO support the proposed measures. Interveners' recommendations primarily are focused on the reporting of the COVID-19 Deferral Account balance, and the recovery of these amounts.

Generally, the Panel finds Creative Energy's proposal to have merit, and is well supported in Creative Energy's submissions. The Panel acknowledges Creative Energy's argument that there is a financial impact of waiving the late payment charge, and that there is a cost of incremental financing requirements due to the higher level of working capital caused by overdue receivables. However, the Panel is not persuaded that the interest that accrues on the COVID-19 Deferral Account balance is different than the cost of incremental financing requirements caused by these overdue receivables, and notes that Creative Energy is already proposing to accrue interest on the deferral account balance at its WACD. Additionally, the Panel notes that the 2020 Core steam load forecast proposed to be used for calculating direct revenue loss is yet to be approved and is part of a separate proceeding. **As a result, the Panel approves Creative Energy's COVID-19 Deferral Account application for each of Core and NEFC on a final and permanent basis, with the exception of recording incremental financing costs at WACD, in accordance with Order G-214-20. The Panel also directs that revenue loss be calculated based on the final 2020 Core steam load forecast approved in Creative Energy's 2019-2020 RRA proceeding.**

With regards to BCOAPO's proposal that quarterly reporting on the COVID-19 Deferral Accounts, with a year-end update, is reasonable, the Panel agrees. The Panel rejects Creative Energy's argument that ongoing reporting is unnecessary at this time and finds that while the disposition of deferral balances will be the subject of a future proceeding, it is necessary to ensure adequate periodic reporting exists to monitor the status of the balances. As a result, **the Panel directs Creative Energy to provide quarterly reports to the BCUC on the amounts in the COVID-19 Deferral Accounts in accordance with directive 2 of Order G-214-20**.

With respect to the CEC's recommendation that Creative Energy bring forward a proposal in the first quarter of 2021 for the setting of a BCUC process for the attribution of the losses, the Panel agrees with Creative Energy's position that an application for recovery of the amounts that accrue to the COVID-19 Deferral Accounts will necessarily include a proposal of the amounts to be recovered from ratepayers. The Panel further notes that due to the uncertainty regarding the impact and length of the pandemic, there may be insufficient information available by the first quarter of 2021 to make such a proposal. As a result, **the Panel directs Creative Energy to file an application for recovery of the amounts that accrue to the COVID-19 Deferral Accounts in either its next RRA or the following RRA at the latest.**

The Panel also agrees with Creative Energy that the CEC's recommendation to direct Creative Energy to conduct any appropriate cost-cutting measures to mitigate potential losses is broad and assumes that Creative Energy is not being properly attentive to its ongoing delivery of service in a cost-effective manner. The Panel notes that there is no evidence that Creative Energy has not been prudent, and therefore places no weight on this recommendation from the CEC. Similarly, with regards to external sources of funding, the Panel notes that it is the responsibility of Creative Energy to evaluate opportunities that are available and relevant in order to run its

[17] Creative Energy Reply Argument, p. 4.

business in a prudent manner and as such the Panel rejects the CEC's recommendation that Creative Energy be directed to pursue government or other funding to alleviate the economic effects of the COVID-19 pandemic.