bcuc
British Columbia
Utilities Commission

Patrick Wruck
Commission Secretary

Commission.Secretary@bcuc.com
bcuc.com

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

March 15, 2019

CREATIVE ENERGY FUEL COST ADJUSTMENT CHARGE RATE RIDER	EXHIBIT A-3

Sent via email/efile

Mr. Rob Gorter
Director, Regulatory Affairs and Customer Relations
Creative Energy Vancouver Platforms Inc.
Suite 1 – 720 Beatty Street
Vancouver, BC V6B 2M1
info@creative.energy, Rob@creative.energy

Re: Creative Energy Vancouver Platforms Inc. - Fuel Cost Adjustment Charge Rate Rider Application – Information Request No. 1

Dear Mr. Gorter:

Further to your February 28, 2018 filing of the above noted application, enclosed please find Commission Information Request No. 1. Please file your responses electronically by Friday, March 29, 2019.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

/yl

Attachment

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

Creative Energy Vancouver Platforms Inc.
Application for Fuel Cost Adjustment Charge Rate Rider

INFORMATION REQUEST NO. 1 TO CREATIVE ENERGY VANCOUVER PLATFORMS INC.

A. APPLICATION BASIS

1.0 Reference: APPLICATION
Exhibit B-1, Application, p. 4

On page 4 of Exhibit B-1, Creative Energy Vancouver Platforms Inc. (CEV) submits:

> Creative Energy applies to the Commission for approval of a FCAC Rate Rider of $4.80/M#, effective March 1, 2019. The forecast balance of the FCSA at the end of February 2019 is approximately $8.7 million, which amounts to 37 percent of Creative Energy's rolling 12-month fuel costs totaling approximately $23.3 million. The proposed Rate Rider has been calculated on the basis of an 18-month amortization of the current balance in the FCSA, and is therefore targeted to reduce the exceedance in the FCSA to 5 percent of a rolling 12-month total of fuel costs over a period of 18 months, on a forecast basis.

1.1 Based on the proposed rate, is CEV able to finance its remaining liquidity requirement? Please discuss.

1.1.1 If the proposed rate increase is insufficient to provide financial relief, how will CEV finance this short term liquidity requirement (for example, further operating loan, shareholder funding)? Please discuss.

1.1.1.1 What implications does this have on CEV's customers and shareholder(s)? Please discuss.

1.1.1.2 Does CEV intend to include this cost of additional financing in its rates at a later date? Please discuss.

1.2 Please provide the maximum FCSA balance CEV can sustain given the current cash flow requirements needed to maintain operations.

1.3 Please confirm the operating line of credit available to CEV and provide details of any further amounts and sources that could potentially be raised.

1.4 Has CEV considered other alternative rates or mechanisms apart from what has been submitted in the Application? Please provide financial analysis on the alternative options CEV has explored.

1.4.1 Has CEV considered financing its short term liquidity requirements through shareholder funding? Please discuss.

1.4.2 Please discuss the viability of CEV taking out an operating loan to fund its short term liquidity requirements.

1.4.3 Please provide detail on CEV owned assets and whether these assets could be used as security on a short term loan.

1.4.3.1 Has any financing been sought on these assets? Please explain.

1.5 Please discuss the potential impact on CEV and its customers if the proposed rate change is not approved.

1.5.1 What options does CEV have available in this event? Please discuss.

1.6 What level of working capital is required for CEV's operations and why? Please provide any financial analysis to support the response.

1.6.1 How does this compare to the operating cash flows available? Please explain.

2.0 Reference: CUSTOMER IMPACT
Exhibit B-1, Application, p. 7

On Page 7 of the Application, CEV submits the table below:

Table 6: Customer Bill Impact versus Cost Recovery Amortization

Rate Rider $/M#	$21.00	$7.80	$4.80	$2.80
Amortization Period (months)	6	12	18	24
Average Bill Impact – All customers	92%	35%	21%	12%

2.1 Please provide the assumptions and the equations for the calculation of the figures in Table 6.

2.2 Given that CEV is requesting an average customer billing increase of approximately 21 percent, please discuss how CEV has minimized the impact of rate shock in addition to considering alternative amortization periods? Please elaborate.

2.2.1 Has CEV communicated the proposed rate increase with its customers? Please provide any feedback CEV has received.

2.3 What further options does CEV have to offset the proposed increase to the FCAC rate? What are the potential implications of doing so? Please elaborate.

B. FUEL COST ADJUSTMENT CHARGE AND FUEL COST STABILIZATION ACCOUNT

3.0 Reference: FUEL COST ADJUSTMENT CHARGE (FCAC) RATE RIDER AND AMORITIZATION PERIOD
Exhibit B-1, Application, p. 7; Rate Rider calculation.xlsx;
CEV 2016-2017 Revenue Requirements Application and Rate Design for NEFC Hot Water Service Decision, p.30

On page 7 of Exhibit B-1, CEV states "a Rate Rider of $4.80/M#, effective March 1, 2019, is calculated on the basis of forecast load and natural gas prices to reduce the balance in the FCSA to 5 percent of a rolling 12 months of fuel costs in 18 months, by the end of August 2020."

On page 30 of the BCUC's 2016-2017 Revenue Requirement Application Decision, the panel directed the following:

> 5. Starting January 1, 2017, any positive or negative variances between forecast Fuel Costs and actual Fuel Costs (including any variance between the forecast and actual Base Cost volume), are to be captured in the FCSA.
>
> 7. Where the balance in the FCSA exceeds plus/minus 5 percent of the most recently approved 12 month forecast total Fuel Cost any amount in excess of this is to be distributed through the FCAC rate rider with an amortization period of two years.

3.1 Please provide an updated FCSA account balance and FCAC Rate Rider based on the latest recorded fuel costs and forecasted fuel costs. Please provide the supporting calculations in a working excel model.

3.2 Please provide a comparison of forward curves used to determine the forecast gas commodity prices used in the Application and the latest available forecast gas commodity prices.

3.2.1 Please explain what impact, if any, the latest available forecast gas commodity prices would have on calculating the proposed rate.

3.2.2 Please explain how CEV derived the Commodity Rate Forward Curve that makes up the basis of the gas commodity cost forecast.

3.3 Please provide a step-by-step explanation of how the FCAC Rate Rider of $4.80/M# proposed in the Application was calculated.

3.4 Please confirm, or explain otherwise, that the proposed rate is based on the approved methodology from the 2016-2017 Revenue Requirements Application Decision.

3.5 Please confirm, or explain otherwise, that CEV calculated the proposed rate based on the projected deferral account balance and the historical 12-month rolling fuel cost.

3.5.1 Please compare the proposed rate versus a rate based on the current deferral account balance, the approved 12-month forecast total fuel cost, and an amortization period of 6, 12, 18 and 24 months.

4.0 Reference: FEBRUARY FUEL COSTS
Exhibit B-1, Application, p. 7; Rate Rider calculation.xlsx;
CEV Application for a Certificate of Public Convenience and Necessity for Beatty-Expo Plants and Reorganization, p. 13

In the Rate Rider Calculation workbook attached to the Application, CEV submits that the Fuel Cost Deferral Balance grew $6 million in February 2019 for a total balance of $8.7 million. Further, CEV estimates that it paid more than $30/GJ on at least 7 days (February 9-13 and 27-28). BCUC staff note that the total cost for these days is in excess of $4 million or approximately 48 percent of the commodity costs for February and 17 percent of the 12-month rolling fuel cost.

On page 13 of Appendix A of CEV's Application for a Certificate of Public Convenience and Necessity for Beatty-Expo Plants and Reorganization, CEV submits that "diesel or no.2 fuel oil is used as the back-up fuel for firing of the boilers."

4.1 Please discuss the market conditions that contributed to the upward pressure on prices for February 2019. Please provide additional details for the 7 days identified in the preamble.

4.2 Please confirm, or explain otherwise, that CEV is a transportation service customer under Rate Schedule 22 of FortisBC Energy Inc. (FEI) and receives gas from Cascadia Energy Ltd (Cascadia).

4.2.1 Please provide a brief discussion on why the contracting strategy identified in 4.2 above was chosen.

4.2.2 Please discuss how, under CEV's current procurement strategy, CEV manages its gas supply when there is a physical supply constraint on the gas system, such as during February 2019.

4.2.2.1 Please discuss the appropriateness of this strategy given CEV's customer base includes residential customers.

4.3 Please discuss CEV's gas contracting strategy for February 2019 and the options it considered to minimize fuel costs and supply risk. Please provide specific details on the 7 days identified in the preamble.

4.4 Please discuss if CEV considered using its backup supply resource of diesel/fuel oil to serve all or some of CEV's customer demand during this time period. Why or why not?

4.4.1 Please discuss the physical capabilities and limitations of CEV's backup diesel/fuel oil system. As a part of this discussion please provide the operating capacity of the backup system, lead time for start-up of backup system vs the notice of curtailment and price signals from market, duration in which the backup system can run, and average fuel costs.

4.4.2 Please provide an estimate of fuel oil and diesel prices ($/GJ) for February 2019. Please provide any assumptions used to the estimate prices, including conversion factors (e.g. USD to CAD or Litres to GJ).

4.5 Please confirm, or explain otherwise, that CEV has had its natural gas supply curtailed by FEI on some days since the October 9, 2018 Enbridge pipeline explosion.

4.5.1 If confirmed, please provide the dates and volume of gas curtailed for each day.

4.5.2 If confirmed, please discuss CEV's operating procedure during times of curtailment. How does CEV minimize the supply risk and the financial impact during this time period?

5.0 Reference: FUTURE APPLICATIONS
Exhibit B-1, Application, p. 8

On page 8 of the Exhibit B-1, CEV states that "while on a forecast basis the proposed rate rider will return the current balance in the FCSA to an acceptable level in 18 months, additional measure could be warranted if high gas prices persist and there are further and significant additions to the FCSA."

5.1 Please discuss what "additional measures" CE may consider.

5.2 Please explain the circumstances and gas price changes that would need to occur before CEV submits an additional filing.

5.3 If the proposed rate is approved, please discuss the regulatory process CEV envisions at the end of 18 month amortization period? For example, will CEV file an updated FCAC or FCAC Rate Rider application if the balance falls below 5 percent of the 12-month total fuel costs?

5.4 Would CEV be amenable to adjusting the FCAC mechanism in its next FCAC application, to bring the management of this account into alignment with the BCUC's guidelines for gas cost rate setting, established by Letter L-5-01 dated February 5, 2001, and further modified by Letter L-40-11 dated May 19, 2011? Why or why not?