

27 February 2020

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)  
2019-2020 Revenue Requirements Application (RRA) for the  
Core Steam System and Northeast False Creek Service Areas (Application)**

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## 1. Introduction

Creative Energy writes in reply to the Commission's direction to file a proposal for the potential recovery of the balance in its Fuel Switch Study and LTRP<sup>1</sup> Deferral Account, in accordance with paragraph 7 of Order G-7-20A.

The Fuel Switch Study and LTRP Deferral Account was established under Order G-205-18 in consideration of the Commission's decision to adjourn its review of Creative Energy's 2017 LTRP Application pending the filing of an updated LTRP, and its determination that there was limited evidence at the time that would substantiate whether the Fuel Switch Study was or will be useful in preparing the LTRP and whether the expenditures for the study and the LTRP were prudently and reasonably incurred for the benefit of Core steam customers such that they ought to be approved for recovery in rates. Accordingly, the Commission directed that Creative Energy transfer all costs related to the Fuel Switch Study and 2017 LTRP, net of all applicable offsetting grants, to the newly established deferral account.

The Commission also directed Creative Energy to submit a compliance filing with revised schedules showing: (i) the updated balance in the existing Third Party Regulatory Cost Deferral Account (TPRCDA) to reflect the removal of the "Consultants – LTRP" costs; and (ii) the newly established Fuel Switch Study and LTRP Deferral Account and associated cost additions. Creative Energy submitted the required compliance filing on December 11, 2018, which showed the balance in the newly established Fuel Switch Study and LTRP Deferral Account, net of all applicable offsetting grants, totaled \$714,880.

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<sup>1</sup> Long Term Resource Plan

Creative Energy proposes that an amount of \$214,185 is appropriate for recovery from Creative Energy's Core steam customers at this time. These costs reflect Creative Energy's ongoing resource planning efforts in 2016 to support the increasing imperative to decarbonize the energy supply for the Core steam system to meet current load and future customer growth.

Creative Energy further proposes that following review and Commission approval as part of this proceeding of the final amount for recovery, it will bring forward as part of its 2021 RRA a proposed rate mechanism to begin recovery of the approved amount. Creative Energy expects that its proposed rate mechanism, including the billing determinants and length of recovery period, will be informed by the final approved amount as well as other considerations, such as customer bill impacts, that may be shaped by the context and drivers of its 2021 RRA, yet to be determined.

## **2. Proposal**

The majority of the balance in the Fuel Switch Study and LTRP Deferral Account comprises the costs Creative Energy incurred for the Fuel Switch Project - specifically for the assessment, definition and preliminary design of the 'Green House Project' described in the Fuel Switch Study included with the 2017 LTRP - as incurred during the period 2013 through 2015.

The Fuel Switch Project-related efforts were directed by Creative Energy's parent company, Creative Energy Canada, upon its acquisition of Creative Energy (then called Central Heat Distribution Ltd.) and were responsive in general to an increasing public policy imperative to consider low-carbon options to serve current and future heating demand in the City of Vancouver. One consultant led this effort on behalf of Creative Energy, from planning and study through initial design and project definition, and a team of other consultants were directed to assist this effort with design, engineering and architectural services, for example. The project was supported by a Federation of Canadian Municipalities (FCM) grant and funding from the City of Vancouver (total value \$217,000). These contributions were specifically targeted to the study of the technical and financial feasibility of the Fuel Switch Project initiative and thereby served to offset the costs incurred from 2013 to 2015.

Creative Energy does not intend at this time to proceed with the Green House project and Creative Energy therefore proposes not to recover from existing customers any of the amount in the Fuel Switch Study and LTRP Deferral Account related to this project at this time; that is, the net amount of \$481,724 reported in Table 1 below. If this project is pursued in the future Creative Energy will at that time advance a proposal to capitalize any related development costs into the overall project as applicable.

Table 1 also shows that the costs of internal management time and related support are currently recorded in the net balance of the Fuel Switch Study and LTRP Deferral Account, and that these costs span the 2015-2016 period. Creative Energy does not propose to recover these costs from customers. The 2015 costs are not included in the proposed amount for recovery by virtue of their inclusion in the total of project-related costs as reviewed above. Creative Energy does not have the means or ability at this time to define what work was performed by internal staff on the Fuel Switch Project versus other efforts and as such Creative Energy cannot confirm whether these costs were necessarily and properly excluded from Creative Energy's revenue requirements and rates at that time. Creative Energy therefore also proposes not to recover from customers any internal management time and related support costs recorded to the Fuel Switch Study and LTRP Deferral Account in 2016, the amount of \$39,314 reported in Table 1 below.

The amount that Creative Energy proposes to recover from its Core steam customers, \$214,185, is entirely Creative Energy's cost for the efforts of its consultants - during the year 2016 only – that were directed toward supporting Creative Energy's ongoing resource planning efforts in view of it becoming increasingly imperative to decarbonize the energy supply for the Core steam system to meet current load and future customer growth. Given the stated GHG targets of all levels of government in Canada, the BC Energy Objectives, and the evolving standards for energy serving new development in Vancouver (for example, Vancouver's Greenest City 2020 Action Plan), the focus of resource planning at Creative Energy was and continues to be on reducing GHG emissions by fully or partially displacing the consumption of natural gas in Creative Energy's existing steam plant with low-carbon energy sources.

Creative Energy acknowledges that these costs were at one point in time expected to be capitalized as part of the overall development costs of the Fuel Switch Project. Creative Energy does not intend to proceed with the Fuel Switch Project at this time; however, we continue to study the technical and financial viability of alternative projects for displacing natural gas in the steam plant. The efforts in 2016 support the ongoing good utility planning and practice and are applicable expenses for recovery from customers. Creative Energy provides additional support for its proposal below.

**Table 1: Report of Fuel Switch Study & LTRP Deferral Account Balance Net of Project-related Grants**

	Fuel Switch Project			Enabling Low Carbon Development
	2013	2014	2015	2016
Lead Consultant	18,060	54,568	191,228	214,185
Other Consultant Support	11,039	70,968	288,639	n/a
Creative Energy Internal Project Management, Executive & Legal Support	-	-	64,222	39,314
Subtotal	29,099	125,536	544,089	253,499
Total	698,724			n/a
Project-related Grants	-217,000			n/a
Net Total	481,724			n/a
Fuel Switch Project & LTRP Deferral Account Net of Project-related Grants				735,223 <sup>2</sup>
<b>Creative Energy Proposed Recovery</b>	n/a			<b>214,185</b>

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<sup>2</sup> In the process of preparing this submission, Creative Energy noted that it entered two invoices of its Lead Consultant for the period November- December 2015 (totaling \$61,305) into its general ledger for 2016 and that it entered one invoice of its Lead Consultant for December 2016 (totaling \$25,010) into its general ledger for 2017. Correcting for these entries increases the reported net balance in the deferral account but lowers the amount Creative Energy is applying to recover for the efforts undertaken in 2016.

### 3. Context

#### 3.1. Policy, Engagement and Enabling Low Carbon Development – 2016

The work completed in 2016 focused on two key areas of long-term resource planning: consideration of government policy and stakeholder engagement.

For Creative Energy, consideration of government policy as part of its resource planning requires engagement at the municipal, provincial, and federal levels. The focus in 2016 was on the policy environment, enabling tools, and the opportunities and challenges for decarbonization generally, as distinct from the prior detailed feasibility study of the Fuel Switch Project.

Discussions with policymakers are common across any low-carbon energy resource that Creative Energy may develop. Activities during 2016 included not only consultation with all levels of government but also efforts to assess the efficacy of proposed policies and enabling tools and to facilitate communication between various levels of government.

In addition to providing the company with valuable information about the evolving planning environment, this work provided the company with numerous ideas for how to successfully structure any low-carbon thermal energy offering, including managing a voluntary customer participation approach; selling offsets; identifying grant funding opportunities; and other strategies to support the development of low-carbon resources.

Taken together and with particular regard to the rapidly evolving policy environment that Creative Energy operates within, these efforts constitute ongoing good utility planning and practice. Such efforts continue to be required to ensure the company is well-positioned to fully understand its objectives, means and policy support to pursue decarbonization of its core steam supply, independent of any specific project alternative, and for supporting reporting out through long-term resource plans to be filed periodically with the Commission.

Examples of such efforts in 2016 included:

- **City of Vancouver** – Assessment of tools to enable the addition of low-carbon thermal energy resources including favorable property tax treatment; reduced land rent for projects located on city-owned sites; allowances for GHG credit trading to meet City GHG performance requirements; policies requiring GHG reductions by existing buildings; and other tools. Creative Energy's Lead Consultant and the City also worked together to understand how the City could support Creative Energy in applying for grants from the provincial and federal governments. Creative Energy's team had 29 meetings with the City over the course of 2016 on the issues described above. This work resulted in greatly improved understanding within both Creative Energy and the City of Vancouver of the GHG reduction potential of the Creative Energy system as well as of the tools and programs the City can bring to bear to support decarbonization of the system. This knowledge will support Creative Energy for any future low-carbon energy resource in Vancouver.

- **Province of B.C.** – Grant opportunities through emerging programs; potential to commit existing provincial buildings on Creative Energy’s system to purchase green energy. Our team’s efforts also resulted in a much better understanding at the provincial level of the opportunities for GHG reduction from the building sector via district energy.
- **Government of Canada** – Grant opportunities through emerging programs; potential to connect federal buildings to the CE system to receive green energy. Our team’s efforts also resulted in much better understanding at the federal level of the opportunities for GHG reduction from the building sector via district energy.

The knowledge of the policy environment from this work was incorporated into the Fuel Switch Study final report, primarily in section 9 (Optimizations and Enabling Strategies). Strategies assessed included conventional offsets, emissions credit trading with other development sites in Vancouver, cost reduction through reduced land rent and property taxes, policies to incentivize green energy purchases by existing customers, grants, marketing voluntary green products to existing customers, and other tools.

Concurrently with the above work, our Lead Consultant conducted planning-related stakeholder consultation throughout 2016. Engagement audiences included industry partners, current customers, neighbourhood groups, and large potential customers for low-carbon energy. The team presented information on Creative Energy’s operations, the range of decarbonization options available to the company, options for how green energy tariffs may be structured, and information on customer alternatives such as on-site geo-exchange or other renewables. The results of stakeholder engagement efforts were incorporated into section 13 of the Fuel Switch Study final report.

### **3.2. Resource Options Assessment and Preliminary Design of Fuel Switch Project: 2013-2015**

When viewed in the context of the prior work supporting the Fuel Switch Project during 2013-2015 – the costs of which Creative Energy does not propose to recover as summarized above – the proposed recovery of the costs of its efforts in 2016 to study and enable low carbon development generally can be regarded as conservative. That is, the efforts in 2013-2015 underscore the continuum and interdependence of policy and resource option assessment, for example, and the value and leverage of the knowledge and relationships gained during the 2013-2015 period.

Creative Energy’s steam generation plant, distribution network and customers are all located within the downtown area of the City of Vancouver. This means that the assessment of resource options needs to carefully consider what will be required by or acceptable to the City and urban stakeholders who have expectations around GHG emission reduction, noise, truck traffic, and local air impacts. Also, in downtown Vancouver land prices are high, development sites are scarce, and building distribution infrastructure is challenging.

The company’s planning efforts during 2013-2015 furthered Creative Energy’s institutional knowledge of the site requirements, interconnection needs, plant technology, fuel supply, site layout, building cost, levelized cost of energy, and air quality impacts of the Fuel Switch Project and the levelized cost of alternatives, without which viable alternatives could not be assessed at that time. For example, without such information, Creative Energy would not have known whether an appropriate site (able to accommodate an industrial facility of certain size and in reasonable proximity to the existing steam distribution network) was even available; if and how an interconnection pipe could be routed from the

site to the existing distribution system header; whether local air quality impacts could be kept within required ranges; whether sufficient fuel would be available; and what the estimated cost of energy would be given the need to meet the above requirements.

#### **4. Conclusion and Request for Approval**

Creative Energy believes that the proposed amount of the balance in the Fuel Switch Study and LTRP Deferral Account to recover – \$214,185 – was reasonably incurred for purposes of ongoing good utility planning including for supporting long-term resource planning and future LTRP submissions to the Commission and therefore ought to be approved for recovery from Core system customers.

Creative Energy further believes this amount produced work products (in the form of intellectual property) that will continue to support and be leveraged as part of the ongoing planning efforts for the steam generation system benefiting customers connected to the Core and NEFC systems, and therefore ought to be approved for recovery from those customers.

Creative Energy requests that the Commission Panel for this proceeding approve the above amount for recovery from customers, and that determinations regarding the commencement date for recovery, the rate mechanism and amortization period be deferred for consideration in the 2021 RRA proceeding.