

2 April 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)**

Creative Energy writes to file its responses to BCUC IR No. 1 in the matter of Creative Energy's Fuel Switch Study and LTRP Deferral Account Proposal in the above noted proceeding, in accordance with Order G-7-20A.

For further information, please contact the undersigned.

Sincerely,



Rob Gorter
Director, Regulatory Affairs and Customer Relations

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Creative Energy Vancouver Platforms Inc.
2019-2020 Revenue Requirements Application for the
Core Steam System and Northeast False Creek Service Areas

**CREATIVE ENERGY RESPONSE TO BCUC IR 1
ON THE FUEL SWITCH STUDY AND LONG-TERM RESOURCE PLAN DEFERRAL ACCOUNT PROPOSAL (“Proposal”)**

A. FUEL SWITCH STUDY AND LONG-TERM RESOURCE PLAN (LTRP) DEFERRAL ACCOUNT PROPOSAL

**34.0 Reference: PROPOSAL
Exhibit B-3 (Fuel Switch Study and LTRP Deferral Account Proposal), p. 2
Project and Study Descriptions**

On page 2 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy Vancouver Platforms Inc. (Creative Energy) states:

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. [*Emphasis Added*]

34.1 Please provide a description of each of the following and explain the relationship between each:

- i. Green House Project;
- ii. Fuel Switch Project; and
- iii. Fuel Switch Study.

RESPONSE:

The “Fuel Switch Study” refers to the report titled “A Low-Carbon Legacy for Downtown Vancouver” dated March 17, 2017, included as Appendix A to the Creative Energy 2017 LTRP Application, and all supporting analysis and engagement. The Fuel Switch Study assessed fuel switch project alternatives, the planning and regulatory environment, demand for low-carbon energy, and also stakeholder consultation (about low-carbon energy in general as well as the Fuel Switch Project specifically), for example.

The “Fuel Switch Project” refers broadly to the assessment, definition and preliminary design of a large low-carbon energy project for downtown Vancouver, specifically to be located in the False Creek flats area. The preliminary designed new plant described in the Fuel Switch Study is also referred to as the “Green House Project”.

34.2 Please confirm whether the report titled “A Low-Carbon Legacy for Downtown Vancouver” (included as Appendix A to the Creative Energy 2017 LTRP Application¹) is the Fuel Switch Study described in the response above.

RESPONSE:

Confirmed.

34.2.1 If not confirmed, please explain what the above-noted report is and explain the relationship to each of the following: Green House Project; Fuel Switch Project; and Fuel Switch Study.

RESPONSE:

Not applicable.

**35.0 Reference: PROPOSAL
Exhibit B-3, p. 2; Creative Energy 2018-2022 Revenue Requirements Application
Decision and Order G-205-18 dated October 25, 2018 (Creative Energy 2018-2022 RRA
Decision), p. 32
Green House Project**

On page 2 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states:

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. [Emphasis Added]

On page 32 of the Creative Energy 2018-2022 RRA Decision, the British Columbia Utilities Commission (BCUC) approved a weighted average cost of debt return on the Fuel Switch Study and LTRP Deferral Account.

35.1 Please discuss Creative Energy’s plans with respect to the Green House Project, including the expected timing of restarting or re-examining this project in the future.

RESPONSE:

As noted in the preamble to this question, Creative Energy does not intend to proceed with the Green House Project at this time. However, as also noted in its Proposal, Creative Energy’s resource planning efforts continue to examine options for 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. If Creative Energy decides to pursue a low-carbon energy project for Vancouver, at the appropriate stage of project definition and design we will apply to the Commission for a Certificate of Public Convenience and Necessity (CPCN) for the project to proceed. In view of the current imperatives to decarbonize energy supply, particularly to serve new buildings in Vancouver, it is likely that Creative Energy will bring forward a CPCN application for a low-carbon energy project in the relatively near-term (within 1-3 years).

Creative Energy cannot at this time state with certainty that the Green House Project as preliminarily designed will not proceed.

¹ https://www.bcuc.com/Documents/Proceedings/2017/DOC_49714_B-1_Long-Term-Resource-Plan_App.pdf

35.2 Please clarify whether Creative Energy is proposing to write-off (on account of the shareholder) the \$481,724 from the Fuel Switch Study and LTRP Deferral Account or to continue recording this cost in the deferral account for future recovery from ratepayers.

RESPONSE:

The Fuel Switch Study and LTRP Deferral Account – that being in respect of applicable costs recorded to that account for the period 2013-2016 – was established to enable the applicable costs to be carried forward for future consideration by the Commission of whether the costs or a portion of them will be recovered from customers. Creative Energy proposes that the Fuel Switch Study and LTRP Deferral Account continue until such time that Creative Energy advances a low-carbon energy project through a CPCN Application.

At the time of filing a CPCN Application for a low-carbon energy project, Creative Energy would be in the position to properly assess and present any amount related to prior project development efforts that it would propose be capitalized to the project being advanced for Commission approval.

Creative Energy notes that section 3.2 of the Proposal provides a general discussion of the investments in project-related knowledge, for example as related to site layout and interconnection requirements, that may provide value to the future project. Creative Energy is of the view, however, that the costs of internal management and related support to the study and preliminary design of the Green House Project could not be leveraged to a future project. The cost of those efforts in 2015 as recorded to the Fuel Switch Study and LTRP Deferral Account total \$64,222 and can be appropriately written off. Under this proposal the remaining balance in the Fuel Switch Study and LTRP Deferral Account would total \$417,502 and would continue to accrue a weighted average cost of debt. Any amounts that Creative Energy seeks to recover through capitalization to a future low-carbon project would be based on the applicable pro rata share of the debt accrued.

35.2.1 If the proposal is to continue recording the \$481,724 in the Fuel Switch Study and LTRP Deferral Account, please confirm, or explain otherwise, that Creative Energy will continue to accrue a weighted average cost of debt return on this amount. If applicable, please also provide the regulatory justification for this proposal in the absence of any specific plans to restart the Green House Project.

RESPONSE:

Please refer to the responses to BCUC IRs 35.1 and 35.2.

**36.0 Reference: PROPOSAL
Exhibit B-3, pp. 1, 3; Creative Energy 2018-2022 Proceeding, Exhibit B-3, Question 4a;
Exhibit B-7, BCUC IR 22.6; Exhibit B-12-2, BCUC IR 47.2; Exhibit B-1-1, Evidentiary
Update Schedules for RRA Filing, Core Schedule 12
Cost Breakdowns by Year**

On page 3 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy provides Table 1 below showing the Fuel Switch Study and LTRP Deferral Account balance (net of project-related grants) for 2013 through 2016:

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 ²
Creative Energy Proposed Recovery	n/a			214,185

In the footnote to the table on page 3 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states that, in the process of preparing this submission, some corrections to the general ledger were made. Creative Energy states, “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.”

On page 1 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states in its compliance filing to the Creative Energy 2018-2022 RRA dated December 11, 2018, that it showed the balance in the newly established Fuel Switch Study and LTRP Deferral Account was \$714,880, net of all applicable offsetting grants.

Line 4 in Core Schedule 12 from the Financial Schedules attached to the Evidentiary Update shows 2017 additions to the Fuel Switch and LTRP Deferral Account were \$714,800.

On page 32 of the Creative Energy 2018-2022 RRA Decision, the BCUC approved a weighted average cost of debt return on the Fuel Switch Study and LTRP Deferral Account.

36.1 Please provide a reconciliation of the balances in the Fuel Switch Study and LTRP Deferral Account from the \$714,880 shown in the December 11, 2018 compliance filing to the \$735,223 shown in Table 1. Please include the impact of the corrections to the general ledger and the weighted average cost of debt return (if any) as separate line items.

RESPONSE:

Please refer to the response to BCUC IR 36.2 for a discussion that reconciles the balances in the Fuel Switch Study and LTRP Deferral Account between the \$714,880 shown in the December 11, 2018 compliance filing to the \$735,223 shown in Table 1.

Creative Energy notes that it did not include any additional amount of weighted average cost of debt return on the net increase of ~\$20,000 into the corrected balance.

36.1.1 Please provide revised financial schedules for the Core Steam System and an erratum to the Evidentiary Update, as appropriate.

RESPONSE:

There are no applicable revised financial schedules to update nor changes to the Evidentiary Update

other than the corresponding row 4 entry in Core Schedule 12. The reporting in Core Schedule 12 could be corrected for the amount of \$735,223, but that would not reflect Creative Energy’s proposed recovery of \$214,185.

Under Creative Energy’s proposal, the balance at the end of 2020 including interest, for recovery beginning in 2021, would total \$278,990.

Creative Energy can readily reflect its proposal in an updated ‘Schedules’ file to be provided under the timing contemplated in the response to BCUC IR 23.9.

In the Creative Energy 2018-2022 RRA proceeding, Creative Energy provided the following table in response to Question 4a of the Supplementary Information list (Exhibit B-3) with respect to “a detailed breakdown and description of the costs incurred by year” for “Consultant – LTRP” costs. The total explained cost was \$720,232:

2013	2014	2015	2016	2017
\$ 29,099.53	\$ 122,270.92	\$ 320,778.08	\$ 374,243.50	\$ (126,160.03)

In response to BCUC IR 22.6 in the Creative Energy 2018-2022 RRA proceeding (Exhibit B-7), Creative Energy stated that the credit of \$126,160 “represents the total grant credit plus any invoices that were incurred during that year.”

In response to BCUC IR 47.2 in the Creative Energy 2018-2022 RRA proceeding (Exhibit B-12-2), Creative Energy provided an Excel attachment (Attachment 47.2) showing a breakdown of the above-noted costs to the total cost incurred by each consultant by year. The total explained cost was \$718,832.29 and “Reshape Infrastructure” was noted as the “Study Lead”.

36.2 Please confirm whether the information provided in responses to Question 4a and BCUC IRs 22.6 and 47.2 in the Creative Energy 2018-2022 RRA proceeding are still appropriate.

RESPONSE:

Creative Energy can confirm that there is general alignment in the underlying total cost data and information as provided through the noted responses and attachments in the 2018-2022 RRA proceeding. Creative Energy staff that supported the 2018-2022 RRA and that developed and summarized that evidence are no longer with Creative Energy. Current staff have identified inconsistency in the individual summary categorization of Fuel Switch Study and LTRP costs as provided in the noted Attachment 47.2. As one example, in the noted Attachment 47.2, a cost in 2016 in the amount of \$32,360 was incorrectly attributed to Fosdick & Hilmer instead of Reshape Infrastructure Strategies. It appears that the Attachment 47.2 method used a manual categorization of costs and not a pivot table Excel function, which would have avoided such a transcription error.

Thus, the Financial and Regulatory staff supporting the current RRA have necessarily adopted a primary approach to review all costs recorded to the Fuel Switch Study and LTRP Deferral Account and on that basis to present a clear and consolidated review of those costs and a proposal for recovery of costs recorded to the Fuel Switch Study and LTRP Deferral Account.

Please refer to the response to BCUC IR 36.2.3 for an expanded summary and explanation of the consolidated costs recorded to the Fuel Switch Study and LTRP Deferral Account.

Further to the comment above confirming that there is general alignment in the underlying total cost data and in regard to BCUC IR 36.1, Creative Energy highlights that the difference in the total balance in the deferral account reported in the compliance filing (\$714,880) and the amount updated through our Proposal (\$735,223) is explained mainly by the effect of properly recording a Lead Consultant cost of \$25,010 to 2016. This cost was incurred in 2016 as opposed to the prior mistaken recording of this amount to 2017 (as explained in the footnote to Table 1 of the Proposal and as referenced in the response to BCUC IR 36.1 above). The Fuel Switch Study and LTRP Deferral Account includes applicable costs for the period 2013-2016, and does not include expenses incurred in 2017. The noted Attachment 47.2 demonstrates this also as it too shows that the recorded balance of \$714,354 (cell C61) is the result of subtracting off the costs it had shown recorded as incurred in 2017 at that time (\$4,477).

36.2.1 If confirmed, please explain the total cost variances (including grants) in each of the years from 2014 to 2017 between each of the responses provided in the Creative Energy 2018-2022 RRA proceeding and Table 1 of the Fuel Switch Study and LTRP Deferral Account Proposal (e.g. why is there a difference between the 2015 subtotal of \$544,098 shown in Table 1, the \$320,778.08 shown response to Question 4a, and the \$313,894.20 shown in Attachment 47.2?).

RESPONSE:

Please refer to the responses to BCUC IRs 36.2 and 36.2.3.

36.2.2 If confirmed, please explain the Lead Consultant cost variance (if any) in each of the years from 2014 to 2017 between Table 1 of the Fuel Switch Study and LTRP Deferral Account Proposal and Attachment 47.2 from the Creative Energy 2018-2022 RRA proceeding.

RESPONSE:

Please refer to the responses to BCUC IRs 36.2 and 36.2.3.

36.2.3 If not confirmed, please provide updated responses to Question 4a and BCUC IR 47.2 from the Creative Energy 2018-2022 RRA proceeding, which accord with the information set out in Table 1 of the Fuel Switch Study and LTRP Deferral Account Proposal.

RESPONSE:

Please refer to the following table. Please note that the total of the 2015 and 2016 costs reported in the table below for the other consultants that supported the Fuel Switch Project equals \$288,639, which is the amount reported in Table 1 of the Proposal for 2015. This total was a simplification for the purpose of Table 1 and for communicating Creative Energy's Proposal for recovery of costs. While there were \$12,291 of 'other consultant' costs incurred in 2016, Creative Energy assessed that those efforts may be more appropriately categorized as Fuel Switch Project-related and thus are not included in the amount sought for recovery in this proceeding.

Creative Energy also notes that, as explained in our Proposal, the grants obtained by Creative Energy were applied-for in respect of developing the Fuel Switch Project. Thus, the date that funds were actually received from the grantors is not indicative nor determinative of the purpose to which the funds were granted. Accordingly, the discussion in the 2018-2022 RRA of the net credit of \$126,160 is misleading to the extent that the reader might infer that the grant proposals were not targeted to development of the Fuel-Switch Project.

	2013	2014	2015	2016
Lead Consultant: Fuel Switch Project and Enable Low Carbon	\$ 18,060	\$ 54,568	\$ 191,228	\$ 214,185
Consultants supporting the Fuel Switch Project Only	\$ 11,039	\$ 70,968	\$ 276,348	\$ 12,291
Levelton	\$ -	\$ -	\$ 23,578	\$ -
DIALOG	\$ -	\$ -	\$ 6,000	\$ -
KWL	\$ -	\$ -	\$ 2,500	\$ -
BIG Architecture	\$ -	\$ -	\$ 105,830	\$ -
Henriquez Partners Architects	\$ 11,039	\$ 39,604	\$ 30,435	\$ -
Brittney Kerr Advisory	\$ -	\$ -	\$ -	\$ -
City of Vancouver (deposit for land purchase)	\$ -	\$ -	\$ 37,000	\$ -
Fosdick & Hilmer	\$ -	\$ 21,519	\$ 35,968	\$ 7,122
Killeen Consultants	\$ -	\$ -	\$ -	\$ 2,125
LMDG Code Consultants	\$ -	\$ -	\$ 2,475	\$ -
Brook Pooni	\$ -	\$ -	\$ 10,031	\$ 3,044
Bunt Traffic Engineering	\$ -	\$ 4,845	\$ 460	\$ -
Lufa Farms	\$ -	\$ 5,000	\$ 7,100	\$ -
Geopacific	\$ -	\$ -	\$ 1,508	\$ -
Read Jones Christoffersen	\$ -	\$ -	\$ 8,078	\$ -
Underhill Geomatics	\$ -	\$ -	\$ 5,385	\$ -
Internal CE Project Management Time and Executive Support	\$ -	\$ -	\$ 64,222	\$ 39,314
Total	\$ 29,099	\$ 125,536	\$ 531,798	\$ 265,790
Total 2013-2016				\$ 952,223
Project-related Grants				\$ (217,000)
Total Costs net of Grants				\$ 735,223
Creative Energy Proposal - Recovery of Lead Consultant efforts in 2016 to Enable Low Carbon Development				\$ 214,185

36.3 Please provide copies of the invoices supporting the Lead Consultant's cost for each year since 2013.

RESPONSE:

Please refer to the Attachment 36.3, which are the records Creative Energy has available for the period in question. A summary of the invoices in respect of Creative Energy's proposal are listed below, as named in the attachment.

19,100	2016 January
21,708	2016 February
22,661	2016 March
32,111	2016 April & May
15,326	2016 June
21,593	2016 July
21,453	2016 August
12,956	2016 September
22,267	2016 October
25,010	2016 November & December
\$214,185	Total

36.3.1 Please provide the number of individuals, the hours incurred and the rate charged by each consultant included in the Lead Consultant's team.

RESPONSE:

The invoices attached to the response to BCUC IR 36.3 provide the extent of the requested detail that is available.

36.4 Please clarify whether any costs were incurred in 2018 or 2019 related to either the Fuel Switch Project or “Enabling Low Carbon Development.” If yes, please provide the amounts for each and Creative Energy’s proposal(s) with respect to the recovery of these amounts. Please also confirm if any costs incurred in either case have been added to the Fuel Switch Study and LTRP Deferral Account, expensed as part of Operations and Maintenance (O&M), or otherwise dealt with.

RESPONSE:

Yes, there were costs incurred in 2018 and 2019 related to efforts to enable low carbon energy development. These costs were not incurred on account of the Fuel Switch Study or 2017 LTRP and therefore were not added to the Fuel Switch Study and LTRP Deferral Account, but rather expensed as part of Operations and Maintenance.

The applicable costs in 2018 and 2019 were \$84,102 and \$77,283, respectively. Of these amounts, consultant costs comprise \$79,915 and \$72,686 in 2018 and 2019, respectively, with the remainders attributable to internal management time.

**37.0 Reference: PROPOSAL
Exhibit B-3, p. 2
Internal Management Time and Related Support**

On page 2 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states, “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.”

37.1 Please explain why there are no costs related to “internal management time and related support” for the 2013-2014 period.

RESPONSE:

The Fuel Switch Project and related efforts were directed by Creative Energy’s parent company, Creative Energy Canada Platforms Corp., upon its acquisition of Creative Energy (then called Central Heat Distribution Ltd.). For the period 2013-2014 there were no internal Creative Energy project management or related support costs directly assigned to the Fuel Switch Project indicating that no such project management or other support was provided during that time.

37.2 Please explain how the cost of “internal management time and related support” in the 2015-2016 period was determined.

RESPONSE:

The costs of internal management time and related support for the period 2015-2016 are the amounts that have been recorded as accounted for in Creative Energy’s financial systems.

On page 2 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states:

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.
[Emphasis Added]

- 37.3 Please clarify how Creative Energy proposes to treat “internal management time and related support” costs of \$64,222 in 2015, given that this cost is included in the \$481,724 discussed in IR 35 series above.

RESPONSE:

Please refer to the response to BCUC IR 35.2.

**38.0 Reference: PROPOSAL
Exhibit B-3, pp. 3–4
2016 Costs**

On page 3 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states that the \$214,185 it proposes to recover from Core steam customers “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... The efforts in 2016 support the ongoing good utility planning and practice and are applicable expenses for recovery from customers.”

On page 4, Creative Energy states, “these efforts [for work completed in 2016] constitute ongoing good utility planning and practice. Such efforts continue to be required to ensure the company is well-positioned to fully understand it’s objectives...”

- 38.1 Please confirm, or explain otherwise, that the \$214,185 noted in the preamble above was included in the \$714,880 Fuel Switch Study and LTRP Deferral Account balance at the time the compliance filing to the Creative Energy 2018-2022 RRA was submitted.

RESPONSE:

Confirmed, noting however the correction for the 2016 invoice that was incorrectly entered into the general ledger for 2017, as explained in the footnote to Table 1 of the Proposal and in the response to BCUC IR 36.2.

- 38.1.1 If confirmed, please explain why the \$214,185 was considered part of Fuel Switch Study and LTRP costs in the Creative Energy 2018-202 RRA but is now separated from these costs in this Fuel Switch Study and LTRP Deferral Account proposal (i.e. why the \$214,185 is shown in Table 1 under the column heading “Enabling Low Carbon Development” and not the column heading “Fuel Switch Project.”)

RESPONSE:

The Fuel Switch Study and LTRP Deferral Account was established to record and carry forward certain costs for future consideration by the Commission, as specified per Order G-205-18. The costs recorded in the Fuel Switch Study and LTRP Deferral Account were incurred over a four year period and in connection with numerous related activities (the Fuel Switch Project, the Fuel Switch Study, the 2017 LTRP application and related resource planning for low carbon energy generally). Table 1 was prepared to show the break down of the total costs in the deferral account by year incurred and by

consultant. In most cases, each discrete consultant's work represents a different activity of the total effort. Most of the consultants did their work in 2013-2015 supporting the various components of the Fuel Switch Project only. The Lead Consultant did work over the period 2013-2016. Their work in 2013-2015 supported primarily the Fuel Switch Project, and their work in 2016 supported completion of the Fuel Switch Study dated March 17, 2017 and also supported Creative Energy's ongoing resource planning efforts after the work on the Fuel Switch Project wound down approximately by the end of 2015.

38.1.1.1 Please explain whether "Enabling Low Carbon Development" is an operating cost.

RESPONSE:

Creative Energy's Proposal reflects that these amounts ought not to be considered for capitalization into a future low-carbon project. Rather for the reasons set out in its Proposal, Creative Energy submits these costs reflect the efforts reasonably incurred for purposes of ongoing good utility planning and therefore ought to be approved for recovery from Core System customers in rates generally. Creative Energy confirms that these costs would be regarded as operating costs in the absence of the deferral account treatment. Please refer to the response to BCUC IR 38.2.

38.2 Please explain why Creative Energy did not seek recovery of the consultants' costs in 2016 as part of the Creative Energy 2016-2017 RRA and Rate Design for NEFC Hot Water Decision (Creative Energy 2016-2017 RRA).

RESPONSE:

This question was addressed in the 2018-2022 RRA proceeding. Refer to page 28 of the Order G-205-18 Decision for the Commission's determination in relation to this question. Creative Energy staff that supported the 2016-2017 RRA and that developed that evidence are no longer with Creative Energy. Current Creative Energy staff do not have any additional knowledge in connection with the decisions made during that time period.

38.3 Please explain where the cost of continued efforts "to ensure the company is well-positioned to fully understand its objectives" are recorded in the 2019 and 2020 Test Year.

RESPONSE:

As described in the response to BCUC IR 36.4, the costs of these efforts incurred in 2018 and 2019 are included in Operations and Maintenance and the forecast costs for 2020 are anticipated to in the same range, and likewise treated the same.

The 2020 revenue requirement include \$105,466 related to outside services of which Creative Energy anticipates approximately \$70,000 - \$75,000 to relate to consulting and advisory services related to enabling low carbon energy development.

**39.0 Reference: CONTEXT
Exhibit B-3, pp. 4–5
Policy, Engagement and Enabling Low Carbon Development - 2016**

On page 4 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states, “The work completed in 2016 focused on two key areas of long-term resource planning: consideration of government policy and stakeholder engagement.”

On page 5, Creative Energy states:

The knowledge of the policy environment from this work [i.e. consultation with all levels of government and efforts to assess the efficacy of proposed policies and enabling tools] was incorporated into the Fuel Switch Study final report, primarily in section 9 (Optimizations and Enabling Strategies)...

Concurrently with the above work, our Lead Consultant conducted planning-related stakeholder consultation throughout 2016...The results of stakeholder engagement efforts were incorporated into section 13 of the Fuel Switch Study final report.

39.1 Please provide a cost breakdown which shows how much of the \$214,185 that Creative Energy is proposing to recover contributed to Sections 9 and 13 of the Fuel Switch Study final report, respectively.

RESPONSE:

Creative Energy and its Lead Consultant have reviewed the applicable invoices and diarised calendar entries, and it is not possible to provide a reasonable breakdown of costs incurred in support of sections 9 and 13 of the Fuel Switch Study final report, respectively.

39.1.1 If the amount Creative Energy is proposing to recover contributed to any other deliverable other than either of these two sections, please explain.

RESPONSE:

The amount Creative Energy is requesting approval to recover in this proceeding contributed to sections 9 and 13 of the Fuel Switch Report. Some of this information was also included in the body of the LTRP Application. The amount Creative Energy is proposing to recover did not contribute to any other deliverables.

39.2 Please explain why none of the \$214,185 Creative Energy is proposing to recover from 2016 is categorized as “Fuel Switch Project” costs in Table 1, considering the contributions to Sections 9 and 13 of the Fuel Switch Study final report.

RESPONSE:

The work specific to the Fuel Switch Project (also called the Green House Project) wound down by approximately the end of 2015.

Work on components of the Fuel Switch Study, which is broader in scope than the Fuel Switch Project alone, continued in 2016. The final Fuel Switch Study report is dated March 17, 2017. The lead consultant’s work in 2016 focused on optimization and enabling strategies and stakeholder engagement that applies to fuel switch projects generally and is incorporated into sections 9 and 13 of the final Fuel Switch Study report, respectively.

39.3 Please clarify whether any work conducted by the Lead Consultant towards completing Section 9 or Section 13 of the final report was completed prior to 2016.

RESPONSE:

Yes, some of the lead consultant's work prior to 2016 supported sections 9 or 13 of the final Fuel Switch Study report, however, Creative Energy and the lead consultant are not able to reasonably identify the amount of such costs incurred prior to 2016. As noted in section 3.2 of the Proposal, the proposed recovery of costs can be regarded as conservative for this reason, for example.

On page 4 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy states, "Creative Energy's team had 29 meetings with the City over the course of 2016..."

On page 5, Creative Energy states, "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," and "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."

39.4 Please clarify what is meant by "Creative Energy's team" on page 4. Is the "team" Creative Energy's Lead Consultant, internal management or both?

RESPONSE:

References to "team", such as on pages 4 and 5 of Exhibit B-3, refer broadly to both the Creative Energy staff and consultants operating on Creative Energy's behalf that provided management and direction to the efforts on behalf of the utility, Creative Energy Vancouver Platforms Inc.

Specific references to "team" may be context dependent; so, for example, the reference on page 4 to the team that met with the City over the course of 2016 were the members of the Lead Consultant's team.

39.5 Please clarify what is meant by "our team" on page 5. Is the "team" Creative Energy's Lead Consultant, internal management or both?

RESPONSE:

Please refer to the response to BCUC IR 39.4.

**40.0 Reference: CONCLUSION AND REQUEST FOR APPROVAL
Exhibit B-3, pp. 2, 6
Deferred Amortization**

On page 2 of the Fuel Switch Study and LTRP Deferral Account Proposal, Creative Energy proposes that "an amount of \$214,185 is appropriate from Creative Energy's Core steam customers at this time."

On page 6, Creative Energy states:

Creative Energy requests that the Commission Panel for this proceeding approve the above amount [\$214,185] for recovery from customers, and that determinations

regarding the commencement date for recovery, the rate mechanism and amortization period be deferred for consideration [until] the 2021 RRA [revenue requirements application] proceeding.

- 40.1 Please explain why Creative Energy is seeking approval of the requested amount of \$214,185 for recovery from ratepayers as part of this RRA proceeding, but proposes to defer consideration of “the commencement date for recovery, the rate mechanism and amortization period” of the proposed amount until the 2021 RRA.

RESPONSE:

Creative Energy’s request for extension of the date to file a proposal with the BCUC for the recovery of some or all of the balance in its Fuel Switch Study and LTRP Deferral Account was denied. Order G-7-20A directed the filing of Creative Energy’s Proposal by February 21, 2020, thus establishing that review of the Proposal would proceed as part of this proceeding.

Therefore, Creative Energy is seeking approval of the recovery of an amount of \$214,185 in response to the directive of Order G-7-20A in this proceeding, which is not to suggest that Creative Energy necessarily needs to commence recovery of this amount from its customers in 2020, which began about three months ago. Creative Energy’s Proposal is that it will be appropriate on a forward-looking basis to propose a rate mechanism as part of its 2021 RRA, informed in part by the final approved amount for recovery and other considerations such as customer bill impacts in both the current and future test periods. Please refer to section 1, page 2, of the Proposal for example.

- 40.1.1 What alternative proposals were considered, including the pros and cons of each, and why were they rejected?

RESPONSE:

For the reasons noted above and in its Proposal, Creative Energy has not considered its proposed rate mechanism at this time nor the pros and cons of alternatives.

That said, Creative Energy would expect generally that the final amount could be fairly and reasonably recovered through a simple rate rider – over an amortization period as yet to be evaluated for the reasons also noted above – consistent with the approved approach to recover other deferral balances, such as the costs recorded to Creative Energy’s Fuel Cost Stabilization Account and the interim approval of the DARR for recovery of the balances in Creative Energy’s pension cost and regulatory cost deferral accounts.

- 40.1.2 Please provide the regulatory justification for this request.

RESPONSE:

Creative Energy interprets the question as requesting the regulatory justification of its proposal as referenced in the preamble to BCUC IR 40.1 above.

The regulatory justification relates to the considerations set out in the response to BCUC IR 40.1 and also to the principles of ensuring rate stability and that customer bill impacts are maintained within an acceptable level.

With respect to rate stability, under the current regulatory timetable a decision into the 2019-2020 RRA may not be received until the end of August, or later now possibly as a result of the evolving

response to COVID-19. Creative Energy does not contemplate that the Commission would direct the retroactive application to January 1, 2020 of a new rate mechanism at that time.

With respect to customer bill impacts, Creative Energy is keenly aware that the overall rate impact of its 2020 RRA is about 8 percent, between the steam rate increase and the DARR, and that the Fuel Cost Rate Rider will also remain in place through 2020.

With due regard to the above considerations Creative Energy submits that recovery of a final approved amount likely cannot nor should not commence in 2020.