

21 October 2020

Via E-filing

Ms. Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for
the District Cooling System at the Vancouver House Development – Project No. 1599048**

Creative Energy writes to file the attached response to Commission Panel Information Request (IR) No. 1 in the above noted proceeding, in accordance with Order G-252-20.

For further information, please contact the undersigned.

Sincerely,



Rob Gorter
Director, Regulatory Affairs and Customer Relations

Enclosure.

Creative Energy Vancouver Platforms Inc.
Application for Heating Rates for the Heating Thermal Energy System and Cooling Rates for the District
Cooling System at the Vancouver House Development

CREATIVE ENERGY RESPONSE TO PANEL IR 1

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A. REGISTRATION OF EXTENSION TO SOUTH DOWNTOWN HEATING THERMAL ENERGY SYSTEM

- 1.0 Reference: **REGISTRATION OF EXTENSION TO SOUTH DOWNTOWN (SODO)
HEATING THERMAL ENERGY SYSTEM (TES)**
**Exhibit B-5, Evidentiary Update and Application for Permanent Rates for the Heating
TES at the Vancouver House Development (Evidentiary Update and Rates Application),
Introduction, Section 1, p. 1; Exhibit B-5, Registration of Heating TES Extension,
Section 2.3, pp. 4-5**
Impact of the Planned Extension on Existing Rates and Test Period

On pages 4 and 5 of the Evidentiary Update and Rates Application, Creative Energy Vancouver Platforms Inc.'s (Creative Energy) states:

Creative Energy has registered a planned extension to the Heating TES to serve a fifth building at 889 Pacific Street. The extension will consist of an energy transfer station and distribution piping in the 700 and 800 blocks of Pacific Street.

[...]

Creative Energy set out that the indicative impact of the extension on overall rates would be a reduction in the capacity charge of approximately 20 percent and that an updated rates application will be filed in 2021 prior to the planned in-service date of the extension of October 2021.

Creative Energy submits that this Application for rates for the period 2020-2023 is therefore unencumbered by the planned system extension. The matter of the timing and necessity of an updated rates application to support the in-service date of the extension in the interim period prior to 2024 can be properly considered at a later date in view also of the rates application that will need to be filed to support a rate setting period beginning 2024. [underline added]

- 1.1 Please provide the date in 2021 that Creative Energy expects to file its updated rates application for the proposed extension of the SODO Heating TES to 889 Pacific Street (Building No. 5) (TES Extension).

RESPONSE:

For clarity, Creative Energy does not intend to file an updated rates application in 2021 in respect of the extension to 889 Pacific Street. The discussion referenced in the preamble above was not entirely clear by not stating the conclusion on that point. If it may assist for clarity for the purpose of this response and for IRs in this series that follow:

- The second paragraph referenced above was intended to acknowledge the initial isolated context in the Stream B Extension form, which set out that an updated rates application will be filed prior to the planned in-service date of the extension in 2021, given a notable consideration of the expected beneficial rate impact to existing customers; and
- The third paragraph referenced above describes in sequence that we now consider that the matter of the timing and necessity of an updated rates application can be properly considered at a later date in view also of the need for a rates application to be filed to support a rate setting period beginning 2024 (i.e. recognizing the expected impact on rates also of the relocation of the boiler plant or a change in the source of thermal energy by that time). This point is the thesis supporting our view that this Application for rates for the period 2020-2023 is unencumbered by the planned system extension.

We consider it advisable to address the future rate impacts of both the system extension and the relocation of the temporary boiler plant (or change in the source of thermal energy) in a single future rates application, which will promote regulatory efficiency. This approach is supported by the proposed leveled rate design and the accompanying rate smoothing deferral account (the RDDA), which will account for the timing difference in the recovery of the cost of service of the heating TES over the entire contract term. We note also that this approach was suggested in consultation with Commission staff in advance of filing this Application.

- 1.2 Please discuss the rationale for seeking permanent rate approval for the proposed 2020-2023 test period, given Creative Energy intends to file an updated rates application in 2021.

RESPONSE:

Please refer to the response to BCUC Panel IR 1.1 where we have clarified that a future rates application for a period beginning in 2024 can consider the rate impacts of both the extension to 889 Pacific Street and of the relocation of the temporary boiler plant (or change in the source of thermal energy as applicable).

- 1.2.1 As an alternative, has Creative Energy considered reducing the test period from what is currently requested to 1 or 2 years, so as to allow for a new test period to commence upon the filing of the updated rates application? If not, please explain why not. If yes, please explain why Creative Energy did not proceed with this approach.

RESPONSE:

As clarified in the response to BCUC Panel IR 1.1 and the other responses to BCUC Panel IR No. 1, Creative Energy considers that the applied-for test period is appropriate. The proposed leveled rates and the accompanying rate smoothing deferral account will allow for regulatory efficiency in the filing

of a single rates application for a period beginning in 2024, and a shorter test period is therefore unnecessary.

- 1.2.2 As an alternative, has Creative Energy considered maintaining interim rates for heating services until it is ready to file an updated rates application in 2021? If not, please explain why not. If yes, please explain why Creative Energy did not proceed with this approach.

RESPONSE:

The interim heating rates for 2020 were approved on the basis of forecasts dating to October 2019 in advance of the completion of construction of the TES to serve Buildings 3 and 4 of the Vancouver House Development. The interim rates currently in place are too low, and maintaining these rates for 2021 would result in an extraordinary addition to the RDDA and an unreasonable lag in the recovery of the cost of service in that year as compared to the proposed levelized rates for the period 2020-2023. In addition, and as emphasized by a separate Commission Panel in its decision into Creative Energy's Core Steam System 2019-2020 RRA, it may be concerning to keep rates interim for any longer than necessary as it may lead inevitably to having to set rates based on actual results.

In the full context of this response and the responses to the IRs above it is reasonable to seek final approval of the proposed rates for 2020-2023 on the basis of the total cost of the system to service the four originating buildings for the Heating TES at the Vancouver House Development, and that the extension to the 5th building at 889 Pacific Street can commence service under those rates later in 2021.

- 1.2.3 Please discuss the regulatory efficiency and regulatory costs for customers in consideration of the above alternatives.

RESPONSE:

As discussed above, a single rates application for a test period beginning in 2024 that factors in the cost of service impacts of both the extension and relocation of the temporary boiler plant would promote regulatory efficiency as compared to any alternative that would require an additional rates application to be filed in the intervening period. The result would then also likely be lower regulatory costs as compared to any such alternative.

- 1.3 Considering the planned in-service date of the TES Extension is October 2021, please explain how the application for permanent heating rates, as filed in the Evidentiary Update and Rates Application, is “unencumbered by the planned system extension.”¹

RESPONSE:

Please refer to the response to BCUC Panel IR 1.1.

- 1.4 Under a scenario where heating rates for the SODO TES are made permanent for the proposed 2020-2023 test period, please explain how the rate impact from the TES Extension will be addressed when it enters service.

¹ Exhibit B-5, Section 2.3, p. 5.

RESPONSE:

Please refer to the response to BCUC Panel IR 1.1. The rate impact would be reflected in updated rates for a rate setting period commencing in 2024.

- 1.4.1 Under this scenario, please explain the regulatory process Creative Energy intends to undertake when it files the updated rates application for the proposed TES Extension. Discuss why this is the preferred process.

RESPONSE:

Please refer to the response to BCUC Panel IR 1.1.

B. TEMPORARY BOILER PLANT

- 2.0 Reference: TEMPORARY BOILER PLANT**
Exhibit B-5, Temporary Boiler Plant, Section 2.2, p. 4
Test Period Costs for the Temporary Boiler Plant

On page 4 of the Evidentiary Update and Rates Application, Creative Energy states:

Further to the 2020-2023 rate setting period of this Application, Creative Energy is not able to propose rates for the period of 2024 or beyond, as such rates will be contingent upon plans to relocate the temporary boiler plant.

Order C-1-19 directs Creative Energy to file a CPCN application in respect of the anticipated move of the temporary containerized boiler plant of the Heating TES to a permanent location by the end of 2023. Creative Energy anticipates that the relocation of the boiler plant to a permanent location will entail some change to the underlying costs and required rates, thereby requiring a future rates application for the period beginning 2024.

- 2.1 Please explain whether Creative Energy has incurred costs or expects to incur costs with the relocation of the temporary containerized boiler plant of the TES (Temporary Boiler Plant) prior to the end of 2023.

RESPONSE:

Creative Energy incurred some minor costs to assess possible plant locations (less than \$25,000) prior to the filing of the CPCN Application for the Heating TES. Creative Energy does expect to incur further costs related to the relocation prior to the end of 2023 and, as the details have not yet been finalized, no cost forecasts have been prepared. Any costs incurred during 2020-2023 associated with the relocation of the Temporary Boiler Plant or a change to the source of thermal energy for the development will be capitalized.

For clarity, Creative Energy is having discussions with the City of Vancouver and nearby developers about potential plant locations, as well as studying the potential to extend Creative Energy's Core steam system and install steam-to-hot-water conversion. As of yet, no decisions have been made as to the preferred solution.

- 2.1.1 If yes, please provide the actual and forecast costs. Explain how these costs will be addressed in the context of the approval sought for permanent rates.

RESPONSE:

Please refer to the response to BCUC Panel IR 2.1.

- 2.1.2 If no, please explain how the relocation of the Temporary Boiler Plant will be achieved by the end of 2023.

RESPONSE:

To set the appropriate context and for clarity, Commission Order C-1-19 directs Creative Energy to file a CPCN application at least one year prior to any anticipated move of the temporary containerized boiler plant or other change to the source of thermal energy for the development.

Given the terms of the existing agreement with the City and the direction under Order C-1-19, a CPCN application is therefore contemplated no later than the end of 2022, which we believe will support the regulatory process and timing for relocation of the temporary boiler plant or connection to a different source of thermal energy by the end of 2023. Creative Energy expects to be in a position to submit such CPCN application in 2022, and we would only seek a variance for a later filing date if the project to relocate the boiler plant or connect to a different source of thermal energy project is delayed for some reason.

- 2.2 During the proposed 2020-2023 test period, please explain whether Creative Energy anticipates any potential customer rate increases related to the relocation of the Temporary Boiler Plant.

RESPONSE:

No. Any costs incurred during 2020-2023 associated with the relocation of the Temporary Boiler Plant or a change to the source of thermal energy for the development will be capitalized and factored into rates when the related plant is placed in service thereafter.

- 2.2.1 If not, please explain why not.

RESPONSE:

Please refer to the response to BCUC Panel IR 2.2.

- 2.2.2 If yes, please discuss how these rate increases will be addressed when permanent rates are being proposed in this proceeding for the 2020-2023 test period.

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 2.2.

- 2.3 Considering that Creative Energy's proposed rate design for heating rates includes a proposed Revenue Deficiency Deferral Account and a variable charge that flow-through all fuel costs to the customers, please discuss which party/parties would bear the risks of increased costs from the relocation of the Temporary Boiler Plant during the proposed 2020-2023 test period.

RESPONSE:

Further to the responses to BCUC Panel IRs 2.1.2 and 2.2, there is no risk of increased costs to customers during 2020-2023.

- 2.4 Please explain if Creative Energy is considering including the cost impact for the relocation of the Temporary Boiler Plant in a deferral account, with the disposition of the account to be determined following the proposed 2020-2023 test period and any British Columbia Utilities Commission (BCUC) decision regarding the Certificate of Public Convenience and Necessity (CPCN).

RESPONSE:

The costs to support the relocation of the temporary boiler plant or connection to an alternative source of thermal energy will be capitalized and a deferral account in respect of those costs will therefore not be necessary.

- 2.4.1 If so, please provide the expected timing of the deferral account request.

RESPONSE:

Please refer to the response to BCUC Panel IR 2.4.

- 2.4.2 If not, please discuss Creative Energy's proposed alternative.

RESPONSE:

Please refer to the response to BCUC Panel IR 2.4.

- 2.5 Please provide Creative Energy's long-term plan for the SODO TES. Discuss all planned future extensions over the 30-year term including the timing of any extensions or additional buildings to be connected.

RESPONSE:

There are no further extensions, after the extension to Building No. 5 (889 Pacific Street), to the Heating TES being planned now or otherwise being contemplated at this time for future planning.

C. CITY OF VANCOUVER LOW-CARBON ENERGY SYSTEMS POLICY

- 3.0 Reference: CITY OF VANCOUVER LOW-CARBON ENERGY SYSTEMS POLICY
City of Vancouver Low-Carbon Energy Systems (LCES) Policy, Section 8, pp. 4-5
LCES Type 4: Existing Utility-Owned District Energy System

The City of Vancouver's LCES Policy is attached as Appendix A. The following Panel information requests (IR) are in reference to Section 8 (LCES Type 4: Existing Utility-Owned District Energy System) of the City of Vancouver's LCES Policy.

- 3.1 Please confirm, or otherwise explain, that Creative Energy's SODO TES falls under the City of Vancouver's LCES Policy.

RESPONSE:

The SODO Heating TES is a natural gas fueled system without any low carbon energy, and thus does not qualify as a Low Carbon Energy System under the City of Vancouver's LCES Policy.

- 3.1.1 If the LCES Policy does not apply, please provide supporting documentation from the City of Vancouver that its LCES Policy does not apply to Creative Energy's SODO TES.

RESPONSE:

Please refer to section 3 of the City's Low Carbon Energy Systems policy, where low carbon is defined as "the provision of heat energy at a carbon intensity that is much less than that of fossil fuels". Natural Gas is a fossil fuel and hence the SODO TES does not qualify.

- 3.2 If the LCES Policy applies, please confirm that Creative Energy's SODO TES falls under Type 4 LCES, described as "an existing utility-owned district energy system that is not yet a permanent LCES".

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 3.1.

- 3.2.1 If not confirmed, please indicate which LCES type best describes the SODO TES.

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 3.1.

- 3.2.2 If confirmed, please describe what temporary bridging measures Creative Energy is planning to implement to obtain a reliable source of low-carbon energy before the utility becomes a permanent LCES (e.g., renewable natural gas, Aggregation per section 10 of the LCES Policy, or installation of temporary on-site low-carbon heating equipment).

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 3.1.

- 3.2.3 Please discuss the potential for increased capital expenditures and operation and maintenance (O&M) costs and related rate impacts, if, at any point during the proposed 2020-2023 test period, Creative Energy were to be required by the City of Vancouver to implement temporary bridging measures to satisfy the LCES Policy before the utility becomes a permanent LCES.

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 3.1.

- 3.2.4 Considering Creative Energy's proposed rate design for heating, which includes a proposed Revenue Deficiency Deferral Account and a variable charge that flow-through all fuel costs to the customers, please discuss which party/parties would bear the risks of increased costs to meet the LCES Policy.

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 3.1.

- 3.3 Please confirm, or otherwise explain, that Creative Energy's District Cooling System (DCS) falls under the City of Vancouver's LCES Policy.

RESPONSE:

Not applicable. Please refer to section 3 of the Low Carbon Energy Systems policy, where an LCES is defined as a system which provides heat energy.

- 3.3.1 If the LCES Policy does not apply, please provide supporting documentation from the City of Vancouver that its LCES Policy does not apply to Creative Energy's DCS.

RESPONSE:

Please refer to the response to BCUC Panel IR 3.3.

- 3.4 If the LCES Policy applies, please respond to Panel IR 3.2, IR 3.2.1, IR 3.2.2, IR 3.2.3 and IR 3.2.4 in respect of the DCS during the proposed 2020-2025 test period.

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 3.3.

- 4.0 Reference:** **REGISTRATION OF EXTENSION TO SOUTH DOWNTOWN HEATING TES**
Exhibit B-5, Registration of Heating TES Extension, Section 2.3, p. 4;
Registration of Extension to South Downtown Heating TES Application (Extension Registration Application), Exhibit B-1, p. 2; 2019 South Downtown TES CPCN Application (2019 TES CPCN Application), Exhibit B-3, BCUC IR 38.0; City of Vancouver LCES Policy, Section 8, p. 4
LCES Type 4: Existing Utility-Owned District Energy System

On page 4 of the Evidentiary Update and Rates Application, Creative Energy states that it has registered a planned extension to the Heating TES to serve a fifth building at 889 Pacific Street. On page 2 of the Extension Registration Application, Creative Energy states that the planned in-service date of the extension is October 2021.

The preamble to BCUC IR 38.0 of the 2019 TES CPCN Application, Creative Energy stated:

In a letter to the City of Vancouver, dated March 19, 2018 (Schedule 5 of the Application), Creative Energy states:

Creative Energy understands that although some customers in the neighbourhood are not held to the LCES [Low-Carbon Energy Systems] policy, developments that rezoned after 1st May 2017 will need to comply with LCES policy, and that Creative Energy's permanent plant will need to produce a quantity of low carbon energy to satisfy that potential demand. [*underline added*]

- 4.1 Please confirm, or otherwise explain, that the building located at 889 Pacific Street (Building No. 5) was rezoned after May 1, 2017.**

RESPONSE:

We understand that 889 Pacific St was rezoned prior to May 1, 2017, and in any event is not required to comply with the LCES policy. Please refer to the Rezoning report to the City of Vancouver Council dated January 24, 2017: <https://council.vancouver.ca/20170124/documents/p3.pdf>

- 4.1.1 If yes, please confirm, or otherwise explain, that Building No. 5 is required to comply with the City of Vancouver's LCES Policy. Please also confirm, or otherwise explain, that the building is subject to a greenhouse gas (GHG) Intensity requirement of 6 kg/m²/year.**

RESPONSE:

Please refer to the response to BCUC Panel IR 4.1.

- 4.1.2 If the LCES Policy does not apply, please provide supporting documentation from the City of Vancouver that its LCES Policy does not apply to Building No. 5.**

RESPONSE:

Please refer to the response to BCUC Panel IR 4.1.

Since the following Panel IRs assume that Building No. 5 must comply with the LCES Policy, please respond to these IRs only if the responses to Panel IR 4.1.1 is “confirmed”.

- 4.2 Considering Creative Energy’s proposed TES Extension to serve Building No. 5 before the SODO TES becomes a permanent LCES, please confirm, or otherwise explain, that section 8(a) of the LCES Policy applies to Building No. 5.

RESPONSE:

Not applicable.

- 4.2.1 If so, please describe how Creative Energy plans to obtain a temporary and reliable source of low carbon energy (e.g., renewable natural gas, Aggregation as per section 10 of the LCES Policy, or installation of temporary on-site low carbon heating equipment) to supply Building No. 5 with low-carbon energy so that it meets its GHG Intensity cap.

RESPONSE:

Not applicable.

- 4.2.2 During the proposed 2020-2023 test period, does Creative Energy anticipate the need for increased capital expenditures and/or O&M costs, and related rate increases, related to a low-carbon TES Extension in the eventuality it must implement temporary bridging measures to satisfy Building No. 5’s GHG Intensity cap? If not, please explain why not.

RESPONSE:

Not applicable.

- 4.2.3 Considering that Creative Energy’s proposed rate design for heating rates includes a proposed Revenue Deficiency Deferral Account and a variable charge that flow-through all fuel costs to the customers, please discuss which party/parties would bear the risks of increased costs to meet the LCES Policy during the proposed 2020-2023 test period.

RESPONSE:

Not applicable.

The following Panel IR is in reference to section 6.1 (LCES Type 2a: Utility-Owned On-Site LCES) of the City of Vancouver LCES Policy included as Appendix A.

- 4.3 If Creative Energy does not plan to provide low-carbon energy to Building No. 5 before it becomes a permanent LCES, please discuss the likelihood, as well as short-term and long-term rate impacts of Creative Energy losing the added load if the developer of Building No. 5 elected to obtain energy from a Type 2a on-site LCES instead and comply with the Type 2a requirements to meet its GHG Intensity limit.

RESPONSE:

Not applicable.

- 5.0 Reference:** **FUTURE EXTENSIONS TO SOUTH DOWNTOWN TES**
2019 TES CPCN Application, Exhibit 3, BCUC IR 38.0
LCES Type 4: Existing Utility-Owned District Energy System

The preamble to BCUC IR 38.0 states:

In a letter to the City of Vancouver dated March 19, 2018 (Schedule 5 of the Application), Creative Energy states:

Creative Energy understands that although some customers in the neighbourhood are not held to the LCES [Low-Carbon Energy Systems] policy, developments that rezoned after 1st May 2017 will need to comply with LCES policy, and that Creative Energy's permanent plant will need to produce a quantity of low carbon energy to satisfy that potential demand. [*underline added*]

- 5.1 Please discuss whether Creative Energy currently has plans to connect additional buildings to the SODO TES (in addition to Building No. 5), during the proposed 2020-2023 test period, and before it becomes a permanent LCES?

RESPONSE:

Creative Energy has no plans to connect additional buildings at this time. Please also refer to the response to BCUC Panel IR 2.5.

- 5.1.1 If so, please indicate whether any of them have been rezoned after May 1, 2017 and need to comply with the LCES Policy.

RESPONSE:

Please refer to the response to BCUC Panel IR 5.1.

- 5.1.2 If any of them need to comply with the LCES Policy, please respond to Panel IR 4.2, IR 4.2.1, IR 4.2.2, IR 4.2.3 and IR 4.3 above in respect of such buildings.

RESPONSE:

Not applicable. Please refer to the response to BCUC Panel IR 5.1.

- 5.2 If Creative Energy were to enter into negotiations with developers of new buildings in the future, which were rezoned after May 1, 2017 and fall under the LCES Policy, to connect them to the SODO TES during the proposed 2020-2023 test period and before it becomes a permanent LCES, please respond to Panel IR 4.2, IR 4.2.1, IR 4.2.2, IR 4.2.3 and IR 4.3 above in respect of such buildings.

RESPONSE:

Creative Energy has no plans to connect additional buildings at this time, and is not in any such negotiations.