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Creative Energy Vancouver Platforms Inc.

Fuel Cost Adjustment Charge Rate Rider Application

Decision
and Order G-226-19

September 18, 2019

Before:
T. A. Loski, Panel Chair
B. A. Magnan, Commissioner
R. I. Mason, Commissioner

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1.0 Introduction

1.1 The Application and Approvals Sought

On February 28, 2019, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application with the British Columbia Utilities Commission (BCUC) for a Fuel Cost Adjustment Charge (FCAC) Rate Rider approval of $4.80 per one thousand pounds of steam (M#), effective March 1, 2019 (Application). This Application seeks approval of an FCAC Rate Rider to recover the excess balance in the Fuel Cost Stabilisation Account (FCSA).

With the Application, Creative Energy is also requesting the FCAC Rate Rider be calculated using an 18-month amortization period. Additionally, Creative Energy is requesting approval to include incremental third-party regulatory costs in the FCSA and for these costs to be recovered from customers through the proposed FCAC Rate Rider.

1.2 Legislative Framework

The Panel will be guided by the UCA in the evaluation of this application. In particular, sections 59 to 61 of the UCA pertain to the setting and amendment of rates.

When setting rates under section 60(1)(a) and (b), the BCUC must consider all matters that it considers proper and relevant affecting the rate, and to have due regard for setting a rate that is not unjust and unreasonable. Section 60(1)(b.1) states that the BCUC may use any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period. Under section 61(4) of the UCA, a public utility may file with the BCUC a new schedule of rates the utility considers to be made necessary by a change in the price, over which the utility has no effective control. Specifically, pursuant to section 61(5) and 61(6), the BCUC may direct an inquiry into the new rate schedule having regard to whether the new rate is just and reasonable.

1.3 Previous BCUC Decisions

The FCAC and the mechanism to recover excess balances in the FCSA were first approved by the BCUC by Order G-167-16. Prior to this 2016 decision, Creative Energy determined the level of the FCAC based on forecast fuel costs and the monthly balance of the FCSA, adjusting the FCAC as necessary. In Order G-167-16, the BCUC determined that the FCAC would be based on forecast total annual fuel costs and load as approved by the BCUC. Further, the BCUC determined that a FCAC Rate Rider should be set by amortizing excess balances in the FCSA over two years.

By Order G-205-18, Creative Energy was directed to file for approval the amortization period for the FCSA at the time it files a FCAC Rate Rider change application with the BCUC.

Through Order G-213-18, the BCUC accepted Creative Energy's application to increase its FCAC Rate Rider to $13.75/M#, effective October 18, 2018. This was in response to the pressure on Creative Energy's fuel costs related to high gas commodity prices due to the Enbridge pipeline explosion. The BCUC also directed Creative Energy to file a quarterly report that includes a review of the FCSA balance, the appropriate amortization of the FCSA and any request to change the FCAC Rate Rider.

On February 28, 2019, Creative Energy submitted their application for approval of a FCAC Rate Rider of $4.80/M#, effective March 1, 2019. The BCUC approved the FCAC Rate Rider of $4.80/M# on an interim basis via Order G-52-19, while a public written hearing process is conducted and the BCUC considers the Application.

1.4 Regulatory Process

By Order G-52-19 dated March 8, 2019, the BCUC established a written hearing process for its review of the Application. The two parties registered as interveners in this proceeding are:

- British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizen's Organisations of BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as the "BCOAPO"; and
- Commercial Energy Consumers Association of British Columbia (CEC).

On April 25, 2019, the BCUC issued a letter to Creative Energy and interveners requesting comments from all parties on the BCUC's proposed regulatory process and timetable. The BCUC received submissions from interveners on the BCUC's proposed process.

Following these submissions, the BCUC issued an amended regulatory approach by Order G-100-19. This amended approach included a second round of information requests (IR) and a request for submissions on further process, including whether the regulatory process should move to a streamlined review process (SRP), final argument, or another procedural process.

In a letter date June 6, 2019, Creative Energy proposed that the regulatory process move directly to final argument.[1] Creative Energy argued that the substantive matters at issue in the Application had been adequately addressed in the two rounds of IRs and that an SRP would provide limited value to justify the additional time and resources for such a process. The CEC and BCOAPO supported Creative Energy's proposal.

The BCUC considered the arguments concerning an SRP and further process and agreed with the parties' submissions that the evidentiary record is sufficient to proceed to final written argument. Therefore, the BCUC issued Order G-126-19 which set out an amended regulatory timetable.

1.5 Organization of the Decision

This decision is structured into the following sections:

- Section 1.0 is the introduction and background to the Application, legislative framework, previous BCUC decisions and the regulatory process followed in the review of the Application.
- Section 2.0 discusses the need for the rate rider.
- Section 3.0 examines the calculation of the rate rider and the amortization period.
- Section 4.0 sets out issues related to third-party regulatory costs.
- Section 5.0 discusses the quarterly review of gas costs.

2.0 Increase in FCSA Balance Resulting in Requirement for Rate Rider

Creative Energy recovers its fuel expenses from its customers using two methods: i) a Fuel Cost Charge and ii) an FCAC Rate Rider. The Fuel Cost Charge is approved by the BCUC and is based on forecast annual fuel costs divided by forecast annual load. Positive or negative variances between forecast fuel costs and actual fuel costs are captured in the FCSA. The FCAC Rate Rider distributes or collects from customers, as applicable, the positive or negative balances in the FCSA. The threshold for the application of a rate rider is when balances in the FCSA exceed plus or minus 5 percent of the most recently approved 12-month forecast of fuel costs.

[1] Exhibit B-8.

By the 2018 Creative Energy FCAC decision (Order G-213-18), the BCUC accepted the proposed updated FCAC Rate Rider of $13.75/M#, effective October 2018. Creative Energy states that unprecedented and unforeseeable high natural gas commodity prices led to exceptionally high fuel costs incurred during the winter period of November 2018 through March 2019 (Winter 2018/2019). This resulted in a balance of $8.7 million in Creative Energy's FCSA over a relatively short time period. The following table provides a report of the FCSA balance from 2015 to February 2019. [2]

Table 1: Report of FCSA Balance

2015 Year end	$(922,088)
2016 Year end	$(182,560)
2017 Year end	$(475,034)
October 2018	$(380,074)
November 2018	$1,962,893
December 2018	$2,856,073
January 2019	$2,706,389
February 2019	$8,714,442

Despite the BCUC-approved increase to the FCAC Rate Rider effective October 2018, the balance at the time of the Application in the FCSA exceeds 5 percent of the most recently approved 12-month forecast fuel costs.[3] Creative Energy states the FCSA balance has grown to approximately 37 percent of Creative Energy's rolling 12-month fuel cost total.

The FCSA balance is higher than in previous years and Creative Energy considers this excess balance above the 5 percent threshold will persist and not "self-clear" within a reasonable period. Creative Energy provided the following forecast of the FSCA balance if no rate rider was applied and assuming only the existing $13.75/M# FCAC Rate Rider remains in effect.[4]

Table 2: Actual and Forecast FCSA Balance assuming no Rate Rider

Month 2019	Deferral Balance	12 Month Rolling Fuel Cost	Deferral Balance as % of Fuel Cost
January	2,706,389	16,308,193	17%
February	8,714,442	23,259,770	37%
March	10,503,370	25,532,775	41%
April	10,193,791	25,603,316	40%
May	10,049,433	25,857,952	39%
June	9,955,532	25,938,286	38%
July	9,926,849	26,000,778	38%
August	9,913,771	26,039,032	38%
September	9,870,371	26,049,496	38%
October	9,668,640	25,210,518	38%
November	9,623,144	23,067,786	42%
December	9,682,268	22,360,086	43%

[2] Exhibit B-1, p. 6.
[3] British Columbia Utilities Commission Order G-213-18.
[4] Exhibit B-1, p. 5.

Position of the Parties

Creative Energy

Creative Energy's fuel expenses, comprised of natural gas commodity and transportation costs, fuel oil costs etc., represent the largest cost to be recovered from its customers for the provision of heating service. Creative Energy's fuel costs are recovered from customers on a flow-through basis. It argues there are limited options to recover the excess fuel costs incurred during Winter 2018/2019 from customers other than putting in place an FCAC Rate Rider. Therefore, in Creative Energy's view, the subject of approval is not whether a rate rider should be established, but what the level of the rate rider ought to be, based on the approved mechanism and amortization period.[5]

During Winter 2018/2019, Creative Energy's total fuel expenses were approximately $12 million higher than during the comparable period of Winter 2017/2018. Creative Energy attributes this increase in fuel costs to higher than normal natural gas commodity process during Winter 2018/2019 due to:

- The supply constraint arising from the Enbridge pipeline explosion in northern BC on October 9, 2018 and related pipeline inspection and maintenance activities on the Enbridge system through the winter;
- Higher than expected customer demand due to the persistence of colder than normal weather beginning in early February 2019, which followed an unexpected shift of the polar vortex into the region; and
- Constraints arising from compression issues at the underground natural gas storage facility at Jackson Prairie in Washington state, which delivers a significant share of natural gas supply to the Pacific Northwest, also in February 2019.[6]

Creative Energy submits that the excess fuel costs incurred during Winter 2018/19 were unavoidable due to unprecedented and unforeseeable events and impacts.[7] In Creative Energy's view, the extraordinary gas prices driven by the ongoing market effects of the pipeline explosion can only be truly regarded as a force majeure-type event and very much out of its control.[8] Neither the pipeline explosion nor the extraordinary gas prices this winter could have been foreseen by Creative Energy or the BCUC.[9]

Creative Energy acknowledges it was unable to implement a cost-effective hedging strategy in advance of or during Winter 2018/2019 to contend with the increase in fuel costs. However, Creative Energy also states that it used its backup fuel system to moderate the impact of high natural gas commodity prices to the extent possible in the circumstances.[10]

CEC

CEC states that it accepts that Creative Energy could not have reasonably foreseen the events and the high gas commodity costs.[11] It also accepts that Creative Energy was unable to conduct cost-effective hedging, and that it was acting appropriately within the constraints of its gas supply contract with Cascadia Energy Ltd (Cascadia).[12] CEC submits that Creative Energy acted appropriately in utilizing its backup fuel system to the extent possible and was reasonably successful in mitigating the impact of high gas commodity costs.[13]

[5] Exhibit B-2, Information Request (IR) 1.5.
[6] Creative Energy Vancouver Platforms Inc. (Creative Energy) Final Argument, p. 4.
[7] Ibid., pp 2-4.
[8] Ibid., p. 4.
[9] Exhibit B-1, pp. 5-6.
[10] Creative Energy Final Argument, p. 14.
[11] Commercial Energy Consumers Association of British Columbia (CEC) Final Argument, p. 5.
[12] Ibid., p. 5.
[13] Ibid., p. 6.

CEC submits that the evidence appears to be that Creative Energy is a small utility and has not been especially well-served by using Cascadia as a gas supplier.[14] CEC also states that Creative Energy's move to FortisBC Energy Inc. (FEI) as its energy supplier is a positive move in protecting customers and commends Creative Energy for this step.[15]

BCOAPO

BCOAPO states that it does not contest the right of the utility to recover prudently incurred commodity costs from customers.[16] BCOAPO also states that it accepts that Creative Energy faced significant and unforeseen supply constraints beginning in October 2018.[17]

BCOAPO accepts the evidence regarding the Enbridge pipeline explosion, Jackson Prairie storage compression issues and much colder than expected weather in February 2019. BCOAPO also states that it accepts that Creative Energy faced significant and unforeseen supply constraints beginning in October 2018.[18]

BCOAPO states that it takes no issue regarding Creative Energy's decision to use the backup fuel system to mitigate costs, and notes that even if a hedging arrangement had been in place, the financial impacts on customers of the gas supply constraints would not have been markedly reduced.[19] BCOAPO states that it has concerns with Cascadia as the gas supplier for Creative Energy, and that is supportive of Creative Energy's move to FEI as its gas supplier.[20]

Panel Determination

The Panel determines that a rate rider shall be established. The Panel agrees that prudently incurred fuel costs are flow-through in nature. Furthermore, Creative Energy's supply contract with Cascadia, the 2018-2019 Annual Contracting Plan and the rate setting mechanism were all approved and implemented to mitigate the risk to ratepayers of unnecessarily excessive fuel costs by ensuring that Creative Energy will act in a reasonable manner when executing its natural gas contracting strategy.[21] The Panel has not seen evidence that Creative Energy acted outside of the previously approved orders. As a result, the Panel is persuaded that the fuel costs incurred were the result of unforeseen circumstances, were unavoidable and therefore should be recovered by Creative Energy.

The Panel agrees with Creative Energy that it is likely that the excess balance in the FCSA would continue to persist if a rate rider is not applied to reduce the current FCSA balance to below the 5 percent threshold.

Therefore, for the above stated reasons, the Panel finds that the establishment of the FCAC Rate Rider is just and reasonable.

The Panel is persuaded that Creative Energy took reasonable actions to mitigate the impacts of the unforeseen commodity price increases. However, the Panel finds it concerning that Cascadia did not inform Creative Energy in a more timely fashion of the significant impact on spot natural gas prices resulting from the compression problems at the Jackson Prairie storage facility. Cascadia was informed of the problem on Saturday, February 9th,

[14] Ibid., p. 13.
[15] Ibid., p. 14.
[16] British Columbia Old Age Pensioners' Organization (BCOAPO) Final Argument, p. 2.
[17] Ibid.
[18] Ibid.
[19] Ibid.
[20] Ibid., p. 6.
[21] BCUC Order E-21-17 approving the supply contract with Cascadia; BCUC Letter L-26-18 approving Creative Energy's 2018-2019 Annual Contracting Plan; BCUC decision accompanying Order G-167-16, dated November 18, 2016, p. 30.

2019. However, Creative Energy was not made aware until February 11th. Creative Energy has not provided any explanation for this apparent delay in the communication of such a serious event.

The Panel acknowledges that Creative Energy will allow its contract with Cascadia to expire and has contracted with FEI for the upcoming gas year, which should help to mitigate against similar occurrences in the future.

The rate rider amount and amortization period will be discussed in the next section of the decision.

3.0 Calculation of Rate Rider and Amortization Period

In Order G-167-16, the BCUC stated that, where the balance in the FCSA exceeds plus or minus 5 percent of the most recently approved 12-month forecast total fuel cost, any amount in excess of this is to be collected or reimbursed through an FCAC Rate Rider with an amortization period of two years.[22] The BCUC also stated that the appropriate amortization of the FCSA balance is to be assessed by Creative Energy at June 30 and December 31 of each year.[23]

A key proposal within the Application is that the amortization period for the rate rider be over a period of 18 months. Creative Energy provides the following analysis of the expected customer bill impacts under different assumed amortization periods to reduce the excess balance in the FCSA to 5 percent of a rolling 12 months of fuel costs on a forecast basis.[24]

Table 3: 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%

In response to IRs, Creative Energy provided the following revised estimated rate riders based on the current deferral account balance and the approved 12-month forecast total fuel cost.[25]

Table 4: Rate Rider Recovery of Current and Projected FCSA Excess Balance-Proposed method

Approved 12-month Fuel Cost Forecast - 2018	$15,566,129			
Amortization Period (months)	6	12	18	24
Current + Projected FCSA – no Rate Rider ($ million)	10.5	10.3	9.4	7.8
Current + Projected FCSA as % of Forecast Fuel Cost – no Rate Rider	68%	66%	60%	50%
Rate Rider $/M# (5% balance end of Period)	24.13	8.72	5.49	3.13

Position of the Parties

<u>Creative Energy</u>

Creative Energy states that while none of these amortization period options (6, 12, 18 or 24-months) match cost recovery to the period in which costs were incurred, an 18-month amortization period strikes a reasonable

[22] BCUC decision accompanying Order G-167-16, dated November 18, 2016, p. 30.
[23] Ibid.
[24] Exhibit B-1, p. 7.
[25] Exhibit B-2, IR 3.1.

balance between the bill impact to customers and the timely recovery of the fuel costs that have been incurred to serve customers.[26]

Creative Energy submits that its proposal for an 18-month amortization period reflects a balanced consideration of the bill impact to customers and the intergenerational equity issue and carrying costs that arise from a material delay in the recovery of costs already incurred to deliver service.[27] Further, Creative Energy states that this is the essential trade-off that arises from the consideration of alternative amortization periods.[28]

Creative Energy states that a recovery period longer than 18-months would moderate bill impacts to customers but worsen intergenerational equity issues as the time between when the costs were incurred and when the costs are recovered from affected customers would increase.[29] While a shorter duration amortization period would more closely match the period in which costs occurred with cost recovery, Creative Energy states that it would impose a much greater bill impact to customers.[30]

Creative Energy states that a rate rider of $4.80/M# would be projected to recover the excess balance in the FCSA in approximately 20 months under the proposed approach based on updated calculations, which include the latest recorded fuel costs and forecasted fuel costs.[31]

Further, Creative Energy states: [32]

> In addition, for smaller utilities like Creative Energy the amortization period for recovery of costs incurred ought to consider the utility's ability to access debt at a favourable rate for long periods. In other words, Creative Energy does not have the same ability as BC Hydro, for example, to absorb cost increases for the purpose of smoothing rate impacts over a relatively longer period.

Creative Energy acknowledges it "may be too precise" to suggest a significant difference between the 18 and 24-month amortization period with respect to intergenerational equity because neither period matched cost causation and recovery.[33] Furthermore, Creative Energy states that moving from an 18-month to a 24-month amortization period would not result in unacceptable intergenerational inequity."[34]

However, Creative Energy states the BCUC determination regarding "rate shock" is not required in this proceeding as their customers may in general be accustomed to their fuel cost rates changing, sometimes by a large percentage over a relatively short time. Creative Energy also notes its customers are building owners, not individual residential customers and there has been limited customer concern in reaction to the interim $4.80/M#.

Regarding the calculation of the rate rider, Creative Energy corrected the methodology to calculate the proposed rate rider such that it targets reducing the excess balance in the FCSA at the end of 18 months to 5 percent of the most-recently approved 12-month forecast of total fuel cost, as opposed to 5 percent of a rolling 12-month forecast of total fuel costs. Creative Energy noted the forecast is forward looking and dependent on factors such as the forecast natural gas commodity cost and forecast load. Hence, Creative Energy acknowledges

[26] Exhibit B-1, p. 7.
[27] Exhibit B-3, IR 3.3.
[28] Ibid.
[29] Creative Energy Final Argument, p. 10.
[30] Exhibit B-6, IR 10.2.
[31] Exhibit B-2, IR 3.1.
[32] Exhibit B-4, IR 3.1.
[33] Exhibit B-3, IR 3.3.
[34] Exhibit B-6, IR 1.2.

that when the actual and forecast inputs in the model were updated, the rate rider was equal to $5.49/M# over an 18-month amortization period.[35]

Despite the updated rate rider figure, Creative Energy still requests approval of a rate rider equal to $4.80/M# on a permanent basis. Creative Energy considers it would be premature to update the level of the proposed rate rider sought in this application when an ongoing quarterly report, as directed under Order G-213-18, would be an effective mechanism to monitor the FCSA balance and to confirm whether any adjustments to the level of the rate rider would be appropriate and required going forward.[36]

Creative Energy also states that if the BCUC approves an amortization between 6 and 24 months, it does not foresee requesting changes to the current calculation method of the rate rider, other than to ensure that carrying costs related to the excessive amounts in the FCSA are also fully recovered at such time that the rate rider amortization period ends.[37]

CEC

CEC is of the view that the proposed 18-month amortization period could result in larger than necessary bill impacts, which could be mitigated with a longer amortization period.[38]

CEC further submits that it is likely the costs eligible for recovery will be higher than those calculated using Creative Energy's proposed methodology and the proposed rate rider may be insufficient to recover the balance over 18-months. Thus, the rate rider could be higher than the $4.80/M# currently forecast.[39]

CEC states a 12 percent bill increase over a 24-month period is more desirable than the 21 percent increase under an 18-month period. CEC is of the view that given the recent sizeable increase in the FCAC, a 21 percent (or higher) rate rider is unnecessarily high, and can represent a form of "rate shock."[40] CEC states that in previous decisions the BCUC has stated that "generally, a 10 percent rate increase is the threshold at which 'rate shock is experienced.'"[41]

CEC submits that there is not compelling evidence on the record that Creative Energy would be significantly impaired by a slightly longer amortization period, but conversely, the customer impact is substantial.[42]

Furthermore, CEC submits the issue of intergenerational inequity is not likely to be a significant issue as the customer group for Creative Energy is not especially volatile.[43]

The CEC recommends the BCUC deny the 18-month amortization period, and approve a 24-month amortization, using updated cost estimates.[44]

BCOAPO

BCOAPO submits that intergenerational equity is not a material issue when comparing 18-month to 24-month amortization periods, "as 6 months may be an intergenerational period for a Monarch butterfly, but it is not for

[35] Ibid., IR 3.1.
[36] CEC Final Argument, p. 7.
[37] Exhibit B-6, IR 10.1.
[38] CEC Final Argument, p. 8.
[39] Ibid., p. 9.
[40] Ibid.
[41] Ibid.
[42] Ibid., p. 10.
[43] Ibid., p. 9.
[44] Ibid., p. 10.

ratepayers."[45] In BCOAPO's view, the issues of concern in choosing between 18-month and 24-month periods are bill impact, rate rider duration and the associated carrying costs.[46] BCOAPO states that the resulting bill impact under a 24-month amortization is very much preferable to that under the proposed 18-month amortization period.[47] BCOAPO also acknowledges that a shorter rate rider duration results in lower carrying costs.[48] However, BCOAPO submits that the bill impact issue is the most important of the three and should be given significant consideration.[49]

BCOAPO does not support an amortization period of less than 24 months.[50] BCOAPO also submits that even the 12 percent bill impact from the 24-month period is too high, particularly for low- and fixed-income customers, and is still above the 10 percent rate shock threshold. Thus, BCOAPO urges the BCUC to consider an alternative solution to mitigate the effects of a rate shocks for customers.[51]

Panel determination

The Panel rejects Creative Energy's request for an 18-month amortization period. When considering the appropriateness of the proposed amortization period, the Panel places considerable weight on the impact of the rate rider on Creative Energy's customers. In this regard, the Panel agrees with BCOAPO and CEC that a bill increase of 21 percent would be unnecessarily high. The Panel also considers that the recent increase to the FCAC from $10.41/M# to 13.75/M# in October 2018 means that the average bill increase over a relatively short period of time is even more substantial.

An option to mitigate this bill impact is to increase the period over which the account is amortized. While the bill impact of 12 percent from a 24-month period is still significant it is not as excessive as the 18-month period. Creative Energy indicates there may be issues with intergenerational equity by increasing the amortization period, however the Panel agrees with interveners that intergenerational equity is not a material issue when comparing 18-month to 24-month recovery periods since evidence indicates that Creative Energy's customer base appears to be stable.

Creative Energy also highlights that additional carrying costs will result from a longer amortization period. The Panel is persuaded that the bill impact difference between an 18-month and 24-month amortization period is of greater import than the resulting increased carrying costs, and the longer duration of the rate rider, given the recent circumstances of rate increases experienced by Creative Energy customers.

For the above reasons, the Panel finds that a 24-month amortization period for the FCAC Rate Rider is appropriate. This period provides a more reasonable balance between mitigating rate increases for customers while allowing Creative Energy to recover its prudently incurred costs in a reasonable timeframe.

The Panel directs Creative Energy to file within 30 days an updated rate rider amount calculated using up-to-date information based on a 24-month amortization period effective March 1, 2019, and consistent with the calculation method used in the response to BCUC IR 3.1. For clarity, the difference between the interim rate rider and the final rate rider for the period in which customers were charged the interim rate should be refunded to or collected from customers and the total amount should be reflected in the excess balance of the FCSA.

[45] BCOAPO Final Argument, p. 4.
[46] Ibid.
[47] Ibid.
[48] Ibid.
[49] Ibid., p. 5.
[50] Ibid.
[51] Ibid., p. 6.

4.0 Third Party Regulatory Costs

During the evidentiary phase of the proceeding, Creative Energy revised its Application to seek approval to include recovery of anticipated incremental third-party regulatory-related costs through the FCSA and the FCAC Rate Rider.[52] Creative Energy estimates the third-party regulatory costs to be $25,000.

Position of the Parties

Creative Energy

Creative Energy proposes that third-party regulatory costs, although forecast to be relatively small, be included in the FCSA and recovered through the FCAC Rate Rider. These costs include an estimate of Commissioner fees, PACA funding, and legal counsel, all of which would not otherwise have been incurred had not the events of this past winter required Creative Energy to file this Application.[53] Creative Energy argues that

> Creative Energy submits that the first contemplated quarterly report would be an appropriate forum to confirm the total of actual third-party regulatory costs for the Commission's approval for inclusion in the FCSA.[54]

As an alternative to recovering the third-party regulatory costs, Creative Energy would seek to recover these costs through its existing Third-Party Regulatory Cost Deferral Account (TPRCDA).[55]

CEC

The CEC submits that the incremental, third party costs should be excluded from recovery in the rate rider and are appropriately addressed in the annual revenue requirements process.[56] The CEC recommends that the BCUC deny the recovery of the third-party costs in the rate rider and consider these in the next revenue requirements proceeding.[57]

BCOAPO

Given that there is an established and approved TPRCDA, BCOAPO submits that any third-party regulatory costs that are material, not covered by the forecasted costs included in its approved RRA, and therefore truly incremental to costs already recovered in rates, should be booked into the TPRCDA.[58] BCOAPO submits that the TPRCDA is an appropriate mechanism by which third party regulatory costs associated with this proceeding should be recovered.[59]

Panel Determination

The Panel denies the recovery of the third-party regulatory costs through the FCAC Rate Rider and denies accounting for the third-party regulatory costs in the FCSA.

In Order G-167-16, November 18, 2016, the BCUC established processes to manage the FCSA allowing it to function in a manner more typical of a BCUC-approved deferral account. Starting January 1, 2017, any positive or negative variances between forecast fuel costs and actual fuel costs, are to be captured in the FCSA.[60] The

[52] Exhibit B-2, IR 3.1.
[53] Exhibit B-6, IR 9.1.
[54] Creative Energy Final Argument, p. 12.
[55] Ibid., p. 13.
[56] CEC Final Argument, p. 11.
[57] Ibid.
[58] BCOAPO Final Argument, p. 5.
[59] Ibid, p. 6.
[60] BCUC decision accompanying Order G-167-16, dated November 18, 2016, p. 30.

Panel observes that the BCUC did not specify regulatory related costs to be included with Fuel Costs. The Panel finds that third-party regulatory costs were not intended to be charged to the FCSA.

The review of the third-party regulatory costs, and the TPRCDA should be considered in Creative Energy's next revenue requirements application. For clarity, the Panel makes no finding regarding the appropriateness of the third-party regulatory costs that Creative Energy incurred related to this proceeding.

5.0 Quarterly Review

In Order G-213-18, the BCUC directed Creative Energy to file a quarterly report to review the FCSA balance, the FCAC and the FCAC Rate Rider.

Position of the Parties

Creative Energy

Creative Energy considers that the first quarterly review, to confirm whether any adjustments to the rate rider would be appropriate and required going forward, could be timed to coincide with updating its annual forecast of fuel costs effective November 1, 2019.

Additionally, Creative Energy submits that the first contemplated quarterly report would also be an appropriate forum to confirm the total of actual third-party regulatory costs for the BCUC's approval for inclusion in the FCSA.

CEC

While generally supportive of the quarterly review, CEC has concerns that this review should not be used to justify the continuation of the existing rate rider rate of $4.80/M#.[61] In reply, Creative Energy states it does not consider its support for quarterly reporting and oversight as intended to justify the continuation of the $4.80/M#, but rather to provide for appropriate oversight of fuel cost recovery going forward.[62]

Panel Determination

The Panel agrees with Creative Energy that it is appropriate to review the FCSA balance, the FCAC and the FCAC Rate Rider as part of the quarterly review process established by Order G-213-18.

[61] CEC Final Argument, paragraph 79.
[62] Creative Energy Reply Argument, pp. 3-4.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of September 2019.

Original signed by:

T. A. Loski
Panel Chair / Commissioner

Original signed by:

B. A. Magnan
Commissioner

Original signed by:

R. I. Mason
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ORDER NUMBER
G-226-19

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

and

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

BEFORE:
T. A. Loski, Panel Chair
B. A. Magnan, Commissioner
R. I. Mason, Commissioner

on September 17, 2019

ORDER

WHEREAS:

A. On February 28, 2019, Creative Energy Vancouver Platforms Inc. (CEV) filed with the British Columbia Utilities Commission (BCUC) a Fuel Cost Adjustment Charge (FCAC) Rate Rider application (Application), seeking approval of an FCAC Rate Rider of $4.80 per thousand pounds steam (M#), effective March 1, 2019;

B. CEV submits that the proposed FCAC Rate Rider has been calculated based on an 18-month amortization of the current balance in the Fuel Charge Stabilization Account (FCSA) and is targeted to reduce the exceedance in the FCSA to five percent of a rolling 12-month total of fuel costs over a period of 18 months, on a forecast basis;

C. By Order G-167-16, dated November 18, 2016, the BCUC established the process by which the FCSA is managed;

D. In its decision and accompanying Order G-205-18, dated October 25, 2018, the BCUC directed CEV to file for approval of the amortization period for the FCSA at the time it files the FCAC rate change applications with the BCUC in the format directed in the 2016-2017 RRA decision;

E. By Order G-213-18, dated November 8, 2018, the BCUC approved an FCAC of $13.75 per M#, based on a 12-month amortization of the current balance in the FCSA;

F. By Order G-52-19, dated March 8, 2019, the BCUC approved a FCAC Rate Rider of $4.80 per M# on an interim and refundable basis, effective March 1, 2019. Further, the BCUC established the regulatory timetable for the review of the Application, which included one round of information requests (IR), deadline for letters of comment, deadline for CEV to respond to letters of comment and further process to be determined;

G. By Order G-100-19, dated May 7, 2019, the BCUC approved an amended regulatory timetable which included a second round of IRs and a request for submissions on further process, including whether the regulatory process should move to a streamlined review process, final argument, or another procedural process;

H. By Order G-126-19, dated June 11, 2019, the BCUC established the remainder of the regulatory timetable with the filing of written final and reply arguments; and

I. The BCUC has reviewed the evidence and arguments in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59-61 of the *Utilities Commission Act*, for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

1. The establishment of an FCAC Rate Rider, which was approved on an interim basis by Order G-52-19, is made permanent, effective March 1, 2019.
2. The request for permanent approval of an FCAC Rate Rider of $4.80 per M# is denied. More specifically, the requests in the Application, as listed below are not approved:
    a. An FCAC Rate Rider calculated based on an 18-month amortization of the current balance in the FCSA; and
    b. The request to account for third-party regulatory costs in the FCSA and subsequently recover those costs through the FCAC Rate Rider.
3. CEV is directed to file within 30 days, an updated rate rider amount using up-to-date information based on a 24-month amortization period effective March 1, 2019 and the exclusion of third-party regulatory costs in the FCSA.
4. Creative Energy is to inform its customers of the approved FCAC Rate Rider in a timely manner by way of a customer notice.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of September 2019.

BY ORDER

Original signed by:

T. A. Loski
Commissioner

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

and

Creative Energy Vancouver Platforms Inc.

Application for Fuel Cost Adjustment Charge Rate Rider

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated March 8, 2019 - Appointing the Panel for the review of Creative Energy Vancouver Platforms Inc. Application for Fuel Cost adjustment Charge Rate Rider
A-2	Letter dated March 8, 2019 – Order G-52-19 issuing a Regulatory Timetable for the review of the application
A-3	Letter dated March 15, 2019 – BCUC Information Request No. 1 to Creative Energy
A-4	Letter dated April 25, 2019 – BCUC request for submissions on further process
A-5	Letter dated May 7, 2019 – Order G-100-19 establishing a further Regulatory Timetable
A-6	Letter dated May 15, 2019 – BCUC Information Request No. 2 to Creative Energy
A-7	Letter dated June 11, 2019 – Order G-126-19 establishing a further Regulatory Timetable

APPLICANT DOCUMENTS

B-1	**CREATIVE ENERGY VANCOUVER PLATFORMS INC. (CEV)** – Letter dated February 28, 2019 - Application for Fuel Cost Adjustment Charge Rate Rider
B-1-1	**CONFIDENTIAL** - Letter dated February 28, 2019 – Application for Fuel Cost Adjustment Charge Rate Rider with Confidential Attachment
B-2	Letter dated March 29, 2019 – CEV Submitting responses to BCUC Information Request No. 1
B-3	Letter dated April 10, 2019 – CEV Submitting responses to BCOAPO Information Request No. 1
B-4	Letter dated April 10, 2019 – CEV Submitting responses to CEC Information Request No. 1
B-5	Letter dated May 2, 2019 – CEV Submitting response on further process
B-6	Letter dated May 31, 2019 – CEV Submitting responses to BCUC Information Request No. 2
B-6-1	**CONFIDENTIAL** – Letter dated May 31, 2019 – CEV Submitting Confidential Attachment BCUC IR 7.4 – Gas Supply Contract
B-7	Letter dated May 31, 2019 – CEV Submitting responses to CEC Information Request No. 2
B-7-1	**CONFIDENTIAL** – Letter dated May 31, 2019 – CEV Submitting Confidential Attachment CEC IR 9.5 – RFP Selection Grid
B-8	Letter dated June 6, 2019 – CEV Submitting comments on further process

INTERVENER DOCUMENTS

C1-1	**FORTISBC ALTERNATIVE ENERGY SERVICES INC. (FAES)** Letter dated March 19, 2019 – Request to Intervene by Grant Bierlmeier
C2-1	**BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION, ACTIVE SUPPORT AGAINST POVERTY, COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC, DISABILITY ALLIANCE BC, AND THE TENANT RESOURCE AND ADVISORY CENTRE (BCOAPO ET AL.)** Letter dated March 20, 2019 – Request to Intervene by Leigha Worth & Irina Mis
C2-2	Letter dated March 27, 2019 – BCOAPO Submitting Information Request No. 1 to CEV
C2-3	Letter dated May 2, 2019 – BCOAPO Submitting response on further process
C2-4	Letter dated June 7, 2019 – BCOAPO Submitting comments on further process
C3-1	**COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC)** Letter dated March 21, 2019 – Request to Intervene by Christopher Weafer
C3-2	Letter dated March 27, 2019 – CEC Submitting Information Request No. 1 to CEV
C3-3	Letter dated May 2, 2019 – CEC Submitting response on further process
C3-4	Letter dated May 15, 2019 – CEC Submitting Confidential Undertakings for Janet L. Rhodes, Christopher P. Weafer and Patrick J. Weafer
C3-5	Letter dated May 17, 2019 – CEC Submitting Information Request No. 2 to CEV
C3-6	Letter dated June 7, 2019 – CEC Submitting comments on further process

INTERESTED PARTY DOCUMENTS

D-1

LETTERS OF COMMENT

E-1	Dow, S. – Letter of Comment dated April 16, 2019
E-2	Casey, S. – Letter of Comment dated April 17, 2019