



December 21, 2017

Sent via email

Letter L-33-17

Mr. Robert Hobbs
President and CEO
Creative Energy Vancouver Platforms Inc.
Suite 1 - 720 Beatty Street
Vancouver, BC V6B 2M1
info@creativeenergycanada.com

**Re: Creative Energy Vancouver Platforms Inc. – 2017/18 Annual Contracting Plan –
Response to Letter L-30-17**

Dear Mr. Hobbs:

By Letter L-30-17 dated November 8, 2017, the British Columbia Utilities Commission (Commission) partially accepted the Creative Energy Vancouver Platforms Inc.'s (CEV) Annual Contracting Plan (ACP) for the period of November 1, 2017 to October 31, 2018 (2017/18 ACP). CEV was requested to file an addendum to the 2017/18 ACP by December 15, 2017, to address the price risk management component of ACP. The Commission in its Letter L-30-17 stated that CEV provided insufficient information in the price risk management measures component of the 2017/18 ACP.

On December 4, 2017, CEV responded to Commission Letter L-30-17. CEV is of the view that the 2017/18 ACP provides sufficient information regarding its price risk management strategy, on the basis that the 2017/18 ACP followed past ACP filings and the information was not requested through Commission staff questions. Further, CEV submits that the regulatory process has delayed CEV's recommended strategies which could have cost \$350,000 to customers. Given CEV's expectation that the strategies will not be approved until 2018, CEV is no longer proposing a price risk management strategy for natural gas purchases in the 2017/18 winter.

Prior to accepting a public utility's ACP, including a price risk management strategy, it is incumbent on the Commission to ensure that sufficient information is collected in evidence to assess whether or not energy supply contracts filed with the Commission are in the public interest. A gas utility's ACP is an efficient and effective way to assist in such process, as required pursuant to the Commission's Rules for Natural Gas Energy Supply Contracts (Rules) under Order G-130-06. Acceptance of an ACP allows for timely contracting in a fast paced commodity market and strikes a balance between regulatory and business needs.

The Commission notes that CEV's 2017/18 ACP was filed on July 31, 2017; one month later than its original due date due of June 30, 2017 resulting from CEV's extension request. Due to missing elements of the ACP filed on July 31, 2017, Commission staff requested further information on August 16, 2017 and September 27, 2017, which CEV responded on August 24, 2017 and October 11, 2017. The Commission views that it is necessary and standard regulatory process to collect key information from CEV in order to understand public interest impacts and complete the ACP review.

As stated in Letter L-30-17, the Commission's assessment of CEV's price risk management strategy was based on the evidence submitted by CEV. This included information about CEV's price risk management strategies and lack of price targets for fixed-price contracts¹. The Commission agrees with the general purpose of CEV's intended strategy which is to lock-in a portion of its gas for the winter period to mitigate high price volatility and provide price certainty which is consistent with section 14.3 of the Rules for Natural Gas Energy Supply Contracts.

However, the Commission requires further information to assess how this strategy would be executed to achieve its intended purpose, and to establish appropriate parameters to ensure the public interest is served by the plan. For example, the Commission is concerned that CEV's limited evidence may indicate that CEV intends to take a market view of price risk management which may result in speculating on natural gas prices. Such an approach is contrary to managing price risk and increases price uncertainty. It may also expose ratepayers to price volatility. Furthermore, it is standard industry practice that gas utilities, in seeking regulatory approval, include price targets within their price risk management measures. These targets provide a reference point given the current market conditions at the time of the ACP's filing. In the event that CEV locks in an actual price that is different than the original target, CEV may do so and should provide adequate explanation for the difference.

As such, a regulatory feedback loop is created to allow for efficient and timely contracting with sufficient regulatory checks and balances. Overall, without the further information discussed above, the Commission lacks sufficient understanding and evidence to conclude that the execution of a price risk management strategy will be in the public interest.

In accordance with section 14.0 of the Rules for Natural Gas Energy Supply Contracts, CEV is required to file ACPs each year and provide the information that is required. Accordingly, CEV is requested to file its 2018/19 ACP prior to entering into gas supply contracts for the period commencing November 1, 2018, by no later than June 30, 2018. Should CEV wish to further discuss its price risk management strategy or contracting plan, please do not hesitate to contact the Commission staff.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

LC/dg

cc: Ms. Kelsey Devine
Manager, Customer Development
Creative Energy Vancouver Platforms Inc.

¹ CEV 2017/18 ACP filed July 31, 2017, p. 15 (confidential) and Response to Staff Questions filed October 11, 2017, p. 4 (confidential);