



bcuc
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Utilities Commission

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October 11, 2018

Sent via email

Letter L-26-18

Mr. Krishnan Iyer
President and CEO
Creative Energy Vancouver Platforms Inc.
Suite 1 - 720 Beatty Street
Vancouver, BC V6B 2M1
Krishnan@creative.energy

Re: Creative Energy Vancouver Platforms Inc. – 2018/19 Annual Contracting Plan

Dear Mr. Iyer:

On July 16, 2018, Creative Energy Vancouver Platforms Inc. (CEV) in compliance with Letter L-33-17, submitted to the British Columbia Utilities Commission (BCUC), on a confidential basis, CEV's Annual Contracting Plan (ACP) for the period of November 1, 2018 to October 31, 2019 (2018/19 ACP).

The BCUC reviewed the CEV filing and accepts the 2018/19 ACP, which includes CEV's strategy to secure advance purchase contracts for up to 30 percent of its overall gas supply requirement.

In accordance with section 14.0 of the Rules for Natural Gas Energy Supply Contracts under Order G-130-06, CEV is required to file its ACP each year and provide the information that is required.

Accordingly, CEV is requested to file its 2019/20 ACP prior to entering into gas supply contracts for the period commencing November 1, 2019, by no later than June 30, 2019. CEV is requested to include in the 2019/20 ACP the following:

- An assessment of its advanced purchased contracts strategy and activities as contemplated in the 2018/19 ACP; and
- Information regarding the outcome of the supplier selection and evaluation process beyond November 1, 2019.

The BCUC also notes that by Order E-21-17 dated November 2, 2017, the BCUC accepted for filing the supply contract between CEV and Cascadia Energy Ltd. for the period November 1, 2016 to November 1, 2019.

The BCUC agrees to hold confidential the 2018/19 ACP and related information filed in support of the 2018/19 ACP as they contain commercially sensitive information. A copy of CEV's non-confidential Executive Summary of the CEV 2018/19 ACP is attached to this letter and is available to the public.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

AP/dg
Enclosure

Annual Contracting Plan

Executive Summary

Creative Energy Vancouver (CEV) Platforms Inc. operates a district energy utility serving downtown Vancouver buildings. The utility provides energy in the form of steam to over two hundred commercial and residential buildings and has been regulated by the British Columbia Utilities Commission (BCUC) since the utility's inception in 1968. CEV provides energy in a competitive market that includes traditional energy from the electric and natural gas utilities. In recent years, municipalities and larger utilities have also been involved in developing district energy systems. CEV is working with both to facilitate greater use of alternative energy and specific application would be made to the BCUC in the event broader use of alternative energy meets tests of community, environmental, and financial viability. In the near term Annual Contracting Plan, natural gas is the most suitable fuel choice available to meet CEV's energy needs.

Natural gas is the utility's most significant input cost thus management of its supply and cost are important priorities. Secure, diverse sources of natural gas are essential to the utility, as is prudent price risk management. Supply sources have been expanded to provide more competitive options and costs have been reduced, however, ongoing diligent effort is required.

CEV employs a strategy to meet the above goals that considers market conditions such as seasonal liquidity, natural gas storage and economic factors. Given the nature of the underlying commodity price, some hedging may be considered prudent to offset the higher volatility of winter that can be experienced in BC, as well as providing some stability to gas rates charged to customers. As the natural gas market is currently in a trend of backwardation, CEV has reviewed options for both one-year and multi-year hedging strategies as part of this years ACP.

CEV looks to the BCUC for support of the utility's Annual Contracting Plan that would see under 30% of CEV's overall supply being hedged. The length of the hedging plan will be dependent on the status of the market as the coming gas year approaches.

Following the July 12, 2011 Commission's decision with respect to FortisBC Energy 2011-2014 Price Risk Management Plan, CEV's Annual Contracting Plan for natural gas is consistent with the direction outlined in the Commission's decision towards less hedging, as has been CEV's practice. CEV has found little basis for an extensive hedging strategy and although remaining open to change, requests that the limited hedging strategies proposed be approved.