



ORDER NUMBER
G-252-24

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

and

Creative Energy Vancouver Platforms Inc.
Core Steam System Low Carbon Rate Design

BEFORE:

A. K. Fung, KC, Panel Chair
A. C. Dennier, Commissioner
E. B. Lockhart, Commissioner

on September 26, 2024

ORDER

WHEREAS:

- A. On August 15, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of, among other things, the rate structure, rate design principles and associated terms and conditions for the low carbon service (Application).
- B. In the Application, Creative Energy states that it plans to file a second application at a later date, where it will seek approval of, among other things, interim and permanent rates for the low carbon service and any changes to the conventional service rate;
- C. By Order C-5-22 dated September 15, 2022, the BCUC granted a Certificate of Public Convenience and Necessity (CPCN) for the Core Steam System Decarbonization Project (Decarbonization Project) pursuant to sections 45 and 46 of the *Utilities Commission Act* (UCA). Creative Energy was directed in that decision to file a low carbon energy rate design application that addresses different customers' needs by June 30, 2023;
- D. By Order G-345-22 dated November 29, 2022, the BCUC approved Creative Energy to consolidate the cost of service and unify the rate base and rates for the Northeast False Creek System with the Core Steam System, effective January 1, 2022. As part of this decision, the BCUC directed Creative Energy to provide as part of its low carbon rate design application a comprehensive proposal that includes analysis of the pros and cons for both the ratepayers and the utility of each of the feasible alternatives considered;
- E. On June 21, 2023, December 21, 2023, March 18, 2024, June 24, 2024, and August 9, 2024 Creative Energy requested extensions to the filing date for the low carbon energy rate design application, which were subsequently granted by the BCUC. The latest extension amended the filing deadline to August 23, 2024;

F. The BCUC has reviewed the Application and finds that the following determinations are warranted.

NOW THEREFORE for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. The Application is rejected for filing.
2. Creative Energy is granted leave to file another low carbon energy rate design application, which must include the information outlined in the decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of September 2024.

BY ORDER

Original signed by:

A. K. Fung, KC
Commissioner

Creative Energy Vancouver Platforms Inc.
Core Steam System Low Carbon Rate Design

DECISION

1.0 Introduction

On August 15, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed an application with the British Columbia Utilities Commission (BCUC) for approval of a proposed rate design for its low carbon service. This decision addresses the completeness of that application and the resulting Panel determinations.

1.1 Background

On September 15, 2022, the BCUC granted a Certificate of Public Convenience and Necessity to Creative Energy for its Core Steam System Decarbonization Project (Decarbonization Project). As part of that decision (Decarbonization Project Decision), Creative Energy was directed to file a low carbon energy rate design application by June 30, 2023 that addresses the needs of various customers including, for example, existing customers that choose to either opt in or out of taking low carbon energy and new customers requiring low carbon energy to meet the City of Vancouver’s Low Carbon Energy System requirements. Such an application was also required to consider the appropriateness of implementing rate transition or mitigation mechanisms to address the impact of the proposed rate design on customers.¹

Additionally, in the BCUC decision regarding Creative Energy’s 2022 application for rates for the Core Steam System and Northeast False Creek Service Areas (2022 RRA Decision), the BCUC noted that the existing declining block rate structure for the Core Steam System is a legacy rate design that may no longer be supported or appropriate and should be re-evaluated as part of the anticipated low carbon energy rate design application. Accordingly, the BCUC directed Creative Energy to include in the low carbon energy rate design application a comprehensive proposal with an analysis of the pros and cons for each feasible alternative considered. The BCUC also stated its expectation that Creative Energy would engage and consult with stakeholders and customers on its future rate design application, including opportunities for feedback and comments and the re-evaluation of proposals and alternatives, based on that feedback.²

Creative Energy requested five extensions to the filing deadline for the low carbon rate design application, which were subsequently granted by the BCUC. The latest extension amended the filing deadline to August 23, 2024.³

1.2 Application

Following the completion of the Decarbonization Project, Creative Energy will have the facilities needed to provide low carbon thermal energy service. Creative Energy filed its low carbon energy rate design application on August 15, 2024, which includes a request for approval of the rate structure, rate design principles and

¹ Decision accompanying Order C-5-22 for Creative Energy’s Application for a CPCN for the Core Steam System Decarbonization Project, Section 8.1, pp. 41–45.

² Decision accompanying Order G-345-22 for Creative Energy’s Application for Rates for the Core Steam and Northeast False Creek Systems, Section 3.4, p. 27.

³ Order G-172-23 varied the filing date to December 31, 2023; Order G-2-24 varied the filing date to March 31, 2024; Order G-86-24 varied the filing date to July 15, 2024; Order G-181-24 varied the filing date to August 9, 2024; Order G-217-24 varied the filing date to August 23, 2024.

associated terms and conditions for low carbon service (Application). Creative Energy also requests approval of proposed governing principles on how customers can subscribe for low carbon capacity and principles for allocating costs between a low carbon service rate and the existing conventional service rate.⁴ Creative Energy refers to the Application as “Phase 1” and states that it will file a second application, referred to as “Phase 2,” closer to the commencement of low carbon service. As part of the Phase 2 application, Creative Energy intends to seek approval of interim and permanent rates for low carbon service and any related changes to the conventional service rate, in addition to addressing whether rate smoothing is required.⁵

2.0 Panel Determination

The Panel finds that the Application is materially deficient in information required to commence an efficient and effective regulatory review process for a rate design application. Accordingly, the Application is rejected for filing.

This decision is consistent with the Final List of Efficiencies issued at the conclusion of the BCUC Regulatory Efficiency Initiative, which contains measures to improve the initial application process. These measures include BCUC consideration of “[...] the rejection of deficient applications, such that the regulatory process will not commence until a complete application has been filed.”⁶ Given the deficiencies identified below, the Panel considers the Application to be incomplete, which prevents the execution of an efficient and effective regulatory review process. The Panel is cognizant of the expected in-service date of the Decarbonization Project, and Creative Energy’s desire to have rates and terms and conditions of service in place for the provision of low carbon service by Q4 2025. However, the Panel also notes that Creative Energy was originally directed to file its low carbon energy rate design application by June 30, 2023, and five extensions were subsequently requested by Creative Energy before it finally filed this Application on August 15, 2024, more than a year after the initial filing deadline.

In the 2022 RRA Decision, Creative Energy was directed to file a comprehensive proposal for the Core Steam System rate design as part of its low carbon rate design application, including an analysis of the pros and cons for feasible alternatives considered. This directive was intended to address the existing declining block rate structure, which the BCUC noted may no longer be supported or appropriate. Creative Energy does not address this directive in the Application. Instead, it submits that the proposed rate design “[...] does not score well on economic efficiency because it builds on the existing flat rate/declining block structure that has been in place for many years for existing customers.”⁷ Further, Creative Energy submits that “any required change to the conventional service rate” will be addressed in Phase 2.⁸

It is unclear whether Creative Energy plans to file a comprehensive proposal for the Core Steam System rate design as part of its Phase 2 application, or to set rates based on the existing rate design for the conventional rate without further analysis. Regardless, the Panel interprets the purpose of the BCUC’s prior directive to be that the overall rate design for the Core Steam System is considered at the same time as the low carbon service rate design, given that any changes to the existing declining block rate structure may have a significant impact on the proposed rate design for the low carbon service.

⁴ Exhibit B-1, Section 1.1, pp. 1-2.

⁵ Exhibit B-1, Section 1.1, pp. 1-2.

⁶ BCUC Letter dated December 22, 2023 to regulated entities, recent interveners, gas marketers, common carriers, MRS registrants, First Nations organizations, and the BC government regarding the BCUC - Regulatory Efficiency Initiative – Project No. 1599581 – Final List of Efficiencies.

⁷ Exhibit B-1, Section 4.7.2, p. 23.

⁸ Exhibit B-1, Section 2.6, p. 9.

As part of the Application, Creative Energy states its intention to request approval of the rate design and rates for low carbon service in two phases, with the Application being Phase 1. While BCUC review of both rate design and rates as part of one regulatory process may have benefits such as improved regulatory efficiency, the Panel does not specifically take issue with Creative Energy's proposed approach to deal with these matters in two phases. However, to appropriately consider the proposed rate design, there are specific items the Panel expects to be included in a complete rate design application.

Notably, the Application does not contain information regarding indicative rates under the proposed rate design for new or existing customers opting in to low carbon service, nor for those existing customers that opt-out. The Panel considers indicative rates to be fundamental to considering the proposed rate design by demonstrating the potential financial impact on both the utility and on different customer groups, considering key inputs such as load forecast and capital and operating costs associated with the low carbon service. In the absence of any indicative rates, the Panel is unable to assess whether the proposed rate design will result in rates that are not unjust, unreasonable, unduly discriminatory or unduly preferential.

The Application also lacks any scenario analyses that demonstrate the sensitivity of the proposed rate design to changes in key, relevant factors such as subscriptions for low carbon capacity and the cost of providing the low carbon service. For the latter, the Panel notes that the material change report for the Decarbonization Project filed on July 31, 2023, references an increase in capital costs from \$37,461,691 at the time of CPCN approval to \$52,637,018.⁹ This is an example of a variance that will impact several cost inputs for low carbon rates, and demonstrates the importance of scenario analyses to assess the sensitivity of the proposed rate design to such changes. Thorough scenario analyses are essential to supporting the robustness of the proposed rate design under different circumstances, helping to identify potential risks, and ensuring that the proposed rates are resilient and adaptable to varying market conditions.

Based on the number of extension requests filed by Creative Energy in relation to the Application, and the incompleteness of the Application as filed, the Panel declines to set a deadline for any revised application. Instead, the Panel reminds Creative Energy of the importance of filing complete applications in a timely manner, to allow for the completion of an appropriate regulatory review prior to any service coming online. Without opining on the merits of the Application, the Panel is disappointed and somewhat dismayed by the deficiencies in the Application as filed, given the express directions previously provided by the BCUC in the Decarbonization Project Decision¹⁰ and the 2022 RRA Decision, and the amount of time that Creative Energy has had to prepare this Application in response thereto.

The Panel grants leave to Creative Energy to file another low carbon energy rate design application should it choose to do so. To ensure completeness, Creative Energy is directed to include the following items in any future low carbon energy rate design application:

- A comprehensive proposal for the Core Steam System rate design, including an analysis of the pros and cons for the proposal and feasible alternatives considered, in compliance with the BCUC directive in the 2022 RRA Decision. This should address any issues associated with the existing declining block rate structure, taking into consideration any concurrent proposals related to the rate design for low carbon service. The Panel reminds Creative Energy of the following statement in the 2022 RRA Decision:¹¹

⁹ Creative Energy Core Steam Decarbonization Material Change Report, Exhibit B-1, p. 1; Decision accompanying Order C-5-22 for Creative Energy's Application for a CPCN for the Core Steam System Decarbonization Project, Section 4.1, p. 26.

¹⁰ Decision accompanying Order C-5-22 for Creative Energy's Application for a CPCN for the Core Steam System Decarbonization Project.

¹¹ Decision accompanying Order G-345-22 for Creative Energy's Application for Rates for the Core Steam and Northeast False Creek Systems, Section 3.4, p. 27.

The Panel also expects that Creative Energy will engage and consult with stakeholders, and customers served by the Core Steam Plant on its future rate design application, including the feasible alternatives considered. As part of the engagement and consultation process, the Panel encourages Creative Energy to provide an opportunity for feedback and comments and to re-evaluate the proposal and alternatives, as appropriate, based on this feedback.

- Indicative rates for each customer class under the proposed rate design and each alternative considered. Supporting calculations and assumptions must be provided, including capital and operating costs, offsetting grant amounts, load forecast and subscriptions to low carbon service.
- Consideration of the appropriateness of implementing rate transition or mitigation mechanisms to address the impact of the proposed rate design on customers.
- Comprehensive scenario analyses that address the following items for each customer class, at a minimum:
 - o Different levels of subscription to low carbon service (e.g., 0 percent, 25 percent, 50 percent, 75 percent, 100 percent subscription scenarios); and
 - o Variances in each of the capital and operating cost components (e.g. +/- 10 percent, 20 percent).
- Demonstration of how customer and stakeholder engagement addressed details of the specific rate design proposals and alternatives, and the impact for each customer class, including how feedback, if any, has been incorporated into the proposals and alternatives.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of September 2024.

Original signed by:

A. K. Fung, KC
Panel Chair/Commissioner

Original signed by:

A. C. Dennier
Commissioner

Original signed by:

E. B. Lockhart
Commissioner