31 March 2023

Via Email

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

Dear Ms. Hardgrave

Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
Fuel Cost Adjustment Charge (FCAC) and FCAC Rate Rider

Creative Energy writes to request approval of the following changes to fuel cost charges effective May 1, 2023:

1. A decrease to the FCAC of $0.50 per thousand pounds of steam (**M#**) from $19.90 per **M#** to $19.40 per M# effective March 1, 2023, through October 31, 2023; that is, for the remaining months of the Gas Year that began November 1, 2022 and that ends October 31, 2023 (**2022/2023 Gas Year**); and

2. Maintaining the FCAC Rate Rider which is currently in effect of $2.00/M# through December 31, 2023, which is forecast to largely recover current balance in Creative Energy's Fuel Cost Stabilization Account by the end of December 2023.

<u>Background</u>

Creative Energy recovers its fuel expenses on a flow-through basis directly from its customers through two approved fuel cost charges: 1) a FCAC, which is the base charge for fuel set annually on a forecast basis, and 2) a FCAC Rate Rider, which charge allows for the recovery or distribution of positive or negative balances in a Fuel Cost Stabilization Account (**FCSA**) when applicable.

The FCAC is approved by the Commission annually in advance of the Gas Year beginning November each year and is set on the basis of forecast annual fuel costs divided by forecast annual load at that time.

Positive or negative variances between forecast fuel costs and actual fuel costs are captured in the FCSA. Amounts in the FCSA that exceed plus or minus 5 percent of the approved 12-month forecast of fuel costs may be distributed or collected from customers as warranted through an FCAC Rate Rider charge on a dollar per M# basis.

The FCAC and the FCAC Rate Rider mechanism to recover excess balances in the FCSA were first approved by the Commission under Order G-167-16 in its November 18, 2016, Decision into Creative Energy's 2016-2017 Revenue Requirements Application (**RRA**). In its October 25, 2018, Decision into Creative Energy's 2018-2022 RRA, issued under Order G-205-18, the Commission confirmed that both the amortization of the FCSA and the setting of forecast fuel costs are issues related to commodity costs, and it is standard BCUC practice to review such commodity cost related information separately from RRAs. Thus, as part of its 2018 Decision the Commission directed Creative Energy to file for approval of the amortization of the FCSA at the time it files a FCAC rate change application.

As further context, a FCAC Rate Rider of $4.40/M# (as approved by Order G-259-19) was in effect from March 1, 2019, through February 28, 2021. A significant balance in the FCSA of almost $9 million accrued during the Winter of 2018/2019 due to the combined and unprecedented impact of an Enbridge pipeline explosion, a persistent polar vortex in the region and storage problems at Jackson Prairie, which caused an extreme surge in natural gas commodity prices for a prolonged period and which Creative Energy could not avoid. Under these extraordinary circumstances, the approved rate rider was set to recover the excess balance in the FCSA based on a 24-month amortization period, with an average customer rate impact in the range of 20 percent even so. Order G-84-21 subsequently approved the cancellation of the $4.40/M# charge effective February 28, 2021, when the balance in the FCSA was reduced within threshold levels, and Creative Energy was granted relief from quarterly reporting into fuel charges going forward.

Most recently, on October 28, 2022, Creative Energy filed with the BCUC an application seeking approval of an updated Fuel Cost Adjustment Charge (FCAC) of $19.90 per thousand pounds steam (/M#) for the period of November 1, 2022, and ending October 31, 2023 (2022/2023 Gas Year) (Application) which was approved on Order G-334-22. The Rate Rider charge of $2.00/M# was effective February 1, 2022, as approved by BCUC Order G-55-22. Note that the rate rider of $2.00/M# was originally planned to reduce the balance in the FCSA to near zero within a proposed 12-month amortization period, but the balance has since grown above the 5 percent threshold.

<u>FCAC</u>

Commission Letter L-22-19 accepted Creative Energy's gas contracting plan to obtain natural gas supply and delivery from FortisBC Energy Inc. (**FEI**) under bundled service Rate 7, effective November 1, 2019. As set out in the attached rate calculation model, Creative Energy's FCAC is thus established on the basis of forecast annual fuel costs under FEI Rate 7 divided by Creative Energy's most recent approved load forecast for the setting of Core steam rates, rounded to the nearest first decimal.

By Order G-334-22 dated November 24, 2022, the Commission approved a FCAC of $19.90/M# for the 2022/2023 Gas Year, which charge was determined on the basis of 1) the Commission-approved rates for FEI Rate 7 in effect as of November 1, 2022, and 2) Creative Energy's most recently approved annual load forecast as of the date of our associated compliance filing, October 28, 2022. The projected FCAC is driven almost entirely by the level of FEI Rate 7 charges due to the underlying variable components of Rate 7, and largely unaffected by forecast steam load.

Since this approval, FEI adjusted its rates on January 1, 2023. The impact of this adjustment is included in the attached rate calculation model. To account for these changes on a go forward basis a decrease in our FCAC to $19.40/M# effective March 1, 2023, is warranted. Absent approval of a decrease in the FCAC of $0.50/M# the balance of the FCSA would decrease due to an over-recovery of actual fuel costs; an increase of ~$300,000 in the FCSA by October 2023 would then be expected all else equal.

FCAC Rate Rider

Creative Energy requests approval to maintain the FCAC Rate Rider of $2.00/M# to reduce the balance in the FCSA to near zero on a forecast basis by the end of 2023. The FCAC Rate Rider has continued to be charged in January and February 2023 and will continue to be billed for March and April 2023.The context, reasoning and impacts in support of the proposed rate and approach are provided in the discussion that follows. Please also refer to the attached rate calculation model.

Balance in the FCSA

The following table reports the balance in the FCSA as at the end of February 2023, an amount of approximately $1.99 million, or 8 percent of the total annual forecast fuel cost of $24.9 million, updated as reviewed above.

As we reported in our October 28, 2022 FCAC Filing, the balance in the FCSA at the end of October 2022 was project to be approximately $2.4 million, which amount was 12.4 percent of the annual forecast fuel costs at that time, exceeding the 5 percent threshold. This was an estimated balance, and the actual balance was approximately $2.3 million. As Creative Energy already had an approved FCAC Rate Rider an adjustment was not proposed at the time. Creative Energy also received a CleanBC grant in November 2022 of $875,238 net of income tax (which it applied as a reduction to the FCSA) which helped reduce the balance.

On December 20, 2022, FEI curtailed Creative Energy for a period of 4 days due to supply constraints as a result of cold weather as Creative Energy is a Rate 7 interruptible customer. Creative Energy was required to utilize both its backup fuel oil (diesel) supply and utilized natural gas from FEI under the penalty rate when fuel oil was not available due to road conditions. Creative Energy did not stop providing service to its customers during FEI’s curtailment period. The result of the curtailment was Creative Energy paying FEI $2.1 million at the penalty rate and incurring $902,619 in fuel oil costs.

Balance in the FCSA

	Incremental Additions November – January 2023				Balance End of Period	Threshold
Month	Natural Gas (FEI invoice – FCAC recovery – FCAC Rate Rider)	Natural Gas (Curtailment)	Fuel Oil	Clean BC Grant	$	% of 22/ 23 Fuel Cost
Oct-22	n/a				$2,331,379	9.3%
Nov-22	$(373,541)	n/a	n/a	$(875,238)	$1,082,600	4.3%
Dec-22	$(705,758)	$2,119,973	$902,619	n/a	$3,399,434	13.6%
Jan-22	$(796,699)	n/a	n/a	n/a	$2,602,735	10.4%
Feb-22	$(527,539)	n/a	n/a	n/a	$1,989,827	8.0%

As shown in the table, the balance in the FCSA increased significantly in December 2022 due to actual fuel costs greater than forecast overall due to a FEI curtailment of our service under Rate 7 in December 2022.

Service was curtailed by FEI from Tuesday December 20, 2022, through Thursday December 23, 2022 due to exceptionally cold temperatures that were below FEI's design threshold for service to its interruptible customers, including Creative Energy. Service curtailments may be an infrequent but not necessarily unexpected outcome of service under Rate 7; they are however inherently uncertain as to occurrence, timing, and duration. Such service curtailments relate to FEI's response to circumstances outside of Creative Energy's control and are not factored into annual FCAC rate-setting. The effect of a service curtailment is higher than forecast fuel costs for steam production due primarily to the switch to our more expensive back-up fuel oil supply, which costs are then added to the balance of the FCSA.

Creative Energy was provided with adequate notice to prepare for the curtailment, and we switched to our fuel oil back-up on December 20 as required. The additional fuel oil supply required during the curtailment period was hampered by delivery issues related to our fuel suppliers due to road conditions because of snow, which meant they were unable to load delivery trucks. To ensure our service to our customers was maintained, we continued to use natural gas while the fuel oil delivery issues were resolved, which explains the additional Rate 7 charges gas consumption during the curtailment.

Amortization Period, Rate Rider and Indicative Rate Impact

With reference to the table that follows, we consider that a FCAC Rate Rider of $2.00/GJ will reasonably balance the overall customer rate impact of the additional required fuel charge with an amortization period that matches cost recovery with the service provided on an annual basis, consistent with the annual approach to FCAC rate-setting, generally. Further, a FCAC Rate Rider that targets a zero or near zero balance in the FCSA (as compared to a 5% level of ~$1.2 million) is a reasonable approach to promote customer rate stability over a 12-month period and which may also forestall potential ongoing administration of cashflow impacts and a persistent or ongoing need to revisit the requirement for a rate rider, all else equal. Creative Energy considers an amortization period ending in December 2023 to be most reasonable as it is actually 12-months after the costs were incurred. It also allows Creative Energy to maintain the rate rider at the same dollar value. Note that a new rate rider was not added in January for the overage as Creative Energy was able to recover part of the cost overage during January and February (and continuing into March and April) due to the FCAC for these months being higher than FEI's adjusted rates starting in January 2023. This application suggests reducing the FCAC starting on May 1, 2023 to be in line with FEI's most recent rates. Also note that amortizing the balance to zero is consistent with previous approvals.

Creative Energy was able to maintain safe and reliable heating service to our customers during a period of significant cold weather and peak demand, and in response to a curtailment by FEI, which is an accepted outcome of our approved gas contracting strategy to take bundled interruptible service under Rate 7.

Requested Approval and Process

Creative Energy requests approval of the FCAC of $19.40/M# and of the FCAC Rate Rider being maintained at $2.00/M# effective May 1, 2023. This is overall a decrease of $0.50/M#.

We do consider the nature of our requested approvals to be consistent with a compliance filing in respect of the approved fuel cost rate structure and gas contracting plan that are in place, and we likewise consider that a public hearing process would be unnecessary. We intend to notify our customers of the approved fuel charges and reasons for changes in our April 2023 billing cycle.

For further information, please contact the undersigned.

Sincerely,

Nathan Reeve
Chief Financial Officer