



ORDER NUMBER
G-291-24

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

and

Creative Energy Vancouver Platforms Inc.
Butterfly Project Terms of Service and Interim Rates

BEFORE:

E. B. Lockhart, Panel Chair
A. C. Dennier, Commissioner

on November 8, 2024

ORDER

WHEREAS:

- A. On October 10, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed with the British Columbia Utilities Commission (BCUC) an application for various approvals related to a system extension to provide building heat and domestic hot water to three premises at the Butterfly Development in Vancouver (Application). The approvals sought in the Application include the following:
- (i) Separate terms of service for each of the three premises at the Butterfly Development, including contribution charges in the form of fixed connection charges of \$514,960 and \$96,420 for the two premises owned by the First Baptist Church of Vancouver and a monthly connection charge for the premises owned by Nelson Burrard Holdings Inc.; and
 - (ii) Interim thermal energy service rates for all three premises, effective November 1, 2024, including the monthly connection charge of \$9,516 over a 30-year term for the premises owned by Nelson Burrard Holdings Inc.;
- B. The Butterfly Development is adjacent to Creative Energy's steam distribution system and connected through a steam-to-hot water station that allows for thermal energy distribution to each premise through a hot water medium;
- C. Creative Energy submits that its extension policy requires a financial contribution from customers if the net present value (NPV) of incremental extension costs exceeds the NPV of forecast incremental revenue over the contracted period, to ensure the fair allocation of costs. For the Butterfly Development, Creative Energy determines that a financial contribution from customers is required, and proposes to recover this through the aforementioned fixed connection charges and fixed monthly charge;

- D. Creative Energy intends to request permanent approval of the contribution charges and thermal energy service rates as part of its 2025 revenue requirements application; and
- E. The BCUC has reviewed the Application and makes the following determination.

NOW THEREFORE the BCUC directs Creative Energy to file the supplemental information outlined in Appendix A to this order by December 1, 2024.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of November 2024.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner

Creative Energy Vancouver Platforms Inc.
Creative Energy Butterfly Project Terms of Service and Interim Rates

Supplemental Information Required

On October 10, 2024, Creative Energy Vancouver Platforms Inc. (Creative Energy) filed with the British Columbia Utilities Commission (BCUC) an application for various approvals related to a system extension to provide building heat and domestic hot water to three premises at the Butterfly Development in Vancouver (Application). The reasons which follow, address supplemental information that is required for the review of the Application.

The Butterfly Development is located at Nelson and Burrard Streets and includes a 57-story residential tower owned by Nelson Burrard Holding Inc., and two premises owned by the First Baptist Church of Vancouver: a 7-story residential rental building and the church itself.¹ As part of the Application, Creative Energy has filed for approval of steam service contracts for each of the three premises. The Butterfly Development is adjacent to Creative Energy's Core steam distribution network, tied into the existing steam main at Burrard and Nelson Streets and connected to the Butterfly Development through a steam-to-hot water conversion system enabling the distribution of thermal energy in the form of hot water to each customer.² The system is equipped with hot water meters that measure consumption in megawatt hours (MWh).³

Panel Determination

The Panel has reviewed the Application and identified several issues with the information as filed that necessitate supplemental information prior to proceeding with any further regulatory process or making determinations on the approvals sought, including interim approvals.

The primary issue with the Application is that the proposed terms of service are structured as steam service contracts for each of the three premises at the Butterfly Development and describe the provision of steam, despite the actual delivery being in the form of hot water. This discrepancy introduces a lack of transparency, practicality and understandability, and increases the risk of future issues related to the applicability of the terms of service. Without consistency or alignment between the contract language and the form of thermal energy delivered, the terms of service may lead to regulatory compliance issues and / or disputes regarding utility and customer obligations, billing accuracy and the actual utility service being provided, among other things. For these reasons, the Panel does not consider it appropriate to consider approvals related to the terms of service that do not reflect the appropriate medium of thermal energy being delivered to the ratepayer.

The Panel has identified several other issues with the Application that necessitate supplemental information. Firstly, while hot water will be delivered to customers at the Butterfly Development, Creative Energy proposes to bill customers in thousand pounds of steam (M#). Creative Energy proposes to convert consumption from MWh to M# for billing purposes using a steam-to-hot-water conversion factor of 0.347 MWh/M#, to mirror the billing method used for customers receiving thermal energy in the form of steam.⁴ Comparatively, the Northeast False Creek (NEFC) hot water network, also an extension to the steam distribution system, bills customers directly in MWh. For the NEFC network customers, Creative Energy applies the same conversion factor (0.347 MWh/M#) to convert rates from M# to MWh. However, Creative Energy has not provided adequate justification

¹ Exhibit B-1, Butterfly Project Summary, Section 2.1, p. 3.

² Exhibit B-1, Butterfly Project Summary, Section 2.2, pp. 3–4.

³ Exhibit B-1, p. 2.

⁴ Exhibit B-1, p. 2.

to support the practicality of the proposed method, including why the billing practice for the NEFC network should not also be applied to other customers connected to the steam distribution system receiving hot water and how the proposal promotes customer understanding, transparency and consistency.

With respect to the connection charges, Creative Energy completed an extension test, with the results being that the First Baptist Church of Vancouver pay a fixed connection charge of \$96,420 for its rental residential building and \$514,960 for the church, while Nelson Burrard Holdings Inc. pay a fixed monthly charge of \$9,516/month for a 30-year term, effective November 1, 2024.⁵ The extension test includes an assumption that each customer will subscribe to 50 percent of its consumption under a low carbon rate. The Panel notes that Creative Energy has not provided any justification for using this assumption, particularly as this rate has not received BCUC approval and none of the service contracts specify a commitment or obligation to purchase low carbon energy.

Regarding the termination clauses in each service contract, the provisions lay out the amounts due on termination as an amount covering the depreciated capital value of all equipment and assets in Schedule A of the terms of service, as well as any foregone revenue from the remaining initial term.⁶ However, Schedule A does not include any details related to costs or depreciation rates. Additionally, the Panel notes that there are no provisions related to credit support or collateral required from customers to guarantee payment obligations.

Lastly, the service contracts include the service commencement date for the residential tower's service of December 31, 2023, while the residential rental building and the church were scheduled to begin service on September 1, 2023.⁷ However, the Panel notes that the Application requests approval of rates on an interim basis, effective November 1, 2024, and there is no explanation provided in the Application for the treatment of any service provided or revenue collected prior to this date.

Based on the Panel's concerns identified above, the BCUC cannot approve terms of service that do not reflect the medium of energy being delivered to the ratepayer. **Creative Energy is therefore invited to refile by December 1, 2024, amended terms of service for each of the three premises at the Butterfly Development to reflect the appropriate medium of thermal energy service to be delivered to the customer.**

Additionally, Creative Energy is directed to file the following supplemental information by December 1, 2024, and is invited to refile any relevant terms of service and/or tariff to address the items below, if deemed applicable by Creative Energy:

1. The justification for the proposal to bill customers at the Butterfly Development in M#, as opposed to MWh. The response should also address the pros and cons of this approach and the rationale for different treatment as compared to the NEFC hot water network.
2. The rationale for using the assumption that customers at the Butterfly Development will subscribe to 50 percent of its consumption under a low carbon rate, as opposed to the conventional rate, in the extension test used to determine contribution charges. The response should include any contractual commitments from customers to subscribe to a low carbon rate and the basis for the rate itself.

⁵ Exhibit B-1, p. 3; 2024 Amended Tariff Page for Approval, p. 2.

⁶ Exhibit B-1, Terms of Service for Nelson Burrard Holdings Inc. (Residential Tower), p. 1; Terms of Service for The First Baptist Church of Vancouver (Church), p. 1; (residential rental), p. 1.

3. An explanation as to why details related to cost amounts due on termination and credit support are not included in the terms of service, any risks associated with this presentation and how Creative Energy intends to mitigate any risks.
4. For each of the three premises of the Butterfly Development:
 - (i) The actual service commencement dates;
 - (ii) Revenues collected prior to November 1, 2024;
 - (iii) Revenues collected after November 1, 2024; and
 - (iv) The regulatory treatment of any revenues collected to date.
5. As part of the current Application, clarify which approvals are being sought on an interim basis, and which, if any, are being requested on a permanent basis.
6. Under a scenario in which the rates filed in the Application are approved on an interim basis, an explanation as to whether Creative Energy proposes these rates to remain interim for all customers of the Core thermal energy system until a final decision regarding permanent rates is rendered by the BCUC at the conclusion of Creative Energy's upcoming 2025 revenue requirements application.

The Panel expects that the above-noted items will also be addressed as part of any approvals sought related to the Butterfly Development filed in the 2025 revenue requirements application for the Core thermal energy system.