

Via E-Mail
Commission.Secretary@bcuc.com

March 14th, 2016

Dear Ms. Laurel Ross:

Re: Port Alice Gas Inc.

Application for Approval to increase the Basic Charge and Facility Charge

On March 8th, 2016 Port Alice Gas Inc. (PAG) received a request from the BCUC for PAG to clarify whether PAG will be requesting any further modifications to its Application.

PAG applied to the BCUC for approval to increase the Basic Charge and Facility Charge on December 7th, 2015. On December 21st, 2015 the Commission approved PAG's requested increases on an interim basis.

PAG's price for propane did increase on January 1/16 on an interim basis. With that increase our delivered cost remains competitive on price and continues to have more favourable contract terms when compared to propane supplied from alternate suppliers at normal prices. However, due to the decline in demand in the North Island area, the isolation of Port Alice from the Port Hardy market, a certain propane retailer, that delivers by truck direct to customers, has seized upon the opportunity to offer a few of the larger propane consumers in Port Alice, propane at attractive prices. As a result, PAG has lost several customers. Given that most of our costs are fixed, spreading those costs over fewer litres/GJ's delivered puts pressure on us to increase the Facility Charge even further.

PAG has been communicating with the Village of Port Alice to clarify whether the Village would consider imposing a propane tank tax, royalty or some of the limitations or regulations on alternate suppliers similar to those imposed on PAG. The Village at its March 9th, 2016 Council meeting declined to tax, charge a royalty or apply any regulations on these alternate suppliers while retaining the tax, royalty and other regulations and charges imposed by the Village on PAG. We also sought general support for the utility during these challenging times but none was offered by the Village as they believe our facility fee is too high. The alternate supplier has a similar facility fee but that fee is not shown separately on their invoice as they only show a delivered price on their invoices. The Village, like other customers, is confused by our billings, as we meter in cubic feet, convert to litres and then invoice in GJ's as we have been directed to do by the BCUC over the years. It would be helpful for all parties if PAG were to invoice our customers in a manner standard to the industry in the North Island, which is a price per delivered litre. Our customers could readily understand and compare prices. In discussions with customers that have changed to alternate suppliers we note that our price is generally competitive and our terms more favourable than that of other suppliers. This fact, that the customer has not saved money, surprises them. Unfortunately these customers are bound to a term contract with a supplier that can change prices without the need to publish such price changes, or obtain approval from any regulatory body, or pay any local taxes or royalties to the community.

Given the Village's clearly indifferent response, it is doubtful that PAG in its current form can survive marketing efforts by this alternate supplier. The supplier is advantaged by price flexibility, preferred contract terms, invoicing clarity, reduced taxation and reporting requirements, lack of royalties payable, and their relief from substantial regulation and fees particular to PAG.

It should be clarified that PAG is a very small utility. Our total volume in 2015 was under 9,000GJ's with fewer than 200 active customers. For 2016 our forecast is for about 6,000GJ's and likely about 160 active customers and possibly fewer. Our total revenue will be under \$175,000. We have not earned our permitted regulated rate of return since 1998. Our customers now clearly have ready access to propane from an alternate source. Given these facts, continuing to operate PAG as a regulated utility with those extra costs, complexity and inherent inflexibility, will insure PAG continues to be economically unviable and a candidate to cease operating without notice.

To give PAG the chance to survive and continue to serve our remaining loyal customers we seek to release PAG from its obligations as a regulated utility. Such a release will reduce PAG costs and allow PAG to be more nimble in the market and more protective of its customers. It should be noted, that PAG's customers clearly have access to an alternate source of propane supply that is not limited by the Village's regulation. PAG does acknowledge that should PAG cease to operate the grid, current customers will require adequate notice to make alternate arrangements. We believe four months notice would be more than ample should we remain economically unviable, and we would commit to such notice.

Given this requested modification to our current application we ask that the BCUC consider our request to be released from our obligations as a regulated utility prior to both parties investing more time on our application to Increase our Basic Charge and Facilities Charge, as that matter would be moot should such a release be granted. In the intervening time we do request that our interim rates as approved on December 21st, 2015 remain in effect.

Please advise what additional information, if any, the BCUC will require to consider PAG being released from our obligations as a regulated utility. We hope this matter can be dealt with quickly in order that we may preserve as much of our customer base as we can and continue to serve this community.

Yours truly,

David Dick
Port Alice Gas Inc.