

## **Port Alice Gas Inc. request to be exempted from all of Part 3 of the UCA**

### Executive Summary:

In 1998 Port Alice Gas Inc. (“PAG”) became the successor company to operate the propane air grid assets that have served the Village of Port Alice, BC since 1969.

Due to frequent shut-downs at the local Mill over the last 15 years, with the latest shut-down being almost 2 years, the population of Port Alice has declined from approximately 2,000 in 2001 to about 700 today. The reduction in population and commercial activity has diminished the annual sales of propane by PAG by almost two thirds to just over 200,000 litres annually.

PAG operates in a competitive environment. Energy users in the Village have the choice to burn wood, wood pellets, oil, electricity, propane from tanks or propane from the grid system. Port Alice Gas is not the exclusive supplier of propane in the Village as the franchise agreement gives PAG only the exclusive right to deliver propane by grid but consumers may install their own tanks and purchase propane from any number of propane suppliers in the area.

As a propane grid operation, Port Alice Gas Inc. must have a emergency plan approved by Environment Canada, comply with BC Safety which charges a fee on large tanks and which requires us to have permanent resident gas contractor on call, be subject to a Village royalty on the sale of propane, be subject to municipal taxes, file and pay the Clean Air Tax and be regulated by the BCUC. Our competitors, oil, wood, pellets and other propane suppliers are not subject to any of the above regulatory requirements in the Village. While we fully support Environmental Canada’s emergency plan requirements, BC Safety’s oversight, and we accept the municipal royalty and realty taxes, we believe that the Clean Air Tax, only applicable on propane delivered by a grid, and the associated costs and limitation on rate flexibility, imposed by the BCUC are not required to protect the consumer in this competitive environment.

We have been working to have small propane grid operations relieved of the Clean Air Tax administration, and by this submission are requesting relief from Part 3 of the UCA.

Relief from Part 3 of the UCA is expected to reduce Port Alice Gas Inc. operating costs by approximately \$5,000 annually, as well as limit the non-compensated management time required to comply with BCUC regulations that may be more appropriate for larger utilities that are the exclusive supplier of their commodity to defined markets. As important as it is to reduce costs, it is also critical for PAG’s survival to be nimble in this competitive market, in order to compete with competitors that are not burdened by BCUC regulations.

Given the above circumstances, we request relief from Part 3 of the UCA to best assist PAG in its efforts to survive and to continue to serve sections of the Village of Port Alice with safe, reliable and responsible propane supply.

### Various Specific Issues:

Complaints: There are no unresolved complaints. Over the years we have had few complaints and our history of promptly addressing the concerns and complaints of our customers is well known to the BCUC.

Safety and Reliability Risks: PAG took over the operation of the propane grid and propane storage facility May 1, 1998. Since then we have not had a lost time accident, a significant safety issue, an insurance claim or been admonished by BC Safety or other safety regulatory bodies.

PAG has provided, without incident, continuous, uninterrupted supply of propane to its customers since May 1, 1998.

We believe our safety and reliability record places us with the best grid operations in the country. We do not see a negative change to our safety approach.

Unlike propane delivered to the community by suppliers to customer tanks, BC Safety requires we retain a licensed gas contractor to be on call in the community. Unlike propane suppliers to customer tanks, PAG must have a community safety plan, which we review with the safety sensitive resources in the community on an ongoing basis.

### Activities Undertaken by PAG include the following procedures:

- a) We have a weekly plan – which includes a regular inspection of the tank farm.
- b) We read all customers meters once a month – while doing so we search for gas leaks and safety issues relative to our meters etc.
- c) We have, over the course of the year, specific monthly activities. These may include the exercising of shut off valves, doing cathodic inspections, reviewing with the community the Emergency Plan, or providing a safety insert with the monthly invoice on specific timely issues.
- d) We have an annual plan. This includes an inspection and review by an outside consultant to review safety, equipment, and recommend appropriate upgrades. We have had this annual consultant's review without interruption since 1998.
- e) We annually review property and liability insurance appropriate for this grid operation. Frequently we review the operation in depth with the insurance underwriter to determine what actions, if any, are required to reduce the risk profile of the grid operation.
- f) We are subject to review by BC Safety and Environment Canada at anytime to ensure the operation is operating in a safe and responsible manner.
- g) We are members of Call Before You Dig and do respond promptly to any line location inquiries.

### Active regulation under Part 3 of the UCA is not required.

PAG is not the exclusive supplier of propane to the Village of Port Alice. While we have the majority business in the areas where the grid is located, there are propane consumers that buy propane from others. The Village does not put any restriction on the residents that purchase their propane supply from Port Alice Gas or the alternate suppliers. In addition to propane, energy consumers, can and do, use electricity, oil, wood pellets and

wood, with many of the consumers having access to more than one source of energy to satisfy their needs. Customers can readily review pricing and other terms with the various energy suppliers in order to select the energy supplier that best meets their requirements. PAG needs to be competitive and responsive to the customers energy needs otherwise the customer will select an alternate supplier. The alternate propane suppliers are not subject to Part 3 of the UCA.

Most of the operating costs of PAG other than the commodity value are fixed or similar from year to year. These costs must be spread over the volume of propane sold to recover the costs and provide a rate of return. In recent years the volume of gas sold has rapidly declined from almost 17,000 GJ in 2008 to less than 10,000 GJ's in 2015 and even less today, but the fixed operating costs have remained for the most part the same. Every effort has been made to reduce any variable costs that does not affect safety and reliability. Due to the reduction in volumes and the expectation of a significant shortfall in revenue, PAG in December 2015 requested increases to its monthly account fees, the first such increase since 1998 and also an increase to its Facility Fee, the first since 2003. With these increases PAG is expected to operate at a break even level for its financial year ending October 31<sup>st</sup>, 2016. Increases above the level requested which might be suitable to produce an acceptable rate of return would place at greater risk the remaining sales and thus be counter productive. Demand and market conditions will, in the future, require PAG to maintain a competitive tariff to retain its current customer base.

How has PAG communicated its request for exemption of rate regulations?

We have met with the Village council on three separate occasions at open council meetings since December 2015 to explain our tariff increases and our intention to request an exemption from rate regulation. The last such meeting was June 22<sup>nd</sup>, 2016. We advised the Village council that if they have concerns regarding our request for relief from rate regulation to communicate directly with the BCUC. At the meetings we responded to each and every question and believe that the Village understands the reasons for our request and is either supportive of, or indifferent to, our request. We requested support from the Village council for the exclusive right to sell propane where the grid exists. The Village council position was that customers should be able to select their supplier of energy and, as a result, declined our request.

We provided notice to the community and held three separate open houses to discuss our request for regulation rate relief. The open houses were sparsely attended but those that attended were either supportive of, or indifferent to, our request.

We inserted the following in our monthly invoice for June 2016: "Your Comments would be greatly appreciated" "Port Alice Gas Inc. has made a request to the British Columbia Utilities Commission to consider a request for an exemption from certain sections or all of Part 3 of the UCA. Port Alice Gas Inc. hopes to significantly reduce or eliminate its regulatory expense associated with the BCUC should such an exemption be granted. Should you have any comments or concerns regarding this request for an exemption please write to: David Dick c/o [david@portalicegas.com](mailto:david@portalicegas.com). Your responses prior to July 15<sup>th</sup> would be appreciated. Note: Port Alice Gas Inc., if such an exemption be granted by

the BCUC, will still be regulated by BC Safety Authority and will not be relieved of the royalty it pays the Village of Port Alice.” In response to this insertion we received six comments, all of which we responded to, and we believe that each respondent is supportive to our request for an exemption.

Should PAG be granted an exemption from all of Part 3 of the UCA, what role does PAG envision on a go forward basis? PAG as a small business would function independently from the BCUC. Should the consumers in the future believe that PAG should be regulated by the BCUC then I expect that BCUC does have the power to re-regulate PAG in a manner that the BCUC would deem appropriate at that time.

Some Basic Background Information:

- a) PAG’s Total Gross Plan Costs: \$828,537. Adjusted Value of Plant after depreciation is currently approximately \$360,000.
- b) Current Number of Customers:
  - 1. Commercial Customers: 14 of which 5 have zero consumption
  - 2. Residential Customers: 215 of which 64 have zero consumption and 15 have requested removal of their meters.
  - 3. 2 Residential customers in the last 3 months have switched to an alternate supplier.
- c) The Grid in Port Alice was installed in 1969. During 1993 & 1994 the grid was significantly upgraded with the replacement of metal pipes with plastic pipes. Port Alice Gas Inc. has an active maintenance program which includes an annual external consultant inspection to determine what safety upgrades are required.
- d) Village of Port Alice: Current population is estimated at 700. Population has declined from approximately 1,200 in 2014 and 2,000 in 2001.
- e) Alternate Propane suppliers that supply or deliver propane to the area: Superior Propane, Canwest Propane, Super Save Propane and Port Alice Fuels.

Submitted by: Port Alice Gas Inc.  
July 22<sup>nd</sup>, 2016