



Stargas Utilities Ltd.
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British Columbia Utilities Commission
Sixth Floor, 900 Howe Street,
Vancouver, B.C. V6Z 2N3

January 9, 2016

Subject: Application costs

Dear Ms. Hamilton:

BCUC Order G-196-16 issued on December 22nd, 2016 amended the timetable for Stargas' September 26, 2016 application to, among other things, grant interim and permanent approval of a delivery rate reduction effective November 1st, 2016. BCUC Order G-155-16 approved a 45 cent reduction in the delivery rate on an interim and refundable basis. On December 22, 2015 in BCUC Order G-196-16, the Commission granted further regulatory process and issued a regulatory timetable establishing a second round of information requests and a process for written argument.

Stargas costs related to preparation of the initial application, response to Commission and SSPOA Round 1 information requests, as well as preparation for and attendance at the SRP have escalated well beyond the amount estimated in the original filing. As indicated in response to Commission Information Request 10.9 (Ex. B-2) and as further explained in Stargas' letter of December 8th, 2016 (Ex. B-1-1) Stargas application costs have escalated, and were forecast to be \$14,000 at December 8, 2016 (Ex. B-1-1). As at December 15th, 2016, application costs aggregated 91.5 hours of M.A. Blumes' time @ \$146.26 per hour - \$13,383. In addition, Stargas has not yet received an invoice from legal counsel related to dividend authority (we estimate \$500) and paid the TD \$160 with respect to authorization of the replacement financing – a total of \$14,043. Stargas anticipates that additional accounting, administrative and executive costs by Mr. Blumes will be required to expend additional time responding to the second round of information requests directed by the Commission and preparation of argument. At this time, Stargas estimates that the additional costs in this regard will be \$3,000 to \$5,000.

Stargas, has by M.A. Blumes, undertaken to answer each and every question posed by Commission Staff and by representatives of the resort association fully and fairly and will continue to do so. To the present, Stargas shareholders, as provided in the BCUC mission statement have been "afforded a reasonable opportunity to earn a fair return on their invested capital." (emphasis added). The issues and options raised regarding the calculation of Stargas' earned return (e.g. in Ex. A-6) would be a significant departure from historic treatment. Given these issues and the further issues raised by the SSPOA intervention and SSPOA's proposed intention to retain legal counsel (Exhibit C1-5), prudence dictates that Stargas secure the services of legal counsel to assist Mr. Blumes in responding to further information requests and argument. Stargas has retained Bennett Jones LLP to assist in this regard. Based on the current procedural schedule Stargas forecasts that the assistance of legal counsel for the rate application, including assistance in IR responses and preparing argument to be \$15,000 to \$20,000.

Stargas is therefore amending its application as it relates to rate application costs, which are now forecast to be \$35,000, which is \$21,000 more than the \$14,000 forecast provided in its December 8, 2016 application amendment (Exhibit B-1-1). Stargas will endeavor to take reasonable steps to minimize costs in this connection and, further, proposes to true up the forecast rate application costs to actual costs in a subsequent compliance filing and include its actual costs in rates.

Stargas is cognizant that the requirement for these additional regulatory processes, including with respect to issues raised by SSPOA that are in Stargas' view outside the scope of this application, have the effect of materially impacting Stargas' proposed \$0.45 reduction in the delivery rate. Given that the forecast costs necessitated by retaining legal counsel and additional time and costs required to respond to the SSPOA intervention, will result in a further and potentially significant increase in the aggregate costs of preparing and resolving a delivery rate change, Stargas has considered it necessary and appropriate to notify the Commission of our decision to retain legal counsel to assist, in this and future filings and to confirm that these costs will be allowed in setting Stargas' just and reasonable rates.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'M.A. Blumes', with a long horizontal flourish extending to the right.

M.A. Blumes
President, Stargas Utilities Ltd.