Exhibit B-1

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, B.C. V6Z 2N3

Attention: Commission Secretary

June 28, 2017

Subject: Application to Amend Accounting for Installation Costs and Establish Deferral Account to capture related Application and Marketing costs

Dear Ms. Hamilton:

Stargas is seeking approval to vary its current handling of installation costs that have been, to date, recovered from customers at our contractor's cost plus a 10% Stargas markup. Stargas proposes to pass on to new customers only their contribution to the cost of the meters (currently $450), while adding standard line and manifold costs (if applicable) incurred in completing new and propane conversion installations to rate base. Stargas proposes, from November 1st, 2019 to amortize installation costs over one hundred and twenty (120) months.

Stargas' delivery rate, pursuant to BCUC Order G-59-17, will remain unchanged at $5.77 per gigajoule to November 1st, 2019. With Commission approval to do so, Stargas would adopt the proposed change in accounting for installation costs coincident with that approval but is not seeking incremental returns on the consequent increased investment in rate base until presenting an Application, as stipulated in Order G-59-17, addressing the delivery rate to be applied forward from November 1st, 2019. Stargas submits that the change in policy worthy of the earliest possible implementation in that has the potential to well serve each of three constituencies as follows:

- Existing ratepayers: Incremental increases in volume benefit ratepayers; Appendix b demonstrates the impact on the Stargas delivery rate based on a conservative estimate of growth in customer numbers/volume should the Commission authorize early implementation of the requested change.

- Compelling benefits to, particularly existing propane consumers; a current propane customer paying a representative 59.5 cents per liter (equivalent to $23.44 per gigajoule) using 40 gigajoules annually would save $496 annually. If converting while the time limited offer of an $215 cost for the meter, that individual would have recovered his/her investment in 158 days (less than 6 months).

- Stargas – however modest, increases in rate base generate additional returns to its stakeholder.

In its final argument submitted in the Stargas delivery rate Application resolved in BCUC Order (G59-17), the Silver Star Property Owners' Association ("SSPOA) proposed that Stargas consider a new policy of customer contributions for new installations to attract additional customers to Stargas' utility service. Stargas responded in its final argument as follows: "Stargas is not opposed to implementing a policy for new connections that would have the utility fund the costs of new connections with capital costs included in rate base, up to a maximum investment level, with installation costs beyond that level paid by the new customer. Stargas has not yet, but will, in advance of the coming construction season, consider the appropriate maximum investment level for new services, consider methods for funding such installations and make Application to the Commission to accommodate any tariff or rate amendments necessary in this regard". In Appendix A to Order G 59-17, Section 2.6 the Panel encouraged Stargas to file an Application with respect to this issue.

Stargas submits that anecdotal evidence (see Appendix a) demonstrates that its current installation billing policy constrains rather than aids customer acquisition and consequent growth in delivery volumes and that as such, the delivery rate levied by Stargas greater than would it be if, for example, the 40 residences at the resort currently heated by propane were to convert to natural gas. Stargas has sought and obtained the commitment of its supplier (FAE) to support a propane conversion initiative by reducing meter costs for those converting from $450 by $235 to $215. Stargas seeks approval to add installation costs not recovered from customers to rate base. Stargas proposes that through the remaining term of its existing FAE contract (to November 1st, 2019) the maximum investment level included in rate base would be amounts incurred pursuant to that contract ($1,250 for a residential line, $300 for a manifold where a single line is to serve two meters) together with the Stargas 10% markup. Stargas proposes that the maximum investment level be reconsidered within the Delivery Rate Application to be filed on or before July 31, 2019.

At its variable rate of $11.05 per gigajoule ($5.28 commodity and $5.77 delivery) Stargas is priced at a significant discount to the equivalent cost incurred by propane users. Existing propane users can make a comparison in heating with propane by multiplying the cost they incurred in the past year by a conversion factor of 39.4.

Stargas requests Commission approval to amend the terms and conditions of its tariff to provide for its including new service installation costs in rate base.

2017 Installation Application Regulatory Account

Okanagan Funding Ltd. on behalf of Stargas has, to the date of this filing, incurred 19.5 executive hours ($2,813) in the preparation of this Application, and Stargas has incurred costs at Bennett, Jones, its legal representative of and expects OKF incur further hours costs in resolving this Application estimating a total cost not to exceed $9,500; Stargas will incur additional management hours in marketing the revised installation program, if approved, and in that connection notes that marketing hours included in its current approved delivery rate were constrained by Order 59-17 and that, in its Appendix A to G 59-17 (page 11 of 26) it indicated that "at that time, the Panel suggests that Stargas apply to the Commission for a corresponding amount of marketing budget, demonstrating the expected financial returns to the existing customers from the marketing investment". Stargas submits that an incremental marketing expenditure of $3,500 to secure an annuity in additional delivery revenues warranted. Accordingly, Stargas requests Commission approval to include an aggregate not to exceed $12,000 (actual costs to be submitted in establishing the rider) in a Regulatory Account described as above – and that Stargas be authorized to add that rider to recovery these costs over the 24 months commencing November 1st, 2019.

We ask that the resolution of this Application be addressed by written submission. All enquiries should be addressed to Mr. M.A. (Moe) Blumes, President, Stargas Utilities at info@stargas.ca

Respectfully submitted

M.A. Blumes
President, Stargas Utilities Ltd.

Appendix a

Stargas Utilities Ltd.
Anecdotal Evidence - Current Installation Billing

1. Prior Marketing Efforts:

Stargas has, in a prior year, offered to provide financing to new customers to allow those customers to settle the Stargas installation cost from savings they would have enjoyed had they opted to replace propane with natural gas. A referral fee was contemplated as supporting conversion, these efforts were unsuccessful notwithstanding that there a significant difference between equivalent units of natural gas and propane (as of a current date, Stargas' rate of $12.21 per gigajoule is 59.6% of the current equivalent $23.44 per gigajoule price of propane ($0.595 per liter)

2. SSPOA Final Argument:

The following excerpted from the above: "In conjunction with a shift to return-on-rate base regulation, the Commission should direct Stargas to charge a lower customer contribution for new customer connection fees. There are 40 homes within the Stargas service area that form part of the Silver Star resort community that continue to rely on propane Stargas' policies are to require a 100% customer contribution for a new customer meter, at about $1,700, as well as a 10% mark-up. These practices contrast with the common utility practice of "rolling in" some or all of new capital additions into rate base. In the case of FortisBC Energy, the SSPOA understands the connection charge is $25, for example.21 It is trite to say that a typical regulated utility earning a rate base return is motivated to grow and attract new customers to increase the total amount of its shareholders' return. In turn, customers enjoy increased economies of scale, spreading the same costs over more customers, and potentially lower rates as a result. A customer contribution towards the new capital cost may be required where new customers cause new capital additions that might raise rates for other customers, or the new addition exclusively benefits a single customer. The appropriate level of customer contribution will depend on the circumstances, and balance considerations such as the revenue stream reflected by the new customer, the depreciation period of the new capital asset, and the relative need to grow the utility. Stargas' practices are at the furthest extreme of this spectrum, and in IRs and during the SRP candidly recognized the discouraging effect of its policies on system growth. It noted new customers will only "break even" after 1.5-2.5 years of steady use ("volumes of any consequence"). Stargas attributes its failure to attract new customers to the fact that many Silver Star resort residents' volumes do not meet that threshold. But the issue is worse than Stargas realizes. As the SSPOA explained during the SRP, Stargas costs appear to be deterring new construction from installing natural gas at the outset, given the extremely low penetration of gas into a new subdivision in favor of continued reliance on electricity or propane.

The SSPOA recognizes that the level of customer contribution is a "zero sum" exercise: customers will pay for the installation costs one way or the other, and if the new customer does not pay for the installation then existing customers all will over time. The Commission should direct Stargas to reduce the level of customer contribution required to install a new meter, to reduce the financial disincentive". Under the current model, if the new customer did not pay the entire cost, Stargas' shareholder would recover the capital cost of a new installation through amortization, plus its carrying cost, but earn no

incremental return new customers to sign up. That will help grow the utility, spreading its management costs over more customers. It will also promote fuel-switching towards natural gas, which is both in the long run cheaper (and hence more economically efficient), safer, and has a lower transportation carbon footprint.

3. Letters of Comment (Delivery rate Application)
   The following excerpts germane:
   WG: "the connection cost of $1,920 is a staggering amount compared to the $25 Fortis charges just 10 km by road from Silver Star."

   "DP": I don't understand why it only costs $25 for our friends down the hill to get a connection from Fortis and it is so expensive up here. Our premises already had propane installed so we asked Star Gas about connection and received what seems to be the usual response - $1920. We have a gas main on our property so I thought this was an absolutely insane figure.

   Superior Gas and Canwest are operating weekly services running trucks up and down that mountain road and I am guessing Supa Save is too. That is 6 truck movements weekly carrying dangerous goods that we don't need adding risk for all users of the Mountain Road. I am sure that if the connection fee and usage fees were fair and reasonable the propane business on the mountain would dry up."

4. Marketing plan
   While a definitive marketing plan not yet finalized, Stargas expects to first identify contact information for each of the estimated 40 residences currently using propane (a number of these homes are managed for non-resident owners, so that identification for most possible, while others (where the home unoccupied through the summer and shoulder seasons) will necessitate contact on or after the onset of the winter ski season. Each home owner will be contacted by telephone and follow-up email as will the Resort and its various property managers be asked to support the conversion initiative by reminding first them, and through them the resort community that in addition to being a very much lower cost alternative, that natural gas a much safer alternative than is propane. A flyer will be prepared highlighting the benefits of natural gas, and as was evidenced in the commentary provided by the Silver Star Property Owners Association, propane conversion a topic with a prominence not before present at the resort. As well, through that process, the Resort community has come to understand the implications of volume on their individual heating costs so that community support can and will be mustered by interface with community leaders.

Stargas Utilities Ltd.

Impact of Additional Volumes on Delivery Rates

Appendix b

Introduction: The average residential ratepayer consumes approximately 80 gigajoules annually and, at the current variable rate incurs a cost of $884 plus a $15 per month basic charge. There are 40 plus homes at Silver Star Resort currently consuming propane; as many of these homes are smaller (though older and likely less well insulated) Stargas has for this disclosure assumed that a propane consumer converting to natural gas would consume 40 gigajoules annually. It important to note that with each new Stargas customer provides an incremental net revenue contribution that serves to reduce the delivery rate that would otherwise obtain as follows: A current propane consumer converting would annually consume 40 gigajoules, thereby adding $416 to revenue (40 X $5.77 plus $15 per month basic charge). Stargas pays a $1.56 per gigajoule variable charge and $15 per month fixed charge to its service contractor, so that the contribution to its remaining, largely fixed costs, $174 for each customer addition. The addition of that customer, under the revised accounting approach would add $1,250 to rate base, so that, forward from November 2019 Stargas' allowed return to its stakeholders would be increased by $79 (the $1,250 in rate base at its weight average cost of capital of 6.34%). Accordingly, the volume added with each such addition will provide reductions in the delivery rate otherwise applicable from November 1, 2019.

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The following table illustrates the impact on rates should the change in accounting for installation costs generate the indicated number of propane conversions and new installations. Stargas, has within this Application, sought approval to commence amortization of installation costs added to its rate base over 120 months forward from November 1st, 2019; if approved as requested, the $35,000 amount added to rate base would increase Stargas amortization expense by $292 per month ($2,044 in the fiscal year ended May 31, 2020 and $3,500 annually thereafter). While not conclusive, Stargas estimates on the number of residences converting from propane to natural gas based upon what it asserts (and based upon current interaction with propane consumers) is a compelling economic justification for those homes yet heated by propane. Stargas estimates of new installations based upon what it believes is a conservative estimate of new construction; that based upon a historic perspective and the aggressive growth targets found in Silver Star Mountain Resorts master plan,

Incremental Revenue			Added		Added	
	GJ's	Year 1 adds	Delivery	Year 2 adds	Delivery	Total
Propane usage	40	14	$6,188	6	$2,652	$8,840
New installations	80	5	$4,420	3	$2,652	$7,072
Delivery rate	$11.05	19	$10,608	9	$5,304	$15,912
Volume added		960		480		1,440
Current revenue requirement						$ 237,125
Installation costs (line only)		$1,250		$1,250		
Added to rate base		$23,750		$11,250		$35,000
Weighted average cost of capital						6.34%
Incremental increase in allowed return						$2,218
Current revenue requirement						$ 237,125
Volume						41,093.6
Current delivery rate						$5.77
Amended revenue requirement						
Current requirement						$ 237,125
Additional on increase in rate base						2,218
Incremental amortization added						3,500
						$ 242,843
Volume in current rate						41,094
Additional volume						1,440
						42,533.6
Rate -post conversion**						$5.71

**Note that the above table excludes both the basic charge levied ratepayers and its corresponding payment to the Stargas service contractor. In the initial 24 months, ratepayers will be asked, via rate rider, to pay for the costs incurred in obtaining approval to and marketing of the change in accounting for installation costs.

Appendix c

Stargas Utilities Ltd.
Other factors considered:

The provision of safer and less expensive natural gas by Stargas has, over its 17 years in operation has provided its ratepayers meaningful savings over those years. While Stargas administrative costs are largely fixed with only modest increments anticipated with volume growth, they are, nonetheless, relatively expensive on a per customer basis (resultant of the small number of customers served). Accordingly, growth in customer numbers and consequent volume increases important a factor in providing ratepayers increasingly competitive pricing. Stargas, at its behest, has its contractor's agreement to, on a time limited basis, reduce its cost of meters to appeal to the 40 plus residences at the Resort consuming propane. Stargas has attempted to reach propane users without previous success (suggesting that the installation cost be financed by Stargas from the savings generated, by offering a finders' fee for referrals, and by advertising circulars) but asserts that with the change proposed in the current Application, it will have presented a compelling offer. It noted, that the submission of this Application based upon a suggestion provided by the Silver Star Property Owners Association; Stargas believes that by responding to that request on a timely basis that it will demonstrate to that body, its commitment to corporate citizenship within and throughout the resort community.

Stargas acknowledges that customer growth will impact to increase administrative costs but notes that those will increase only on a modest incremental basis; the increases will not vary directly with customer numbers but only fractionally and, in the long term will provide meaningful reductions in delivery rates. The resort, as evidenced by the comprehensive "master plan" stewarded by the resort's principal shareholder, is potentially on the cusp of significant growth – Stargas submits that its facilitating acquisition of natural gas as the optimum heating alternative, important to its capturing the highest possible percentage of that growth.

Appendix d

Stargas Utilities Ltd.
Propane Conversion Payback

At the current Stargas rate of $12.50 (includes $1.45 as an estimate of the rate rider related to the 2016 Delivery Rate Application Regulatory Account), an individual converting from propane to natural gas would recover his/her $215 investment in 4 to 5 months. Annual savings at varied levels of consumption are reflected in the table.

		Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Tc
		3.8%	5.5%	12.4%	15.3%	15.0%	14.8%	12.6%	7.6%	4.4%	3.1%	2.8%	2.7%	100
Liters	GJ's													
1,576	40	1.5	2.2	5.0	6.1	6.0	5.9	5.1	3.0	1.8	1.3	1.1	1.1	4(
2,364	60	2.3	3.3	7.4	9.2	9.0	8.9	7.6	4.6	2.6	1.9	1.7	1.6	6(
3,152	80*	3.0	4.4	9.9	12.2	12.0	11.8	10.1	6.1	3.5	2.5	2.2	2.1	8(

Propane	Gas	Savings, per GJ	40 GJ's	60GJ's	80GJ's
$23.44	$12.50	$10.94	$437.60	$656.40	$875.20
		Meter cost	$215.00	$215.00	$215.00
		Saving			
		Sep-17	$16.63	$24.94	$33.26
		Oct-17	$24.07	$36.10	$48.14
		Nov-17	$54.26	$81.39	$108.52
		Dec-17	$66.95	$100.43	$133.90
		Jan-18	$65.64		
			$227.55	$242.87	$323.82
		Payback	128 days	114 days	98 days

*80 gigajoules - average residential consumption

38. STANDARD FEES AND CHARGES SCHEDULE

Application Fee:

Existing Installation	$50.00
New Installation	$50.00
New Installation – Manifold meters	$50,00

Service Connection Charge:

New Installation – Residential & Small Commercial	Cost borne by Stargas if equal to or under $1,250*
New Installation – Large Commercial	Individual Quotation

Service Line Allowance:

Residential and Small Commercial	Up to 26mm diameter service line and maximum length of 30 metres

Meter Installation Charge:

Residential and Small Commercial	$450.00 (**)
Residential Manifold	$300.00 (**)
Large Commercial	Individual Quotation (**)

(*) As per Section 5 of this Tariff, the actual cost of installation may be lower than the Service Connection Charge in which case the actual cost would apply.

(**) Stargas will levy a non-discretionary Administrative cost recovery charge of 10% of the cost invoiced by contractors for all customer initiated work

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Issued by:
M.A. Blumes, President
Stargas Utilities Ltd.

Order No. G- 93-09
Effective; December 1, 2009
Commission Secretary