Stargas Utilities Ltd.
Corporate Office
Unit 17, 1960 KLO Road
Kelowna, B.C
info@stargas.ca

Stargas Utilities Application to Amend Rate Schedule and Accounting for Installation Costs

Stargas Response to SSPOA Information Request No 1

Introduction: Stargas has expedited its responses to each of the Commission and Intervenor Information Requests (its scheduled date for doing so August 24th) hopeful that its doing so might accelerate the process to a BCUC decision thereby allowing the largest possible window for existing propane customers to convert to natural gas prior to the coming winter season.

Question 1: Has Stargas completed a detailed cost/benefit analysis beyond what has been filed with the Application? If yes, please file it.

Response: Stargas has filed a revised cost/benefit analysis in its amended application filed together with its responses to Commission IR No 1.

Question 2: Please explain the basis for the anticipated uptake of propane users of 14 in year 1 and 6 in year 2.

Response: Stargas anticipates that compelling economic justification for existing propane users will lead homeowners to convert their homes from propane to natural gas and that the take-up of the revised offer (suggested initially by the SSPOA and, with the amendment, with BCUC approval, to do so for $25 plus their cost in converting appliance's) will generate 20 new Stargas customers in the first two years. Stargas has sought Commission cooperation in expediting the approval process so that 14 homeowners will have availed themselves of the opportunity before the coming winter. Stargas noted in its response to Commission IR No. 1 that, with the population of existing propane users somewhat larger than that originally anticipated, with a further price reduction (the amendment) that the take-up of additional homes over subsequent years will significantly increase delivery volumes and reduce delivery charges levied existing ratepayers. Stargas would expect that, over time, propane use at the Resort will be eliminated.

Question 3: Please reconcile Stargas' projected savings of $0.06 per GJ (shown on Page 7) which will amount to $2552 savings per year for ratepayers against the proposed rate rider estimated at $12,000 for costs associated with regulatory approval and marketing.

Response: While these data amended in the revised application, Stargas submits that since the $12,000 amount, a one-time expenditure (to be recovered, if approved by the BCUC over 24 months with interest),

while the annual savings an annuity that will impact delivery rates from November 1st, 2019 and all years thereafter.

Question 4: Please confirm that in order to add 28 projected customers over 2 years the ratepayers will be asked to pay $428 per customer in regulatory and marketing costs.

Response: Stargas will, if approved, recover the $12,000 investment in a 2017 Installation Account Regulatory Account, rate rider that will be initiated upon tabulation of costs and interest and levied to all ratepayers. For the purposes of clarification (actual amounts will differ based on the number of customers and interest computed) the 290 existing customers will be asked to remit $41.38 ($12,000 divided by 290) to cover Stargas costs in regulatory filing and marketing costs. The actual amount will not differ materially from that amount.

Question 5: What is the purpose of the 10% markup relative to the forecast costs related to (i) marketing, and (ii) the administrative effort of coordinating with Fortis Alternative Energy Services (FAES)? Does the 10% reflect double counting? If not, why not?"

Response: Yet again, the SSPOA seeks to visit prior orders of the Commission; the costs incurred by Stargas with respect to installations and the allowed mark-up of 10% provided Stargas on those costs, unless prior BCUC orders rescinded, will be unchanged as to amount both before and after the decision on a revised accounting for installation costs rendered. The repository for those costs, previously reflected in invoices rendered the new customer will be an increment to Stargas rate base. Stargas notes that it's management costs now capped to November 1st, 2019; professionally maintaining its operations can not be sustained absent unrecoverable investment by its affiliate, Okanagan Funding Ltd.

Question 6: Page 1 of the application states: "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)" Please explain what the "time limited offer of an $215 cost for the meter" will be limited by and if the $215 only applies to propane conversions?

Response: FAE, on the request of Stargas, offered a $235 discount on meters to new customers converting from propane for the current summer/fall season expiring December 31, 2017; the discount not available to new construction.

Question 7: Please provide the detailed estimates that form the basis for the forecast marketing spending (e.g., each planned step and the associated cost).

Response: Please refer to those details provided in our response to BCUC IR No. 1- Q 11.4

Question 8: Please provide the detailed estimates that form the basis for the forecast counsel costs. (e.g., each planned step and the associated cost).

Response: Please refer to those details provided in our response to BCUC IR No. 1- Q 11.1

Question 9: Please provide the detailed estimates of any other costs to be included in the new rate rider. (e.g., BCUC costs). Note the SSPOA will not be applying for PACA Funding.

Response: We would expect that, if any, BCUC costs will be minimal and be included in our estimate of out-of-pocket costs as described in our response to BCUC IR No. 1 – Q 11.3

Question 10: Please explain the reason Stargas requests a new rate rider account for the marketing plan.

Response: Stargas in requesting a single rate rider to include its application costs with those in marketing the program – if the aggregate of those costs lower than anticipated, the regulatory account balance and related rate rider will be reduced accordingly.

Question 11: Has Stargas considered amortizing the related marketing and regulatory costs on the same 120 month term as the installation costs?

Response: Stargas has not considered nor does it view doing so consistent with the underlying nature of the two cost pools – the first (marketing and regulatory costs) is, in substance, a current outlay that can reasonably be treated as would a prepaid expense, while the second (installation costs added to rate base) analogous to other capital investments. Note that in the revised Application Stargas proposes to amortize that cost pool over 35 years on a basis consistent with the peer analysis provided by Commission staff.

Question 12: Please explain how the annual 24 hours of executive time for marketing and the 16 hours for interfacing with the resort that were approved in Order G-59-17, will relate to the "new" marketing plan in this application?

Response: Stargas would remind the SSPOA that in its reasons for decision, the Commission suggested that were the utility to initiate the program (the subject of these proceedings) that it would consider an additional allotment of time to market whatever the revision. Stargas submits that its current proposal, if approved by the Commission, to have new customers pay what they would have paid were Fortis Rate 1 available to them, a compelling offer to those customers and with take up accelerated by "word of mouth" in a relatively small community that marketing hours could be minimized. Stargas, seeking to repatriate its standing in the community, prepared the initial application, amended it with the valuable counsel of Commission staff, and did so while yet facing the reality of at least two years of managing its operations without the authority to cover actual costs incurred in doing so.

Question 13: Appendix "d" of the application states: "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." Please explain the accounting of a rate rider estimate of $1.45?

Response: The chair of the SSPOA Utility Services Committee, now several weeks ago, brought to the attention of Stargas that it, following an initial review of the calculations by Commission staff, had erred in its original determination of the amount of the then estimated rate rider in that while there $1.45 per gigajoule to be recovered, that amount to be recovered over three years and that the applicable rate 1/3 or

48 cents. Stargas has an application before the Commission, as of today unresolved, that seeks inclusion of additional costs that would, if allowed, increase the rate rider. Including costs incurred and approved to date, the rate rider would be 49 cents.

Perhaps as the Chair of the Services Committee, Stargas might be provided a listing of its members (their addresses) consuming propane noting that were they do so, Stargas marketing costs reduced and the benefit of new customer numbers and volumes accrue to reducing rate payer delivery rates.