



**SSPOA** Silver Star Property Owners Association.

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March 4, 2021

**VIA E-FILING**

Commission Secretary  
Patrick Wruck  
BC Utilities Commission  
6th Floor 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Wruck,

**Re: Stargas Utilities Ltd. – Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate – Project No. 1599142**

**Silver Star Property Owners Association (SSPOA) Final Arguments**

Attached please find the SSPOA's Final Arguments with respect to the above-noted Application.

Our Arguments has been prepared by the Utility Services Committee of the SSPOA and has been reviewed by and approved by the Association's Board of Directors.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,



Mike Waberski, President, Silver Star Property Owners Association

**BRITISH COLUMBIA UTILITIES COMMISSION**

**Stargas Utilities Ltd. – Natural Gas Purchase Plan and Updated  
Application to Vary Commodity Rate – Project No. 1599142**

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**ARGUMENT OF THE SILVER STAR PROPERTY OWNERS ASSOCIATION**

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## I. INTRODUCTION AND OVERVIEW

This is the argument of the Silver Star Property Owners' Association (SSPOA), and responds to Stargas Utilities Inc.'s (Stargas) application under sections 71 and 61(4) of the Utilities Commission Act (UCA) to the British Columbia Utilities Commission (BCUC) seeking approval of its natural gas purchase plan for the contract year from November 1, 2020 to October 31, 2021

Incorporated in 2004 as a registered society, the SSPOA represents 696 property owners at the Silver Star Mountain Resort near Vernon, BC, on matters of common concern. Its membership comprises residential customers (511 condominium owners and 185 residential property owners) and both large and small business customers.

The SSPOA submission in this matter is prepared by the Utility Services Committee of the Association, a team of volunteers with little expertise on matters of commodity rate making. In fact, in the 20 years of Stargas' operations the resort has relied on the normal annual commodity rate making and approval by depending on the BCUC to evaluate and approve the Stargas Commodity Rates.

The application by Stargas on September 15, 2020, requested an increase to the commodity rate from \$3.98 per gigajoule (GJ) to \$7.48 per GJ. On October 21, 2020, Stargas filed an updated application with the BCUC seeking approval to increase the commodity rate to \$7.87 per GJ and on December 15, 2020, Stargas filed further updates to its Application with the BCUC on a confidential basis, and subsequently filed an unredacted version on January 25, 2021, seeking approval to increase the commodity rate to \$7.06 per GJ

On September 22, 2020, Stargas Utilities Ltd. (Stargas) submitted a separate (but related) application to the BCUC seeking approval to decrease its Delivery Rate from \$5.77 per gigajoule (GJ) to \$4.59 per GJ, effective November 1, 2020

Stargas is a small natural gas utility built on what was once a resort community propane distribution network. Stargas owns a small distribution system connected by a short pipeline to FortisBC Energy Inc.'s (FortisBC) system. FortisBC's system terminates at the boundary of the Silver Star Resort property, 390 metres from the Creekside Strata, one of the constituents of the SSPOA. Stargas maintains a limited rate base (363 customers), reflecting the scope of its operations.

FortisBC Energy Inc., under contract, physically operates the utility and provides many administrative functions, including emergency standby and response, system maintenance, leak survey and remedial action, meter servicing and replacement, as well as general oversight and operating responsibility.

On December 17<sup>th</sup> Stargas received an executed document that, subject to BCUC approval, provides for the sale by Stargas of its Regulatory Assets and Operations to FortisBC Energy Inc

A fundamental principle of ratemaking is that the utility applicant bears the onus to establish on a timely basis, the reasonableness of its forecasts. SSPOA submits that Stargas has failed to discharge this onus in delaying the application before the BCUC by one year.

The SSPOA asserts that there are essentially two areas of dispute: Stargas' delay in timely adjustments of the Commodity Rate which caused a large deficit, and Stargas' protracted negotiations for the sale of its assets to FortisBC which also delayed the Delivery Rate application. The SSPOA's positions in response are simple:

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- **Gas Cost Variance Account Deficit (GCVA) due to the Delay in Rate Adjustment**

The GCVA deficit should not be considered in the Commodity Rate calculations for the upcoming year and the GCVA deficit should instead be deferred to the Delivery Rate Proceeding

- **The Effect of the Proposed Purchase of Stargas Assets by FortisBC** .

The negotiations for the proposed sale of the Stargas assets has negatively impacted the Stargas ratepayers by delaying both the Commodity and Delivery Rate reviews that should have been undertaken in 2019.

## II. ARGUMENT

### 1. Delay by Stargas in Submitting Commodity and Delivery Rate Applications

#### (a) Commodity Rate

Stargas has historically made application to adjust the Commodity rate on an annual basis with the only recent exception being in November 2019. Current rates have been in place for 2 years and continue during these proceedings. .

Time Period	Rate
December 2012 to October 2013	\$5.26
November 2013 to October 2014	\$5.84
November 2014 to October 2015	\$7.69
November 2015 to October 2016	\$2.95
November 2016 to November 2017	\$5.28
December 2017 to October 2018	\$4.14
November 2018 to October 2020	\$3.98

When questioning Stargas to the rationale of such a delay their response was

*“Stargas prepared and filed an application to vary its commodity rate, effective November 1st, 2019 for the contract year ended October 31st, 2020 expecting then, to file annually thereafter, as had it previously. Stargas, expecting to execute an FEI agreement of sale in the next days, on October 3, 2019 filed and subsequently received Commission approval to withdraw that application. In hindsight, had the parties recognized that agreement would be reached only following protracted discussion, Stargas would not have withdrawn its commodity application as were it to have done so, it would have sought approval to move the current \$3.98 per gigajoule rate to **\$4.95** with a consequent reduction in the deficit (commodity costs recoveries versus commodity costs incurred).”<sup>1</sup>*  
(emphasis added)

<sup>1</sup> Ex. B-7 PDF Page 1 [https://www.bcuc.com/Documents/Proceedings/2020/DOC\\_60155\\_B-7-Stargas-Responses-to-SSPOA-IR1.pdf](https://www.bcuc.com/Documents/Proceedings/2020/DOC_60155_B-7-Stargas-Responses-to-SSPOA-IR1.pdf)

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The result of the delay from November 2019 saw the ratepayers accumulate a deficit in the Gas Cost Variance Account amounting to \$57,820 as of October 31, 2020. This amount has undoubtedly increased since that date.

**(b) Delivery Rate**

As noted in the introduction Stargas filed a Delivery Rate application on September 22, 2020. This application was supposed to be filed by July 31, 2019 per Order G-59-17. In its reasons accompanying the order the Panel quoted Stargas;

*“Stargas, from June 1st, 2019 forward will record sharply reduced amortization in its accounts. Accordingly, Stargas expects to file an application to amend its delivery rate together with a refinancing application, to establish rates effective from June 1, 2019.”<sup>2</sup>*

The SSPOA asserts that the Delivery Rate Application, although not a subject of this application, has had an offsetting effect to the GVAC deficit created by the actions of Stargas in its delayed applications. The ratepayers were denied the benefits in the Delivery Rate resulting from the expired amortization while accumulating a large deficit in the Commodity Rate.

**(c) Proposed Treatment of the GCVA Deficit**

In the letters of comments submitted by Gateway Property Management on behalf of five Strata clients, (Snowbird Lodge, Silver Creek Lodge, The Pinnacles, Firelight at the Pond and Creekside), which collectively contain 361 condominium units noted the hardship that the proposed Commodity Rate change would have, stating:

*“The Strata budgets its expenses for the fiscal year from June 1<sup>st</sup> to May 30<sup>th</sup> and to allow such a radical increase with little to no notice is unacceptable.”*

*“To ask the ratepayer to reduce the Gas Cost Variance Account deficit that was accumulated over the last year and a half in less than a year (considering when the decision will be made by the BCUC) is unfair”<sup>3</sup>*

The SSPOA notes that Stargas recognized the effects that the radical increase in the Commodity Rate would have on the ratepayers.

*“Stargas is concerned that in the current pandemic environment, that the quantum of the amount to be “extra” billed will be a hardship to both residential and commercial ratepayers. Should the net amount to be recovered exceed \$30,000, (\$38,095 in the example) Stargas suggests that the amount be captured in a Regulatory Account and recovered over 36 months with interest at the utility’s weighted average cost of debt (WACO).”<sup>4</sup>*

<sup>2</sup> Appendix A to Order G-59-17 P.25 [https://www.b cuc.com/Documents/Proceedings/2017/DOC\\_49133\\_G-59-17\\_Stargas-Vary-Delivery-Rate-Reasons.pdf](https://www.b cuc.com/Documents/Proceedings/2017/DOC_49133_G-59-17_Stargas-Vary-Delivery-Rate-Reasons.pdf)

<sup>3</sup> EX. E-5 [https://www.b cuc.com/Documents/Proceedings/2020/DOC\\_59902\\_E-5-Creekside-Strata-Letter-of-Comment.pdf](https://www.b cuc.com/Documents/Proceedings/2020/DOC_59902_E-5-Creekside-Strata-Letter-of-Comment.pdf)

<sup>4</sup> EX B-1-1-3 PDF Page15 [https://www.b cuc.com/Documents/Proceedings/2021/DOC\\_60691\\_B-1-1-3-Stargas-Redacted-Updated-Application.pdf](https://www.b cuc.com/Documents/Proceedings/2021/DOC_60691_B-1-1-3-Stargas-Redacted-Updated-Application.pdf)

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Stargas is suggesting that a regulatory account be used to lessen the hardship. The SSPOA concurs, however, we raise concerns that under normal GVAC management, interest is not applied as noted in the Stargas response to the SSPOA IR No.1

**“Stargas response:** *There is no interest included within this account; none charged when there an under recovered balance, nor credited when there an over recovery in the balance.”*<sup>5</sup>

The SSPOA suggests that the GCVA deficit be deferred to the Delivery Rate proceeding for consideration as a rate rider. Accompanying the deferral is the caveat that the SSPOA has concerns on the Stargas proposal to include interest applied to the GCVA deficit recovery portion of any rate rider. The deficit situation was not created by the ratepayer, but rather by the deliberate actions of Stargas. The imposition of catchup within a Commodity Rate over a short period is unfair.

Complicating the discussion of the GCVA recovery is the impending application by FortisBC to purchase the assets of Stargas. As stated in the reasons for decision for order G-54-21, the panel finds;

*“Even if the treatment proposed in the Asset Purchase Agreement Application is accepted, a BCUC determination of the amount in the Stargas GCVA and any under-recovered gas costs associated with setting a permanent rate will be required to set the amount to be recorded in FEI’s CCRA. The Panel considers this proceeding to be the appropriate place to set a permanent rate and determine unrecovered gas costs.”*

The Stargas response to BCUC IR No1, Stargas in their explanation of the effects on the Commodity Rate based solely on gas costs (removing the GCVA):

**“Stargas response:** *Based on the Shell Energy North America, December 3rd, 2020 Indicative Natural Gas Prices, raw commodity cost \$118,678, Shell additions for transport, fuel and commissions \$35,905 and assuming no changes in Fortis Rate 25 underlying rates, \$134,510; a total cost estimate of \$289,093 equivalent to **\$5.99** per delivered gigajoule”*<sup>6</sup>

(emphasis added)

The SSPOA argues that the GVAC deficit should be removed from the calculation of the Commodity Rate and deferred (transferred) to the Delivery Rate proceeding and the Commodity Rate be set at the gas cost (pending confirmation by the BCUC) of \$5.99 per GJ

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<sup>5</sup> EX. B-7 PDF Page 3 [https://www.bcuc.com/Documents/Proceedings/2020/DOC\\_60155\\_B-7-Stargas-Responses-to-SSPOA-IR1.pdf](https://www.bcuc.com/Documents/Proceedings/2020/DOC_60155_B-7-Stargas-Responses-to-SSPOA-IR1.pdf)

<sup>6</sup> Ex. B-6 PDF Page 3 [https://www.bcuc.com/Documents/Proceedings/2020/DOC\\_60154\\_B-6-Stargas-Responses-to-BCUC-IR1.pdf](https://www.bcuc.com/Documents/Proceedings/2020/DOC_60154_B-6-Stargas-Responses-to-BCUC-IR1.pdf)

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## 2. Proposed Purchase of Stargas Assets by FortisBC

The Silver Star ratepayer has been at the mercy of two monopolies and their protracted negotiations of the sale of the Stargas assets to FortisBC. These negotiations took place through 2019 and continued through 2020, up to and including through this application process, finally resulting in Stargas issuing the following:

*“Stargas, December 7<sup>th</sup>, 2020 received an executed document that, subject to BCUC approval of the sale by Stargas of its Regulatory Assets and Operations to FortisBC Energy Inc. A completion date of April 1<sup>st</sup>, 2021 was selected to allow the parties to allow for the filing of a joint application seeking Commission approval and for adequate time to address Commission interrogatories. As a tangential issue, the closing date of April 1<sup>st</sup>, 2020 [sic] met a further objective of the parties - the achievement of a relatively neutral balance in Stargas' GCVA March 31<sup>st</sup>, 2020 [sic] (\$170 credit in the current forecast).”<sup>7</sup>*

The SSPOA notes and supports the objective of “a relatively neutral balance in the Stargas GCVA”. The joint application by FortisBC and Stargas submitted on February 19<sup>th</sup>, 2021 has not been made public as of this submission. Whilst no Final Arguments were submitted by Stargas, information gleaned from various Stargas submissions regarding the pending purchase, and specifically, from the latest request by Stargas for an extension for their submission, Stargas states:

*“The proposed treatment was only resolved when documented in the FortisBC/Stargas Joint Application finalized and filed February 19<sup>th</sup>, 2021. The Joint Application describes agreement on the proposed treatment of unrecovered gas costs, that subject to BCUC review and approval of same, provides Stargas recovery of its gas cost variance account deficit from FortisBC who proposes to absorb that amount within FortisBC's Commodity Cost Reconciliation Account (CCRA).”<sup>8</sup>*

Based on the information at hand one would assume that in the purchase negotiations the final price would have considered the outstanding regulatory accounts that were in existence or proposed because of current proceedings for Delivery and Commodity Rates. The SSPOA argues that while the ratepayers are not privy to the purchase terms, that it likely that FortisBC would have ensured the protection of their financial position. Outstanding debits and credits would certainly have been addressed in determining the fair value of adding the asset base of Stargas to FortisBC operations.

Stargas in their judgement felt it critical to their negotiations with FortisBC to not adjust the Commodity Rate in November 2019 despite an already looming GCVA deficit. The GCVA deficit in November 2019 was -\$239 and by May 2020 it was -\$25,090. This GCVA deficit had doubled again by the fall of 2020 to -\$52,142 and it probably doubled again since the application was made by Stargas.

The SSPOA fails to recognize how the deferral of the 2019 rate adjustment would have impacted the FortisBC purchase negotiations. The ratepayers do however, see how this delay has impacted sensible rate increases.

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<sup>7</sup> Ex.B-1-1-3 PDF Page 2 [https://www.bcuc.com/Documents/Proceedings/2021/DOC\\_60691\\_B-1-1-3-Stargas-Redacted-Updated-Application.pdf](https://www.bcuc.com/Documents/Proceedings/2021/DOC_60691_B-1-1-3-Stargas-Redacted-Updated-Application.pdf)

<sup>8</sup> Ex. B-11 PDF Page 1 [https://www.bcuc.com/Documents/Proceedings/2021/DOC\\_61147\\_B-11-Stargas-Final-Argument-extension-request.pdf](https://www.bcuc.com/Documents/Proceedings/2021/DOC_61147_B-11-Stargas-Final-Argument-extension-request.pdf)

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### 3. Gas Cost

Silver Star ratepayers are looking forward to the purchase by FortisBC and are supportive (as we presently understand the terms) of the change. One of the prime benefits is the ending of our requirement to include the Fortis Rate 25 in our Commodity Rate. As stated above, FortisBC has most likely ensured that the purchase fits their balance sheet in a beneficial manner. Silver Star ratepayers, aside from funding the gas line that FortisBC owned to connect Silver Star to their grid over the last 20 years, has also been paying FortisBC under rate 25 reaching rates of \$7.97<sup>9</sup> per GJ in transport costs netting a commodity rate of \$10.91 in August 2020. The SSPOA contends that FortisBC has historically done well by Stargas and that the reconciliation of the GCVA should favor the Stargas Ratepayer.

### III. CONCLUSION

The Commission is confronted with two key questions:

- Did the delay in Stargas adjusting the Commodity Rate in 2019, cause an unfair status quo calculation by including the GCVA for a permanent rate for the year commencing November 1, 2020?
- Should the proposed purchase of Stargas assets by FortisBC be a consideration in determining the Commodity Rate for the period November 1, 2020 to October 31, 2021?

The answer to both is a clear “YES”.

The SSPOA board members are not experts on utility rate making nor on corporate purchases, admittedly operating well above our pay grade. The ratepayers of Stargas must therefore rely on the expertise of the BC Utilities Commission to ensure fair treatment in the rates that monopolies can charge. Our layperson advice on these matters is:

- Transfer the GCVA deficit to the Delivery Rate Proceedings so that the debit /credit effects of the delay of both rate applications can be reflected in a fair manner.
- Confirm that the rate of \$5.99 per GJ is the commodity rate that represents the cost of gas.
- Determine any Delivery Rate credits before implementing the \$5.99 Commodity Rate retroactively to November 1, 2020 .

The SSPOA wishes to confirm to the Panel that the Association will have no expenses in this proceeding.

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<sup>9</sup> EX. C1-2 PDF Page 3 [https://www.bcuc.com/Documents/Proceedings/2020/DOC\\_59828\\_C1-2-SSPOA-IR-1-to-Stargas.pdf](https://www.bcuc.com/Documents/Proceedings/2020/DOC_59828_C1-2-SSPOA-IR-1-to-Stargas.pdf)