British Columbia Utilities Commission
Sixth Floor, 960 Howe Street, Box 250
Vancouver, B.C. V6Z 2N3

Attention: Commission Secretary

(filed Commission website March 5, 2021)

Subject: Stargas Final Argument Delivery Rate and Regulatory Account Application
Test Year November 1, 2020 to October 31, 2021

Dear Mr. Wruck:

Stargas submits the following with respect to a proposed decrease of $1.18 in its delivery rate from its current interim rate of $5.77 per gj to $4.59 per gigajoule. The test year forecast was developed to reflect Stargas' assumptions on the entity's planned course of action for the period covered given management's judgment as to the most probable set of economic conditions. Stargas' projected deliveries, revenues and costs were based on its continued independent operations through the twelve months of the test year. Should the sale of Stargas' regulatory assets, gas cost deficit and operations to FortisBC as contemplated in the Asset Purchase Agreement executed December 7, 2020 and the Joint Application filed by Stargas/FortisBC February 19th, 2021 be approved by the BCUC and the parties not have exercised withdrawal provisions within the Agreement, Stargas will have terminated operations (anticipated within spring/early summer of 2021).

Stargas has, it acknowledges, left issues raised within interrogatories unaddressed but, in doing so, submits that each such issue would have been moot should the Commission approve the sale of Stargas regulatory assets, its gas cost deficit and operations to FortisBC and the parties to the Agreement accepting the determinations of the Commission. Stargas has not proposed mechanisms for recovery of costs ultimately recoverable from ratepayers, nor contemplated interest accruals on those balances (where not previously authorized) to constrain its management costs but would, as undertaken within its responses, do so should it remain in independent operation.

Stargas received and responded to two rounds of interrogatories from each of the Commission and the Silver Star Property Owners' Association; the following comments address relevant additional details on certain of the responses.

BCUC IR. No. 1 Q 1.3; Stargas, whether a consequence of the pandemic and/or an unusually mild winter, delivered 93.6% of the 20,050 gigajoules forecast in the first quarter of the test year. Should deliveries

through the balance of the year track those in Q1, test year deliveries will approximate 45,162 gj's and, as all but its variable charge for technical services are relatively fixed, a $4.86 rate (aggregate costs of $221,235 less $1,904 reduction in variable technical services) indicated. However, in developing its estimate of delivery volumes, Stargas estimated 48,686 gigajoules but reduced that to 48,250 gigajoules in consideration of the impact of the pandemic – as Stargas, would expect to return to historic norms over an expected three-year term of the rate set in the current proceeding it does not propose a revision to the proposed $4.59 per gigajoule rate.

BCUC IR. No. 1 Q 8.1: Stargas phrasing in its response incorrectly referred to the inclusion of $3,469 in its revenue requirement as accounting for "$.073 of the proposed $4.59 delivery rate" when it ought to have responded as "an increase of $.073 in the proposed $4.59 delivery rate". Stargas, in 8.2 requests an additional regulatory account to recover interest on amounts awarded under G-157-12 (refer to Stargas' response to A-10 clarification).

Regulatory Accounts: While not of consequence in the determination in the efficacy of the costs sought for recovery, it to be noted that should the Commission approve the sale of Stargas operations to FortisBC and the treatment of these costs by FortisBC, under the terms of the Agreement and Joint Application, unrecovered costs at the date at which the sale completes will be absorbed in a Silver Star Extension Deferral Account providing material savings to current Stargas ratepayers were it to remain in independent operation.

BCUC IR. No. 1 Q 21.6 Stargas, in its response to the information request, indicated that in addition to the $38,458 recorded to October 31, 2020 that it would record a further charge for 28.5 hours incurred in November at a cost of $3,042 in completing each of the first round of interrogatories plus an estimated $750 (actual additional cost $649) in finalizing its response the confidential response to the Commission's IR. No. 1. At that point Stargas' costs in the preparation a total of $42,150. Stargas management time in the response to each of Commission and SSPOA IR's totalled $3,153 (extracts of time logs provided below) to bring the total costs incurred to February 28th, 202 to $45,303.

	Accounting	Executive	Regulatory	IR No.2
Date	$74.54	$155.30	$225.00	
29-Jan		0.5	1.0	
30-Jan	1.0	3.0	0.5	
31-Jan	2.5	0.5	2.0	
	3.5	4.0	3.5	11.0
	$260.89	$621.20	$787.50	$1,669.59
11-Feb		0.5		
12-Feb	1.0	2.5		
14-Feb	1.5	0.5	0.5	
15-Feb	1.0	1.0		
16-Feb	2			
17-Feb	0.5		1.0	
	6.0	4.5	1.5	12.0
	$447.24	$698.85	$337.50	$1,483.59

Stargas confirms that all the time recorded within its ledgers with respect to the preparation of its delivery rate application and that with each of its responses to both commodity and delivery rate application interrogatories narrowly maintained to exclude all hours incurred relative to the proposed sale of its operations to FortisBC. As noted within the application, Stargas made the determination to proceed into and through this process without incurring third party legal costs and submits therefor, that its costs sought for recovery in the current application representative and consistent with those approved in the prior application.

SSPOA IR No. 1 6.5: Should the Commission fail to approve the purchase and sale or if the parties, pursuant to provisions in the Asset Purchase Agreement, withdraw, under the latest of its services contract extension, Stargas has ninety (90) days rather than sixty (60) as was reported to refresh and complete documentation on alternative technical services.

BCUC unredacted IR No. 1 1.3 & SSPOA IR No. 1 17.2: Stargas comparison of rates between it, in continued independent operation and those then applicable under FortisBC rates 1, 2 & 3 altered by increases in rates charged by Fortis. A revised table was provided in the Joint Application.

BCUC clarification sought in Exhibit A-10:

Questions:
- The period for which "allowed but undistributed returns on equity are sought"?
- Whether the date reference in response to BCUC IR 28.2 should be 2002-2006 and not June 1, 2017 to October 31, 2020?
- Whether the reference in BCUC IR 8.7 should be G-157-12 or G-59-17/.

Stargas response: The period for which allowed but undistributed returns sought, interest on dividends foregone in the period 2002 through 2006 and the corrected reference to BCUC Order G-157-12.

Stargas had in its response to BCUC IR 8.6 not recognized that it was seeking recovery of returns withheld but not foregone in the period from June 1, 2017 to October 31, 2020. In withholding distribution of its equity returns through that period Stargas achieved its objective of narrowing to an immaterial difference, the amount of interest to be incurred in funding its capital expenditures and ongoing operations and that allowed within and under the regulatory model.

Stargas ought to have clearly enunciated its further argument (provided in 28.2) that its request for recovery of $69,379 over 20 years without interest of $3,469 (having a present value of $45,100) was not, as was presented in its responses within the first Commission I.R.'s but rather recognition that the recovery of $6,794 annually (by inclusion in required revenue without interest) ought, equitably, to be amended to include interest. Stargas' receipt of $6,794 over twenty years without interest has a present value of $91,038 (discounted at Stargas' WACD of 4.16%) leaving a balance that would, otherwise, uncollected of $44,848 ($135,887-$91,038). Stargas was drawn to the issue of interest when recognizing in its seeking inclusion of "uncollected amounts" (as referred to in the APA) that as the future inclusion of the remaining $6,794 amounts warranted a present value discount, that it could not and did not seek the undiscounted value in the sale to FortisBC.

Conclusion: Stargas, within its current Application and that of its companion commodity rate Application sought to identify representative fair market values for its regulatory assets (physical plant, regulatory accounts and inclusion of uncollected amounts in required revenue) and agreement on the treatment of its unrecovered gas costs, such that it would have basis for its contemplated sale to FEI or, should that not complete, the ability to carry on in independent operations under a conventional rate setting model absent concerns over circumstances no longer at issue.

Whether in the application as filed, in responses to interrogatories, Stargas submits it has fully and fairly presented its basis for the determination of costs and returns appropriate to its continued independent operation through the test year and accordingly, requests that its proposed $4.59 delivery rate, and the balances sought as approved within regulatory accounts (or as included within required revenues) be approved.

Respectfully

M.A. (Moe) Blumes, CPA
President, Stargas Utilities Ltd.