



bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

Stargas Utilities Ltd.

Natural Gas Purchase Plan and Commodity Rate Application
Effective November 1, 2020

Decision
and Order G-133-21

May 3, 2021

Before:

C. M. Brewer, Panel Chair
K. A. Keilty, Commissioner
B. A. Magnan, Commissioner

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Executive Summary

Stargas Utilities Ltd. (Stargas) requests the British Columbia Utilities Commission (BCUC) approve the following:

- Stargas' Natural Gas Purchase Plan for the contract year from November 1, 2020 to October 31, 2021 (2020-21 Contract Year), including forecast deliveries of 48,250 gigajoules (GJ)
- A proposed increase for the natural gas commodity component of rates (commodity rate), from \$3.98 per GJ to \$7.06 per GJ, effective November 1, 2020, based on:
 - \$5.82 per GJ in forecast commodity costs and transportation charges
 - \$1.24 per GJ for recovery of the gas cost variance account (GCVA) deficit of \$59,641 over a one-year period

The BCUC established a regulatory process for review of the application and directed that Stargas maintain the existing commodity rates at \$3.98 per GJ on an interim and refundable basis (interim rates) effective November 1, 2020, pending review of the application.

Stargas subsequently requested BCUC approval to maintain the interim rates until new permanent commodity rates are established, and to capture the amount under-recovered from ratepayers in a regulatory account separate from the GCVA, to be amortized over 36 months.

The Panel considered Stargas' requests pursuant to sections 59 to 61, 71 and 89 of the *Utilities Commission Act* (UCA) and the BCUC's Rules for Natural Gas Energy Supply Contracts (Rules),¹ and makes the following key findings and determinations:

- The BCUC accepts, as filed, Stargas' Natural Gas Purchase Plan for the 2020-21 Contract Year.
- The BCUC approves Stargas' calculation of the GCVA balance of a \$59,641 deficit as at October 31, 2020, but denies Stargas' proposal to recover this amount by including \$1.24 per GJ in rates over a one-year period.
- The BCUC approves Stargas setting a permanent commodity rate of \$5.82 per GJ effective November 1, 2020.
- The BCUC denies Stargas' request to establish a regulatory account to capture the difference between the interim and permanent rates from November 1, 2020 until the date of this order.

The Panel considers that excluding the GCVA balance from recovery in commodity rates at this time will partially mitigate the impacts of large commodity rate increases in the 2020-21 Contract Year, noting Stargas and intervener submissions in support of delayed recovery of the GCVA balance. As the Panel finds that Stargas' forecast commodity costs are reasonable, Stargas must be given the opportunity to recover these costs from ratepayers and therefore, the Panel determines that recovery of \$5.82 per GJ from ratepayers is appropriate.

The resulting difference between permanent commodity rates and interim rates collected since November 1, 2020, is lower than it would have been based on Stargas' proposed commodity rates and is estimated to be approximately \$57² for an average ratepayer. The Panel considers that a deferral treatment of this amount is not necessary as this amount is unlikely to cause undue hardship to Stargas' ratepayers. The under-recovered amount must therefore be collected from ratepayers as a one-time charge in the next billing period.

¹ BCUC's Rules for Natural Gas Energy Supply Contracts, Order G-130-06, Appendix A.

² Exhibit B-9, BCUC IR 8.1.1.

1.0 Application and Approvals Sought

On September 15, 2020, Stargas Utilities Ltd. (Stargas) filed an application with 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 (2020-21 Contract Year) and approval to increase the natural gas commodity component of rates (commodity rate), effective November 1, 2020 (Application). During the course of the proceeding, Stargas filed a number of updates to the Application; the latest of which was filed on December 15, 2020, wherein Stargas sought BCUC approval to increase the commodity rate, effective November 1, 2020, from the existing rate of \$3.98 per gigajoule (GJ) to \$7.06 per GJ, based on updated forecast gas costs as on December 3, 2020³ (Updated Application).

Stargas' proposed commodity rate of \$7.06 per GJ consists of two components:⁴

- (i) \$5.82 per GJ to recover forecast gas and transportation costs for the 2020-21 Contract Year; and
- (ii) \$1.24 per GJ for recovery of the deficit of \$59,641 in its Gas Cost Variance Account (GCVA) as on October 31, 2020, over a 12 month period.

As commodity rates are set based on price and delivery volume forecasts for the year, variances between projected and actual commodity costs and commodity rate revenues can occur and lead to a difference between the actual commodity costs and the amount recovered in rates. The GCVA captures the variance between the commodity costs that Stargas actually incurs and the amount it recovers through its commodity rates. Balances in the GCVA are typically recovered from or refunded to ratepayers through amortization in rates over a 12 month period. This mechanism ensures that ratepayers only pay the cost the utility incurs to purchase the commodity.

The BCUC approved Stargas' existing rate of \$3.98 per GJ as an interim rate effective November 1, 2020.⁵ Stargas requests BCUC's approval of a regulatory account separate from the GCVA to capture the difference between the interim and permanent rates if the net amount under-recovered from ratepayers exceeds \$30,000. Stargas proposes that the balance be amortized over 36 months with interest at Stargas' Weighted Average Cost of Debt (WACD).⁶

The issues before the Panel are:

- Whether to accept that Stargas' Natural Gas Purchase Plan for the year ending October 31, 2021 as filed or determine whether it is not in the public interest;
- Whether to approve Stargas' requested commodity rate of \$7.06 per GJ, which includes:
 - \$5.82 per GJ in forecast commodity costs and delivery charges;
 - \$1.24 per GJ for recovery of the GCVA deficit over a one-year period; and
- Whether to approve Stargas' request to establish a regulatory account to capture the difference between the interim and permanent rates from November 1, 2020 until the date of this order, with interest charged at Stargas' WACD.

³ Exhibit B-1-1-3, p. 1.

⁴ Exhibit B-1-1-3, Attachment "Exhibit B-2".

⁵ Stargas Application to Vary Commodity Rates, Order G-196-18.

⁶ Exhibit B-1-1-3, Attachment "B-8".

1.1 Background

Silver Star Mountain (Silver Star) is a year-round resort community located approximately 22 kilometers northeast of Vernon, BC. Silver Star Mountain Resort Ltd. (Resort) is the primary developer of the resort and operates the ski hill and a number of other commercial operations within Silver Star. In 1999, Stargas was formed by the Resort to own and operate the natural gas distribution system at Silver Star. Stargas acquired the existing propane distribution grid from the Resort and converted it to natural gas. In addition, Stargas expanded the natural gas distribution grid to provide mains to substantially all of the Resort property owners that had been developed at that time.⁷ In 2000, the BCUC approved a Certificate of Public Convenience and Necessity (CPCN) for Stargas to operate a natural gas distribution system,⁸ which serves 348 residential and commercial customers.⁹

The BCUC last directed Stargas to set the gas commodity component of rates charged to Stargas customers at \$3.98 per GJ, effective November 1, 2018.¹⁰ This was based on forecast gas costs for the year ending November 1, 2019 and included a refund to Stargas' ratepayers of a surplus of \$29,820 from the GCVA as at May 31, 2018. Stargas was directed to file its next report on GCVA balances, including if necessary, proposed changes to commodity rates, by October 1, 2019.

On September 11, 2019, Stargas filed an application with the BCUC for approval of commodity rates effective November 1, 2019. Stargas subsequently requested to withdraw its application and by letter¹¹ the BCUC granted Stargas' request and granted an extension to the filing deadline for its commodity rate application to March 31, 2020. Stargas requested and was granted further extensions to file its commodity rate application to September 30, 2020.¹²

FortisBC Energy Inc. (FEI) and Stargas filed a joint application with the BCUC on February 19, 2021 for approval of an asset disposition and a CPCN to facilitate the transfer of natural gas utility assets from Stargas to FEI (Asset Purchase Agreement). The joint application includes a proposal to address unrecovered amounts in Stargas' GCVA at the closing date and is being reviewed by the BCUC in a separate proceeding.¹³

1.2 Legislative Framework

Sections 59 to 61 of the *Utilities Commission Act* (UCA) relate to the approval of commodity rates and section 71 relates to the acceptance of energy supply contracts.

The BCUC developed its Rules for Natural Gas Energy Supply Contracts (Rules) to facilitate the review of section 71 natural gas energy supply contracts. The Rules are set out in Appendix A to Order G-130-06. Rule 2.0 states:

Under Sections 71(1)(a) and 71(1.1), all energy supply contracts for the sale of natural gas to a public utility, other than those for purchases from another public utility, and all subsequent amendments, must be filed with the Commission. Commission acceptance of the filings required by the Act and these Rules should be obtained before delivery of natural gas occurs. The public utility purchasing the natural gas has the primary responsibility for filing contracts under Section 71.1

⁷ An Application by Stargas for Approval of Permanent Rates dated November 27, 2000, p. 4.

⁸ An Application by Silver Star Mountain Resorts Utilities Ltd. for Approval of a Certificate of Public Convenience and Necessity for a Natural Gas Distribution Utility, Order C-4-00.

⁹ Exhibit B-6, BCUC IR 6.1.

¹⁰ Stargas Application to Vary Commodity Rates, Order G-196-18.

¹¹ Stargas Request to Rescind Applications to Vary Commodity and Delivery Rates – Extension Request, L-54-19.

¹² Stargas Request for Extension to File Delivery Rate Application, L-17-20; and Stargas Application to Vary Delivery Rate, Amend Cost of Service Formula and Approve Replacement Term Financing Redemption of Preferred Shares - Extension Request, L-55-20.

¹³ An Application by FEI and Stargas for Approval of an Asset Disposition and a Certificate of Public Convenience and Necessity (CPCN) to Facilitate the Transfer of Natural Gas Utility Assets from Stargas to FEI, p. 1.

Rule 14.0 requires natural gas utilities to submit and obtain BCUC acceptance of annual contracting plans prior to entering into significant energy supply contract arrangements for the year. Rule 14.0 further elaborates that:

...the annual contracting plan... shall set out a gas supply portfolio that will reliably meet customer needs at reasonable cost, and shall provide for:

14.1 sufficient supply to meet the utility's total firm requirements at the level of the current year, and a mix of one year and longer term contracts that is appropriate for the security needs of its customers, considering current market conditions;

14.2 diversity of supply, including where possible a range of suppliers positioned behind alternative processing facilities, or backstopping arrangements; and

14.3 diversity of pricing arrangements and other price risk management measures.

A natural gas utility's price risk management strategy and the natural gas purchase contracts it executes directly influence the utility's cost of gas which in turn is recovered on a flow-through basis through the commodity rate charged to utility customers. The BCUC reviews these costs to ensure that the utility does not earn a return or profit from these costs. Commodity rates are approved pursuant to section 61(4) of the UCA which states:

A public utility may file with the commission a new schedule of rates that the utility considers to be made necessary by a change in the price, over which the utility has no effective control, required to be paid by the public utility for its gas supplies, other energy supplied to it, or expenses and taxes, and the new schedule may be put into effect by the public utility on receiving the approval of the commission. [emphasis added]

1.3 Regulatory Process

The BCUC established a regulatory timetable for review of the Application consisting of intervener registration and one round of BCUC and intervener information requests (IR), with further process to be determined. Further, the BCUC directed Stargas to maintain its commodity rate at the existing rate of \$3.98 per GJ on an interim and refundable basis, effective November 1, 2020. The BCUC stated that any variance between approved interim rates and permanent rates as determined at the time the BCUC renders its final decision on the Application is to be refunded to or collected from ratepayers, with interest at the average prime rate of Stargas' principal bank for the most recent year.¹⁴

Silver Star Property Owners Association (SSPOA) registered as an intervener in the proceeding.¹⁵

Gateway Property Management Corporation (Gateway) submitted letters of comment on behalf of Stargas customers Snowbird Lodge Strata, Silver Creek Lodge Strata, The Pinnacles Strata, Firelight at the Pond Strata, and Creekside Strata (Stargas Strata Customers), expressing opposition to Stargas' proposed commodity rate increase.¹⁶

In response to extension requests from the parties,¹⁷ the BCUC amended the regulatory timetable and established a further review process, which included a second round of BCUC and intervener IRs, final arguments, and Stargas' reply argument.¹⁸

¹⁴ Exhibit A-2, Order G-271-20.

¹⁵ Exhibit C-1-1.

¹⁶ Exhibits E-1 to E-5.

¹⁷ Exhibits A-12, B-3, and B-11.

¹⁸ Exhibit A-5, Order G-321-20, Exhibit A-6, Order G-329-20, Exhibit A-8, Order G-10-21, and Exhibit A-14, Order G-60-21.

Stargas indicated that it had executed an Asset Purchase Agreement with FEI that provides for the sale of Stargas' regulatory assets and operations to FEI, subject to BCUC approval.¹⁹ Stargas requested an extension to the filing deadline for its final argument to a date five business days following the termination of the Asset Purchase Agreement (Final Argument Extension Request), on the basis that if the Asset Purchase Agreement is approved, the unrecovered gas costs will have been addressed in that application. The BCUC denied Stargas' Final Argument Extension Request on the basis that permanent commodity rates should be set prior to the Asset Purchase Agreement, and that further delays to the regulatory timetable were not warranted nor in the public interest.²⁰

Subsequently, SSPOA submitted a final argument on the proceeding and Stargas submitted a reply argument.

2.0 Stargas' 2020-2021 Natural Gas Purchase Plan

Stargas requests approval of its Natural Gas Purchase Plan for the 2020-21 Contract Year, included as an attachment labelled "Exhibit B1" to the Updated Application. Stargas' Natural Gas Purchase Plan consists of taking deliveries from its current supplier, Shell Energy North America (Canada) Inc. (Shell), at daily index prices at Station 2 through the balance of its fiscal year for its entire forecast delivery of 48,250 GJ. Transportation from Station 2 to the Stargas system is provided by FEI under Rate Schedule (RS) 25.²¹

In collaboration with its consultant, Independent Energy Consultants Ltd., Stargas submits that it continuously reviews third party natural gas prices to ensure that the prices Shell offers to Stargas are competitive market rates. Stargas states that its purchase plan retains flexibility and avoids additional management fees and premiums for a contract locking in future deliveries. Stargas also notes that total commodity costs including transportation would be greater if Stargas were to take delivery from Sumas, an alternate natural gas market hub.²²

With respect to its purchasing strategy, Stargas states that it has a positive track record compared to alternatives and provides a comparison to FEI's RS 5, which is the applicable rate for Stargas' customer class. Stargas notes that in its fiscal year ending May 31, 2020, its natural gas purchases were \$53,171 less than the amount that would have been incurred under RS 5, and that Stargas expects to continue to benefit under its continued supply arrangement with Shell given the recent rate increases in RS 5.²³

Due to its small size, Stargas submits that the administrative costs that would arise from including a mix of one-year and longer contracts in its supply portfolio or obtaining a diversity of supply, pursuant to sections 14.1 to 14.3 of the Rules, outweigh any benefits.²⁴ Stargas notes that the risk of disruption to its natural gas supply is minimal given the modest volumes required by Stargas and the relative size of Shell. Stargas also notes that it expects FEI, which supplies technical services and transportation to Stargas, would provide assistance in the event of a supply disruption.²⁵

Total delivery volume for the 2020-21 Contract Year is forecast to be 48,250 GJ, which is based on Stargas' average actual deliveries over the past two years plus an incremental volume contribution for 15 customers added in the summer/fall 2020 construction season.²⁶ Stargas notes that there were actually 20 new customers added in 2020. However, Stargas recorded an offsetting reduction in forecast deliveries due to the Covid-19

¹⁹ Exhibit B-6, p. 1.

²⁰ Exhibit A-12, Order G-54-21.

²¹ Exhibit B-1-1-3, Attachment "Exhibit B1", p. 1.

²² Ibid.

²³ Ibid., p. 2.

²⁴ Exhibit B-6, BCUC IRs 5.2, 5.4.

²⁵ Exhibit B-9, BCUC IR 12.1.

²⁶ Exhibit B-6, BCUC IR 6.1.

pandemic equivalent to the consumption of 5 residential customers, leaving its delivery forecast for the 2020-21 Contract Year unchanged at 48,250 GJ.²⁷

Intervener Position

No submissions were received from interveners or interested parties regarding Stargas' Natural Gas Purchase Plan or delivery volume forecasts.

Panel Determination

Stargas' forecast delivery volume of 48,250 GJ for the 2020-21 Contract Year is reasonable based on Stargas' historical delivery volumes. Although customer additions were somewhat lower than forecast in 2020 and the impacts of the Covid-19 pandemic on consumption were not fully understood at the time of the delivery forecast, Stargas appears to have taken these factors into consideration in developing its 2021 forecast. The Natural Gas Purchase Plan is consistent with those previously accepted by the BCUC. Although inconsistent with certain BCUC's Rules, the Panel notes that forecast commodity costs under Stargas' purchase plan are lower than those forecast under FEI's RS 5. The Panel is satisfied that the Natural Gas Purchase Plan is reasonable for a utility of Stargas' size, however, notes that an earlier and more comprehensive analysis would be useful for the BCUC's evaluation of future Stargas Natural Gas Purchase Plans.

The Panel accepts Stargas' proposed Natural Gas Purchase Plan for the 2020-21 Contract Year as filed.

Stargas is directed to file with the BCUC, no later than September 15, 2021, Stargas' Natural Gas Purchase Plan for the contract year commencing November 1, 2021 and to include, at a minimum:

- a. an evaluation of the gas purchase alternatives including contracting for the supply of gas under an FEI bundled sales gas rate schedule; and**
- b. an evaluation of the effectiveness of the price risk management strategies undertaken by Stargas for the 2020-21 Contract Year.**

3.0 Stargas' Requested Commodity Rate Increase

In the Updated Application, Stargas seeks BCUC approval of a commodity rate of \$7.06 per GJ, effective November 1, 2020. Stargas' proposed commodity rate is based on recovery of forecast natural gas commodity costs, transportation costs under FEI RS 25, and amortization of the GCVA balance over one year, as shown in Table 1 below.²⁸

²⁷ Ibid.

²⁸ Exhibit B-1-1-3, p. 1.

Table 1: Breakdown of Proposed Commodity Rate (November 1, 2020 to October 31, 2021)

Rate Component	Forecast Amount to be Recovered (a)	Forecast Volume (GJ) (b)	Rate Calculation ²⁹ (a/b)
Shell Commodity Costs (c)	\$146,451	48,250	\$3.035/GJ
FEI Transportation Charges (d)	\$134,510		\$2.788/GJ
Commodity Subtotal (e) = (c+d)	\$280,961		\$5.823/GJ
GCVB Balance (f)	\$59,641		\$1.236/GJ
TOTAL PROPOSED RATE (e+f)	\$340,602		\$7.06/GJ

3.1 Forecast Commodity Costs

Stargas' proposed commodity rate of \$7.06 per GJ includes recovery of Stargas' forecast commodity and transportation costs, which consist of Shell gas costs of \$3.035 per GJ³⁰ (including a loss allowance, consultant charges, and transportation fuel), and transportation charges of \$2.788 per GJ under FEI RS 25.³¹ Based on these two components, Stargas forecasts total costs related to natural gas and delivery to be \$5.82 per GJ.³²

Intervener Position and Letters of Comment

SSPOA did not make any submissions regarding Stargas' forecast commodity costs.

Gateway submitted letters of comment on behalf of Stargas Strata Customers, expressing opposition to the large commodity rate increase proposed by Stargas. Gateway submits that such a radical increase in commodity rates on short notice is unacceptable and unfair to ratepayers.³³

Panel Determination

The Panel finds the forecast natural gas and transportation costs used to calculate Stargas' forecast commodity costs of \$5.82 per GJ reasonable. The panel considers that the commodity cost forecast provided by

²⁹ Based on 48,250 GJ delivery volume.

³⁰ Based on commodity price forecasts found in Shell's Daily Energy Market Update dated Dec 3, 2020, Exhibit B-1-1-3, Attachment "B5".

³¹ Exhibit B-1-1-3, Attachment "Exhibit B-2".

³² Based on a forecast delivery volume of 48,250 GJ for the year ending October 31, 2021.

³³ Exhibits E-1 to E-5.

Stargas to be supported by appropriate third-party estimates, and notes that the forecast transportation costs under FEI RS 25 are based on BCUC-approved rates.

While Gateway has expressed concern about the commodity rate increase, the actual commodity costs are based on appropriately supported forecasts commodity. Commodity costs are recovered from ratepayers on a flow-through basis with no additional mark-up. The Panel notes that SSPOA does not object to the cost estimates or demand forecast for the 2020-21 Contract Year.

3.2 Recovery of Gas Cost Variance Account (GCVA) Balance

The GCVA accumulates the variance between the actual costs that Stargas incurred in purchasing the commodity and the amount recovered from ratepayers through its commodity rates. Stargas generally reviews its forecast gas costs and GCVA balance annually, with the intention to set commodity rates that would reduce the GCVA balance to zero by the end of the year. However, because Stargas has previously requested and was granted extensions to its annual commodity rate filing, the BCUC has not reviewed Stargas' commodity rate or GCVA balance since the rate was last set effective November 1, 2018.³⁴ Due to the two-year period since commodity rates were last reviewed by the BCUC, a larger-than-typical balance in the GCVA has accrued.

Stargas submits that as of October 31, 2020, a deficit of \$59,641 had accumulated in Stargas' GCVA.³⁵ Stargas proposes to recover the GCVA balance in commodity rates over a one-year period beginning November 1, 2020, resulting in a \$1.24 per GJ addition to the \$5.82 per GJ commodity cost discussed above, for a total proposed commodity rate of \$7.06 per GJ.³⁶

When asked about alternative GCVA recovery mechanisms, Stargas declined to explore alternatives, submitting that it would review the impact of a one-year versus two-year recovery of the GCVA balance if the mechanism proposed by Stargas was not accepted by the BCUC, and Stargas continued independent operations.³⁷ Stargas does, however, note that recovery of the GCVA balance from ratepayers over a two-year period based on forecast gas costs for the next two years would result in a total commodity rate of \$6.53 per GJ, rather than the \$7.06 per GJ requested in the Updated Application.³⁸

In its Final Argument Extension Request, Stargas submits that the Asset Purchase Agreement filed with the BCUC describes an agreement with FEI on the proposed treatment of unrecovered gas costs, by which FEI proposes to absorb any GCVA balance within FEI's Commodity Cost Reconciliation Account (CCRA).³⁹ Stargas notes that a decision on the permanent commodity rate would only be warranted if Stargas continues to operate independently.⁴⁰

Intervener Position and Letters of Comment

SSPOA submits that the large GCVA balance is the result of Stargas' failure to file its rate applications on a timely basis in November 2019, therefore creating the deficit that would normally have been adjusted and not allowed to accumulate. It argues that the delay benefitted Stargas which has over-recovered in the delivery component of rates from November 2019 to September 2020. SSPOA further submits that a catch-up within the commodity rate over a short period would negatively impact ratepayers. SSPOA requests that recovery of the GCVA deficit

³⁴ BCUC letters L-54-19, L-17-20 and L-55-20.

³⁵ Exhibit B-1-1-3, p. 1.

³⁶ Ibid., Attachment "Exhibit B-2".

³⁷ Exhibit B-6, BCUC IR 2.4.

³⁸ Ibid., BCUC IR 2.2.

³⁹ Exhibit B-11, p. 1.

⁴⁰ Ibid., p. 2.

be removed from the calculation of the commodity rate and deferred to the delivery rate proceeding,⁴¹ and that the commodity rate be set at Stargas' actual forecast gas cost.^{42 43}

Commenting on behalf of Stargas Strata Customers, Gateway notes that the GCVA deficit has been accrued over multiple years, so asking ratepayers to pay off the GCVA deficit in less than one year is unfair. Gateway also submits that the "radical increase" in commodity rates proposed by Stargas is unacceptable.⁴⁴

Stargas Reply

Stargas submits that its ratepayers were not negatively impacted by Stargas' delay in filing a commodity rate application, as they would have been subject to an increased commodity rate of \$4.95 per GJ had Stargas not withdrawn its application to increase commodity rates effective November 1, 2019.⁴⁵ Stargas states that it has been required to finance increased commodity costs while its ratepayers have benefited from an unchanged commodity rate of \$3.98 per GJ.⁴⁶

Panel Determination

The Panel approves Stargas' calculation of the GCVA balance of a \$59,641 deficit as at October 31, 2020. The Panel considers that the GCVA balance of \$59,641 represents the actual amount of recoverable commodity-related costs incurred by Stargas which have not been recovered from ratepayers through commodity rates. The GCVA deficit has largely accrued due to Stargas' withdrawal of its 2019 commodity rate application, however during this period ratepayers have incurred lower commodity rates than Stargas' actual commodity costs. As the Panel considers the actual commodity costs to be prudently incurred, the amount which has been under-recovered in commodity rates is recoverable from Stargas ratepayers.

Next, under section 59 of the UCA, the Panel must consider whether Stargas' request to establish a commodity rate of \$7.06 per GJ, as sought in its Updated Application, is not unjust, unreasonable, unduly discriminatory or unduly preferential.

The Panel notes Stargas proposes to address unrecovered gas costs in the Asset Purchase Agreement proceeding and that SSPOA has also expressed support for deferring recovery of the GCVA balance. Given the support from the parties and the large increase in commodity rates before recognition of any amounts in the GCVA balance, **the Panel denies Stargas' request to amortize the GCVA balance over a 12 month period by including \$1.24 per GJ in the proposed commodity rate.** This reduces the \$7.06 per GJ requested commodity rate by \$1.24 per GJ attributed to the amortization of the GCVA balance, and results in a remaining commodity rate of \$5.82 per GJ, based only on recovery of Stargas' forecast commodity costs.

The Panel considered the arguments made by SSPOA and Gateway and is of the view that excluding the GCVA balance from recovery in commodity rates at this time will partially mitigate the impacts of large commodity increases in the 2020-21 year. Given the Panel's findings in Section 3.1 that Stargas' forecast commodity costs are reasonable, Stargas must be provided the opportunity to recover these costs from its ratepayers.

Therefore, Stargas is approved to increase the gas commodity component of rates charged to Stargas customers from \$3.98 per GJ to \$5.82 per GJ effective November 1, 2020, based on the forecast gas commodity cost of \$5.82 per GJ, and Stargas is directed to include an explanation of the commodity

⁴¹ Stargas Utilities Ltd. Delivery Rate and Regulatory Account Application - Test Year November 1, 2020 to October 31, 2021

⁴² SSPOA Final Argument, pp. 3, 4.

⁴³ SSPOA submits that Stargas' forecast gas costs are \$5.99 per GJ but Stargas' most recent forecast gas costs are \$5.82 per GJ per Exhibit B-1-1-3, Attachment "Exhibit B-2."

⁴⁴ Exhibits E-1 to E-5.

⁴⁵ Stargas Reply Argument, p. 2.

⁴⁶ Ibid., p. 5.

component rate change to customers in its next monthly billing cycle. Accordingly, Stargas is directed to file updated tariff pages with the BCUC within 10 business days of the issuance of this order

4.0 Treatment of Difference Between Interim and Permanent Commodity Rates

Stargas requests approval to establish a regulatory account separate from the GCVA to capture the amounts under-recovered in commodity rates and over-recovered in delivery rates from November 1, 2020 until permanent rates are approved by the BCUC, should the net amount owed by ratepayers exceed \$30,000. Stargas proposes to maintain the commodity rate paid by customers at the interim rate of \$3.98 per GJ to avoid potential rate shock, but to recover the difference between interim rates and permanent rates retroactive to November 1, 2020 by capturing the difference in a regulatory account to be recovered from customers at a later date.⁴⁷

Stargas proposes to amortize the balance of this regulatory account over 36 months, with interest charged at Stargas' WACD. Stargas provides an estimate of the amount to be recovered from ratepayers due to the increase in commodity costs at \$61,754, or \$38,095 when offset by the proposed decrease in Stargas delivery rates currently under consideration by the BCUC.⁴⁸

Subsequently, in its Final Argument Extension Request, Stargas revised its request to recover the new regulatory account deficit from its customers and instead requested that the BCUC defer a decision on the recovery of these costs, as disposition of Stargas regulatory account balances is contemplated in the Asset Purchase Agreement currently before the BCUC in a separate proceeding.⁴⁹ Stargas submits that it would only seek recovery of any regulatory account amounts following a determination by the BCUC or the parties to the Asset Purchase Agreement that the sale of Stargas operations to FEI does not proceed.⁵⁰

In support of its initial request to recover the new regulatory account deficit over a 36-month period, Stargas submits that in the current pandemic environment, the "extra" amount due from ratepayers for the difference between the interim rate and the permanent commodity rates from November 1, 2020 will be a hardship to both residential and commercial ratepayers.⁵¹ Stargas submits that if the amount under-recovered in commodity rates from November 2020 through January 2021 was recovered in a single billing cycle, the impact would be approximately \$57.35 per residential customer, as compared to \$1.08 per month for 36 months under Stargas' proposal.⁵²

Stargas submits that recovery of interest at WACD on the regulatory account balance is appropriate, given that deferral of recovering this amount is warranted to reduce customer hardship during current economic conditions.⁵³ Stargas notes that while the proposed regulatory account is in itself a benefit to ratepayers, Stargas' proposal to collect interest at the WACD, not the weighted average cost of capital as is usual for other public utilities, further benefits its ratepayers.⁵⁴

Intervener Position

SSPOA supports Stargas' proposal to use a regulatory account with a 36-month recovery period to lessen the hardship on Stargas ratepayers. However, SSPOA objects to Stargas' request to charge interest on these amounts. SSPOA notes that under normal GCVA management, interest is not applied to any GCVA balance and

⁴⁷ Exhibit B-1-1-3, Attachment "B-8," p. 2.

⁴⁸ Based on proposed commodity rates being approved by February 12, 2021, reference BCUC IR 8.1.1.

⁴⁹ Exhibit B-11, p. 1.

⁵⁰ Stargas Reply Argument, p. 2.

⁵¹ Exhibit B-2, p. 2.

⁵² Exhibit B-9, BCUC IR 8.1.1.

⁵³ *Ibid.*, BCUC IR 11.4.

⁵⁴ Stargas Reply Argument, p. 3.

submits that because the current deficit situation was created by the deliberate actions of Stargas, the imposition of a catchup within the commodity rate over a short period is unfair.⁵⁵

Panel Determination

The Panel notes that the amount to be recovered from residential account holders as at January 31, 2021 was forecast to be a one-time charge of approximately \$57.35 per customer based on a permanent commodity rate of \$7.06 per GJ. While the Panel acknowledges the amount to be recovered may be greater now than it was through January 2021, the increase in the one-time charge will be mitigated by the lower approved commodity rate of \$5.82 per GJ and the Panel is satisfied that the amount to be recovered is unlikely to cause undue hardship. Further, ratepayers had notice of the Application and were aware of the potential for an escalation in commodity rates.

Therefore, the Panel denies Stargas' request to establish a regulatory account for the difference between the interim and permanent rates. The Panel determines that in the billing period immediately following the issuance of this Order with accompanying Decision, Stargas is to recover, as a one-time charge to ratepayers, the balance owing due to the difference between interim rates of \$3.98 per GJ and permanent rates of \$5.82 per GJ retroactive to November 1, 2020, with interest at the average prime rate of Stargas' principal bank for 2020.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of May 2021.

Original signed by:

C. M. Brewer
Panel Chair / Commissioner

Original signed by:

K. A. Keilty
Commissioner

Original signed by:

B. A. Magnan
Commissioner

⁵⁵ SSPOA Final Argument, p. 4.



**ORDER NUMBER
G-133-21**

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Stargas Utilities Ltd.
Natural Gas Purchase Plan and Commodity Rate Application
Effective November 1, 2020

BEFORE:

C. M. Brewer, Panel Chair
K. A. Keilty, Commissioner
B. A. Magnan, Commissioner

on May 3, 2021

ORDER

WHEREAS:

- A. On September 15, 2020, Stargas Utilities Ltd. (Stargas) filed an application under sections 71 and 61(4) of the *Utilities Commission Act* (UCA) to the British Columbia Utilities Commission (BCUC) seeking acceptance of its Natural Gas Purchase Plan for the contract year from November 1, 2020 to October 31, 2021 (2020-21 Contract Year) and approval to increase the natural gas commodity component of rates (commodity rate) from \$3.98 per gigajoule (GJ) to \$7.48 per GJ, or approximately 88 percent, effective November 1, 2020 (Application);
- B. By Order G-130-06 dated October 27, 2006, the BCUC approved the Rules for Natural Gas Energy Supply Contracts (Rules). The Rules are intended to facilitate the BCUC's review of natural gas energy supply contracts pursuant to section 71 of the UCA;
- C. By Order G-196-18 dated October 11, 2018, the BCUC approved a decrease in the gas commodity rate charged to Stargas customers from \$4.14 per GJ to \$3.98 per GJ, effective November 1, 2018;
- D. By Order G-271-20 dated October 27, 2020, the BCUC set an interim commodity rate of \$3.98 per GJ on an interim and refundable basis, effective November 1, 2020, and directed that any variance between approved and interim rates will be refunded to or collected from ratepayers with interest at the average prime rate of Stargas' principal bank for the most recent year. The BCUC also determined that Attachments B1, B3, B3a and B4 to the Application would be held confidential, until determined otherwise, since they contain commercially sensitive materials;
- E. By Orders G-271-20, G-321-20, G-329-20, G-10-21 and G-60-21, the BCUC established and furthered a written hearing process and regulatory timetable to review the Application. The regulatory timetable

included intervener registration, two rounds of BCUC and intervener information requests (IRs), final argument and reply;

- F. By October 29, 2020, Silver Star Property Owners Association (SSPOA) registered as an intervener in the proceeding;
- G. On October 21, 2020, Stargas filed an updated application with the BCUC seeking approval to increase the commodity rate from \$3.98 per GJ to \$7.87 per GJ or approximately 98 percent, effective November 1, 2020, based on updated forecast gas costs as on October 20, 2020;
- H. In a tariff page filing dated October 30, 2020, Stargas submitted a proposal asking that
 1. the BCUC require Stargas to maintain its existing commodity and delivery rates until revised commodity and delivery rates have been ruled upon, and
 2. that any difference in rates collected from November 1, 2020 until a determination is made on rates be captured in a regulatory account and recovered over 36 months with interest at Stargas' weighted average cost of debt, if the amount to be recovered from ratepayers exceeds \$30,000;
- I. On November 12, 2020, Gateway Property Management Corporation submitted letters of comment on behalf of Snowbird Lodge Strata, Silver Creek Lodge Strata, The Pinnacles Strata, Firelight at the Pond Strata, and Creekside Strata expressing opposition to the commodity rate increase proposed by Stargas;
- J. In response to BCUC IR No. 1, Stargas indicated that it had executed an agreement with FortisBC Energy Inc. (FEI) that provides for the sale of Stargas' regulatory assets and operations to FEI (Asset Purchase Agreement), subject to BCUC approval;
- K. On December 15, 2020, Stargas filed further updates to its Application with the BCUC on a confidential basis, and subsequently filed a redacted version January 25, 2021, seeking approval to increase the commodity rate from \$3.98 per GJ to \$7.06 per GJ or approximately 77 percent, effective November 1, 2020. Stargas calculates the proposed rate based on a \$5.82 per GJ forecast gas costs and \$1.24 per GJ for amortization of the Gas Cost Variance Account (GCVA) balance over 12 months (Updated Application);
- L. On February 24, 2021, Stargas requested an extension to the filing deadline for its final argument to a date five business days following the termination of the Asset Purchase Agreement, on the basis that if the Asset Purchase Agreement is approved, the unrecovered gas costs will have been addressed in that application;
- M. By Order G-54-21 dated March 2, 2021, the BCUC denied Stargas' request for extension on the basis that a permanent commodity rate should be set prior to a determination on the Asset Purchase Agreement, and that further delays to the regulatory timetable were not warranted nor in the public interest;
- N. On March 4, 2021, the SSPOA submitted a final argument to the BCUC and on March 5, 2021, Stargas submitted a reply argument; and
- O. The BCUC has completed its review of the Updated Application and the evidence and submissions by all parties in this proceeding and finds that the following determinations are warranted.

NOW THEREFORE pursuant to sections 59 to 61, 71 and 89 of the UCA and the Rules, and the Decision issued concurrently with this order, the BCUC orders as follows:

1. Stargas' Natural Gas Purchase Plan for the 2020-21 Contract Year is accepted as filed.
2. Stargas is directed to file with the BCUC, no later than September 15, 2021, Stargas' Natural Gas Purchase Plan for the contract year commencing November 1, 2021 and to include, at a minimum:
 - a. an evaluation of the gas purchase alternatives including contracting for the supply of gas under a FortisBC Energy Inc. bundled sales gas rate schedule, and
 - b. an evaluation of the effectiveness of the price risk management strategies undertaken by Stargas for the 2020-21 Contract Year.
3. The BCUC approves Stargas' calculation of the GCVA balance of a \$59,641 deficit as at October 31, 2020.
4. Stargas' request to include amortize the GCVA balance over a 12 month period by including \$1.24 per GJ in the proposed commodity rate is denied.
5. The BCUC approves the increase of commodity rate charged to Stargas customers from \$3.98 per GJ to \$5.82 per GJ effective November 1, 2020, based on the forecast gas commodity cost of \$5.82 per GJ.
6. Stargas is directed to include an explanation of the commodity rate change to customers in its next monthly billing.
7. Stargas is directed to file with the BCUC, within 10 business days of the issuance of this order, updated tariff pages in accordance with the terms of this order.
8. Regarding recovery of the difference between the interim and permanent commodity rates from November 1, 2020 until the date of this order, Stargas' request to establish a regulatory account is denied.
9. With respect to Stargas' request for confidentiality,
 - a. the following documents will be held confidential:
 - i. the "Estimated gas costs for the twelve months ending October 31, 2020" (attachment B3),
 - ii. the "Shell Confirmation" (attachment B4),
 - iii. the "Shell Market Update December 3, 2020" (attachment B5 to Exhibit B-1-1-3), and
 - iv. the final two paragraphs of the "Cost Estimates" (attachment B3a to Exhibits B-1-1); and
 - b. the following documents will not be kept confidential:
 - i. Stargas' Natural Gas Purchase Plan (attachment B1 to Exhibit B-1-1);
 - c. Stargas is directed to refile, within 10 days of this order:
 - i. a redacted version of Attachment B3a and B-1-1-3 redacting only the final two paragraphs.

- ii. unredacted versions of any other exhibit filed in this proceeding that contains redacted information disclosed in the Asset Purchase Agreement.
- d. In accordance with the BCUC's Rules of Practice and Procedure, Stargas may object to the determinations on confidentiality by providing written reasons. If no objection has been filed within 10 days of this order, the information will be posted publicly.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of May 2021.

BY ORDER

Original signed by:

C. M. Brewer
Commissioner

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Stargas Utilities Ltd.
Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate

EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated October 26, 2020 – Appointing the Panel for the review of Stargas Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate dated October 21, 2020
A-2	Letter dated October 27, 2020 – BCUC Order G-271-20 with Reasons for Decision establishing a regulatory timetable and public notice
A-3	Letter dated November 19, 2020 – BCUC Information Request No. 1 to Stargas
A-4	CONFIDENTIAL - Letter dated November 19, 2020 – BCUC Confidential Information Request No. 1 to Stargas
A-5	Letter dated December 8, 2020 – BCUC Order G-321-20 amending the regulatory timetable
A-6	Letter dated December 11, 2020 – BCUC Order G-329-20 amending the regulatory timetable
A-7	Letter dated January 12, 2021 – BCUC Request Stargas to resubmit the documents
A-8	Letter dated January 12, 2021 – BCUC Order G-10-21 establishing a further regulatory timetable
A-9	Letter dated January 14, 2021 – BCUC response to SSPOA submission
A-10	Letter dated January 26, 2021 – BCUC Information Request No. 2 to Stargas
A-11	CONFIDENTIAL - Letter dated January 26, 2021 – BCUC Confidential Information Request No. 2 to Stargas

- A-12 Letter dated February 25, 2021 – BCUC Order G-54-21 regarding Stargas extension request
- A-13 Letter dated March 2, 2021 – BCUC Order G-54-21 with Reasons for Decision added
- A-14 Letter dated March 2, 2021 – BCUC Order G-60-21 amending the regulatory timetable

APPLICANT DOCUMENTS

- B-1 **CONFIDENTIAL - Stargas Utilities Ltd. (Stargas)** – Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate dated October 21, 2020
- B-1-1 Stargas Confidential Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate dated October 21, 2020 - Redacted
- B-1-1-1 Submission dated October 27, 2020 - Stargas response to Order G-271-20 Appendix C
- B-1-1-2 **CONFIDENTIAL** - Letter dated December 15, 2020 – Stargas submitting Updated Application
- B-1-1-3 Letter dated January 25, 2021 – Stargas submitting Redacted Updated Application dated December 10, 2020
- B-2 Letter dated October 30, 2020 – Stargas submitting tariff page
- B-2-1 Letter dated December 10, 2020 – Stargas submitting updated tariff page
- B-3 **CONFIDENTIAL** - Letter dated December 3, 2020 – Stargas confidential extension request to file Information Request responses
- B-3-1 **REDACTED** - Letter dated December 5, 2020 – Stargas submitting extension request to file Information Request responses
- B-4 **CONFIDENTIAL** - Letter dated December 9, 2020 – Stargas Confidential request of further deferment to file Information Request responses
- B-4-1 **REDACTED** - Letter dated December 9, 2020 – Stargas redacted request of further deferment to file Information Request responses
- B-5 Letter dated December 11, 2020 – Stargas request of further deferment to file Information Request No. 1 responses
- B-5-1 Letter dated January 25, 2021 – Stargas submitting public version of request of further deferment to file Information Request No. 1 responses dated December 11, 2020
- B-6 Letter dated December 15, 2020 – Stargas submitting responses to BCUC Information Request No. 1

- B-6-1 Letter dated January 25, 2021 – Stargas submitting public version of Confidential responses to BCUC Information Request No. 1 dated December 15, 2020
- B-7 Letter dated December 15, 2020 – Stargas submitting responses to SSPOA Information Request No. 1
- B-8 Letter submitted January 25, 2021– Stargas submitting response to BCUC Exhibit A-7
- B-9 Letter dated February 2, 2021 – Stargas submitting response to BCUC Information Request No. 2
- B-10 **CONFIDENTIAL** - Letter dated February 2, 2021 – Stargas submitting response to BCUC Confidential Information Request No. 2
- B-10-1 **REDACTED** - Letter dated February 2, 2021 – Stargas submitting redacted response to BCUC confidential Information Request No. 2
- B-11 Letter dated February 24, 2021– Stargas submitting extension request to file Final Argument
- B-12 Letter dated February 26, 2021 – Stargas submitting response regarding G-54-21 Regulatory Timetable

INTERVENER DOCUMENTS

- C1-1 **SILVER STAR PROPERTY OWNERS ASSOCIATION (SSPOA)** – Letter dated October 29, 2020 – Request for Intervener Status by Michael Waberski
- C1-2 Letter dated November 17, 2020 – SSPOA submitting Information Request No. 1 to Stargas
- C1-3 Letter dated January 12, 2021 – SSPOA submitting procedure clarification
- C1-4 Letter dated February 26, 2021 – SSPOA submitting response regarding G-54-21 Regulatory Timetable

INTERESTED PARTY DOCUMENTS

- D-1 **FORTISBC ENERGY INC. (FEI)** - Submission dated January 8, 2021 request for Interested Party status by Brandi Paulson

LETTERS OF COMMENT

- E-1 Snowbird Lodge Strata – Letter of Comment dated November 12, 2020
- E-2 Silver Creek Lodge Strata – Letter of Comment dated November 12, 2020
- E-3 The Pinnacles Strata – Letter of Comment dated November 12, 2020
- E-4 Firelight at the Pond Strata – Letter of Comment dated November 12, 2020
- E-5 Creekside Strata – Letter of Comment dated November 12, 2020