



SUN PEAKS GAS DELIVERY RATE INCREASE

EXHIBIT B-3

August 10, 2016

Laurel Ross
Acting Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC Canada
V6Z 2N3

Sent via email: commission.secretary@bcuc.com

Dear Ms. Ross

Re: Sun Peaks Utilities Co., Ltd.

Application for a Gas Delivery Rate Increase effective August 1, 2016

Please find our response to the Commission Order G-110-16 and the Commission Information Request No 1 (Exhibit A-3).

Please contact the undersigned, should you have any questions regarding this submission.

Sincerely,

A handwritten signature in blue ink that reads "Pat Miller". The signature is written in a cursive style with a large, looping initial "P".

Sun Peaks Utilities Co., Ltd.

Pat Miller
Director, Utility Services

Enclosures

Sun Peaks Utilities Co., Ltd.

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Sun Peaks Utilities Co., Ltd. (SPUCL)
Application for a Gas Deliver Rate Increase to be effective August 1, 2016
Response to Commission Information Request No 1 (Exhibit A-3)

TABLE OF CONTENTS	PAGE NO.
A. Financial Projections.....	3
B. Facility Storage Charge.....	4
C. Gas Tariff Changes	5



A. Financial Projections

1.0 Reference: APPLICATION Exhibit B-1, Schedule 1 and Schedule 5 Operations and Maintenance

- 1.1 SPUCL's costs for contract work (in particular, distribution system maintenance) appears to fluctuate year over year. Please clarify whether this category of costs are weather related or subject to any other contributing factors that may be outside of SPUCL's direct control. If not, please provide explanations for its apparent fluctuations year over year.

On page 7 of the financial schedules (Schedule 5), SPUCL states that "[beginning F2016, SPR LLP¹ stopped charging separately for office rent and increased the \$2,000/mo. administration fee to \$3,000/mo. of which 1/3 is allocated to the Gas Division."

SPUCL's costs for contract work have ranged from \$20,579 in F2014 to \$8,568 in F2015. \$4,800 of F2017 projected costs are for snow plowing and gas leak repairs (usually due to failure of the gas meter set's regulator). While snow plowing costs are obviously weather dependent, we have noticed that gas leak repair costs spike whenever we get extremely cold weather.

At \$8,000, the cost of maintaining gas detection capability is the largest component of F2017's projected cost. This includes the cost of calibration gas, sensors and a provision for detector replacement. Note, SPUCL responds to approximately 40 gas odour calls annually and has 4 Draeger detectors in service. The cost of maintaining gas detection capability has been rising since F2015 as a result of more stringent WorkSafe BC requirements for daily testing of each detector.

The reason for the higher costs in F2014 was due to \$10,182 spent to repair and pave the access road to the Propane Storage Facility.

- 1.2 Please explain the business relationship of SPR LLP to SPUCL and provide an organization chart if available.

SPUCL is a wholly and directly owned subsidiary of SPR LLP. SPUCL operates as a stand-alone entity with its own staff, operating facilities, accounting records and bank accounts.

SPUCL provides utility services to SPR LLP facilities at the same tariff rates as charged to all other SPUCL customers.

SPR LLP provides office space and services, payroll administration, computer support, local delivery service and management oversight. SPR LLP also provides general and liability insurance coverage through its master policies.

- 1.3 Given that 1/3 of the \$1,000 increase ($1/3 \times \$1,000 = \333) in office rent is allocated to the Gas Division, please explain the \$4,000 increase to the Line item "Office rent & admin charge" for 2016.

¹ SPR LLP means Sun Peaks Resort LLP



Upon review, Schedule 1 has an error in the heading used.

	2014	2015	2016	Projected 2017
Office Rental & Administration	13,859	10,833	13,059	16,000

The line should have been 'Office & Administration' as detailed in Schedule 5. This line category includes the cost of telephone, office supplies, advertising, uniforms, etc. The main reason for the projected 2017 increase over 2016 is for winter coat purchase and additional advertising and postage costs related to 2016 gas rate applications.

The \$3,000 monthly charge from SPR LLP is for office rent & services, computer support, etc. and does not include the cost of telephone, office supplies, advertising, uniforms, etc. These costs are correctly shown in Schedule 1 as 'Office Rental & Administration charge' and will remain the same in F2017 as in F2016 at \$12,000.

1.4 Please explain the rationale behind the 1/3 allocation to the Gas Division.

The rationale behind SPUCL allocating 1/3 of the \$3,000 monthly rent & administration charge to each of the 3 utilities (gas, water and sewer), is because management and administration staff are involved with each utility and because many of their tasks do not relate directly to a specific utility.

2.0 Reference: APPLICATION
Exhibit B-1, Schedule 4
Other revenues - Service Line and Meter Installations

2.1 Please explain Service Line and Meter Installations revenue. Why are there fluctuations to this revenue source?

Schedule 4, 'Service Line & Meter Installations' revenue is mainly the revenue generated from new customers installing gas service to their homes. It includes the cost of the service line from the main to the home and the gas meter. This revenue will vary with the degree of new construction at Sun Peaks.

B. Facility Storage Charge

3.0 Reference: APPLICATION
Exhibit B-1, p. 1; Utility Newsletter, p. 1
Exhibit A2-1, Schedule 4
FortisBC Facility Storage Charge

In its Utility Newsletter – June 2016, SPUCL stated:

... general operation costs, including the FortisBC's Facility Storage Charges, have increased so we will apply to the BCUC for an increase in the Gas Delivery Charge of \$0.3300 per gigajoule.



On page 1 of the covering letter, SPUCCL states:

This Gas Delivery Rate increase application reflects the cost increases seen by SPUCCL as a result of the revised FortisBC Alternative Energy Services (FortisBC) contract signed in 2008. The FortisBC fee structure provides for an annual increase based on the cost of living as calculated each year by Stats Canada. The revised contract was due to the requirement to expand FortisBC's Gas Storage Facility from two 30,000 USG tanks to four 30,000 USG tanks, an updated vapourizer building and a third high-capacity vapourizer to ensure that SPUCCL was able to meet the demands of current and future customers.

SPUCCL's Gas Commodity Charge – Storage is one of three components in the SPUCCL commodity charge and is currently at \$2.325/GJ.

In Exhibit A2-1, an excerpt from SPUCCL's June 10, 2016 Application for a Gas Commodity Rate Decrease to be effective August 1, 2016, Schedule 4 – Gas Cost Reconciliation Account – by year 2014 to 2018 indicates that the Storage Facility Charges are fixed at \$176,400 each year as shown below:

Storage Facility Component					
Starting Storage Balance	(3,640)	(88,742)	(21,845)	(11,220)	(8,842)
Storage Facility Charges	176,400	176,400	176,400	176,400	176,400
Basic Charge & Storage Recovery Credits	-				
Interest Charge (Credit)	60	(2,291)	214	375	461
Commodity Charge - Storage Recovery	(261,562)	(107,212)	(165,989)	(174,397)	(174,746)
Ending Storage Balance (end of April)	(\$88,742)	(\$21,845)	(\$11,220)	(\$8,842)	(\$6,727)

3.1 Please confirm that FortisBC's gas storage facility was expanded in 2008 and was part of the revised contract between SPUCCL and FortisBC in 2008. If not confirmed, please explain.

SPUCCL confirms that the FortisBC Gas Storage Facility expansion from two to four tanks was completed in March 2009 and was part of the revised contract between SPUCCL and FortisBC in 2008.

3.2 The Storage Facility Component is part of the commodity rate and the Storage Facility Charges are fixed at \$176,400 annually from 2014 through 2018. Please clarify how the delivery rate is affected with respect to SPUCCL's statements: (i) June 2016 Newsletter and (ii) FortisBC's fee structure provides for an annual increase based on the cost of living as calculated each year by Statistics Canada.

SPUCCL's Gas delivery rate is affected by the following sections of the 2008 FortisBC revised contract:

Basic Charge, Sch A, #3

"The Basic Charge will be subject to annual CPI adjustments as a percentage change over 12 months from the previous 12 months." Note, the basic charge is the monthly charge for each gas meter in service at a customer's location and has risen from \$12.99 in 2008 to \$14.18 at present.

Distribution O & M Charge, Sch A, #5.

"Starting May 1/09, the Distribution O&M Charge will be subject to annual CPI adjustment by the percentage change over 12 months from the previous 12 months." Note, the distribution O&M charge is what FortisBC charges SPUCCL for costs associated with the operation and maintenance of SPUCCL's distribution system. The annual cost has risen from \$34,500 in 2008 to \$37,689 at present.

- 3.3 What portion of the \$0.33/GJ delivery rate increase is attributable to the FortisBC Facility Storage Charges? Please make reference to the specific financial schedules filed.

None of the \$0.33/Gj delivery rate increase is attributable to the FortisBC Facility Storage Charge.

- 3.4 Please explain the three line items under the subtitle labeled as “Fortis Plant & Distribution charges” on Schedule 1 of the Application.

The three line items under the subtitle 'Fortis Plant & Distribution charges' on Schedule 1 are detailed in the September 1, 2008 FortisBC agreement in Schedule A.

Plant O&M Charge (\$4,678.67/month)

This is the amount charged by FortisBC to SPUCL for the operation and maintenance of the Gas Storage Facility. The charge is subject to annual adjustment based on the quantity of propane sent through the plant. Annual usage will need to exceed 88,000 Gj for the rate to increase over the present annual charge of \$56,144.

Gas Distribution O&M Charge

See response in Question 3.2

Less Fortis Operating Credit

This is a credit FortisBC provides in recognition of SPUCL provided operations related to the gas distribution system. The credit at present is \$1,300 per month and increases by \$100 annually on January 1 each year.

- 3.5 Please confirm that these charges are not related to the FortisBC Facility Storage Charges.

The three charges explained in Section 3.4 are not related to the FortisBC Facility Storage Charges.

C. Gas Tariff Changes

- 4.0 Reference: APPLICATION
Exhibit B-1, pp. 11-12, Gas Tariff
Section 2.4 - Change in Ownership or Tenancy of Property

In Section 2.4, on pages 11-12 of the Gas Tariff, SPUCL stated:

Change in Ownership or Tenancy of Property - When there is a change in ownership or tenancy of property, the property seller should ensure that the Utility bill is paid before transfer of the title to the purchaser. Where there is a change in ownership or tenancy of property, it is the responsibility of the new owner and/or new Tenant to ensure:

(a) any outstanding obligations are included in the statement of adjustments of the property purchase, or are fully paid by the previous owner or Tenant,

(b) if a new owner is leasing or renting a Premises and wants the Utility bill sent to a Tenant, the new owner must complete an agreement with the Utility which authorizes the Utility to send the Utility bill to the Tenant, but the Owner will not be released for its obligation to pay the Utility's bills.



(c) In the event that a previous owner or Tenant vacates the Premises leaving an outstanding Utility bill, then the Utility's agreement to provide Gas Service is subject to the new property owner paying the outstanding balance owing on the Gas bill.

- 4.1 Please identify the concerns with SPUCCL's current Section 2.4 "Rental Premises." Please clarify how the proposed wording of Section 2.4 will resolve these concerns.

As the Utility is 100% funded by rate payers, so in an effort to keep any bad debts as low as possible, the Utility implemented the option to require that all outstanding invoices be paid either by the seller or the purchaser of the property. This has worked very well for a number of years under the approved Water Tariff's terms and conditions. As a requirement of the Comptroller of Water Rights, the initial Certificate of Public Needs and Necessity, SPUCCL is registered on each property title and this registration stays in place even with the transfer of ownership. Normally, SPUCCL is advised in advance of changes in ownership, however, this section ensures that new property owners clear past debts as part of their property sales procedures.

- 4.2 Please explain if SPUCCL accepts/plans to accept Tenants as customers of the Utility or is SPUCCL implying only an Owner can be a customer of the Utility? Why?

The owner of the property is the customer of the Utility. If the owner would like the invoices sent to the tenant, the owner is advised that they are still responsible for the payments. Due to its makeup, Sun Peaks' property owners rent to seasonal workers from all over the world and collecting outstanding invoices would be either very difficult or very expensive. For circumstances, where the owner of the property insists that the tenant become the Customer, a deposit is required as outlined in the existing tariff requiring 3 months payment of the average highest usage for the property or a similar type of property (where it is new construction and there is no usage history).

In accordance with the *Utilities Commission Act*, section 59 (2) states:

A public utility must not

(a) as to rate or service, subject any person or locality, or a particular description of traffic, to an undue prejudice or disadvantage, or

(b) extend to any person a form of agreement, a rule or a facility or privilege, unless the agreement, rule, facility or privilege is regularly and uniformly extended to all persons under substantially similar circumstances and conditions for service of the same description.

- 4.3 Please explain how the new wording of Gas Tariff Section 2.4 is consistent with section 59 (2) of the *Utilities Commission Act*?

This new working of the Gas Tariff is consistently applied to all customers of SPUCCL and the wording matches the wording in the approved Sun Peaks Utilities' Water Tariff and the Wastewater Tariff.

- 4.4 Please explain why owners and/or Tenants are to be held accountable for liabilities of previous owners and/or Tenants of any premise?

This is addressed in SPUCCL's response to the Section 4.1 question.

- 4.5 SPUCL indicates that when there is a change in ownership or tenancy of property, it is the responsibility of the “new property owner” (as stated in Section 2.4 (c)) to pay the outstanding bill. Please explain what happens if the previous tenant vacated the property but the owner remains unchanged? Who is then responsible for the outstanding bills?

The owner is responsible.

- 4.6 What jurisdiction does the Commission have to enforce Section 2.4 (a) regarding statement of adjustments of the property purchase? Is SPUCL aware of any other Public Utility operating in the province of BC with Terms and Conditions containing such provisions? If so, please provide references.

The Sun Peaks Utilities’ Water Utility has this clause in its tariff. A copy can be obtained from the Comptroller of Water Right’s offices or by visiting SPUCL’s website at www.sunpeaksutilities.com and clicking on the ‘Water’ tab and then on the ‘Tariff and Rates’ tab and then clicking on ‘Tariff 6’. The specific sections are 2.7 and 11.10.

- 4.7 In a scenario where one Customer/Owner has multiple properties, some of which are rental, how, if at all, will any outstanding bills that occur in the rental properties impact the services or the responsibility of the Owner?

It is the customer/owner’s responsibility to ensure that all outstanding bills are paid for. If the customer owns multiple properties (of which we have a number of customers who do own multiple properties) and does not pay on one property but others are fully paid, then only the defaulted property may be denied service.

- 5.0 Reference: APPLICATION**
Exhibit B-1, p. 22, Gas Tariff
Section 7.12 - Vegetation Management and Interference with the Utility’s Facilities

In Section 7.12 of the Gas Tariff, SPUCL states:

Vegetation Management and Interference with the Utility’s Facilities

- (a) The Customer shall be responsible for managing vegetation on the property owned or controlled by the Customer so as to allow and permit easy access to the Utility’s facilities. No Person shall obstruct or impede free and direct access to any service, gas main, gas valves, gas meter, remote reader, or other appurtenances of the Gas Works.
- (b) Where a Customer fails to adhere to any part of Section 7.12 and fails to cure the cause of such default within fifteen (15) days after being notified in writing by the Utility, the Utility is authorized to remedy the cause of such default at the Customer’s cost.
- (c) Customer’s shall not install or allow to be installed on property owned or controlled by the Customer any temporary or permanent structures as well as those listed in Section 7.11, that could interfere with the proper and safe maintenance and operations of the Utility’s facilities or result in non-compliance with applicable statutes, regulations, standards and codes.



- 5.1 This section appears to be a new addition to the Gas Tariff, please explain how SPUCCL has managed vegetation in the past, and why it is necessary include this new section at this time.

As a community with many vacant owners, vegetation growth may get to the point where the meter set is not easily accessible. Alternatively, new landscaping may be placed to screen the meter set but hinders access. In addition, the community has implemented a 'fire smart' program in the event of wild fires. The addition of this clause is to formally support access by staff and fire smart programs.

- 5.2 How will these new Terms and Conditions be communicated to SPUCCL's customers?

SPUCCL will alert customers that there have been changes to the Terms and Conditions by a Monthly Utility Newsletter. Also, the updated Gas Tariff will be posted on the SPUCCL website and changes will be indicated by a 'C' beside the section that has changed.

- 5.2.1 Does SPUCCL anticipate any increase in customer inquiries related to these changes? If so, how does SPUCCL plan to manage the increase volume of inquiries?

SPUCCL does not anticipate any increase in customer inquiries as SPUCCL's staff already works with homeowners and the Fire Department on these issues.

- 5.3 Section 7.12 (b) states that SPUCCL has the authority to remedy the cause of the interference with the Utility's facilities at the customer's cost, should the customer fail to adhere to any part of Section 7.12. What would be the typical cost for vegetation management at a residential premise? Commercial premise?

As we work with developers, builders and customers during the construction phase, little work is required to maintain properties. For residential properties were native plants have overgrown, most work requires a set of pruners and trimming of branches by SPUCCL staff. Commercial properties may require removal of larger vegetation. There is no typical costs established for this work.