

From: Pat Miller [<mailto:pmiller@sunpeaksresort.com>]
Sent: Thursday, September 8, 2016 12:07 PM
To: Domingo, Yolanda BCUC:EX
Cc: Jim MacKenzie
Subject: RE: Additional IRs

Please find our response to your questions noted below. Sun Peaks Utilities' responses are highlighted in yellow.. Please let me know if you require further clarification. – Pat

1) Given SPUCL's response in BCUC IR 4.2, stating that the "owner of the property is the customers of the utility," would SPUCL agree that it is more reasonable that the proposed wording of section 2.4 of the Gas Tariff reflect the owner and not the tenant. Accordingly, the proposed wording should be amended as such:

"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: ..." Please explain why or why not.

Upon review, SPUCL agrees that reference to a tenant be taken out of Section 2.4. The proposed wording would be as follows:

2.4 Change in Ownership - When there is a change in ownership 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 of property, it is the responsibility of the new owner 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,
- (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 from 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.

2) Referring to the proposed sections of 2.4 (a), (b), and (c) of the Gas Tariff, if not approved, please explain how SPUCL would treat the uncollectible debt. For example, would it a) write off the uncollectible amounts to bad debts expense, b) advance a claim through a third party collection agency, or c) take up the matter in small claims court, d) other? Please explain.

SPUCL's response would depend on the amount involved, the customer and the likelihood of recovery. If it is a relatively small amount and/or the customer has left the province, we would probably write off the amount outstanding. If it was a larger amount and we believe the customer has the means to pay, we would either proceed through small claims court, or have our corporate lawyer take legal action.

4) On Schedule 5 (page 8) of the Application, SPUCL indicates that "Bad debts expense in F2014 and F2015 related to uncollected late fees. No further bad debts are expected." It is reasonable to assume that none of the bad debts expense in F2014 and F2015 are related to unpaid bills due to change in ownership? If not, please

clarify the proportion of uncollected bills in F2014 and F2015 related to change in ownership and who has been responsible for these amounts in the past?

The F2014 and F2015 bad debt expense related to a customer that owned property in Sun Peaks that was being charged late fees on unpaid amounts pertaining to Water and Wastewater vacant lot fees. These bad debt amounts offset the late fee revenue credited to the Gas division in those years.

To clarify, there have been no bad debt expenses related to a change in ownership over the past 10 years.

5) SPUCL did not record bad debts expense for F2016 nor projected for F2017. If the proposed sections of 2.4 (a), (b), and (c) of the Gas Tariff were not approved, would it be reasonable for SPUCL to consider including a reasonable amount in the F2017 Bad Debts expense? If yes, please provide justification of and what the reasonable amount would be.

Based on our past history, there would appear to be no need to provide for possible bad debt expenses related to a change in ownership. However, that said, there could be a situation where a customer has his property foreclosed on and the new owner refuses to pay the outstanding utility balance.

6) Given SPUCL's section 5.1 "Security for Payment of Bills" that is included in the current Gas Tariff, please further explain the necessity of the proposed section 2.4.

The proposed section 2.4 is needed in cases where a property sale has occurred and the Seller had an outstanding balance owing.

Section 5.1 provides for the situation where the Customer has a history of paying with NSF cheques and, or has been disconnected for non-payment. In order to maintain or reconnect service to the Customer, SPUCL would have the ability to demand a security deposit.

7) It does not appear that SPUCL provided a complete response to BCUC IR 1.3. The original question refers to Schedule 5 of the Application where it states "Beginning in F2016, SPR LLP, 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." BCUC IR 1.3 then asks "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. Please provide a respond to the original IR question.

Office Rental & Administration is composed of two line items, GL 6415 Office rental and GL 6417 Office rental & admin charge.

Beginning in F2016, SPR LLP stopped charging separately for rent and thus GL 6415 went from \$2,100 annually to zero. In the same year, SPR LLP increased the \$2,000 /mo. administration fee (GL 6417) to \$3,000/mo. of which 1/3 is allocated to the Gas Division.

As a result, line item GL 6417 went from \$8,000 per year to \$12,000. However, the total for both lines, GL 6415 and GL 6417, went from \$10,100 in F2015 to \$12,000 beginning in F2016.

The \$3,000/mo. Administration fee includes office rent, photocopier/facsimile usage as well as time spent by SRP LLP personnel to provide services including reception, computer support, purchasing/expediting, payroll processing, cheque signing and management oversight.

Given the services provided, SPUCL believes the \$3,000/mo. office rent & administration charge is reasonable.

Sincerely,

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