



November 2, 2016

BC Utilities Commission  
900 Howe St,  
Vancouver, BC  
V6Z 2S9

-and-

Stargas Utilities Ltd.  
1960 KLO Road, Unit 17  
West Kelowna, BC  
V4T 2G3

**RE: STARGAS UTILITIES LTD. SUBMISSION FROM SILVER STAR PROPERTY OWNERS ASSOCIATION**

The Silver Star Property Owners Association (the “**SSPOA**”) is a registered society formed in 2004 with the objective of being a collective voice for property owners and businesses at Silver Star Mountain. The SSPOA is an organization dedicated to providing a voice for our members in matters directly impacting them.

The stated purpose in our constitution is:

*“The purpose of the society is to represent the best interests of the property owners of Silver Star Mountain to any and all organizations and committees having an influence or effect on the operation, development or governance of the community.”*

The SSPOA, in consultation with its members, feels the rates Stargas Utilities Ltd. (“**Stargas**”) uses for all aspects of their service are excessive when compared to the rates FortisBC Energy Inc. (“**FortisBC**”) is charging their customers for Basic, Commodity and Delivery Rates, as well as Installation charges, a mere 10 Kilometers from Silver Star.

Neither the SSPOA, nor its members, are experts in rate-setting principles and are challenged with understanding all of the detail and complexity of the submissions. As affected citizens, we rely on the expertise of the British Columbia Utilities Commission (“**BCUC**”) to determine what is reasonable and necessary in revenue and rate requirements. We trust in BCUC to protect the interests of rate payers of StarGas in the same way. In this regard, we wish to highlight certain concerns for consideration by BCUC in respect of this matter.

**RE: HEMLOCK UTILITY SERVICES**

The executive of the SSPOA has reviewed the decision of the BC Utilities Commission in the matter of Hemlock Utility Services and particularly, Order G-159-13 (the “**Hemlock Order**”). The matter of these proceedings with Stargas is similar. The SSPOA would offer that the Hemlock decision should be instructive to BCUC in considering this issue. As well, we look to

see a broad review of the Stargas application, applying the same lens that was used in the Hemlock Order.

From the Hemlock Order:

*“PURPOSE OF UTILITY REGULATION*

*Utility Regulation has existed in North America for decades as a means to allow monopolies to serve customers in situations where economics dictates that the most efficient allocation of society’s scarce resources results from the use of a single service provider as opposed to more than one provider, which would be the case under free market competition.*

*It is the regulator’s function to prevent the abuse of monopoly power, so that customers have access to safe and adequate service at a fair price. At the same time, the utility is to be afforded the opportunity to earn a fair return on its investment so that it can continue to operate and attract the capital required to sustain and/or grow its business.*

*Thus, the regulator must balance the legitimate interests of both customers and investors (owners) by setting rates which are not unjust or unreasonable.*

*The Utilities Commission Act, RSBC 1996 c. 473 provides that “...a rate is “unjust” or “unreasonable” if the rate is*

*(a) more than a fair and reasonable charge for service of the nature and quality provided by the utility,*

*(b) insufficient to yield a fair and reasonable compensation for the service provided by the utility, or*

*(c) unjust and unreasonable for any other reason.” (ss. 59(5))*

*In British Columbia, rates charged by a utility are generally set based on the utility’s forecast cost required to provide service to its customers over a particular period of time, known as a “test period.” Forecast costs include a fair return on the shareholder’s invested capital or “rate base.” As costs are forecast, there is no guarantee the utility will earn a fair and reasonable return; rather, it is afforded the opportunity to do so. This form of regulation is known as “Return on Rate Base Regulation.”*

*In determining the costs, referred to as the “revenue requirements,” for a particular test period, the Commission tends to follow Generally Accepted Accounting Principles (GAAP). These principles, as defined in the Canadian Institute of Chartered Accountants’ (CICA) Handbook, address how costs are to be reported for financial accounting purposes. However, the Commission may deviate from GAAP when it is considered necessary for regulatory purposes.”*

In rendering the decision, it was apparent that BCUC looked very closely at the rates and time spent in the administration of the Hemlock Utility Services Ltd., particularly as to the non-arm’s length relationship of the parties. Stargas has been, and continues to, operate in a non-arm’s length relationship with third party administration and appears to have overly high administrative burdens associated with their supply of gas to the rate payers at Silver Star in comparison to

Hemlock. We have identified some of these key features of the Stargas application and set them out below.

## 1. About Stargas Utilities Ltd. and Related Operating Companies

Stargas was established in 2000 to provide natural gas services to the Silver Star Mountain resort. A history of the Stargas utility can be found in a previous order of BCUC - Order G -157-12:

*“Silver Star Mountain is the primary developer and ski hill operator on the resort community located north-east of Vernon. The resort created a subsidiary, known as Stargas Utilities Ltd. which acquired the existing propane grid from its parent. By Order C-4-00 dated March 30, 2000 the British Columbia Utilities Commission (BCUC) approved a Certificate of Public Convenience and Necessity (CPCN) for Stargas to operate a natural gas distribution system at the resort. Stargas is a small utility with a base rate of less than \$1 million and 264 customers as at May 2012.*

*Administration and management of Stargas is the responsibility of Okanagan Funding Ltd (OKF), a company wholly owned and operated by M.A. Blumes and Carol Blumes. C.I.M. Holdings (1998) Inc., an investment holding company controlled by Mr. Blumes, owns 100 percent of Stargas’ common shares. The BCUC caps the rates for management services provided by OKF.”*

From the submission by Stargas on August 17, 2012 for Order G -157-12, we note:

*“Each of Mr. & Mrs. Blumes, as well Messrs. Murray Iles and Michael Blumes (sons) provide time, as required, in the administration and management of the Company at rates intended to reflect those that would apply in a third party arm’s length situation.”*

From the Stargas Web Site:

*“Stargas was established under the corporate umbrella of Silver Star Mountain Resort in 1999 to ensure the safe and economical supply of fuel. At that time it was recognized that as the resort expanded and the initial debt extinguished, that economies of scale could provide significant savings to customers. When Silver Star Resort was sold to the Schumann family, Messrs. Buchanan and Blumes, through their holding companies, acquired the utility. In August 2012, the Blumes family acquired the interests of Mr. Buchanan as an element of the latter’s retirement strategy. The shareholders accept that investing in and providing ongoing support to the Company requires that they not earn otherwise allowable returns on their equity investment until volumes delivered increase to levels sufficient to absorb all of the utility’s costs (including that return).”*

*“Stargas’ pipeline was completed in the fall of 1999; it currently serves 285 residential and commercial customers at Silver Star Resort.”*

*“Stargas mains **join a line built and owned by Fortis** at the Silver Star Resort boundary.”*

And from the submission by Stargas on August 17, 2012 for Order G -157-12:

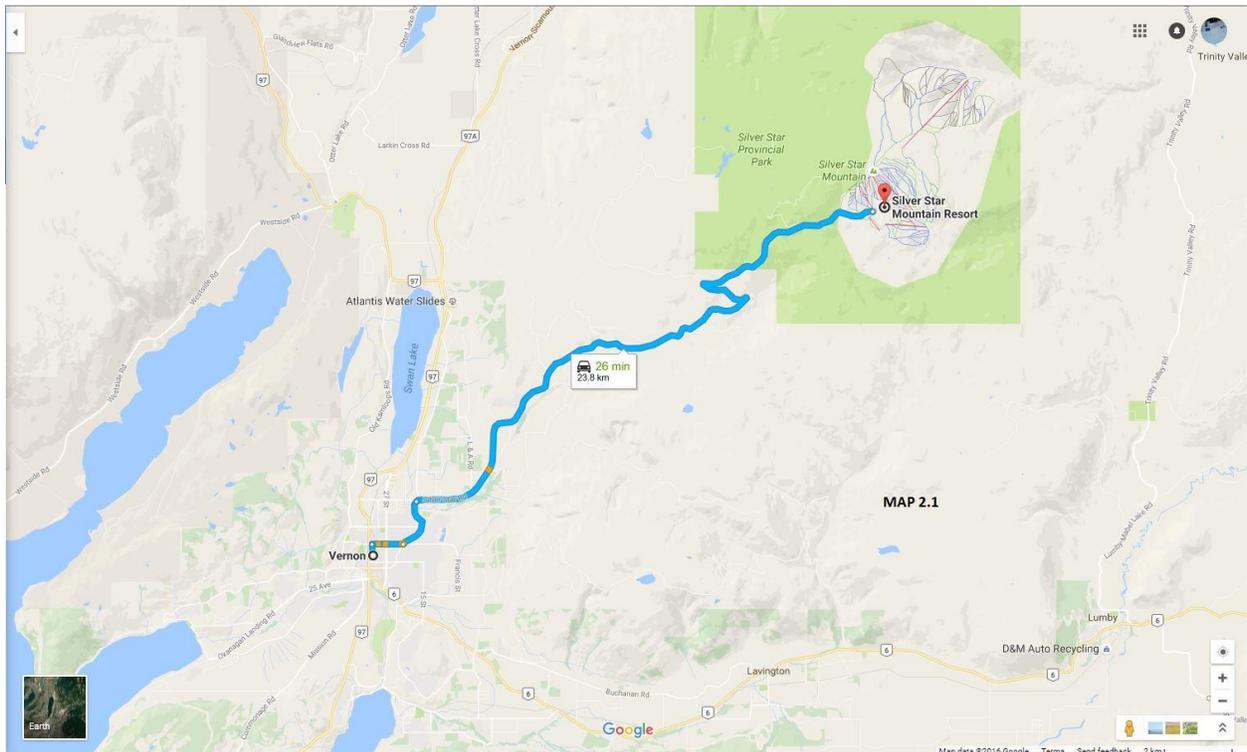
*“FortisBC Alternate Energy Services Inc. provides all of the physical aspects of the operation of the utility as well as certain of its administrative functions under a ten year contract running to November 30th, 2019. The contracted services include emergency standby and response, system maintenance, leak survey and remedial action, meter servicing and replacement, as well as general oversight and operating responsibility.”*

Stargas is administered by a host of non-arm’s length parties:

- FortisBC Alternate Energy Services Inc. (who we assume is owned by FortisBC, the transporter of natural gas to Silver Star)
- Operating companies Okanagan Funding Ltd. and CMI Holdings (1998) Inc., (which appear to all be family run operations.)

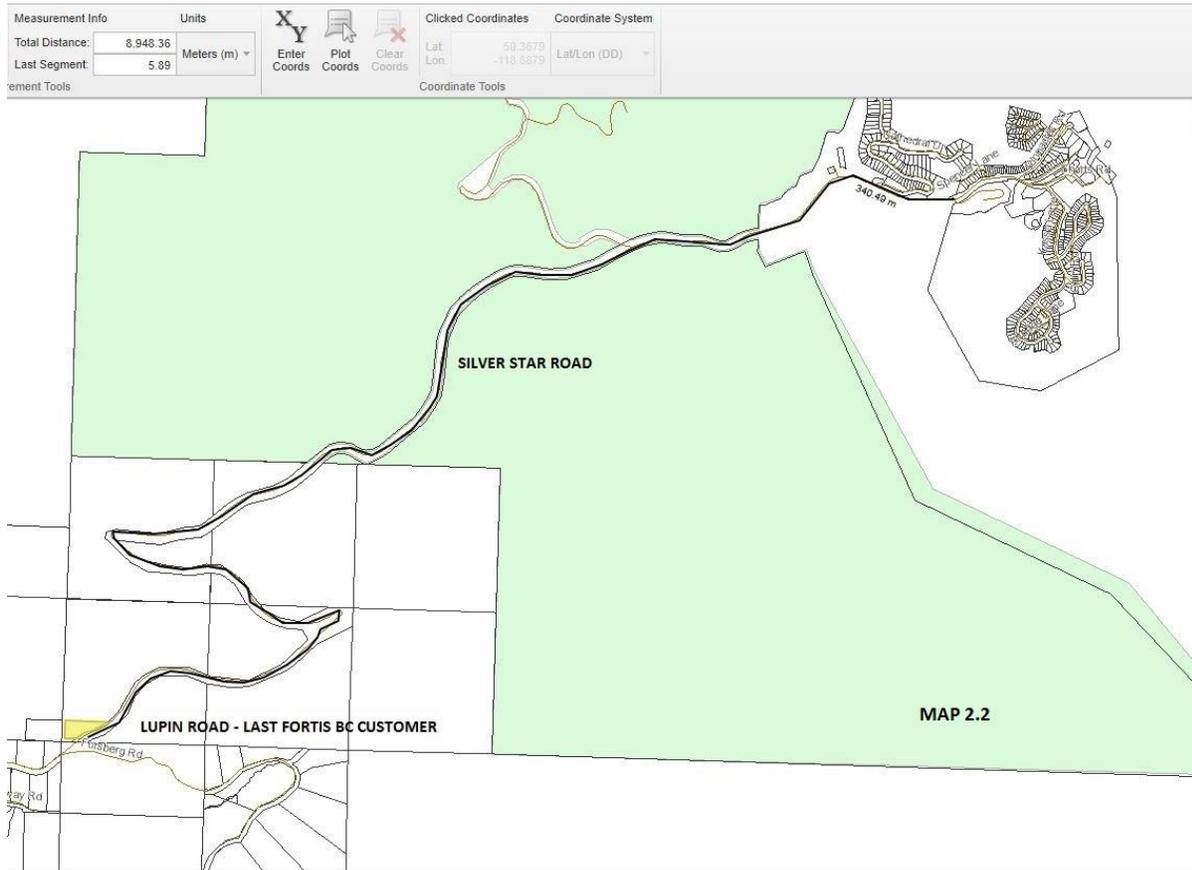
## 2. Service Area

**Image 2.1** Map showing Silver Star relative to Vernon including the driving distance of 23.8 kms.



While image 2.1 shows the driving distance to Vernon, FortisBC provides gas to customers a mere 10 kms from Silver Star. The FortisBC line terminates much closer to the Silver Star boundary as noted in image 2.3 below.

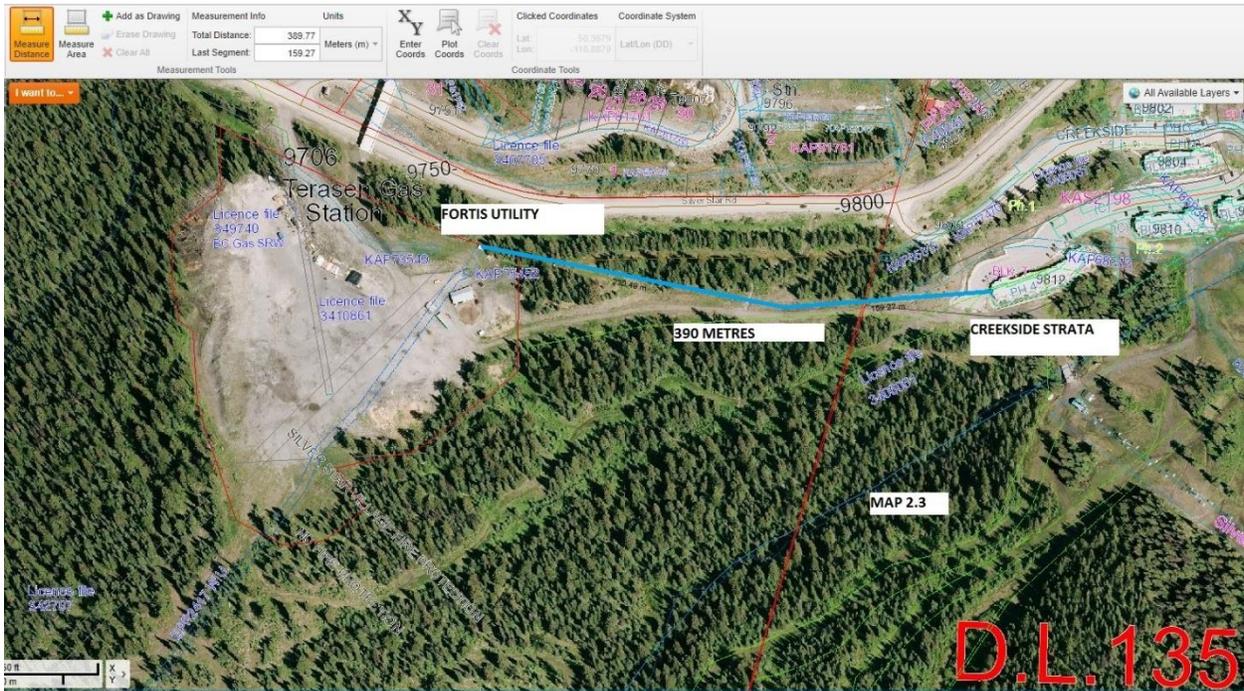
**Image 2.2** Map showing from Lupin Road to Silver Star including driving distance of 10 Km.



Above in image 2.2, we specifically wish BCUC to note that the actual service area of Stargas residential and commercial customers (top right) is approximately 93 Ha. In an urban setting this would be an area about 7 city blocks by 8 city blocks in size.

The last FortisBC customer is located at Lupin Road (bottom left).

**Image 2.3** Map showing detail of parking lot E to village area identifying meter site at lot E and the Creekside Condominium Site.



Above in image 2.3, we will outline further in Question 3g below, the Fortis Utility terminates a mere 390 meters from the Creekside Strata.

### 3. Cost Comparisons

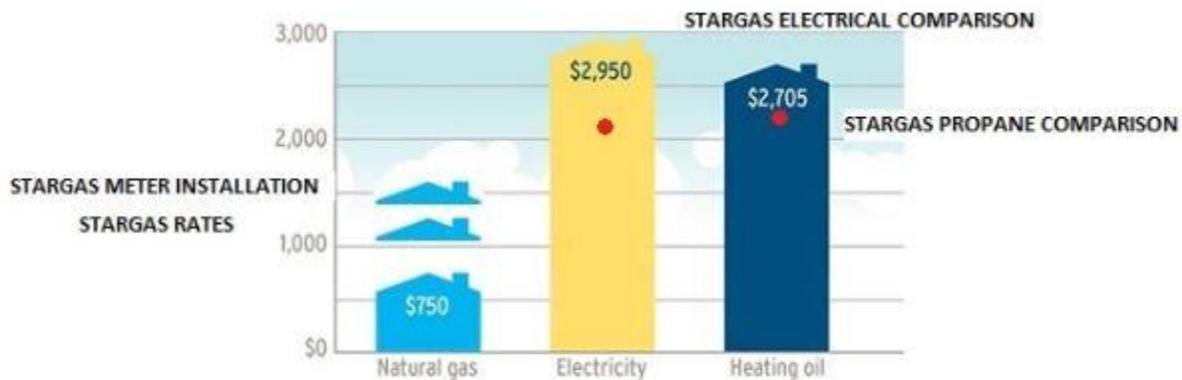
Stargas has asserted that they provide natural gas at a significantly lower cost than other heating alternatives. While this assertion may be accurate in respect of heating alternatives such as propane or electricity, the rates charged by Stargas should be somewhat comparable to what Fortis BC charges their customers a mere 10 kilometers down the road. From the submission by Stargas on September, 2016 for Order G -155-16 (B1 page8):

*“Natural gas is supplied to the resort at a significantly lower cost than other heating alternatives. This application and a companion application seeking approval for an increase in the commodity component of our variable rate contemplate a combined price of \$12.08 per gigajoule. The average residence at Silver Star Resort consumes 80 gigajoules of natural gas (which equates to 3,152 liters of propane and 22,226 Kwh of electricity). The average customer would pay \$966 plus our fixed monthly charge of \$15 and carbon tax of \$119 or a total of \$1,265 for a full year’s supply of natural gas. At an average of **65 cents per liter** with two deliveries and applicable carbon tax, propane customers’ would **pay \$2,234** for their consumption of that alternative. Customers using electricity would **pay \$2,147** for the equivalent volumes of natural gas (at an average of **.089423 cents per Kwh**). While there remains a number of propane heated homes within the resort, they are typically smaller cabins whose owners appear*

*unwilling to incur the connection and conversion costs requisite to generating the savings that would accrue on their conversion from propane to natural gas.”*

The SSPOA contends that the rates established for Stargas should be comparable to the rates utilized by FortisBC and is not justified to the BCUC by comparisons to the cost of propane or electricity. It would also be very expensive to heat one’s house by burning \$20 dollar bills, but that does not justify Stargas charging excessive rates.

FortisBC has outlined on their website<sup>1, 2, 3</sup>, an approximate annual fuel cost comparison on various space heating options for areas located in the Northern Interior.



In their submission, Stargas has quoted the amounts of \$2147 for electrical and \$2234 for propane heating per annum as an approximate cost for Silver Star residents (these are shown as red dots on the above noted FortisBC chart) as a means of justifying their higher rates. We have outlined further below in question 3a that these rates appear old. Stargas currently charges approximately 1.65 times the amount charged by FortisBC. If using that ratio, and plotted on this chart, the annual heating costs for a single family home would be \$750 for FortisBC and \$1237 for Stargas, reflecting a significant discrepancy between FortisBC and Stargas. The SSPOA would have assumed that Stargas would suggest that the rates for propane and electrical heat should be significantly higher than the numbers provided by FortisBC in order to justify the higher rates charged to customers of Stargas.

Further, as we also outline below in question 4c, the excessive meter cost for Stargas customers, amortised over 5 years at no interest ( $\$1870 / 5 = \$375$ ), yields the result of a customer serviced by Stargas paying above \$1612 per year for natural gas service.

<sup>1</sup> Source: Natural Resources Canada, Office of Energy Efficiency, Comprehensive Energy Use Database, residential sector, BC, Table 2: Secondary Energy Use, 2012.

<sup>2</sup> These are approximate annual costs for space heating of a typical household in specific FortisBC and BC Hydro service areas as identified. A typical household is defined as an existing single family house approx. 2,300 square ft. with average insulation. Anticipated savings will be the difference between annual natural gas, electricity, heating oil or propane costs for various heating equipment. Calculations compare the most energy-efficient heating equipment currently available for natural gas furnace heating, electric resistance heating, oil furnace heating and propane furnace heating, and are based on FortisBC natural gas rates as of October 2016, FortisBC electricity rates as of January 2016 used for Southern Interior, BC Hydro electricity rates as of April 2016 used for Lower Mainland, Vancouver Island, Whistler and Northern Interior, and heating oil and propane rates as of July 2016. These include applicable carbon tax. Savings may vary by household and do not include potential rebates and/or incentives.

<sup>3</sup> Source: Home Heating Oil & Propane Price Survey for B.C., Participant Research, July 2016.

**Question 3a: Why does Stargas continue to use the rates from their 2012 submission to the BCUC for the propane and electricity costs when comparing its' proposed rate of \$12.08 /GJ for 2016?**

From the same submission (B1 page 9)

*"We note that while the proposed commodity increase contemplates a significant increase, the resulting rate remains well below that charged in prior years and is consistent with (and lower than) rates charged by Fortis in adjacent Okanagan cities."*

The SSPOA did a comparison of the rates for FortisBC (mainland) and Stargas, using the GJ consumption of a detached residence for 12 months of 2015 and duplicating the per month GJ consumption for 2016. This yielded the following comparative year over year results (exclusive of taxes):

<b>2015</b>	<b>FORTIS</b>	<b>STARGAS</b>	<b>RATIO</b>
Delivery and Commodity costs	\$984.52	\$1,686.95	1.71 times
Basic Fees	\$141.98	\$180.00	1.27 times
<b>Total on 124.9 GJ</b>	<b>\$1,126.50</b>	<b>\$1,866.95</b>	<b>1.66 times</b>

<b>2016 ( using projected rate)</b>	<b>FORTIS</b>	<b>STARGAS</b>	<b>RATIO</b>
Delivery and Commodity costs	\$831.34	\$1362.32	1.64 times
Basic Fees	\$141.98	\$180.00	1.27 times
<b>Total on 124.9 GJ</b>	<b>\$973.32</b>	<b>\$1542.32</b>	<b>1.65 times</b>

Reduction from 2015 to 2016: FortisBC 13.6%

Stargas 17.4%

For 2017, the Stargas proposed charges would be:

124.9GJ x \$12.08/GJ plus \$180 in basic charges = \$1688.79 which will be an increase of \$146.47 or 9.5% over the rates of 2016.

A listing of the month by month rate comparisons can be found in Appendix 'A'. This table was necessary because FortisBC adjusts their commodity rate a number of times a year whereas Stargas only does this once a year.

**Question 3b: While the year over year reduction statement by Stargas may be true for 2015 to 2016, can Stargas please address the apparent conflict to the data presented by the SSPOA on the statement that, "the resulting rate**

remains well below that charged in prior years” when in fact, we will see a 9.5% increase over the 2016 year?

**Question 3c:** The above tables show the Stargas rates for 2015 and 2016 are 1.65 times greater than those charged by FortisBC just 10 km down the road. Please explain the statement “*is consistent with (and lower than) rates charged by Fortis in adjacent Okanagan cities.*”?

**Question 3d:** Please explain why Silver Star should expect to pay the highest rates (combined delivery and commodity) compared to all customers served by FortisBC throughout British Columbia, including Revelstoke, who are on propane?

We highlight for BCUC that the natural gas rate comparisons to FortisBC throughout British Columbia show that Stargas is charging rates far in excess of all gas services provided by FortisBC in British Columbia.

	Delivery / GJ	Commodity/ GJ	Total /GJ
Fortis Vancouver Island	\$6.265	\$2.971	\$9.236
Fortis Whistler	\$7.763	\$2.971	\$10.734
Fortis Ft Nelson (under review)		\$4.51	\$4.51
Fortis Mainland	\$4.018	\$2.971	\$6.989
Fortis Revelstoke (propane)	\$4.018	\$6.885	\$10.903
<b>Stargas (proposed)</b>	<b>\$6.93</b>	<b>\$5.15</b>	<b>\$12.08</b>

**Question 3e:** Stargas is proposing an increase of \$2.07 in the commodity rate. This is a 70% increase from the current \$2.95 to \$5.15. FortisBC (Mainland) has just increased their rate (Oct 1, 2016) from \$2.062 to \$2.97 which is only a 44% increase. Please explain the justification for the difference?

**Question 3f:** Can Stargas purchase their gas from FortisBC at \$2.97 like all other customers on Silver Star Road and if not why?

The Creekside, a large strata complex located at Silver Star and a member of SSPOA, has 144 units and a comparison of the total gas costs when comparing Stargas to FortisBC (exclusive of taxes) is as follows:

2015	FORTIS	STARGAS	RATIO
Delivery and Commodity costs	\$19,272.51	\$33,886.98	1.76 times
Basic Fees (5 meters)	\$709.90	\$1,500.00	1.27 times
<b>Total on 2466.2 GJ</b>	<b>\$19,982.41</b>	<b>\$35,386.98</b>	<b>1.77 times</b>

<b>2016 (8 months)</b>	<b>FORTIS</b>	<b>STARGAS</b>	<b>RATIO</b>
Delivery and Commodity costs	\$9,520.93	\$15,339.01	1.61 times
Basic Fees (5 meters)	\$472.60	\$1,000.00	1.27 times
<b>Total on 1484.9 GJ</b>	<b>\$9,993.53</b>	<b>\$16,339.01</b>	<b>1.64 times</b>

<b>2016 (4 months projected)</b>	<b>FORTIS</b>	<b>STARGAS</b>	<b>RATIO</b>
Delivery and Commodity costs	\$5,945.63	\$11,312.19	1.90 times
Basic Fees	\$237.30	\$500.00	2.11 times
<b>Total on 977.9 GJ</b>	<b>\$6,179.93</b>	<b>\$11,812.19</b>	<b>1.91 times</b>

**Projected Creekside cost for 2016 @ 2642.8GJ is:      \$16,173.52      \$28,151.20      1.74 times**

Based upon the above numbers, the projected 2016 cost for Creekside under FortisBC would be \$16,173.52, whereas under Stargas, the expected 2016 cost will be \$28,151. This amount is a 1.7 times increase over the 2016 FortisBC rate. The 2017 anticipated cost under the proposed rate is \$31,250. The annual cost savings, if Creekside would be serviced by FortisBC, is between \$12,000 and \$15,000 per year.

**Question 3g:      Can the Creekside Strata Complex opt out of Stargas and connect a new service line of approximately 390 meters to the FortisBC line in parking lot E and become a FortisBC customer?**

Please see above in image 2.3, the FortisBC utility terminates a mere 390 meters from the Creekside Strata complex.

**Question 3h:      Why is the Stargas “basic charge” for a single gas meter attached to a condominium \$25.00 (comparable to the FortisBC commercial rate) when the basic charge on a residence at Silver Star is \$15.00?**

The FortisBC basic charge for residential customers is \$0.389 per day which is an average of \$11.83 per month as compared to \$15.00 at Silver Star. The commercial rate at FortisBC is \$.82 per day which is an average of \$24.94 per month. We understand that FortisBC does not charge commercial rates for residential condominium buildings.

**Question 3i:      Does Stargas consider the Creekside Condominium as 5 customers (one meter per building) or as 144 customers (the number of strata units)?**

#### 4. Installation Costs

The SSPOA contends that the rates for installation costs should not differ significantly from the installation rates charged by Fortis and if amounts differ significantly, such charges should be justified by Stargas. The Stargas website states:

*“The cost for a typical installation is \$1,920; if a suite is to be serviced by a second meter, the installation cost is \$2695. These costs can vary under special circumstances - eg. the line has to be placed under bed rock.”*

The last customer along the FortisBC pipeline, just 10 kilometers down the road, pays \$25.00 to install their line and meter (see image 2.2 above).

The costs of a recent installation in November 2014 were questioned by one of our association members. The concerns are, in particular, the variance between what was charged and the quoted rates on the Stargas website (\$2450 on website versus the \$2695 charged); as well as the difference of \$25.00 for a FortisBC customer and the \$1920 paid just 10 km away. The response came from Mr. Blumes via email on Saturday March 12, 2016, the same day as the email inquiry. In part Mr. Blumes states:

*“So very sorry that you are upset over our installation invoice; perhaps the following explanation will assuage your concerns but if you have further issues and would like to discuss the matter further I’d be pleased to speak directly with you if provided with contact information and a convenient time for that discussion. If you feel it necessary, you are free to register a complaint with the British Columbia Utilities Commission – we are regulated by that body and all of what we do is fully transparent to them and, as relates our installation costs vetted and approved by them. Our tariff detailing all of what we charge is approved by them and while your cost is untoward vis a vis what an installation would cost in an metropolitan area, it where it is because of what we pay, under contract, to Fortis. Stargas earns only a 10% surcharge (approved by the BCUC in their November 7th 2005 order - Order G-118-05). Our cost (under contract with Fortis Alternate Energy - that contract renewed, vetted and approved by the BCUC in July 2009 - Order G-93-09) is \$450 per meter, the standard line \$1,250, manifold (to connect the two services) \$300 so that the total we pay that company for your installation is \$2,450; we are, as noted above allowed an administrative charge (for coordinating the install) of 10% or \$245 on the installation.*

*I do apologize for what you point out is an error in our current web site (one that I will repair once I’ve completed this response to you). The \$2,450 identified as the cost for a duplex is our third party (Fortis) cost and does not, as should it have, include our administrative charge.*

*I am certain that you will understand that our small enterprise can’t and doesn’t have the scope of operations to employ gas fitters and other technical staff requisite to the operation and growth of a gas utility. For that reason, on its formation and into to the future we rely on a service contract with BC’s largest utility for both technical and administrative services. When we entered the negotiation to renew our service contract with Terasen (now renamed Fortis) we sought to find efficiencies in all of their services and were, to an extent, successful in obtaining a factor that reduces there per gigajoule monthly variable cost with volume growth but made no headway (as is evidenced by the amounts you pay us and we them) on installation costs. They argued and the BCUC*

*acquiesced that the one off nature of trips to the resort for an installation warranted the charges that they were proposing – in the previous contract (initiated on the formation of Stargas) they'd charged \$300 for meters and \$950 for the line so that the increase that they sought and had approved was not insignificant. “*

The entire correspondence can be found in Appendix 'A'

As stated in the correspondence above, the 2005 commission order G-118-05 approved a 10% administrative fee. It states:

*“5. The Commission approves the 10 percent administrative fee on the installation of new services added to the schedule of rates and charges, applying to new service, effective December 1, 2005.”*

The Order G-93-09 approved a proposed 2009 Services Agreement and states:

*“B. On March 30, 2009, Stargas applied for Commission review and approval of a proposed Services Agreement (the “2009 Services Agreement”) between Stargas and Terasen Energy Services Inc. pursuant to section 23 of the Utilities Commission Act(the “Act”)(the “Application”). Stargas requests approval of the 2009 Services Agreement in order that the services obtained and the fees paid under the agreement will be recoverable in accordance with sections 59 and 60 of the Act; and*

*C. The proposed 2009 Services Agreement will reduce Stargas' basic charge costs by \$7,120/year, eliminate the License Fee and set the Variable Delivery charge for both residential and commercial customers at \$1.62/GJ . In addition, the cost of **installing a new service line will increase from \$950 to \$1,250** and the cost of **installing a new meter will increase from \$300 to \$450**; and*

*D .The Application also requested that the agreement be kept confidential. In a letter dated May 1, 2009, the Commission informed Stargas that its request for confidentiality was not in accordance with the Commission's Confidential Filing Practice. On May 15, 2009, Stargas sent a letter to the Commission noting that the proposed 2009 Services Agreement contained a clause that permitted disclosure to the Commission;”*

The SSPOA contends that Stargas is not in compliance with the 2009 order. That order does not state \$1250 plus 10% or \$450 plus 10%. Further to that, the line installation increase from \$950 to \$1250, and the gas meter installation fees from \$300 to \$450, would have given consideration to handling costs by Stargas. The ruling in 2005 is moot regarding installation, superseded by the order made in 2009. Clearly Order G-93-09 was directed to the ratepayer and not to the amount that Stargas would pay their contractor, FortisBC.

In addition there seems to be no mention of a manifold in the Order and we find that the cost of a simple pipe connecting 2 meters (shown below) at \$300 to be excessive.



Stargas takes the position that the cost of installing new meters should be treated as Repairs and Maintenance expenses and recovered in rates in the period the costs were incurred (by charging the current customer) as opposed to capitalizing it as infrastructures costs.

From the Hemlock Order:

*“Panel directs that, for regulatory purposes, new meter and meter recertification costs are to be added to rate base through Property, Plant and Equipment, with depreciation taken over the useful life of the relevant asset, and are not to be charged as an expense in the period incurred. The Panel also directs a depreciation rate of 5 percent per annum be applied to new meters based on a 20 year useful life”*

**Question 4a:** Does Stargas consider a 10% Mark up on installations to be part of Order G-93-09 and if so why?

**Question 4b:** Please show where the authority to charge the \$300 (plus 10%) for the piping described as a “Header” is documented?

**Question 4c:** If the line install is approved at \$1250 and a meter at \$450 and if Stargas is entitled to a 10% markup that totals \$1870; why does the Stargas website quote \$50 more at \$1920 for a typical installation?

**Question 4d:** Why does Stargas not capitalize the installation costs?

**Question 4e:** How does Fortis BC manage to install a service line and meter for their customers for \$25 when Stargas requires \$1920?

## 5. Who is Stargas?

The Stargas email of March 12 2016 argues that:

*“that our small enterprise can’t and doesn’t have the scope of operations to employ gas fitters and other technical staff requisite to the operation and growth of a gas utility. For that reason, on its formation and into to the future we rely on a service contract with BC’s largest utility for both technical and administrative services.”*

From the Stargas submission to BCUC September 26 2016 (B1 page 10)

*“Operations and maintenance: FortisBC Alternate Energy Services Inc. provides all of the physical aspects of the operation of the utility as well as certain of its administrative functions under a ten year contract running to November 30th, 2019. The contracted services include emergency standby and response, system maintenance, leak survey and remedial action, meter servicing and replacement, as well as general oversight and operating responsibility. The contract provided for an initial variable monthly charge of \$1.62 per GJ and an annual fixed charge of \$48,000 payable monthly plus \$15 per month for customers added after October 1st, 2009. The fixed charge is subject to an annual inflation adjustment based on changes in the Consumer Price Index – British Columbia and has increased to \$4,187 from the \$4,000 amount stipulated in the original contract. The variable charge is subject to both adjustments based on changes in CPI and to an annual adjustment based on fiscal year deliveries contrasted against those in the base year. The current variable charge is \$1.51 per GJ.”*

It should be noted that in emergencies, Stargas completely defers to Fortis (formerly Terasen). The Silver Star Volunteer Fire Department Operational Guidelines for Natural Gas do not make any mention of Stargas, and consistently refers to contacting Terasen Gas immediately. Even the Stargas web site instructs customers to contact every Fortis phone line before calling Stargas:

*“If you smell gas;      1) Get out  
   2) Get away  
   3) Call 911 using a neighbor’s phone or a cellular phone*

*Then call;                    1 (800) 663-9911 Fortis BC Emergency Line  
   1 (888) 224-2710 Fortis BC Customer Service  
   1 (250) 808-0391 Stargas Office”*

*Also from the website regarding contacting the office:*

*“Please note: Servicing the utility is not a full time job for anyone of these involved. Our administrative Vice-President, Mr. Murray Iles, checks the phone and emails’ daily. We ask your indulgence in awaiting responses from us. We greatly value your input, questions and comments and will reply to all as soon as possible”*

### **Question 5a: Will an emergency call to Stargas be met by an answering machine?**

From an email of another member of SSPOA

*“Just so you know, all the natural gas installations I have been a part of have been handled by Five Star Utility, with little to no obvious supervision by Stargas. It would seem this contractor has carte blanche to do whatever he feels is necessary up here, including placement of the meter, and the unannounced shutting off of neighbouring supply lines. I have been called, on numerous occasions, to relight pilot lights on [REDACTED] behalf. I am constantly amazed at how loose this setup is.”*

Another member commented on the conversation with Stargas regarding a service installation:

*“Murray Innes indicated to me that [REDACTED] of 5 Star Utilities installs the gas lines at Silver Star. [REDACTED] was supposed to look at our house and get back to us on whether there would be additional charges to install the gas line. Murray gave me [REDACTED]’s number so I could call him for a quote on retrofitting a gas fireplace, also.”*

**Question 5b: What is the contractual relationship of Five Star Utility to Stargas?**

**Question 5c: What is the supervisory role of FortisBC for the installation of new services?**

The letterhead, and all the invoices that Stargas sends to its customers, has the following address:

Stargas Utilities Ltd.  
2475 Dobbin Road, Unit 3  
PO Box 26039 West Kelowna  
British Columbia, V4T 2G3

Unit 3 at 2475 Dobbin Road is the Shoppers Drug Mart in Westbank Towne Centre mall.

On the pre-addressed envelope with each month’s bill, there is the following address:

Stargas Utilities Ltd.  
PO Box 26039  
West Kelowna, British Columbia  
V4T 2G3

**Question 5d: Why does Stargas use the civic address of Shoppers Drug Mart in West Kelowna on its letterhead?**

(We Note that it appears that the post office box listed on the letterhead is located in the Shoppers Drug Mart.)

**Question 5e: Why does Stargas use a civic address for inquiries for the 2016 BCUC application are addressed to a residence in the “Cablecraft Residential Development” on KLO road in Kelowna?**

**Question 5f: What does the “office and sundry” cost of \$14,989 shown on (B1 page12) consist of?**

**Question 5g: Does Stargas Utilities Ltd. have an office of record?**

**Question 5h: What is the insurance coverage (B1 page 12) costing \$13,130 for, and is the only named insured Stargas Utilities Ltd.?**

## 6. Incentive Programs

Another area where the ratepayers are penalized for not being part of FortisBC is the matter of incentives offered to most of British Columbia, but not at Silver Star. FortisBC offers:

- Home Renovation Rebate Program
- New Home Program
- Appliance Maintenance Rebate Program
- Fireplace Program
- Water Heater Program
- Furnace and Boiler Replacement Program
- Switch 'n' Shrink Special Offer

A detail listing of the incentive programs listed can be found in appendix 'C'.

At Silver Star, the only incentive is for a conversion. We note that the Stargas website states the following, with no further details:

*“Stargas will finance its portion of your conversion costs (contact us to start the process).”*

The SSPOA contend that the higher rates that the customer pays are due, in part, to the third party charges that Stargas incurs using FortisBC for all of its' gas related activities. Considering the lack of incentives, why we are not part of FortisBC, as Stargas seems to only be a shell of a management company and not a gas company?

**Question 6a:** FortisBC (through its' subsidiary) accounts for \$2.868/GJ of the forecasted 2017 delivery rate (\$119,882 per annum). The FortisBC total delivery rate is \$4.018/GJ. Would it not be reasonable to expect some of the benefits that all other Fortis BC customers have access to, particularly as Stargas customers are paying 71% of the standard FortisBC (mainland) delivery rate to FortisBC via their subsidiary?

**Question 6b:** How is FortisBC able to offer the incentive and rebate programs?

**Question 6c:** Please explain what *“Stargas will finance its portion of your conversion costs (contact us to start the process)”* offers for terms and conditions?

## 7. Marketing and Relationship charges of Stargas

The financial forecast of the management by Okanagan Funding Ltd., on behalf of Stargas, indicates Executive Time projected for Marketing and Relationships to require 56 hours, at the requested rate of \$144.26, for a cost for marketing administration of Stargas of \$8078.56. It is also shown that for this effort there will be 1 new customer connected during the test year. This component called Marketing and Relationships on the Okanagan Funding Budget Spreadsheet (B1 page 13), accounts for \$0.20 per GJ of the delivery rate. For perspective, the refinancing (which is the main theme of the submission) will only result in a \$0.45 per GJ rate reduction. One wonders about the effort expended for a single connection.

**Question 7a:** Has the report on the amount of time spent on various administration activities by Stargas ever been the subject of an audit?

**Question 7b:** Does Stargas deem \$8078.56 of marketing effort for one new customer in

**the next year (and only marginal increases in forecast GJ's to be delivered over the next 4 years) to be in Stargas' or the public interest?**

In the 2012 Stargas submission for Order G-157-12 (B5 page1), Stargas apparently utilized data from May 31, 2010 and requested a budget of 56 hours per year for Executive Marketing and Relationship. In the current 2016 submission, the amount of Executive Marketing and Relationships was also budgeted at the same 56 hours per year for this year's Test forecast.

One assumes that from 2010 to the present, the same 56 hrs/year has been charged to Stargas annually. However, assuming that it was only from 2012, at the 2012 approved rate of \$137.56 / hour, the total spent on this service over the last 4 years is approximately \$30,800. Since 2012 Stargas has increased its customer base from 264 to 276 in 2014, and to 287 today, a gain of 23 (about 6 per year) for a cost of \$1400 per customer.

**Question 7c: Is the time spent on Executive Marketing and Relationships consistently 56 hour per year as the forecasts suggest?**

**Question 7d: Why do the total hours of Executive Services projected to be 197 hours for the Test Year, require such a large increase over the 2012 submission of 111 hours?**

**Question 7e: Are all of the Stargas Executive Services are provided by Okanagan Funding Ltd.?**

#### **8. Stargas's justification for proposed increase in Management Fees**

Stargas has requested an increase in management hours to be charged to Silver Star customers. The SSPOA contends that there is no justification for such an increase. During the review of Hemlock Utility Services Ltd in 2013, BCUC, under the Hemlock Order, found the following:

*"Accordingly, the Panel approves the following amounts to make up "Management Fees":*

*Accounting/Bookkeeping*

*Hemlock Utility Services estimates that management spends 32 hours a month or 384 hours per year on its accounting records, bank reconciliations, account reconciliation, GST/HST and PST filing, and accounts payable. (Exhibit B-5, BCUC IR 2.11.3) In the Panel's view, the amount of time claimed is excessive. The Panel finds that 10 hours per month (120 hours per year) is a more reasonable estimate of the time that might be spent conducting these tasks particularly given the size of the company and the apparent overlap with the tasks performed by the office staff and operations manager. It also appears that the time requested is more reflective for the Company as a whole, rather than just the electric division.*

*Also, and as noted above, the Panel views tasks of this nature as bookkeeping tasks, which do not support a rate greater than \$35 per hour at a maximum.*

*The Panel therefore approves \$4,200 for accounting/bookkeeping related tasks based on 120 hours per year at an hourly rate of*

\$35.

*Administrative*

*Hemlock Utility Services estimates that management spends approximately 48 hours per year for administrative tasks other than accounting, such as budget and year end reviews. This represents less approximately half a day per month and the Panel determines this amount of time to be reasonable. The Panel therefore approves \$7,200 to be included in rates for administrative and related tasks based on an hourly rate of \$150.*

*Executive*

*Hemlock Utility Services estimates that 92 hours per year, or approximately one day per month, are devoted to executive management duties. The Panel notes that there may be 23 some overlap between the executive and administrative duties especially in the area of the rate increase application. Nevertheless, the Panel is of the view that the time reported to be spent on executive management of the electric division appears to be reasonable. The Panel approves an amount of \$13,800 for executive time, based on a rate of \$150 per hour.*

*In summary, based on the determinations above, the Panel approves \$25,200 in Management Fees for recovery in F2012 rates.”*

The SSPOA recognizes these are 2012 rates, and Hemlock Utility Services Ltd. is an electric utility with a reported 2012 customer base of 250. Stargas, with a comparable customer base of 264 customers in 2012, has increased their customer base to 276 in 2014 and 287 in May of 2016. The management cost to Stargas (that is not at arm’s length) was \$120,686 in 2016 and projected to be \$122,426 in the test year 2017. In 2012, all accounting, administrative and executive services at Stargas were forecasted to be 1038 hours for \$77,466, while Hemlock Utility was limited to 260 hours in 2012 for \$25,200.

**Question 8a:** What is the rational of proposing a management fee of \$122,426 consuming some 1141 hours when Hemlock Utility services can manage approximately 14 less customers (2012 numbers) in only 260 hours per year?

**Question 8b:** What part of the gas accounting versus the electrical accounting, would result in a 182 hour difference between Stargas, at 302 hours/year, and Hemlock at 120 hours/year?

**Question 8c:** Why does the 2017 test forecast show a need of an additional 103 hours in administration when the customer base has only risen by 23 in 4 years?

**9. Management Fees/Administration Fees and relationship between Stargas and FortisBC**

The business and financial relationship between Stargas and FortisBC is unclear, specifically as it relates to fees charged by FortisBC to Stargas for certain services provided to the Silver Star

area. During the review of Hemlock Utility Services Ltd. in 2013, BCUC, under the Hemlock Order, found the following:

*“Management Fees*

*The Panel does not approve the proposed formula and requested amount for Management Fees. The Panel finds the proposed formula for the calculation of such fees to be unreasonable and inconsistent with the cost-based model used in utility regulation.*

*In the Panel’s view, tying Management Fees to revenues is unlikely to incent efficient behaviour and may also serve to reduce the importance of cost control, which is critical where there is a monopoly provider of an essential service, as here. The Panel is also concerned that these proposed fees, which are not insignificant, are to be paid to a non-arm’s length party and are purportedly justified by the “vast experience” of the same non-arm’s length party who is to receive the fees. “*

The Hemlock Order also states:

*“The Panel also finds that many of the tasks described as “management” are not properly management tasks.*

*The Panel finds that a cost-based approach which considers the reasonably necessary management tasks performed at a reasonable hourly rate is required.”*

The Stargas submission shows a cost from FortisBC Alternate Energy Services Inc., for providing all of the physical aspects of the operation of the utility as well as certain of its administrative tasks.

**Question 9a: What are the Administrative services that FortisBC Energy Services provides to Stargas?**

**Question 9b: Are these administrative services invoiced on a cost-based approach?**

**Question 9c: What and how are the “physical aspects of the operations” provided by Fortis BC Energy Services accounted for (cost-based versus lump sum and volume based)?**

**Question 9d: Are the fees that Fortis BC charges Stargas compliant with the Hemlock Decision that “tying Management Fees to revenues is unlikely to incent efficient behaviour and may also serve to reduce the importance of cost control”?**

It should be noted that the SSPOA has requested a copy of the agreement between Stargas and FortisBC Energy Services. Stargas contends that the contents are confidential; however in the Oder G-93-09, section D., BCUC found that:

*“the commission informed Stargas that its request for confidentiality was not in accordance with the Commissions Filing Practice”.*

**Question 9e: Why is it so important to keep a contract for services confidential?**

**Question 9f:** Please explain what the \$48,000 payment to FortisBC Energy Services is for?

**Question 9g:** Please explain what the \$1.51/GJ (netting \$61,432 in the test year) that is paid to FortisBC Energy Services is for?

**Question 9h:** What is the \$10,450 (being the balance of the forecasted \$119,882 to be paid to FortisBC Energy Services) in payment of?

**10. Failure of Stargas to build relationships with its customer base, including the SSPOA, and associated charges related to management effort**

Stargas, through their contracted Management Company, seem to be unaware that the SSPOA has been in existence since 2004 and had registered as an intervenor in Stargas's application in 2005. See the comment on (B1 Page 9):

*"we understand that a recently formed Property Owners' Association at the resort has been in contact with the Commission,- we have attempted to contact directors' of that association but to date we have not made contact; we will , however, continue to do so"*

The SSPOA note in Stargas's submission the following categories of administration (B1 Page 13):

- Contacts with Customers (69 hours)
- Oversight (34 hours)
- Marketing and Relationships (56 hours)
- Interface with Resort (16 hours)

**Question 10a:** Please describe the efforts that Stargas has made to contact the SSPOA?

**Question 10b:** Please describe why, with 175 hours per year of management effort, Stargas would not know about the Silver Star Property Owners Association which has been in existence since 2004?

**11. Corporate finance history and application by Stargas to amend current formula to exclude amortization and include debt service.**

The SSPOA requests further details in respect of the corporate finance history of Stargas. Specifically, we note that on August 15, 2002, \$400,000 of preferred shares were issued by Stargas to its shareholders. The SSPOA notes that the Stargas website provides the following:

*"The shareholders accept that investing in and providing ongoing support to the Company requires that they not earn otherwise allowable returns on their equity investment until volumes delivered increase to levels sufficient to absorb all of the utility's costs (including that return)."*

The current application asserts that:

*"If approved, Stargas would be positioned to, over time, replace higher cost equity financing (its preferred shares) with term bank debt."*

The current application to vary the delivery rate seeks approval to amend the current formula, which includes high cost equity financing (dividends on the preferred shares), and the proposed formula will exclude amortization and include debt servicing of principal repayments plus interest on the bank debt.

The amortization has been projected as \$54,800 fiscal years 17 through 19; and \$16,072 fiscal years 20 through 39. Debt service payments have been projected as \$52,173 in fiscal 2017 and \$56,241 in fiscal 2018. Projections for the years following are not provided, however the narrative indicates that more preferred share redemptions are planned.

**Question 11a:** Was the share capital, created by shareholders advancing \$400,000 to Stargas, used as equity financing?

**Question 11b:** Was the \$400,000 preferred share capital utilized for financing capital expenditures or current expenditures from the period of 1999 to 2002?

**Question 11c:** In respect of the statements on the Stargas website, when does Stargas anticipate that gas volumes delivered will be at a sufficient level to absorb the utilities costs and warrant the returns on equity held by Stargas shareholders?

**Question 11d:** Will the inclusion of principal repayments on the proposed new loan result in having expenditures previously included in cost of service included a second time as the debt incurred relating to those expenditures is repaid?

**Question 11e:** Will the inclusion of principal repayments relating to the redemption of preferred shares result in duplicating the inclusion of 1999 to 2002 current expenditures, and 1999 to 2002 capital expenditures (as amortized from 1999 to 2016), in the cost of service formula as the debt incurred relating to the redemption is repaid?

**Question 11f:** How much will the debt service payments be for fiscal 19 onwards?

**Question 11g:** For fiscal year 19 onwards, how much will the debt service payments exceed amortization? How will this affect the cost of delivery?

**Question 11h:** Considering that anticipated preferred share redemptions will be financed, how much will the debt servicing amounts exceed the dividends for fiscal year 19 onwards?

**Question 11i:** If the amendment to the current formula is approved, and debt servicing is now included in the cost of service, how will Stargas adjust the debt servicing amounts to exclude that portion of the debt servicing relating to expenditures included in cost of service in prior years?

**Question 11j:** What is the justification in including loan principal repayments in the cost of service? Many expenses that were financed by the loan were also included in the cost of service (including dividend payments)?

## 12. Increased rates paid by Stargas customers for commodity rates

The SSPOA understands that the current Stargas application does not deal with commodity rates, however, it is clear from the information presented that the Stargas ratepayers are consistently paying more and the proposed rate mentioned in this submission will be substantially more than the commodity rate for our neighbours just down the road.

Proposed 2017 rate	\$5.15	(FortisBC @ \$2.97)
2016 rate	\$2.95	(FortisBC @ \$2.06)
2015 rate	\$7.69	(FortisBC @ \$7.37)

Considering that Stargas has, by its' own admission, "*is, as evident, a very small player in a complex regulatory environment*" (08/12/2008 Stargas final submission to BCUC for G-159-08) and that the result of that hearing BCUC Order G-1-09, in the reasons for the decision provided:

*"the Natural Gas Supply and Management Services Agreement between DEML and Stargas provides DEML with a service fee of \$0.10/GJ. The Service Fee covers all the services provided by DEML..."*

*it is unclear whether Stargas was aware that the price included the additional DEML Margin.*

*It is clear that the role of DEML is broader than simply the sale of gas to Stargas."*

With the resulting Order directing Stargas to explicitly state whether the commodity price includes any fees and to fully justify all components of the price.

**Question 12a:** Does Stargas now have sufficient expertise in its management team so it does not have to rely on gas marketers (who are the suppliers) for their professional market advice.

**Question 12b:** Is Stargas still dealing with Direct Energy Marketing Limited for its gas supply?

**Question 12c:** How can the ratepayers at Silver Star feel confident that the commodity rate proposed is consistent with current market prices considering the proposed 70% increase?

**Question 12d:** If there is still a management fee charged for the supply of natural gas, why this is not a separate line item in the Delivery Rate Application?

**Question 12e:** Please confirm that Stargas does not mark up the cost of gas?

**Question 12f:** Why are Stargas Commodity Rates significantly higher than those provided by FortisBC for Natural Gas throughout British Columbia?

**CONCLUSION -**

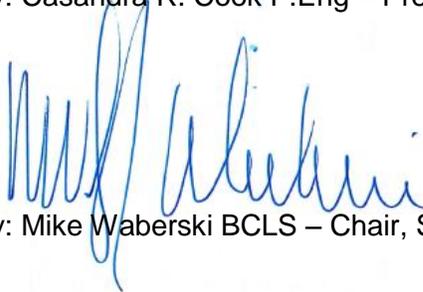
In conclusion we ask that the BCUC hold Stargas to account for the proposed \$6.93 delivery rate request. Our submission, we hope points to some of the issues that result in a 72% increase over the local FortisBC natural gas delivery rates (\$4.018), just by being 10kms further up the road in the resort of Silver Star.

Sincerely,

**Silver Star Property Owners Association**

A handwritten signature in black ink that reads "CR Cook". The signature is written in a cursive style with a large, stylized "C" at the beginning.

By: Casandra R. Cook P.Eng – President, Silver Star Property Owners Association

A handwritten signature in blue ink that reads "Mike Waberski". The signature is written in a cursive style with a large, stylized "M" at the beginning.

By: Mike Waberski BCLS – Chair, SSPOA Utility Services Committee

## APPENDIX 'A' - comparison of Delivery and Commodity rates between FortisBC (Mainland) and Stargas for 2015 and 2016.

Highlighted text denotes a rate change

FORTIS				STARGAS			
2015	Delivery	Commodity	Total	Delivery	Commodity	Total	Ratio
Jan	\$3.547	\$5.115	\$8.662	\$7.38	\$7.69	\$15.07	1.74 times
Feb	\$3.547	\$5.115	\$8.662	\$7.38	\$7.69	\$15.07	
Mar	\$3.547	\$5.115	\$8.662	\$7.38	\$7.69	\$15.07	
Apr	\$3.547	\$3.82	\$7.367	\$7.38	\$7.69	\$15.07	2.05 times
May	\$3.547	\$3.82	\$7.367	\$7.38	\$7.69	\$15.07	
Jun	\$3.547	\$3.82	\$7.367	\$7.38	\$7.69	\$15.07	
Jul	\$3.547	\$3.82	\$7.367	\$7.38	\$7.69	\$15.07	
Aug	\$3.559	\$3.82	\$7.379	\$7.38	\$7.69	\$15.07	2.04 times
Sept	\$3.559	\$3.82	\$7.379	\$7.38	\$7.69	\$15.07	
Oct	\$3.559	\$3.82	\$7.379	\$7.38	\$7.69	\$15.07	
Nov	\$3.559	\$3.82	\$7.379	\$7.38	\$2.95	\$10.33	1.40 times
Dec	\$3.559	\$3.82	\$7.379	\$7.38	\$2.95	\$10.33	

FORTIS				STARGAS			
2016	Delivery	Commodity	Total	Delivery	Commodity	Total	Ratio
Jan	\$4.018	\$2.640	\$6.658	\$7.38	\$2.95	\$10.33	1.55 times
Feb	\$4.018	\$2.640	\$6.658	\$7.38	\$2.95	\$10.33	
Mar	\$4.018	\$2.640	\$6.658	\$7.38	\$2.95	\$10.33	
Apr	\$4.018	\$2.062	\$6.08	\$7.38	\$2.95	\$10.33	1.7 times
May	\$4.018	\$2.062	\$6.08	\$7.38	\$2.95	\$10.33	
Jun	\$4.018	\$2.062	\$6.08	\$7.38	\$2.95	\$10.33	
Jul	\$4.018	\$2.062	\$6.08	\$7.38	\$2.95	\$10.33	
Aug	\$4.018	\$2.062	\$6.08	\$7.38	\$2.95	\$10.33	

FORTIS				STARGAS			
Projected 2016	Delivery	Commodity	Total	Delivery	Commodity	Total	Ratio
Sept	\$4.018	\$2.062	\$6.08	\$7.38	\$2.95	\$10.33	
Oct	\$4.018	\$2.971	\$6.989	\$7.38	\$2.95	\$10.33	
Nov	\$4.018	\$2.971	\$6.989	\$6.93	\$5.15	\$12.08	1.72 times
Dec	\$4.018	\$2.971	\$6.989	\$6.93	\$5.15	\$12.08	

## APPENDIX 'B' - Email Correspondence with Stargas regarding meter installations

Dear Mr. Blumes

Thank you for your prompt and very detailed response. I appreciate you pointing me to the regulatory approval of these charges. I would point out that Stargas is charging an administration fee about 10 times what Fortis charges for the entire meter installation. Clearly Fortis is amortizing the installation costs of their meters over a period, recovered within their gas rates, which is also substantially less than what we are paying at Silver Star.

Regards

XXXX XXXXXXXXX

**From:** Stargas [<mailto:Info@Stargas.ca>]

**Sent:** March-12-16 5:03 PM

**To:** [REDACTED]

**Subject:** RE: Installation Fees for Gas meters, Account [REDACTED] and [REDACTED]

So very sorry that you are upset over our installation invoice; perhaps the following explanation will assuage your concerns but if you have further issues and would like to discuss the matter further I'd be pleased to speak directly with you if provided with contact information and a convenient time for that discussion. If you feel it necessary, you are free to register a complaint with the British Columbia Utilities Commission – we are regulated by that body and all of what we do is fully transparent to them and, as relates our installation costs vetted and approved by them. Our tariff detailing all of what we charge is approved by them and while your cost is untoward vis a vis what an installation would cost in an metropolitan area, it where it is because of what we pay, under contract, to Fortis. Stargas earns only a 10% surcharge (approved by the BCUC in their November 7<sup>th</sup> 2005 order - Order G-118-05). Our cost (under contract with Fortis Alternate Energy - that contract renewed, vetted and approved by the BCUC in July 2009 - Order G-93-09) is \$450 per meter, the standard line \$1,250, manifold (to connect the two services) \$300 so that the total we pay that company for your installation is \$2,450; we are, as noted above allowed an administrative charge (for coordinating the install) of 10% or \$245 on the installation.

I do apologize for what you point out is an error in our current web site (one that I will repair once I've completed this response to you). The \$2,450 identified as the cost for a duplex is our third party (Fortis) cost and does not, as should it have, include our administrative charge.

I am certain that you will understand that our small enterprise can't and doesn't have the scope of operations to employ gas fitters and other technical staff requisite to the operation and growth of a gas utility. For that reason, on its formation and into to the future we rely on a service contract with BC's largest utility for both technical and administrative services. When we entered the negotiation to renew our service contract with Terasen (now renamed Fortis) we sought to find efficiencies in all of their services and were, to an extent, successful in obtaining a factor that reduces there per gigajoule monthly variable cost with volume growth but made no headway (as is evidenced by the amounts you pay us and we them) on installation costs. They argued and the BCUC acquiesced that the one off nature of trips to the resort for an installation warranted the charges that they were proposing – in the previous contract (initiated on the formation of Stargas) they'd charged \$300 for meters and \$950 for the line so that the increase that they sought and had approved was not insignificant.

You will recognize and appreciate that natural gas far less expensive (and safer) than propane and well below that you'd pay for electric baseboard heat. With natural gas demand well below available supply many producers are selling to the market at prices below their underlying cost; spot prices are at unprecedentedly low levels, so that we expect to remain sharply competitive against heating alternatives into the future. We are, as you note, very much more expensive than would you have paid in an metropolitan area, yet, as our volume grows, and we fully amortize the over one million dollar investment we made in bringing natural gas to the resort, our delivery charges will reduce. If you'd like to learn more, we file an annual report with the BCUC providing all manner of detail on our operation, it's costs and activities and I'd be happy to send you either an electronic or paper copy of that report.

Again, if you'd like to discuss this further I'd be pleased to do so; we do not have a currently scheduled filing with the BCUC but will be seeking their approval on a commodity pricing adjustment in the fall of this year. If you'd like to contact them, their website is [www.bcuc.com](http://www.bcuc.com) – should you file a complaint with them, the Stargas response will be essentially that detailed here. Hopefully, that will not be necessary!

Yours sincerely

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

[MailTo:Info@Stargas.ca](mailto:Info@Stargas.ca)  
[HTTP://WWW.Stargas.Ca](http://WWW.Stargas.Ca)

**From:** [REDACTED] <mailto:xxxxxxxx@telus.net>  
**Sent:** March-12-16 2:28 PM  
**To:** [info@stargas.ca](mailto:info@stargas.ca)  
**Subject:** Installation Fees for Gas meters, Account [REDACTED] and [REDACTED]

Dear Mr. Blumes

We have recently (November 2014) had 2 gas meters installed at Silver Star at a cost of \$2695. There is a Suite serviced by a second meter. A recent visit to your website quotes \$1920 for a typical installation and for the Suite addition it would be \$2450 (an increase of \$520 for the second meter). Our invoice of December 1 2014 was for \$2695 for the 2 meters. I can assure you there were "no special circumstances" for this installation, as a matter of fact, the contractor did not even have any compaction equipment so we had our contractor complete the back filling with proper compaction applied. Could you please explain why our bill was for an additional \$245.00 above the website quotation. Would you also please explain why Stargas charges \$1920 and Fortis Gas only charges \$25 for a gas meter within the same distance from the main as our Silver Star installation?

Is your ability to charge 77 times what Fortis charges for a single meter part of your BCUC application? If so, can you point us to the approval and can you please tell us when your next appearance before the Board is scheduled.

Thank you in advance for attending to our concerns over these discrepancies.

Regards

[REDACTED]

## APPENDIX 'C' – FortisBC Rebates

### Home Renovation Rebate Program

You must be either:

- a residential customer of a FortisBC natural gas and/or BC Hydro  
OR
- a residential customer of FortisBC electricity  
OR
- a municipal electricity customer of Grand Forks, Summerland, Penticton or Nelson Hydro

\*You can find a complete list of requirements under the [terms and conditions](#).

#### Rebates for upgrades

Upgrades	Description	Rebate
Insulation	Attic – flat and cathedral ceiling	Up to \$600
		Up to \$1,200
	Exterior wall cavities or sheathing	Up to \$1,000
	Basement or crawlspace walls	Up to \$450
	Other - exposed floor, floor over crawlspace, basement header	
	<a href="#">More details</a>	
Space heating	Variable speed mini-split air source heat pump (ductless heat pump) <i>Note: only for electrically heated homes.</i>	\$800
	FortisBC eligible EnerChoice® fireplace	\$300
	<a href="#">More details</a>	
Ventilation	ENERGY STAR® bathroom fan (maximum two per homeowner)	\$25 each
	<a href="#">More details</a>	
Water heating	ENERGY STAR natural gas water heaters	Up to \$1,000
	<a href="#">More details</a>	

## New Home Program

To qualify for incentives through this program, the home(s) must be:

- new construction
- built in FortisBC's electricity and/or natural gas service territories
- constructed on a permanent foundation, to a maximum of 600 metres in area and four storeys high
- one of the following:
  - detached house (may include a secondary suite)
  - attached houses (e.g. semi-detached, row house or attached house with or without a secondary suite)
  - multi-unit residential building (e.g. stacked townhouses, duplexes, triplexes and wood frame apartment buildings)
  - laneway home

### Available rebates

**Option 1:** build a home a minimum of 20 per cent more efficient than code to achieve the ENERGY STAR for New Homes Standard\* (or an EnerGuide<sup>®1</sup> rating of 82 or above for laneway homes)

	ENERGY STAR new home			EnerGuide 82
	Single family detached	Duplex	Row/townhome	Laneway
Province of BC (with natural gas space heating)	\$2,000	\$700	\$700	\$250
Southern Interior (with natural gas or electric space heating)	\$2,000	\$700	\$700	\$250
For city of Vancouver only (with natural gas space heating)	\$250	\$250	\$700	\$250
<b>Appliance bonus incentive</b>				
<a href="#">ENERGY STAR clothes dryer</a> (NOTE: electric models are only eligible in the FortisBC electric region in the Southern Interior)	\$100 (maximum two per dwelling)			
EnerChoice® natural gas fireplace  Eligible models for building permits issued <a href="#">on or after May 1, 2016</a>  Eligible models for building permits issued <a href="#">before May 1, 2016</a>	\$300 (maximum five per dwelling)			

View the [terms and conditions](#) for complete eligibility criteria.

\*BUILT GREEN® builders, with projects identified as BUILT GREEN, will be eligible for incentives provided by FortisBC if their project meets the ENERGY STAR for New Homes Standard and is a natural gas or electrically heated home in the FortisBC electric service territory.

**Option 2: high-efficiency natural gas appliances<sup>1</sup>**

Product	Rebate
<a href="#">ENERGY STAR natural gas clothes dryer</a>	\$100 each
EnerChoice natural gas fireplace	\$300 each
Eligible models for building permits issued <a href="#">on or after May 1, 2016</a>	
Eligible models for building permits issued <a href="#">before May 1, 2016</a>	
<b>Water heaters<sup>2,3</sup></b>	
<a href="#">ENERGY STAR natural gas 0.67 EF storage tank</a>	\$200 each
<a href="#">ENERGY STAR natural gas non-condensing tankless</a>	\$400 each
<a href="#">ENERGY STAR natural gas condensing tankless</a>	\$500 each
<a href="#">Natural gas hybrid</a> (condensing tankless with a small storage tank of two gallons or more)	\$500 each
<a href="#">Natural gas condensing storage tank</a>	\$1,000 each

## Appliance Maintenance Rebate Program

**Give your furnace/boiler and fireplace some TLC. Have them serviced.**

Have your heating system and/or fireplace serviced by October 31, 2016 and you could qualify for a \$25 rebate on each—one for your furnace or boiler and one for your fireplace—for a total of \$50.

- You must be a FortisBC residential natural gas customer.
- The maintenance service must be carried out by a [BC Safety Authority](#) licensed natural gas contractor. You can find one by searching our [Trade Ally Network directory](#).
- The service must occur between September 15, 2016 and October 31, 2016.
- If you qualify, your rebate will appear as a credit on your natural gas bill.

## Fireplace Program

Turn your hearth into a hub of high-efficiency comfort. Purchase a FortisBC eligible EnerChoice natural gas fireplace after May 1, 2016, and you may be eligible for a \$300 rebate from FortisBC.

- You must be a FortisBC residential natural gas customer.
- In addition to being EnerChoice rated, FortisBC eligible fireplaces must be direct-vented, temperature modulating and not have a standing pilot. Please check the [list of eligible models](#) and ask your fireplace dealer for more information.
- Your application must be postmarked within 60 days of the purchase date.

## Water Heater Program

Replace your aging water heater with a qualifying natural gas ENERGY STAR model and you could save on energy costs, plus you'll be eligible for a rebate of up to \$1,000.

- You must be a FortisBC natural gas residential customer.
- You must be replacing an existing old water heater.
- You must purchase a [qualifying ENERGY STAR water heater](#) between January 1, 2016 and December 31, 2016.

\*You can find a complete list of requirements under the relevant terms and conditions listed below.

### Available rebates

Water heater type	Efficiency rating*	Rebate
Storage tank	0.67 - 0.69 EF	\$200
Non-condensing tankless	0.82 - 0.89 EF	\$400
Condensing tankless	0.90 - 0.99 EF	\$500
Condensing hybrid	90 - 99% TE	\$500
Condensing storage tank	90 - 99% TE / .80 EF**	\$1,000

## Furnace and Boiler Replacement Program

Replace your aging furnace (or boiler) with an eligible ENERGY STAR® or equivalent model that's 95 per cent efficient or higher (94 per cent efficient or higher for boilers) and you could receive an \$800 rebate.

- You must be a FortisBC residential natural gas customer.
- Your existing furnace or boiler must be a minimum of 10 years old and not require repairs in excess of \$1,000 (pre-tax).
- You must install an eligible [ENERGY STAR or equivalent furnace or boiler](#).
- Before applying for your rebate, you must have a valid pre-qualification code. Codes are only available until August 31, 2016, or while quantities last.
- Furnaces and boilers must be purchased, installed and paid for in full between June 30, 2016 and October 31, 2016.

## Switch 'n' Shrink Special Offer

By switching to natural gas, you can save energy and money on your energy bills, while enjoying the cosy warmth your family needs. What's more, natural gas is piped directly to your home, meaning no more oil storage tank or wood chopping, and more options for other natural gas appliances too.

Better yet, for a limited time, you could be eligible for a **\$1,700** rebate when you make the switch and install an [eligible ENERGY STAR®](#) natural gas heating system.

- You must be a new or existing FortisBC residential customer.
- You must convert your home's oil, wood or propane central heating system to natural gas (or from oil or wood to propane in a FortisBC piped propane service area) and the gas service line must be activated before February 28, 2017.
- Before applying for your rebate, you must have a valid [pre-qualification code](#). Codes are only available until December 31, 2016 or while quantities last.
- Your new system must be purchased and installed between June 30, 2016 and February 28, 2017.