



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

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

December 16, 2016

Subject: Undertaking to report amended Test Year Capitalization

Dear Ms. Hamilton:

The amounts included in our amended application are reflected in the following table:

	Amount	Stargas	Ratio	Average Embedded Cost	Cost Component	Earned Return
	(A)	Application	(B)	(C)	(B)x(C)=(D)	(A)x(D)=(E)
Operating line (note 1)	\$110,929	\$ 4,127	20.1%	3.7%	0.75%	\$ 829
Long term debt (Note 2)	100,000	3,800	18.1%	3.8%	0.69%	\$ 688
Shareholder loan	40,000	1,800	7.2%	4.5%	0.33%	130
Preferred shares	300,000	28,500	54.4%	9.5%	5.16%	15,491
Common Equity	1,000	-	0.2%	0.0%	0.00%	-
Total	\$551,929	\$ 34,100	100%		6.18%	\$ 16,310

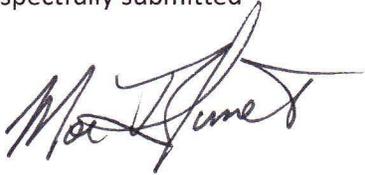
Note 1 – the mid-point balance of funds drawn on our operating credit \$87,937 but that unresponsive to the average amount drawn – our average monthly use of the operating line in the test year \$110,929.

Note 2 – we include as term debt, only the \$100,000 increment within the refinancing dedicated to redemption of preferred shares.

In offering guidance on the preparation of this table, Commission staff noted that “under conventional ratemaking shareholders are afforded a reasonable opportunity to earn a fair return on their invested capital” and that that equal to rate base suggesting then that it \$16,310 that Stargas should be proposing to recover in rates. To date, Stargas rates have been established awarding cognizance to its “unconventional circumstances”. Our invested capital is not equivalent to “rate base” as substantial

funds were needed and invested to sustain Stargas during its formative years and we take the position that the amounts within our application (\$34,100) are to be included in the determination of our current delivery rate (with the exception of interest on shareholder advances, the equivalent amounts were included, pursuant to the dictates of the BCUC in each of the past several years). We are seeking inclusion of interest on shareholder advances on the basis that those funds are necessary to meet cash flow requirements in the shoulder season/analogous to the included interest incurred on our operating line.

Respectfully submitted

A handwritten signature in black ink, appearing to read "Moe Blumes". The signature is fluid and cursive, with a large, sweeping flourish at the end.

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