SPOA Silver Star Property Owners Association.

January 18, 2017

Laurel Ross, Acting Commission Secretary
BC Utilities Commission
900 Howe St,
Vancouver, BC
V6Z 2S9

Dear Madame:

Stargas Utilities Application to Vary Delivery Rate, Amend Cost of Service Formula and Approve Replacement Term Financing/Redemption of Preferred Shares – SSPOA Information Request No. 2

Please find enclosed the second information request of the Silver Star Property Owners' Association.

Regards

Mike Waberski Chair, SSPOA Utility Services Committee

Copy: Sandy Cook SSPOA President and Committee members

Copy: Matthew Keen, Norton Rose Fulbright

Stargas Utilities Application to Vary Delivery Rate, Amend Cost of Service Formula and Approve Replacement Term Financing/Redemption of Preferred Shares – SSPOA Information Request No 2

1.0 Management Services

Exhibit B-10, dated December 12 and filed on December 15, 2016, describes an "executive routine" (pdf page 3) that states "I act and record time as accountant so take a second look at work completed by self." This appears to indicate that Mr. Blumes' work is billed twice, and at two rates: once to draft as an accountant, and again to review his own work, but as an executive.

The "executive routine" also includes "Review industry data/forecasts", "[review] market commentaries" and "Entertain contacts from competing marketers".

Exhibit B-10 then attaches four pages of November and December time sheets (PDF pages 6-9), which per PDF page 3 appear to be "input required to be considered for our annual budget". Many of the timesheet entries deal with online billing and electronic statement preparation.

However, Exhibit B-2 stated the following in response to the request in BCUC 10.6 for Stargas to provide "actual accounting, administrative, and executive hours for Okanagan Funding Ltd. for F2012 to F2016, and F2017 year-to-date":

> *We accumulate actual time on a regular basis but do not do so referencing the nature and budget in which hours spent; accordingly, we can provide a summary of hours worked against the budget for the year but not in the format on page 13. I have attached actual hours/dollars for each of the completed fiscal years and to October 31 for the current year.* [emphasis added]

Question 1A: Please confirm that, according to its response to BCUC 10.6, Stargas does not maintain and is unable to provide timesheets similar to PDF pages 6-9 of Exhibit B-10.

If not confirmed, to help understand the double billing, what activities are associated with the management time invested in sourcing natural gas, and the basis for Stargas' management fee forecast, please provide scans of the original monthly time sheets for the past 12 months (January –December 2016).

Question 1B: Please provide a typewritten version of Mr. Blumes' handwritten time sheet (B-10 Page 9), as the handwriting is difficult to interpret and a carries a risk of error.

Question 1C: Please confirm, or otherwise explain, that: (i) most customers receive hard copy bills from FortisBC Energy on Stargas letterhead, (ii) Stargas has approximately 52 "online" customers, who receive PDF versions of their bill by e-mail instead of paper versions by regular mail, and (iii) some online customers receive both electronic and hard copy versions of their bill.

Question 1D: What is the typical total of accountant and administration hours in a month to process the billing and payments for online customers?

Question 1E: What are the typical monthly bank charges associated with processing online payments?

2.0 Stargas Utilities' BCUC Application Costs

2.1 The Stargas application (Exhibit B-1) dated September 26, 2016 was submitted on September 30, 2016. In that application Stargas estimated the costs on Page 12 as:

> *"The utility forecasts management fees of $88,127 through the test year; included in that estimate is a $6,000 increment anticipated as that relating to the preparation of the "delivery price change and refinancing" components of this application."*

2.2 In Exhibit B-2 submitted on November 14, 2016 the following responses to the Commission's IR No1 were provided:

> *"10.9 Please provide a breakdown of the $6,000 estimate into accounting and executive time by hours and dollars.*
>
> *Response: The time has escalated dramatically from the estimate included in the filing; including time Stargas Delivery Rate 16 BCUC IR No. 1 through to submission of this response and that of the Resort Association, I'd recorded 83 hours as chargeable (additional hours incurred deemed non-productive were not included – approximates a further 10 hours)* ***at the proposed rate of $144.26 per hour*** *results in a cost to date for the delivery and commodity application of $11,973* ***– 14 hours was included in the regular schedule so that the estimate of additional time - $9,954.*** *As the file will record, now several years ago, I appealed the rate allowed providing collateral material indicating that it other capacities, albeit with overhead significantly greater than do I now incur, that I'd charged clients in excess of $350 per hour and am currently consulting on an assignment at $200 per hour. I making mention of that history as referential only and not as an expression of dissatisfaction with the existing CPI based rate.*
>
> *10.10 Please provide the rate impact of deferring and amortizing the rate case cost over two years.*
>
> *Response: For these purposes, we've assumed that we'd be deferring $8,000 (that estimated on filing)* ***together with the 14 hours included in the regular budget classifications****. On half of that amount would be charged off in the current year and the balance the following year and the rate for 2017 reduced by 10 cents with a corresponding increase in the following year. "*
>
> **(emphasis added)**

Question 2A: Please provide the breakdown of the initially requested $6,000 estimate into accounting and executive time by hours and dollars.

Question 2B: Does the statement "the 14 hours that was included in the regular schedule" reflect 14 hours of Mr. Blumes' time, implying that the remainder of the $6,000 reflects someone else's time (14 X

$144.26 = $2016.54)? If yes, whose time? If no, please explain more clearly how the 14 hours mentioned relate to the original budget of $6,000 quoted in Exhibit B-1.

Exhibit B2 continues with the question:

> *"10.11 Please provide actual management fee hours and dollars used by Okanagan Funding Ltd. to prepare the 2012 Rates Application.*
>
> > *Response:* ***I could not, in a search of our files locate the details for management fees included in the 2012 application*** *but report, hereunder the actual hours expended in that year"*
> >
> > **(emphasis added)**
>
> Note: a table was shown indicating rates per G-164-09 and hours for Murry, Mike, Moe and Carol for a period June to May totalling $76,569

Question 2C: The table provided in response to Question 10.11 (B-2 Page 16) is undated, but the total of $76,600 matches the year-end total for May 2012. However, as Stargas filed the 2012 Rates Application on August 17, 2012 and the Commission issued its decision on October 29, 2012, the table should reflect the test year. Please confirm the table reflects the hours charged to Stargas by Okanagan Funding Ltd. for the previous year (i.e., June 2011 – May 2012).

To properly respond to the original request, please also provide the work papers filed with Stargas' accountants for the same test year (i.e., year ending May 2013)

Question 2D: Given the absence of the records responsive to BCUC 10.11, please provide an estimate of the time to prepare the following documents into executive and accounting time for the 2012 Application:

B-1 (the application)
B-1-1 (amendment to the application) and
B-2 (response to 70 questions from the commission)

2.3 In Exhibit B-7 filed on November 30, 2016 Stargas stated:

> *"10. Management fees: Our application contemplates an aggregate management fee of $88,127; included in that estimate was $8,044 in respect of the preparation of the BCUC applications and in responding to interrogatories, with the balance $80,023 a representation of those amounts to incurred on an annual basis.*

2.4 On December 8th Stargas submitted document B-1-1 titled "Submitting an application amending the Cost of service". In that document it illustrated the Rate Application in the table as:

		"As filed Test Year	*As amended Test Year*
	Management fees	*$78173*	*$78,173*
1	*Rate applications*	*$9,954*	*$ 4,667 "*

Question 2E Stargas' management fee forecast in section 1.1 of Exhibit B-1 is $82,127 ($88,127 less $6000 for the application). In section 1.3 of Exhibit B-7 it appears as $80,023 ($88,127 less $8,044), and in section 1.5 of Exhibit B-1-1 it appears as $78,173 ($88,127 less $9,954). Please confirm that the management fee forecast unrelated to the Application is $78,173 per Exhibit B-1-1, or otherwise explain what it is.

Question 2F In Exhibit B-1-2 Stargas estimates that responding to the second round of IRs and drafting argument will cost between $3,000-$5,000 of Mr. Blumes' time, and $15,000-$20,000 of legal costs. Does the $3,000-$5,000 estimate reflect an estimate of 20-35 hours at the executive rate? Please explain. Please also provide a breakdown of the legal fee estimate and the associated rate(s).

3.0 Historical Management Fees

Question 3A Based on Stargas' annual reports to the Commission, please confirm that the following management, administration, transportation, and O&M fees are accurately presented for each year:

Year	Management Fee	Administration	Transportation*	O&M
2012	76,600	110,912	85,864	111,940
2013	77,400	111,325	89,947	113,270
2014	80,800	117,798	92,995	117,064
2015	79,915	114,998	91,135	109,971
2016	81,800	120,656	94,738	118,494

Please also confirm that the management fee forecast for the 2013 test year presented in the 2012 Application was $77,466.

*Reflects Annual Reports' "Costs and Expenses" tables' totals of "Terasen Gas – costs"

4.0 Delivery Rate Components

Question 4A The table on page 17 of Exhibit B-1 was prepared prior to the adjustment made in Exhibit B-1-1 in which the Amortization and Payments –term debt were amended. Please provide an updated table that highlights the changes , so as to clearly understand the impacts of the amended application.

Question 4B On page 1 of Exhibit B-1 Stargas states "If approved to include debt service in place of amortization, Stargas would, in future refinancing transactions, redeem higher cost preferred shares with lower cost term loans". Does Stargas expect its cost of debt to increase as shareholders' equity investment decreases as a result of such future refinancing transactions? Please provide any views provided to Stargas by its lender, including any additional requirements it might have to continue lending at that time.

5.0 Installation costs

From Document B-11 Mr. Blumes states:

> *"As regards ownership of gas meters, the customer "payment" for the gas meter is a contribution in aid of construction (CIAC) and not a purchase of the gas meter. Stargas retains ownership of the gas meter;_ the CIAC is an offset that reduces the utility's rate base. The utility has, then, no residual net capital cost in meters."*

Question 5A Does Stargas record the CIAC as revenue received on the financial statements?

Question 5B Please confirm that Stargas does not account for Gas Meters or Service lines as capital assets?

6.0 Order G-80-02

The Commission held a public meeting in Silver Star Village on October 29, 2002. Order G-80-02 states:

> ***"Whereas:***
>
> *E. Intervenors have provided submissions on the Application;*
>
> *F. In response to a request from Intervenors, Stargas has agreed to entertain some form of customer base investment in Stargas preferred shares and/or a community-owned entity;*

Question 6A Please describe what efforts were made from November 2002 onward towards customer investment in Stargas preferred shares and/or a community-owned entity.

7.0 Commodity-Related Management Costs

From Exhibit B-10

> *"Annual Commodity Application*
>
> *- Develop, on concert with Independent Energy, purchase plan – in doing so, consider cost/benefit of seeking to purchase forward contracts recognizing if we feel markets might offer savings in doing so, these projected savings must be greater than the incremental costs in management time negotiating with supplier and in addressing requirements of the BCUC."*

From Exhibit B-3 (Question 3e Page 9b)

> *"Stargas, as a customer taking the volumes that we do is slotted into one or another Fortis commercial rate category and precluded from accepting deliveries as a residential customer. As a step in the development of our natural gas purchase plan we consider Fortis, alternative suppliers and marketers.*
>
> *……. The following might be instructive- as a commercial customer purchasing gas under Rate 5 (a category available to us, we'd have purchased last winter's 29028.6GJ's for $83242, while operating under rate 25, taking supply at index from station 2 rather that Sumas we'd purchased*

29,0258.6 (typo noted; it should read 29028.6) for $52804. In recent days, at Index and with the delivery from Station 2 at $2.05 per GJ while Fortis rate 5 prices at $2.61."

Question 7A The table below is based on a review of commodity costs reflected in FortisBC (mainland) and Stargas residential bills. Please confirm the figures presented and complete the table for Rate 5's commodity cost, to properly compare the commodity rate difference between Stargas and Rate 5 over the last 2 years. Note the table only reflects the months in which either FortisBC (mainland) or Stargas implemented commodity rate changes.

2015	***FortisBC (mainland)[1]***	***Stargas***	***Rate 5***
January	*$5.12*	*$7.69*	_____
April	*$3.82*	*$7.69*	_____
November	*$3.82*	*$2.95*	_____
2016			
January	*$2.64*	*$2.95*	_____
April	*$2.06*	*$2.95*	_____
October	*$2.97*	*$2.95*	_____
November	*$2.97*	*$5.15*	_____

8.0 Basic Charges for Strata Condominiums:

In the SSPOA's experience basic charges vary between condominium complexes: $15; some complexes have a basic charge of $15 and others as described below.

Creekside (144 units in 5 buildings)	5 X $25 = $125 per month
Silver Creek (69 units)	$100 per month
Snowbird (56 units)	$100 per month
Firelight (67 units)	$100 per month

Question 8A What are the criteria for determining the basic charge for residential condominiums as well as mixed residential/rental condominiums?

[1] See Exhibit C1-2, Apendix A Page 24.