



**bcuc**  
British Columbia  
Utilities Commission

**Patrick Wruck**  
Commission Secretary

Commission.Secretary@bcuc.com  
**bcuc.com**

Suite 410, 900 Howe Street  
Vancouver, BC Canada V6Z 2N3  
**P:** 604.660.4700  
**TF:** 1.800.663.1385  
**F:** 604.660.1102

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Sent via eFile

<p><b>SUN PEAKS TRANSFER GAS OPERATIONS TO RESORT GAS EXHIBIT A-4</b></p>
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Darcy Alexander  
Sun Peaks Utilities Co., Ltd.  
1280 Alpine Road  
Sun Peaks, BC V0E 5N0  
dla@sunpeaksresort.com

**Re: Sun Peaks Utilities Co., Ltd. – Application for Approval to Transfer Gas Utility Operations to Resort Gas Ltd. – Project No. 1598926 – Commission Panel Information Request No. 1**

Dear Darcy Alexander:

Further to your August 3, 2017 application on the above noted matter, enclosed please find Panel Information Request No. 1. Please file your responses with the Commission on or before Friday, October 6, 2017.

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

KB/dg  
Enclosure

cc: Mr. Brian MacKay  
DLA Piper (Canada) LLP  
brian.mackay@dlapiper.com



Sun Peaks Utilities Co., Ltd.  
Application for Approval to Transfer Gas Utility Operations to Resort Gas Ltd.

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**PANEL INFORMATION REQUEST NO. 1 TO SUN PEAKS**

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**1.0 Reference: SPUCL Financial Statements  
2017 Annual Report; Exhibit B-3, BCUC IRs 1.1, 2.3, 2.4.1, 8.1  
Loan to Sun Peaks Resort LLP**

According to the 2017 financial statements contained in the Annual Report, the loan total balance payable from Sun Peaks Utilities Co., Ltd. (SPUCL) to Sun Peaks Resort LLP as at April 30, 2017 is \$353,064. SPUCL had positive retained earnings of \$391,103 as of the same date. In SPUCL's responses to Commission (BCUC) Information Requests (IRs), SPUCL indicates, in response to BCUC IR 1.1, that SPUCL consists of a Gas, Sewer and Water Utility. In response to BCUC IR 2.3, SPUCL confirms that the proposed balance sheet of Resort Gas Ltd. will include a total debt of Sun Peaks Resort LLP of \$353,064 after the completion of this transaction, which would appear to amount to 100% of the loan between SPUCL and Sun Peaks Resort LLP at the date of the transaction. In response to BCUC IR 2.4.1, SPUCL indicates that this debt arose to fund the working capital requirements of SPUCL.

In the review of the annual reports of SPUCL from 2003 to 2017 as included in the response to BCUC IR 8.1, the financial statements from the independent accountant indicated that the gas division had earned net profits in all years between 2002 to 2017 with the exception of 2010 (net loss of \$2,119), 2006 (net loss of \$12,776) and 2004 (net loss of \$546). The company reported net profits generally in the tens of thousands of dollars in each year when it did not post a loss. Net profit for 2017 alone was \$71,270. Also, within these financial statements, other segments such as water and sewer frequently posted losses during this same time frame, sometimes in the tens of thousands of dollars.

Further, the related notes to the financial statements which explain the loan to Sun Peaks Resort LLP did not specify that 100% of this loan was attributable to the gas division?

- 1.1 Please explain how a deficit retained earnings balance could have accumulated to the extent of \$317,414 taking into consideration the net profits of the gas division since 2002 and the positive retained earnings of SPUCL of \$391,103 as of the last fiscal year end.
- 1.2 Please explain if the other operating divisions, notably, water and sewer have contributed to the negative working capital position of SPUCL. If not, please explain how these other utility net losses were funded.
- 1.3 Please provide a detailed list that shows:
  - Each fiscal year that the gas division incurred an operating loss that resulted in the need to incur debt from Sun Peaks Resort LLP. Provide the amount of the annual loss and a brief description of the events that lead to the need for this financing as well.
  - From the inception of the loan to Sun Peaks LLP, each fiscal year that the gas division incurred operating profit, the amount of the annual profits and how these annual profits, were used to offset or reduce the loan payable to Sun Peaks Resort LLP.

Please provide sufficient documentation and analysis to allow the Commission Panel to assess how much of the total debt is attributable to the gas division.

- 1.4 Please provide the rationale under which SPUCL, which operates as a combined gas, water and sewer utility, has the ability to attribute the entire amount of Sun Peak Resort LLP's debt to the gas division given the integrated nature of the utility's operations.
- 1.5 If the Commission were to limit Resort Gas Ltd. to assume no more than 1/3 of the debt due to Sun Peaks Resort LLP, would SPUCL proceed with the transaction? Please explain or provide or discuss alternatives if appropriate. Please provide details.