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Stargas Utilities Ltd.
Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate
Effective November 1, 2020

STARGAS UTILITIES LTD. RESPONSE TO BCUC INFORMATION REQUEST NO. 2.

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A. CUSTOMER BILL IMPACTS

7.0 **Reference: CUSTOMER BILL IMPACTS**
Exhibit B-6, British Columbia Utilities Commission (BCUC) Information Request (IR) 1.1
Magnitude of customer bill impacts

In response to BCUC IR 1.1, Stargas Utilities Ltd. (Stargas) stated that, considering Stargas' proposed $3.08 increase to the commodity rate only, residential and commercial customers would experience the following annual bill increases:

> Residential customers – annual average consumption 73 gj's [gigajoule or GJ] – their commodity cost at $7.06, $515; the increase would add $225.
>
> Small commercial customers – annual average consumption 300 gj's – their commodity cost at $7.06, $2,118; the increase would add $924
>
> Large commercial customers – annual average consumption 2,100 gj's – their commodity cost at $7.06, $14,826; the increase would add $6,480

Stargas further stated that the percentage increase in each of these categories is 77 percent.

7.1 Assuming no other rate changes aside from Stargas' proposed commodity rate change, please provide the percent increase to the annual bill of Stargas' (i) residential customers, (ii) small commercial customers; and (iii) large commercial customers that would result from an increase of $225, $924, and $6,480, respectively. Please include any supporting calculations.

Stargas response:

Residential customers: Current rate - $3.98 X 73 gj's = $290.54
Proposed rate - $7.06 X 73gj's = $515.38
Delta (the increase) $515.38-$290.54 = $224.84
Percentage increase $224.84/$290.54 =77.4%

Small commercial customers: Current rate - $3.98 X 300 gj's = $1,194.00
Proposed rate - $7.06 X 300 gj's = $2,118.00
Delta (the increase) $2,118.00-$1,194.00 = $924.00
Percentage increase $924.00/$1,194.00 =77.4%

Large commercial customers: Current rate - $3.98 X 2,100 gj's = $8,358.00
Proposed rate - $7.06 X 2,100 gj's = $14,826.00
Delta (the increase) $14,826.00-$8,358 = $6,468.00
Percentage increase $6,468.00/$8,358.00 =77.4%

8.0 **Reference: CUSTOMER BILL IMPACTS**

Exhibit B-6, BCUC IR 2.2 to 2.5;
Potential Rate Change Limiting Mechanisms

In response to BCUC IR 2.2, Stargas indicated that a commodity rate of $6.53 would be required to recover the forecast deficit in the Gas Cost Variance Account (GCVA) as of October 31, 2020 and to recover Stargas' estimated costs for the two-year period of November 1, 2020 to October 31, 2022.

In response to BCUC IR 2.3, Stargas stated "…as Stargas recommends an alternative approach, suggested as necessary to avoid rate shock and to mitigate Pandemic impacts on Stargas ratepayers, it submits that either a one or two-year recovery of the October 31, 2020 GCVA deficit moot."[Emphasis added]

In response to BCUC IR 2.4, Stargas stated:

> Stargas, if continuing in independent operations (it anticipates that the consequential benefits to ratepayers in the sale provides a substantial likelihood of its completing) would, if the alternate mechanism proposed is not accepted by the Commission would then review the impact of a two-year versus single year recovery.

8.1 Please provide a detailed explanation of Stargas' recommended "alternative approach."

Stargas response:

The following explanation that provided in Attachment B-8 to Stargas' updated commodity rate application (added commentary following):

"Stargas, herein, offers a possible alternative to the impact (potential rate shock) were Stargas to follow the recovery/refund program outlined in the interim orders. Example – Should Commission approvals be available for the utility's February billing (decisions on each of Commodity and Delivery before February 12th, 2021) and assuming commodity & delivery rates of $7.06 and $4.59 approved (for example purposes those currently contemplated within the Applications) Stargas would, in accord with the Orders, be entitled to recover from ratepayers, with interest, $61,754 (being the $3.06 increase from $3.98 to $7.06) reduced by $23,659 in delivery revenues charged in excess of those approved (being the decrease from the $5.77 charged to $4.59)."

		Revenue	Revenue				Total		
		Total	**Total**	**Per GJ**	**Shell**	**Fortis Gas**	**Cost**	**GCVA**	Delta
	Oct-20	**GJ's**	**$$$**		**(Gas)**	**(Transport)**		**($59,641)**	**$3.08**
Forecast	Nov-20	4,750.0	$18,905	$3.98	$14,661	$11,721	$26,382	($67,117)	$14,630
Forecast	Dec-20	7,600.0	$30,248	$3.98	$24,148	$14,231	$38,379	($75,248)	$23,408
Forecast	Jan-21	7,700.0	$30,646	$3.98	$25,010	$14,475	$39,485	($84,087)	$23,716
Forecast	Feb-21	7,250.0	$51,185	$7.06	$23,841	$14,079	$37,920	($70,822)	
Forecast	Mar-21	5,500.0	$38,830	$7.06	$17,364	$12,538	$29,902	($61,894)	
Forecast	Apr-21	3,500.0	$24,710	$7.06	$9,385	$10,776	$20,161	($57,346)	
Forecast	May-21	2,200.0	$15,532	$7.06	$5,899	$9,632	$15,531	($57,345)	
Forecast	Jun-21	1,450.0	$10,237	$7.06	$3,888	$8,971	$12,859	($59,967)	
Forecast	Jul-21	1,250.0	$8,825	$7.06	$3,352	$8,795	$12,147	($63,289)	
Forecast	Aug-21	1,250.0	$8,825	$7.06	$3,352	$8,795	$12,147	($66,610)	
Forecast	Sep-21	2,200.0	$15,532	$7.06	$5,899	$9,632	$15,531	($66,609)	
Forecast	Oct-21	3,600.0	$25,416	$7.06	$9,653	$10,865	$20,518	**($61,711)**	$61,754
		48,250.0	$278,891		$146,451	$134,510	$280,961		

Current forecast: Delivery revenue to be refunded

		Total	**Total**	**Per GJ**	**Delta**
	Oct-20	**GJ's**	**$$$**		**$1.18**
Forecast	Nov-20	4,750.0	$27,408	$5.77	$5,605
Forecast	Dec-20	7,600.0	$43,852	$5.77	$8,968
Forecast	Jan-21	7,700.0	$44,429	$5.77	$9,086
Forecast	Feb-21	7,250.0	$33,278	$4.59	$0
Forecast	Mar-21	5,500.0	$25,245	$4.59	$0
Forecast	Apr-21	3,500.0	$16,065	$4.59	$0
Forecast	May-21	2,200.0	$10,098	$4.59	$0
Forecast	Jun-21	1,450.0	$6,656	$4.59	$0
Forecast	Jul-21	1,250.0	$5,738	$4.59	$0
Forecast	Aug-21	1,250.0	$5,738	$4.59	$0
Forecast	Sep-21	2,200.0	$10,098	$4.59	$0
Forecast	Oct-21	3,600.0	$16,524	$4.59	$0
		48,250.0	$245,127		$23,659

"Stargas would include in its February billing adjustments to each of the commodity and delivery rates billed November through January resulting in, before interest added, a net adjustment of $61.754 less $23,659 = $38,095. The Commission requires Stargas to maintain its existing rates until revised commodity and delivery rates have been ruled upon. While the adoption of interim rates, effective November 1, 2020 would have ameliorated the impact of a single extra billing, Stargas recognizes that multiple changes in rates ill advised. However, Stargas is concerned that in the current pandemic environment, that the quantum of the amount to be "extra" billed will be a hardship to both residential and commercial ratepayers. Should the net amount to be recovered exceed $30,000, ($38,095 in the example) Stargas suggests that the amount be captured in a Regulatory Account and recovered over 36 months with interest at the utility's weighted average cost of debt (WACD)."

Additional commentary: Stargas recognizes that the timing on the Commission's ruling on its Commodity rate application will not be available as contemplated in the above example but submits that its alternative methodology, with adjustments made for the months at which the interim rate of $3.98 in

place, would be of benefit to its ratepayers. The majority of Stargas ratepayers are focused on the variable charge per gigajoule (currently $9.75 and, if approved as filed - $11.65 per gigajoule) without consideration of the two charges making up that total.

As noted in its response to the BCUC IR No. 1, Stargas proposes, if approved, to recover the net amount (deficit in its GCVA net of delivery rate refund) in a regulatory account with rate rider established to recover the balance over 36 months (the initial rate set based on projected volumes) or until the full amount recovered. While the GCVA deficit generation provided a benefit to ratepayers, Stargas proposed that within its alternative approach, interest calculated at the utility's weighted average cost of debt rather than on its weighted average cost of capital, undertaking to do so in recognition of the pandemic.

8.1.1 Please provide a comparison of the bill impacts to each customer group that would result from recovering the GCVA deficit accrued since November 1, 2020 under: (i) Stargas' proposed alternative approach; (ii) a single month recovery period; and (iii) a 12-month recovery period.

Stargas Response:

		#	Alternative	Single	Twelve
	Volume	Ratepayers	approach*	month	months**
Residential	14,250.3	318	$11,987	$18,239	$18,239
Small commerical	12,071.0	39	$10,154	$15,449	$15,449
Large commercial	21,928.8	6	$18,447	$28,066	$28,066
Total	48,250.0	363	$38,095	$61,754	$61,754
		Interest	$2,493	$0.00	$2,172
			$40,588	$61,754	$63,926
Per customer					
Residential			$39.00	$57.35	$59.37
Small commerical			$269.35	$396.14	$410.07
Large commercial			$3,180.50	$4,677.68	$4,842.20
Collection over		Months	36	1	12
			Per month	Per month	Per month
Residential			$1.08	$57.35	$4.95
Small commerical			$7.48	$396.14	$34.17
Large commercial			$88.35	$4,677.68	$403.52

*Under Stargas' proposed alternative, Stargas would have reduced the amount otherwise recoverable from ratepayers, by the $23,659 refund (as currently estimated) due ratepayers on the reduction in the utility's delivery rate.

**Stargas to recover the currently forecast deficit of $61,754 over 12 months, with interest added at its weighted average cost of capital (6.43%) of $2,172.

8.2 Please explain in what ways Stargas' "alternative approach" differs from setting commodity rates for Stargas based on recovery of the GCVA deficit and Stargas' estimated gas costs for (i) a one-year period from November 1, 2020 to October 31, 2021; or (ii) a two-year period of November 1, 2020 to October 31, 2022.

Stargas response: Stargas' suggested alternative differs as follows:

- By offsetting against the GCVA deficit its refund to customers arising in a reduction in the utility's delivery rate; note that if the deficit to recovered in a single month, ratepayers would, in effect, have received the net amount contemplated by Stargas in its recommended alternative approach.
- Stargas, given the expected quantum of the amount to be recovered proposes recovery over 36 months.
- Stargas proposes to mitigate the cost to ratepayers adding interest at its WACD rather than at WACC.

8.3 Please discuss the pros and cons of setting commodity rates for Stargas based on recovery of the GCVA deficit as of October 31, 2020 and forecast gas costs for the two-year period of November 1, 2020 to October 31, 2022.

8.3.1 Please explain whether, in Stargas' view, a one-year approach or a two-year approach to setting Stargas' commodity rate is preferable.

Stargas response: Stargas would, in continuing independent operation would expect, with Commission approval, to continue its historic program of annual commodity rate adjustments as that now well accepted in its ratepayer community. The exception would be, as noted in Stargas' response to BCUC IR. No. 1, that it would institute a trigger mechanism bringing application to vary its commodity rates, should Stargas indicated forward rates include increases/decreases greater than one dollar. Stargas, has in the past, as an element of its natural gas purchase plan sought and obtained Commission approval to lock in prices on winter delivery and, if, in consultation with Independent Energy Consultants, seeks to do so in the future, the utility would want to have Commission engagement to ensure the flexibility to address market opportunities.

8.3.2 Please discuss whether Stargas would support setting commodity rates based on recovery of the GCVA deficit as of October 31, 2020 and forecast gas costs for the two-year period of November 1, 2020 to October 31, 2022.

Stargas response: Addressed in 8.3.1 above.

8.4 Please provide a comparison of the bill impacts Stargas' customers would experience if Stargas' commodity rate was set based on the following:

- Stargas' proposed "alternative approach";
- recovery of the GCVA deficit as of October 31, 2020 and Stargas' estimated gas costs for the one-year period of November 1, 2020 to October 31, 2021; and
- recovery of the GCVA deficit as of October 31, 2020 and Stargas' estimated gas costs for the two-year period of November 1, 2020 to October 31, 2022.

Stargas response: Refer to 8.1.1 with respect to Stargas' alternative approach, and a one-year period determined based solely on GCVA deficit October 31, 2020 and estimated gas costs for that one year. Stargas, in response to BCUC IR No. 1, 2.2 reflected a rate, based on a two-year period of $6.53 as detailed within that response.

8.4.1 Please explain why Stargas considers its proposed "alternative approach" to be preferable to setting commodity rates solely based on a one-year or two-year period of forecast commodity costs and recovery of the GCVA balance.

Stargas response: Stargas' "alternative approach" is, in its view, warranted based on exigent circumstance and is proposed only to address on a one-time basis the unusual elements impacting its interface with the Resort community. Factors considered include the extended period (based on the contemplated sale of Stargas' operations) in which its current rate left unaddressed, the pandemic currently impacting economies world-wide, and specifically, the latter's impact on a ski resort's limitations (travel to/from, social distancing).

BCUC IR 2.5 reads:

> Please provide calculations of the maximum commodity rate which would limit the total bill increase to the average residential Stargas customer to: (i) 10 percent; (ii) the maximum increase that Stargas customers could bear, from Stargas' response to information request (IR) 1.2; and (iii) the level of increase that would result in rate shock, from Stargas' response to IR 1.2.1 (if different than a 10 percent total bill increase).

In response to BCUC IR 2.5, Stargas stated: "Stargas acknowledges that, if addressed within the realm of a subsequent commodity rate application, that the guidance provided requires consideration. If the sale completes, Stargas will not have had to focus on this issue."

8.5 Please provide calculations of the maximum commodity rate which would limit the total bill increase to Stargas' average residential customer to: (i) 10 percent; and (ii) the level of increase that Stargas considers would result in "rate shock" (if different than a 10 percent total bill increase).

Stargas response: As the current GCVA deficit accrued to the benefit of lower cost consumption over an extended period, absent recognition of the pandemic, Stargas would have considered a level of increase at 20-25%. In the current circumstance, Stargas would accept GCVA recovery of its capped at 10% to 15%.

The average residential consumer at the Resort – 73 gj's; on a pre-tax basis, at Stargas' current customer pays $9.80 per GJ ($3.98 commodity, $5.77 delivery, $.05 currently approved rate rider), a $15 monthly basic charge for a total monthly pre-tax total of $715.40; Stargas would, at the 10% limit cap the net commodity increase, net of the reduced delivery rate to a maximum bill of $786.94; if at its expectation that in normal circumstances it would be justified is recovering 20 to 25%, its maximum bill would be $858.48 to $894.25

8.5.1 Please discuss the pros and cons of limiting Stargas' commodity rate increases to each of the values discussed in response to IR 2.3 with respect to limiting the total bill increase to (i) 10 percent, and (ii) the level of increase that Stargas considers would result in "rate shock".

Stargas response: While ratepayers have, in cash flow terms, paid less for the commodity that did the utility incur (resulting in the forecast deficit) Stargas' protracted negotiations on sale and related withdrawal of an application to vary rates, and its several deferments are mitigating factors, as is the impact of Covid-19 on activities at the Resort. Stargas submits that, on a one-time basis, recovery over three years at the lower WACD as proposed is warranted in the circumstances. Stargas would, in its continuing operations maintain ongoing rate forecasts and would suggest, for Commission approval, the trigger at a 15% increase – the increase from inferred suggestion of 10% based on its commodity cost history and the incremental management costs incurred with filing additional applications.

8.6 Please identify which of the rate increase limits discussed in response to IR 8.5 Stargas considers most appropriate to mitigate rate impacts and the potential for rate shock.

8.6.1 Please explain whether Stargas would support such a limit to the commodity rate

increase at this time.

8.6.1.1 If not, please explain why not.

Stargas Response: Stargas would not welcome a current ceiling on rate increases at this time; as noted on the previous page, Stargas submits that its proposal to recover with interest at WACD (rather than as is usual WACC) represents equity to ratepayers as well as to the utility and its investor. Interest costs inevitable as a cost borne either by ratepayers and/or the utility, resulting from the adoption of a ceiling ought not to be ignored in making a determination on an active ceiling (particularly in the current circumstance).

9.0 **Reference: CUSTOMER BILL IMPACTS**
Exhibit B-6, BCUC IR 4.5–4.6.1; BCUC Letter L-15-16,[1] p.2
Commodity Rate Change Cap

In response to BCUC IRs 4.5 to 4.6.1, Stargas indicated that application of a rate change cap of $1.00 per GJ without conditions or restrictions would be in the interest of Stargas' ratepayers and would be suitable for adoption were Stargas to continue independent operation.

9.1 Please confirm, or explain otherwise, whether Stargas is proposing to implement a $1.00 per GJ commodity rate change cap at this time.

9.1.1 If confirmed, please provide any necessary updates to Stargas' application.

9.1.2 If not confirmed, please explain when Stargas would recommend the proposed $1.00 per GJ commodity rate change cap be implemented and why such a cap is suitable for application in the future but not today.

Stargas response: If Stargas had, in its earlier response contemplate both a trigger and a rate cap, it did so absent its failing to make a distinction – Stargas saw then and continues to believe that a trigger indicating the need to move from its precedent of once annual filings (as indicated) would assist it in maintaining a relatively neutral balance in its GCVA. It did not as is evident in the current IR's intend to cap the rate determined and, respectfully, submits that it, its management, would seek Commission staff or independent regulatory counsel to fully inform itself on what is clearly a nuanced regulatory challenge; that activity (its cost) ought reasonably to occur following a decision taken to continue in independent operations as, is reflected in the this and the following section, Stargas would have incurred a not insignificant management cost in development of a compliant program on Commodity trigger/rate cap. Surely, Commission staff will agree that that cost ought only to be incurred should a decision be taken to remain in independent operation.

9.2 Please explain Stargas' reason(s) for setting the proposed rate change cap at a value of $1.00 per GJ and why this level is suitable for adoption by Stargas. Please provide any supporting calculations in your response.

9.2.1 Please discuss any alternative rate change cap values Stargas considered and why the $1.00 per GJ level for the cap was preferable.

Stargas response: Stargas, historically, filed only annual applications and those had, and are expected again to require relatively modest management effort so that in tracking forecast pricing, the utility would be able to efficiently file applications as called for when commodity costs projected to require a $1 increase or decrease. Stargas, absent it further educating itself, does not believe a rate cap warranted given its relative size and the interest costs resulting from the operation of same.

[1] FortisBC Energy Inc. 2015 Price Risk Management Application, Letter L-15-16, https://www.ordersdecisions.bcuc.com/bcuc/orders/en/item/145199/index.do?q=l-15-16

9.2.2 If no alternatives were considered, please provide an analysis of reasonable alternative values to the $1.00 per GJ commodity rate change cap proposed.

BCUC Letter L-15-16, dated June 17, 2016, on page 2 stated:

> The Commission approves FEI's proposal to implement a commodity rate change cap of +/- $1.00 as an enhancement to the Commission's Guidelines with the following two provisions that will apply with respect to the FEI CCRA [commodity cost reconciliation account] rate and the CCRA deferral account:
>
> - The $1.00/GJ cap is restricted for use in two consecutive quarterly review periods where the rate change has been in the same direction. The cap cannot be applied for the third quarter once it has been applied for the preceding two quarters.
> - A requirement for use of the $1.00/GJ cap is that the CCRA deferral account does not exceed the plus or minus maximum of $60 million after tax.

9.3 Please confirm, or explain otherwise, that Stargas proposes to review commodity rates on a quarterly basis should the proposed $1.00 per GJ commodity rate change cap be implemented.

9.3.1 If confirmed, please discuss whether Stargas would file quarterly gas cost reports with the BCUC regardless if a rate change is or is not triggered. Explain why or why not.

Stargas response: Stargas has, as is evidenced in recent Commission decisions, somewhat of a disconnect in the time/cost of managing the utility's ongoing activities and seeks therefore to minimize reporting commitments – if required to do so, Stargas would report quarterly gas costs but would if allowed, do so only when the trigger pulled.

9.3.2 If not confirmed, please explain on what frequency Stargas proposes to i) review commodity rates; and ii) provide gas cost reporting to the BCUC.

Stargas response: Stargas will initiate quarterly updates of its forward prospective commodity costs and as noted, would report same to the Commission if triggered to seek increase or decrease.

9.4 Please confirm, or explain otherwise, that the "conditions or restrictions" Stargas refers to in its response to BCUC IR 4.6.1 are the provisions that apply to FEI's CCRA rate and CCRA deferral account, namely: (i) the $1.00/GJ cap is restricted for use in two consecutive quarterly review periods where the rate change has been in the same direction. The cap cannot be applied for the third quarter once it has been applied for the preceding two quarters; and (ii) a requirement for use of the $1.00/GJ cap is that the CCRA deferral account does not exceed the plus or minus maximum of $60 million after tax.

Stargas response: Stargas proposes to address this issue following a determination to remain in independent operations.

9.5 Please explain why Stargas recommends against imposing any conditions or restrictions on the proposed $1.00 per GJ commodity rate change cap.

9.5.1 Please discuss the pros and cons of including a limit on the number of consecutive changes to the commodity rate in the same direction where the rate change cap could be implemented.

9.5.2 Please discuss the pros and cons of including a requirement that the GCVA balance be within a certain range for the rate change cap to be implemented.

Stargas response: Stargas proposes to address this issue following a determination to remain in independent operations.

9.6 Please confirm, or otherwise explain, if Stargas would support the implementation of the $1.00 per GJ commodity rate change cap should the BCUC determine that its use should be restricted to two consecutive quarterly review periods of commodity rate change in the same direction.

Stargas response: Stargas submits that its undertaking to provide applications should its forecasts reflect a change greater or less than $1 should, be sufficient an undertaking with respect to its continuing regulatory governance. Stargas submits that additional constraints (as contemplated in "same direction") would visit an unwarranted administrative cost on the utility (whether borne by its ratepayers or to the utility's investor).

9.7 Please confirm, or otherwise explain, if Stargas would support the implementation of the $1.00 per GJ commodity rate change cap should the BCUC not approve Stargas's proposed commodity rate change trigger ratio.

Stargas response: Stargas proposes to address this issue following a determination to remain in independent operations.

9.8 Based on Stargas's forecast commodity costs, please explain how Stargas forecasts its commodity rate and GCVA balance to change over the next 12 months should the proposed $1.00 per GJ commodity rate change cap be implemented with no restrictions as proposed by Stargas.

9.8.1 Please provide the same forecasts should the $1.00 per GJ commodity rate change cap be implemented on a quarterly basis, with its use restricted to two consecutive quarterly periods of commodity rate change in the same direction.

Stargas response: Stargas would, on a quarterly basis, utilizing its supplier's updated price forecasts, maintain projections of movement in its GCVA through the coming twelve-month period and where the projection indicated a change (in either direction) in the ongoing commodity rate greater than $1 would prepare and file an application seeking to vary its current rate to that indicated in a current forecast. Respectfully, Stargas is asked in 9.8 to explain how and in 9.8.1 to "provide" forecasts merely contemplated in 9.8. Surely, Commission staff will recognize that the incremental costs in "providing" that forecast not warranted in the current circumstance.

10.0 **Reference: CUSTOMER BILL IMPACTS**
Exhibit B-6, BCUC IR 2.5.1, 2.5.2; BCUC Letter L-40-11,[2] p. 2
Commodity Rate Change Trigger Ratio

In response to BCUC IR 2.5.1, Stargas stated:

> Were Stargas to continue in independent operation, it would seek Commission approval to adopt a trigger amount of a $1.00 increase/or decrease in its projected commodity rate and, in addition to an annual report/adjustment in commodity rates would file an additional application were triggered to do so.

10.1 Please discuss the implications on GCVA balances of establishing a commodity rate application

[2] FortisBC Energy Inc. Report on Gas Cost Deferral Accounts and Rate Setting Mechanisms, L-40-11, https://www.ordersdecisions.bcuc.com/bcuc/orders/en/item/118149/index.do?q=l-40-11

filing trigger of a $1.00 per GJ increase/or decrease in tandem with a commodity rate change cap of $1.00 per GJ.

In response to BCUC IR 2.5.2, Stargas stated:

> Stargas recognizes that the value of a trigger adds further security to maintaining a relatively neutral GCVA balance; there is an incremental cost in management in additional filings so that it submits, that were it to continue in independent operation, that a $1.00 trigger would meet these competing objectives.

Stargas response: Stargas, as noted, contemplates a trigger but subject to educating itself (post a determination to remain in independent operations) cannot comment further at this time.

10.2 Please identify what amount of Stargas' GCVA balance has accrued since November 1, 2019, when Stargas' last commodity rate application would have been effective had the BCUC not granted extensions to filing the deadline set by BCUC Order G-196-18.

Stargas response: October 31, 2019 Stargas GCVA held a deficit of $54,287 and $59,641 October 31, 2020.

10.3 If Stargas had filed commodity rate applications on an annual basis since its last rate application, please explain whether the GCVA balances which would have accrued would have significant negative impacts to Stargas or its customers.

10.3.1 Please discuss how any negative impacts identified compare to the anticipated costs to Stargas and its ratepayers for quarterly commodity price forecast reviews and associated regulatory filings.

Stargas response: Stargas, as noted elsewhere filed and subsequently withdrew an application seeking an increase in its then commodity rate of $3.98 per gigajoule to $4.81 (an $.83 increase) that would have, if enacted, subject to volume variants eliminated the deficit October 31, 2019. Ratepayers paid less for the commodity that would they have had so that the negative impact through the period borne by the utility.

The BCUC Gas Cost Reconciliation Account Guidelines are provided by BCUC Letters L-5-01 dated February 5, 2001 and L-40-11 dated May 19, 2011. Page 2 of Letter L-40-11 states:

> The CCRA (Commodity Cost Reconciliation Account) rate change trigger mechanism will be the ± 5 percent trigger ratio plus a minimum rate change threshold of ± $0.50/GJ. The addition of a second parameter of a minimum $/GJ rate change threshold value will have the effect of keeping the deadband from becoming too narrow during periods when the price of natural gas remains low, thereby providing slightly more stability to the existing mechanism during low price environments for natural gas. This provides a balance of maintaining manageable deferral balances, providing appropriate price signals to customers, and avoidance of minor CCRA rate changes in low price environments.

10.4 Please explain why Stargas believes that its proposed $1.00 per GJ rate change trigger ratio is more appropriate for Stargas than the rate change trigger ratio as set out in the guidelines.

Stargas response: Stargas was unfamiliar with the May 19th, 2011 Letter L-40-11 nor did in the several years in which it filed and received Commission approval on its Commodity pricing was it advised that that document relevant to it doing so. Stargas, if continuing in independent operation, would guide its continuing commodity pricing strategies following a review of the guidance in L-40-11 and approval by the Commission of whatever it would have determined cost effective.

10.5 Please discuss whether Stargas would support the application of the rate change trigger ratio set out in Letter L-40-11 to Stargas commodity rates, should the BCUC determine that the trigger ratio set out in the guidelines is a more appropriate trigger ratio than that proposed by Stargas.

Stargas response: Stargas proposes to address this issue following a determination to remain in independent operations.

11.0 Reference: CUSTOMER BILL IMPACTS
Exhibit B-7, Silver Star Property Owners Association (SSPOA) IR 4.1; Exhibit B-2, p.2
Recovery of Interest on GCRA Balances

In response to SSPOA IR 4.1 regarding the GCVA, Stargas stated, "There is no interest included within this account; none charged when there an under recovered balance, nor credited when there an over recovery in the balance."

11.1 Please explain what interest rate Stargas is permitted by the BCUC to recover from its ratepayers on any GCVA balance.

Stargas Response: Stargas has not been allowed interest on deficits/nor required to provide interest on over recoveries on balances within its Gas Cost Variance Account; that pursuant to its current guidance under BCUC Order G-59-17 and that in its previous regulatory dictates.

11.2 Please explain why Stargas has not attempted to recover its interest on GCVA balances or explain any previous attempts to do so.

Stargas Response: On the adoption of GCVA accounting January 1, 2005, Stargas sought clarification as to whether the balance in the account would be included in rate base and thereby allowed a return on debit balances/reduction on credit balances but was to accept that the GCVA balance not to be included in rate base. As within each of its annual adjustments of commodity price, the utility sought to within the succeeding twelve months to recover deficits or by reductions in ongoing price, to narrow GCVA balances (if not to zero) it had not, prior to consideration of its "alternate approach" wherein, current economic circumstance (pandemic) suggested an extended period of recovery.

11.3 Please confirm, or explain otherwise, that Stargas does not propose to include any interest in its GCVA account on a forward basis.

On page 2 of Exhibit B-2, Stargas states:

> Stargas is concerned that in the current pandemic environment, that the quantum of the amount to be "extra" billed will be a hardship to both residential and commercial ratepayers. Should the net amount to be recovered exceed $30,000, ($54,336 in the following example) Stargas suggests that the amount be captured in a Regulatory Account and recovered over 36 months with interest at the utility's weighted average cost of debt (WACD).

11.4 Please explain why Stargas proposes to recover interest at its WACD for the "extra" amount accrued in its GCVA since the adoption of interim rates but does not recover interest on its GCVA balance.

Stargas response: Following its historic precedent wherein recovery of the current deficit would be contemplated within the succeeding twelve months, Stargas ratepayers would, in a challenging economy (many of the commercial properties struggling within the pandemic with reduced guest visits and operating economies impacted by social distancing, etc.) seek recovery of the deficit in twelve

months. Nor is the utility sympathetic to recovery over a two-year period as Stargas considers that too aggressive an approach in consideration of the Resort's current circumstances. Stargas, in seeking recovery over three years, submits that interest (at its demonstrated cost) warranted. It does not contemplate interest recoveries in subsequent commodity rate applications.

11.5 Should the BCUC deny Stargas's request to establish a regulatory account to capture the "extra" amount accrued in its GCVA since the adoption of interim rates, please explain how any interest accrued on this amount would be recovered by Stargas.

Stargas response: Stargas does not have an inclusion of an "extra amount accrued in its GCVA"; the reported and forecast deficit contains only costs of the commodity and its transportation as has it over the many prior filings.

B. NATURAL GAS PURCHASE PLAN

12.0 **Reference: RULES FOR NATURAL GAS ENERGY SUPPLY CONTRACTS**
BCUC Order G-130-06,[3] Appendix A, p. 3; Exhibit B-6, BCUC IR 5.2–5.2.1, 5.4–5.4.2
Natural Gas Purchase Plan

Section 14 of the BCUC Rules for Natural Gas Energy Supply Contracts states:

> 14.0 Public utilities must submit and obtain Commission acceptance of annual gas contracting plans prior to entering significant gas supply arrangements for each gas contract year. An annual gas contracting plan shall be consistent with the Resource Plan that the utility has filed under Section 45(6.1), shall set out a gas supply portfolio that will reliably meet customer needs at reasonable cost, and shall provide for:
>
> > 14.1 sufficient supply to meet the utility's total firm requirements at the level of the current year, and a mix of one year and longer-term contracts that is appropriate for the security needs of its customers, considering current market conditions;
> >
> > 14.2 diversity of supply, including where possible a range of suppliers positioned behind alternative processing facilities, or backstopping arrangements; and
> >
> > 14.3 diversity of pricing arrangements and other price risk management measures.

In response to BCUC IR 5.2 to 5.2.1, Stargas stated:

> Stargas, as a small utility must weigh administrative costs against multiple sources of supply and varied contract terms so that while actively maintaining its view of the market, and holding within its strategies, locking in winter commodity purchases, it currently has not entered any forward contracts.

In response to BCUC IR 5.4 to 5.4.2, Stargas stated:

> It apparent that in posing "diversity" as a strategy to be incorporated in Stargas' Natural Gas Purchase Plan, that to do so, would inevitably result in administrative costs absorbing, if not resulting in an increase in costs in achieving that diversity.

[3] Rules for Natural Gas Energy Supply Contracts, G-130-06, https://www.ordersdecisions.bcuc.com/bcuc/orders/en/item/116159/index.do?q=g-130-06

12.1 Please discuss how the contracting strategy proposed by Stargas in its Natural Gas Purchase Plan provides Stargas with i) diversity of supply, and ii) diversity of pricing arrangements or other price risk management measures, should Stargas have any issues obtaining its total delivery volume from its preferred supplier or identify that more cost-effective supply options exist.

Stargas response: Stargas with and through the offices of Independent Energy Consultants Ltd., maintains an understanding of the market and of sources of supply; given its (on a relative basis) miniscule requirements, the utility asserts that diversity of supply would come at a prohibitive cost and that the risk of disruption minimized both by the modest volumes required and the expectation, that it would, in any disruption, expect assistance for Fortis, who supply technical services and transportation payment for which is based on deliveries to the Resort.

Importantly, based on the supply from a large company (Shell – with a wide depth and breadth of resources) and upon their providing the nominations necessary to Stargas supply, the utility has not, in the past nor does it anticipate in the future incurring penalties – Stargas pays only for gas consumed. Stargas is, therefore, not exposed to Fortis penalties should nominations vary from actual deliveries.