Big White Gas Utility

Big White Gas Utility Ltd.
5315 Big White Road
Kelowna, BC
V1P 1P3

Telephone: 250-765-3101
Fax: 250-491-6122

February 9, 2021

Ms. Marija Tresoglavic
Acting Commission Secretary and
Manager, Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Submitted via web site

Dear Ms. Tresoglavic:

Re: Big White Gas Utility Ltd. – Application to Amend Rates – Project No. 1599146

On behalf of Big White Gas Utility, Ltd. (BWGU), please find attached BWGU's responses to Commission IR No. 1, Exhibit A-4. This version of the submission contains redacted information at Commission IR No. 4.3 and 4.9. We respectfully ask that this version of the submission be made public.

Sincerely,

Cameron Lusztig
Keppel Gate Consulting, on behalf of BWGU

Big White Gas Utility Ltd.
Application to Amend Rates

Project No. 1599146
Responses to Commission IR No. 1

PART A: PROPOSED CHANGES

1.1 **Please confirm, or explain otherwise, that the fixed charge revenue showing zero means that no residential or commercial customers paid any minimum charge from fiscal 2017 to fiscal 2020. Please confirm, or explain otherwise, the same for forecast fiscal 2021.**

This is not confirmed. As set out in the table in BWGU's response to Commission IR No. 1.2, BWGU has applied the minimum charge during the period from October 2016 (part way through fiscal 2017) through the current period. Table 2.2 from the Application is intended to show that the Basic Charge being sought in the Application was not applicable during this period.

Under BWGU's systems, revenue is recognized as either residential or commercial, and is not differentiated between revenue from the Minimum Charge and revenue from the Consumption Charge.

1.2 **Please provide a monthly breakdown of the proportion of customers in cases where the minimum charge exceeds the consumption charge. Please provide this information by each residential and commercial rate class since fiscal 2017.**

Please see table, below.

Proportion of Customers Charged Minimum vs Actual Consumption

	Commercial		Residental		Overall	
Month	Charged Consumption	Charged Minimum	Charged Consumption	Charged Minimum	Charged Consumption	Charged Minimum
Jun-2016	100%	0%	100%	0%	100%	0%
Jul-2016	100%	0%	100%	0%	100%	0%
Aug-2016	100%	0%	100%	0%	100%	0%
Sep-2016	100%	0%	100%	0%	100%	0%
Oct-2016	76%	24%	37%	63%	45%	55%
Nov-2016	88%	12%	47%	53%	55%	45%
Dec-2016	96%	4%	87%	13%	89%	11%
Jan-2017	96%	4%	90%	10%	91%	9%
Feb-2017	97%	3%	91%	9%	92%	8%
Mar-2017	97%	3%	89%	11%	91%	9%
Apr-2017	95%	5%	77%	23%	80%	20%
May-2017	77%	23%	40%	60%	48%	52%
Fiscal 2017	**93%**	**7%**	**75%**	**25%**	**78%**	**22%**
Jun-2017	73%	27%	38%	62%	45%	55%
Jul-2017	67%	33%	42%	58%	47%	53%
Aug-2017	68%	32%	35%	65%	41%	59%
Sep-2017	68%	32%	47%	53%	51%	49%
Oct-2017	77%	23%	54%	46%	58%	42%
Nov-2017	95%	5%	72%	28%	77%	23%
Dec-2017	95%	5%	91%	9%	92%	8%
Jan-2018	92%	8%	86%	14%	87%	13%
Feb-2018	96%	4%	92%	8%	92%	8%
Mar-2018	93%	7%	89%	11%	90%	10%
Apr-2018	92%	8%	80%	20%	82%	18%
May-2018	75%	25%	54%	46%	58%	42%
Fiscal 2018	**83%**	**17%**	**65%**	**35%**	**69%**	**31%**
Jun-2018	66%	34%	50%	50%	53%	47%
Jul-2018	73%	27%	51%	49%	55%	45%
Aug-2018	67%	33%	48%	52%	52%	48%
Sep-2018	79%	21%	53%	47%	58%	42%
Oct-2018	84%	16%	59%	41%	64%	36%
Nov-2018	93%	7%	67%	33%	72%	28%
Dec-2018	99%	1%	90%	10%	91%	9%
Jan-2019	96%	4%	89%	11%	90%	10%
Feb-2019	97%	3%	92%	8%	93%	7%
Mar-2019	95%	5%	89%	11%	90%	10%
Apr-2019	95%	5%	80%	20%	83%	17%
May-2019	84%	16%	59%	41%	63%	37%
Fiscal 2019	**86%**	**14%**	**69%**	**31%**	**72%**	**28%**
Jun-2019	74%	26%	56%	44%	60%	40%
Jul-2019	70%	30%	52%	48%	56%	44%
Aug-2019	67%	33%	38%	62%	44%	56%
Sep-2019	77%	23%	55%	45%	59%	41%
Oct-2019	88%	12%	64%	36%	68%	32%
Nov-2019	95%	5%	66%	34%	71%	29%
Dec-2019	95%	5%	86%	14%	88%	12%
Jan-2020	96%	4%	91%	9%	92%	8%
Feb-2020	95%	5%	89%	11%	90%	10%
Mar-2020	95%	5%	88%	12%	89%	11%
Apr-2020	86%	14%	70%	30%	73%	27%
May-2020	73%	27%	56%	44%	59%	41%
Fiscal 2020	**84%**	**16%**	**68%**	**32%**	**71%**	**29%**

1.3 **Please confirm, or explain otherwise, that BWGU has accurately billed customers by either the minimum charge or the consumption charge in accordance with the approved tariff effective October 1, 2016.**

Confirmed.

1.4 **Please explain whether BWGU has conducted any customer consultation for the proposed change from a minimum charge to a basic charge and the proposed rate change prior to filing this current application. If so, please provide a summary of the consultation process and the feedback received. If not, please explain why customer consultation was not conducted.**

BWGU did not conduct customer consultations on this change. This reflected three considerations. First, BWGU was conscious of the cost of such consultations relative to the impact of the proposed change, as the Utility would, by necessity, be relying on outside resources to develop materials and conduct such a process. Second, the logistics of organizing and conducting such consultations would have been extremely challenging in a seasonal community during the COVID-19 pandemic. Finally, for reasons elaborated in BWGU's response to Commission IR No. 1.5, BWGU management felt strongly, from experience, that the current design, which imposes no financial consequence to actions such as leaving pilot lights operating for extended periods of time, runs counter to the Utility's conservation objectives.

1.5 **Please provide the rationale for the current rate design to bill customers either a minimum charge or a consumption charge. As part of the response, please discuss whether the current rate design is intended to address certain costs (i.e. recovery of fixed and variable cost) and whether the current rate design is intended to encourage certain customer behaviour.**

Both the basic and minimum charges were developed to recover in each billing period the estimated costs of maintaining service, including administrative services, to the customer, regardless of consumption. This is particularly important to BWGU, given the seasonal nature of unit occupancy within BWGU's service area. The import of this consideration was emphasised by the COVID-19 pandemic, which caused an early halt to the 2019/2020 ski season, reducing occupancy at the Resort earlier than usual.

A second objective, which has motivated the proposed change from a minimum charge to a basic monthly charge, was to promote gas conservation. Under the minimum charge design, customers have little incentive to avoid gas consumption for volumes below the minimum charge. As noted in BWGU's response to Commission IR No. 1.4, this does not encourage behaviours such as extinguishing pilot lights (particularly on gas fireplaces) during periods when occupants are absent from their properties for extended periods – as is common at a seasonal resort community.

1.6 **Please provide the rationale and objectives for the proposed rate design to bill customer with a basic charge plus a consumption charge. As part of the response, please discuss whether the proposed rate design is intended to address certain costs (i.e. recovery of fixed and variable cost) and whether the current rate design is intended to encourage certain customer behaviour.**

Please see BWGU's response to Commission IR No. 1.5.

1.6.1 **Please provide any other alternative rate designs that BWGU has considered, but rejected, and the reasons for such.**

BWGU considered two designs, apart from the design sought in its Application. The first was a pure consumption charge tariff, with all revenue recovered on gas consumed. This was rejected on the traditional ratemaking grounds that the Utility's fixed costs should be broadly recovered from a charge that is not contingent on customers being in their units and consuming gas. As noted previously (please see response to Commission IR No. 1.5), this concern is of particular relevance in a seasonal resort, where customer units are often unoccupied for extended portions of the year.

The second design considered was to keep the minimum charge. This was rejected for the conservation and efficiency reasons set out in IR No. 1.5

1.7 **Please provide an estimated bill impact for an average residential and an average commercial customer with billing under the current rate design compared to the proposed rate design. Please show the supporting calculations and any assumptions used.**

Please see Excel spreadsheet filed in conjunction with this response.

1.8 **Under a scenario where the BCUC rejects BWGU's proposal to change the minimum charge to a basic charge and the proposed increase to the consumption charge, please reproduce Table 2.2 to show the revenue for each year in fiscal 2022 to fiscal 2026.**

Please see table below.

	Actual	Actual	Actual	Actual	Forecast	PROPOSED				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue Requirement	181,087	176,417	208,847	213,230	238,287	234,548	234,944	236,965	242,290	247,781
Fixed Charge Revenue	-	-	-	-	-	-	-	-	-	-
Variable Charge Revenue	250,715	168,543	283,012	297,658	265,693	265,750	265,808	271,124	276,547	282,078
Total Revenue	$ 250,715	$ 168,543	$ 283,012	$ 297,658	$ 265,693	$ 265,750	$ 265,808	$ 271,124	$ 276,547	$ 282,078
Net	$ 69,628	$ (7,874)	$ 74,165	$ 84,429	$ 27,406	$ 31,202	$ 30,864	$ 34,159	$ 34,257	$ 34,297

1.8.1 **Under a scenario where the BCUC approves BWGU's proposal to change the minimum charge to a basic charge, please recalculate the consumption charge that would be required to achieve the same revenue for each year in fiscal 2022 to fiscal 2026 as calculated in the preceding information request (IR).**

Please see table below.

	2022 1.02	2023 1.02	2024 1.02	2025 1.02	2026 1.02
Forecast litres sold	**2,190,408**	**2,190,408**	**2,234,216**	**2,278,901**	**2,324,479**
Lift	**0.0900**	**0.0900**	**0.0900**	**0.0900**	**0.0900**
Net Usage Revenue	**$197,137**	**$197,137**	**$201,079**	**$205,101**	**$209,203**
Connection Fees	**$1,122**	**$1,144**	**$1,167**	**$1,191**	**$1,214**
Miscellaneous Revenue	**$1,326**	**$1,353**	**$1,380**	**$1,407**	**$1,435**
Interest Income	**$453**	**$462**	**$471**	**$481**	**$490**
Variable Charge Revenue	**$ 200,038**	**$ 200,096**	**$ 204,098**	**$ 208,180**	**$ 212,343**
Monthly Basic Charge	**$65,580**	**$66,180**	**$66,780**	**$67,380**	**$67,980**
Revenue	**$265,618**	**$266,276**	**$270,878**	**$275,560**	**$280,323**

1.9 **Under a scenario where the BCUC rejects BWGU's proposal to change the minimum charge to a basic charge, please recalculate the consumption charge that would be required to achieve the total revenue proposed for each year in fiscal 2022 to fiscal 2026 in Table 2.2 (i.e. net annual return of approximately $100,000).**

Please see table below.

	2022	2023	2024	2025	2026
Forecast litres sold	**2,190,408**	**2,190,408**	**2,234,216**	**2,278,901**	**2,324,479**
Lift	**0.1625**	**0.1655**	**0.1651**	**0.1648**	**0.1645**
Net Usage Revenue	**$355,941**	**$362,513**	**$368,869**	**$375,563**	**$382,377**
Connection Fees	**$1,122**	**$1,144**	**$1,167**	**$1,191**	**$1,214**
Miscellaneous Revenue	**$1,326**	**$1,353**	**$1,380**	**$1,407**	**$1,435**
Interest Income	**$453**	**$462**	**$471**	**$481**	**$490**
Monthly Basic Charge	**$0**	**$0**	**$0**	**$0**	**$0**
Revenue	**$358,842**	**$365,472**	**$371,887**	**$378,642**	**$385,517**

2.1 **Please file a copy of the propane supply contract between BWGU and Superior Propane. Please indicate when the propane supply contract was last amended and accepted by the BCUC pursuant to section 71 of the UCA.**

Please see Superior Fuel Supply and Equipment Agreement, dated January 21, 2021, filed in conjunction with this response. In the course of preparing this response, BWGU became aware that it was continuing to operate pursuant to the terms of a December 22, 2014 version of the Fuel and Supply Agreement, which had expired in 2017. This version of the agreement has also been filed in conjunction with this response. Please note that the Pricing Rider terms remain the same between the two agreements.

BWGU cannot find record of having filed the 2014 agreement with the Commission.

2.1.1 **If BWGU is of the view that the propane supply contract between BWGU and Superior Propane does not require BCUC review and acceptance (as outlined in**

section 71 of the UCA), please explain why.

BWGU agrees that its contract with Superior Propane should be filed with the Commission for review and acceptance subject to section 71 of the Utilities Commission Act.

2.2 **Please elaborate on what is meant by "bulk market price per litre paid by BWGU to its supplier." For example, is this a flow-through commodity cost without any mark-up by BWGU? What is the reference market for the bulk market price paid by BWGU? In other words, what are the controls in place to ensure that BCGU's customers are paying a fair and reasonable price for propane? Please discuss.**

The "bulk" price is the rate per litre that BWGU pays to Superior Propane. This price is variable, and fluctuates based on market conditions. This rate, as invoiced (along with associated taxes), is flowed through to customers. BWGU then applies a mark-up of $0.12 per litre, per the tariff, but this charge is volume based and unrelated to the underlying commodity charge. The term "bulk" is used so as to be consistent with the terminology used by Superior in its invoicing to BWGU.

BWGU regularly monitors its charges from Superior to ensure that they are generally consistent with market pricing for propane delivered in the volumes purchased by BWGU.

2.2.1 **Please illustrate how BWGU translates the bulk market cost of propane into the monthly consumption charge for its customers?**

The following table illustrates the calculation, using November 2020 as an example.

	Litres	$/L	
November Opening	**298,197.122**	**$ 0.348**	**$ 103,873.25**
Nov 5 2020	33,863.000	$ 0.357	$ 12,089.09
Nov 18 2020	32,001.000	$ 0.367	$ 11,744.37
Nov 23 2020	30,987.000	$ 0.367	$ 11,372.23
Nov 27 2020	31,501.000	$ 0.367	$ 11,560.87
			-
	426,549.122	$ 0.353	$ 150,639.80
Markup/L		$ 0.1200	
Carbon Tax/L		$ 0.0616	
Price per Litre		**$ 0.5348**	
Price Per GJ		$ 20.919	Price/L * 39.1L per GJ
PST/GJ		$ 1.055	
Billing Price per GJ		**$ 21.974**	

2.3 **Please confirm, or explain otherwise, that the "Tank Vapourizer Usage" line item in Table 2.1 represents the cost of unsold gas lost in the vapourizer. If not confirmed, please specify which line item(s) in Table 2.1 represents the cost of unsold gas lost in the vapourizer.**

Confirmed.

2.4 **Please provide a schedule that includes the propane supply purchase, propane sold, company-use propane, and the unaccounted-for propane in the BWGU system. Please provide this information for each year since fiscal 2016.**

Please see table, below. BWGU accounts for all propane within the categories of gas purchased, sold, and used in the vapourizer.

Big White Gas Utility
Inventory Continuity Schedule

	2016	2017	2018	2019	2020
Litres Purchased	1,722,173	1,974,538	2,034,775	2,175,053	2,137,560
Litres Sold	1,685,522	1,867,331	2,078,168	2,177,975	2,147,460
Vaporizer Use	27,709	31,608	37,594	35,381	32,562

3.1 **Please confirm, or explain otherwise, that the customers in the subdivisions set out in Appendix A to the Application, whom BWGU is proposing to collect DCCs from, are not currently connected to and receiving the delivery of gas from the BWGU system.**

Confirmed.

3.1.1 **If confirmed, please explain the "service" that these customers are receiving as defined in the UCA.**

BWGU believes that these customers are being charged for system interconnection, including required system reinforcements. This is consistent with interconnection service that BWGU understands the Commission generally regulates.

BWGU also notes that since service by BWGU is ultimately conditioned on payment of DCCs – just as payment of interconnection fees is typically a condition of service by regulated utilities – it follows that the service is part of the regulated service. This is discussed further in BWGU's response to Commission IR No. 3.14.1.

3.1.2 **Please identify the customer class (e.g. residential, commercial) that these customers belong to.**

This cannot be known at this time, as BWGU does not know or control the design and nature of the buildings that developers may ultimately construct on their properties. Once the units are developed and seek to commence receiving commodity from the Utility, the customer will be placed in the proper class.

3.1.3 **Please discuss whether these customers should be subject to the minimum or basic charge. Why or why not?**

BWGU does not believe that it is appropriate to charge these customers a minimum or basic charge, as they do not receive bills or otherwise burden the Utility with material fixed costs.

3.2 **Please explain whether service can be provided to the properties in the subdivision**

listed in Appendix A to the Application without relocating the gas distribution plant.

It would be very difficult, and likely expensive, to serve all of the properties listed in Appendix A without relocating the existing gas distribution plant. Capacity would certainly need to be added, and there is not the physical space at the current site for additional tanks.

Were the expansion possible, the result would be to exacerbate the safety and convenience problems of truck traffic in the heart of the village.

3.3 **Please confirm, or explain otherwise, that the DCCs that BWGU proposes to collect under its tariff will be collected from each developer who purchases land in the subdivisions set out in Appendix A to the application.**

The properties in the subdivisions listed in Appendix A are already owned by individuals or developers. If approved by the Commission, DCCs will be charged to all of these owners and developers once a building permit applicable to the relevant lot is issued.

3.4 **Please clarify whether the DCCs previously collected were recorded as income for BWGU.**

These DCCs were not recorded as income by BWGU.

3.5 **Please confirm, or explain otherwise, that the current $805,000 DCC balance does not include interest charges.**

Confirmed.

3.5.1 **If not confirmed, please provide the amount of interest included, the interest rate and how that rate was determined.**

Please see BWGU response to Commission IR No. 3.5.

3.6 **Please explain why $330,000 was applied in fiscal 2004 as a contribution toward BWGU's capital infrastructure instead of the entire balance of $502,184.53 (i.e. $330,000 applied contribution + $172,184.53 ending fiscal 2004 balance).**

In 2004, BWGU expanded its gas plant, adding two more propane tanks and two larger vapourizers. This upgrade only required the $330,000 applied.

While Superior Propane owns this equipment, BWGU required the funds to engineer the expansion, secure the permits, and prepare the site. This work included excavating the site for footings, enlarging the lot, fabricating the pressure piping, trucking the tanks to the site, craning the tanks on and off the trucks (requiring two cranes), and various other site works, including traffic abutments around all of the tanks.

3.7 **Please clarify whether the $805,000 DCC balance was collected solely for the purpose of relocating the gas distribution plant. If not, please elaborate on the purpose of collecting the DCCs. Please also clarify where and how the purpose of this collection was disclosed to the developers.**

These DCCs were collected for the purpose of relocating the gas plant.

When the gas plant was originally located, it was in response to urgent safety concerns about propane tanks at the Resort – notably, a number of damage incidents involving those tanks. Removing the individual tanks from the community required that a grid system be installed quickly.

The existing plant site was practical to meet this urgent development, but was understood not to be a long-term solution as the Resort grew. It was known that new developments would, in time, trigger the need to move the plant.

The DCCs were collected as part of land sale agreements. These agreements also specified that separate DCCs were payable for water and sewage utility purposes, as well as for infrastructure upgrades at the Resort itself.

BWGU does not know the extent to which the specific infrastructure projects to be funded from the DCC payments were discussed with developers when these agreements were negotiated. The Utility understands that the general use of DCCs to fund required infrastructure improvements was known to developers. They would also know that Development Cost Charges is a term used for such infrastructure development fees in other contexts, including those cited in Commission IR No. 3.24.

3.8 **Please confirm, or explain otherwise, that DCCs have been collected from the developers of all the properties that BWGU currently provides service to.**

At the inception of BWGU, customers on the original grid within the main village who already had existing propane tanks were not charged DCCs – these customers only paid for their meter, their pressure reduction valve, and their manifold. All customers in subdivisions served thereafter have been charged DCCs.

3.9 **Please confirm, or explain otherwise, that the DCCs already collected were at the same rate and terms that BWGU is currently proposing (i.e. $260 per service factor).**

Confirmed.

3.10 **Please explain how the service factors are related to the cost of relocating the gas distribution plant or the cost of providing service to the premises.**

As set out in BWGU's response to Commission IR No. 3.7, the Utility has been collecting DCCs for the purpose of a defined project – relocation of the gas plant. The Utility set the $260 per service factor rate on the basis of: (1) forecasting the extent and nature of property development that was likely to occur (that is the number of service factors expected), and (2) estimating the cost of the gas plant relocation project (that is, the target revenue to be collected).

Despite intervening events that have changed the original assumptions, it transpires that the prevailing DCC rate, if approved, will collect (when added to the DCC funds already collected at that rate) approximately the cost of the gas plant relocation, as the properties in Appendix A are built out.

3.11 **Please discuss whether Big White Real Estate Ltd. would continue to benefit from the**

relocation of the gas distribution plant irrespective that the relocation would also benefit BWGU.

Moving the gas plant would confer a number of benefits to the residents and businesses in the BWGU service area. These benefits relate to safety, convenience, and aesthetics. To the extent that these benefits make new developments more attractive, it is conceivable that this could benefit Big White Ski Resort (now amalgamated with Big White Real Estate). However, as no material new development is expected at the Resort in the coming years, this benefit is, at best, conceptual.

It is also conceptually the case that Big White Ski Resort may see improved development potential as a result of moving the gas plant, to the extent that the new plant site is less central and attractive than the old plant site. Again, however, the state of the property market at Big White does not support the view that this possible benefit is likely to be realised in the foreseeable future.

3.12 **Please clarify whether the DCCs collected outside of BWGU's tariff were collected by BWGU or by Big White Real Estate.**

The payments were made pursuant to a contract between the developers and Big White Real Estate, Ltd. (which has been amalgamated with Big White Ski Resort; please see BWGU response to Commission IR No. 3.15). The terms of that contract stipulated that the DCCs intended for BWGU were payable to the Utility, and that is what occurred. The contract also stipulated that DCC payments be made to Big White's water and sewage utilities, and to Big White Ski Resort, all for development of their respective infrastructures.

3.13 **Given that the responsibility for developers to pay DCCs was set out in the land purchase contract between Big White Real Estate Ltd. and each developer purchasing land at the Resort, please discuss whether the DCCs collected outside of BWGU's tariff could be considered a contribution (e.g. cash injection) from Big White Real Estate Ltd. (a non-regulated entity) into BWGU (a BCUC regulated entity) towards the gas distribution plant relocation project. Why or why not?**

BWGU believes that such an interpretation would be inconsistent with the terms of the relevant contracts, the intent and understanding of the parties at that time, and the facts as they occurred.

As noted in response to Commission IR No. 3.12, the terms of the Land Sale Contracts (a sample of which has been provided to the Commission), stipulate that the DCC payments intended for BWGU are "payable to" the Utility by the developer. This money was not payable to Big White Real Estate Ltd., so it would not be possible for Big White Real Estate to then, in turn, "contribute" it to BWGU.

In addition, if BWGU is understanding the posited scenario correctly, it would appear to rely on the Big White companies structuring a transaction on the basis of there being an understood interface between regulated and unregulated companies, as concerns the DCCs. This was not the Big White companies' understanding at the time. Indeed, the matter still seems to be somewhat uncertain, as evidenced, for example, by Commission IR No. 3.1.

Finally, BWGU is aware of no contemporary documents that are even suggestive of the scenario put forward by the question, and discussions with management have provided no recollection that the interpretation suggested by the question was what actually occurred. As noted, the document we do have – the Land Sale Contracts – make clear that the DCC funds flowed directly from the developers to the Utility.

3.14 **Please discuss whether the DCCs collected outside of BWGU's tariff were required to be paid prior to the commencement of service from BWGU to the associated premises.**

Payment of the DCCs to BWGU is a condition of commencing service.

3.14.1 **If yes, please explain how this requirement conforms with a public utility's obligation to provide service to premises in its service area under the UCA.**

BWGU believes that the obligation to serve is conditioned upon customer compliance with its terms of service. BWGU considers payment of DCCs to be a part of the terms of service, and this is among the reasons why it is seeking to have the DCC payments included within its tariff. Please see also BWGU's responses to Commission IR No. 3.1.

3.15 **Please confirm, or explain otherwise, that Big White Real Estate Ltd. and Big White Ski Resort are the same company.**

Big White Ski Resort and Big White Real Estate were amalgamated in 2013. As a result, Big White Real Estate no longer exists as a corporate entity.

3.15.1 **If not confirmed, please explain the corporate and legal relationship between Big White Real Estate Ltd. and BWGU.**

Please see BWGU response to Commission IR No. 3.15.

3.16 **Please discuss whether BWGU plans to account for the DCCs that have been collected outside of its tariff and the DCCs it proposes to collect under its tariff in a regulatory account. Why or why not?**

BWGU has not turned its head to this matter, and is not in a position to provide a response at this time.

The Utility welcomes the Commission's advice on whether it believes this to be a requirement.

Currently, the funds are distinctly identified within a liability account.

3.17 **Under a scenario where the BCUC does not approve the inclusion of DCCs on BWGU's tariff, please discuss how BWGU will access the funds necessary to move the gas plant.**

BWGU is unclear what this question is asking BWGU to assume about the current DCC balances. As such, BWGU has answered the question generally, on the basis that, in any event, there will be some capital shortfall for the gas plant relocation project if further DCCs cannot be collected by BWGU.

As the project is still some years away and subject to both capital and regulatory uncertainty, BWGU has not turned its head to this question with any precision. What can be known is that BWGU would seek to raise the necessary capital externally and, if successful, to service that capital through rates collected from its customers. All of this would be subject in the first instance to seeking a CPCN from the Commission to gain approval for the project, and to ensure that customers, the Commission, and the Utility all have a clear and common understanding and acceptance about how the rates will be affected.

3.18 **Once sufficient DCCs have been collected to fund the gas distribution plant project, in the event that there are future developments beyond those that are in the subdivisions in Appendix A, please discuss whether BWGU plans to continue collecting DCCs.**

Given the high levels of uncertainty about both the timing and nature of future developments at the Resort beyond those developments in Appendix A, BWGU cannot say at this time whether or not it will require DCC payments from future developments and, if so, to what extent and on what terms. That is why, with this Application, the Utility has not sought Commission approval for such a rate.

3.18.1 **If yes, please confirm, or explain otherwise, that BWGU will apply to the BCUC for approval to collect future DCCs. If not confirmed, please explain why not.**

As noted in BWGU's response to Commission IR No. 3.1, for example, BWGU is of the view that it is appropriate for DCCs to be collected through its tariff, as a regulated service. As such, BWGU would intend to apply for prior rate approval to collect such DCCs.

3.19 **Please discuss why it is reasonable to recover amounts to offset potential costs of a project where uncertainty exists.**

Precisely these concerns about the reasonableness of collecting funds for uncertain future investments is why BWGU has not proposed to add DCCs to its tariff for developments beyond those listed in Appendix A.

BWGU believes, however, that while there is still considerable uncertainty around the gas plant relocation project, it is highly likely that the project will proceed in the relatively near future, and that it is virtually certain that its costs will be roughly equal to, or higher than, the amount of DCCs that have been identified so far. As such, BWGU suggests that its proposed treatment of DCCs set out in its application represent a reasonable mechanism for funding the gas plant move (and transitioning DCC collection into the tariff), despite the current project uncertainty.

3.20 **In the event that the gas distribution plant relocation project is cancelled or if the funds collected exceeds the actual costs, please discuss whether BWGU plans to retain or return the excess funds that have been collected.**

BWGU has not determined whether it may be appropriate to return DCCs in the event that the gas plant relocation is cancelled or proves less expensive than expected. This recognizes, in part, the possibility that unforeseen investment priorities may arise in the same time frame as the gas plant relocation is being considered.

That said, the Utility understands that the collected DCC funds are earmarked for investment in the Utility plant, and not available for the Utility to retain as its own funds in the event that the gas plant is not relocated.

3.20.1 **Under this scenario, please discuss whether the BCUC can direct the treatment of the DCCs collected. Why or why not?**

BWGU is not clear what is meant by "direct the treatment" in this question, and has not examined the Commission's jurisdiction in all possible scenarios related to the use or disposition of the DCCs that have already been collected.

As a general proposition, though, BWGU recognizes that the Commission has broad jurisdiction over the money that a public utility collects, and what it spends that money on.

As such, BWGU understands that the Commission has broad authority to set the rate under which BWGU collects DCCs, to approve how the Utility builds out its system, and to determine whether any funds that the Utility expends on a system expansion are recoverable in rates.

3.20.2 **Under this scenario, please discuss whether the BCUC's authority over the treatment of the DCCs collected outside of BWGU's tariff is different from its authority over the DCCs collected under the tariff.**

BWGU has not turned its head to the legal aspects of this question.

BWGU recognizes that a utility may not charge for a regulated service outside of its posted tariffs. As Commission IR No. 3.1 suggests, for example, there is some question as to whether, at the time the DCCs were collected by contract, the Utility was, in fact, charging for a regulated service.

BWGU is seeking with this Application to resolve this issue, as a practical matter, by adding the DCC collection to its tariff, and by recognizing that the Commission, through its CPCN powers, particularly, can exercise its authority over how the DCC is money is spent on the Utility plant.

BWGU has also, in its response to Commission IR No. 3.20, stated that it does not intend to retain, or seek to retain, unspent DCCs for itself.

BWGU is not able to speak at this time to whether the Commission has, purely by way of example, the authority to compel BWGU to refund the DCCs that were collected by contract.

Regardless of its authority, however, BWGU does not believe that the Commission should seek to do this, since such a refund would not be beneficial to either BWGU ratepayers or the Utility in the very likely case that the gas plant relocation will be required for community safety and convenience reasons in the coming years.

3.21 **Please confirm, or explain otherwise, that all of BWGU's current and future customers would benefit equally from the relocation of the gas distribution plant.**

This is generally correct: BWGU believes that all of its customers will benefit from the relocation of the gas plant. BWGU recognizes, however, that benefits such as reduced truck traffic and

improved aesthetics could fall on some property owners more than others, or may be valued by some residents more than others. Therefore, it may not be possible to say that all customers will, in fact, benefit "equally".

3.22 **Please discuss whether the advanced collection of funds to be used for future capital expenditures, such as the gas distribution plant project, could result in intergenerational equity issues given that the customers paying the DCCs may not be the same customers who would receive service from the new gas distribution plant. Why or why not?**

BWGU agrees that this is a concern. And for this reason, and as discussed in BWGU's response to Commission IR No. 3.19, BWGU is not advocating the advance collection of DCCs for future capital projects as a practice to be carried forward beyond the customers listed in Appendix A.

However, in developing this Application, the Utility was also cognizant of, and concerned about, the equity issues that can arise between contemporary developers, some of whom have already paid DCCs, and some of whom haven't. That is, the Utility is seeking, for equity reasons, a transition mechanism around the management of DCCs that treats all the developers that are already known, and who began developments under the "old" DCC regime, the same way.

In preparing its Application, BWGU was also concerned about a corollary case, where the intergenerational concerns raised by the question are allowed to govern. In that case, it may be seen as proper to return the DCCs already collected, and subsequently (once the relocated plant goes into service) collect the cost of that relocation from all customers.

But this scenario is not without its own fairness concerns, since conceptually it is some combination of the new sub-divisions that will have triggered the plant move (the plant may be adequately located if only very few trucks were needed to supply the system's propane). By some ratemaking principles (including those that govern interconnection tariffs of utilities in BC), these new customers should be responsible for incremental costs that their joining the system has triggered (i.e., the new customers should pay interconnection costs sufficient to leave existing ratepayers no better or worse off than if they hadn't joined, and only then should they share costs equally with their fellow ratepayers).

BWGU does not believe, from where we stand today, that it is possible to find a single solution that satisfies all objectives on intergenerational equity and other ratemaking considerations. The Utility believes it has, however, suggested an approach that manages these equity considerations in a fair and balanced fashion.

3.23 **Please provide a schedule showing a breakdown of the estimated $1.3 million cost for the gas distribution plant relocation project.**

Please see schedule below.

Big White Gas Plant Relocation
Revised Oct 6 2020

Engineering			$ 20,000.00
Highways Permits/ Environmental Studies			$ 12,000.00
Water sustainability Act Requirements			$ 110,000.00
Geotechnical Report			$ 18,000.00
Land Purchase 1.5Ha			$ 45,000.00
Logging Lot			$ 26,000.00
Site Prep			$ 66,500.00
Power to Lot			$ 32,000.00
Building Concrete			$ 66,000.00
Electrical			$ 21,000.00
Moving Building			$ 38,000.00
Logging Pipe Line			$ 65,000.00
Piping	2.45km		$ 98,000.00
Installation / Fusing 6" Pipe Line / Bedding	2.45km		$ 220,500.00
Sand & Trucking PST/GST			$ 63,000.00
Blasting	918.75	m3	$ 45,000.00
Moving Concrete Bases / Tanks			$ 26,000.00
New Bases for Tanks			$ 23,000.00
Labour & Equipment Rental			$ 186,000.00
Fencing			$ 17,000.00
Security Monitoring			$ 5,800.00
			$1,203,800.00
with 10% contingency			$1,324,180.00

3.24 **Please explain whether the DCCs that have been collected outside of BWGU's tariff and the DCCs it proposes to collect under its tariff are related to the DCCs that are levied by municipalities and regional districts.**

BWGU is not clear on what is meant by "related" in this question. The two DCC charges are related in their general purpose – to fund the necessary infrastructure brought on by new developments – but BWGU does not understand them to be the same charge.

3.24.1 **If these DCCs are related, please explain whether these DCCs are under the jurisdiction of the BCUC given that they are established through bylaw under the approval of the Inspector of Municipalities.**

BWGU has not undertaken a legal review of this matter. Our understanding is that DCCs in the context of BWGU have the essential character of a charge for system reinforcement arsing from new interconnections, and we understand that for regulated utilities such charges fall within the rate-setting jurisdiction of the Commission.

4.1 **Please provide the external source or reference used to estimate the 2 percent per year inflation factor.**

The Bank of Canada aims to keep inflation at the mid-point (2 per cent) of an inflation control target range of 1 to 3 per cent. BWGU believes that current monetary conditions should allow the Bank to be successful in achieving this target (that is, underlying inflationary pressures in the

economy are manageable within the scope of monetary tools available to the Bank). Discussion of the Bank's inflation target can be found at the following link:

https://www.bankofcanada.ca/core-functions/monetary-policy/inflation/#:~:text=The%20Bank%20of%20Canada%20aims,consumer%20price%20index%20(CPI).

BWGU also reviewed publically available private-sector forecasts for inflation, and while there was some variation in views, many of the forecasts considered tended to live around the 2 per cent level. The forecast of the TD Bank is representative.

https://economics.td.com/ca-long-term-forecast

4.2 **Considering that fiscal 2021 costs were likely impacted by the COVID-19 pandemic, please discuss whether it would be reasonable to use an alternative method to forecast the revenue requirement for the fiscal 2022 to fiscal 2026 test years, such as escalating an average of the actual costs for fiscal 2017 to fiscal 2020 by an inflation factor, instead of escalating the fiscal 2021 forecast.**

BWGU has not experienced, and does not expect to experience, material changes to its costs as a result of COVID-19, since (in the short run, at least) it costs the Utility roughly the same to run its operations whether the Resort is operating at full or partial capacity. Therefore, BWGU does not believe that forecast costs would be more accurately found by the averaging method suggested.

4.3 **Please provide a schedule that shows the breakdown of insurance expense by liability insurance and property insurance allocated to BWGU for fiscal 2017 to fiscal 2026. As part of the response, please provide (confidentially, if necessary) the supporting calculations and identify any assumptions used.**

Please see the table below for past years' allocations. The costs of the comprehensive, umbrella, and excess liability premiums are allocated on the basis of revenue. The property insurance premium is allocated against asset value.

Forecast costs have been estimated using the 10 per cent increase in premiums. BWGU has not attempted to forecast its future insurance costs on the basis of company-wide premiums and allocations, as the number of variables in such a forecast would make such estimates subject to substantial uncertainty.

[TABLES REDACTED]

4.4 **Please explain why the meters need to be re-certified, the frequency of re-certification, the number of meters that needs to be re-certified and when BWGU expects to finish re-certifying its meters.**

BWGU re-verifies its meters in accordance with the requirements of the *Electricity and Gas Inspection Act*. Pursuant to section 12(c) of that Act, BWGU has been directed to re-verify its

meters every 10 to 12 years, recognizing the relatively low volumes of gas following through the meters and the attendant reduction in wear on moving parts.

Consistent with this requirement, BWGU seeks to re-verify approximately 10 per cent of its meters each year, resulting in a rolling 10 year schedule to re-verify all meters in service.

4.5 **Please explain why parts and materials expense is forecast to increase by $2,660 (or 141 percent) and $7,552 (or 581 percent) in fiscal 2021 compared to fiscal 2020 and fiscal 2019, respectively.**

These expenses pertain primarily to parts required in the re-verification process and parts and materials used in during reinstallation of the meters following recertification. The cost increases over 2019 and 2020 arise from having done no meter re-verification in 2019, and only about half the volume of planned re-verifications in 2020 compared to planned 2021 levels. This temporary pause in the meter verification program reflected a transition to adopt new meter exchange requirements from Technical Safety BC.

4.6 **Please explain why parts and materials expense is expected to continue at fiscal 2021 levels (plus annual escalation of 2 percent) during the fiscal 2022 to fiscal 2026 test period when these costs have historically fluctuated.**

BWGU believes that the level of costs (before inflation) forecast for 2021 is appropriate for the program of re-verifying 10 per cent of meters each year, following the identified variance in re-verification levels over the pervious two years. As such, this is the appropriate baseline upon which to steadily inflate costs over the following years of the Test Period.

4.7 **Please clarify to whom the management fee is paid to.**

The management fee is paid to Big White Ski Resort.

4.8 **Please explain why management fees have increased from $18,000 to $30,000 beginning in fiscal 2021.**

The management fee charged by Big White Ski Resort has remained unchanged for the past 5 years, and a review of it at the time of reconsidering the Utility's rates for this Application determined that it was not recovering reasonable costs at the prior levels. Please see BWGU's response to Commission IR No. 4.9.

4.9 **Please provide a schedule showing the breakdown of the management fee, including executive and financial management and costs, and costs for shared office and shop space, allocated to BWGU for fiscal 2017 to fiscal 2026. As part of the response, please provide (confidentially, if necessary) the supporting calculations and identify any assumptions used.**

The following schedule sets out the basis for calculating the management fee. The schedule demonstrates that for years prior to the Test Period, BWGU had been paying a materially lower management fee than that required to cover the cost of allocated management and office space. BWGU is seeking to correct this under-allocation with this Application.

[TABLE REDACTED]

4.10 **Please clarify how the executive and financial management costs included in the management fee differs from the management salary paid to the Vice President of Utility Operations and the accounting and operating wages that are included in BWGU's revenue requirement.**

These costs are for individuals other than: (1) the Vice President of Utility Operations; (2) the Utility's other direct employees; and (3) the accounting wage paid to the bookkeeper.

Personnel covered by the management fee include the President, Chief Financial Officer, Controller, and Director of Mountain Operations for the Big White Ski Resort group of companies. Big White Ski Resort pays these individuals.

4.11 **Please confirm, or explain otherwise, that the cost of the 2017 GMC is allocated 20 percent to BWGU, with the remainder allocated between the sewage and water utilities, similar to the allocation of management salary given that the Vice President of Utility Operations is responsible for the management of Big White's three utilities.**

The operating costs for this vehicle, including fuel, repairs, maintenance, and insurance, are allocated on the basis of 20 per cent to BWGU, and the remainder to the sewer and water utilities. The lease payment for this vehicle is paid fully by the water utility.

4.11.1 **If not confirmed, please provide the amount and percentage that is allocated to BWGU and the other two utilities from fiscal 2017 to fiscal 2026, as well as the rationale for the allocation.**

Please see response to Commission IR No. 4.11.

4.12 **Please confirm, or explain otherwise, that the primary reason passenger vehicles expense increased from $2,760 to $14,860 in fiscal 2022 is the new lease for the light duty truck.**

Subsequent to the filing of its Application, BWGU has determined that it will be more cost effective to buy-out the lease on its 2017 truck, and forego leasing a new truck. This will have the effect of increasing the allocated maintenance costs for all vehicles by approximately $1000 per year to the Utility, all of which will be subject to the anticipated rate of inflation. This adjustment will also affect the income taxes line of Table 2.1.

As such, an adjusted Table 2.1 and 2.2 reflecting this change in approach is as follows:

	Actuals				Forecast	Proposed				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tank Vapourizer Usage	$16,756	$21,866	$22,595	$19,344	$19,731	$20,126	$20,528	$20,939	$21,358	$21,785
Bad Debts	$5,754	$0	$0	$0	$0	$0	$0	$0	$0	$0
Bank Charges	$738	$122	$127	$95	$95	$97	$99	$100	$102	$105
Dues, Subscriptions & Licences	$2,904	$3,052	$3,788	$4,499	$4,589	$4,681	$4,774	$4,870	$4,967	$5,067
Entertainment - 50%	$146	$246	$238	$48	$100	$102	$104	$106	$108	$110
Fees & Penalties (non-deductible)			($3)	$0						
Freight	$319	$204	$329	$344	$3,600	$3,672	$3,745	$3,820	$3,897	$3,975
Fuel & Lube	$4,346	$4,269	$3,705	$4,565	$4,656	$4,749	$4,844	$4,941	$5,040	$5,140
Housing on Mtn	$7,585	$9,682	$9,851	$9,978	$9,978	$10,178	$10,382	$10,589	$10,801	$11,017
Insurance	$3,927	$5,419	$6,235	$6,282	$7,538	$8,292	$9,121	$10,034	$11,037	$12,141
Legal	$4,544	$4,063	$4,477	$4,180	$4,263	$4,348	$4,435	$4,524	$4,615	$4,707
Management Fees	$18,000	$18,000	$18,000	$18,000	$30,000	$30,000	$30,600	$31,212	$31,836	$32,473
Office Supplies & Stationery	$243	$195	$470	$101	$103	$105	$107	$109	$112	$114
Parts & Materials	$343	$12,370	$1,569	$6,461	$9,121	$9,303	$9,490	$9,679	$9,873	$10,070
Passenger Vehicles	$883	$1,618	$3,731	$2,706	$2,760	$3,760	$3,835	$3,912	$3,990	$4,070
Postage	$557	$529	$47	$137	$140	$143	$145	$148	$151	$154
Professional/Consulting Fees	$400	$8,037	$6,398	$11,810	$20,000	$11,000	$11,220	$11,444	$11,673	$11,907
Property Taxes	$5,309	$5,765	$5,809	$5,703	$5,441	$5,550	$5,661	$5,774	$5,890	$6,007
R & M - Equipment	$8,080	$1,474	$652	$623	$12,451	$12,700	$12,954	$13,213	$13,477	$13,747
R & M - Software	$448	$913	$1,043	$1,132	$1,155	$1,178	$1,201	$1,225	$1,250	$1,275
Snow Removal	$6,392	$7,560	$4,636	$5,572	$6,644	$6,777	$6,912	$7,051	$7,192	$7,336
Telephone	$966	$879	$372	$761	$777	$792	$808	$824	$841	$857
Training & Recruitment	$78	$304	$0	$53	$54	$55	$56	$57	$58	$60
Utilities - Electricity	$3,020	$3,120	$3,069	$3,120	$3,182	$3,246	$3,311	$3,377	$3,445	$3,514
Amortization	$11,388	$11,224	$11,298	$9,798	$9,798	$8,740	$4,312	$0	$0	$0
Income Taxes - Current Federal	$25,269	$0	$27,285	$32,944	$10,136	$36,699	$38,304	$39,865	$40,247	$40,612
Loss Sale of Assets	$721	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest Charges	$353	$103	$0	$0	$0	$0	$0	$0	$0	$0
Wages	$51,617	$55,404	$73,125	$64,975	$71,975	$73,415	$74,883	$76,380	$77,908	$79,466
Revenue Requirement	**$181,087**	**$176,417**	**$208,847**	**$213,230**	**$238,287**	**$259,707**	**$261,833**	**$264,196**	**$269,867**	**$275,708**

	Actual	Actual	Actual	Actual	Forecast	PROPOSED				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue Requirement	181,087	176,417	208,847	213,230	238,287	259,707	261,833	264,196	269,867	275,708
Fixed Charge Revenue	-	-	-	-	-	65,580	66,180	66,780	67,380	67,980
Variable Charge Revenue	250,715	168,543	283,012	297,658	265,693	293,349	299,216	305,201	311,305	317,531
Total Revenue	$ 250,715	$ 168,543	$ 283,012	$ 297,658	$ 265,693	$ 358,929	$ 365,396	$ 371,981	$ 378,685	$ 385,511
Net	$ 69,628	$ (7,874)	$ 74,165	$ 84,429	$ 27,406	$ 99,222	$ 103,563	$ 107,785	$ 108,817	$ 109,803

4.12.1 **If confirmed, please explain why vehicle leases are subject to an annual inflation factor.**

Please see BWGU response to Commission IR No. 4.12.

4.13 **Please provide the amount of the passenger vehicles expense proposed for fiscal 2022 to fiscal 2026 that are related to the new light duty truck that BWGU plans to lease beginning next year.**

Please see BWGU response to Commission IR No. 4.12.

4.14 **Please provide a breakdown of the professional and consulting fees of $11,810 for fiscal 2020.**

BC One Call	$27.00
BDO Canada LLP	$7,102.00
Runnalls Denby Surveyors	$475.00
Keppel Gate Consulting	$4,205.67
Total	**$11,809.67**

4.15 **Please explain why BWGU expects regulatory and financial management support to continue in the test years at the same level as incurred in fiscal 2020.**

BWGU does not have staff dedicated to, or experienced with, economic regulation and related commercial matters. Senior management of Big White Ski Resort (on behalf of the BWGU ownership) has identified this as a risk to the Utility.

As such they have sought external support to improve the financial management of BWGU and the other Resort utilities (under separate budgets), and to ensure regulatory compliance with all regulatory agencies with jurisdiction over BWGU, including the Commission. The remit of this external resource is also to improve reporting to the BWGU shareholders, and to ensure continuity as long-term Utility employees approach retirement.

BWGU notes that the budgeted cost of this work for BWGU is approximately $5,000 to $7,000 per year, which is approximately 15 to 20 hours per year (or between 1 and 2 hours per month) of support. BWGU does not perceive this modest level of expenditure to be excessive for a Utility with regular and on-going reporting and compliance obligations. Moreover, BWGU believes that this approach is less costly than any alternative approach to improving the regulatory and performance-reporting capabilities of the Utility.

4.16 **Please explain why the total revenue in fiscal 2018 was lower compared to fiscal 2017 when the fiscal 2018 load was higher.**

This anomaly reflects an adjustment (write off) to gas inventories that arose when damage to the dip-tubes on the Superior tanks were found to be providing inaccurate readings at certain tank volumes (readings were accurate when the tanks were towards half-full, but inaccurate below that level and when full). These dip tubes were repaired in 2018.

The inventory adjustment was incorrectly accounted for as “sold” litres, suggesting a higher that actual load, without attendant revenue.

5.1 **Please explain why BWGU is seeking to standardize its mark-ups over cost to 15 percent when other small utilities, such as Stargas and RGL, charges mark-ups of 10 percent and “at cost,” respectively.**

BWGU is not aware of the cost structures of either Stargas or RGL, nor has it reviewed their mark-up charges in the context of their broader rate-setting regime. As such, it is unable to comment on the rationale for their respective tariffs.

For BWGU, the cost items that trigger these mark-ups can often be quite small. As a result, BWGU assessed that to cover the dollar cost of the BWGU work associated with administering the various services to which the mark-ups apply, 15 per cent was appropriate. BWGU believes that this will tend to avoid the cross subsidization by other rate-payers of what are properly direct-assignment costs.

5.2 **Please explain what costs the 15 percent mark-up is intended to recover and how BWGU quantifies these costs. As part of the response, please indicate where these costs are included in Table 2.2. of the Application and quantify the costs included in**

each year of the table.

Please see BWGU response to Commission IR No. 5.3 in respect of Table 2.2.

The mark-ups charged by BWGU are intended to recover the cost of otherwise uncharged time that Utility employees spend on delivering these services, including scheduling contractors, organizing drop-off times, travel time to deliver meters, and additional time to bill and collect payments. The mark-ups are also intended to recover the cost of carrying receivables where BWGU pays for items and services in advance of customer payment, and for the carrying cost of inventory.

Given the magnitude of costs involved, BWGU has not undertaken a specific analysis to quantify these mark-ups, since the cost of such analysis would certainly exceed the anticipated level of revenue from these charges.

5.3 **Please clarify whether the revenue in Table 2.2. of the Application includes the mark-up over costs. If so, please quantify the mark-up that is included in each year's revenue.**

The revenue from the mark-ups is included within the Variable Charge Revenue line of Table 2.2.

In 2021, the revenue from these mark-ups was $1300, which has been inflated for subsequent years' forecasts. It can be estimated from this that increasing to 15 per cent the items in the Special Rate Schedule not currently at that level will produce additional revenue in the range of $500 per year.

5.4 **Please provide BWGU's revenue for each test year under the scenario that the Panel disallows BWGU's request to standardize its mark-ups over cost to 15 percent and instead requires BWGU to maintain its existing mark-up over costs. As part of the response, please discuss whether this would impact the proposed consumption charge and if so, quantify the impact.**

Please see BWGU's response to Commission IR No. 5.3. As indicated by that response, the dollar amount of the proposed change is not material, and would not affect the proposed consumption charge that BWGU has applied for.

PART B: ANNUAL RETURN

6.1 **Table 2.2 shows that BGWU's annual net income ranged from $69,628 to $84,429 since fiscal 2017, except for a $7,874 loss in fiscal 2018. Please reconcile BGWU's statement that it has "experienced several years of losses" by expanding Table 2.2 to show actual results for the past 15 years.**

BWGU's statement regarding "several years of losses" was made in error. BWGU had intended to say that it had experienced several years where its earnings were below shareholder expectations. Please see BWGU response to Commission IR No. 6.3.2 for earnings and losses over the past 15 years.

6.2 **BWGU provides a line item in Table 2.1 for Management Fees of $30,000 in 2022 and it escalates throughout the test period. Please clarify how "Management Fees" are different than or similar to the "level of management effort associated with operating**

the Utility." Please explain how the potential issue of double counting is mitigated.

The Management Fee is intended to recover the forecast of overhead costs and shared facilities.

In addition to these costs, the operation of the Utility imposes a degree of risk, which is properly reflected in the allowed return element. To the extent these risks are realised, the costs arising are often: (1) those directly related to the risk itself (a failed pipe, for example); and (2) the additional senior management and shareholder time associated with managing the event (such as determining how to pay the costs, how best to resolve the problem, etc). The latter are the costs being considered in the referenced quote, and they are not duplicative with the basic management fee.

6.3 **Please confirm, or explain otherwise, that the 35 percent common equity and 65 percent short term debt represents BWGU's actual capital structure in fiscal 2020.**

In the course of preparing the responses to these Information Requests, BWGU has become aware of material problems in the Annual Reports that it has filed with the Commission over the past several years. This occurred due to underlying errors in the report template used by BWGU and, as such, were repeated each year the template was used. These errors include elements of the referenced portions of the Annual Report.

BWGU will endeavour to file a corrected version of its 2020 Annual Report as quickly as possible. In the meantime, the correct information for the purposes of these information requests is set out below.

For the purposes of this information, the Utility has used the Commission's default capital structure for a small Thermal Energy System.

The actual capital structure of BWGU does not contain any debt component.

BIG WHITE GAS UTILITY
2020 BCUC ANNUAL REPORT
UTILITY RATE BASE

Line No.	Particulars	Reference	Actual 31-May 2020	Adjustment to Normal	Normalized 31-May 2020
	GROSS PLANT IN SERVICE				
1	Beginning of Year		$ 599,920	-	$ 599,920
2	End of Year		599,920	-	599,920
3	Average Balance - Mid Year		599,920	-	599,920
	ACCUMULATED DEPRECIATION				
4	Beginning of Year		(434,109)	-	(434,109)
5	End of Year		(457,107)	-	(457,107)
6	Average Balance - Mid Year		(445,608)	-	(445,608)
7	NET MID-YEAR PLANT IN SERVICE		154,312	-	154,312
8	Working Capital Requirements		73,792	-	73,792
9	UTILITY RATE BASE, MID-YEAR		$ 228,104	-	$ 228,104

BIG WHITE GAS UTILITY
2020 BCUC ANNUAL REPORT
UTILITY RATE BASE CAPITALIZATION

Line No.	Particulars	Reference	Actual Capitalization 2020	%	Annual Rate 2020	Cost Component %	Earned Return	Annual Debt Cost
1	Short Term Debt		131,159.65	58%	0%	0%	-	-
2	Common Equity		96,944.09	43%	87%	87%	84,429	
3	Mid Year Rate Base		228,104	100%		87%	84,429	

6.3.1 **Please confirm, or explain otherwise, that the BWGU actual return on equity (ROE) was 22 percent in fiscal 2020.**

Using the deemed capital structure of 57.5 per cent debt and 42.5 per cent equity, the return on equity for fiscal 2020 is founds as $84,429/96,944, or approximately 87 per cent.

6.3.2 **In a similar format including BWGU's capital structure, please provide the actual ROE for the past 15 years.**

Big White Gas Utility Ltd.
Annual Rate of Return

	57.50%	42.50%	100%		
	Short Term Debt	Common Equity	Mid Year Rate Base	Earned Return	
2020	$ 131,159.80	$ 96,944.20	$ 228,104.00	$ 84,429.00	87.1%
2019	$ 146,437.55	$ 108,236.45	$ 254,674.00	$ 74,165.00	68.5%
2018	$ 166,585.55	$ 123,128.45	$ 289,714.00	$ (7,874.00)	(6.4%)
2017	$ 178,434.58	$ 131,886.43	$ 310,321.00	$ 69,628.00	52.8%
2016	$ 193,160.33	$ 142,770.68	$ 335,931.00	$ 136,291.00	95.5%
2015	$ 196,645.98	$ 145,347.03	$ 341,993.00	$ 6,170.00	4.2%
2014	$ 244,577.40	$ 180,774.60	$ 425,352.00	$ 39,613.00	21.9%
2013	$ 190,043.25	$ 140,466.75	$ 330,510.00	$ 46,875.00	33.4%
2012	$ 181,663.78	$ 134,273.23	$ 315,937.00	$ 45,067.00	33.6%
2011	$ 194,785.28	$ 143,971.73	$ 338,757.00	$ 72,418.00	50.3%
2010	$ 52,574.55	$ 38,859.45	$ 91,434.00	$ 59,701.00	153.6%
2009	$ 63,238.50	$ 46,741.50	$ 109,980.00	$ 32,429.00	69.4%
2008	$ 70,117.80	$ 51,826.20	$ 121,944.00	$ 25,315.00	48.8%
2007	$ 65,895.58	$ 48,705.43	$ 114,601.00	$ (18,313.00)	(37.6%)
2006	$ 86,555.33	$ 63,975.68	$ 150,531.00	$ 66,070.00	103.3%

6.4 **As a matter of regulatory efficiency, please discuss whether the minimum default capital structure and risk premium for small TES utilities would be a fair and reasonable return for the BWGU. Why or why not?**

As shown by the corrected material provided in BWGU's response to Commission IR No. 6.3, the Utility's equity in this case would be approximately $97,000. It should be noted that even this figure is high for the purposes of calculating the equity for ratemaking purposes, because it is inflated by customer contributions. As set out at page 10 of the Utility's Application (Exhibit B-

1), the un-depreciated value of the Utility's assets that have been funded by the Utility stands at just $22,900.

In any event, even at the $97,000 level, the allowed return using the 75 basis point premium over the benchmark level would be materially short of a just and reasonable return to the shareholder for the financial risks it faces in operating the Utility.

6.4.1 **If no, please provide (along with supporting evidence) a deemed capital structure and risk premium that BWGU views would yield a fair return.**

Given the shareholder risks of operating BWGU and the very low level of invested equity, BWGU has not been able to determine how a fair dollar return can be found from any sensible deemed capital structure and risk premium.

This was the reason that BWGU has not simply adopted the Commission's findings in the Generic Cost of Capital Stage 2 proceeding.

6.5 **As an alternative to setting an allowed percentage ROE and deemed capital structure for BWGU, please discuss the pros and cons of allowing a fixed return (e.g. $100,000 per year) to provide a fair compensation to the utility. Is BWGU aware of any regulated public utilities in Canada that are compensated under this approach? Please provide examples.**

BWGU believes that the only rationale for its approach is that the Utility's capitalization does not appear to allow for a reasonable profit using a conventional method of determining allowed return. BWGU does not believe that there are any "pros" to its approach beyond it producing a rational result where the conventional approach would not work. The Utility recognizes that there are inherent "cons" to its approach, in the simple fact that it departs from the established practice set out by the Commission.

The Utility has not undertaken an assessment of whether any other Utilities have used this approach.

6.6 **As an alternative to setting an allowed percentage ROE and deemed capital structure for BWGU, please discuss the pros and cons of setting an allowed return on rate base to provide a fair compensation to the utility. Please explain whether this approach is appropriate for BWGU.**

If BWGU understands the question properly, this would seem to be equivalent to setting the capital structure to 100 per cent equity.

In the case of BWGU, this would still produce an insufficient dollar return for the risks the Utility faces, assuming the same allowed percentage return. If a different percentage return were also used, this approach would seem burdened with the same problem described in BWGU's response to Commission IR No. 6.7.

6.7 **As an alternative to setting an allowed percentage ROE and deemed capital structure for BWGU, please discuss the pros and cons of setting an allowed return on other factors, such as a using a proxy of X percentage over the revenue requirement or operating costs, to represent a fair compensation to the utility.**

It is not clear to BWGU that this approach is preferable to simply setting the allowed return in dollar terms.

BWGU is not aware of an "established" or "objective" return level that would be appropriate to use for bases such as revenue requirement or operating costs (in contrast to the way that the Commission has determined a foundation for allowed return on equity). As such, the approach to setting the operative return percentage would seem to rely on having already established the intended product (result) of multiplying the chosen return percentage by the selected basis (e.g. revenue requirement).

That is, BWGU would have no foundation for saying that its return should be X per cent of revenue requirement, for example, except in reference to already knowing the result (approximately $100,000 per year) that it was intending to achieve.

6.8 **Please discuss whether the simplified calculation above represents a reasonable method to calculate the return for BGWU for fiscal years 2021 to 2026. Please explain why or why not?**

BWGU agrees that this method produces approximately the result being sought by BWGU and, in that sense, believes it to be reasonable. BWGU cannot express an opinion about whether, from the Commission's perspective, this approach overcomes the shortcomings of the approach suggested by BWGU.

6.9 **Please clarify whether BWGU considers the risks noted on page 70 of its 2019-2020 Annual Report as part of the "business risk it faces" that are mentioned in Exhibit B-2. If there are any other business risks that the BCUC should consider, please elaborate**

The risks of greatest concern to BWGU are costs related to (1) failure of its plant and equipment, such as an unexpected need to replace mains, valves, meters, or other equipment, the expense of which can be considerable; (2) liabilities arising from its activities that may not be covered by insurance or other protections; (3) revenue losses due to sustained demand reductions, caused by such things a pandemics or poor snowfall; (4) unexpected regulatory, legal, engineering, or other expenses that cannot be recovered in prospectively set rates; (5) human resources risk, such as an unexpected personnel departure that may require expensive consultancy services to "backfill" on a temporary basis, and (6) to a relatively minor degree, customer credit risk.

BWGU views the items listed in its Annual Report as more generic in nature, and likely not of direct applicability to BWGU. As noted, BWGU has become aware of deficiencies in its Annual Report template, and intends to file a corrected Annual Report as soon as it is able.

6.9.1 **Please compare BWGU's business risks against (i) the FEI benchmark and (ii) other small utilities in BC.**

BWGU has not examined the business risks of FEI or other small utilities in BC, and does not have the resources or information to do so.

Speaking generally, BWGU does believe that the risks it has described in response to Commission IR No. 6.9 are likely common to other small utilities, and they are certainly common to Big White's regulated water utility.

BWGU does note that some of these risks could be mitigated to a degree by such mechanisms as deferral accounts, but does not know the extent to which such mitigation measures are used by small utilities in British Columbia or by the benchmark utility.

PART C: OTHER TARIFF AMENDMENTS

7.1 **Please confirm, or explain otherwise, that the Service Agreement is the tariff along with any application for Service that has been accepted by BWGU.**

Confirmed.

7.1.1 **If not confirmed, please provide a copy of the Service Agreement.**

Please see BWGU's response to Commission IR No. 7.1.

7.2 **Please explain why it is fair and reasonable for a new customer to assume the unpaid balance of the previous customer given that the new customer did not receive the service associated with those charges.**

In all cases pertinent to this Application, the Utility's Service Agreement is with the property owner, and not with a rental tenant. As such, the scenario of concern to the Commission arises only when a property is sold.

For the protection of itself and its other customers, BWGU seeks to ensure that its outstanding bills are paid prior to any Customer departing the system, and this can be reasonably and fairly accomplished by, in part, providing the buyer with the incentive to ensure during conveyancing that the property is free of the encumbrances of unpaid utility bills, or by adjusting its purchase price accordingly.

BWGU would share the Commission's concerns were this approach applied to subsequent renters in a property, but that is not the case. BWGU does not enter into service agreements with renters, but rather only with those renters' landlords.

7.3 **Please explain why BWGU is proposing to change how the rate is calculated from a weighted monthly average to a first-in-first-out basis.**

This change to the language in the Rate Schedule was made in error. The correct language for the proposed Rate Schedule should be as follows:

RATE SCHEDULE

Availability	For Commercial and Residential Customers
Applicable	In the Big White Ski Resort Area
Consumption Charge	Rate per litre of metered consumption, set on a monthly basis by adding $0.13 to the bulk market price per litre, inclusive of all delivery charges, service charges, taxes, and any other charges or premiums, charged to the Company by Superior Propane Inc., determined on a ~~first-~~

	~~in-first-out~~ weighted monthly average basis.
Conversion	1.0 gigajoule is equal to 39.1 litres of Gas.
Basic Charge	Rate per month, regardless of billed consumption. See Special Rate Schedule

This change is consistent with the calculation shown at Commission IR No. 2.2.1.

7.4 **Please explain whether the "the bulk market price" differs from the "Canadian Propane Wholesale Market Rate charged to the Company". If so, please elaborate.**

BWGU has adopted the term "bulk market price" since that is the language that appears on its invoices from Superior, making transparent how the amount billed to customers flows through from the amount that BWGU pays for propane. In reviewing its tariff language, BWGU did not believe that the prior language was as clear and helpful in this regard – indeed, it is not clear exactly what price the "Canadian Wholesale Market Rate" refers to. BWGU is concerned that it may be interpreted in reference to market hub wholesale spot prices, which can be quite different from the delivered price to BWGU.

BWGU does not believe there is, and did not intend for there to be, a substantive change arising from the new tariff language.