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Utilities Commission

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February 9, 2021

Sent via email/eFile

STARGAS DELIVERY RATE AND REGULATORY ACCOUNT **EXHIBIT A-9**

Mr. M.A. (Moe) Blumes
President
Stargas Utilities Ltd.
1960 KLO Road, Unit 17
Kelowna, BC V1W 5L2
Info@Stargas.ca

Re: Stargas Utilities Ltd. – Delivery Rate and Regulatory Account Application – Test Year November 1, 2020 to October 31, 2021 – Project No. 1599141 – Information Request No. 2

Dear Mr. Blumes:

Further to your September 22, 2020 filing of the Delivery Rate and Regulatory Account Application, enclosed please find British Columbia Utilities Commission Information Request No. 2. In accordance with the regulatory timetable, please file your responses on or before **Wednesday, February 24, 2021**.

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

/dg
Enclosure

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Stargas Utilities Ltd.
Delivery Rate and Regulatory Account Application
Effective November 1, 2020

INFORMATION REQUEST NO. 2 TO STARGAS UTILITIES LTD.

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A. INTRODUCTION

24.0 Reference: INTRODUCTION
Exhibit B-6, BCUC IR 1.2; Exhibit B-2, section 5. i
Amortization Expense

In response to British Columbia Utilities Commission (BCUC) Information Request (IR) 1.2, Stargas Utilities Ltd. (Stargas) explained that its revenue requirement, as approved by Order G-59-17, included amortization of $54,804.

Stargas stated that this amount "included that computed on deferred accounts" as follows: deferred amortization - $11,770; and deferred interest charges - $4,741.

In addition, Stargas stated "Amortization of the utility's deferred account ($38,728) was included in each year end to May 31st, 2019 at which point, each of the three deferral accounts were fully amortized." [*Emphasis Added*]

24.1 Please provide further detail with respect to the "deferred amortization" and "deferred interest charges" noted in the preamble above. Please include a breakdown of each and specify:

i) The name of these two BCUC-approved deferral accounts, with the BCUC order number; and

ii) The nature of the deferred amounts.

24.2 With respect to the third deferral account (i.e. "the utility's deferred account ($38,728)"), please provide the name of the BCUC-approved deferral account, the BCUC order number, and the nature of the account.

In the Supplementary Information, in section 5. i. Regulatory Accounts, Stargas provides the following table showing the activity in regulatory accounts approved by the BCUC.

	2016 Delivery Rate			2017 Installation			2018 Incident Shortfall *		
	Order	Rate/GJ	Account	Order	Rate/GJ	Account	Order	Rate/GJ	Account
31-May-17	G-59-17	$0.3752	$41,450	G-144-17	$0.0530	$9,395	G-159-18		
Interest			2,571			338			
Collected			(12,886)			(1,929)			
31-May-18			31,135			7,804			
Cost added									$14,682
Interest			1,767			496			865
Collected			(17,350)			(2,432)			
31-May-19			15,552			5,868			15,547
Cost added									398
Interest			1,124			406			1,146
Collected			(16,676)			(2,590)			
31-May-20			$0			3,684			17,091
Cost added									
Interest						96			439
Cost excluded								**	(863)
Collected						(480)			
31-Oct-20						3,300			16,667
Interest						126			1,205
Collected						(2,557)			
31-Oct-21						$869			$17,872

24.3 For clarity, please confirm that the regulatory accounts shown in the table in section 5. i. in the Supplementary Information differ from the three deferral accounts noted in response to BCUC IR 1.2.

24.3.1 If not confirmed, please explain and reconcile the deferred amounts in the response to BCUC IR 1.2 to the above table.

B. TECHNICAL SERVICES AND ADMINISTRATION COSTS

25.0 Reference: ADMINISTRATION COSTS
Exhibit B-6, BCUC IR 3.2, 3.1; Exhibit B-1-1 (Application), p. 3
Office Lease

Canada Revenue Agency (CRA) allows home office expense deductions for sole proprietorships and partnerships[1] and employees.[2] The expenses that can be claimed are in the applicable sections on forms T2125[3] and T777,[4] respectively.

In response to BCUC IR 3.2, Stargas stated that it operates offices within each of Mr. Blumes' and Mr. Iles' homes. On page 3 of the Application, Stargas states it "determines that a lease of secondary office

[1] Retrieved from: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/report-business-income-expenses/completing-form-t2125/business-use-home-expenses.html
[2] Retrieved from: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-229-other-employment-expenses/work-space-home-expenses/expenses-can-claim.html
[3] https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t2125/t2125-19e.pdf
[4] https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t777/t777-20e.pdf

space (second story or similar) to accommodate a single 10 by 12 square foot office would have a cost approximating $520 monthly (triple net charges[5] included) and submits that [this] amount [is] equitable compensation for the offices maintained in each of Stargas management homes."

In response BCUC IR 3.1, Stargas explained that 2021 forecast Office and Sundries is higher than 2017 approved for a few reasons. In one of the reasons, Stargas stated:

> Within the $15,028 approved in 2017 was a monthly charge of $400 to cover incurred within our homes as recompense for costs incurred in administration and accounting within our homes – we do not charge Stargas for paper, postage, computer toner, nor others of an office's expendables. Stargas, has, in the current application increased that estimate to $450 monthly based on the increased number of customers. [*Emphasis added]*

25.1 For each of Mr. Blumes and Mr. Iles, please provide a calculation of the estimated home office expense deduction that may be allowable by the CRA as a:

a) Sole proprietor or partner; and
b) Employee.

25.1.1 Please explain which of the two calculations provided above would apply to Mr. Blumes and Mr. Iles, respectively.

25.1.2 Please discuss the merits of using home office expense deductions which may be allowable by the CRA as an estimate for the forecast "Office Lease" and office expense portion of forecast "Office and Sundries" within the revenue requirement.

In response to BCUC IR 3.2, Stargas stated that estimated "triple net charges" for Mr. Blumes' 1,840 square foot home approximates $5,900 annually and that the dedicated office space within his home is 72 square feet. Stargas stated, "assuming a similar allotment applicable in Mr. Iles' home, tripe net charges embedded in Stargas' $520 monthly [office lease] estimate leave[s] the rent equivalent for the 144 square feet used in each of their homes [to be] $466 monthly…"

25.2 Given the following calculation, [72 square feet/1,840 square feet] x $5,900 per annum x 2 = $462 per annum, please confirm, or explain otherwise, that there is a typographical error in the preamble in that the "rent equivalent for the 144 square feet" is $466 *per annum* (not $466 per month).

25.2.1 If confirmed, please discuss the merits of using the estimated "triple net charges" of $466 per annum as an estimate for the forecast "Office Lease" within the revenue requirement.

26.0 Reference: TECHNICAL SERVICES AND ADMINISTRATION COSTS
Exhibit B-8, BCUC IR 2.1; Exhibit B-7, SSPOA IR 10.1; Exhibit B-1-1, p. 2
FEI Services – Technical

In response to BCUC IR 2.1 of Exhibit B-8, Stargas provided copies of the contract and all extensions of the contract between the utility and an FortisBC Energy Inc. (FEI).

On page 2 of the Third Amending Agreement dated November 13, 2020, it states:

> 8.1. Term – Subject to Section 8.2, this Agreement commences on the Commencement Date and expires at the earlier of the following times and dates, as applicable:

[5] Triple net charges means "property tax, insurance and utility costs" as noted in Stargas' response to BCUC IR 3.2.

(a) the Closing Time, as defined in an Executed Asset Purchase Agreement; or

(b) 8:00 a.m. Local Time on the date that is 60 days after an Executed Asset Purchase Agreement is terminated pursuant to the terms therein; or

(c) December 31, 2020. [*Emphasis Added*]

26.1 Please confirm, or explain otherwise, that the above-noted term of the Third Amending Agreement indicates that the contract between Stargas and FEI has expired given that December 31, 2020 has now passed.

On page 2 of the Application Stargas submits that FEI "…has agreed subject to the contemporaneous execution of an Asset Purchase Agreement between it and FEI (sic) to continue those service through to the completion of the sale transaction."

26.2 Please identify and provide supporting documentation for any current contractual obligations for the technical and administrative services provided by FEI and when those terms and conditions expire.

In response to Silver Star Property Owner's Association (SSPOA) IR 10.1, Stargas stated:

> In each of the alternatives sourced by the utility in place of a Fortis affiliate, Stargas was to understand that either would have the technical services necessary to the construction and operation of the grid but that all administrative services would need to be addressed within Stargas' offices (those of CMI [CMI Holdings (1998) Inc.]).

26.3 Please provide the estimated cost of technical services for "each of the alternatives sourced by the utility in place of a Fortis affiliate" and the basis for the estimate (e.g. vendor quote, other).

27.0 Reference: TECHNICAL SERVICES AND ADMINISTRATION COSTS
Exhibit B-8, BCUC IR 3.1
Professional Fess

In BCUC IR 3.1 of Exhibit B-8, Stargas was asked to confirm what the forecast professional fees are if Stargas were to continue independent operations. In response to that IR, Stargas stated:

> Professional fees would continue to be incurred but on a reduced level – Stargas requiring continuing legal services in remediation and sustaining corporate filings and accounting services in the preparation of its annual corporate tax return – financial statements prepared internally by M. A. Blumes, CPA eliminating the cost of Review engagements on those. If continuing independent operations, KPMG will be re-engaged to provide that additional comfort on Stargas financial statements.

27.1 For clarity, please specify the amount of forecast professional fees assuming that Stargas is to continue independent operations and provide a breakdown of the forecast.

C. MANAGEMENT SERVICES

28.0 Reference: MANAGEMENT SERVICES
Exhibit B-6, BCUC IR 4.2, Exhibit B-1-1, p. 12
CMI Holdings (1998) Inc. (CMI) Administration/Management Fees

In response to BCUC IR 4.2, Stargas explained that it is seeking a retainer award of $1,200 within its

management fee structure for Mr. Ken Fuhr, principal of Independent Energy Consultants Ltd. (ICE). Stargas stated that the retainer will facilitate assistance across a "wider scope of [Stargas'] operations" as Mr. Blumes seeks to, overtime, pass executive responsibilities to Mr. Iles.

On page 12 of the Application, states that Mr. Ken Fuhr will serve on the Stargas' Board of Directors.

28.1 Please provide the forecast number of Board of Directors meetings and the length of these meetings.

28.2 Please clarify what other Board of Directors costs, if any, are included in the revenue requirement and provide a reference to these costs.

D. OTHER INCLUSIONS IN REVENUE REQUIREMENT

29.0 Reference: OTHER INCLUSIONS IN REVENUE REQUIREMENT
Exhibit B-6, BCUC IR 8.1, 8.3; Exhibit B-1-1, p. 2
Application to Recover Allowed but Undistributed Returns on Equity

In response to BCUC IR 8.1, Stargas stated, "The $3,469 inclusion would, based on anticipated deliveries of 48,250 gigajoules accounts for $.073 of the proposed $4.59 delivery rate."

On page 2 of the Application, Stargas provides a table showing the breakdown of the proposed revenue requirement and the calculation of the proposed $4.59 delivery rate.

29.1 With reference to the table on page 2 of the Application, please indicate in which line item the $3,469 noted in response to BCUC IR 8.1 is included.

In response to BCUC IR 8.3, Stargas submitted, "Had Interest on short-term borrowings been allowed June 1st, 2017 to October 31, 2020 Stargas would have had the opportunity to earn a fair return; burdened as was it by the exclusion of that interest, it did not, through that period have an opportunity to generate and distribute its allowed returns on equity."

29.2 Considering the response to BCUC IR 8.3 that "Had Interest on short-term borrowings been allowed June 1st, 2017 to October 31, 2020 Stargas would have had the opportunity to earn a fair return", please discuss whether the request for approval to recover allowed but undistributed returns on equity and the request for approval of and interest deficient deferral account result in a duplicative recovery of return on rate base.

E. RATE BASE

30.0 Reference: ADDITIONS TO RATE BASE
Exhibit B-6, BCUC IR 9.1, 11.2
Distribution Grid

In response to BCUC IR 9.1, Stargas provided a table showing the details of its rate base, including rows as follows:

	Forecast 31-May-17	Actual 31-May-17	Actual 31-May-18	Actual 31-May-19	Actual 31-May-20	Actual 31-Oct-20	Forecast 31-Oct-21
Distribution Grid/Pipeline System							
Capital cost, beginning of year	$ 643,037	$ 643,037	$ 645,845	$ 645,845	$ 692,338	$ 724,654	$ 745,581
Additions/(Disposals)	-	2,808	-	46,493	32,287	20,927	22,000
Capital cost, end of year	643,037	645,845	645,845	692,338	724,625	745,581	767,581

In response to BCUC IR 11.2, Stargas stated, "Each of the installations in the current year will be in service in November 2020 (albeit 4 of those completed in the first and second week of November)."

30.1 Please confirm whether the installations expected to be in service in November 2020 were captured in the Actual 31-Oct-20 or Forecast 31-Oct-21 column for distribution grid additions in the BCUC IR 9.1 table.

31.0 Reference: ADDITIONS TO RATE BASE
Exhibit B-1-1, p. 23; Exhibit B-2, p. 5; Exhibit B-6, BCUC IR 13.3, 13.4, 13.6; FEI Annual Review for 2020 to 2021 Rates proceeding, Exhibit B-2, p. 101
Remediation

On page 23 of the Application, Stargas states:

> On July 17, 2020, received and has finalized a 2-year License of Occupation from the Province of British Columbia providing for access to its gas lines on Crown land within the Controlled Recreation Area of Silver Star Mountain Resort…
>
> Within the two-year period of the License, Stargas will complete a survey (estimated at a cost of $20,000) and thereafter will be granted a Statutory Right of Way in perpetuity over the gas lines.

In response to BCUC IR 13.3, Stargas stated, "Stargas, <u>if continuing in independent operations</u>, would complete the survey within the two-year window provided within the grant of the License of Occupation." [*Emphasis Added*]

In BCUC IR 13.4, Stargas was asked to explain whether the remediation capital additions to-date are used and useful to Stargas ratepayers prior to Stargas obtaining a Statutory Right-of-Way (SRW). In response to BCUC IR 13.4, Stargas stated:

> Stargas, as noted elsewhere, will on the completion of its sale transaction, facilitate meaningful reductions in the commodity costs (related to its transport to the Resort) passed on to Resort ratepayers that would not be available absent it having undertaken to perfect its access to its mains on Crown land.

31.1 Please confirm, or explain otherwise, that an SRW would be used and useful to Stargas and its customers if Stargas were to continue independent operations.

31.2 Please discuss the merits and/or prudency of completing the survey to be granted a SRW irrespective of whether Stargas is to continue independent operations.

31.3 Please confirm, or explain otherwise, that the 2-year License of Occupation obtained by Stargas is presently used and useful to Stargas and its ratepayers.

On page 5 of Exhibit B-2, Stargas states, "Stargas amortizes its capital assets as follows;" "remediation, involving a further estimated $20,000 cost of survey, is to amortized over 5 years when completed."

In response to BCUC IR 13.6, Stargas stated, "The grant of a Crown lease will, in perpetuity, secure the utility's access to its mains."

31.4 Please provide justification for the proposed 5-year amortization period of the Crown lease, in accordance with Stargas' amortization policy, if the lease will be granted in perpetuity.

In the FEI Annual Review for 2020 and 2021 Rates proceeding, FEI uses depreciation rates of 0 percent for distribution and transmission land rights.[6]

31.5 Please comment on the reasonableness of using a 0 percent depreciation rate for Stargas's land rights.

32.0 Reference: ADDITIONS TO RATE BASE
Exhibit B-6, BCUC IR 10.2, 14.2
Read Conversion and Billing Software

In response to BCUC IR 10.2, Stargas stated:

> Stargas amortizes its capital assets on a straight-line basis commencing with the completion of whatever the capital asset addition. As Stargas will test and refine its investment in software in advance of its implementation under continued independent operations (the sale not to have completed) will initiate amortization over 60 months in completing its November 2020 accounting.

32.1 Please confirm, or explain otherwise, that "Completion" of a capital asset addition refers to when the asset is placed in service.

In BCUC IR 14.2, Stargas was asked to confirm whether the read conversion and billing software is used and useful to Stargas ratepayers at this time, and if not, whether it is likely to become used and useful within the test period. In response to BCUC IR 14.2, Stargas stated:

> Stargas, in its pursuit of alternative provision of technical and administrative services (as FEI would not then have continued to provide same) expected to bring within its/CMI offices, conversion of reads and preparation and distribution of its monthly invoices.

32.2 Under present Stargas operating conditions, please confirm whether the read conversion and billing software is used and useful to Stargas and its ratepayers.

32.3 Please explain why the Billing/Read software was added to rate base in the year ended May 31, 2019, but no amortization has been recorded to-date.

32.4 Please discuss whether Stargas' proposals on the following would be consistent with Stargas' amortization policy if the software is not used during the test period:

i) include billing and read conversion software costs in rate base; and

ii) begin amortization of the billing and read conversion software costs in the test year.

[6] FortisBC Energy Annual Review for 2020 and 2021 rates: https://www.bcuc.com/Documents/Proceedings/2020/DOC_58939_B-2-FEI-Annual-Review-for-2020-2021-Delivery-Rates-Materials.pdf, p.101

F. WORKING CAPITAL ALLOWANCE

33.0 Reference: WORKING CAPITAL ALLOWANCE
Exhibit B-6, BCUC IR 16.1–16.4; Exhibit B-1-1, p. 18; FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC) Application for Approval of a Multi-Year Rate Plan for 2020 through 2024 proceeding, Exhibit B-1, p. D-32
Working Capital Allowance

On page D-32 of the Application in the FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC) Application for Approval of a Multi-Year Rate Plan for 2020 through 2024 proceeding, FortisBC stated:

> Cash working capital is defined as the average amount of capital provided by investors in a company, over and above investments in plant and intangibles, to bridge the gap between the time expenditures are required to provide service and the time collections are received for that service. The periods are usually express in terms of lead or lag days, and are supported by a lead-lag study. The study recognizes that there are timing differences between when FEI And FBC provide a service and when they receive payment thereon (revenue lag), as well as the time between when they receive a service and subsequently make payment thereon (expense lead).

Stargas provided its forecast cash working capital allowance for the test year on page 18 of the Application and in the response to BCUC IR 16.1, respectively, as follows:

Application, page 18:

	Days	Test Year	Daily	O/S
Gas cost recoveries	49.3	$366,979	$1,005	$49,610
Accounts payable				
- FortisBC	25	($134,537)	($369)	($9,215)
- Shell	20	($175,425)	($481)	($9,612)
		($309,962)	($849)	($18,827)
				$30,783
Non- gas expenditures				
Operations		$71,893		
Professional fees		7,225		
Office and sundry		20,601		
Insurance		11,588		
Office lease		6,240		
Management fees		66,743		
Income tax		3,251		
		$187,540		
BCUC allowed		1/8		$23,442
Working capital allowance				$54,225

Response to BUC IR 16.1:

	Days	Test Year	Daily	O/S
Gas cost recoveries	49.3	$366,979	$1,005	$49,536
Accounts payable				
- FortisBC	25	($134,537)	($369)	($9,215)
- Shell	20	($175,425)	($481)	($9,612)
		($309,962)	($849)	($18,827
				$30,709
Non- gas expenditures				
Operations		$71,893		
Professional fees		7,225		
Office and sundry		20,601		
Insurance		11,588		
Office lease		6,240		
Management fees		66,743		
Income tax		3,119		
		$187,408		
BCUC allowed		1/8		$23,516
Working capital allowance				$54,225

In response to BCUC IR 16.1, Stargas stated that FortisBC administration costs are not included in the forecast cash working capital allowance because "in accordance with past practise all non-commodity operating costs are included at 1/8 of the annual budget therefore [*sic*]."

33.1 Please reconcile the differences between the amounts circled in red above on page 18 of the Application and in response to BCUC IR 16.1 and address any mathematical inaccuracies or amounts which do not agree to the test year revenue requirement on page 2 of the Application.

33.2 Please explain the nature of the Accounts Payable to FortisBC in the amount of $134,537 in the above calculations. Does this amount relate to technical services, administrative services, gas from FortisBC, or all of the above?

33.2.1 To the extent that it relates to technical services, please discuss whether Stargas considers there may be overlap in the working capital allowance from Accounts Payable to FortisBC and non-gas Operations expenditures (which are the technical services to FEI) given that they both relate to Stargas' expense lead. If not, please explain why not.

33.3 Please explain why FortisBC administration costs are not considered a non-commodity operating cost. Is it because these costs are already captured in the Accounts Payable to Fortis of $134,537? Please explain.

33.4 Where required, please provided an amended detailed calculation of the forecast working capital allowance based on the responses to BCUC IRs above.

G. REGULATORY ACCOUNTS

34.0 Reference: REGULATORY ACCOUNTS
Exhibit B-6, BCUC IR 9.1, 11.3, 17.2; BCUC Order G-164-17 dated November 9, 2017, Appendix A, pp. 5, 13
New Service Installation Regulatory Account

Directive 3 of BCUC Order G-164-17 stated:

> 3. Stargas is directed to establish a regulatory account to capture the incremental revenues and costs associated with new service installations added prior to November 1, 2019 and to include its proposed disposition of this account as part of its next revenue requirements application, as outlined in the reasons for decisions attached as Appendix A to this order.

In response to BCUC IR 9.1, Stargas provided a table including the following information:

	Forecast 31-May-17	Actual 31-May-17	Actual 31-May-18	Actual 31-May-19	Actual 31-May-20	Actual 31-Oct-20	Forecast 31-Oct-21
Distribution Grid/Pipeline System							
Capital cost, beginning of year	$ 643,037	$ 643,037	$ 645,845	$ 645,845	$ 692,338	$ 724,654	$ 745,581
Additions/(Disposals)	-	2,808	-	46,493	32,287	20,927	22,000
Capital cost, end of year	643,037	645,845	645,845	692,338	724,625	745,581	767,581

In response to BCUC IR 17.2, Stargas stated:

> Stargas had 290 customers May 31, 2017, added 4 accounts in the fiscal year ended May 31, 2018, 32 in the year ended May 31, 2018, a further 24 in the period to May 31, 2020 and an additional 20 to provide service to 370 customers at the onset of the test year (4 added immediately thereafter). Assuming each of these ratepayers (all additions residential) drew the average annual residential consumption (73 gj's) incremental revenue at $5.77 and the increment in operating costs at $1.49 per gj in each of those years
> - 2018 $1,683 revenue; cost $435
>
> - 2019 $13,478 revenue; cost $3,480

- 2020 $10,109 revenue; cost $2,610

- Current added ratepayers (at $4.59 per gj) $6,701; cost $2,175

34.1 Please explain why Stargas shows no Distribution Grid additions in the year ended May 31, 2018 in response to BCUC IR 9.1 but indicates that 4 accounts were added in the year ended May 31, 2018 in response to BCUC IR 17.2.

34.2 Please confirm on what date Stargas made modifications to its accounting treatment for new residential and small commercial service installation costs as directed by BCUC Order G-164-17.[1]

34.3 Please fill out BCUC Staff Table 1 below for incremental revenue and costs associated with new service installations and include any additional revenues and costs, where required.

Staff Table 1: Incremental Revenues and Costs from New Customer Additions

	Year ending May 31, 2017[1]	Year ending May 31, 2018[1]	Year ending May 31, 2019	Year ending May 31, 2020	May 31, 2020 – Oct 31 2020
Customer Additions (year)					
Customer Additions (cumulative)					
Rate Base Additions for New Customers (A)					
Service Line Installation Fees Collected (B)					
Net Rate Base Additions for New Customers (A – B)					
Average consumption for new customers					
Revenue from New Customers' Consumption (C)					
Incremental Variable Charge Paid to Service Contractor for New Customers (D)					
Incremental Administrative Costs for New Customers (E)					
Incremental Amortization from Net Rate Base Additions (F)					
Incremental Return on Net Rate Base Additions at Weighted Average Cost of Capital (WACC) (G)					
Net Revenue from New Customers (C – D – E – F - G)					

[1] Please only include additions made after the changes to accounting treatment of customer additions ordered by BCUC Order G-164-17.

On page 13 of the reasons for decision accompanying Order G-164-17, the BCUC stated:

> The Panel finds a regulatory account to capture the incremental revenues and costs associated with new service installations added prior to November 1, 2019 is warranted. Stargas is directed to establish this account, the disposition of which will be determined in the next revenue requirements proceeding.

34.4 Please propose a mechanism to return or collect from ratepayers the net incremental revenues and costs from new service installations from the effective date of the accounting treatment approved by Order G-164-17 to October 31, 2020.

In response to BCUC IR 11.3, Stargas stated, "Stargas has billed the $25 service line installation charge to its new customers; as the charge to cover administrative costs in handling coordinating the installation, that amount included within the utility's sundry revenues (not capitalized in rate-base)."

Page 5 of the reasons for decision accompanying Order G-164-17 state that "the Panel approves the $25 service line installation charge and the inclusion of the Rate Base Installation Costs in rate base, net of the $25 service line installation charge, earning the Company's WACC and amortized into rates over 40 years."

34.5 Please confirm, or explain otherwise, that the total for service line installation charges provided in BCUC Staff Table 1 above have been included in Stargas's sundry revenues.

34.5.1 If confirmed, please clarify whether Stargas is seeking a variance to Order G-164-17 and discuss the rationale for any variance sought.

35.0 Reference: REGULATORY ACCOUNTS
Exhibit B-6, BCUC IR 18.1.1
2018 Regulatory Account to Cover Incident Shortfall

In response to BCUC IR 18.1.1, Stargas stated:

> Stargas would favor utilization of a rate rider with recovery over 12 or 24 months rather than recovery within delivery rates; its preference based on the utility having precedent in the use of regulatory accounts with related rate-rides so that its ratepayers familiar with that methodology.

35.1 Please explain why Stargas does not consider it appropriate to recover the balance of the 2018 regulatory account to cover incident shortfall in delivery rates.

35.2 Please discuss whether Stargas prefers a 12 or 24 month recovery period for the 2018 regulatory account to recover incident shortfall, if Stargas were to continue operation in the absence of an asset purchase agreement.

36.0 Reference: REGULATORY ACCOUNTS
Exhibit B-7, SSPOA IR 14.3; Exhibit B-6, BCUC IR 21.2
Regulatory Account to Recover Application Costs

In response to SSPOA IR 14.3, Stargas stated, "Stargas has carefully recorded the actual hours incurred and accepts that the Commission may, as did it in that earlier decision, reduce the amount incurred to a lesser amount recoverable from ratepayers."

In response to BCUC IR 21.2, Stargas stated, "The total of $38,458 was incurred prior to the test year as necessarily must it have been to provide a forecast within it."

36.1 Please explain what is meant by the statement "as necessarily must it have been to provide a forecast within it" in the above preamble.

36.2 For clarity, please confirm that there are no forecast costs for inclusion in the proposed Regulatory Account to Recover Application Costs.

36.2.1 If not confirmed, please provide a breakdown of the $38,458 by cost category and year between forecast and incurred costs.

36.2.2 If confirmed, please explain why the establishment of the proposed regulatory account would not result in retroactive ratemaking.

37.0 Reference: REGULATORY ACCOUNTS
Exhibit B-6, BCUC IR 22.1; Exhibit B-1-1, pp. 17, 33; BCUC Order G-59-17 dated April 27, 2017, Appendix A, p. 21
Interest Deficit Regulatory Account

On page 33 of the Application, Stargas seeks to establish a regulatory account to recover an interest deficit of $18,005 incurred in the period June 1, 2017 to October 31, 2020.

In response to BCUC IR 22.1, Stargas stated, "actual interest costs incurred ought to be allowed in place of a formula based estimate that, as demonstrated, fails to estimate interest costs incurred."

In response to BCUC IR 22.2, Stargas stated:

> The Commission had, prior to its order G-59-17, allowed inclusion in Stargas' revenue requirement of interest costs incurred on the utility's short-term indebtedness; that inclusion allowed recoveries in revenues amounts consistent with actual costs being incurred. When denied, absent an accommodation within the determination to include short-term interest for an interim period, Stargas, with its investor's concurrence, determined that it could not distribute allowed returns on its equity since to do so, the parent company would have had to increase its shareholder loans in an equivalent amount and in doing so, further exacerbate the shortfall between interest incurred and interest recovered in rates. [*Emphasis Added*]

On page 17 of the Application, Stargas provides the calculation of its weighted average cost of debt (WACD) as follows:

	Avg outstanding	Rate	Weight	WACD
Bank Debt - operating	$159,901	3.70%	32.16%	1.19%
Bank Debt - term	$110,310	3.70%	22.19%	0.82%
Shareholder loans	$227,000	4.70%	45.65%	2.15%
	$497,211			4.16%

The following is Table 14 from page 21 of the reasons for decision accompanying Order G-59-17 and includes the calculation of Stargas's fiscal 2017 WACD:

Table 14 – WACD calculation

	Amount[101]	Weight	2017 Embedded cost[102]	WACD
Operating line	$110,929	24.6%	3.95%	1.0%
Long term debt	300,000	66.5%	3.95%	2.6%
Shareholder loans	40,000	8.9%	4.50%	0.4%
	$450,929	**100.0%**		**4.0%**

37.1 Please provide a breakdown of the actual interest cost, actual interest rate and average outstanding balance for each of Operating line, long term debt and shareholder loans for 2017, 2018, 2019 and 2020.

37.2 Please clarify how short-term interest has not been accommodated in Stargas' revenue requirement given that the WACD includes the interest on the Stargas' bank operating loan.

37.3 Please clarify whether Stargas is seeking any alternative treatment for interest costs during the test period, including alternatives to the conventional model approved by Order G-59-17 or deferral account treatment for future variances between forecast and actual interest rates. If yes, please provide details of the specific request and the rationale.