

RESPONDER: STARGAS UTILITIES LTD.

INFORMATION REQUEST: Silver Star Property Owners' Association IR No #2

FROM: Stargas Utilities Ltd.

DATE: February 17, 2021

APPLICANT NAME: Stargas Utilities Ltd. - Delivery Rate and Regulatory Account Application - Test Year

Project No. 1599141 -Stargas Response to SSPOA Round #2

1.0 Topic: Draft Order prepared by Stargas:

Reference - (B-7) PDF Page 17

The SSPOA IR No 1 inquired about the "Draft Order" to obtain a concise version of the Stargas rate rider demands. From our submission of November 17 and the December 16 Stargas response:

18.1 Is the request from the Commission to provide a "draft order" reflective of the same issue as the request by the SSPOA for a summary table of the rate riders, can Stargas please provide a clear and concise version of the Stargas rate demands.?

Stargas Response: Stargas supplied the draft order after obtaining instruction from Commission staff.

18.2 Will Stargas be providing a "draft order"?

Stargas Response: As above

Reference - (B-1) PDF Pages 51, 52,53

In APPENDIX B to Order G-272-20 that the commission delivered on October 28, 2020 the Panel asked for: "Please provide a draft order for the Application."

In the Stargas response B-2 "Supplementary Information Provided Pursuant to Appendix B to Order G-272-20" dated October 30, 2020 Stargas states:

Draft Order: Stargas seeks Commission staff assistance in the development of a "draft order" as unfamiliar with what is called for under this caption?"

In the initial Stargas Submission B-1 dated September 22, 2020 the Exhibit had a draft order attached to the end of the document without any reference in the table of contents. Apologies for our confusion, the SSPOA assumed the draft order in that document was unacceptable to the Panel, hence the request by them on October 28 in Order G-272-20

1.1 Was a new draft order prepared or is the one in exhibit B-1 been deemed acceptable as the "draft order"?

Stargas response: This was a “notice to customers” citing much of what would appear in the final order (its draft) but the required draft order was not included in exhibit B-1.

1.2 If so, why did Stargas reply with the request for assistance on October 30, 2020?

Stargas response: Stargas sought assistance in its preparation of the draft order as it had not, in previous application filings, been required to do so and sought to ensure that its response fully compliant with the request.

Point 5 of the noted draft order states that Stargas is directed to recover 1,104 number of hours of management services within the following categories:

Administrative 548
Bookkeeping 222
Accounting 216
Executive 94
Regulatory 24 (emphasis added)

1.3 Is Stargas indicating the use of the proposed rates in section 4 of the order to calculate the amount or are the rates from Order G-59-17 to be applied?

Stargas response: Stargas seeks, as has it historically, if in continuing independent operations to adjust existing rates to reflect CPI, and is, as well, seeking a new rate category (Regulatory) to cover time engaged in Commission deliberations.

1.3 Order G-59-17 does not have a “Regulatory” category please explain?

Stargas response: Stargas submitted to the Commission, in its current application, that based on Mr. Blumes’ professional standing as a CPA with over twenty years in addressing the utility’s regulatory interface, that it reasonable and appropriate that a higher rate category be established for time given to future regulatory matters.

1.4 Can Stargas state the total dollar amount sought for section 5 in this part of the draft order?

Stargas response: Stargas proposed to apply this “regulatory rate” in the conduct it its annual commodity rate applications and its periodic delivery and regulatory account applications. Stargas proposed to include 24 hours (unchanged from that accepted in Order G-59-17) at \$225 within the utility’s annual management fee (\$5,400) with time incurred in periodic delivery and regulatory account applications recorded at the \$225 rate, as and when, prepared.

1.5 Is Stargas proposing to recover the amount through a rate rider?

Stargas response: Time on applications on delivery rates and on regulatory accounts would, subject to Commission approval (hours/rate) be included in regulatory account with the recovery mechanism established as by rate rider, and/or by inclusion in delivery rates.

1.6 It would appear the request is retroactive rate making, please confirm or explain?

Stargas response: The request for the rate category, rate within it, prospective so that all previous applications unimpacted by the request.

Part 6 of the draft order requests a payment of \$1,200 retainer and a contingency of \$2,521 paid to CMI for a total of \$3,721.

1.8 Is this to be part of a rate rider or is the intention to be an accepted management fee going forward?

Stargas response: If continuing in independent operations, these amounts are proposed for inclusion in ongoing management fees.

1.9 If this is to be part of a rate rider again, it would appear the request is retroactive rate making, please confirm or explain?

Stargas response: The proposed amounts are not to be a part of a rate rider and would be prospectively recovered if approved.

2 Exhibit B-2 PDF Page 6 https://www.bcuc.com/Documents/Proceedings/2020/DOC_59681_B-2-Stargas-Supplementary-Information.pdf

Part 7 of the draft order seeks approval of a 2020 Delivery Rate Application Account and to record costs of \$ xx,xxx related to this proceeding.

1.10 Can Stargas now provide the amount shown as \$ xx,xxx in the document, noting that the SSPOA will not be submitting any expenses towards the proceedings?

Stargas response: Stargas is not yet positioned to reflect its total costs in the preparation, response to interrogatories and accordingly has, disclosed in its current filings the balance incurred to date; it has not, however, had an indication as to whether, and if in what amount, its costs will be varied by amounts charged by/or contributed to it by the BCUC. Stargas notes, that, if as anticipated, Stargas completes its sale of regulatory assets and operations to FEI, that all these costs will be borne by FEI and not narrowly sought for recovery from current Stargas ratepayers.

The Stargas response in the SSPOA IR No 1 to question 13.4 regarding the incident shortfall:

“Stargas Response: Stargas has proposed that the balance in existing Regulatory accounts be included in the purchaser’s rate base; if, however, they are not thus approved, Stargas assumes that FEI will seek approval to consolidate and create a single Regulatory account seeking recovery of the balances approved for Silver Star Resort ratepayers over a period to be determined.”

1.11 The application before the Panel, includes details to recover the shortfall, however despite the explanation above, the draft order does not reference the incident shortfall, please explain.

Stargas response: As Stargas expects the sale of its regulatory assets and operations to FEI to complete, and within that transaction to have been absorbed in FEI rate base or equivalent, and not, then, sought for recovery from current Stargas.

1.12 Can Stargas please provide details of where the line that Stargas customers subsidized, built in 1999 started from (geographic position, legal description or civic address)?

Stargas response: We have been unable to identify the starting position of the main extension bringing natural gas to the Resort.

2.0 Topic: Expiry of the Amortization under G-59-17

Reference - (B-7) PDF Pages 8 & 9

The SSPOA questioned the handling of the expiration of the amortization that was used to determine the rates in G-59-17 that were to be in effect from November 1, 2016 to October 31, 2019

“11.2 Please explain how the accrued savings not passed onto the rate payers for this 17-month period of delayed application from June 1, 2019 to October 31, 2020 has been accounted for in this application?”

The Stargas response was:

“Stargas Response: Stargas has and will continue to rigorously follow the dictates of the BCUC in respect to all of its operations – through the period in question, Stargas’ delivery rate was as authorized and charged ratepayers at \$5.77 per gigajoule.”

It would appear from the response, that Stargas, failing to file an application as scheduled, expects to accrue the revenues despite the expiration of the amortization in May 2019.

2.1 Is Stargas intending to NOT pass on the benefits that the Ratepayers were expecting to see had an application been filed by July 31, 2019 as ordered in G-59-17?

The delivery rate established under G-59-17 included the amortization:

- contribution to FortisBC to subsidize a gas pipeline to Stargas’ service site (\$22,216)
- amortization of each of deferred property and equipment amortization and deferred interest charges (\$16,511)

The effect on the G-59-17 rates were $\$38,727 / 41,093.6$ gigajoules per year = $\$0.94 / \text{GJ}$

Stargas response: Stargas is not intending to pass these benefits to Stargas ratepayers; nor is it seeking to claim recovery from that same ratepayer group of significantly greater costs incurred by it, that in the absence of its completion of its sale to FEI would otherwise have been borne by current Stargas ratepayers.

2.2 Can Stargas please confirm the calculation above?

Stargas response: Confirmed

2.3 Can Stargas please provide the gas consumption for the period October 31, 2019 to November 1, 2020 so that the financial effects of the delayed application can be quantified?

Stargas response: 46,766.6 gj's

2.4 Can Stargas please provide the gas consumption for the period May 31, 2019 (expiry of amortization) to October 31, 2019 (expiry of order G-59-17)?

Stargas response: 56,874.0 gj's

2.5 When Stargas applied to delay the rate review (3 times) did Stargas consider applying for an interim rate reduction of \$0.94 / GJ?

Stargas response: Stargas did not!