



March 2, 2021

Sent via email/eFile

BIG WHITE RATE APPLICATION
EXHIBIT A-6

Mr. Cameron Lusztig
President
Keppel Gate Consulting,
on behalf of Big White Gas Utility Ltd.
5315 Big White Road
Kelowna, BC V1P 1P3
cameron@keppelgate.com

Re: Big White Gas Utility Ltd. – Application to Amend Rates – Project No. 1599146 – BCUC IR No. 2

Dear Mr. Lusztig:

Further to the above-noted matter, enclosed please find British Columbia Utilities Commission Information Request No. 2. Please file your responses by no later than Monday, March 22, 2021.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

TL/dg
Enclosure



Big White Gas Utility Ltd.
Application to Amend Rates

INFORMATION REQUEST NO. 2 TO BIG WHITE GAS UTILITY LTD.

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A. PROPOSED CHARGES

- 8.0 Reference:** **Proposed Charges**
Exhibit B-1 (Application), p. 2; Exhibit B-3, BCUC IR 1.4; British Columbia Hydro and Power Authority, 2015 Rate Design Application Decision and Order G-5-17 dated January 20, 2017, pp. 11-12
Rate Design Principles and Proposed Changes

On page 2 of the Application, Big White Gas Utility Ltd. (BWGU) states:

The current minimum charge is \$45.00 per month for commercial customers, and \$10.00 per month for residential customers... With this Application, the Utility is proposing to change this minimum charge to a basic charge, applicable each month in addition to the consumption charge. The Utility is proposing that this basic charge be set at the same level as the prevailing minimum charge.

In response to British Columbia Utilities Commission (BCUC) Information Request (IR) 1.4, BWGU submitted that the utility did not conduct customer consultation on the proposed changes, and stated:

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, ... 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.

- 8.1 With respect to the consultation costs, please provide the estimated costs of acquiring outside resources to develop materials and conduct a customer consultation process. If cost estimates are not available, please explain why.
- 8.1.1 Please clarify whether BWGU has evaluated the benefits of customer consultation against the costs of the consultation process for BWGU to conclude that customer consultation on the proposed rate changes is not warranted. If not, why?

- 8.1.2 In the absence of customer consultation, please explain how BWGU's proposed rates would satisfy the Bonbright Principle related to customer understanding and acceptance, practical and cost effective to implement.¹
- 8.2 With respect to logistical challenges to organize consultation during the COVID-19 pandemic, please elaborate how BWGU currently communicates with customers and how customers can provide feedback to the utility during the Covid-19 pandemic.
 - 8.2.1 If the BCUC requires BWGU to conduct customer engagement activities related to the proposed rate changes, please explain how BWGU plans to do so (e.g. virtual meetings) and the estimated costs for these activities.
- 8.3 Please discuss how the proposed rate changes would provide revenue stability for BWGU.
- 8.4 Please discuss how the proposed rate changes would provide rate stability for BWGU and its customers.

9.0 Reference: Proposed Charges

**Exhibit B-1, p. 5; Exhibit B-3, BCUC IR 1.2, 1.5
Rate Design Objectives and Principles**

In response to BCUC IR 1.5, BWGU stated:

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.

In response to BCUC IR 1.2, BWGU provided the following breakdown – Proportion of Customers Charged Minimum vs Actual Consumption, which includes:

¹ British Columbia Hydro and Power Authority, 2015 Rate Design Application, Order G-5-17 and [Decision](#) dated January 20, 2017, pp. 11-12.

Month	Commercial		Residential		Overall	
	Charged Consumption	Charged Minimum	Charged Consumption	Charged Minimum	Charged Consumption	Charged Minimum
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%
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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%

- 9.1 Please specify how the “overall” column is calculated. Is the weighting based on throughput, number of accounts, simple average, or other factors?
- 9.2 The table above shows that residential customers are more likely to pay the minimum charge than a consumption charge as compared to commercial customers, including the winter period. Apart from BWGU’s conservation objectives, please explain why BWGU believes that a rate design change is warranted, particularly for residential customers. Is BWGU not recovering its costs of providing service in the current rate design?
- 9.3 The table above appear to show that the current rate design affects commercial and residential rate class differently, in that commercial customers are less affected by the minimum charge. Are there merits to implement a unique rate design for the commercial class (e.g. Basic Charge + Consumption Charge) and a different rate design for the residential class (e.g. maintain the Minimum Charge)? Why or why not?
- 9.4 Please discuss whether there are merits to implement seasonal rates. Provide assessments for the commercial and residential rate classes separately and explain how seasonal rates may (or may not) be appropriate for each rate class considering rate design principles.
- 9.5 In a scenario where BWGU was directed to implement seasonal rates, please discuss how this might be designed. what would be the charges that may be implemented in each season to allow BWGU to recover its forecast costs of providing service.
- 9.6 Please provide BWGU’s conservation objectives, including the start date of such initiative, planned activities, and desired outcomes for the utility and its customers. Are there any costs associated with BWGU’s conservation objectives and if so, how are they reflected in Table 2.1 on page 5 of the Application?
- 9.7 Please clarify whether the issue of leaving pilot lights on is attributable to the residential or commercial rate class, or both.

- 9.7.1 Please explain the steps that BWGU took to consult with customers regarding its conservation objectives, including BWGU's views regarding gas fireplace pilot lights. Provide a summary of these customer consultations. If no consultation was done, please explain why.
- 9.7.2 Please provide an estimated amount of energy consumed attributable to leaving on gas fireplace pilot lights when there are no occupants in their properties for extended periods. Provide this information based on an average commercial and residential customer separately as well as the estimated value in an average customer's annual bill. Please outline the assumptions made for this estimate.
- 9.8 With respect to BWGU's conservation objectives to justify for the proposed rate changes, please discuss whether BWGU views that its proposed rate changes would satisfy the Bonbright Principle in that price signals should encourage efficient use and discourage inefficient use of propane. Why or why not?
- 9.8.1 Please discuss whether commercial and residential customers in the BWGU service area may substitute propane with alternative forms of energy if propane service becomes less economical.

10.0 Reference: **Proposed Charges**
Exhibit B-1, p. 6, Table 2.2; Exhibit B-3, BCUC IR 1.7
Customer Bill Impact

In response to BCUC IR 1.7, BWGU provided a spreadsheet that shows the estimated bill impact for residential and commercial customers with annual billing under the current rate design compared to the proposed rate design. BCUC staff have compiled the following summary table for the customers' total annual bill for the year 2020 under the current versus proposed rate designs:

BCUC Staff Table 1

Example	Current Rate Design	Proposed Rate Design	Difference (\$)	Difference (%) ²
Commercial – A	\$15,018.28	\$15,804.51	\$786.23	5.24%
Commercial – B	\$13,799.36	\$14,566.07	\$766.71	5.56%
Commercial – C	\$21,021.16	\$21,903.35	\$882.19	4.20%
Residential – A	\$709.23	\$841.03	\$131.80	18.58%
Residential – B	\$381.84	\$436.86	\$55.02	14.41%
Residential – C	\$312.54	\$376.68	\$64.14	20.52%

On page 6 of the Application, BWGU provides Table 2.2 that shows the utility's total revenue and revenue requirements for fiscal 2022 through 2026.

- 10.1 Please confirm the above summary table is accurate and consistent with the information BWGU provided in response to BCUC IR 1.7. If not confirmed, please correct.
- 10.2 Please discuss whether BWGU views an annual bill increase of 10 percent or more as rate shock for customers. Why or why not?

² Difference (%) = [(Proposed Rate Design / Current Rate Design) – 1] * 100%

- 10.3 Suppose the BCUC directs that BWGU must provide a rate or bill smoothing mechanism for residential customers, please propose rates for a 2-year and 3-year transition that would yield the same amount of total revenue as presented in Table 2.2 of the Application. Please show the calculations.

- 10.3.1 Please discuss the costs and benefits of a rate or bill smoothing mechanism to BWGU and its customers.

11.0 Reference: Proposed Charges

Exhibit B-1, p. 6, Table 2.2; Exhibit B-2, Attachment-1; Exhibit B-3, BCUC IR 1.8, 1.8.1, 1.9

Clarifications on Table 2.2 and related tables in BCUC IR No. 1 responses

On page 6 of the Application, BWGU provides Table 2.2 as follows:

Table 2.2

	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	267,810	270,098	272,627	278,467	284,479
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	\$ 91,119	\$ 95,298	\$ 99,354	\$ 100,218	\$ 101,032

In response to BCUC IR 1.8, BWGU was asked to reproduce Table 2.2 to show 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. BWGU provides the following table (now labelled BWGU Table 2.2 – IR 1.8 for ease of reference).

BWGU Table 2.2 – IR 1.8

	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

- 11.1 Please clarify why the “Revenue Requirement” lines differ between Table 2.2 and BWGU Table 2.2 – IR 1.8 recognizing that BCUC IR 1.8 asked for a scenario that should only change the Total Revenue and its components. For instance, why are the following Revenue Requirement figures different for fiscal 2022: \$267,810 in Table 2.2 versus \$234,548 in BWGU Table 2.2 – IR 1.8? If “BWGU Table 2.2 – IR 1.8” is not correct, please provide a corrected table.

In response to BCUC IR 1.8.1, BWGU was asked to recalculate the consumption charge that would be required to achieve the same revenue as presented in BWGU Table 2.2 – IR 1.8 for each year in fiscal 2022 to fiscal 2026. BCUC IR 1.8.1 assumes that the BCUC approves BWGU's proposal to change the minimum charge to a basic charge. BWGU provides the following table (now labelled BWGU Table IR 1.8.1 for ease of reference).

BWGU Table IR 1.8.1

	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

In its Attachment-1 to Exhibit B-2, BWGU provides its load forecast which includes the 2022 to 2026 budget combined for both commercial and residential customers. BCUC staff have compiled the following summary table.

BCUC Staff Table 2

	2022	2023	2024	2025	2026
Load forecast (litres)	2,256,532	2,301,664	2,347,702	2,394,654	2,442,549

- 11.2 Please clarify whether “Lift” represents the recalculated consumption charge. If so, please confirm that 0.0900 means \$0.0900 per litre.
- 11.3 Please reconcile the total revenue figures as presented in BWGU Table 2.2 – IR 1.8 against BWGU Table IR 1.8.1. For instance, why are the following total revenue figures different for fiscal 2022: \$265,750 in BWGU Table 2.2 – IR 1.8 versus \$265,618 in BWGU Table IR 1.8.1. Are the differences due to rounding? If so, at which point(s) of the calculation lead to the rounding discrepancy? If “BWGU Table IR 1.8.1” is not correct, please provide a corrected table.
- 11.4 With respect to BWGU Table IR 1.8.1, please clarify why the 2,190,408 litres in 2022 have not been escalated by 2% in 2023. Please update subsequent years’ forecast litres sold as necessary.
- 11.5 Please confirm the above summary table shown as BCUC Staff table 2 is accurate and consistent with the information BWGU provided in Exhibit B-2. If not confirmed, please correct.
 - 11.5.1 If applicable, please reconcile the “Forecast litres sold” as presented in BWGU Table IR 1.8.1 and the 2022 to 2026 budgeted load forecast (litres) as shown in BCUC Staff Table 2. For instance, why are the following forecast litres different for fiscal 2022: 2,190,408 in BWGU Table IR 1.8.1 versus 2,256,532 in BCUC Staff Table 2.

In response to BCUC 1.9, BWGU was asked to recalculate the consumption charge that would be required to achieve the same revenue for each year in fiscal 2022 to fiscal 2026 in Table 2.2 (i.e. net annual return of approximately \$100,000). BWGU provides the following table (now labelled BWGU Table IR 1.9 for ease of reference).

BWGU Table IR 1.9

	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

- 11.6 Please clarify whether “Lift” represents the recalculated consumption charge. If so, please confirm, for example, that 0.1625 means \$0.1625 per litre as shown for fiscal 2022.
- 11.7 Please reconcile the total revenue figures as presented in BWGU Table 2.2 against BWGU Table IR 1.9. For instance, why are the following total revenue figures different for fiscal 2022: \$358,929 in Table 2.2 versus \$358,842 in BWGU Table IR 1.9? Are the differences due to rounding? If so, at which point(s) of the calculation lead to the rounding discrepancy? If “BWGU Table IR 1.9” is not correct, please provide a corrected table.
- 11.8 With respect to BWGU Table IR 1.9, please clarify why the 2,190,408 litres in 2022 have not been escalated by 2% in 2023. Please update subsequent years’ forecast litres sold as necessary.
- 11.9 If applicable, please reconcile the “Forecast litres sold” as presented in BWGU Table IR 1.9 and the 2022 to 2026 budgeted load forecast (litres) as shown in BCUC Staff Table 2. For instance, why are the following forecast litres different for fiscal 2022: 2,190,408 in BWGU Table IR 1.9 versus 2,256,532 in BCUC Staff Table 2?

12.0 Reference: **Proposed Charges**
Exhibit B-1, Appendix A; Exhibit B-3, BCUC IR 3.3, 3.7, 3.14.1, 3.22
Development Cost Charge

In Appendix A to the Application, BWGU provides the subdivisions to which it is proposing to apply Development Cost Charges under its tariff.

In response to BCUC IR 3.3, BWGU stated: “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.”

- 12.1 Please confirm, or explain otherwise, that all of the subdivisions listed in Appendix A to the Application do not require any further government or regulatory approval, aside from applicable building permits, for construction or development to commence.
- 12.2 Please discuss when BWGU expects the developments in the subdivisions listed in Appendix A to the Application to be completed.
- 12.3 Please discuss when BWGU expects to have collected all the applicable DCCs from the subdivisions listed in Appendix A to the Application.

In response to BCUC IR 3.22, BWGU stated:

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.

- 12.4 Please confirm, or explain otherwise, that there is no change in the relationship between BWGU and the developers that paid development cost charges (DCCs) under the land purchase contract and the developers that BWGU is proposing to collect under its tariff. For example, will the developers who will be paying under the "new" DCC regime receive the same service from BWGU as those developers who paid under the "old" DCC regime.

In response to BCUC IR 3.7, BWGU stated:

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.

- 12.5 Please discuss whether the DCCs could be considered a contribution (e.g. a cash injection) from the developers to BWGU to fund future infrastructure projects thereby reducing the value of rate base for BWGU. Why or why not?

In response to BCUC IR 3.14.1, BWGU stated that the payment of DCCs to BWGU outside of its tariff was "a condition of commencing service."

- 12.6 Please discuss the advantages and disadvantages to BWGU and its customers of each of the following scenarios:

- (i) BWGU's proposal to collect DCCs under its tariff; and
- (ii) BWGU continuing to collect DCCs under the land purchase contract but with the removal of the condition that service can be withheld from premises where DCCs have not been paid.

- 12.7 Please discuss the advantages and disadvantages to BWGU and its customers of ceasing the collection of further DCCs and instead, once the relocated plant goes into service, collect the cost of the relocation from all customers through the recovery of depreciation expense in the revenue requirement. The DCCs already collected would be applied against the bills of those premises where the DCC had been collected. The amount applied against the bills would be an amount up to the depreciation expense associated with the cost of the relocated plant that is included in the revenue requirement.

- 12.7.1 Please discuss whether there would be any issues with implementing the approach set out in the preceding IR.

13.0 Reference: Proposed Charges
Exhibit B-1, p. 5, Table 2.1; Exhibit B-3, BCUC IR 4.4, 4.5, 4.6
Revenue Requirement

BWGU stated in response to BCUC IR 4.4:

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.

BWGU stated in response to BCUC IR 4.5:

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.

BWGU stated in response to BCUC IR 4.6:

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 reverification levels over the previous two years. As such, this is the appropriate baseline upon which to steadily inflate costs over the following years of the Test Period.

Reproduced below are the actual and forecast costs provided in Table 2.1 of the Application for freight, parts and materials and equipment repairs and maintenance for fiscal 2017, 2018, 2020 and 2021, respectively:

	F2017 Actual	F2018 Actual	F2020 Actual	F2021 Forecast
Freight	\$319	\$204	\$344	\$3,600
Parts & materials	\$343	\$12,370	\$6,461	\$9,121
R&M - equipment	\$8,080	\$1,474	\$623	\$12,451
Total	\$8,742	\$14,048	\$7,428	\$25,172

- 13.1 Please confirm, or explain otherwise, that the fiscal 2021 forecast for freight, parts and materials, and equipment R&M reflects the re-verification of 10 percent of BWGU's meters.
- 13.2 Please confirm, or explain otherwise, that 10 percent of BWGU's meters were re-verified in each of fiscal 2017 and fiscal 2018.
 - 13.2.1 If confirmed, please explain why the total actual costs for freight, parts and materials, and equipment R&M in each of fiscal 2017 and fiscal 2018 are lower than the total forecast for fiscal 2021.

- 13.2.2 If not confirmed, please discuss whether BWGU would need to re-verify more than 10 percent of its meters in fiscal 2021 in order to be in compliance with the requirements of the Electricity and Gas Inspection Act of re-verifying its meters every 10 to 12 years. Why or why not?
- 13.3 Please explain why actual freight and equipment repairs and maintenance costs for fiscal 2020 is a fraction of the costs forecast for fiscal 2021 given that approximately half the volume of planned re-verification was completed in fiscal 2020 compared to the planned fiscal 2021 levels.
- 13.4 Please provide the percentage of meters that have been re-verified so far in fiscal 2021 and discuss whether BWGU is on track to have 10 percent of its meters re-verified by the end of fiscal 2021. If less than 10 percent is expected, please explain why.
- 13.5 Please discuss whether there could be a disruption or another pause to the meter re-verification program, such that less than 10 percent of the meters are re-verified a year during fiscal 2022 to fiscal 2026. As part of the response, please discuss whether the COVID-19 pandemic could disrupt or slow down the meter re-verification program. Why or why not?
- 13.5.1 If there is another disruption or pause to the meter re-verification program, please discuss the implications to the forecast costs in the test period.

14.0 Reference: **Proposed Charges**
Exhibit B-3, BCUC IR 2.1, 2.1.1; Order G-130-06, the BCUC Rules for Natural Gas Energy Supply Contracts
Cost of Gas and Consumption Charge

In response to BCUC IR 2.1 and 2.1.1, BWGU stated:

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.

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.

Section 71 of the *Utilities Commission Act* (UCA) requires that a person who enters into an energy supply contract must file a copy of the contract with the BCUC. Section 71(1)(b) provides that a person who enters into an energy supply contract must provide to the BCUC any information it considers necessary to determine whether the contract is in the public interest. BCUC Order G-130-06 sets out the Rules for natural gas energy supply contracts.

- 14.1 Please clarify whether BWGU is seeking the BCUC's review and acceptance of the Superior Fuel Supply and Equipment Agreement pursuant to section 71 of the UCA as part of this proceeding.
- 14.1.1 If so, please justify why the proposed energy supply contract is in the public interest, which may include, but not limited to, a discussion of the following information:
- a) the selection process of the energy supplier and why the supplier was chosen;
 - b) the availability of supply to meet the utility's energy requirements;
 - c) the term length of the contract;
 - d) price competitiveness and any price risk management measures.

- 14.1.2 If not, please indicate when BWGU will submit a separate energy supply contract filing for the BCUC's review.

B. ANNUAL RETURN

15.0 Reference: Annual Return

Exhibit B-2 (Supplementary Information Filing), p. 2; Exhibit B-3, BCUC IR 6.3.2, 6.9.1;

BCUC Generic Cost of Capital Decision (Stage 1) dated May 10, 2013, pp.6-9

Rate of Return

On page 2 of BWGU's supplementary information filing, BWGU states:

BWGU is seeking with this Application to stabilize its returns at an amount consistent with the business risk it faces, and the level of management effort associated with the operation of the Utility.

Because the Utility has such a small net asset value (Exhibit B-1, page 10), a conventionally derived allowed-return would not provide this level of compensation.

Instead, BWGU is seeking rates that allow it to recover a return to its shareholder of approximately \$100,000 per year.

In response to BCUC IR 6.3.2, BWGU provided its annual rate of return since 2006 as follows:

**Big White Gas Utility Ltd.
Annual Rate of Return**

	57.50%		42.50%		100%	
	Short Term Debt	Common Equity	Base	Mid Year Rate	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%	

- 15.1 Please explain what events occurred in fiscal 2016 that led to BGWU's earned return of \$136,291.
- 15.2 Please explain what events occurred in fiscal years 2007, 2015, and 2018 that led to BGWU's earned return of -\$18,313, \$6,170, and -\$7,874, respectively.

- 15.3 The average BWGU earned return for the past 15 years is \$48,799.³ Excluding the highest (2016) and lowest (2007) earn returns, that average earn return is \$47,231⁴. Considering BWGU's historical earned returns since 2006, please explain whether it would be a reasonable alternative to determine BWGU's fair return based on its average earned return for the past 15 years of approximately \$47,000 to \$49,000 annually. Why or why not?
- 15.3.1 If this alternative is not appropriate, please provide the basis in which the BCUC should approve the \$100,000 amount that BWGU is seeking as an allowed return for its shareholder considering that historical earned returns had not exceeded \$85,000 in the last 15 years, except in 2016.
- 15.3.2 If the BCUC approves an allowed return of approximately \$47,000 to \$49,000 annually, please restate Table 2.2 on page 6 of the Application.
- 15.3.2.1 Please recalculate the proposed basic charge and consumption charge based on the restated Table 2.2. Show calculations.
- 15.3.2.2 Please recalculate the minimum charge and consumption charge under the existing rate design based on the restated Table 2.2. Please show the calculations.

In response to BCUC IR 6.9.1, BWGU notes that its business risks are common to Big White's regulated water utility.

- 15.4 Please provide the regulated return for Big White's regulated water utility including any changes within the last 10 years.
- 15.5 Please discuss how the regulated return is determined for Big White's regulated water utility. In considering a regulated return, is the legal test any different for water utility regulation as compared to public utility regulation (i.e. Fair Return Standard⁵)?

C. OTHER TARIFF AMENDMENTS

- 16.0 Reference:** **Other Tariff Amendments**
Exhibit B-3, BCUC IR 7.2; Resort Gas Ltd., Gas Tariff, Effective Date February 28, 2018,
p. 26, Section 10.9
Terms and Conditions

In response to BCUC IR 7.2, BWGU stated:

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.

- 16.1 Aside from reading the terms and conditions in BWGU's tariff, please discuss how a buyer would be informed that it would be assuming any unpaid balance owing to BWGU from the previous owner of the premises.

³ \$48,799 calculation: sum of earned returns divided by 15.

⁴ \$47,231 calculation: sum of earned returns excluding years 2007 and 2016 divided by 13.

⁵ Details regarding the Fair Return Standard: https://www.bcuc.com/Documents/Proceedings/2013/DOC_34699_BCUC-GCOC-Stage1DecisionWEB.pdf (pp. 6-9)

- 16.2 Please discuss the steps a buyer could take to discover whether there is an unpaid balance owing to BWGU prior to the buyer making an application for Service at the premises.
- 16.3 Please discuss on average the number of occurrences a year where a new customer has had to assume the unpaid balance of a previous customer. As part of the response, please quantify the average unpaid balance assumed.
- 16.4 Please discuss whether BWGU has received any customer complaints regarding its practice of having a new customer assume the unpaid balance owing from a previous customer of the same premises. If so, please provide the number of complaints received.
- 16.5 Please provide an estimate of the impact to the proposed revenue requirement and rates if the BCUC were to direct BWGU to not have its new customers assume the unpaid balance owing from previous customers of the same premises. Please provide any assumptions used in BWGU's estimate.
- 16.5.1 Please discuss any negative implications to BWGU, its shareholder and its customers if BWGU were to not have its new customers assume the unpaid balance owing from previous customers of the same premises.
- 16.6 Please discuss whether there are any legality and enforceability issues of requiring a new customer to assume the previous customer's unpaid utility balance. Has BWGU consulted with its legal counsel regarding the legality and enforceability of this provision?
- 16.7 Aside from having the new customer assume the previous customer's unpaid balance, please describe any other actions or steps that BWGU takes to ensure that its outstanding bills are paid prior to the customer departing the system.
- 16.8 Please discuss whether BWGU has considered alternate measures to recover unpaid balances. For example, placing a lien on the property or sending to collection agency.
- 16.9 Please discuss whether the requirement for a new customer to assume the unpaid balance owing from a previous customer of the same premises was a term and condition included in the Propane Supply Agreement or whether it is a new term and condition.
- 16.9.1 If it is a new term and condition, please describe BWGU's previous practice regarding unpaid balances of customers departing the system and the rationale for the change in practice.

Section 10.9 of Resort Gas Ltd.'s tariff⁶ states:

10.9 Responsibility for Payment - Where the Customer is not the owner of the Premises and any bill is not paid as prescribed by these General Terms and Conditions,

- (a) the owner of the Premises shall be deemed to be the Person responsible for immediate payment of the delinquent account, or
- (b) where the owner of a property has changed as a result of a change in property title, it is the responsibility of the new owner to ensure that any outstanding bills against the property are paid before the transfer of the title to the purchaser or have been included in the Statement of Adjustments.

- 16.10 Please discuss whether BWGU would be amenable to replacing section 2.9 of its proposed tariff with the same or similar language as section 10.9 of Resort Gas Ltd.'s tariff. Why or why not?

⁶ <http://www.sunpeakutilities.com/pdf/BCUC-decisions/2020%20Jan%201%20Commodity%20Rate/2020-06-01%20-20Resort-Gas%20Tariff.pdf>