

**BRITISH COLUMBIA UTILITIES COMMISSION**  
**IN THE MATTER OF THE UTILITIES COMMISSION ACT**  
**R.S.B.C. 1996, CHAPTER 473**

**And**

**Stargas Utilities Ltd.**  
**Application to Vary Delivery Rate,**  
**Amend Cost of Service Formula and**  
**Approve Replacement Term Financing/Redemption of**

**Vancouver, B.C.**  
**December 14<sup>th</sup>, 2016**

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**Streamlined Review Process**

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**BEFORE:**

**R. Mason,**

**Panel Chair**

**D. Morton,**

**Commissioner**

**VOLUME 1**

## APPEARANCES

Paul MILLER

Commission Counsel

M.A. (Moe) BLUMES

Stargas Utilities Ltd.

Ken FUHR

Independent Energy Consultants

Michael WABERSKI

Silver Star Property Owners Association

Dennis WARRENS

Sandy COOK

Suzanne SUE

Commission Staff

Bonnie GUZMAN

Commission Staff

**INFORMATION REQUESTS**

**Volume 1, December 14, 2016**

For Commission Staff:

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**CAARS**

**VANCOUVER, B.C.**

**December 14<sup>th</sup>, 2016**

**(PROCEEDINGS COMMENCED AT 1:05 P.M.)**

THE CHAIRPERSON: Welcome to streamlined review process for Stargas Utilities Limited. My name is Richard Mason, and my co-panel member here is David Morton.

In a few minutes I will ask everybody else to introduce themselves.

As a reminder, this is an application to vary the delivery rate for Stargas. Stargas has applied to amend the cost of service formula, and to approve replacement term financing and the redemption of some preferred shares.

We would appreciate it if everybody can keep to these topics, please, and avoid other matters that are not directly related to this application, such as changes to the commodity rate.

The Commission's streamlined process, or the SRP -- Moe, are you trying to interrupt me and make a comment?

MR. BLUMES: No.

THE CHAIRPERSON: Okay.

MR. BLUMES: I had you on mute and was speaking to my wife.

THE CHAIRPERSON: Okay. We'll continue, then.

1                   The streamlined review process, or SRP as  
2 we call it, is intended to review in a relatively  
3 informal manner applications that appear to lend  
4 themselves to this form of expedited process, but it  
5 still provides procedural fairness and transparency.  
6 So while the process isn't as formal as an oral  
7 hearing, it will be transcribed.

8                   As you all know, I'm sure, we've had one  
9 round of IRs already and Stargas has responded to a  
10 series of questions, both from the Commission and from  
11 the Silver Star Property Owners Association. To  
12 prepare for this SRP, Stargas has also responded to a  
13 number of additional staff questions.

14                   So the purpose of this specific SRP is to  
15 provide an efficient method for all parties to ask  
16 questions directly of Stargas, and to enable the  
17 Commission to arrive at a decision with as little  
18 delay as possible. The panel feels that the SRP will  
19 be more productive and of shorter duration than an  
20 additional round of IRs. So this is the opportunity  
21 specifically then for Stargas to provide clear and  
22 complete information that the panel is going to need  
23 to make its decision.

24                   Our process for this afternoon is that  
25 after the introductions we will have questions from  
26 staff, and then questions from the Property Owners

1 Association. It's possible that Stargas will also  
2 undertake to answer some questions after this hearing  
3 if the information is not at hand to answer them  
4 during the hearing.

5 **Proceeding Time 1:07 a.m. T2**

6 There are two main topics really for the  
7 Commission to consider this afternoon. The issuance  
8 of debt by utilities is governed by Section 50 of the  
9 *Utilities Commission Act*, and the setting of rates is  
10 governed by Sections 59 and 60. These are separate  
11 matters and the Panel will treat them as such when  
12 making its decisions.

13 The Panel will attempt to reach a decision  
14 as soon as possible on the matter of the refinancing  
15 that has been proposed. However, a decision regarding  
16 the revisions to the delivery rate, including the  
17 proposed changes to the cost of service formula, are  
18 likely to take somewhat longer due to the material  
19 volume -- sorry, the volume of material involved.

20 If there are no undertakings, we may be  
21 able to receive final submissions from both parties  
22 this afternoon on the questions of the refinancing.  
23 And we will allow you both to comment on this matter  
24 when we've finished our questioning this afternoon.

25 Lastly, the process involves the Panel  
26 recessing and deciding what further steps to take,

1           either this afternoon or in the future.

2                       If at any other time anybody needs a break,  
3           just let us know and we'll do our best to accommodate  
4           that.

5                       We do understand that the Silver Star  
6           Property Owners Association is in possession of an  
7           agreement between Fortis Alternative Energy Services  
8           and Stargas. As I believe everybody knows, this  
9           agreement contains confidential information and we  
10          would appreciate it if all parties would respect that  
11          confidentiality. If there are any questions regarding  
12          the details in this agreement, please let me know so  
13          that we can turn off the transcription service and we  
14          can hold that session *in camera*. We're not aware at  
15          this point of any questions that would require that.

16                      Finally I'd just like to remind all  
17          participants to conduct themselves in a respectful  
18          manner. Please speak one at a time. If you have a  
19          clarifying question we absolutely encourage this, but  
20          please wait until the current speaker has finished, in  
21          particular with the delay in the videoconferencing  
22          service. As this service is being -- sorry, as this  
23          session is being transcribed, please do speak clearly  
24          and try to remember to identify yourself by name  
25          before starting a new question or topic, for those  
26          listening only on audio.

1 **Proceeding Time 1:10 p.m. T03**

2 Now I'd like to ask each participant to  
3 introduce themselves, starting with their full name  
4 and who they're representing. And I'd like to start  
5 with Mr. Blumes from Stargas.

6 MR. BLUMES: Yes. The name is Morley, I go by Moe, Allan  
7 Blumes. I'm the president and principal shareholder  
8 of Stargas Utilities.

9 THE CHAIRPERSON: Thank you, Mr. Blumes.

10 And Mr. Fuhr.

11 MR. FUHR: Ken Fuhr. I'm with Independent Energy  
12 Consultants. I work for Silver Star Ski Hill on  
13 contract, advising on various gas matters. I used to  
14 work for the utility, Fortis, and I have clients  
15 throughout B.C.

16 THE CHAIRPERSON: Welcome. And Mr. Waberski, from the  
17 Silver Star Property Owners Association.

18 MR. WABERSKI: Yes. My name is Michael Waberski. I'm  
19 the chair of the Utility Services Committee. To my  
20 right here, Dennis Warrens, who sits on a committee  
21 with us, is one of the directors of SSPOA. And to my  
22 left is Sandy Cook, the president of the SSPOA. We  
23 also have three other directors sitting off-camera  
24 here who are here to observe the procedures.

25 THE CHAIRPERSON: Thank you, Mr. Waberski. And our  
26 staff, please.

1 MS. SUE: Suzanne Sue, Commission staff.

2 MS. GUZMAN: I'm Bonnie Guzman, Commission staff.

3 MR. MILLER: Paul Miller, counsel to the Commission, from  
4 Boughton Law Corporation.

5 COMMISSIONER MORTON: And I'm Dave Morton. I'm the other  
6 Commissioner on the panel.

7 THE CHAIRPERSON: Thank you very much, everybody. I'd  
8 now like to ask Mr. Blumes from Stargas to make his  
9 opening remarks.

10 **OPENING REMARKS BY MR. BLUMES:**

11 MR. BLUMES: Good afternoon. I welcome the opportunity  
12 to present our position on the regulatory matters that  
13 are open yet before the Commission, and that have not  
14 yet satisfactorily been dealt with by Stargas.

15 I'd acknowledge that I hadn't anticipated  
16 the time and energy that has been consumed in getting  
17 us to this point. But trust that at the same time  
18 we'll be in a position soon to approve a reduction in  
19 our delivery rate, and to assuage, if possible,  
20 hopefully, the concerns of the Silver Star Property  
21 Owners Association.

22 And a sidebar to that Association, should  
23 you wish at a later date to discuss the commodity  
24 piece, I'd be willing to do so.

25 Our application before the Commission, as  
26 amended, now contemplates delivery rate reductions in

1 three separate streams. The first: Our delivery  
2 volumes have increased while our costs have not and  
3 should not behave in a similar fashion. Accordingly,  
4 based on the test year, our delivery rate should  
5 reduce from \$7.38 to \$7.03, just based on the increase  
6 in volume over the costs of which they're to be  
7 spread.

8 **Proceeding Time 1:13 p.m. T04**

9 And I think it's important to note that our  
10 operating costs will not escalate proportionately, so  
11 that with growth will come a consequent and meaningful  
12 continuing further reduction in delivery rates.

13 Certain of our costs will escalate, but  
14 those escalations are not solely volume-based and,  
15 with respect to our own costs, with the infrastructure  
16 and structure in place to support growth, with only  
17 modest increments in those costs. Accordingly, growth  
18 in customer numbers and related volume increases will  
19 translate into ever-lower delivery costs for our  
20 ratepayers.

21 There's a second matter. By inference, we  
22 have come to understand and agree with the Commission  
23 staff that the now ballooning costs of this regulatory  
24 process ought not to be absorbed in the test year  
25 alone, and have proposed in accord with suggestions  
26 implied in the Commission Staff responses, that these

1 costs be included in our rate test year only as to  
2 one-third, with the balance amortized over the next  
3 two. That accommodation accounts for another 12-cent  
4 reduction proposed in our delivery rate for the test  
5 year, so that it would then be \$6.91 per gigajoule.

6 The third element of the three streams of  
7 reduction that we contemplate is one that has been and  
8 remains rather vexing. I only had wished that I  
9 understood today what I was to learn through the  
10 process from initiating the application back in  
11 September to today. It's only through a convoluted  
12 and confusing series of exchanges that I had come to  
13 understand that what we're really talking about is  
14 replacing dividends on \$100,000 that would, in the  
15 normal course, have been \$9500, with term debt  
16 interest of at current estimated 3.8 percent of \$3800,  
17 and that that dollar saving would, if accepted by the  
18 Commission, result in a further 14-cent reduction. So  
19 that our \$7.38 rate would go, effective with approval,  
20 to \$6.77 per gigajoule.

21 We have attempted to respond fully and  
22 carefully to all of our questions raised, whether by  
23 Commission Staff or by the Silver Star Property Owners  
24 Association. And just today, added yet further  
25 support for our management fees. I hope here to  
26 answer fully and to your satisfaction each and every

1 question that is put before me.

2 But before doing that, opening this session  
3 to your questions, I'd like to offer the following.

4 I have a substantial continuing both  
5 financial and emotional investment in Stargas and in  
6 Silver Star. Now, some years ago as to take a look at  
7 its then situation, as a consultant, I was asked to  
8 come on board and did so as a CFO and minority  
9 shareholder. And in doing so, working with the  
10 community's business owners and particularly with Judd  
11 Buchanan, revitalized the resort, added to its offers,  
12 responsible for the addition of Tube Town, the  
13 addition of a hostel at the -- within the community.

14 **Proceeding Time 1:18 p.m. T5**

15 And none that I'm prouder of than being the financial  
16 engineer to bring lower cost natural gas to Silver  
17 Star and replacing, for those that could or would,  
18 switch from more expensive and riskier propane. So I  
19 stand here today proud of and confident in the future  
20 of the resort resource and of Stargas's role within  
21 it.

22 I have come to the role with Silver Star  
23 and Stargas with a varied and rather extensive  
24 background in the world of finance. I have had, I was  
25 to discover, to learn considerable, first in the world  
26 of the market for gas, and in that connection rely

1 heavily and have come to understand the depth of  
2 knowledge brought to our little company through our  
3 association with Mr. Fuhr who sits there with you  
4 today. At the same time, rather than hiring as would  
5 I have had no other choice, expensive regulatory  
6 counsel to advise and to assist in the filing of  
7 applications before the Commission, I have studiously  
8 attempted to meet nuanced requirements of the  
9 Commission. And frankly, only through the patience of  
10 Commission Staff who have dealt patiently with my  
11 learning process, we are, even at my advanced age, a  
12 student as well as a teacher, and I hope continue to  
13 develop and improve on my skills in meeting the  
14 requirements of the Commission. And I hope that is  
15 evidenced in the extensive attempt to respond to each  
16 and every question, both in writing before and here  
17 today.

18 With that introduction I'm open to your  
19 questions.

20 THE CHAIRPERSON: Thank you, Mr. Blumes. I will hand it  
21 over to Commission Staff then to answer the first  
22 question.

23 COMMISSIONER MORTON: Ask the first question.

24 THE CHAIRPERSON: Ask the first question.

25 MS. GUZMAN: This is Bonnie Guzman from the Commission  
26 Staff. So I would like to just sort of start with the

1 questions related to Section 50 of the UCA. My first  
2 question is related to the proposed interest rate on  
3 shareholder advances. If we could all turn to Exhibit  
4 B-1-1, which is Stargas's amended application, I'll  
5 give you a minute to do that.

6 Okay. In note 2 it does say -- that  
7 Stargas states:

8 "The interest rate on shareholder advances,  
9 previously authorized at 6 percent is  
10 proposed to be reduced to 4.5 percent."

11 I'd just like to ask for some clarification  
12 on how the proposed rate of 4.5 percent was derived.  
13 And in relation to that, previously in BCUC IR 2.3, it  
14 did say -- Stargas stated that it would assess a rate  
15 based on premium of 1 percent over the rate paid on  
16 our operating line.

17 So I'm sort of just liking to clarify  
18 whether Stargas is still suggesting to receive a  
19 premium of 1 percent over the rate on the shareholder  
20 loan, or if it's just simply at the 4.5 percent and  
21 how that 4.5 percent came about.

22 MR. BLUMES: If there's contradiction, it's confusion  
23 just over the passage of time. I would imagine and  
24 can confirm immediately that the 1 percent was at one  
25 point in the process added to our current rate on  
26 operating credit of 3.5 to arrive at 4.5. What simply

1 we were setting out to accomplish was to acknowledge  
2 that some premium was a worthy inclusion, based on the  
3 risk premium associated to shareholder debt beyond --  
4 our debt is postponed to bank debt.

5 **Proceeding Time 1:23 p.m. T06**

6 And the 4.5 percent, or 1 percent over,  
7 either would be satisfactory, and whatever the ruling  
8 offered by the Commission.

9 MS. GUZMAN: Thank you. Perhaps you could then confirm  
10 my calculations then. So I believe it says in Exhibit  
11 B-8, IR 2.1, it's stated that the TD commercial prime  
12 rate is currently 2.7 percent. And then later in --  
13 we also have Exhibit A2-7, which we have included  
14 there in Note 4 to the Stargas 2016 financial  
15 statements. It says that Stargas's operating credit  
16 facility bears interest at the lender's rate plus --  
17 prime rate plus 1.5 percent. Sorry, just to repeat  
18 that for clarity. It's the operating credit facility  
19 bears interest at the lender's prime rate plus 1.5  
20 percent.

21 So my calculation, then, is that Stargas's  
22 operating line is a total of 4.2 percent, which is the  
23 2.7 percent prime plus 1.5 percent. Is that correct,  
24 Mr. Blumes?

25 MR. BLUMES: That's *BLOO-mes*.

26 MS. GUZMAN: Oh, sorry. I apologize. Mr. Blumes.

1 MR. BLUMES: That's quite all right. The -- I have to  
2 refer to my notes, but the bank did agree with the  
3 proposed refinancing to go to 1.25 percent over -- on  
4 at least the term loan, and I believe also on the  
5 operating credit.

6 I must remark that the interest rates, both  
7 on the refinancing and on the operating credit, are  
8 subject to fluctuations as with the interest rate. So  
9 I must admit I didn't pay a whole lot of attention to  
10 that. But would suggest that 1 percent over the rate  
11 -- not the prime rate, but the prime rate plus what  
12 the bank is charging as its premium over prime, is an  
13 appropriate rate for the shareholders' advances.

14 MS. GUZMAN: Okay, thank you for that clarification. I  
15 have a second question that's also related to the  
16 shareholder advances. If everyone could please turn  
17 to Exhibit A2-7 again, I'm looking at note 7 to the  
18 2016 Stargas financial statements.

19 MR. BLUMES: Yes?

20 MS. GUZMAN: So it says in that note that

21 "The amounts payable to the shareholder are  
22 unsecured and subordinated to the secured  
23 lender. The shareholder has waived, in  
24 writing, its right to demand repayment of  
25 the balance owing on or prior to June 2<sup>nd</sup>,  
26 2016."



1 we have ample room under the credit. We choose not to  
2 do so for two reasons.

3 One, the time taken, you know, to manage  
4 our lines of credit is sufficient already that we  
5 don't need to add to that. And the second, simply the  
6 difference in interest rate is marginal between the  
7 one and the other, particularly as relates -- are now  
8 agreeing to a lower rate.

9 So I would say that we have no plans  
10 currently to reduce the existing \$40,000 advance, but  
11 we do and have asked in the application that interest  
12 on it be considered an element within the cost of  
13 service.

14 MS. GUZMAN: Okay, thank you. On the same exhibit --  
15 sorry. Here it is, sorry. So from the same exhibit,  
16 Exhibit A2-7, we have also note 8 to the financial  
17 statements. And it says under there that the holders  
18 of the Class G preferred shares have waived their  
19 right, indefinitely, to redeem their Class G preferred  
20 shares. Can you please comment on this statement as  
21 well and confirm whether this is still the case?

22 MR. BLUMES: Again, the accommodation, one of accounting  
23 form of little substance. In order to classify the  
24 preferred shares as equity, as would the BCUC  
25 understand them to be and how they are classified for  
26 rate setting purposes as equity, we for financial

1           accounting purposes need to include them as such. If  
2           we were not to have provided our accountants that  
3           assurance that we had no intention of redeeming, the  
4           requirement that they would have on an accounting  
5           basis is -- and would be to have to reflect those as a  
6           liability rather than as an equity.

7                           I can assure you that I'm in contact  
8           regularly with our accountant at KPMG. He is aware of  
9           our application to redeem a portion of the preferred  
10          shares and in that context would expect the note would  
11          be truncated, altered in a sense that this year it  
12          would refer to only the 300,000 that we would have as  
13          an intent not to further redeem.

14 MS. GUZMAN:    I see. Okay, thank you. I guess while  
15          we're on the topic of the preferred shares, I'd also  
16          like to speak about your response to Exhibit B-2, BCUC  
17          IR 4.1. So in that IR response, Stargas confirmed  
18          that it is seeking Commission approval to redeem 1,000  
19          Class G preferred shares having a par value of  
20          \$100,000.

21                           So on that matter, if we could please turn  
22          to Exhibit A2-8.

23 MR. BLUMES:    A2 dash, sorry?

24 MS. GUZMAN:    A2-8.

25 MR. BLUMES:    Yes.

26 MS. GUZMAN:    So in that exhibit, we have highlighted a

1 sentence in there and I'd just like to bring our  
2 attention to the second sentence in the highlighted  
3 sentence -- or highlighted paragraph.

4 **Proceeding Time 1:32 p.m. T08**

5 And it says there that  
6 "The cumulative preferred shares cannot be  
7 redeemed until such time as the cumulative  
8 preferred share dividends in arrears are  
9 declared and paid."

10 So given this statement in that Order,  
11 which is G-157-12, can you please discuss Stargas's  
12 plans related to the accumulated unpaid dividends on  
13 the preferred shares, in advance of redeeming the  
14 1,000 Class G shares?

15 MR. BLUMES: The issue, and I've spoken to our counsel on  
16 the matter, can be resolved -- is to be resolved in  
17 one of two ways. One very complicated, and involving  
18 a fair degree of legal expense, which would involve  
19 our reclassifying the Class G shares into four  
20 separate new classes of -- that would be H, J, K and L  
21 shares, each for 100,000. And attaching to each of  
22 those shares their proportionate share of the unpaid  
23 dividends related to the catch-up of these 100-odd  
24 thousand dollars that is the -- to use the award for  
25 returns foregone in the early years of the operation  
26 of the utility.

1                   In that event, we would have approximately  
2                   \$25,000 attached to shares that were intending to be  
3                   redeemed. We would pay the dividend on the \$25,000 --  
4                   or of the \$25,000, and immediately turn and lend that  
5                   to the company, that portion to which we were not,  
6                   according to the position provided as to its payment  
7                   by the BCUC, we would loan that back without interest  
8                   to Stargas and await for its payment to us in turn.

9                   There is -- and we would incur a small tax  
10                  liability in that context and in that following. The  
11                  legal fees associated with that routine would be in  
12                  the several thousand dollars.

13                  In the alternative, we simply pay the  
14                  dividend.

15                  I don't imagine the Corporations Branch of  
16                  Her Majesty's Revenue Service or anyone would have  
17                  particular concern with our taking the short circuit  
18                  on that path.

19 MS. GUZMAN:    So if you choose to just pay the dividend,  
20                  can you discuss the source of funding which Stargas  
21                  would draw upon in order to do that?

22 MR. BLUMES:    The source of funding for the stub period  
23                  dividend? Is that your question?

24 MS. GUZMAN:    I guess in the second scenario, where you  
25                  said -- you know, the first scenario is to split the  
26                  Class G into the four separate new classes. And the

1 second scenario is just to repay all of the  
2 accumulated dividends.

3 MR. BLUMES: No, not all. Excuse me. I'm sorry, it's  
4 Moe Blumes again. Not to pay all the dividends, but  
5 to pay the \$6794 on an annual basis. In this instance  
6 we would be redeeming the \$100,000 of shares -- let's  
7 use January 15<sup>th</sup>, if that's when the transaction would  
8 happen. We would calculate the number of days on  
9 which the dividend had accrued from June 1 of 2016 to  
10 January 1 -- or January 15 of '17, and pay a dividend  
11 which would be one-quarter of \$6,794 divided by 365  
12 days multiplied by how many days we have from June 1  
13 to January 15. That's how the calculation would be  
14 made. The amount would be in the two or \$3,000 range.

15 MS. SUE: Mr. Blumes, this is Suzanne Sue. I'm thinking  
16 there is some confusion regarding the question that  
17 Staff is asking. Our question goes back to the fact  
18 that the cumulative preferred shares cannot -- the  
19 statement,

20 "The cumulative preferred shares cannot be  
21 redeemed until such time as the cumulative  
22 preferred share dividends in arrears are  
23 declared and paid."

24 **Proceeding Time 1:37 p.m. T09**

25 And Staff is asking if Stargas proposes to pay all of  
26 the dividends in arrears in order to redeem the

1 preferred shares.

2 MR. BLUMES: Moe Blumes again. Suzanne, let me remind  
3 you that the rules of GAAP are provided on the basis  
4 that Silver Star will prepare -- or excuse me, not  
5 Silver Star, Stargas will prepare its financial  
6 statements in accordance with GAAP, except where  
7 directed to an alternative path by the BCUC Orders and  
8 rulings.

9 And if I can refer you to our financial  
10 statements, it will point out there that the financial  
11 statements and the procedures that we follow in their  
12 preparation are those in accordance with GAAP, except  
13 where directed by the BCUC to do otherwise. The BCUC  
14 directs Stargas to pay annually a \$6794 catch-up  
15 dividend, and that is what we do.

16 All of the dividends through to May 31,  
17 2016, have been paid.

18 COMMISSIONER MORTON: Hi, it's Dave Morton here. I'm a  
19 little confused here. It's my understanding that  
20 there is a period of time, and I'm going to say  
21 roughly speaking between 2002 and 2006 or 2007, where  
22 dividends weren't paid. And they have accumulated in  
23 some sort of account -- I think it's called a deferred  
24 dividend payable, or something like that. And that is  
25 now being amortized over, I think, 20 years.

26 So the way I would interpret Staff's

1 question here is that I think they're concerned, or  
2 asking, about the amount -- that amount of unpaid  
3 dividends. And will they be paid out, with regard to  
4 this \$100,000 worth of preferred shares, before  
5 they're redeemed?

6 Do you understand my question?

7 MR. BLUMES: Well, one -- sorry.

8 COMMISSIONER MORTON: Do you understand my question?

9 MR. BLUMES: I do, absolutely, sir. Yes. From the  
10 standpoint of cash out of Stargas, they will be paid  
11 over the 20 years that was originally intended. The  
12 \$100,000 redemption will pay only the dividends that  
13 were due and payable on its current payment. The  
14 current time frame.

15 COMMISSIONER MORTON: Mm-hmm.

16 MR. BLUMES: We're not looking to, and will not be  
17 taking, other than \$6794 a year out of Stargas over  
18 the 20 years.

19 COMMISSIONER MORTON: So the question --

20 MR. BLUMES: I might have mis-spoke earlier when I said  
21 that there was a dividend. There is a dividend to be  
22 paid on the redemption, but it's the current year's  
23 dividend to be paid on --

24 COMMISSIONER MORTON: So, but if there is a requirement  
25 to fully pay all dividends due and payable on those  
26 shares before they can be redeemed, how can that cash

1 not be paid out to the shareholders?  
2 MR. BLUMES: So, sir, if it were -- that goes back to  
3 group 1, with the expensive lawyer bill.  
4 COMMISSIONER MORTON: Right.  
5 MR. BLUMES: And in that instance, we would pay it out  
6 and loan it back without interest. We would loan back  
7 to Stargas the amount that wasn't then due without  
8 interest, and reduce that liability without interest  
9 over the remaining 20 years.  
10 COMMISSIONER MORTON: So what -- and what was route 2?  
11 MR. BLUMES: Route 2 is simply to not pay anything other  
12 than \$6794 a year.  
13 COMMISSIONER MORTON: Okay. So, my apologies. I  
14 understood route 2 --  
15 MR. BLUMES: What?  
16 COMMISSIONER MORTON: I understood you to be saying it  
17 would -- route 2 was to pay the unpaid dividends.  
18 MR. BLUMES: Excuse me, Commissioner, I did mis-speak  
19 earlier.  
20 COMMISSIONER MORTON: Oh, okay. Okay.  
21 MR. BLUMES: You're confusing it with elective funding.  
22 COMMISSIONER MORTON: Okay, thank you.  
23 MS. SUE: This is Suzanne Sue, and I'm going to be asking  
24 some questions with respect to Exhibit B-1, the  
25 amended application.

26 On page 2 of B-1-1, note 4, Stargas

1 discusses changes to the amortization included in the  
2 2017 cost of service. Can you please confirm that  
3 Stargas has rescinded its request to include debt  
4 service in lieu of amortization in its cost of service  
5 application?

6 **Proceeding Time 1:42 a.m. T10**

7 MR. BLUMES: A: A lesson not learned nearly quick  
8 enough, but yes. We will not be requesting the  
9 replacement of dead service for amortization.

10 MS. SUE: Thank you. I have --

11 MR. BLUMES: We are not.

12 MS. SUE: Thank you. I have a second question related to  
13 Exhibit B-1-1, on page 7 -- page 1 the schedule, as  
14 amended test year 2017, shows changes in the interest,  
15 shareholders interest, interest long term debt and  
16 amortization.

17 Could you please provide an undertaking  
18 showing the capital structure and return on capital  
19 proposed in the amended application?

20 MR. BLUMES: You have my undertaking.

21 **Information Request**

22 MS. SUE: Q: Thank you. That is the end of our  
23 questions regarding capital structure.

24 THE CHAIRPERSON: Thank you very much. I believe you  
25 also have some questions regarding operating expenses  
26 around the cost of service items?

1 MS. GUZMAN: Right, that's right. This is Bonnie  
2 Guzman, Commission Staff again.

3 So, my question relating to the operating  
4 costs, if we look at Exhibit B-1-1, the amended  
5 application, I noted in the amended test year 2017  
6 that the management fee is now \$78,173. Can you  
7 explain how this amount has changed and why it has  
8 changed from Stargas's original application of I  
9 believe \$88,127?

10 MR. BLUMES: The -- Moe Blumes again. The difference  
11 simply is to extract the amounts related to our  
12 estimates for preparing and dealing with the  
13 application from its initial filing to its conclusion.  
14 We had a portion of our application costs was borne in  
15 the original estimate, plus we had a raw estimate of  
16 another \$6,000. We now understood that that cost is  
17 to be dealt with separately. We are now estimating it  
18 at \$14,000 and hopefully not rising too far beyond  
19 that. We pulled it out and reduced what was in the  
20 earlier total on the basis that we would defer and  
21 amortize rather than bear the full cost in the test  
22 year.

23 MS. GUZMAN: I see. So just to clarify, it is only  
24 related to taking out the application cost?

25 MR. BLUMES: Right.

26 MS. GUZMAN: Are there any -- I noted as well in one of



1 MR. BLUMES: -- more -- I'm sorry?

2 MS. GUZMAN: Go ahead.

3 MR. FUHR: Sorry, you broke up, Moe.

4 MR. BLUMES: Oh, I'm sorry. The comment with respect to  
5 our failed attempt to attract, we understand,  
6 approximately 40 homes or residences at the resort  
7 still drawing their heat from propane services, and  
8 we've simply come to the understanding that their  
9 costs of conversion against the savings, there is  
10 about a one and a half to two and a half year payback  
11 for volumes of any consequence. Many of the users,  
12 their volume, I guess, doesn't speak to that kind of  
13 payback.

14 So, what we've come to conclude -- it was  
15 more reflective than was it numerical. What we really  
16 have come to determine that if somebody wants to save  
17 annual heating fuel costs, that they'll come to us.  
18 That we would not be pursuing conversions with time  
19 and money, as had we in the past.

20 MS. GUZMAN: I see. So I suppose in the budgeted hours  
21 that were provided, then, it would just be re-  
22 allocated elsewhere, and so the --

23 MR. BLUMES: That -- yes.

24 MS. GUZMAN: Okay, thank you. So my second question is  
25 also related to the management fee. In Exhibit B-2,  
26 BCUC IR 10.7, we ask some questions surrounding the 4

1           percent contingency which is applied to the current  
2           application, compared to the 2 percent contingency  
3           which was in the 2012 rates application. And Stargas  
4           stated in its response that

5                        "We doubled our contingent estimate from  
6                        that of 2012 based on experience through  
7                        2016.

8                                At the same time, in BCUC IR 10.6, Stargas  
9           has provided information which compared budget and  
10          actual management fees incurred from fiscal 2014 to  
11          fiscal 2016.

12                               And Commission Staff did a quick  
13          calculation comparing those two numbers, and we found  
14          that the difference between budget and actual is about  
15          2.5 percent. Can you confirm whether our calculation  
16          is correct, and if it is, you know, the additional  
17          escalation for why a 4 percent contingency is  
18          appropriate?

19   MR. BLUMES:    I would acknowledge that that amount was not  
20                   part of our determination. Simply when setting the  
21                   budget, I was focused on some current circumstances  
22                   related to issues with billing software, issues that  
23                   we'd been dealing with on a regular basis with -- I  
24                   don't want to be too harsh, but sloppy paperwork  
25                   received from unsupervised contractors, that led to a  
26                   number of meter conversion -- or meter switch-outs

1           being incorrectly recorded.

2                       So the 4 percent was more a response to  
3           current sentiment than was it an arithmetic exercise.

4   **Proceeding Time 1:51 p.m. T12**

5 MS. GUZMAN:    I see. Thank you. And I have one last  
6           question, and it refers back to Exhibit B-1 and the  
7           cover -- which is the cover letter submitted in the  
8           original application. On page 2, it says:

9                       "We propose to, effective with our May 31<sup>st</sup>,  
10                      2017 annual report, record the balance  
11                      remaining..."

12           Sorry, on the cumulative dividend

13                       "...as a deferred charge and component of  
14                      equity within our balance sheet, rather than  
15                      by supplementary note disclosure."

16                       Can you comment, or confirm, whether this  
17           change would be in accordance with Canadian accounting  
18           standards for private enterprises?

19 MR. BLUMES:    Again, I fall back on my history in the  
20           profession. I've reviewed this accounting with our  
21           account partner at KPMG, and have their concurrence  
22           that it would be in accordance with accounting  
23           practice. It merely is putting on the face of the  
24           balance sheet that which otherwise appears buried in  
25           the notes to the financial statements. Again, I think  
26           it's largely a disclosure of some consequence, and

1           useful to the reader, not that there's that many  
2           readers of our annual financial statement. But I  
3           think in the interest of both fair and plain  
4           disclosure, it's better on the face of the balance  
5           sheet than hidden or less obvious in a note to the  
6           financial statements.

7 MS. SUE:    This is Suzanne Sue, and I have a question  
8           regarding the management fees that Stargas is  
9           charging. In Exhibit B-1 on page 13, Stargas  
10          indicates that they are going to be forecasting 35  
11          hours of executive time, for the cost of gas  
12          contracting and commodity rates.

13 MR. BLUMES:   Yeah.

14 MS. SUE:    And in response to the SSPOA Information  
15          Request, 12-A, in which Stargas answers the -- in  
16          which the SSPOA asked of Stargas, now has sufficient  
17          expertise on its management team so it does not have  
18          to rely on gas marketers for their professional market  
19          advice. Stargas states it does not seek counsel from  
20          marketers, but from Independent Energy.

21                            If you could please turn to Exhibit A2-9.  
22          This is a copy of the commodity rate approval.

23 MR. BLUMES:    Yes.

24 MS. SUE:    And could you please confirm that the base  
25          contract between Shell and Stargas is still effective,  
26          and that Shell is the current supplier to Stargas?

1 MR. BLUMES: That is the case.

2 MS. SUE: Can you also confirm that Independent is still  
3 appointed as the agent for Stargas in regards to its  
4 gas purchases?

5 MR. BLUMES: Can I say, "God bless him"?

6 MS. SUE: I will take that as a yes.

7 MR. BLUMES: Yes. Yes, it is.

8 MS. SUE: And finally, in its agency arrangement with  
9 Stargas, does Independent review the gas supply  
10 contracts for Stargas and compare or evaluate these  
11 against gas supply alternatives, including supplies  
12 from a marketer other than Shell, or supplies from  
13 Fortis, under its (inaudible) rate. Please -- and if  
14 yes, please describe the nature of these reviews.

15 MR. FUHR: Do you want me to answer?

16 MR. BLUMES: So, yes, Ken, if you would.

17 MR. FUHR: Yes. So what my role is, is to review all  
18 options for Stargas in terms of procurement. So, I do  
19 look at gas marketing options as well as other  
20 producer options. So no different than each year we  
21 look at various options available to Stargas.

22 **Proceeding Time 1:56 a.m. T13**

23 I do have other clients purchasing from  
24 other than Shell, BP, as an example. I do purchase  
25 gas for other customers from marketers, so I am  
26 constantly reviewing all those different options.

1                   What enables Stargas to purchase directly  
2                   from a producer, which is cheaper than buying from a  
3                   gas marketer, is their credit standing as a utility.  
4                   Not all customers have the ability to purchase  
5                   directly from a producer, which eliminates the  
6                   middleman. If you do not have solid credit, you are  
7                   buying from a gas marketer who purchases from a  
8                   producer and then marks it up.

9                   So, what the arrangement that I recommended  
10                  to Stargas is a direct purchase from a producer, which  
11                  is the same manner then when I worked for Fortis years  
12                  ago, they called BC Gas. We copy what the utility  
13                  does, which is try to purchase directly from the  
14                  producer at the best cost possible.

15                 The other thing I do for Stargas is I  
16                 combine with other clients. So, they're not  
17                 purchasing -- they are not my only client purchasing  
18                 from Shell. I also represent much larger customers  
19                 than Stargas. So we pool the resources to bring  
20                 volumes bigger than just Stargas, to try to get the  
21                 best rates out of the producer that we can.

22 MS. SUE:     Okay, thank you. I believe that is the end of  
23                 the Staff questions.

24 THE CHAIRPERSON:   Thank you very much indeed. I'd like  
25                 to turn it over now, if I may, to Mr. Waberski, and  
26                 your team at the Silver Star Property Owners

1 Association to start your questions, please.

2 MR. WABERSKI: Thank you very much.

3 I guess I'd like to start out with a  
4 question, which resulted from the document that was  
5 filed today, document A-2-10, which had a highlighted  
6 section. I noticed on the order, under "D" it said in  
7 2002, intervenors had provided submissions. I was  
8 under the impression historically, that Stargas had  
9 only been represented by intervenors in 2005. Is that  
10 a misprint or has there been a number of times where  
11 intervenors have presented in matters of Stargas?

12 THE CHAIRPERSON: Sorry, can I just confirm, are you  
13 directing this question to Mr. Blumes?

14 MR. WABERSKI: Yes, I'm sorry, I should have said, yes,  
15 Mr. Blumes.

16 Have you had experience other than in 2005  
17 and today, with an intervenor?

18 MR. BLUMES: The answer is to the best of my recollection  
19 yes, we had at the original formation of Stargas and  
20 it is been regulated, and I think that goes back to  
21 2002, there was an actual hearing at the resort that  
22 -- whether there were interested parties or  
23 intervenors. There was interaction with interested  
24 involved members of the community at Silver Star.

25 Past that date, I can say that on our  
26 recent history in annual commodity applications has



1 contract, as we will be seeking to contract  
2 operating and maintenance costs (levied by  
3 the utilities contractor) based on time  
4 incurred rather than volumes delivered or  
5 number of customers served."

6 That statement was made 11 years ago. Do you believe  
7 that it actually came to fruition?

8 MR. BLUMES: Only in part. You know, the process of  
9 negotiation, and I'm sure you're familiar with it,  
10 involves two parties, give and take, and the prospect  
11 of alternatives. The relationship with Fortis  
12 Alternate involved a whole host of varied services,  
13 the detail of which I'm not going to go into. But  
14 there are an array of services that they provide and  
15 while I was optimistic in writing what you earlier  
16 read, and perhaps too optimistic, we did in resolving  
17 our renewed contract with that firm make some headway.  
18 And the costs that would have otherwise come had we  
19 not that success would have been significantly larger  
20 than we are now absorbing and our ratepayers  
21 compensating us for.

22 Am I done?

23 MR. WABERSKI: Yeah. No, that's fine. That's fine.

24 MR. BLUMES: I'd like to go on, if I may.

25 MR. WABERSKI: Certainly.

26 MR. BLUMES: Is the next negotiation going to be rubber-

1 stamping what's in the current? I would like to think  
2 that there are improvements yet to be made.

3 MR. WABERSKI: Oh, you can read my mind. So are we going  
4 to be sitting here in a couple of years when this  
5 contract expires, and going through the same process?

6 MR. BLUMES: Well, I have discovered that the best way to  
7 have a negotiation is to have the parties at the  
8 table. I can't speak to the position that -- there  
9 are competing opportunities for a service contract for  
10 the utility. On the other hand, none of the competing  
11 opportunities represent a full plate of the services  
12 needed. And I speak quickly -- or simply, to the  
13 emergency response provision in the existing contract.

14 Be difficult to find another expedient  
15 alternative. So, you are aware, sir, that the  
16 contract reviewed by the Commission and its costs  
17 borne under it allowed within our revenue requirement  
18 based on that review,

19 **Proceeding Time 2:05 P.m. T15**

20 So, I would expect that when the contract  
21 is up for renewal, that we'll be doing our damndest to  
22 affect further efficiencies in the contract. But you  
23 can be assured that I'll be doing my best. Whether  
24 that is good enough, I'm not sure.

25 MR. WABERSKI: When you negotiated that contract, it was  
26 eight years ago, I'm assuming that obviously delivery

1 rates have changed over the years. By looking at it  
2 today, would you consider that you have reached a good  
3 deal or just a fair deal?

4 MR. BLUMES: I think we are on the sunny side of the  
5 rainbow. I can't be more specific than that.

6 MR. WABERSKI: I guess what I'm going towards, when I  
7 look at the difference between what Fortis charges out  
8 at \$4.02 a GJ, to what was originally your proposal in  
9 \$6.93, the differential of \$2.91 a GJ, when I go  
10 through and I look at all of your income statement on  
11 B-1 page 10, interestingly enough that differential  
12 comes to \$118,000 approximately. So, if I was to  
13 extract the management fee that is charged to Stargas  
14 of \$122,000, it almost works out that Fortis is  
15 collecting net of income tax dividends, interests and  
16 amortization, exact -- collecting for every customer  
17 along that line. Would that be a fair statement?

18 MR. BLUMES: Moe Blumes again. The \$4 that you compare  
19 to our rate, is missing one important factor. That is  
20 the denominator in the calculation. We have 287  
21 customers paying us for about 40,000 GJ annually. I  
22 daresay that you would multiply the denominator in the  
23 Fortis calculation by several hundred thousand  
24 customers, rather than 400 or 300. And that, sir, is  
25 the reason that they're at \$4, and we're at 7, or  
26 close to 7. It has really very little to do with the

1 hard costs of running a business, which I believe,  
2 sir, that we have supported in great and glorious to  
3 detail. To say nothing of the fact -- well, I'm not  
4 going to say nothing, because you've incited me to say  
5 something.

6 The rates that we charge, yours truly at  
7 140 odd dollars an hour, Murray at 60-odd dollars an  
8 hour? There is evidence on the file that those rates  
9 are about a third of what they would otherwise be in  
10 an arm's length situation. So sir, the 100-odd-  
11 thousand dollars, which isn't by the way \$100,000 of  
12 management fee, it includes hard costs like insurance,  
13 paying the bank for handling the deposits, paying our  
14 meter reader to knock the ice off the meter before he  
15 can read it each month. Our management fee is  
16 \$80,000, sir, and were I to put the work that Murray,  
17 Mike and I do out to tender to any one group that  
18 could handle, as we do, as efficiently as we do those  
19 services, I dare say the costs, sir, would be in the  
20 \$200,000 range.

21 MR. WABERSKI: If I might, I was commenting more on the  
22 contract that Fortis has, is to my mind, what they are  
23 charging Stargas, is a very decent contract. That  
24 they are getting exactly what they would be getting if  
25 they were delivering the gas to a customer, not  
26 whether or not you are --

1 MR. BLUMES: Oh, excuse me, I missed that subtle -- or  
2 maybe it wasn't so subtle, but I missed it regardless.  
3 The --

4 THE CHAIRPERSON: Excuse me, Mr. Blumes, before you  
5 answer that question, can I just confirm what  
6 precisely -- which contract you are referring to, Mr.  
7 Waberski?

8 MR. WABERSKI: I am referring to the amount that Stargas  
9 pays to Fortis Alternate Energy Service.

10 MR. BLUMES: Yeah, that is Alternate, yeah.

11 THE CHAIRPERSON: So, as we mentioned at the beginning of  
12 this agreement, that is actually a confidential  
13 agreement I believe. If you want to pursue -- do you  
14 want to pursue any detailed questions around that,  
15 because if so, then we have to take this session *in*  
16 *camera*?

17 **Proceeding Time 2:15 p.m. T16**

18 MR. WABERSKI: No, it's -- pardon me, it's not at all.  
19 Most of this stuff was basically outlined in Exhibit  
20 B-1, page 10, and I was just commenting on the  
21 observations that really the deal on that contract is  
22 very much -- Fortis is very happy with it, because  
23 they're getting exactly the same money as if they were  
24 doing the gas themselves. But I think I made my point  
25 on that one.

26 THE CHAIRPERSON: If I could possibly ask, rather than

1           commenting on this, do you have specific questions for  
2           Mr. Blumes?

3       MR. WABERSKI:    Yes, I do.

4                        Mr. Blumes, could you -- in part of that  
5           contract, in your presentation, in our question 9B, in  
6           Exhibit B-3, you stated that in the fall of this year,  
7           you approached FortisBC, and I'll quote, "seeking to  
8           relieve them of what we estimate is approximately \$200  
9           per month expenditure for postage". And that you  
10          wanted FortisBC to share 50 percent of the \$500  
11          development cost of an e-mail-based distribution of  
12          all invoices.

13                      You go on to state that you want to receive  
14          a reduction in the basic rate but they did not agree  
15          to pass these savings on, but did agree to fund \$750  
16          to develop e-billing system.

17                      So my question, from that statement, who is  
18          controlling our basic charge? The contractor or  
19          Stargas?

20       MR. BLUMES:    Well, sir, there are two basic charges; one  
21          reflected in the bill that we receive monthly and pay,  
22          and another, the basic charge that is included on each  
23          of our customers' bills.

24                      There is a fixed fee included on our  
25          monthly account from Fortis Alternate that has within  
26          it, buried within it, their costs incurred in mailing

1 monthly statements to customers in Australia, the U.K.  
2 and the United States, as well as in and around  
3 Canada.

4 Our approach to them was to say that we  
5 can, working with a software fellow that we're  
6 associated with, could create a facility built off of  
7 their billing profile that would e-mail each of our  
8 customers their bills. We would recognize each of our  
9 customers would have to accept that delivery. But  
10 that were they all to, that Fortis Alternate would  
11 save two to \$300 a month. And we thought it a fair  
12 proposition that if they were to save \$300, that our  
13 ratepayers should share in that savings.

14 They came back to us, after once and then  
15 twice asking, saying, "No, we'll give you \$750 of the  
16 \$1500 estimate it will take you to prepare that  
17 facility, but we will not share the ongoing savings."  
18 My math told me that I would have spent \$750 of  
19 ratepayer money for no gain. I therefore determined  
20 that unless they were willing to share, which they  
21 proved that they were not, that it didn't make  
22 economic sense for me or for my ratepayers for me to  
23 proceed with the investment of the \$1500, net 750.

24 Sir, that is one element that might be re-  
25 discussed when we re-negotiate the contract.

26 MR. WABERSKI: So if I'm really hearing you right, the



1 as development proceeds. He sends by -- he enters  
2 them on the sheets, e-mails them one by one to Murray,  
3 my associate, who then goes on the Star -- the billing  
4 system provided by Fortis, and enters 287 readings,  
5 careful to deal with all the ink blotches or whatever  
6 that appear on a piece of paper that has been out in  
7 the snow. And that is sent to -- not to Fortis  
8 Alternate, but rather to a Fortis department called  
9 Fortis Measurement, who applies factors to it, and  
10 ships to Fortis Alternate a billing summary,  
11 electronic again, that identifies the gigajoules that  
12 have been delivered to each of our customers.

13 They send to us, and we enter on our end,  
14 each of the payments that we've received in one of  
15 four different streams, and send a file to them  
16 electronically, supported by a hard copy print-out,  
17 showing the deposits customers have made for the  
18 month. And then the Fortis Alternate software, I hope  
19 they won't mind, because I'll point out that it is  
20 sadly in need of update, run a billing routine, and  
21 sends, now me, soon Mike. I do the work as an  
22 accountant, not as an executive, of proving that  
23 they've got everything right, or almost right. And  
24 that involves manipulating a spreadsheet that has  
25 something like seven, 800 lines in it. Re-sorting it  
26 to identify appropriate classifications.



1 MR. BLUMES: This was an audit -- I'd have to look at my  
2 records, sir, as to the time frame. It's two or three  
3 or four years ago. And we ended up getting assessed  
4 and having to pay a significant liability for  
5 sufficient remittance of sales tax, and then we turned  
6 around and attempted to collect, and were largely  
7 successful but not totally successful in collecting  
8 what we had to pay.

9 And as a follow-on to that, we sought to  
10 understand whether in the rules of the PST  
11 application, whether there was an opportunity for  
12 homeowners with little rental an opportunity to go  
13 back to the \$15 rate, and were to learn that that was  
14 not going to be possible.

15 MR. WABERSKI: So I guess what I really hearing, you  
16 state that Stargas was required to reclassify them as  
17 such, within our available rate codes. So I'm reading  
18 into that the fact that you charged them \$25 because  
19 that was the only rate code that allowed somewhere in  
20 between you and Fortis to be able to put on 7 percent.

21 MR. BLUMES: That, sir, is correct.

22 MR. WABERSKI: So, would it have been too much trouble to  
23 create a new rate code at \$15 and charge PST on it?

24 MR. BLUMES: That was the other part of my answer, sir.  
25 We sought a clarification with PST advisors, experts,  
26 and were -- what we're to determine that it was

1           neither black nor white. That there was -- it was  
2           very much a function of individual -- how much rental  
3           was there? Did the fact that I simply put my unit, my  
4           condo at Silver Star into a rental pool, did that move  
5           me up in utility costs by \$120 a year? And the  
6           answer, sadly, was yes.

7 MR. WABERSKI: Oh, you're talking about taxation, which  
8           is one thing. But I'm just wondering why it is that  
9           you have to charge a \$25 fee when it's actually a  
10          residential rate. It should only be a \$15 fee.

11 MR. BLUMES: Because that's what I have to remit to the  
12          government.

13 MR. WABERSKI: \$25?

14 MR. BLUMES: No, the PST --

15 MR. WABERSKI: No, I understand the PST. But why would  
16          you have to charge \$25 for the meter basic rate?

17 MR. BLUMES: I think I've answered that, sir.

18 MR. WABERSKI: Okay, I'll let it go.

19                         So, to follow up with that, I note in your  
20          submission, B-1, you state,

21                         "We have had exploratory conversations with  
22                         major (2 of the 6) customers to share with  
23                         them our plans with respect to both delivery  
24                         and commodity rates. In addition to  
25                         management of one of our larger customers,  
26                         the one individual acts as rental agent on a

1           large number of residences made available  
2           for short-term rentals at the resort (and  
3           will, thereby, be a conduit to residential  
4           customers on both those discussions and the  
5           applications as filed)."

6           Could you explain to me what you did in that context?

7 MR. BLUMES:    We have -- and yet again I will apologize to  
8           not knowing of the existence of your Association. But  
9           we do have relationships with a number of people that  
10          shared a history with yours truly at the resort, and  
11          our involvement in preparing this application and  
12          dealing with whatever responses were provided, has  
13          been to caucus with those that we are familiar with,  
14          and who know us.

15                   I'm not going to mention names, because  
16           that would be inappropriate. But we do have ongoing  
17           relationships with business owners at the resort and  
18           value input we received from those. And sir,  
19           hopefully past this date we can find a way to interact  
20           faithfully and honestly, one with another.

21   **Proceeding Time 2:25 p.m. T19**

22 MR. WABERSKI:    The reason I bring this up is regarding  
23           the sales tax. I did do some inquiry and then  
24           contacted one of the largest managers of complexes  
25           here at Silver Star, and they have -- I asked them if  
26           they had any conversations from you, regarding the

1 ability of them to collect a tax refund on a portion  
2 of the condominium complexes that are not being  
3 rented. And I found it surprising when you note your  
4 management in terms of rates of building and dealing  
5 with your stakeholders, that you have not the same  
6 effort explaining to them that while they are paying  
7 that sales tax because of the audit, that they could  
8 in fact get a refund.

9 MR. BLUMES: I apologize for not knowing that, but  
10 excuse me, but do you really expect that I should  
11 have?

12 MR. WABERSKI: Well, to me, you know, the business of  
13 collecting the sales tax and being asked by the audit,  
14 you're classifying the entire complex as commercial,  
15 when in fact maybe only 20 percent of it is being  
16 rented, that you might inform your customers that "I  
17 have to charge you for the whole thing, but you could  
18 actually claim a refund back for the 80 percent that  
19 is not being dealt with commercially."

20 THE CHAIRPERSON: Mr. Waberski, sorry to interrupt, but  
21 can I just confirm that this is directly related to  
22 the revenue requirement and the cost of providing  
23 service?

24 MR. WABERSKI: I think I'm alluding to two things. One  
25 is that I think the \$25 fee for a residential  
26 condominium is excessive, just because of the

1 classification. The second one was to point out that  
2 Mr. Blumes tends to denote a lot of time provided in  
3 relation to building and marketing, and I was just  
4 surprised that these kind of issues have not been  
5 discussed.

6 MR. BLUMES: I will -- Mr. Blumes again. I will offer  
7 that this is a matter worthy of further consideration,  
8 and you have my undertaking to work with you, or  
9 others, to see if there isn't something that can be  
10 done in the area. That it hasn't been drawn to my  
11 attention before, sad, but it is something that I am  
12 quite comfortable to agree needs to be looked further  
13 into and happy to do so.

14 I understand also that it's really not  
15 terribly related to our revenue requirement, but it is  
16 an opportunity we've had to share a concern and you  
17 have my undertaking to respond to it.

18 MR. WABERSKI: The other point you raised earlier on was  
19 the high cost of converting to natural gas forcing you  
20 to abandon your marketing aspect to the propane users.  
21 May I ask you, we've raised in here that the high cost  
22 of installation is an issue that we feel is a  
23 deterrent to gas up here at Silver Star, to the point  
24 that in my subdivision, which is a brand new  
25 subdivision, there are ten houses out of the 49 built  
26 on, in which two of them did not choose to install,



1           that I own the meter, but after seven years it's your  
2           cost to replace that?

3 MR. BLUMES:     Under contract Fortis will rotate the meter  
4           to recalibrate it to ensure its accuracy. I think  
5           that's of our interest.

6 MR. WABERSKI:    I would like to reiterate our pleasure  
7           that the replacement of the amortization and the cost  
8           of service and the debt has been resolved so that we  
9           can afford that. Will we be looking forward to seeing  
10          the amortization (inaudible) produced in 2019 when  
11          your amortization will go I believe down to about  
12          \$16,000 a year?

13 MR. BLUMES:     Yes.

14 MR. WABERSKI:    So we could probably expect to see a  
15          dollar kilojoule off of our rates in two years?

16 MR. BLUMES:     I would say to you that there is a further  
17          reduction. There is, I think, in respect of the  
18          proposed reduced rates currently, absolute clarity on  
19          the impact of volume. There's absolute clarity on the  
20          impact of our determination as to how to deal with the  
21          application costs.

22                    But there is still and remains considerable  
23          fuzziness with respect to how will the impact of rates  
24          allow us to earn both a return on and of our -- now  
25          assuming the \$100,000 redemption approved, we will  
26          still have \$300,000 invested in Stargas, 340 with the

1 advances. Plus may I remind you with all sorts of  
2 additional off balance sheet security to maintain the  
3 standings that allow us to take gas directly from  
4 Shell and other costs efficiently.

5 But we expect to work with the Commission  
6 to resolve what appears to be a dichotomy between  
7 earning -- and as is our due, a fair return on our  
8 investment, while at the same time including in our  
9 revenue requirement those costs that are --  
10 conventionally they are included.

11 So when I say that in reduction of  
12 amortization in 2019 that there will be a reduction in  
13 delivery cost, I can say that with I think confidence.

14 But to then make the next statement that it  
15 will come with a reduction approximating a dollar per  
16 gigajoule, I can't offer comfort on that because  
17 that's very much a consequence of how it is that we  
18 could still, in that scenario, earn, as we are  
19 entitled to, a full and fair return on our \$300,000  
20 investment, as well as to have in the prospect of a  
21 promising future, the recovery of the \$300,000 as well  
22 as its investment.

23 **Proceeding Time 2:34 P.m. T21**

24 Frankly, I'd be quite comfortable to leave  
25 the 300,000 there for my grandchildren if we are  
26 earning a shared full return on it, but that isn't how

1           these things work.

2 MR. WABERSKI:   Aren't you earning 9 and a half percent in  
3           that regard?

4 MR. BLUMES:     Very comfortably, very happy to currently.

5 MR. WABERSKI:   I think everybody here would love to have  
6           9.5 percent on --

7 MR. BLUMES:     Sir, that is the benchmark return plus a 75  
8           basis point increase based on the risk that Doug  
9           Buchanan and Will Blumes took to create this thing  
10          now 16 years ago. I dare say had you been offered the  
11          prospect of investing \$400,000 back in 2002 when we  
12          did, against the promise of the return on the if-come-  
13          maybe basis, I'm not sure if you, sir, would have  
14          proffered your share of that lucre.

15 MR. WABERSKI:   No, I concur with you. My role here as a  
16          ratepayer when I pay my bill and that's where I am  
17          coming from.

18 MR. BLUMES:     And I say that that's an issue that we're --  
19          I think of all the matters before us, and the  
20          Commission, the resolution of how to accommodate the  
21          competing interests are earning a return on our  
22          investment against conventional rate base methodology,  
23          that leaves us in a bit of a chasm.

24                   I have suggested that I know what I would  
25          think appropriate, and I have seen if by inference,  
26          not implication, what Commission Staff might think

1       appropriate, and hopefully in the next days we will  
2       reconcile that difference and find agreement that  
3       allows us to settle on a rate reduction with respect  
4       to that component of the three tiers in reductions  
5       that we're now contemplating. As well as to establish  
6       a pattern that others can follow.

7                Sir, I am 73 years of age. I am very proud  
8       of the ability I have to interface, admittedly the  
9       patience of Commission Staff very important to that  
10      process, to look after Stargas, and I expect to be  
11      able to do so for many years to come.

12               But, without -- absent a pattern and an  
13      understanding between and amongst the parties engaged  
14      in and concerned with the rates we charge, simply I  
15      can't -- wouldn't ask either of my associates, both my  
16      sons, to face the four months that I have been dealing  
17      with in addressing this attempt initiated by me, a  
18      rate reduction initiated by me, for the purpose of  
19      establishing one, a lower rate for ratepayers, but  
20      two, a path for the succession of this business on a  
21      clear and readily understandable basis to my heirs.

22               So, I am hopeful that this process will  
23      have, when resolved, accomplished your objective and  
24      mine.

25   MR. WABERSKI:    And again, it is not that we discredit the  
26      fact that we are looking for a reduction in rate, but

1 going through this process allows us, which we have  
2 done, is had an examination of various other aspects  
3 of how Stargas operates, hence our intervenors.

4 **Proceeding Time 2:38 p.m. T22**

5 You made a comment that insurance  
6 requirements are acquired by the resort for business  
7 -- or are within the resort, and that most of these  
8 are exclusively for Stargas, and that the resort is  
9 named in the commercial policy as required by them.  
10 As I said, we were looking at all aspects of our costs  
11 that the ratepayers pay, and insurance was one of the  
12 issues.

13 Can you explain to me, when we queried the  
14 requirement from the Silver Star, and I got the reply  
15 back, I asked about confirmation this morning from our  
16 director of operations, who is also our risk manager,  
17 and administers all certificates of insurance, and he  
18 has never asked for nor received a certificate of  
19 insurance from Stargas.

20 So how do we have confidence that the  
21 insurance levels that we are paying for are in fact in  
22 the interest of the ratepayers?

23 MR. BLUMES: I'm going back in my memory, and I'm not  
24 sure with whom the request came. But I remember  
25 specifically being asked to insure -- sorry, to  
26 provide that \$5 million of our liability coverage was

1           noted as due and responsible for -- regardless, and  
2           that when asked that question, and it was posed not as  
3           a question but as a requirement, it was said to me  
4           that that requirement was consistent with the  
5           requirement levied other businesses. And frankly at  
6           the time seemed a reasonable undertaking, not only by  
7           my business but by all those that are operating within  
8           the resort.

9                        So, I'm not sure where the contradictory  
10           counsel is. And, sir, were I told that liability  
11           insurance need no longer name Silver Star, I can tell  
12           you that from my own point of view, or my family's  
13           point of view, I'm not sure that having relieved of  
14           that requirement that we would be willing to reduce  
15           our own liability coverage even one nickel, on the  
16           basis that we're operating a gas utility, and the  
17           insurance requirement related to the potential risk in  
18           ownership of just that warrants careful, you know,  
19           assessment of appropriate levels of insurance. And  
20           we'll never --

21 MR. WABERSKI:    Sorry, I didn't -- Mr. Blumes, you just  
22           alluded to the fact of your family. So my friends  
23           understand that your cheque policy actually ensures  
24           your operating company and your investment company and  
25           yourselves as well?

26 MR. BLUMES:      Excuse me, sir. That would be fraudulent.

1 I would not do such a thing.

2 MR. WABERSKI: I'm not accusing you of being fraudulent.

3 I just asked -- you mentioned your family.

4 MR. BLUMES: No -- well, the question goes to, who is  
5 covered. The coverage secures Stargas and only  
6 Stargas. Mr. Blumes, Mr. Isles, and Mr. Blumes Jr.,  
7 are directors of Stargas. Were there to be a  
8 liability incurred through a gas disaster at Silver  
9 Star, Stargas directors would be exposed to liability.  
10 There would be no confusion here. We need to be  
11 covered, and we will insist on being covered.

12 MR. WABERSKI: I'm going to let that one go for now.

13 Thank you.

14 Can you just describe for us, on the same  
15 context as we've had this issue that the  
16 misunderstanding about our swimming pool -- you say on  
17 page 13 of your submission B-1 that you spent 16 hours  
18 per year interfacing with the resort.

19 Could you tell us, 'cause it seems as  
20 though this misunderstanding with the pool sort of  
21 brought to light -- that I'd like to know how many  
22 times you visited Silver Star over the past four  
23 years, when you say that you've devoted 16 hours per  
24 year?

25 **Proceeding Time 2:43 p.m. T23**

26 MR. BLUMES: Okay. In the past ten months, once. Prior

1 to that my memory wouldn't allow me to recount. I  
2 could counsel with my wife, who generally is with me  
3 when I do that. But in the last eight months, but  
4 once.

5 MR. WABERSKI: One last question concerns the 10 percent  
6 markup that you pass on, which you rationalize as  
7 being justified. In the submission that was placed  
8 today, A2-10, as I said, I saw the interveners, but  
9 more to my surprise, on the second page of number 2,  
10 it reads:

11 "The application for non-discretionary  
12 administrative cost recovery fee of 10  
13 percent on the cost invoiced by contractors  
14 for all customer initiated work..."

15 and here's where I'd like to emphasize,

16 "...except for the installation of new  
17 customer services is approved."

18 Now, this was Order number G-80-02. And I  
19 do know that you had gotten some orders that allow for  
20 the ten percent, and we maintain that we really don't  
21 think you should be entitled to ten percent. This is  
22 a conflicting one, but yet agrees with our stand, and  
23 I just point that out. Your thoughts?

24 MR. BLUMES: Two things. I was unaware of the  
25 inconsistency, but there is, I will tell you, a  
26 significant involvement in administrative time

1 coordinating activities between the contractor to  
2 Fortis Alternate, Fortis Alternate attempting to  
3 coordinate with customers, realtors who are buying or  
4 selling. It's a -- whether the ten percent is  
5 compensation sufficient when added to the time taken  
6 to provide the coordination is moot.

7 But I will tell you that there is an  
8 incremental cost involved, and our position would be  
9 -- in solving the apparent conflict, our position  
10 would be that we are fully and fairly entitled to a  
11 mark-up and that mark-up of ten percent is again full  
12 and fair.

13 MR. WABERSKI: I think that brings to a close our  
14 questions for Al, thank you.

15 THE CHAIRPERSON: Okay. Thank you very much Mr.  
16 Waberski.

17 David, did you have any questions?

18 COMMISSIONER MORTON: Yes, I just have a couple of  
19 questions, please, Mr. Blumes.

20 You were talking a few moments ago about --  
21 and I'll paraphrase here, a bit about the investor's  
22 right to earn a return on their investment, and I'd  
23 just like to ask you, would you agree that there's a  
24 difference between Stargas earning a return on the  
25 money it's got invested in utility assets and you  
26 earning a return on the money that you have invested

1 in Stargas? Would you agree that those are two  
2 different concepts?

3 MR. BLUMES: I'm not sure I would, sir, no.

4 COMMISSIONER MORTON: Okay.

5 MR. BLUMES: We have -- if I were to pursue and attempt  
6 to make a distinction, we have an investment in  
7 Stargas assets, yes. We have an investment necessary  
8 to be made to sustain the existence of Stargas through  
9 the period in which it was losing significant amounts  
10 of money because there wasn't volume sufficient, you  
11 know, to generate a return.

12 So when Suzanne notified by question in one  
13 of the interrogatories that we had to remove from our  
14 determination of rate base, the deferred amortization,  
15 I complied and filed amended determinations of what  
16 our ongoing rate basis was -- rate base would be, but  
17 did so using as follows.

18 **Proceeding Time 2:48 P.m. T24**

19 We simply made a journal entry on our  
20 accounts, moving costs from fixed assets to a cost  
21 called deferred charges. And somehow in the wisdom of  
22 the Commission, that cost us the potential to include  
23 that amount in our rate base. I didn't argue at the  
24 time because frankly I didn't understand at the time  
25 that it would have the consequence that now it is  
26 suggested that it might have.

1                   So, no, I cannot accept that I have two  
2                   investments in Stargas. You are suggesting, sir, that  
3                   I have an investment in fixed assets and that I have  
4                   an investment that was occasioned by the incurrence of  
5                   loss. And that those two have some separate meaning  
6                   within the ratemaking methodology. That, sir, would  
7                   be unacceptable a determination leading me to suggest  
8                   then that I go to my banker and see how much more  
9                   money I can borrow to replace additional amounts of  
10                  preferred shares with bank debt that I would trust  
11                  since, you know, historically and to date, we have not  
12                  been including or we had included in any of our  
13                  revenue requirement calculations to date, a return on  
14                  the debt that we have.

15                  But -- so if your distinction becomes an  
16                  absolute dictum by the Commission, then my response  
17                  would be to attempt to convince my banker that I  
18                  should borrow yet another several -- well, I won't  
19                  guess as to how much, to redeem additional preferred  
20                  shares, and would expect that in the interest of  
21                  conforming your understanding of what my investment is  
22                  with what my investment then would be, that you would  
23                  approve my redeeming additional amounts of preferred  
24                  shares, and that the replacement debt would for rate  
25                  making purposes have a cost included in my revenue  
26                  requirement.

1                   I believe that fairness demands that that  
2           alternative, if pursued be respected. But hopefully  
3           it shouldn't come to that, because again, I cannot  
4           make the distinction that you make.

5   COMMISSIONER MORTON: Thank you. A further question,  
6           would you agree that over time as a utility collects  
7           amortization from its customers, that the value of its  
8           rate base decreases?

9   MR. BLUMES: I agree.

10   COMMISSIONER MORTON: And would you agree then that the  
11           return that the utility collects from its customers  
12           should also decrease as the rate base decreases?

13   MR. BLUMES: Yes sir.

14   COMMISSIONER MORTON: Okay, thank you. Can I also ask,  
15           are you still -- as Commissioner Mason suggested  
16           earlier, are you still looking for an advanced  
17           approval to enter into the bank loan? Is that  
18           correct?

19   MR. BLUMES: What I would suggest is -- and I would hope  
20           can be approved within the timeframe that would allow  
21           me to meet the bank's December 31 deadline, what I  
22           would like to see the Commission approve is the  
23           reduction that's related to volume. In other words,  
24           the 35 cents related to volume increases over our  
25           amended costs. I would like to see the Commission  
26           approve the reduction that we're contemplating with



1       like to award our ratepayers a reduction effective  
2       December 1 from the \$7.38 to -- and I don't have that  
3       number in front of me, but it's in the \$6.98 range.  
4       I'd like to do that effective on my December 1<sup>st</sup>  
5       billing. And with the expectation that when resolved  
6       as to how fairly for both parties, ratepayer and  
7       utility, we've resolved how to accommodate what we  
8       know is going to be a reduction related to the re-  
9       financing. That then that further reduction would be  
10      added -- or in this case deducted, from the rate going  
11      forward from our having determined that amount.

12   COMMISSIONER MORTON:   Okay.

13   MR. BLUMES:       So that would be my hope, sir.

14   COMMISSIONER MORTON:   Okay. I'd just like to clarify,  
15      please, Mr. Blumes. Are there not -- you split the  
16      world up into three buckets there. Reduction of rates  
17      associated with volume, reduction of rates associated  
18      with an amortization of application costs, and a  
19      reduction of rates associated with restructuring your  
20      capital structure, or changing your capital structure.

21                    Are there not -- isn't there not also a  
22      change in the management fees? Is that -- or am I  
23      misunderstanding something here? Is there --

24   MR. BLUMES:       There is -- in that amount, no, sir. That's  
25      covered by the determination we discussed in Tier 2  
26      for the amendment to amortize the application costs.

1           Since that was buried in the --

2   COMMISSIONER MORTON:   It's part of that.   Okay.

3   MR. BLUMES:    Yeah.

4   COMMISSIONER MORTON:   All right.   So, let me rephrase the  
5           question I asked just a few minutes ago, then.   Let's  
6           look at the world a slightly different way.   Let's  
7           look at the world of -- if all of the changes to your  
8           cost of service calculation, which includes those  
9           changes that arise from a change in capital structure  
10          and all of the other changes, and that's change bucket  
11          number one.   And then bucket number two -- or approval  
12          number one.   And approval number two is the approval  
13          that you need to enter into a bank loan, or to incur  
14          more debt.

15                        If you don't -- if you're not able to get  
16          the approvals in bucket number one by December 31<sup>st</sup>, or  
17          January 2<sup>nd</sup>, or whatever time frame you need there, do  
18          you still -- are you still seeking an advance approval  
19          for the bank loan?

20   MR. BLUMES:    The bank approach, or approval, is entirely  
21           independent of the other two buckets.   I would --

22   COMMISSIONER MORTON:   And the redemption of the preferred  
23           shares.   That's what you're looking for the loan for.

24   MR. BLUMES:    The redemption and bank loan are a single  
25           bucket.   They're --

26   COMMISSIONER MORTON:   Okay.   And you want advance

1 approval of -- you would like advance approval of  
2 that, even if --

3 MR. BLUMES: If I have advance approval of that, and only  
4 that, I'm happy to proceed to resolve those other  
5 items in the normal course, or in due course. I  
6 merely suggested attaching the two because I think  
7 that we're probably into a rather more protracted  
8 period of time discussing the resolution of that third  
9 bucket to our mutual satisfaction, than just days or  
10 even weeks. So that it seemed to me in fairness to  
11 ratepayers that the first two buckets be approved on  
12 basis of information.

13 **Proceeding Time 2:58 p.m. T26**

14 COMMISSIONER MORTON: Sorry, I had outlined two buckets,  
15 now there's three buckets, so I'm a little confused.  
16 So there's a --

17 MR. BLUMES: I'm sorry. The third bucket is the  
18 refinancing and the redemption.

19 COMMISSIONER MORTON: Right.

20 MR. BLUMES: The first two are the amortization of  
21 the --

22 COMMISSIONER MORTON: Okay.

23 MR. BLUMES: And the volume bucket.

24 COMMISSIONER MORTON: So to be clear then, in your  
25 scenario, you are seeking approval of a third bucket  
26 on a timely -- within the next few days, as I

1 understand it.

2 MR. BLUMES: Correct.

3 COMMISSIONER MORTON: Regardless of when the approval for  
4 the first two buckets come.

5 MR. BLUMES: Yes, sir.

6 COMMISSIONER MORTON: Okay, thank you.

7 THE CHAIRPERSON: Mr. Blumes, if I could just ask one  
8 clarifying question as well, please. When you are  
9 referring to asking for approval of redemption of  
10 preferred shares, you referred earlier to some -- a  
11 set of alternative ways in which this could be  
12 achieved, and that it sounded to me as though each of  
13 these methods would involve multiple transactions.  
14 Can I ask whether we've had a submission in detail of  
15 how these would be achieved and, you know, for the  
16 Commission to review?

17 MR. BLUMES: Well, my -- I reviewed the prospect of two  
18 approaches to dealing with it. One was to involve a  
19 substantial legal hassle to reclassify and to formally  
20 dignify the transactions in a step-by-step process  
21 that would admittedly involve my writing you a two- or  
22 three-page letter.

23 The alternative is to rely on the provision  
24 within the undertaking in GAAP, generally accepted  
25 accounting principles, that where the regulator  
26 requires a utility to vary from GAAP, that it

1 appropriate to do so. And so that the three-page  
2 letter becomes half a page where I say, on approval,  
3 following approval I will write a cheque to CMI  
4 Holdings (1998) Limited for \$100,000 and in my books  
5 of account reduce the preferred share balance that  
6 previously was 400,000 to 300,000, and that would be  
7 the extent of the literature on that subject.

8 THE CHAIRPERSON: Okay. Thank you for that.

9 So I believe we have completed the  
10 questions from Staff now, and we've completed the  
11 questions from the Property Owners Association. Is  
12 that still correct?

13 MR. WABERSKI: It is. I think you were looking to get  
14 our opinion on that refinancing and I offer this up.  
15 I'm quoting here as I read this.

16 "We appreciate that in B-7 costs summary  
17 item number 20 indicates that there will be  
18 a return to inclusion of amortization and  
19 the exclusion of debt service. And note  
20 that for the test year, amortization is  
21 \$54,804. We have also reviewed the  
22 projected delivery costs on an existing cost  
23 of service formula on B-2, page 18. which  
24 is the response to question 11-3 for IR-1.  
25 We note the amortization of assets will  
26 decrease from 54,000 to \$16,072 per year



1           very much.

2                           Mr. Waberski? We are not hearing you, Mr.  
3           Waberski.

4   MR. WABERSKI:    No, no, I -- I had to un-mute myself. I  
5           thought a wave was going to be good enough. I hear  
6           you.

7   THE CHAIRPERSON:   Okay. That's great. Thank you very  
8           much indeed.

9                           So the Panel is not in a position at this  
10           point to make a determination on the revenue  
11           requirement. There exists one outstanding  
12           undertaking. We are, however, in a position to make a  
13           determination on the redemption of the preferred  
14           shares and the issuance of new debt, subject to both  
15           parties being willing and able to make their final  
16           submissions.

17                           So I want to ask each of you in turn, just  
18           at this point whether you are willing and able to make  
19           your final submissions on the subjects of the debt  
20           refinancing. Mr. Blumes, would you be willing and  
21           able?

22   MR. BLUMES:    Yes.

23   THE CHAIRPERSON:   Mr. Waberski?

24   MR. WABERSKI:    What is it you're looking for? Other than  
25           the fact that I just read out a statement. Do you  
26           need more than that?

1 THE CHAIRPERSON: No, in fact, we have that on the  
2 record, so we'd be quite happy for you to just  
3 acknowledge that previous one, rather than forcing you  
4 to read it out again. So --

5 MR. WABERSKI: No. I -- there is -- like I said, it was  
6 our issue was in terms of the amortization, and it  
7 seems that that's been resolved.

8 THE CHAIRPERSON: Okay.

9 MR. WABERSKI: And so we will, you know, defer to your  
10 wisdom on this.

11 THE CHAIRPERSON: Thank you very much. Appreciate that.

12 So in that case, then, Mr. Blumes, if I  
13 could ask you to make your final submission just  
14 around the debt restructuring, please.

15 MR. BLUMES: We believe it in the ratepayers' interests  
16 to approve our replacing higher-cost \$100,000  
17 preferred shares with a bank loan equivalent to that.

18 THE CHAIRPERSON: Thank you very much. And nothing -- do  
19 you have anything else to add then, Mr. Waberski,  
20 based on that?

21 MR. WABERSKI: No, no, no. I'm assuming that in the  
22 final arguments that we will get the final tally of  
23 the ballooning costs that are going to be amortized  
24 over the next three years.

25 THE CHAIRPERSON: That would be -- we'll deal with that  
26 in a second, actually. That relates to the revenue

1 requirements, I believe.

2 MR. WABERSKI: Okay.

3 THE CHAIRPERSON: So do you have anything in reply to  
4 that, Mr. Blumes?

5 MR. BLUMES: I'm fine.

6 THE CHAIRPERSON: Thank you.

7 MR. BLUMES: Yeah.

8 THE CHAIRPERSON: In that case, then, if I can move on to  
9 the next matter, which is to complete the revenue  
10 requirements part of this decision. Can I ask  
11 whether, starting with you, Mr. Blumes, whether you  
12 are in a position to make any final comments regarding  
13 revenue requirements at this stage? Just whether  
14 you're in a position to.

15 MR. BLUMES: I am not.

16 THE CHAIRPERSON: Okay. In that case, then, I don't  
17 really need to --

18 COMMISSIONER MORTON: Process. Process.

19 THE CHAIRPERSON: Good. Okay. Thank you very much. If  
20 I can add an additional -- start an additional  
21 question, then. Mr. Blumes, do you have any comments  
22 on further process that you would like to see for the  
23 revenue requirements?

24 MR. BLUMES: I'm pausing because I'm attempting to gather  
25 and make an offensive [*sic*] response.

26 THE CHAIRPERSON: And I'm not -- if you need time for





1 time to read and/or ask any further questions on it?  
2 MR. WABERSKI: I think from our perspective, is the  
3 questions that came from -- were from the Commission.  
4 So that I think if there -- we noticed some questions  
5 I don't think were answered, but those were from the  
6 Commission from us. I think we've got enough  
7 questions on the record to allow us to refer to it in  
8 our final arguments. The issue in terms of the total  
9 cost for the hearing is one of those outstanding ones  
10 that we hope to see.

11 But aside from that, I believe most of  
12 those questions that may or may not be answered, and  
13 to be quite honest, to decipher between them, there is  
14 a bit of reading. But I look at that as being more  
15 the Commission's authorship, so their criticism is  
16 probably where it belongs.

17 COMMISSIONER MORTON: Okay, thank you.

18 THE CHAIRPERSON: Thank you, are there any Staff comments  
19 on further process on the revenue requirement?

20 MR. MILLER: Staff does have a brief comment. There was  
21 some materials filed either late yesterday I believe,  
22 that I don't believe had been posted to the website.  
23 They were filed by the utility. Staff has yet had a  
24 chance to digest that information, to look at it and  
25 review it. There is also the outstanding undertaking.

26 So until Staff has a chance to look at the

1 new material filed by the utility, and also -- which  
2 has yet to be posted, and also the answer to the  
3 undertaking, Staff is not in a position to comment on  
4 further process at this time.

5 THE CHAIRPERSON: Thank you very much.

6 MR. WABERSKI: I can also add I would. Waberski here.  
7 There was a document filed, B-10 I believe, yesterday,  
8 I glanced at it while I was in the midst of something  
9 on my iPhone. By the time I got home, it was gone.  
10 So, and I think it had some relevant comments in terms  
11 of the administrative costs. That now -- I don't know  
12 why it was withdrawn, or if it could be re-filed.

13 MR. MILLER: Well, what I understand what occurred --  
14 again, this is Paul Miller, Commission Counsel, is  
15 some of the information was filed contained customer  
16 information, which there is a concern about privacy.  
17 And so the utility was asked to redact that  
18 information and then file it, so we don't have  
19 personal information that's not necessary on the  
20 record. So that's why it was pulled as I understand  
21 it.

22 **Proceeding Time 3:39 p.m. T32**

23 MR. WABERSKI: So we will be able to see that?

24 MR. MILLER: Commission Staff is trying to work with the  
25 utility to get the information in a form that can be  
26 posted without the breaching privacy concerns.

1 MR. WABERSKI: That's fine, thank you.

2 MR. BLUMES: Excuse me, we redacted those elements at a  
3 conversation with Laurie, and we carefully addressed  
4 each of the issues that she identified and refiled  
5 just before this meeting started this afternoon. So I  
6 understand the Staff will review and hopefully they  
7 will not see further evidence of inappropriate  
8 disclosure of personal information.

9 MR. MILLER: So, again, Paul Miller, Commission Counsel.  
10 Staff, the staff that are working on this application  
11 haven't seen that new filing and so they'll have to go  
12 back and digest it again and try understand whether  
13 they -- what further process, if any, they need.

14 THE CHAIRPERSON: Thank you very much. We are now going  
15 to adjourn until ten to four. So that's just under  
16 ten minutes. If you'll excuse us and put yourselves  
17 on mute, I would very much appreciate it. Thank you.

18 **(PROCEEDINGS ADJOURNED AT 3:41 P.M.)**

19 **(PROCEEDINGS RESUMED AT 3:50 P.M.)** **T33/34**

20 THE CHAIRPERSON: Okay, Mr. Blumes, do you hear us and  
21 can we hear you? Can you hear us, Mr. Blumes? Oh, I  
22 think we're back hearing you again. Thank you very  
23 much.

24 Mr. Waberski?

25 MR. WABERSKI: Yes, I can hear you.

26 THE CHAIRPERSON: Excellent, and we can hear you too.

1 Thank you very much.

2 So with regards to the revenue  
3 requirements, the Commission will issue a letter  
4 shortly to confirm the existing time table, if that's  
5 appropriate or to revise it, based on Staff's  
6 continuing analysis of the information that we now  
7 have on the record.

8 The panel does approve the issuance of  
9 \$100,000 of debt as requested by Stargas, and also the  
10 redemption of \$100,000 worth of preferred shares. The  
11 panel will issue a formal order by the end of the week  
12 confirming this.

13 For further clarity, though, this is not  
14 approval for any other form of debt issue or  
15 redemptions. It's also not approval for any other  
16 related amounts with regards to the revenue  
17 requirements, or for any other equity transactions  
18 that might be considered by Stargas. Any of these  
19 would require further approval by the Commission.

20 That is the order.

21 MR. BLUMES: Thank you. Yes, that's understood.

22 THE CHAIRPERSON: Excellent. Thank you very much, Mr.  
23 Blumes. Thank you very much, Mr. Waberski.

24 I would like to adjourn the proceeding.  
25 Thank you.

26 **(PROCEEDINGS ADJOURNED AT 3:52 P.M.)**

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I HEREBY CERTIFY THAT THE FORGOING  
is a true and accurate transcript of  
the recording provided to me, to the  
best of my skill and ability.



A.B. Lanigan, Court Reporter

December 14<sup>th</sup>, 2016