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Big White Gas Utility Ltd.
Application to Amend Rates

Decision
and Order G-196-21

June 25, 2021

Before:

- A. K. Fung, Panel Chair
- B. A. Magnan, Commissioner

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Executive summary

On November 10, 2020, Big White Gas Utility Ltd. (BWGU), a public utility subject to regulation by the British Columbia Utilities Commission (BCUC), filed with the BCUC an application to amend its rates, effective June 1, 2021 for a 5-year period from fiscal 2022 to fiscal 2026 (Test Period) (Application). Specifically, BWGU is seeking to increase the consumption charge by one-cent per litre, standardize all mark-ups to 15 percent over cost in its Special Rate Schedule, and change its minimum charge to a Basic Charge. The Application also contains proposed amendments to BWGU's tariff to include the collection of development cost charges (DCCs), to import into its regulated tariff the Terms and Conditions from its standard form of Propane Supply Agreement with customers, along with various "housekeeping" amendments.

The regulatory review of the Application included two rounds of information requests to BWGU followed by BWGU's written argument. The BCUC did not receive any requests for intervenor status or letters of comments with respect to the Application.

The Panel approves the proposed rate design to switch the monthly minimum charges for both residential and commercial customers to a Basic Charge at the same levels as the existing minimum charges (i.e. \$10 and \$45 per month, respectively). The Panel also approves the rates requested in the Application, subject to the adjustments for miscellaneous revenues and rate of return directed in this Decision.

The Panel approves BWGU's proposal to standardize all mark-ups to 15 percent over cost in its Special Rates Schedule and directs BWGU to accordingly increase the fiscal 2022 forecast for "Miscellaneous Revenue" by \$500 to account for the increase in revenues anticipated from the standardized mark-ups.

The Panel rejects BWGU's proposed \$100,000 annual fixed return to its shareholders. Although BWGU argued this return was justified due to the risks incurred by it in running this utility, the Panel finds that BWGU has not provided sufficient reasons and risk assessment analysis to support this request. After considering various factors, such as BWGU's past earnings, BWGU's financial integrity and the ability and need to attract capital, the Panel determines that with rounding, a supportable fair return for BWGU would be \$50,000 annually.

The Panel finds that the DCCs, proposed for collection in the Application, are with respect to a regulated service for the properties that have been identified, as long as they are collected for the sole purpose of providing utility services, and therefore approves their inclusion in BWGU's tariff going forward. The Panel also directs the DCCs be held in a separate regulatory account with any interest income earned by BWGU with respect to the DCCs added to the regulatory account as carrying costs. The funds in this regulatory account are to be used for BWGU's capital infrastructure expenditures and BWGU is to provide an accounting of the regulatory account in all future annual reports to the BCUC.

The Panel approves the amendment of BWGU's tariff to include the new terms and conditions imported, with amendments, from BWGU's standard form of Propane Supply Agreement with customers and the various proposed "housekeeping" amendments, with the exception of the proposal to have new customers responsible for unpaid balances of previous customers at the same premises as provided in section 2.9 of the new terms and conditions.

During the course of this proceeding, BWGU noted that its Fuel Supply and Equipment Agreement with its supplier, Superior Propane Inc., has not been filed for BCUC review and acceptance under section 71 of the UCA. As such, the Panel directs BWGU to file its Fuel Supply and Equipment Agreement for the BCUC's review and acceptance under Section 71 of the UCA within 60 days of the date of this Decision.

1.0 Introduction

1.1 The Application and Regulatory Process

On November 10, 2020, Big White Gas Utility Ltd. (BWGU), a public utility subject to regulation by the British Columbia Utilities Commission (BCUC), filed with the BCUC an application to amend its rates, effective June 1, 2021 (Application). The Application also contains proposed amendments to its tariff to include the collection of development cost charges (DCCs) and to import the Terms and Conditions from its standard form of Propane Supply Agreement with customers into its regulated tariff. As such, BWGU would no longer need to enter into individual Propane Supply Agreements with its customers. Sections 59 to 61 of the *Utilities Commission Act* (UCA) provide the BCUC with its rate setting jurisdiction over public utilities including BWGU.

On November 24, 2020, the BCUC established a regulatory timetable for the review of the Application, which included providing public notice of the proceeding, one round of information requests (IRs) to BWGU and further process to be determined.¹ After reviewing BWGU's responses to the IRs, on February 25, 2021, the BCUC established a further regulatory timetable, which included a second round of IRs followed by BWGU's written argument.² The BCUC did not receive any requests for intervener status or letters of comment with respect to the Application.

1.2 Background

BWGU operates a propane distribution system that serves residential and commercial customers in the area of Big White Ski Resort (Resort). BWGU is a wholly owned subsidiary of the Resort.

In 1997, the BCUC granted BWGU a certificate of convenience and necessity (CPCN) to construct an underground propane grid system to replace the individual tanks that provide bottled propane service to buildings in the area of the Resort.³ On June 4, 1998, BWGU was granted exemption from Section 71 and Part 3 of the UCA, other than Section 22.⁴ This limited exemption meant that, among other things, BWGU's energy supply contracts with its propane supplier and BWGU's rates charged to customers were not subject to the BCUC's review and approval. The exemption also contained a threshold clause which provided that the exemption from the BCUC's active regulation would be reviewed if and when the customers served under BWGU exceeded a total of 15 commercial and/or residential customers.⁵

On June 13, 2005, the BCUC terminated the exemption because the customers served on BWGU's grid system had exceeded the threshold established by the exemption order. The BCUC directed, effective June 1, 2006, the commencement of normal utility regulation of BWGU.⁶ Since the termination of the exemption, BWGU had not applied for any rate changes, other than an amendment to its monthly minimum charge in fiscal 2017 which reduced the minimum charge for residential customers.⁷

BWGU's customers are currently charged rates consisting of a consumption charge and a monthly minimum charge. The consumption charge is set as a per-litre increment over the bulk market price per litre paid to BWGU's propane supplier, Superior Propane Inc. (Superior). The consumption charge is currently set at \$0.12 per litre in addition to the bulk propane price as set out in BWGU's Rate Schedule. The minimum charge is \$45

¹ Exhibit A-2, Order G-297-20.

² Exhibit A-5, Order G-53-21.

³ By Order C-10-97.

⁴ By Order G-52-98.

⁵ By Order G-52-98.

⁶ By Order G-64-05.

⁷ Application submitted August 2, 2016 and approved by Order G-150-16 to amend the monthly minimum charge from \$45 for all customers to \$45 for commercial customers and \$10 for residential customers.

per month for commercial customers and \$10 per month for residential customers, as set out in BWGU's Special Rate Schedule. The minimum charge is currently only levied when this charge exceeds the customer's consumption charge. In addition to the minimum charge, BWGU's Special Rate Schedule also includes mark-ups over cost of 10 percent and 15 percent, depending on the cost item, for items such as meters and regulators, testing, moving and resetting meters and charges for labour and materials.⁸ BWGU's tariff currently consists of its Rate Schedule and Special Rate Schedule. BWGU's terms and conditions of service are currently contained in its standard form of Propane Supply Agreement with customers.

Customers connecting through the subdivisions set out in Appendix A to the Application are also responsible for paying a DCC, to the extent these customers have not already developed their properties and paid DCCs. These charges have historically been collected under land purchase contracts between the developers and Big White Real Estate Ltd.⁹ These land purchase contracts were not part of BWGU's tariff.¹⁰

In the Application, BWGU is seeking to amend its tariff to adjust the rates and charges in its Rate Schedule and Special Rate Schedule, to import its terms and conditions of service, with amendments, from its standard form of Propane Supply Agreement with customers, and to include provisions for collecting DCCs on specified properties. The specific approvals sought are outlined in the section below.

1.3 Approvals Sought

BWGU seeks to amend its tariff, effective June 1, 2021, with the proposed rates in effect for five years from fiscal 2022 to fiscal 2026 (Test Period). BWGU's fiscal year is from June 1 to May 31. BWGU seeks the following amendments to its tariff:

- 1) New terms and conditions imported, with amendments, from its standard form of Propane Supply Agreement with customers;
- 2) Provisions for collecting DCCs on specified properties, added to the tariff;
- 3) The minimum charge (currently applicable only in cases where this charge exceeds the level of the consumption charge for that period) changed to a basic charge, applicable each month in addition to the consumption charge;
- 4) A one-cent per litre increase to the consumption charge, to \$0.13 per litre;
- 5) All mark-ups standardized to 15 percent over cost in the Special Rate Schedule ; and
- 6) Various "housekeeping" amendments for clarity and consistency.

1.4 Decision Framework

This Decision is structured into three sections with several key issues addressed in each section.

- Section 2.0 sets out BWGU's Test Period forecast revenue and expenditures. The key issues addressed in this section include the reasonableness of BWGU's forecasting methodology, the reasonableness of BWGU's proposal to standardize its markups over cost to 15 percent, and the fairness of BWGU's proposed annual shareholder return of \$100,000.
- Section 3.0 discusses BWGU's proposed rates and rate design. The key issues addressed in this section include the reasonableness of BWGU proposal to change its minimum charge to a basic charge, the requested \$0.01 per litre increase to its consumption charge, and the addition of provisions for collecting DCCs in its tariff.

⁸ Exhibit B-2, Attachment 3, Special Rate Schedule.

⁹ Big White Real Estate Ltd. amalgamated with Big White Ski Resort in 2013 (Exhibit B-3, BCUC IR 3.15).

¹⁰ Exhibit B-1, p. 3.

- Section 4.0 addresses the key issues with respect to the proposed new terms and conditions and the rate schedules in BWGU’s tariff, as well as the extent of regulatory review required for the Fuel Supply and Equipment Agreement between BWGU and its propane supplier Superior Propane Inc.

2.0 Revenue and Expenditures

BWGU seeks to recover its revenue requirement which is comprised of various expenditures and a return on investments to its shareholder. The revenue requirement for the Test Period (i.e. fiscal 2022 to fiscal 2026) ranges from \$259,707 to \$275,708 per year before consideration of BWGU’s proposed annual return to its shareholder of approximately \$100,000.¹¹

2.1 Forecasting Methodology and Inflation Factors

Table 2.1 of the Application, and as amended through IR responses, shows the various expenses that make up BWGU’s revenue requirement.¹² The forecast revenue requirement for the Test Period includes the following inflation factors applied to BWGU’s expense items:¹³

- For insurance expenses, 10 percent per year, based on recent premium experience; and
- For all other costs, 2 percent per year, consistent with recent experience and public forecasts.

BWGU submits that it does not expect the COVID-19 pandemic to have any material impact to its costs because, at least in the short run, the utility incurs roughly the same operating costs whether the Resort is at full or partial capacity.¹⁴

Table 2.2 of the Application, and as amended through IR responses, shows the various revenue streams that are designed to recover the forecast revenue requirement. Table 2.2 categorizes the revenue items as “Fixed Charge Revenue” and “Variable Charge Revenue”.¹⁵ The “Fixed Charge Revenue” represents the revenue from the basic charge that BWGU is proposing in the Application.¹⁶ The “Variable Charge Revenue” is comprised of net usage revenue, revenue from connection fees, miscellaneous revenue and interest income. The net usage revenue represents the consumption charge, which is determined based on the load forecast. In contrast, the connection fees, miscellaneous revenue and interest income have an inflation factor applied of 2 percent per year to determine the forecast for the Test Period.¹⁷

BWGU’s Test Period load forecast ranges from 2,190,408 litres to 2,324,479 litres of propane sold.¹⁸ BWGU’s load forecast is based on load growth of 2 percent per year during the Test Period, with the exception of fiscal 2022 and fiscal 2023. For fiscal years 2022 and 2023, BWGU is not forecasting any load growth because BWGU is not expecting to see an increase in visitors to the Resort until after fiscal 2023 due to the effect of the COVID-19 pandemic on the tourism industry.¹⁹

Panel Determination

The Panel accepts the forecasting methodology used by BWGU and the inflation factors applied and finds the revenue requirement and load forecast reasonable, with the exception of the miscellaneous revenue and the return to BWGU’s shareholder, which are discussed further in section 2.2 and section 2.3 of this Decision,

¹¹ Exhibit B-3, BCUC IR 4.12, Tables 2.1, 2.2.

¹² Exhibit B-1, Table 2.1, p. 5; Exhibit B-3, BCUC IR 4.12, Table 2.1.

¹³ Exhibit B-1, p. 5.

¹⁴ Exhibit B-3, BCUC IR 4.2.

¹⁵ Exhibit B-1, Table 2.2, p. 6; Exhibit B-3, BCUC IR 4.12, Table 2.2.

¹⁶ Exhibit B-3, BCUC IR 1.1.

¹⁷ Exhibit B-3, BCUC IRs 1.8, 1.9.

¹⁸ Exhibit B-4, BCUC IR 11.5.1.

¹⁹ Exhibit B-4, BCUC IR 11.4.

respectively. Therefore, the Panel approves the rates requested, subject to the adjustments resulting from the other determinations and directives contained in this Decision.

BWGU is directed to re-calculate its revenue requirements and to adjust its consumption charge based on the Panel's other determinations and directives in this Decision, in a compliance filing within 60 days of this Decision.

The compliance filing must also include a calculation of the difference between the interim and permanent rates, with interest calculated at the average prime rate of BWGU's principal bank for its most recent year, as well as describe how BWGU plans to refund to its customers the difference calculated. The Panel expects BWGU to refund its customers as soon as is practicable.

The Panel also directs BWGU to file, at the appropriate time, a revenue requirements application (RRA) for new rates effective after the current Test Period (i.e. for rates effective for fiscal 2027 and beyond).

2.2 Standardization of Mark-Ups Over Cost

BWGU is seeking to standardize all mark-ups to 15 percent over cost in its Special Rates Schedule.²⁰ Currently, mark-ups over cost are 10 percent and 15 percent, depending on the cost item, which includes items such as meters and regulators, testing, moving and resetting meters and charges for labour and materials.²¹ BWGU submits that the cost items that trigger mark-ups are often quite small and a 15 percent mark-up in all cases is appropriate to cover BWGU's cost of administering the various services to which mark-ups apply. The mark-ups are intended to recover the cost of uncharged time that BWGU employees spend delivering the related services, including scheduling contractors, organizing drop-off times, travel time to deliver meters, and billing and collecting payments. The mark-ups are also intended to recover the carrying cost of inventory along with the cost of carrying receivables where BWGU pays for items in advance of customer payment.²²

BWGU submits that the revenue from the mark-ups is included as an offset to the revenue requirement and the revenue from mark-ups for fiscal 2021 was \$1,300. BWGU estimates that increasing to the proposed 15 percent for those items that are not currently at that level will produce additional revenues of approximately \$500 per year.²³

BWGU submits that the revenue from mark-ups is included within the "Variable Charge Revenue" line of Table 2.2 in the Application.²⁴ In response to IRs, BWGU provided a breakdown of the "Variable Charge Revenue" line, which shows forecast "Miscellaneous Revenue" of \$1,326 for fiscal 2022, which is a 2 percent increase from \$1,300.²⁵

Position of BWGU

In BWGU's view, the proposed mark-ups will tend to avoid all ratepayers having to subsidize costs that are directly attributable to individual ratepayers.²⁶

Panel Determination

The Panel finds the proposed mark-ups to be a reasonable estimate of BWGU's cost to administer the various services to which they apply, and **therefore approves BWGU's proposal to standardize all mark-ups to 15 percent over cost in its Special Rates Schedule. The Panel directs BWGU to accordingly increase the fiscal 2022**

²⁰ Exhibit B-1, pp. 4, 29.

²¹ Exhibit B-2, Attachment 3, Special Rate Schedule.

²² Exhibit B-3, BCUC IRs 5.1, 5.2.

²³ Exhibit B-3, BCUC IR 5.3.

²⁴ Exhibit B-3, BCUC IR 5.3.

²⁵ Exhibit B-3, BCUC IRs 1.8, 1.9.

²⁶ Exhibit B-3, BCUC IRs 5.1, 5.2.

forecast for “Miscellaneous Revenue” by \$500 to account for the increase in revenues anticipated from the standardized mark-ups as approved.

2.3 Allowed Return

BWGU’s proposed rates include a component that allows BWGU to recover a return to its shareholder of approximately \$100,000 per year. BWGU states that it is seeking “to stabilize its returns at an amount consistent with the business risk it faces, and the level of management effort associated with the operation of the Utility.”²⁷

Section 59 of the UCA requires the BCUC to ensure that the rates charged by a utility are just and reasonable which include a fair and reasonable return on capital. The Supreme Court of Canada established the principles surrounding the concept of “fair return” for a regulated company in *Northwest Utilities v. City of Edmonton*.²⁸ The Fair Return Standard has three requirements:²⁹

- a) The comparable investment requirement – a reasonable return on capital, should be comparable to the return available from the application of the invested capital to other enterprises of like risk;
- b) The financial integrity requirement – a reasonable return on capital, should enable the financial integrity of the regulated enterprise to be maintained; and
- c) The capital attraction requirement – a reasonable return on capital, should permit incremental capital to be attracted to the enterprise on reasonable terms and conditions.

Consistent with previous decisions and the “regulatory compact”, the BCUC in the Generic Cost of Capital (GCOC) Stage 1 proceeding confirmed that it has a duty to approve rates that meet this standard, and to provide a reasonable opportunity for the utility to earn a fair return on invested capital.³⁰ The BCUC also determined that actual earnings versus approved earnings history is a matter for revenue requirements and should have no bearing on the cost of capital.³¹

To support its proposed annual return of \$100,000, BWGU indicates that the proposed return reflects: (i) the risks of operating the utility (e.g. a failed pipe) and (ii) the “additional senior management and shareholder time associated with managing the event (such as determining how to pay the costs, how best to resolve the problem, etc.).”³² With respect to risks, BWGU is concerned about the costs associated with the following:³³

- Unexpected replacement costs for the failure of its plant and equipment;
- Liabilities arising that may not be covered by insurance or other protections;
- Revenue losses due to sustained demand reductions, caused by pandemics or poor snowfall;
- Unexpected regulatory, legal, engineering, or other expenses that cannot be recovered in prospectively set rates;
- Human resource risk to fill unexpected personnel departures that may require expensive consultancy services to backfill; and
- Customer credit risk.

²⁷ Exhibit B-2, p. 2.

²⁸ [2013 GCOC Stage 1 Decision dated May 10, 2013](#), pp. 7–8.

²⁹ [2013 GCOC Stage 1 Decision dated May 10, 2013](#), p. 7.

³⁰ [2013 GCOC Stage 1 Decision dated May 10, 2013](#), p. 12.

³¹ [2013 GCOC Stage 1 Decision dated May 10, 2013](#), p. 85.

³² Exhibit B-3, BCUC IR 6.2.

³³ Exhibit B-3, BCUC IR 6.9.

Furthermore, BWGU submits that “...rates have been too low for many years, to the detriment of the Utility and the benefit of ratepayers.” BWGU is seeking to amend rates that it feels are too low to provide it with a fair return, given the costs and risks the utility faces.³⁴

BWGU was asked to compare its business risks against the FortisBC Energy Inc. (FEI) benchmark and other small utilities in British Columbia (BC). However, BWGU responded that it does not have the resources or information to do so.³⁵

In its 2019-2020 Annual Report, BWGU discussed its credit and liquidity risks. BWGU’s management opined at that time that “credit risks are sufficiently managed by the company” and that “the company is not significantly exposed to liquidity risk given its strong operating cash flows and unused banking facilities.”³⁶

BWGU’s original asset value was approximately \$599,000 and less \$330,000 funded from DCCs, its net asset value was approximately \$269,000 in fiscal 2004. Currently, the depreciated value of this net asset value is \$22,000 and with \$9,800 amortization each year, BWGU’s existing assets will be fully depreciated during the Test Period.³⁷ BWGU noted that during the course of responding to IRs in this proceeding, it identified errors in its past annual reports that impacted its previous equity calculations. As such, it will endeavour to correct and refile these reports with the BCUC. BWGU reports that the utility’s equity is approximately \$97,000 in fiscal 2020.³⁸

Position of BWGU

BWGU views that a conventionally derived allowed return based on a return on common equity (ROE) calculation would be “materially short of a just and reasonable return to the shareholder for the financial risks it faces in operating the Utility.”³⁹ BWGU submits that the proposed \$100,000 annual return fixed amount produces a “rational result where the conventional approach would not work” but acknowledges that it departs from BCUC practice.⁴⁰ BWGU argues that the rates being sought “deliver a fair return to the shareholder” and are “commensurate with the risks that the Utility faces.”⁴¹

By way of IRs, BWGU was asked to provide its views on several alternatives to set a fair return such as considering an allowed return based on a percentage of revenue requirements, operating cost, or rate base. However, BWGU submits using a percentage of revenue requirements or operating costs to set a fair return is not supported by an “established” or “objective” return level that would be appropriate. BWGU suggests that one may appear to have already decided on a certain return result and simply be choosing a formula to justify it.⁴² As for using rate base to set a fair return, BWGU submits that it will still produce an insufficient dollar return for the risks the utility faces.⁴³

Another alternative that was examined is whether a fair return could be set based on past earnings. In the Application, BWGU states that it has “experienced several years of losses”⁴⁴ and was asked to provide past earnings to support this statement. BWGU clarifies that it intended to say it had experienced several years where its earnings were below shareholder expectations.⁴⁵ BWGU’s earned return and annual rate of return are

³⁴ Exhibit B-4, BCUC IR 15.3.1.

³⁵ Exhibit B-3, BCUC IR 6.9.1.

³⁶ 2019-2020 Big White Gas Utility Ltd. Notes to Financial Statements (Unaudited), dated May 31, 2020, p. 10.

³⁷ Exhibit B-1, p. 10; Exhibit B-3, BCUC IRs 3.6, 6.4.

³⁸ Exhibit B-3, BCUC IR 6.3.

³⁹ Exhibit B-3, BCUC IR 6.4.

⁴⁰ Exhibit B-3, BCUC IR 6.5; BWGU Final Argument, p. 3.

⁴¹ BWGU Final Argument, p. 2.

⁴² Exhibit B-3, BCUC IR 6.7.

⁴³ Exhibit B-3, BCUC IR 6.6.

⁴⁴ Exhibit B-1, p. 6.

⁴⁵ Exhibit B-3, BCUC IR 6.1.

shown in the table below.⁴⁶ For the past 15 years, i.e. since fiscal 2006, BWGU's average annual earned return was \$48,799. Excluding the highest and lowest earned returns in 2016 and 2007 respectively, the average annual return was \$47,231.

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

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

BWGU submits that it does not understand the conceptual or ratemaking basis by which a past average would be properly used to determine future fair returns. While BWGU recognizes that this approach would provide for reasons of understanding and transparency, BWGU states.⁴⁷

BWGU has not found, and respectfully submits that the Commission has not suggested, an anchor that is more compelling – in accomplishing the core ratemaking objective of balancing Utility and customer fairness – than the risk-based arguments for determining the allowed return that the Utility has suggested and defended in this proceeding.

BWGU argues that this approach is not supported by financial theory such as “adequacy for capital attraction”.⁴⁸

Panel Determination

The Panel rejects BWGU's proposed \$100,000 annual fixed return to its shareholders. Although BWGU argued this return was justified due to the risks incurred by it in running this utility, the Panel finds that insufficient reasons and risk assessment analysis were provided in evidence to support this request. The onus is on BWGU to provide sufficient evidence to convince the Panel that BWGU's proposal represents a fair return. For example, BWGU indicated that it does not have the resources or information to provide a comparison of its business risks against the FEI benchmark and other small utilities in BC. Further, BWGU did not express any concerns regarding capital attraction and its financial conditions, as noted above, in its 2019-2020 Annual Report.

The Panel recognizes that BWGU as a regulated utility must be allowed an opportunity to earn a fair return on its investments, as confirmed by the BCUC in previous cost of capital proceedings and in accordance with the requirements of fair return as set out by the courts. Based on the conventional approach as BWGU noted that is commonly used for utilities regulated in BC, and assuming an allowed ROE of 9.5 percent and BWGU's equity reported at \$97,000 in 2020, the return amount for BWGU would be approximately \$9,200 annually.⁴⁹ The Panel considers that this amount falls short of a fair return for BWGU. BWGU's original net asset value of \$269,000 has substantially depreciated to now \$22,000 and is expected to fully depreciate during the Test Period. Unlike

⁴⁶ Exhibit B-3, BCUC IR 6.3.2.

⁴⁷ Exhibit B-4, BCUC IR 15.3.

⁴⁸ BWGU Final Argument, p. 3.

⁴⁹ \$97,000 x 9.5% = \$9,215

larger utilities, there have been no material increases in investments in BWGU's infrastructure, potentially because of its relatively small customer base and limited increase in load over time. To achieve a greater return under the conventional approach, BWGU would need to invest further capital to build up its existing asset and equity base. However, the Panel recognizes this might not be in the business interests of the utility to increase investments, when it otherwise would not have, simply to earn a higher regulated return based on how returns are derived. As such, the Panel needs to explore other alternatives to arrive at a fair allowed return for BWGU.

The Panel considered the possibility of arriving at a fair return for BWGU by examining its last 15 years of returns. In most of those years, BWGU had a positive return. Examining all the data points and eliminating the two outlier results (i.e. highest return and highest loss), the result was an average return of \$47,231. The Panel finds that a return of this magnitude would be fair as BWGU has not provided evidence to suggest that the utility had any significant issues with its financial integrity and the ability to attract capital during this same time period. Also, BWGU collects DCCs, which decrease its need to attract capital for investment in infrastructure, as will be further discussed in section 3.3 of the Decision. Further, in the absence of BWGU providing evidence on comparable investments of similar risk enterprises, an allowed return based on a historical average of mostly positive earnings would yield a return to BWGU's shareholder that is comparable to that which it actually achieved historically. **Having regard to all these factors, the Panel determines that with rounding, a supportable fair return for BWGU would be \$50,000 annually.**

The Panel acknowledges that using actual earnings history to consider a utility's fair return is a departure from the BCUC's usual practice. However, in this proceeding, the Panel was presented with a small utility with a small customer base and limited load. BWGU has a low equity value where using a return percentage on equity to set an allowed return would result in a minimal return that fails to meet the fair return standard. Further, BWGU has pointed out that small utilities like BWGU may have limited capacity or expertise to provide detailed risk assessments to justify their allowed return proposal. Therefore, the Panel finds that it is appropriate to consider alternative methods, including the use of a utility's actual earnings history, to consider an allowed return that would meet the fair return standard.

The Panel notes that the BCUC by Order G-66-21 established a GCOC proceeding and recommends that the BCUC in the GCOC proceeding explore alternative methods in determining utilities' fair return, particularly for small utilities like BWGU. BWGU is also encouraged to actively participate in the GCOC proceeding because the decision resulting from that proceeding may have implications for the utility.

3.0 Rate and Rate Design

3.1 Changing the Minimum Charge to a Basic Charge

BWGU's current rate design consists of a minimum charge of \$45 per month for commercial customers and \$10 per month for residential customers. The minimum charge only applies to the respective customer classes if the minimum charge exceeds the consumption charge.⁵⁰ In this Application, BWGU proposes to change the minimum charge to a basic charge of \$45 per month for commercial customers and \$10 per month for residential customers.⁵¹

BWGU explains that its motivation for the rate design proposal to change from a minimum charge to a basic charge is to provide its customers with an incentive to conserve gas.⁵² Under the current minimum charge design, customers do not have a monetary incentive to extinguish pilot lights on gas fireplaces during periods when customers are absent from their properties for extended periods.⁵³ Based on a customer example that

⁵⁰ Exhibit B-1, p. 2.

⁵¹ Exhibit B-1, p. 2.

⁵² Exhibit B-4, BCUC IR 9.2.

⁵³ Exhibit B-3, BCUC IR 1.5.

BWGU provided, the utility estimates that a fireplace with no active use would still have an average gas usage of 12 cubic feet per day. For January 2021, that equates to \$24.30 worth of usage.⁵⁴

When asked about customer consultation regarding BWGU's proposed rate design and its intent for gas conservation, BWGU stated that no consultation was done.⁵⁵ BWGU did not seek customer feedback due to high consultation costs estimated of at least \$20,000 and logistical challenges due to the COVID-19 pandemic. BWGU views that the proposed tariff changes are "straightforward".⁵⁶

BWGU provided an estimated bill impact of the proposed rate changes that shows a condo building commercial customer that pays around \$15,000 per year for BWGU's propane service will experience around a 5 percent bill increase or just under \$800 per year. A residential customer that pays around \$700 per year for BWGU's propane service will experience around an 18 percent bill increase, or \$130 per year. BWGU also provided two other residential account examples that show bill increases of 14 percent and 20 percent.⁵⁷ BWGU believes that "customers will not be shocked by the dollar value of the increase on their bills, and affordability problems will not arise."⁵⁸

Position of BWGU

BWGU notes that it is a very small utility and has limited resources to develop and assess a comprehensive range of alternative rate designs or actively seek customer input. BWGU argues that the evidence on record supports that the rates being sought "are of a sensible design, are affordable and understandable to customers, [and] promote the efficient use of gas."⁵⁹

Furthermore, BWGU submits that the BCUC must provide its own independent assessment to judge the reasonableness of the rates. While customer consultation can inform the assessment of whether rates will meet the tests of customer acceptance and understanding, they should never be determinative of achieving these principles.⁶⁰

Panel Determination

The Panel approves the proposed rate design to switch the monthly minimum charges for both residential and commercial customers to a Basic Charge at the same levels as the existing minimum charges (i.e. \$10 and \$45 per month, respectively). The Panel finds the rate design proposal reasonable and agrees that the pricing structure of a fixed charge (i.e. Basic Charge) plus a variable charge (i.e. Consumption Charge), if implemented appropriately, provides a price signal to customer to encourage efficient use of propane and is likely understandable to customers. The Panel also finds the \$10 and \$45 per month Basic Charge respectively for residential and commercial customers reasonable. BWGU's customers are accustomed to these rate levels and there's no evidence to suggest that these rates should be set higher or lower in conjunction with the Consumption Charge. As such, with this determination on the Basic Charge, any adjustments to the revenue requirements components from the determinations in this Decision will result in a change in the Consumption Charge, as further discussed in section 3.2 below.

While prior consultation with customers about the proposed rate design is desirable, the Panel agrees that the reasonableness of the proposal is a matter for the BCUC's determination and customer consultation is just one input into that overall determination. Given the ongoing pandemic, the estimated costs of the consultation and no interveners participated in this proceeding, the Panel is persuaded that BWGU acted reasonably by foregoing such consultation in this case. However, the Panel is not necessarily persuaded that the change in rate design

⁵⁴ Exhibit B-4, BCUC IR 9.7.2.

⁵⁵ Exhibit B-4, BCUC IR 1.4; Exhibit B-4, BCUC IR 9.7.1.

⁵⁶ Exhibit B-4, BCUC IRs 8.1, 8.1.1.

⁵⁷ Exhibit B-3, BCUC IR 1.7.

⁵⁸ Exhibit B-4, BCUC IR 10.2.

⁵⁹ BWGU Final Argument, p. 2.

⁶⁰ BWGU Final Argument, p. 3.

from a minimum charge to a Basic Charge coupled with a Consumption Charge, in the absence of any education to customers on the impact of that change, will actually achieve BWGU's gas conservation objective for customers to turn off their fireplace pilot light. Accordingly, the Panel encourages BWGU to provide additional education on gas conservation to its customers if the utility wants to achieve its energy conservation objectives.

3.2 Changing the Consumption Charge

BWGU presently adds a Consumption Charge, which is a variable energy charge of \$0.12 per litre to the bulk commodity costs. BWGU seeks to increase this charge to \$0.13 per litre. As indicated, in the previous section, this change along with the establishment of a new Basic Charge leads to bill increases ranging from 5 percent to 20 percent per year as per examples provided by BWGU and depending on the class of customer.

BWGU submits that its rates have not increased since the utility's inception. This is, in part, because BWGU could add to its load without significant additional costs and during that time, BWGU had expended considerable effort to increase its efficiency and to reduce measurement losses from its meters.⁶¹

Panel Discussion

While the Panel was concerned with the magnitude of some of these resulting rate increases, BWGU customers have not had a rate increase since the inception of the utility in the mid-1990s. The potential increase to customers' bills as a result of the rate design change and the general rate change is justified when compared to actual annual inflation over the period of time since the last rate increase.

The Panel considers that customers will be affected to varying degrees because this Application is effectively both a rate design and a general rate increase application. BWGU provided bill impacts that include both factors to arrive at the estimated customer bill increase of approximately 5 percent to commercial customers and approximately 14 to 20 percent to residential customers. While the Panel acknowledges that the approval of BWGU's proposal to switch from a minimum charge to a Basic Charge will likely increase customers' bills, the Panel notes that there are other downward adjustments to the revenue requirement, as determined elsewhere in this Decision, which would mitigate these customer bill increases by way of reducing the increase of (and potentially decreasing) the Consumption Charge.

3.3 Development Cost Charges

BWGU is proposing to collect a DCC within its tariff from customers connecting through specific subdivisions, as listed in Appendix A to the Application, to the extent that these customers have not already developed their properties and paid DCCs. BWGU forecasts collecting \$518,700 of DCCs from these subdivisions based on a rate of \$260 per service factor, as set out in the DCC schedule of the proposed tariff.⁶²

The practice of BWGU collecting DCCs predates its regulation by the BCUC. At the inception of BWGU, customers on the original grid within the main village who already had existing propane tanks were not charged DCCs. All subdivisions served thereafter have been charged DCCs at the same terms and rates as those proposed in the Application.⁶³ The responsibility for developers to pay DCCs was set out in the land purchase contract between Big White Real Estate Ltd.⁶⁴ and each developer purchasing land at the resort.⁶⁵ BWGU submits that the general use of DCCs to fund required infrastructure improvements was known to the developers.⁶⁶

⁶¹ Exhibit B-1, p. 6.

⁶² Exhibit B-1, p. 3.

⁶³ Exhibit B-3, BCUC IRs 3.8, 3.9.

⁶⁴ Big White Real Estate Ltd. amalgamated with Big White Ski Resort in 2013 (Exhibit B-3, BCUC IR 3.15).

⁶⁵ Exhibit A2-1, Staff Question 2.1.

⁶⁶ Exhibit B-3, BCUC IR 3.7.

BWGU currently has a DCC balance of \$805,000 previously collected outside of its tariff. This balance is net of \$330,000 of DCCs that BWGU applied towards the expansion of its gas plant in fiscal 2004.⁶⁷ BWGU has earmarked the current remaining balance and the additional \$518,700 of DCCs to relocate the gas distribution plant to a new site 2.4 kilometers west of the Resort at a cost of approximately \$1.3 million.⁶⁸ BWGU submits the proposed DCC charge of \$260 per service factor was determined based on a forecast of the number of service factors expected and the estimated cost of relocating the gas plant.⁶⁹ BWGU submits that it will file a CPCN with the BCUC prior to advancing the gas plant relocation.⁷⁰

BWGU is not requesting to collect DCCs beyond those subdivisions listed in Appendix A to the Application nor is it expecting further near-term development at the Resort beyond those subdivisions. In the event that it plans to collect DCCs from other subdivisions, BWGU states that it will come to the BCUC for approval because it believes this is a regulated service.⁷¹

BWGU submits that the current gas plant was located to meet the immediate needs of the community at the time the plant was constructed and it was well understood that new developments would, in time, trigger the need to move the plant. BWGU submits that it would be very difficult and expensive to provide service to all the subdivisions listed in Appendix A to the Application without relocating the gas distribution plant because capacity would need to be added and there is not enough physical space at the current site for additional tanks. Furthermore, it would exacerbate the safety and convenience issues of increased truck traffic in the heart of the Resort village.⁷²

BWGU submits that the properties in the subdivisions listed in Appendix A to the Application are already owned by individuals or developers, and if approved by the BCUC, BWGU will charge them DCCs once the required permits are issued.⁷³ The timing of the move and the collection of the DCCs are partly dependent on the rate of development at the Resort. The property development market at Big White has been in a slump, which has been further negatively impacted by the COVID-19 pandemic. As such, BWGU does not expect to undertake the gas plant relocation for at least 5 years.⁷⁴

However, BWGU submits that while there is still uncertainty around the gas plant relocation project, it is highly likely that the project will proceed in the relatively near future and that the cost will roughly be equal to or greater than the DCCs identified so far.⁷⁵ BWGU submits that it has not determined whether it may be appropriate to return the DCCs in the event that the gas plant relocation project is cancelled or proves less expensive than expected. This recognizes, in part, “the possibility that unforeseen investment priorities may arise in the same time frame as the gas plant relocation is being considered.” However, BWGU confirms that the DCCs are intended for investment in the utility’s plant and cannot be retained as its own funds if the gas plant is not relocated.⁷⁶

Currently, the DCCs collected are distinctly identified in a liability account on BWGU’s books and BWGU has no position on whether the DCCs should be held in a regulatory account, but welcomes the BCUC’s advice on whether this is a requirement.⁷⁷ BWGU recognizes that the BCUC has broad jurisdiction over the money that a public utility collects and what it spends that money on. BWGU also acknowledges that the BCUC has broad

⁶⁷ Exhibit B-3, BCUC IR 3.6.

⁶⁸ Exhibit A2-1, BCUC Staff Question 2.3; Exhibit B-3, BCUC IR 3.23.

⁶⁹ Exhibit B-3, BCUC IR 3.10.

⁷⁰ Exhibit B-1, p. 3.

⁷¹ Exhibit B-1, p. 3; Exhibit B-3, BCUC IRs 3.18.1, 3.19.

⁷² Exhibit B-3, BCUC IR 3.2.

⁷³ Exhibit B-3, BCUC IR 3.3.

⁷⁴ Exhibit A2-1, Staff Question 6.1.1; Exhibit B-4, BCUC IRs 12.2, 12.3.

⁷⁵ Exhibit B-3, BCUC IR 3.19.

⁷⁶ Exhibit B-3, BCUC IR 3.20.

⁷⁷ Exhibit B-3, BCUC IR 3.16.

authority to set the rate under which BWGU collects DCCs, to approve how the utility builds out its system and to determine whether any funds expended on a system expansion are recoverable in rates.⁷⁸

Position of BWGU

BWGU submits that the DCCs already collected were not made in respect of a regulated service because the funds were largely to further Big White Real Estate's commercial interests by making the current location of the gas plant available for future development, enhancing the aesthetics of the Resort and reducing truck traffic within the Resort area.

However, with changing circumstances, BWGU now believes that it will be appropriate to move the gas plant for reasons that directly benefit the utility. The utility requires increased storage capacity and the move would allow for safer delivery of ever-increasing volumes of gas consumed at Big White. Therefore, going forward, BWGU seeks to collect DCCs through its tariff.⁷⁹

BWGU submits that the DCCs have the essential characteristics of a charge for "system interconnection, including required system reinforcements." Service by BWGU is conditioned on payment of DCCs similar to how payment of interconnection fees is a condition of service by regulated utilities.⁸⁰ BWGU considers payment of DCCs to be part of the terms and conditions of service, therefore inclusion within its tariff is appropriate, rather than continuing its practice of collecting DCCs through a contract.⁸¹ Further, BWGU submits that it would be problematic to collect DCCs through a contract and not be able to withhold service from those who do not satisfy their contractual obligations to pay DCCs.⁸²

BWGU submits that the advance collection of funds for future capital expenditures could result in intergenerational equity issues. As such, BWGU is not advocating for the advance collection of DCCs for future capital projects as a practice to be carried forward beyond the DCCs that would apply to those properties listed in Appendix A to the Application. However, BWGU is also concerned with the equity issues that arise between contemporary developers, some of whom have already paid DCCs and some of whom haven't. Therefore, BWGU is seeking a transition mechanism around the management of DCCs that treats all the developers that are already known, and who began development under the "old" DCC regime, the same.⁸³ BWGU also confirms that there has been no change in the relationship between BWGU and the developers under the "old" DCC regime (enforceable by private contract) and the proposed new DCC regime (incorporated as a term and condition of BWGU's tariff) and they will be receiving the same service.⁸⁴

BWGU submits that, alternatively, returning the DCCs already collected and subsequently collecting the plant relocation costs from all customers after the relocated plant goes into service would create unfairness issues because conceptually it is "some combination of the new sub-divisions that will have triggered the plant move." As such, "these new customers should be responsible for incremental costs that their joining the system has triggered (i.e. the new customers should be responsible for incremental costs sufficient to leave existing ratepayers no better or worse than if they hadn't joined, and only then should they share costs equally with their fellow ratepayers)."⁸⁵

⁷⁸ Exhibit B-3, BCUC IR 3.20.1.

⁷⁹ Exhibit A2-1, Staff Question 4.1.

⁸⁰ Exhibit B-3, BCUC IR 3.1.1.

⁸¹ Exhibit B-3, BCUC IRs 3.14.1, 3.24.1; Exhibit B-4, BCUC IR 12.6.

⁸² Exhibit B-4, BCUC IR 12.6.

⁸³ Exhibit B-3, BCUC IR 3.22.

⁸⁴ Exhibit B-4, BCUC IR 12.4.

⁸⁵ Exhibit B-3, BCUC IR 3.22.

In BWGU's view, there is no single solution that would satisfy all objectives on intergenerational equity and other ratemaking considerations. It believes its suggested approach manages the equity considerations in "a fair and balanced fashion."⁸⁶

In final argument, BWGU submits that the proposed treatment of the DCCs "is reasonable and represents a fair – if necessarily imperfect – solution to apportioning costs between new and existing customers." BWGU also clarifies that its suggested approach to DCCs and the gas plant relocation project is not motivated by any commercial advantage to BWGU, to the Resort, or to any developer.⁸⁷

Panel Determination

The Panel recognizes that BWGU had been collecting DCCs since the utility's inception and that the funds were collected for the purpose of infrastructure investment to accommodate new developments joining onto the utility's gas distribution system. This was demonstrated in fiscal 2004 when BWGU used a portion of the DCCs collected at the time to expand its gas plant.

The Panel is cognizant that there could be some intergenerational equity issues with the advance collection of funds to finance a project that has uncertainty and is not expected to start for several years. However, the Panel is persuaded that some investment in capital infrastructure, whether it be the plant relocation project or some other solution, would be required in the near future to accommodate additional subdivision developments. Further, the Panel also recognizes that since BWGU had previously been collecting DCCs under land purchase contracts, there would now be fairness issues with allowing new subdivisions to join the system without paying their share of the costs given that there is some combination of the new subdivisions that are triggering the plant move. The Panel agrees with BWGU that returning the DCCs already collected and subsequently collecting the plant relocation costs from all customers would also result in fairness issues. Therefore, the Panel finds that the continued collection of DCCs under the same rates and terms as previously collected balances the potential intergenerational equity and fairness issues.

Since further investment in the utility's infrastructure is necessary to provide service to the subdivisions listed in Appendix A to the Application, the Panel is persuaded that the DCCs have similar characteristics to a system interconnection and system reinforcements charge. **As such, the Panel finds that the DCCs, proposed for collection from the subdivisions listed in Appendix A to the Application, are with respect to a regulated service, so long as they are collected for the sole purpose of providing utility services, and therefore approves their inclusion in BWGU's tariff.**

The Panel further directs the DCCs proposed for collection within the tariff and the \$805,000 balance of DCCs already collected be held in a separate regulatory account. The DCCs within the tariff are with respect to a regulated service and together with the funds already collected will be used for the same purpose and therefore combining these funds will increase transparency. Any interest income earned by BWGU with respect to DCCs is to be added to the regulatory account as carrying costs. The funds in this regulatory account are to be used by BWGU for its capital infrastructure expenditures. BWGU is to provide in all future annual reports to the BCUC until the regulatory account is closed, an accounting of the regulatory account, which includes the annual opening and closing balances, the amount of any additions or removals of funds along with descriptions, and any other relevant information.

⁸⁶ Exhibit B-3, BCUC IR 3.22.

⁸⁷ BWGU Final Argument, p. 2.

4.0 Other Issues

4.1 Amendments to the Terms and Conditions

BWGU is seeking to amend its tariff to, among other things, import new terms and conditions into its tariff, with amendments, from its standard form of Propane Supply Agreement with customers and to make various “housekeeping” amendments for clarity and consistency.⁸⁸ BWGU’s terms and conditions of service are currently contained in its standard form of Propane Supply Agreement with customers.⁸⁹ Once imported into its tariff, BWGU would no longer need to enter into Propane Supply Agreements with its customers.

Included in the proposed amendments is the addition of section 2.9 “Responsibility for Unpaid Balances” to its terms and conditions, which states:

If a new Customer makes an application for Service at Premises that have an unpaid balance owing to the Company from a previous Customer, the new Customer assumes this previous balance as part of its Service Agreement, at which time the previous Customer is relieved of its obligations to the Company.

It is important to note that the above provision was not previously in BWGU’s tariff or Propane Supply Agreement. BWGU submits that the provision nonetheless accords with its business practice and it wants to make its practice explicit in the tariff.⁹⁰

BWGU submits that for the protection of itself and its other customers, it seeks to ensure that its outstanding bills are paid prior to any customer departing the system, which can be accomplished by, in part, “providing the buyer with the incentive to ensure during conveyancing that the property is free of the encumbrances of unpaid utility bills, or by adjusting its purchase price accordingly.”⁹¹

BWGU submits that since almost all properties in its service area have mortgages on title in favour of Big White Water Utility, during conveyancing, there is generally communication between the purchaser’s lawyers and the Big White utilities⁹² and balances owing by the seller would become apparent to the buyer.⁹³

BWGU clarifies that it is rare for there to be an unpaid balance that needs to be assumed by a new customer and it cannot recall a specific instance of this circumstance arising. However, if it were to arise, the unpaid balance would be relatively small as BWGU would initiate steps to collect overdue amounts before the balance becomes significant.⁹⁴

BWGU explains that if it were to discontinue this practice, it would not expect material implications since outstanding balances would not be significant. BWGU expects that it would slightly increase risk to its shareholder during a given test period. However, over the long term, if outstanding balances are persistent, BWGU may request recovery in future rate applications, which would result in “cost shifting from delinquent customers to those that paid their bills.”⁹⁵

Position of BWGU

BWGU has found its mechanism to recover unpaid balances to be successful and non-controversial with its customers. Given that any unpaid balance would be relatively small, in BWGU’s view, alternative measures, such as using liens or collection agencies, to collect the balances would not likely be cost-effective solutions.⁹⁶

⁸⁸ Exhibit B-1, p. 4; Exhibit B-2, Attachments 2, 3.

⁸⁹ Exhibit B-1, p. 3.

⁹⁰ Exhibit B-4, BCUC IRs 16.9, 16.9.1.

⁹¹ Exhibit B-3, BCUC IR 7.2.

⁹² Big White utilities consists of BWGU, Big White Wastewater Utility and Big White Water Utility.

⁹³ Exhibit B-4, BCUC IR 16.1.

⁹⁴ Exhibit B-4, BCUC IR 16.3.

⁹⁵ Exhibit B-4, BCUC IRs 16.5, 16.5.1.

⁹⁶ Exhibit B-4, BCUC IR 16.8.

Panel Determination

The Panel approves the amendment of the tariff to include the new terms and conditions imported, with amendments, from its standard form of Propane Supply Agreement with customers and the various proposed “housekeeping” amendments, with the exception of the proposal to have new customers responsible for unpaid balances of previous customers at the same premises as provided in section 2.9 of the new terms and conditions.

BWGU has indicated that it has very few, if any, instances in any given year where a new customer had to assume the unpaid balance of a previous customer, and the total of said delinquency is minimal. However, the Panel is not aware of other utilities having this approach of requiring a new customer to assume the utility debts of a previous customer. For example, when service is terminated, both the British Columbia Hydro and Power Authority (BC Hydro) and FEI require the actual customer that incurred the usage to pay for any unpaid bills.⁹⁷ Notwithstanding that BWGU’s has adopted a collection practice that has been different to date which has not been sanctioned to date by the BCUC, from a principled basis, there is no reason why this practice should be different in the case of BWGU as a regulated utility. The previous customer that incurred the debt should remain responsible for any outstanding balances and any amounts not collected should be written-off as bad debts. **Therefore, the Panel does not approve this particular new amendment to BWGU’s tariff.**

4.2 Rate Schedule

During the course of the proceeding, BWGU noted an error in its Rate Schedule. Specifically, the description of the Consumption Charge should state that it is determined based on a “weighted monthly average” pricing model instead of a “first-in-first-out” pricing model.⁹⁸

Panel Discussion

The Panel reminds BWGU to change the language in its Rate Schedule regarding the Consumption Charge from “first-in-first-out” to “weighted monthly average basis” as submitted by BWGU in its response to IRs.

4.3 Fuel Supply and Equipment Agreement

During the course of this proceeding, BWGU noted that its Fuel Supply and Equipment Agreement with its supplier, Superior, has not been filed for BCUC review and acceptance under section 71 of the UCA.⁹⁹ Section 71 of the UCA requires a public utility that has entered into an energy supply contract to file a copy of the contract with the BCUC and provide the BCUC with any information considered necessary to determine whether the contract is in the public interest.

While BWGU filed its Superior Fuel Supply and Equipment Agreement, dated January 21, 2021 in conjunction with its IR response,¹⁰⁰ BWGU later clarified that it is not seeking approval of the agreement in this proceeding. BWGU intends to file this agreement after the completion of this proceeding for BCUC review and acceptance.¹⁰¹

Panel Determination

The Panel directs BWGU to file its Fuel Supply and Equipment Agreement for the BCUC’s review and acceptance under Section 71 of the UCA within 60 days of the date of this Decision.

⁹⁷ BC Hydro Electric Tariff, Terms and Conditions Section 2.7, Effective June 5, 2020, retrieved on May 19, 2021 from: <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/tariff-filings/electric-tariff/bchydro-electric-tariff.pdf>; Fortis Energy Inc., General Terms and Conditions, Effective November 1, 2018, Sections 8.2, 8.3, retrieved on May 19, 2021 from: https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gas-utility/fortisbc_generaltermsandconditions.pdf?sfvrsn=202bc0bf_24.

⁹⁸ Exhibit B-3, BCUC IR 7.3.

⁹⁹ Exhibit B-3, BCUC IR 2.1

¹⁰⁰ Exhibit B-3, BCUC IR 2.1

¹⁰¹ Exhibit B-4, BCUC IR 14.1.2

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of June 2021.

Original signed by:

A. K. Fung, QC
Panel Chair / Commissioner

Original signed by:

B. A. Magnan
Commissioner



**ORDER NUMBER
G-196-21**

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Big White Gas Utility Ltd.
Application to Amend Rates

BEFORE:

A. K. Fung, QC, Panel Chair
B. A. Magnan, Commissioner

on June 25, 2021

ORDER

WHEREAS:

- A. On November 10, 2020, Big White Gas Utility Ltd. (BWGU) filed its fiscal 2022 to fiscal 2026 revenue requirements application with the British Columbia Utilities Commission (BCUC) requesting approval, effective June 1, 2021, for the following amendments to its tariff:
- i. New terms and conditions imported, with amendments, from BWGU's standard form of Propane Supply Agreement with its customers;
 - ii. Provisions for collecting development cost charges on specified properties, added to the tariff;
 - iii. The minimum charge (currently applicable only in cases where this charge exceeds the level of the consumption charge for that period) changed to a basic charge, applicable each month in addition to the consumption charge;
 - iv. A one-cent per litre increase to the consumption charge, to \$0.13 per litre;
 - v. All mark-ups standardized to 15 percent over cost in the Special Rate Schedule; and
 - vi. Various "housekeeping" amendments for clarity and consistency (collectively, the Application);
- B. By Orders G-297-20 and G-53-21, the BCUC established a regulatory timetable for the review of the Application which included two rounds of information requests to BWGU followed by BWGU's written argument. No requests for intervener status or letters of comments were received by the BCUC;
- C. By Order G-120-21 dated April 26, 2021, the BCUC approved the amendments and rate changes to BWGU's tariff as applied for in the Application, on an interim and refundable basis, effective June 1, 2021; and

- D. The BCUC has considered the Application and the evidence and submissions filed in the proceeding and makes the following determinations.

NOW THEREFORE, pursuant to sections 59 to 61 of the *Utilities Commission Act*, the BCUC orders as follows:

1. The following amendments to BWGU's tariff are approved on a permanent basis, effective June 1, 2021, subject to the adjustments resulting from the determinations and directives contained in the decision issued concurrently with this order:
 - i. New terms and conditions imported, with amendments, from BWGU's standard form of Propane Supply Agreement with its customers;
 - ii. Provisions for collecting development cost charges on specified properties, added to the tariff;
 - iii. The minimum charge (currently applicable only in cases where this charge exceeds the level of the consumption charge for that period) changed to a basic charge, applicable each month in addition to the consumption charge;
 - iv. A one-cent per litre increase to the consumption charge, to \$0.13 per litre;
 - v. All mark-ups standardized to 15 percent over cost in the Special Rate Schedule; and
 - vi. Various "housekeeping" amendments for clarity and consistency.
2. BWGU is directed to recalculate its revenue requirements and to adjust its rates based on the determinations and directives contained in the decision issued concurrently with this order.
3. BWGU is directed to file within 60 days of this order, updated tariff pages, reflecting the terms of this order and the determinations and directives contained in the decision issued concurrently with this order, for endorsement by the BCUC within 60 days of the date of this order.
4. BWGU is directed to refund to its customers the difference between interim and permanent rates, with interest calculated at the average prime rate of BWGU's principal bank for its most recent year.
5. BWGU must provide all its customers with notification of the permanent rate changes as soon as is practicable.
6. BWGU is directed to comply with all other directives contained in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of June 2021.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Big White Gas Utility Ltd.
Application to Amend Rates

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated November 13, 2020 – Appointing the Panel for the review of Big White Gas Utility Ltd. Application to Amend Rates
A-2	Letter dated November 24, 2020 – BCUC Order G-297-20 establishing the regulatory timetable with public notice.
A-3	Letter dated December 3, 2020 – BCUC Order G-311-20 rescinding directive 4 in Order G-297-20
A-4	Letter dated January 8, 2021 – BCUC Information Request No. 1 to BWGU
A-5	Letter dated February 25, 2021 – BCUC Order G-53-21 establishing a further regulatory timetable
A-6	Letter dated March 2, 2021 – BCUC Information Request No. 2 to BWGU
A-7	Letter dated April 26, 2021 – BCUC Order G-120-21 approving interim rates
COMMISSION STAFF DOCUMENTS	
A2-1	Letter dated December 2, 2020 – Big White responses to BCUC staff questions dated February 28, 2020 and May 20, 2020
A2-1-1	CONFIDENTIAL - Letter dated March 2, 2020 – Big White providing confidential spreadsheet regarding Exhibit A2-1
A2-2	Letter dated January 8, 2021 – Extract from Big White 2019-2020 Annual Report dated September 24, 2020

APPLICANT DOCUMENTS

- B-1 **Big White Gas Utility Ltd. (BWGU)** – Letter dated November 10, 2020 Submitting the Application to Amend Rates by C. Lusztig, Keppel Gate Consulting
- B-2 Letter dated December 2, 2020 – BWGU Submitting response to G-297-20 Directives
- B-3 **PUBLIC** - Letter dated February 9, 2021 – BWGU Submitting Redacted responses to BCUC Information Request No. 1
- B-3-1 **CONFIDENTIAL** - Letter dated February 9, 2021 – BWGU Submitting Confidential responses to BCUC Information Request No. 1
- B-4 Letter dated March 22, 2021 – BWGU Submitting Redacted responses to BCUC Information Request No. 2

INTERESTED PARTY DOCUMENTS

- D-1 **FortisBC Energy Inc. (FEI)** - Submission dated January 8, 2021 request for Interested Party status by Brandi Paulson