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FortisBC Energy Inc. and Stargas Utilities Ltd.

Joint Application for Approval of an Asset Disposition and  
a Certificate of Public Convenience and Necessity to  
Facilitate the Transfer of Natural Gas Utility Assets from  
Stargas Utilities Ltd. to FortisBC Energy Inc.

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Decision  
and Order C-1-22

January 27, 2022

Before:

A. K. Fung, QC, Panel Chair  
C. M. Brewer, Commissioner  
W. M. Everett, QC, Commissioner

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## COMMISSION ORDER C-1-22

## APPENDICES

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## Executive summary

On February 19, 2021, pursuant to sections 45, 46, 52 and 59 to 61 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) and Stargas Utilities Ltd. (Stargas) jointly applied to the British Columbia Utilities Commission for approval of the sale by Stargas to FEI of the natural gas distribution utility assets situated within the boundaries of the Silver Star Mountain Ski Resort (Assets), and for approval of a Certificate of Public Convenience and Necessity (CPCN) for FEI to operate the extension to its system resulting from its acquisition of the Assets (Application).

The executed Asset Purchase Agreement (APA) between FEI and Stargas, attached as confidential Appendix B to the Application, provides for the transfer from Stargas to FEI of all of the Stargas Assets. In accordance with the terms of the APA, the final purchase price will be based on the Assets that are approved by the BCUC for inclusion in FEI's rate base only, and subject to the actual value of the Assets at the closing date. The Panel finds the forecast purchase price of \$690,119 based on a closing date of October 1, 2021 to be reasonable, with the exception of the working capital allowance. The Panel finds that FEI and Stargas have provided insufficient regulatory justification for the recovery of the Stargas working capital allowance of \$54,225 from FEI ratepayers. More specifically, the minimal impact on FEI's ratepayers does not provide a regulatory justification for FEI to require its ratepayers to compensate Stargas for the value of Stargas' total working capital allowance. Should FEI wish to compensate Stargas for that value, it can do so at the expense of its shareholders.

FEI notes that its existing customers will experience a small bill impact as a result of the transfer of Assets, on average an increase of less than 4 cents over two years. For Stargas' current customers, based on current effective rates FEI and Stargas estimate an average bill reduction of 7%, 13% and 20% for residential, small commercial and large commercial customers respectively as a result of becoming FEI customers. The transfer of Assets will benefit Stargas' current ratepayers and will not unduly harm FEI or its existing ratepayers.

FEI states it has engaged with Indigenous communities with interests in the area of Silver Star by providing information regarding the proposed transfer of Assets, associated timelines, and time for feedback on any concerns. In the proceeding, Splat'sin First Nation (Splat'sin) requested an adjournment to allow for time to address what it submits are unresolved outstanding Title and Rights issues. FEI subsequently provided updated information regarding its engagement with Splat'sin, including a summary of Splat'sin's concerns. The Panel finds FEI's engagement with Indigenous communities including Splat'sin to date, has been adequate with respect to the proposed transfer of the Assets.

The Panel finds that the transfer of Assets from Stargas to FEI is in the public interest and approves the disposition of Stargas' Assets pursuant to section 52 of the UCA. Accordingly, pursuant to sections 45 and 46 of the UCA, the Panel grants FEI a CPCN to operate the extension to its system resulting from its acquisition of the Assets. The Panel approves the transfer of the Assets, with the exception of the \$54,225 allowance for working capital, which is denied. FEI and Stargas are directed to confirm the completion of the transfer of the Assets and file details of the final purchase price with the BCUC within 60 days of completion.

The Panel approves FEI's request to establish a deferral account entitled the Stargas Assets Acquisition Deferral Account to record certain costs associated with the preparation of the Application and execution of the APA, and specific components of the purchase price. With respect to the Assets transferred from Stargas to FEI, FEI is approved to transfer the net book value of Stargas' capital assets included in the final purchase price, except for the billing/read software costs, in the applicable asset account in rate base effective January 1, 2023. Additionally, the Panel approves FEI's request to record the balance of Stargas' Gas Cost Variance Account at the closing date in FEI's Midstream Cost Reconciliation Account.

## 1.0 Introduction

On February 19, 2021, pursuant to sections 45, 46, 52 and 59 to 61 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) and Stargas Utilities Ltd. (Stargas) jointly applied to the British Columbia Utilities Commission (BCUC) for approval of the sale by Stargas to FEI of the natural gas distribution utility assets situated within the boundaries of the Silver Star (Silver Star) Mountain Ski Resort (Assets), and for approval of a Certificate of Public Convenience and Necessity (CPCN) for FEI to operate the extension to its system resulting from its acquisition of the Assets (Application).

Silver Star is a year-round resort community located approximately 22 kilometres northeast of Vernon, BC. Stargas is a public utility as defined in section 1 of the UCA and owns and operates the natural gas distribution system at Silver Star, pursuant to the CPCN granted by BCUC Order C-4-00 and subsequently amended by Order C-18-06. As of October 31, 2020, the natural gas distribution system is approximately 10 kilometres in length and serves 348 residential and commercial customers. Stargas is currently billed by FEI under Rate Schedule (RS) 25 as a single transportation service customer.<sup>1</sup>

### 1.1 Approvals Sought

In the Application, FEI and Stargas seek the following approvals:

- i. The disposition of Stargas' Assets and transfer of the Assets from Stargas to FEI, pursuant to section 52 of the UCA;
- ii. A CPCN for FEI to operate the extension to its system resulting from its acquisition of the Assets, pursuant to sections 45 and 46 of the UCA;
- iii. The establishment of a new FEI non-rate base deferral account, entitled the "Stargas Assets Acquisition Deferral Account," pursuant to sections 59 to 61 of the UCA. FEI seeks approval that the costs recorded in this proposed deferral account be net-of-tax, attracting FEI's weighted average cost of capital (WACC), and be transferred to rate base on January 1, 2022<sup>2</sup> with an amortization period of one year. The account is proposed to capture:
  - the costs of preparing the Application;
  - legal expenses related to the executed FEI-Stargas Asset Purchase Agreement (APA); and
  - Stargas' existing Regulatory Assets, Stargas' Working Capital Allowance, and the "uncollected amounts" as identified in the APA provided in Appendix B to the Application;<sup>3</sup> and
- iv. The transfer of the remaining balance of Stargas' Gas Cost Variance Account (GCVA), at the closing date under the APA, into FEI's Midstream Cost Reconciliation Account (MCRA).<sup>4</sup>

In its Final Argument, FEI notes that as this proceeding has taken longer than expected to complete, FEI will not be able to receive a decision in time to incorporate the cost of service of the Assets as part of its 2022 Delivery Rates. Therefore, pursuant to sections 59 to 61 of the UCA, FEI seeks approval to record the 2022 cost of service

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<sup>1</sup> Exhibit B-1, p. 4.

<sup>2</sup> Subsequently amended to January 1, 2023, due to the length of the proceeding.

<sup>3</sup> Exhibit B-1, p. 2.

<sup>4</sup> Exhibit B-2, BCUC IR 5.2.

of the Assets in the Stargas Assets Acquisition Deferral Account, which would be amortized over a one-year period commencing January 1, 2023 instead.<sup>5</sup>

## **1.2 Legislative Framework**

As already noted, FEI and Stargas seek approvals pursuant to sections 45, 46, 52 and 59 to 61 of the UCA.

Pursuant to section 52 of the UCA, a public utility (Stargas in this instance) must not, without first obtaining BCUC approval, dispose of or encumber the whole or a part of its property, franchises, licences, permits, concessions, privileges or rights. Section 52(2) goes on to state that:

The commission may give its approval under this section subject to conditions and requirements considered necessary or desirable in the public interest.

Sections 45 and 46 of the UCA provide for applications for CPCNs. Pursuant to section 45(1), a person must not begin operation of a public utility plant or system, or an extension of either, without first obtaining a CPCN. Pursuant to section 46(3.1) of the UCA, in deciding whether to issue a CPCN, the BCUC must consider (a) the applicable of British Columbia's energy objectives, (b) the most recent long-term resource plan filed by the public utility under section 44.1, if any, and (c) the extent to which the application for the certificate is consistent with the applicable requirements under sections 6 and 19 of the *Clean Energy Act* (CEA).<sup>6</sup>

Sections 59 to 61 of the UCA provide the BCUC the jurisdiction to set rates of a utility. Broadly, these sections provide that public utility rates must not be unjust, unreasonable, unduly discriminatory, or unduly preferential.

Section 60 (b.1) provides that the BCUC may, in setting rates, use any mechanism, formula or other method it considers advisable, which may include the establishment of deferral accounts.

## **1.3 Regulatory Process**

On March 5, 2021, the BCUC established a regulatory timetable for the review of the Application, consisting of one round of written information requests (IRs) and further process to be determined.<sup>7</sup>

Two parties registered as interveners in this proceeding: Silver Star Property Owners Association (SSPOA) and Splatsin First Nation (Splatsin).

On April 26, 2021, the BCUC adjourned the proceeding pending BCUC decisions on two Stargas proceedings affecting the purchase price of the Assets: the Stargas Delivery Rate and Regulatory Account Application – Test Year November 1, 2020 to October 31, 2021 (Stargas 2020 Delivery Rate Application); and the Stargas Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate (Stargas 2020 Commodity Rate Application).<sup>8</sup>

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<sup>5</sup> FEI Final Argument, p. 2.

<sup>6</sup> Sections 6 and 19 of the CEA do not apply to FEI.

<sup>7</sup> Order G-63-21.

<sup>8</sup> Order G-122-21.

On May 3, 2021, the BCUC issued its decision with respect to the Stargas 2020 Commodity Rate Application.<sup>9</sup> On May 25, 2021, the BCUC issued its decision with respect to the Stargas Delivery Rate Application,<sup>10</sup> which was subsequently varied in part by BCUC Order G-202-21.

On July 8, 2021, FEI and Stargas filed an Application Update, which included an updated purchase price of the Assets based on the BCUC's decisions with respect to the Stargas 2020 Delivery Rate Application and Stargas 2020 Commodity Rate Application.<sup>11</sup>

By letter dated July 19, 2021, following its request and receipt of information related to Stargas' historical and forecast revenues, Splatsin requested an adjournment of the proceeding or a three-month delay for filing of final arguments.

By Order G-252-21 dated August 26, 2021, the BCUC established a further regulatory timetable, which included a second round of IRs to address concerns raised by Splatsin, and written final and reply arguments. On October 27, 2021, FEI and Stargas separately filed Final Arguments. Although neither SSPOA nor Splatsin filed final arguments, SSPOA filed a letter of support for the Application encouraging its approval.<sup>12</sup>

## **1.4 Outline of Decision**

The outline of the Decision is as follows:

- Section 2 assesses the reasonableness of the components of the forecast Asset transfer purchase price, including certain capital and Operating and Maintenance (O&M) expenditures FEI will need to incur post-transaction;
- Section 3 reviews whether the proposed transfer of Assets and the disposition of the Assets by Stargas are warranted, and whether public convenience and necessity warrant the granting of a CPCN to FEI;
- Section 4 outlines the Indigenous engagement and public consultation activities undertaken by FEI to support the granting of the CPCN;
- Section 5 sets out the Panel's determinations respecting the disposition of the Assets by Stargas, the granting of a CPCN to FEI, and the appropriate accounting treatment to record the costs of the transfer of the Assets to FEI; and
- Section 6 provides the Panel's determinations respecting confidential information.

## **2.0 Proposed Transaction**

The executed Asset Purchase Agreement (APA) between FEI and Stargas, attached as confidential Appendix B to the Application, provides for the transfer of Stargas' Assets from Stargas to FEI. In accordance with the terms of the APA, the final purchase price will be based only on those Assets that the BCUC approves for inclusion in FEI's rate base, as valued at the closing date. Subject to BCUC approval, following the transfer, FEI will own the

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<sup>9</sup> Order G-133-21.

<sup>10</sup> Order G-158-21.

<sup>11</sup> Exhibit B-5.

<sup>12</sup> Exhibit C1-2.

Assets, operate the gas distribution system at Silver Star, and provide service to the existing natural gas customers currently served by Stargas.<sup>13</sup>

After the transfer, Stargas' existing residential customers will become FEI residential customers and will receive natural gas service from FEI under Rate Schedule (RS) 1, while Stargas' small and large commercial customers will receive natural gas service from FEI under RS 2 Small Commercial or RS 3 Large Commercial, depending on the customers' annual consumption levels. Natural gas service to customers at Silver Star will not be interrupted as a result of the transfer of the Assets from Stargas to FEI.<sup>14</sup>

## 2.1 Asset Transfer Purchase Price

The forecast Asset transfer purchase price, based on a closing date of October 1, 2021, is \$690,119.<sup>15</sup> The purchase price is comprised of several components, specifically:

- the net book value of capital assets in Stargas' rate base; the unamortized balance of Stargas' regulatory accounts and 2002-2006 deferred dividends;
- the total working capital allowance in Stargas' rate base; and
- the balance of Stargas' Gas Cost Variance Account (GCVA).

As noted above, the final purchase will be based on the value at the actual closing date of those components of the purchase price that the BCUC approves for inclusion in FEI's rate base.<sup>16</sup>

A summary of the forecast purchase price is set out in Table 1 below:

**Table 1 – Breakdown of Purchase Price based on Closing Date of October 1, 2021<sup>17</sup>**

Forecast Purchase Price	1-Oct-21	References
<b>Capital Assets</b>		
Distribution Grid	\$437,743	Note 1
Safety Initiative	\$24,258	Note 1
Remediation Costs for Crown Tenure Rights	\$13,327	Note 1
Billing / Read Software	\$6,019	Note 1
<b>Regulatory Assets</b>		
2017 Installation Application	\$1,150	Note 2
<b>Stargas Uncollected Amounts</b>		
2002-2006 Deferred Dividends	\$57,924	Note 3
<b>Other</b>		
Stargas Working Capital Allowance	\$54,225	Refer to Section 2.1.1 of this Decision

<sup>13</sup> Exhibit B-1, p. 6.

<sup>14</sup> Exhibit B-1, p. 6.

<sup>15</sup> The forecast purchase price in the Application (Exhibit B-1) was estimated at \$714,662, based on a Closing Date of April 1, 2021. The forecast purchase price amount was updated to \$690,119 in the Evidentiary Update (Exhibit B-5), to reflect the BCUC decisions in the following two proceedings: Stargas Delivery Rate and Regulatory Account Application – Test Year November 1, 2020 to October 31, 2021 (Stargas 2020 Delivery Rate Application) and the Stargas Natural gas Purchase Plan and Updated Application to Vary Commodity Rate (Stargas 2020 Commodity Rate Application).

<sup>16</sup> FEI Final Argument, p. 1.

<sup>17</sup> BCUC Staff table derived from Exhibit B-5, Table 1.



Stargas Gas Cost Variance Account	\$95,473	Note 4 BCUC Order G-133-21
<b>Total</b>	<b>\$690,119</b>	

**Note 1**

The net book value of Stargas' capital Assets is regularly reviewed and approved by the BCUC for inclusion in Stargas' rate base, as part of Stargas' rates applications. Most recently, the BCUC reviewed Stargas' revenue requirements and rates as part of the Stargas Delivery Rate and Regulatory Account Application Effective November 1, 2020.

**Note 2**

The Stargas 2017 Installation Application Regulatory Account was approved by BCUC Order G-164-17 to capture costs associated with Stargas' application to amend its tariff regarding new service installations and its accounting for new service installation costs. The BCUC approved an amortization period of 60 months, commencing in November 2017.

**Note 3**

Stargas was granted approval by Order G-157-12 to amortize \$135,887 in 2002-2006 unrecognized return over 20 years, equivalent to \$6,974 per year, commencing in 2013. The \$57,924 included in the purchase price represents the amount that has not yet been collected.

**Note 4**

The Stargas GCVA captures the variance between the gas cost recovered in rates and the actual cost incurred in purchasing the commodity. Based on the approved commodity rate effective November 1, 2020, the forecast remaining balance of the Stargas GCVA is \$95,473.<sup>18</sup>

### *Panel Determination*

**The Panel finds the forecast purchase price of \$690,119 based on a closing date of October 1, 2021, and set out in Table 1 above to be reasonable, with the exception of the working capital allowance.** The forecast purchase price reflects a realistic estimation of the remaining net balance of costs that BCUC permitted Stargas to recover from its ratepayers for the provision of utility services. Further, none of the interveners expressed opposition to the forecast purchase price or any individual components thereof.

The Panel addresses below issues with respect to the inclusion of the working capital allowance in the purchase price.

#### **2.1.1 Working Capital Allowance**

As indicated in Table 1 above, the forecast purchase price includes a working capital allowance of \$54,225.<sup>19</sup> FEI seeks BCUC approval to record the working capital allowance at the closing date in the Stargas Assets Acquisition Deferral Account, the balance of which is to be recovered from FEI ratepayers.<sup>20</sup> The accounting treatment for the Stargas Assets Acquisition Deferral Account is addressed in Section 2.2 of this Decision.

<sup>18</sup> Exhibit B-5, p. 4: In BCUC Order G-133-21 dated May 3, 2021, for the Stargas 2020 Commodity Rate Application, the BCUC accepted Stargas' natural gas purchase plan for the 2020-2021 Contract Year and approved the commodity rate of \$5.82 per GJ, effective November 1, 2020.

<sup>19</sup> Exhibit B-1, p. 9: Working capital allowance is based on 1/8 of Stargas' operating and administrative expenses plus an average lead/lag amount of commodity costs for the period November 1, 2020 to October 31, 2021.

<sup>20</sup> Exhibit B-1, p. 10.

With respect to the rationale for including a working capital allowance in the purchase price, Stargas submits that the BCUC permits it to earn a return on its rate base, which includes an allowance for working capital, and it would continue to earn a return on this amount if it remained an independent operator.<sup>21</sup> FEI states that it agreed to include the working capital allowance in the purchase price given that the estimated incremental bill impact to FEI's residential customers will be effectively zero.<sup>2223</sup>

With respect to working capital allowances in general, FEI submits these allowances are not capital Assets but are included in a utility's rate base for the purpose of setting rates "... to provide a WACC return to a utility's shareholders for the timing difference between providing service and receiving payment for the service."<sup>24</sup>

### *Panel Determination*

The Panel agrees with FEI's characterization of working capital allowances, namely, they are not capital assets and are simply included in a utility's rate base to compensate shareholders for timing differences between providing service and receiving payment for services. While the shareholder is usually entitled to earn a return on working capital allowances in setting rates for any given year, the *total* allowance is not typically recoverable from ratepayers. This is a distinct difference from the other components of the purchase price, which have previously been approved by the BCUC for recovery from Stargas' ratepayers, typically through either annual depreciation or amortization expense.

Stargas states it is appropriate to include the working capital allowance in the purchase price, given that it would continue to earn a return on the working capital allowance if it were to remain a natural gas service provider. However, the proposed transaction includes Stargas transferring all its Assets to FEI to enable FEI to continue the provision of natural gas service at Silver Star, with Assets that would be owned and operated by FEI rather than Stargas after their transfer. Further, the Panel is not persuaded that the minimal impact on FEI's ratepayers provides a regulatory justification for FEI to require its ratepayers to compensate Stargas for the value of Stargas' total working capital allowance. Should FEI wish to compensate Stargas for the value of the working capital allowance, it can do so at the expense of its shareholders.

For the foregoing reasons, **the Panel finds that the applicants have provided insufficient regulatory justification for the recovery of the Stargas working capital allowance of \$54,225 from FEI ratepayers.**

## **2.2 Post Transaction Capital and O&M Expenditures**

In the Application, FEI identifies several planned and potential expenditures which FEI will need to incur following the transfer of Assets to FEI, comprised of capital expenditures, O&M expenditures, and potential expenditures for remediation of trespass issues.

FEI states that it undertook a due diligence evaluation of Stargas' distribution assets as well as the transfer station's access and maintenance records in 2020. FEI established that the current Assets are overall in good condition and identified some expenditures required post-transaction, including inputting Stargas' records into

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<sup>21</sup> Exhibit B-2, BCUC IR 7.1

<sup>22</sup> After rounding to two decimal places.

<sup>23</sup> Exhibit B-2, BCUC IR 7.2.

<sup>24</sup> Ibid.

FEI's systems, rectifying snow loading meter hazard issues, and upgrading existing commercial meters. FEI estimates \$65,000 of capital and O&M expenditures within one year of the transaction, and a further \$115,000 within one to five years of the transaction. FEI proposes to fund the required capital and O&M expenditures through FEI's current capital and O&M framework under FEI's 2020-2024 Multi-Year Rate Plan.<sup>25</sup> FEI expects the remaining average service life of Stargas' distribution mains to be approximately 39 years.<sup>26</sup>

### *Panel Discussion*

The Panel takes no issue with the forecast planned capital and O&M expenditures that FEI has identified will need to be incurred post-transaction with respect to inputting Stargas' records onto FEI's systems, rectifying snow loading meter hazard issues and upgrading existing commercial meters. Such expenditures will contribute to the provision of safe and reliable service to customers at Silver Star. Further, the Panel is satisfied that FEI has exercised due diligence with respect to the condition of the Assets, and that, given its recent contractor role with respect to system maintenance, it is familiar with the condition of the Assets. The Panel is therefore satisfied that the estimated capital and O&M expenditure amounts required on account of these specific matters post-closing are reasonable.

We review below potential expenditures for remediation of trespass issues related to the gas distribution system.

#### **2.2.1 Land Licensing and Remediation of Trespass Issues**

FEI is applying to the Province for the assignment of an existing license of occupation currently held by Stargas. Further, FEI has identified six Crown parcels on lands leased to Silver Star where the existing distribution system has no occupancy rights. FEI states it intends to work with Silver Star and the Crown to acquire occupancy rights over these parcels.<sup>27</sup>

FEI also notes that there are potentially issues of the existing distribution pipeline trespassing onto private property. FEI has undertaken preliminary mapping that identifies the potential areas of trespass. However, at this time, FEI cannot confirm the extent of the trespasses, its approach to resolve the trespasses, or the associated remediation costs.<sup>28</sup> Post-transaction, FEI will undertake the work necessary to remediate instances where additional rights of way are required. This work will involve surveys, an assessment of each potential property where additional rights of way are required, and negotiations with each property owner. FEI does not expect to incur significant remediation costs until 2023. Therefore, FEI anticipates that in its annual review for 2023 rates it will bring forward a cost estimate for approval as part of its updated forecast of sustaining capital for 2023 and 2024. FEI considers that if the BCUC grants a CPCN for the operation of the extension resulting from the transfer of Assets, then it will be prudent for FEI to undertake the work to remediate the Assets, as it is a necessary aspect of operations. FEI states that if the BCUC disagrees and considers that FEI may not be able to recover its remediation costs, FEI would request that the BCUC make that clear in its decision as FEI would be unwilling to proceed with the acquisition in that scenario.<sup>29</sup>

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<sup>25</sup> Exhibit B-1, p. 24.

<sup>26</sup> Exhibit B-2, BCUC IR 10.2.

<sup>27</sup> Exhibit B-1, p. 25.

<sup>28</sup> Ibid.

<sup>29</sup> Exhibit B-2, BCUC IR 14.3.

## Panel Discussion

The Panel observes that the remediation of potential trespass involving the Stargas distribution system presents a cost risk to FEI's existing ratepayers following its transfer. While we accept that a reliable cost estimate will not be available until FEI has undertaken further assessment and negotiations, we note that the magnitude of these post-transaction costs remains largely uncertain but may be significant, relative to the purchase price of the Assets. Nonetheless, remediation of trespass issues is necessary for FEI to safely operate the distribution system for the benefit of the existing customers of the system following its transfer from Stargas to FEI. We remind FEI, however, that this Panel cannot provide assurances about the recoverability of these costs, as that matter will be reviewed in a future FEI rates proceeding.

The Panel further notes it is unfortunate that Stargas did not identify and rectify such issues previously. The associated costs would then have already been incurred for the benefit of Stargas' ratepayers and would have been captured accordingly in Stargas' rate base. Those remediation costs would therefore have been reflected in the final purchase price to be borne by all of FEI's ratepayers rather than being subject to review in a future FEI rates proceeding.

### 3.0 Public Interest Considerations

FEI and Stargas note that in past decisions related to the acquisition of a public utility or its assets,<sup>30</sup> the BCUC has applied criteria to assist in determining the potential for detrimental effects to the utility, and the public interest. These criteria and FEI and Stargas' position in the event that the transfer is approved are summarized in the table below:

**Table 2 – Public Interest Considerations Respecting Proposed Asset Transfer<sup>31</sup>**

Criteria	FEI and Stargas Position
a) the utility's current and future ability to raise equity and debt financing not be reduced or impaired	The purchase price represents approximately 0.013 percent of FEI's 2021 forecast rate base and will not affect FEI's ability to raise equity and debt.
b) there will be no violation of existing covenants that will be detrimental to the customers	There will not be any violation of existing covenants that will be detrimental to FEI's customers.
c) the conduct of the utility's business, including the level of service, either now or in the future, will be maintained or enhanced	Stargas' existing assets are similar to FEI's existing assets and are within FEI's existing service area. Additionally, FortisBC Alternative Energy Services has been contracted by Stargas to maintain the natural gas distribution system in Silver Star since 2009, with FEI having taken over these responsibilities since 2019. FEI believes services to Stargas' current customers will be maintained or enhanced.
d) the Application is in compliance with appropriate enactments and/or regulations	The transfer of the Assets will not affect FEI's compliance with appropriate enactments or regulations.

<sup>30</sup> For example, as per BCUC Order G-39-16 related to FortisBC Midstream Inc. Application for Approval of the Acquisition of the Shares of Aitken Creek Gas Storage ULC.

<sup>31</sup> BCUC Staff table compiled from Exhibit B-1, pp. 11–13.

Criteria	FEI and Stargas Position
e) the structural integrity of the Assets will be maintained in such a manner as to not impair utility service	FEI is a proven and experienced operator of natural gas distribution systems, and as noted above, is familiar with the Stargas system. Additionally, FEI is planning post-transaction activities, and believes the structural integrity of the Assets will be maintained or enhanced.
f) the Application is consistent with and will advance the Provincial Government's energy objectives as set out in the <i>Clean Energy Act</i>	FEI's conservation programs and FEI's renewable gas programs will be available to customers in Silver Star thus advancing the Provincial Government's energy objectives.
g) the public interest will be preserved	See additional discussion directly below regarding ratepayer impacts.

The estimated bill impacts to customers in Silver Star and FEI's existing ratepayers resulting from the proposed transfer of the Assets are summarized in the table below.

**Table 3 – Bill Impacts from Transfer of Assets<sup>32</sup>**

Stargas' Existing Customers Bill Impact			
	Residential	Small Commercial	Large Commercial
Annual Average Total Bill under Stargas rates <sup>1</sup>	\$892	\$3,345	\$22,832
Annual Average Total Bill under FEI rates <sup>2</sup>	\$831	\$2,895	\$18,217
Difference	-\$61	-\$450	-\$4,615
% Difference	-7%	-13%	-20%
FEI Existing Residential Customers Bill Impact			
	2022	2023	
Total Annual Residential Bill Impact to 2021 Approved Rates	\$0.27	\$0.04	
Total Annual Residential Bill Impact, Year-to-Year	\$0.27	-\$0.23	

**Notes**

1 – Based upon interim Stargas rates effective January 1, 2021, and average use per customer in Silver Star

2 – Based upon FEI rates approved January 1, 2021, and average use per customer in Silver Star

FEI notes that its existing residential customers will experience a small bill impact, on average a net increase of less than 4 cents over two years. For delivery rates, the impact is an increase of 0.045 percent in 2022 subsequently offset by a decrease of 0.036 percent in 2023 when compared to the 2021 approved delivery rates. The rate impact takes into account the addition of the Assets to FEI's rate base, costs of preparing the Application, legal expense for the completion of the APA, forecast of post-transaction capital and O&M expenditures, and the offsetting revenue from the additional customers in Silver Star.<sup>33</sup> For commodity rates, the impact of capturing the balance of Stargas' GCVA in FEI's MCRA will be approximately \$0.0004 per GJ, or \$0.036 annually for the average FEI residential customer.<sup>34</sup>

<sup>32</sup> BCUC staff table derived from Exhibit B-1, Table 4-1 and Table 4-2.

<sup>33</sup> Exhibit B-1, pp. 13–15.

<sup>34</sup> Exhibit B-2, BCUC IR 5.2.

For Stargas' existing customers, based on current effective rates, FEI and Stargas estimate an average bill reduction of 7%, 13% and 20% for residential, small commercial and large commercial customers respectively as a result of becoming FEI customers.<sup>35</sup>

FEI and Stargas submit that the proposed transfer of the Assets is in the public interest and should be approved.<sup>36</sup>

### *Panel Determination*

**The Panel finds that the proposed transfer of Assets from Stargas to FEI is in the public interest as it will benefit Stargas' existing ratepayers and will not unduly harm FEI or its existing ratepayers. Accordingly, the Panel approves the disposition of the Assets by Stargas to FEI pursuant to section 52 of the UCA.**

While the transfer of the Assets to FEI will increase rates for existing FEI ratepayers, the Panel notes the forecasted increase is nominal. The evidence filed in this proceeding indicates there should be no other negative impacts to FEI or its existing ratepayers as a result of the proposed transfer, with the possible exception of the costs of remediation of the system trespass issues, the magnitude of which remains uncertain at this date. As the Panel has already noted, while remediation of these issues is required for the continued operation of the natural gas distribution system, the recoverability of those costs is a matter for determination by a future panel in conjunction with FEI's future rate applications.

In arriving at the determination that approval of the disposition of Assets is warranted under section 52 of the UCA, the Panel places significant weight on the expected benefits to Stargas' existing customers in becoming FEI customers. In addition to the forecasted bill decreases in all customer classes, the Panel notes that going forward, such ratepayers will benefit from having access to FEI's energy efficiency programs and renewable gas programs.

## **4.0 Consultation and Engagement**

### **4.1 Indigenous Engagement**

FEI states it has engaged with Indigenous communities with interest in the area of Silver Star by providing information about the proposed transfer of Assets, associated timelines, and time for feedback on any concerns.<sup>37</sup>

By letter dated July 19, 2021, Splatsin requested an adjournment to allow time to address what it submits are unresolved outstanding Title and Rights issues. Splatsin submits it has aboriginal interest in the proposed purchase of Stargas by FEI. Specifically, Splatsin asserts Aboriginal Title and Rights in Secwepemculucw and as

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<sup>35</sup> Exhibit B-1, pp. 13–14.

<sup>36</sup> FEI Final Argument, p. 6.

<sup>37</sup> Exhibit B-1, pp. 20–21.

the location of the Assets proposed for transfer falls within this area, any potential impact or cumulative impacts on Splitsin's Aboriginal rights and title will trigger the duty to consult and to accommodate Splitsin.<sup>38</sup>

FEI confirms it held meetings with Splitsin in April, July (twice), August and September 2021.<sup>39</sup> FEI provided a summary of the areas of concern to Splitsin and FEI's responses to these concerns, as outlined below:

**Table 4 – FEI Summary of Splitsin Areas of Concern<sup>40</sup>**

Issue	Response
Cumulative impacts/ lack of consultation	FEI does not have knowledge of consultation or engagement activities that may have occurred during construction of Silver Star Mountain Resort.
Growth potential	Any growth at Silver Star Mountain Resort would be customer driven, and will be dependent on long-term plans by the resort developer/owner. FEI will provide natural gas services at the request of individual customers.
Participation in acquisition	FEI's acquisition of the Stargas assets is small and does not present a reasonable opportunity for Splitsin participation.

FEI states that it is committed to having further discussions with Splitsin to determine if there is an opportunity to address the concerns outlined above.<sup>41</sup>

FEI asserts that the duty to consult is not triggered with respect to the Application as the decision does not have the potential to adversely impact Splitsin's Aboriginal Title and Rights. The Application only contemplates a transfer of the Assets' ownership from Stargas to FEI, without changes to the underlying Assets themselves or the service provided to customers.<sup>42</sup>

Splitsin did not file any evidence or Final Argument in this proceeding beyond its letter of July 19, 2021.

### *Panel Determination*

**The Panel finds FEI's engagement with Indigenous communities including Splitsin to date has been adequate with respect to the proposed transfer of the Assets.**

In this proceeding, Splitsin has highlighted concerns regarding its Aboriginal and Title and Rights. However, the Panel notes that despite having the opportunity to file evidence or final argument to further explain or substantiate its concerns following the filing of its July 19, 2021 letter, Splitsin did not do so. The Panel observes that FEI appears to have engaged with Splitsin in good faith, and as noted above has undertaken several meetings, both before and after the filing of Splitsin's July 19, 2021 letter, to better understand and seek to address the latter's concerns. Furthermore, the Panel is of the view that there are no impacts associated with the transfer of the Assets from Stargas to FEI that would adversely affect Splitsin's Aboriginal Title and Rights, given that FEI will simply acquire the Assets previously owned by Stargas, and assume responsibility for services that Stargas has been providing to customers at Silver Star. Accordingly, the Panel accepts FEI's submission that the proposed transfer and granting of a CPCN to FEI do not trigger a duty to consult based upon the evidence in

<sup>38</sup> Exhibit C2-3, p. 1.

<sup>39</sup> Exhibit B-8, pp. 2–3; Exhibit B-10, BCUC IR 16.5.

<sup>40</sup> Exhibit B-8, p. 3.

<sup>41</sup> Exhibit B-10, BCUC IR 16.5.

<sup>42</sup> Ibid., BCUC IR 16.2.

this proceeding. Finally, the Panel notes that no other Indigenous communities sought follow up information or meetings with FEI in response to FEI's engagement efforts in respect of this Application.

## **4.2 Public Consultation**

FEI states it sent notification letters to directly affected customers, businesses and stakeholders, which included information about the proposed transfer of the Assets, the regulatory process, registration for a Virtual Town Hall (held on February 18, 2021), and a short survey. FEI has tracked questions, issues and/or concerns raised and will work with customers, businesses and stakeholders to address any outstanding items. Should the Application be approved, FEI states it will send an updated letter along with a welcome package to current Stargas customers that will include (i) information on the process to transfer billing (ii) FEI's rate structures (iii) FEI's customer contact centre information and (iv) other billing options, such as pre-authorized payments and paperless billing.<sup>43</sup>

The Panel notes that the only other intervener in this proceeding, SSPOA, filed a letter supporting the transfer of the Assets and encouraged approval of the Application.<sup>44</sup>

### *Panel Discussion*

The Panel is satisfied with FEI's public consultation efforts. The Panel places weight on the support of SSPOA, who represents the interests of customers that will be directly affected by the proposed transfer of Assets. The Panel also notes that FEI has outlined its plans for further communications with customers following approval of the Application and is generally satisfied with the scope of the proposed communications.

## **5.0 Granting of a CPCN and Panel Directives**

FEI and Stargas submit that the proposed transfer of the Assets is in the public interest and should be approved.<sup>45</sup>

As discussed in Section 3 of this Decision, FEI submits the proposed transfer of Assets will have a small but positive impact in advancing the Provincial Government energy objectives. Additionally, FEI notes the proposed transfer does not impact the objectives of its 2017 Long Term Gas Resource Plan (LTGRP), which is FEI's most recently filed long term resource plan. At the time FEI filed its 2017 LTGRP, Stargas was already a customer of FEI under RS 25 Transportation Service, such that the demand from Stargas' customers was included in FEI's analysis of demand and resource needs in its service territory.<sup>46</sup>

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<sup>43</sup> Exhibit B-1, pp. 18–20.

<sup>44</sup> Exhibit C1-2, p. 1.

<sup>45</sup> FEI Final Argument, p. 6.

<sup>46</sup> FEI Final Argument, pp. 8–9.



## Panel Determination

**Having approved the disposition of Stargas' Assets pursuant to section 52 of the UCA, the Panel finds that public convenience and necessity warrant granting FEI a CPCN pursuant to section 45 and 46 of the UCA to operate the extension to its system resulting from its acquisition of the Assets.**

The Panel notes that the BCUC has previously issued a CPCN to Stargas.<sup>47</sup> There is no evidence that the proposed transfer of the Assets from Stargas to FEI will result in any material changes to the Assets or their operation. Therefore, the Panel does not consider a detailed analysis of the typical considerations for a CPCN application, as outlined in section 46(3) of the UCA and the BCUC's CPCN Guidelines,<sup>48</sup> is necessary. However, the Panel considers it important to assess the impacts of the proposed transfer of the Assets to both Stargas' current ratepayers and FEI's existing ratepayers. The Panel finds, for the reasons outlined in Section 3 above, that the preponderance of evidence filed in this proceeding supports the granting of the CPCN to FEI public convenience and necessity require FEI to operate the extension after the transfer of the Assets so that existing customers can continue to receive natural gas service. We note that FEI owning and operating the Assets does not alter the FEI's gas demand forecasts or resource needs as outlined in its 2017 LTGRP. The Panel also finds that the evidence provided respecting FEI's Indigenous engagement and public consultation further supports BCUC approval of this Application. As already noted, the Panel finds that consultation with Indigenous communities including Splotsin has been adequate to date.

**The Panel approves the transfer of the Assets, with the exception of the \$54,225 working capital allowance discussed in Section 2.1.1, which is denied.** As noted previously, the final purchase will be based on the value at the actual closing date of those components of the purchase price that are approved by the BCUC for inclusion in FEI's rate base. Accordingly, **FEI and Stargas are directed to confirm the completion of the transfer of the Assets and file details of the final purchase price with the BCUC within 60 days of completion.** We address below the accounting treatment of the various components of the purchase price.

### 5.1 Accounting Treatment

FEI requests several BCUC approvals with respect to accounting treatment of the proposed transaction, specifically related to the Stargas Assets Acquisition Deferral Account, Stargas' capital assets and the balance of the GCVA. We review each of these items below.

#### 5.1.1 Stargas Assets Acquisition Deferral Account

FEI requests approval to establish a non-rate base deferral account entitled the Stargas Assets Acquisition Deferral Account, attracting FEI's WACC, to record the following:

- Costs to prepare the Application, forecast at approximately \$65,000, for legal expenses, BCUC costs, intervener costs and public notice;
- Legal expenses of \$4,194 incurred in 2020 for the preparation of the executed APA; and
- The following components of the final purchase price at the actual closing date:

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<sup>47</sup> By Order C-4-00 and subsequently amended by Order C-18-06.

<sup>48</sup> [https://docs.bcuc.com/documents/Guidelines/2015/DOC\\_25326\\_G-20-15\\_BCUC-2015-CPCN-Guidelines.pdf](https://docs.bcuc.com/documents/Guidelines/2015/DOC_25326_G-20-15_BCUC-2015-CPCN-Guidelines.pdf)

- the net balance of Stargas’ regulatory accounts and uncollected 2002-2006 deferred dividends; and
- the working capital allowance.<sup>49</sup>

FEI proposes to transfer the total balance of the new Stargas Assets Acquisition Deferral Account to rate base on January 1, 2023, and amortize the balance over a period of one year. FEI states that a one-year amortization period is appropriate given the size of the impact and the minimal difference with a longer amortization period. Specifically, FEI provides the following table with the annual delivery rate impact and average residential bill impact over one, two and three-year amortization periods:<sup>50</sup>

**Table 5 – Annual Delivery Rate Impact and Residential Bill Impact**

	Amortization Period		
	1 Year	2 Year	3 Year
<b>Levelized Annual Delivery Rate Impact (\$/GJ)</b>	0.0016	0.0008	0.0006
<b>Average Residential Bill Impact (UPC @ 90 GJ) (\$)</b>	0.15	0.08	0.05

### *Panel Determination*

The Panel is satisfied that the proposed Stargas Assets Acquisition Deferral Account is an efficient method for FEI to record and recover certain costs associated with the proposed transaction and components of the purchase price, specifically, the Stargas 2017 Installation Application regulatory account and the uncollected 2002-2006 deferred dividends. With respect to the Stargas working capital allowance, as previously determined in Section 2.1.1 of this Decision, the Panel finds that the applicants have not provided sufficient evidence on the record in this proceeding or regulatory justification to support the recovery of the Stargas’ working capital allowance from FEI ratepayers. Accordingly, **the Panel denies FEI’s request for approval to record Stargas’ working capital allowance in the Stargas Assets Acquisition Deferral Account and recover this amount from FEI ratepayers.**

The Panel also notes that the delivery rate and bill impact differences under each of a one, two and three-year amortization periods are minimal. Accordingly, and in the interest of regulatory efficiency, the Panel finds a one-year amortization period to be reasonable.

For the foregoing reasons, **the Panel approves FEI’s request to establish a deferral account entitled the Stargas Assets Acquisition Deferral Account, attracting interest at FEI’s WACC, to record the following amounts:**

- **Actual costs to prepare the Application, forecast at approximately \$65,000, specifically for legal expenses, BCUC costs, intervener costs and public notice;**
- **Legal expenses related to the preparation of the executed APA; and**
- **The net balance at the Closing Date of the Stargas 2017 Installation Application regulatory account and the Stargas 2002-2006 deferral dividends.**

**The Panel approves FEI’s request to transfer the balance of the Asset Acquisition Deferral Account to rate base effective January 1, 2023 for amortization over one year.**

<sup>49</sup> Exhibit B-1, p. 10.

<sup>50</sup> Exhibit B-2, BCUC IR 8.7

### 5.1.2 Stargas Capital Assets

Given the anticipated timing of the BCUC decision regarding the proposed transaction, FEI states that it is unable to incorporate the 2022 cost of service related to Stargas' capital assets in its 2022 delivery rates. Accordingly, FEI requests approval to (i) record the 2022 cost of service associated with the capital assets (specifically O&M, depreciation expense, income taxes and earned return) in the Stargas Assets Acquisition Deferral Account and (ii) transfer the remaining net book value of the capital assets to FEI's distribution class of assets in rate base on January 1, 2023.<sup>51</sup> FEI clarifies that the distribution class of assets is a "generalized description of all of FEI's distribution assets" and FEI will record Stargas' capital assets in the applicable asset account based on the "individual purpose/use" of the capital assets.<sup>52</sup>

The forecast purchase price includes \$6,019 for Stargas' billing/read software capital assets, which relate to Stargas' billing systems used to prepare monthly invoices and convert meter reads to GJs. FEI submits that these assets will be used and useful for the purpose of transferring Stargas' existing customer information to FEI.<sup>53</sup>

Further, FEI submits that if the BCUC finds that any of the Stargas capital assets will not be used and useful for providing ongoing utility service for FEI customers, an alternative treatment is to record these amounts in the Stargas Assets Acquisition Deferral Account, as opposed to the applicable FEI class of assets in rate base.<sup>54</sup>

#### *Panel Determination*

The Panel considers it reasonable based on the timing of this Decision for FEI to record any 2022 cost of service impact in the Stargas Assets Acquisition Deferral Account and transfer the net book value of the capital assets to FEI's applicable asset account in rate base effective January 1, 2023.

The exception to this is the net book value of the billing/read software capital assets. These assets will be used for the purpose of transferring Stargas' existing customer information to FEI; however, FEI does not state that it intends to use these assets to provide ongoing service to any of FEI's natural gas customers. For that reason, the Panel is not persuaded that the costs associated with the billing/read software should be transferred to FEI's applicable asset account in rate base and depreciated using FEI's BCUC approved depreciation rates. Considering that these assets will only be used during the process to transfer Stargas' existing customers to FEI, **the Panel directs FEI to record the net book value of Stargas' billing/read software capital costs at the actual closing date in the Stargas Assets Acquisition Deferral Account and amortize the costs over one year commencing January 1, 2023.**

For the foregoing reasons, **the Panel approves FEI's request to record in the Stargas Assets Acquisition Deferral Account the 2022 cost of service impact related to the net book value of the Stargas capital assets included in the final purchase price, except for the billing/read software capital assets. Further, FEI is approved to transfer the net book value of Stargas' capital assets included in the final purchase price, except for the billing/read software costs, in the applicable asset account in rate base effective January 1, 2023.**

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<sup>51</sup> FEI Final Argument, p. 2.

<sup>52</sup> Exhibit B-1, BCUC IR 8.1.

<sup>53</sup> Ibid., BCUC IR 8.3.

<sup>54</sup> Ibid.

### 5.1.3 Stargas' Gas Cost Variance Account

In the Application, FEI states that in accordance with the APA, any additional regulatory accounts approved by the BCUC should be included in the final purchase price which would include the balance of Stargas' GCVA at time of closing.<sup>55</sup> The Stargas GCVA captures the variance between the actual commodity costs that Stargas incurs and the amount recovered from ratepayers through its commodity rates. Balances in the GCVA are typically recovered from or refunded to ratepayers through amortization in rates over a 12-month period.

FEI originally requested approval to record the remaining balance of Stargas' GCVA in FEI's existing Commodity Cost Reconciliation Account (CCRA) and to amortize this balance over the BCUC approved period of one year.<sup>56</sup>

FEI calculated the impact of transferring the GCVA balance to the CCRA at 0.035 percent in 2022.<sup>57</sup>

Subsequently, FEI modified its request to transfer the balance of Stargas' GCVA to FEI's Midstream Cost Reconciliation Account (MCRA). FEI considers it more appropriate to record Stargas' GCVA balance in the MCRA as it is designed to capture storage and transportation costs which are *not* part of the baseload requirements of FEI's customers and is consistent with previous BCUC decisions.<sup>58</sup> FEI proposes to amortize the balance of Stargas' GCVA over two years, which is the BCUC approved amortization period for FEI's MCRA.

FEI calculated the MCRA rate impact to be approximately \$0.0004/GJ, with the annual bill impact of \$0.036 to an average FEI residential customer with an annual consumption of 90 GJ.<sup>59</sup>

#### *Panel Determination*

The Panel considers it reasonable to record the balance of Stargas' GCVA at the closing date in FEI's existing MCRA, given that the profile of the gas supply to existing Stargas customers is seasonal and is not part of FEI's baseload commodity requirements. The Panel notes this method is comparable to how FEI currently captures costs associated with seasonally shaping its natural gas supply in its existing MCRA, and further notes the small bill impact of amortizing the balance of Stargas' GCVA over two years. Accordingly, **the Panel approves FEI's request to record the balance of Stargas' GCVA at the closing date in the MCRA and amortize the balance in the MCRA based on the BCUC's previously approved amortization period of two years for the MCRA.**

## 6.0 Confidential Information

FEI is requesting that the APA contained in Appendix B of the Application be filed on a confidential basis. FEI states the information is of a commercially sensitive nature and harm or prejudice to the competitive or negotiating position of the companies is reasonably expected to result if the confidential information was made public.<sup>60</sup>

FEI and Stargas also request confidential treatment of certain IR responses which contain private customer information, or commercially sensitive information which, if publicly disclosed, could compromise FEI's future negotiating position with other parties.<sup>61</sup>

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<sup>55</sup> Exhibit B-5, p.4.

<sup>56</sup> Exhibit B-1, p. 1; p. 15.

<sup>57</sup> Exhibit B-1, p. 21: Based on the forecast GCVA balance of \$130,969 on April 1, 2021 at the time FEI filed the Application. GCVA balance updated to \$95,473 in Exhibit B-5, p. 2.

<sup>58</sup> Exhibit B-2, BCUC IR 5.2.

<sup>59</sup> Ibid

<sup>60</sup> Exhibit B-1, cover letter.

<sup>61</sup> Exhibit B-2, BCUC IR 10.1, 14.2. Responses filed as confidential Exhibit B-3-1.

### *Panel Determination*

Unless otherwise ordered, the BCUC will hold the Confidential Appendix B to the Application, filed as Exhibit B-1-1 in confidence until FEI and Stargas confirm completion of the transfer of Assets, on the basis that it contains commercially sensitive information. In addition, the BCUC will hold confidential Exhibit B-3-1 in confidence, on the basis that it contains private customer information, or commercially sensitive information that will affect FEI's future negotiating position.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 27<sup>th</sup> day of January 2022.

*Original signed by:*

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A. K. Fung, QC  
Panel Chair / Commissioner

*Original signed by:*

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C. M. Brewer  
Commissioner

*Original signed by:*

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W. M. Everett, QC  
Commissioner

**ORDER NUMBER**

**C-1-22**

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

and

FortisBC Energy Inc. and Stargas Utilities Ltd.  
Joint Application for Approval of an Asset Disposition and a  
Certificate of Public Convenience and Necessity to  
Facilitate the Transfer of Natural Gas Utility Assets from Stargas Utilities Ltd. to FortisBC Energy Inc.

**BEFORE:**

A. K. Fung, QC, Panel Chair  
C. M. Brewer, Commissioner  
W. M. Everett, QC, Commissioner

on January 27, 2022

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**WHEREAS:**

- A. On February 19, 2021, pursuant to sections 45, 46, 52 and 59 to 61 of the *Utilities Commission Act*, FortisBC Energy Inc. (FEI) and Stargas Utilities Ltd. (Stargas) applied to the British Columbia Utilities Commission (BCUC) for approval of the sale by Stargas to FEI of the natural gas distribution utility assets situated within the boundaries of the Silver Star Mountain Ski Resort (Assets), and for approval of a Certificate of Public Convenience and Necessity (CPCN) for FEI to operate the extension to its system resulting from its acquisition of the Assets (Application);
- B. FEI and Stargas seek the following approvals:
1. The disposition of Stargas' Assets and transfer of the Assets to FEI, pursuant to section 52 of the UCA;
  2. A CPCN for FEI to operate the extension to its system resulting from its acquisition of the Assets, pursuant to sections 45 and 46 of the UCA;
  3. The establishment of a new FEI non-rate base deferral account, entitled the "Stargas Assets Acquisition Deferral Account," pursuant to sections 59 to 61 of the UCA. FEI seeks approval that the costs recorded in this proposed deferral account be net-of-tax, attracting FEI's weighted average cost of capital, and be transferred to rate base on January 1, 2022 with an amortization period of one year. FEI subsequently modified the approval sought to transfer costs recorded in the deferral account to rate base on January 1, 2023. The account is proposed to capture:
    - i. the costs of preparing the Application;
    - ii. legal expenses related to the executed FEI-Stargas Asset Purchase Agreement (APA); and

- iii. Stargas' existing Regulatory Assets, Stargas' Working Capital Allowance, and the "uncollected amounts" as identified in the APA provided in Appendix B to the Application; and
  4. The transfer of the remaining balance of Stargas' Gas Cost Variance Account (GCVA), at the closing date under the APA, into FEI's Midstream Cost Reconciliation Account (MCRA);
- C. FEI proposes that the actual purchase price be based on the Assets that are approved by the BCUC for inclusion in FEI's rate base and subject to the actual value of the Assets at the closing date;
  - D. FEI requests that the APA contained in Appendix B to the Application be held confidential as it contains commercially sensitive information, the public release of which is reasonably expected to result in significant harm or prejudice to FEI's competitive or negotiating position in future negotiations;
  - E. By Order G-63-21 dated March 5, 2021, the BCUC established a public hearing and regulatory timetable for the review of the Application which included intervenor registration, one round of information requests (IRs) with further process to be determined;
  - F. The following parties registered as interveners in the proceeding:
    - Silver Star Property Owners Association; and
    - Splatsin First Nation;
  - G. By Order G-122-21 dated April 26, 2021, the BCUC adjourned this proceeding;
  - H. The regulatory process for the review of the Application was subsequently amended by Orders G-164-21, G-182-21 and G-252-21 to include among other things, a further round of BCUC and intervenor IRs and written final and reply arguments; and
  - I. The BCUC has considered the evidence and submissions filed in this proceeding and finds the following determinations are warranted.

**NOW THEREFORE** the BCUC orders as follows:

1. Pursuant to section 52 of the UCA, Stargas is granted approval to dispose of and transfer its Assets to FEI for the purchase price specified in the APA dated December 7, 2020 between Stargas and FEI, excluding the provision for working capital allowance and subject to the further adjustments specified in the attached Decision issued concurrently with this order.
2. Pursuant to sections 45 and 46 of the UCA, a CPCN is granted to FEI to operate the extension to its system resulting from its acquisition of the Assets.
3. Pursuant to sections 59 to 61 of the UCA, FEI is approved to establish a deferral account entitled the Stargas Assets Acquisition Deferral Account, as outlined further in sections 5.1.1 and 5.1.2 of the Decision issued concurrently with this order.
4. Pursuant to sections 59 to 61 of the UCA, FEI is approved to record the remaining balance of Stargas' GCVA at the closing date in FEI's MCRA, as outlined further in section 5.1.3 of the Decision issued concurrently with this order.
5. FEI and Stargas are directed to confirm the completion of the transfer of the Assets and file details of the final purchase price with the BCUC within 60 days of completion.



6. The BCUC will hold Confidential Appendix B to the Application, filed as Exhibit B-1-1, in confidence until FEI and Stargas confirm completion of the transfer of Assets.
7. The BCUC will continue to hold confidential Exhibit B-3-1 in confidence.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 27<sup>th</sup> day of January 2022.

BY ORDER

*Original signed by:*

A. K. Fung, QC  
Commissioner

FortisBC Energy Inc. and Stargas Utilities Ltd.  
Application for Approval of an Asset Disposition and  
a Certificate of Public Convenience and Necessity  
to Facilitate the Transfer of Natural Gas Utility Assets from Stargas to FEI

**GLOSSARY AND ACRONYMS**

ACRONYM / GLOSSARY	DESCRIPTION
APA	Asset Purchase Agreement attached as Confidential Appendix B to the Application
Application	Application for approval of the sale by Stargas to FEI of the natural gas distribution utility assets situated within the boundaries of the Silver Star (Silver Star) Mountain Ski Resort (Assets), and for approval of a Certificate of Public Convenience and Necessity (CPCN) for FEI to operate the extension to its system resulting from its acquisition of the Assets
Assets	Natural gas distribution utility assets situated within the boundaries of the Silver Star Mountain Ski Resort, as defined in the Asset Purchase Agreement
BCUC	British Columbia Utilities Commission
CCRA	Commodity Cost Reconciliation Account
CPCN	Certificate of Public Convenience and Necessity
FEI	FortisBC Energy Inc.
GCVA	Gas Cost Variance Account
GJ	Gigajoule
LTGRP	Long Term Gas Resource Plan
MCRA	Midstream Cost Reconciliation Account
O&M	Operating and Maintenance
RS	Rate Schedule
Splatsin	Splatsin First Nation
SSPOA	Silver Star Property Owners Association
Stargas	Stargas Utilities Ltd.

ACRONYM / GLOSSARY	DESCRIPTION
Stargas 2020 Commodity Rate Application	Stargas Natural Gas Purchase Plan and Updated Application to Vary Commodity Rate
Stargas 2020 Delivery Rate Application	Stargas Delivery Rate and Regulatory Account Application – Test Year November 1, 2020 to October 31, 2021
UCA	<i>Utilities Commission Act</i>
WACC	Weighted Average Cost of Capital

FortisBC Energy Inc. and Stargas Utilities Ltd.  
Application for Approval of an Asset Disposition and  
a Certificate of Public Convenience and Necessity  
to Facilitate the Transfer of Natural Gas Utility Assets from Stargas to FEI

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated March 4, 2021 – Appointing the Panel for the review of FEI and Stargas Application for Approval of an Asset Disposition and CPCN to Facilitate the Transfer of Natural Gas Utility Assets from Stargas to FEI
A-2	Letter dated March 5, 2021 – BCUC Order G-63-21 establishing a regulatory timetable
A-3	Letter dated March 18, 2021 – BCUC Information Request No. 1 to FEI and Stargas
A-4	<b>CONFIDENTIAL</b> – Letter dated March 18, 2021 – BCUC Confidential Information Request No. 1 to FEI and Stargas
A-5	Letter dated April 14, 2021 – BCUC update on further process
A-6	Letter dated April 26, 2021 – BCUC Order G-122-21 adjourning the proceeding
A-7	Letter dated May 27, 2021 – BCUC Order G-164-21 establishing a further regulatory timetable
A-8	Letter dated June 10, 2021 – BCUC Order G-182-21 establishing an updated regulatory timetable
A-9	Letter dated June 30, 2021 – BCUC update on further process
A-10	Letter dated July 22, 2021 – BCUC response to Splatsin Extension Request
A-11	Letter dated July 29, 2021 – BCUC response to FEI and Stargas extension request
A-12	Letter dated August 26, 2021 – BCUC Order G-252-21 establishing a further regulatory timetable with Reasons for Decision
A-13	Letter dated September 27, 2021 – BCUC Information Request No. 2 to FEI and Stargas
<i>APPLICANT DOCUMENTS</i>	
B-1	<b>FORTISBC ENERGY INC. (FEI) AND STARGAS UTILITIES LTD. (STARGAS)</b> - Application for Approval of an Asset Disposition and a Certificate of Public Convenience and Necessity (CPCN) to Facilitate the Transfer of Natural Gas Utility Assets from Stargas to FEI dated February 19, 2021

- B-1-1 **CONFIDENTIAL** - FEI and Stargas Asset Transfer and CPCN Application dated February 19, 2021 – Confidential Appendix B
- B-2 **REDACTED** - Letter dated April 8, 2021 – FEI and Stargas Response to BCUC Information Request No. 1
- B-3 **CONFIDENTIAL** – Letter dated April 8, 2021 – FEI and Stargas confidential response to BCUC Confidential Information Request No. 1
- B-3-1 **CONFIDENTIAL** – Letter dated April 8, 2021 – FEI and Stargas confidential response to BCUC Confidential Information Request No. 1, Question 14.3 and Attachment 10.1
- B-4 Letter dated April 22, 2021 – FEI and Stargas Response regarding Further Process
- B-5 Letter dated July 8, 2021 – FEI and Stargas submitting Application Update
- B-6 Letter dated July 22, 2021 – FEI and Stargas reply submission on regulatory process
- B-7 Letter dated July 28, 2021 – FEI and Stargas submitting extension request to file response to Splatsin request
- B-8 Letter dated August 18, 2021 – FEI submitting response to Splatsin request for Adjournment-Delay
- B-9 Letter dated August 18, 2021 – Stargas submitting response to Splatsin request for Adjournment-Delay
- B-10 Letter dated October 18, 2021 – FEI submitting responses to BCUC Information Request No. 2

#### *INTERVENER DOCUMENTS*

- C1-1 **SILVER STAR PROPERTY OWNERS ASSOCIATION (SSPOA)** – Letter dated March 12, 2021 – Request for Intervener Status by Michael Waberski
- C1-2 Letter dated July 18, 2021 – SSPOA submitting letter of support
- C2-1 **SPLATSIN FIRST NATION (SPLATSIN)** Letter dated March 17, 2021 – Request for Intervener Status by Phyllis Jezewsky
- C2-2 Letter dated June 28, 2021 – Splatsin requesting disclosure of confidential information
- C2-3 Letter dated July 19, 2021 – Splatsin request for adjournment or extension of regulatory submissions

#### *LETTERS OF COMMENT*

- E-1 Piccinni, A. – Letter of Comment dated October 12, 2021