



bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

Resort Gas Ltd.

Proceeding to Set Delivery Rates for Resort Gas Ltd.

Decision
and Order G-359-22

December 12, 2022

Before:
T. A. Loski, Panel Chair
E. B. Lockhart, Commissioner

TABLE OF CONTENTS

Page no.

Executive Summary	i
1.0 Introduction	1
1.1 Background	1
1.2 Application and Approvals Sought	2
1.3 Regulatory Process	2
1.4 Legislative Authority	2
1.5 Decision Framework	3
2.0 Rate Base	3
3.0 Fair Return	4
4.0 Revenue Requirement and Resulting Delivery Rates	7
5.0 Other Matters	9
5.1 Interim Rates for 2023	9
5.2 Tariff Pages	10

COMMISSION ORDER G-359-22

APPENDICES

APPENDIX A List of Exhibits

Executive Summary

On December 31, 2021, Resort Gas Ltd. (Resort Gas), a public utility subject to regulation by the British Columbia Utilities Commission (BCUC), filed with the BCUC a revenue requirements application, requesting no change to its existing delivery rates, effective January 1, 2022 to December 31, 2022 (Application).

The regulatory review of the Application included two rounds of BCUC information requests to Resort Gas. This was followed by an information request from the Panel. No interveners registered in the proceeding, and Resort Gas did not submit a final argument.

Resort Gas explained that having just increased commodity rates, it was not seeking approval for an increase of its delivery rates or basic charge although it plans to revisit these rates in 2023. Resort Gas forecasts a deficit at the end of 2022.

Resort Gas is entitled to an opportunity to earn a fair return. A fair return is important to ensure the stability of the operation of Resort Gas. Indeed, the *Utilities Commission Act* prevents the BCUC from setting a rate that is insufficient to provide the opportunity to earn a fair and reasonable compensation for the service provided by Resort Gas, or a fair and reasonable return. The Panel considered several methods to determine a fair return, including: a fixed dollar amount; a percentage of operating costs; a percentage of rate base; and a deemed capital structure and an allowed return on equity. **The Panel determines that a fair return for Resort Gas in 2022 is an allowed return based on a fixed dollar earnings per year of \$15,000.** This amount is reasonable, easy to understand and transparent.

The Panel finds that the existing delivery rates are insufficient to provide the opportunity to earn a fair and reasonable compensation for the service provided by Resort Gas. Based on a fixed dollar return of \$15,000, Resort Gas' 2022 revenue requirement is \$371,883, which the Panel finds is reasonable. At the existing delivery rates, however, this results in a revenue deficiency of \$69,219 for 2022.

Although Resort Gas is not seeking to increase delivery rates, the Panel cannot ignore the evidence of Resort Gas' revenue requirements and forecast revenue deficiency and set rates that would not allow Resort Gas the opportunity to recover its cost of providing service and to earn a fair and reasonable return.

Therefore, in order to recover the forecast revenue deficiency of \$69,219 in 2022, **the Panel directs Resort Gas to increase its delivery rates on a permanent basis, effective January 1, 2022, as follows:**

- **Rate Group 1 and 2 Residential and Small Commercial: an increase of \$0.6117/Gigajoule (GJ) from \$2.8175/GJ to \$3.4292/GJ; and**
- **Rate Group 3 Large Commercial: an increase of \$0.7203/GJ from \$3.3175/GJ to \$4.0378/GJ.**

The increase in delivery rates means that Resort Gas will have to recover the difference between the revenue collected under 2022 interim rates and the approved permanent rates from its customers. Accordingly, **the Panel directs Resort Gas to recover the difference between the revenue collected under 2022 interim rates and the approved permanent rates by way of bill adjustments over a period not to exceed 12 months, accruing interest at the average prime rate of Resort Gas' principal bank for its most recent year until fully recovered. Resort Gas is directed to file a compliance filing with the BCUC within 30 days of the order issued concurrently that includes a schedule with the anticipated timing and amounts of the bill adjustments with interest applied.**

In regard to its tariff, **the Panel directs Resort Gas to update references from Sun Peaks Utilities Co. Ltd. to Resort Gas in the final tariff pages, as appropriate, and to submit updated tariff pages, that reflect the determinations made in the decision, to the BCUC for endorsement within 30 days of the order.**

1.0 Introduction

1.1 Background

Resort Gas Ltd. (Resort Gas) is a small propane utility with just over 1,100 customers located in the mountain resort community of Sun Peaks near Kamloops, British Columbia. It is a subsidiary of Sun Peaks Resort LLP (SPRLLP).¹ In 2017, Resort Gas acquired the net operating assets of the gas utility business from Sun Peaks Utilities Co. Ltd. (SPUCL), a fully owned subsidiary of SPRLLP.² The British Columbia Utilities Commission (BCUC) approved the transfer of gas utility operations to Resort Gas subject to conditions, including the requirement for Resort Gas to file a revenue requirements application (RRA) with the BCUC no later than 365 days from the date of the transfer.³ The gas operations were transferred from SPUCL to Resort Gas on October 31, 2017,⁴ and Sun Peaks Mountain Resort Municipality (SPMRM) has been operating Resort Gas since 2018.⁵ Since the original filing requirement deadline of October 31, 2018 set out by Order G-161-17, the BCUC has granted six extension requests from Resort Gas for the filing of its RRA with the BCUC.⁶

By Order G-286-21, the BCUC approved Resort Gas' sixth extension request for the filing of its RRA and initiated a proceeding to set delivery rates for Resort Gas, as well as to set the existing delivery rates as interim and recoverable or refundable, and to establish a regulatory timetable for the review of permanent delivery rates, all effective January 1, 2022.⁷

Resort Gas' existing delivery rates were most recently approved by the BCUC in 2016, effective August 1, 2016 (Existing Delivery Rates)⁸ and Resort Gas' existing basic charge has remained unchanged since 2007,⁹ which result in the following existing basic charge and delivery rates:

Table 1: Resort Gas Existing Rates

	Basic Charge per Month	Delivery Charge per Gigajoule (GJ) of Gas Delivered
Rate Group 1 Residential	\$18.00	\$2.8175
Rate Group 2 Small Commercial	\$30.00	\$2.8175
Rate Group 3 Large Commercial	\$120.00	\$3.3175

¹ Exhibit B-11, Cover Letter.

² Exhibit B-2, p. 3.

³ Order G-161-17 dated October 24, 2017, Directive 1 (a).

⁴ Compliance Filing G-161-17 Sun Peaks Gas Operation Transfer to Resort Gas G-161-17, pdf p. 76.

⁵ Exhibit B-2, p. 3.

⁶ BCUC letter dated October 22, 2018; Order G-252-18 dated December 21, 2018; Order G-96-19 dated May 2, 2019; Order G-1-20 dated January 2, 2020; BCUC letter dated March 12, 2021.

⁷ Order G-286-21 dated September 29, 2021.

⁸ Order G-149-16 dated September 22, 2016.

⁹ Exhibit B-2, p. 4; An Application by Sun Peaks Utilities Co., Ltd. (SPUCL) for Approval of its 2006/07 Revenue Requirements, Order G-60-07 dated May 31, 2007, Appendix A (Reasons for Decision) (2007 Resort Gas Decision); Letter L-62-07 dated July 13, 2007.

1.2 Application and Approvals Sought

Pursuant to Order G-286-21, on December 31, 2021, Resort Gas filed with the BCUC an RRA and requests no change to its Existing Delivery Rates, effective January 1, 2022 (Application).¹⁰

Resort Gas states that the Application is for a one-year period from January to December 2022.¹¹ During the proceeding, Resort Gas clarified that the Application “was not looking at increasing any of the delivery rates or basic rates because we just increased commodity by 71%. [...] There will be a deficit at the end of 2022, but we are hoping the usage will return to normal, propane commodity costs come down and we can look at our basic [charge] and delivery rates in 2023.”¹²

1.3 Regulatory Process

By Order G-286-21 and subsequently amended by Orders G-19-22, G-36-22, and G-224-22, the BCUC established a regulatory timetable for the review of the Application, which included intervener registration, the filing of supplemental information, and two rounds of BCUC Information Requests (IR). The Panel also issued one round of Panel IRs and provided Resort Gas with the opportunity to submit a final argument.¹³

During the proceeding, Resort Gas requested two extensions to file its responses to the first round of BCUC IRs,¹⁴ followed by a further extension to file two remaining IR responses.¹⁵

No requests for intervener registration were received by the BCUC in the proceeding, and Resort Gas did not submit a final argument.

1.4 Legislative Authority

Sections 58 to 61 of the *Utilities Commission Act* (UCA) set out the criteria and matters the BCUC is to consider in determining the rates to be set, including the requirement that the rates cannot be unjust, unreasonable, unduly discriminatory, or unduly preferential.

Section 59(5) of the UCA states that a rate is “unjust” or “unreasonable” if it is:

- a) more than a fair and reasonable charge for service of the nature and quality provided by the utility,
- b) insufficient to yield a fair and reasonable compensation for the service provided by the utility, or a fair and reasonable return on the appraised value of its property, or
- c) unjust and unreasonable for any other reason.

The Panel conducts its review of the Application based on this legislative authority.

¹⁰ Exhibit B-2, p. 4.

¹¹ Exhibit B-2, p. 3.

¹² Exhibit B-10, BCUC IR 11.2.

¹³ Exhibit A-12, Cover Letter.

¹⁴ Exhibit B-6; Exhibit B-7.

¹⁵ Exhibit A-9.

1.5 Decision Framework

In Section 4.0 of the decision, the Panel makes its determination on the delivery rates for 2022. However, before rates can be determined, the Panel must first determine Resort Gas' allowed return, which is discussed in Section 3.0 of the decision. Before determining Resort Gas' allowed return, the Panel addresses issues related to Resort Gas' forecast rate base for 2022 in Section 2.0.

Further in Section 5.0, the Panel addresses other matters. Specifically, interim rates for 2023 and Resort Gas' tariff pages.

2.0 Rate Base

In this section, the Panel examines Resort Gas' forecast rate base for 2022. The first version of rate base provided by Resort Gas only included the "Depreciated value of Assets", which shows a balance at the beginning of 2022 of \$92,907 and an ending balance of \$83,386 in 2022.¹⁶ Then, Resort Gas provided a forecast rate base for 2022 of \$446,290, as set out in the table below:

Table 2: Resort Gas 2022 Forecast Rate Base¹⁷

Utility Base Rate	2022
Capital Beg	92,907
Capital End	83,386
Capital Mid Year Balance	88,146
Mid Year GCRA Balance	
Balance Beg	380,058
Balance End	148,766
GCRA Mid Year Balance	264,412
Operating Costs	329,606
Working Capital Allowance	82,402
Income Tax	11,330
Total Base Rate	446,290

Subsequently, Resort Gas stated that its parent company, SPRLLP, and SPMRM are "working to correct the prior years assets that the developers and customer paid so that they are reflect[ed] on the financial statements."¹⁸ Resort Gas confirmed that including these amounts would increase the 2022 forecast mid-year rate base and Resort Gas' allowed return if it is based on a deemed capital structure and allowed return on equity (ROE).¹⁹ The Panel addresses Resort Gas' proposals with respect to a fair return in Section 3.0 below.

Consequently, Resort Gas provided a revised forecast rate base for 2022 of \$2,172,187, inclusive of Service Line Installations, Meter Connections and Grid Extensions paid for by customers and developers and an adjusted amount related to income taxes, as set out in Table 3 below:

Table 3: Resort Gas Revised 2022 Forecast Rate Base²⁰

¹⁶ Exhibit B-3 (Supplemental Information), p. 3, Item 3.

¹⁷ Exhibit B-8, BCUC IR 4.1.

¹⁸ Exhibit B-10, BCUC IR 11.2.

¹⁹ Exhibit B-11, Panel IR 1.1.

²⁰ Exhibit B-11, Panel IR 1.1.1.

Resort Gas Ltd

	42.50%
	Forecast
	2022
Utility Base Rate	
Capital Beg	1,759,731
Capital End	1,750,209
Capital Mid Year Balance	1,754,970
Mid Year GCRA Balance	
Balance Beg	380,058
Balance End	148,766
GCRA Mid Year Balance	264,412
Operating Costs	329,606
Working Capital Allowance	82,402
Income Tax	70,403
Total Mid Year Base Rate	2,172,187

Panel Discussion

The Panel is not able to make a determination on the amount of Resort Gas' rate base. Throughout the proceeding, Resort Gas has provided several different versions of its rate base. For example, in its most recent 2022 forecast Resort Gas included contributions from customers and developers that are not normally included in the calculation of rate base. Therefore, if Resort Gas wishes in the future to earn a rate of return based on its rate base, we suggest that Resort Gas contact BCUC Staff and/or hire a utility regulation consultant for assistance on how to appropriately present rate base in future RRAs.

3.0 Fair Return

The principles surrounding the concept of a "fair return" for a regulated company (Fair Return Standard) are established by the Supreme Court of Canada in *Northwest Utilities v. City of Edmonton*.²¹ The Fair Return Standard has three requirements:²²

- 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;
- The financial integrity requirement – a reasonable return on capital, should enable the financial integrity of the regulated enterprise to be maintained; and
- The capital attraction requirement – a reasonable return on capital, should permit incremental capital to be attracted to the enterprise on reasonable terms and conditions.

Recent BCUC Proceedings

²¹ BCUC 2013 Generic Cost of Capital (GCOC) Proceeding (Stage 1) Decision and Order G-75-13 dated May 10, 2013 (BCUC 2013 GCOC Stage 1 Decision), pp. 7–8.

²² BCUC 2013 GCOC Stage 1 Decision, p. 7.

As noted in Section 1.1 of this decision, Resort Gas' Existing Delivery Rates were most recently approved by the BCUC in 2016, effective August 1, 2016. At that time, Resort Gas proposed, and the BCUC approved for the utility an allowed return of \$23,257 based on 8.75 percent of forecast operating expenses.²³ Prior to this approval, the BCUC approved the use of a fixed amount of \$23,597 to set rates, where this amount was in place from November 1, 2006 until July 31, 2016. While that amount was originally calculated under a proposed "Operating Ratio Approach" due to Resort Gas' small rate base, the BCUC found that the submitted link between a required ROE and an appropriate operating margin tenuous. Instead, the BCUC had approved the amount as a fixed amount to set rates, because the amount of \$23,597 "[did] not appear excessive" and was acceptable to the utility.²⁴

Application

For 2022, Resort Gas submits that it is not able to calculate a reasonable rate of return using a weighted average cost of capital formula because it has no external debt and all growth is financed directly through customers connecting to the distribution system.²⁵ As such, Resort Gas proposed using its earnings (net income) history to consider an allowed return.²⁶ However, during the proceeding, Resort Gas realized that certain costs had inadvertently been excluded and it did not breakeven in 2020 and 2021. As well, Resort Gas updated its forecast costs for these items which resulted in a forecast deficit (net loss) at the end of 2022.²⁷ Notwithstanding the forecast deficit, Resort Gas believes a fair return is needed to ensure stability for the operation of the utility.²⁸

During the proceeding, several methods to determine a fair return were explored, including setting a return based on a:

- Fixed dollar earnings per year;
- Percentage of operating costs;
- Percentage of rate base or return on rate base; or
- Deemed capital structure and an allowed ROE.²⁹

As a gas utility that is operated by a municipality, Resort Gas explains that its focus is not on profit, but rather on providing a "fully user funded utility." It submits that it is a small operation which is just trying to provide a service to its community when no one else was willing to offer it.³⁰ Resort Gas states that it would be fair and reasonable to establish a return based on any one of the methods explored.³¹

Under the fixed dollar earnings per year method, Resort Gas proposes that a fixed dollar earnings of \$15,000 per year is appropriate, stating that this amount would provide an adequate "buffer" to any expenses allocated to the utility from SPRLLP.³² Resort Gas submits that the fixed dollar earnings method, as proposed, offers several benefits, including the following.³³

²³ Sun Peaks Utilities Co., Ltd. (now Resort Gas) Application for Approval of a Delivery Rate Increase Effective August 1, 2016, Exhibit B-1, PDF p. 2; Order G-149-16 dated September 22, 2016.

²⁴ Sun Peaks Utilities Co., Ltd. (now Resort Gas) Approval for a Change to Customer Rates effective February 1, 2013, Order G-15-13 dated February 1, 2013; Sun Peaks Utilities Co., Ltd. (now Resort Gas) Application for Approval of its 2006/07 Revenue Requirements, Order G-60-07 dated June 12, 2007, Appendix A (Reasons for Decision), p. 6.

²⁵ Exhibit B-2, p. 4.

²⁶ Exhibit B-2, p. 4.

²⁷ Exhibit B-10, BCUC IR 11.2; Exhibit B-8, BCUC IRs 3.1, 4.2.

²⁸ Exhibit B-8, BCUC IR 2.1; Exhibit B-9, BCUC IR 4.6.1.

²⁹ Exhibit B-8, BCUC IR 4.4 series; Exhibit B-9, BCUC IR 4.6.

³⁰ Exhibit B-8, BCUC IR 2.1; Exhibit B-9, BCUC IR 4.6.1; Exhibit B-11, Cover letter, p. 1.

³¹ Exhibit B-8, BCUC IR 4.4; Exhibit B-9, BCUC IR 4.6.

³² Exhibit B-9, BCUC IR 4.6.1; Exhibit B-10, BCUC IR 10.1.

³³ Exhibit B-9, BCUC IR 4.6.1.

- It is easily calculated;
- It is not impacted by any outside factors that affect propane costs or revenues;
- It permits earnings to remain constant no matter what position the company is in; and
- It has the smallest impact on customers as compared to most other return alternatives.³⁴

Resort Gas notes that the disadvantage, however, of a fixed dollar earnings method is that it provides little incentive to reduce costs and increase efficiency, nor does it consider any external factors that affect profitability.³⁵

With respect to the percentage of operating costs and percentage of rate base/return on rate base methods, Resort Gas proposes that a return of 8.75 percent for each is fair.³⁶ Using a percentage of operating costs would result in a return of \$28,841 in 2022.³⁷

With respect to a deemed capital structure, Resort Gas submits that the minimum default capital structure of 42.5 percent common equity and equity risk premium of 75 basis points (bps) over the benchmark that is approved by the BCUC for small Thermal Energy Services (TES) utilities meets the Fair Return Standard. However, Resort Gas states, at this time, that no analysis is available to support that this would result in a fair return.³⁸ Under this method, Resort Gas calculates an allowed return for 2022 of \$18,377 based on the forecast rate base for 2022 of \$446,290,³⁹ or alternatively an allowed return of \$87,702 based on the revised 2022 forecast rate base of \$2,172,187,⁴⁰ as reviewed in Section 2.0 above.

Panel Determination

There is no dispute that Resort Gas is entitled to an opportunity to earn a fair return, and the Panel agrees that a fair return is important to ensure the stability of the operation of Resort Gas. Indeed, the UCA prevents the BCUC from setting a rate that is insufficient to yield a fair and reasonable compensation for the service provided by Resort Gas, or a fair and reasonable return.⁴¹

The Panel determines that a fair return for Resort Gas in 2022 is an allowed return based on a fixed dollar earnings per year of \$15,000. This amount is reasonable, easy to understand and transparent. Although this amount is lower than the amounts previously approved for Resort Gas, there is no evidence that this amount is unfair, and Resort Gas proposed this amount for the fixed dollar earnings return method. Resort Gas offers a sensible analysis in support of this amount, noting that a fixed dollar amount is not impacted by outside factors that affect propane costs or revenues and that it permits earnings to remain constant no matter what position the company is in. In our view, despite the fact that a fixed dollar earnings provides no incentive to reduce costs or seek efficiency, the predictability that comes with a fixed dollar earnings can provide an important element of stability for Resort Gas and enable it to maintain its financial integrity to continue to provide safe and reliable service to its customers.

³⁴ A modification of Resort Gas' actual capital structure which excludes the impacts on equity from the 2017 forgiven note receivable from SPUCL has the smallest impact on customers in terms of the incremental revenue needed. Reference: Exhibit B-9, BCUC IR 4.6.1.

³⁵ Exhibit B-9, BCUC IR 4.6.1.

³⁶ Exhibit B-9, BCUC IR 4.6.1 (iii) and (iv).

³⁷ Exhibit B-9, BCUC IR 4.6.1 (iii).

³⁸ Exhibit B-8, BCUC IR 4.4.1.

³⁹ Exhibit B-11, Panel IR 1.8 v); Excel attachment "Question 1.8 i & ii", Tab "1.8".

⁴⁰ Exhibit B-11, Panel IR 1.1.1; Excel attachment "Question 1.1.1i", Tab "42.5 Structure".

⁴¹ *Utilities Commission Act*, RSBC 1996, c 473, section 59(5)(b).

Of the remaining methods canvassed in this proceeding, we agree with the BCUC's conclusion in the 2007 Resort Gas Decision⁴² that there is only a tenuous link between fair return and operating margin and therefore we are not satisfied that this would be an appropriate way to determine a fair return for Resort Gas.

In addition, we note that Resort Gas' 2022 rate base is unclear, and therefore an earned return based on rate base would be uncertain. Based on the various rate bases provided, the wide range of returns calculated by Resort Gas is between \$18,377 and \$87,702. Considering our discussion above on Resort Gas' rate base, and although higher than the \$15,000 fixed dollar return, we note that the lower end of the range is not significantly different from the \$15,000 fixed dollar return.

4.0 Revenue Requirement and Resulting Delivery Rates

Given the Panel's finding in Section 3.0 above that an allowed return based on a fixed dollar earnings per year of \$15,000 is reasonable for 2022, Resort Gas' forecast revenue requirement and resulting delivery rates for 2022 are discussed below.

To set 2022 delivery rates, the Panel considers Resort Gas' total revenue requirement or its "cost of service." Resort Gas' revenue requirement reflects the total amount of revenue that must be collected in rates to recover its forecast cost of service and to provide Resort Gas an opportunity to earn a fair and reasonable return.

With a fixed dollar return of \$15,000, Resort Gas forecasts a 2022 revenue requirement of \$371,883.⁴³ Based on the forecast demand for Resort Gas and the forecast revenue at the Existing Delivery Rates, Resort Gas forecasts a total revenue deficiency of \$69,219 in 2022.⁴⁴ Resort Gas calculates that this revenue deficiency will require an effective delivery rate increase of 21.71 percent in 2022 when compared to the Existing Delivery Rates.⁴⁵ Resort Gas also calculates that this equates to an increase in the 2022 annual bill of:⁴⁶

- Approximately \$30 (or 1.97 percent) for a typical residential customer consuming an average of 49 GJs per year;
- Approximately \$173 (or 2.18 percent) for small commercial customers consuming an average of 282 GJs per year; and
- Approximately \$3,036 (or 2.61 percent) for large commercial customers consuming an average of 4,215 GJs per year.

The main drivers for the 2022 revenue deficiency (or forecast net loss) of \$69,219 as compared to the net loss in 2021 of \$23,787, which results in a net loss increase of \$45,429, include:⁴⁷

- An allowed return in 2022 of \$15,000;
- A provision for income taxes of \$17,756 in 2022 due to higher taxable income as compared to a recovery of income taxes of (\$8,931) in 2021, contributing \$26,687 to the increase; and
- An increase in wages and benefits of \$8,569.

⁴² An Application by SPUCL for Approval of its 2006/07 Revenue Requirements, Order G-60-07 dated May 31, 2007, Appendix A (Reasons for Decision) (2007 Resort Gas Decision).

⁴³ Exhibit B-11, Panel IR 1.1.1 i); Excel attachment "Question 1.1.1i", Tab "Fix".

⁴⁴ Exhibit B-11, Panel IR 1.1.1 i).

⁴⁵ Exhibit B-11, Panel IR 1.1.1 i); Excel attachment "Question 1.1.1i", Tab "Fix".

⁴⁶ Exhibit B-11, Panel IR 1.1.1 i); Excel attachment "Question 1.1.1i", Tab "Sch 9".

⁴⁷ Exhibit B-8, BCUC IR 9.1; Exhibit B-11, Panel IR 1.1.1 i); Excel attachment "Question 1.1.1i", Tab "Fix".

This is partially offset by a forecast higher annual consumption for 2022 as compared to 2021.⁴⁸

To recover the revenue deficiency of \$69,219 in 2022, the resulting delivery rate increases are as follows:⁴⁹

Table 4: Resort Gas Resulting Delivery Rate Increases

	Increase in Delivery Charge per GJ of Gas Delivered
Rate Group 1 Residential	\$0.6117/GJ from \$2.8175/GJ to \$3.4292/GJ
Rate Group 2 Small Commercial	\$0.6117/GJ from \$2.8175/GJ to \$3.4292/GJ
Rate Group 3 Large Commercial	\$0.7203/GJ from \$3.3175/GJ to \$4.0378/GJ

Resort Gas is not advocating for a deferral account to phase-in any potential rate increases. It acknowledges that a deferral account could enable rate increases to be spread over a longer time frame, however, Resort Gas also notes that the deferral account would require “monitoring and balancing.”⁵⁰

Despite the 2022 forecast revenue deficiency, Resort Gas states that it is not seeking to increase the delivery rates in this RRA. Alternatively, it plans to look at its basic charge and delivery rates in 2023. Resort Gas is hopeful that the usage in winter 2022 will return to normal (pre-pandemic quantities) and propane commodity costs will come down.⁵¹

Panel Determination

The Panel finds that the Existing Delivery Rates are insufficient to yield a fair and reasonable compensation for the service provided by Resort Gas. Based on a fixed dollar allowable return of \$15,000, Resort Gas’ 2022 revenue requirement is \$371,883. At the Existing Delivery Rates, this results in a revenue deficiency of \$69,219 for 2022. The Panel finds that the revenue requirement is reasonable, noting that the largest driver for the increase in 2022 over 2021 relates to income taxes which are not fully controllable by the utility.

Although Resort Gas is not seeking to increase delivery rates in this Application, because it plans to revisit rates in 2023, in our view that is not realistic. Hoping to resolve the deficiency in the future could lead to other problems, for example, retroactive ratemaking or inter-generational inequities. Nor is it possible under the UCA for the Panel to accede to Resort Gas’ preference to leave this matter until next or a subsequent year. Having reviewed Resort Gas’ revenue requirements and forecast revenue deficiency, the Panel cannot ignore this evidence by setting rates that would not allow Resort Gas the opportunity to recover its cost of providing service and to earn a fair and reasonable return. The BCUC has an interest to ensure that the utility is financially stable to continue to provide safe and reliable service. This includes an opportunity for the utility to earn a fair return to ensure the stability of its operations.

The six-year interval since the 2016 delivery rate change has resulted in a significant increase for 2022 rates, which is not ideal for Resort Gas or its ratepayers. We note that future rate adjustments may not be as significant if Resort Gas applies for rate adjustments on a more regular basis.

We recognize that Resort Gas prefers not to increase delivery rates because it has already increased commodity rates. Although a deferral account is a typical way for a utility to reduce the magnitude of an aggregate rate

⁴⁸ Exhibit B-11, Panel IR 1.1.1 i); Excel attachment “Question 1.1.1i”, Tab “Sch 2”. Forecast annual consumption of 105,673 GJs in 2022 as compared to 94,556 GJs consumed in 2021.

⁴⁹ Exhibit B-11, Panel IR 1.1.1 i).

⁵⁰ Exhibit B-10, BCUC IRs 11.3 and 11.3.1.

⁵¹ Exhibit B-10, BCUC IR 11.2.

increase, we also recognize the administrative burden this can impose on a small utility such as Resort Gas. Further, there is no evidence that costs in the future will decrease or that future rates will decrease. On balance, we do not see a benefit to imposing a deferral account upon Resort Gas.

Therefore, in order to recover the forecast revenue deficiency of \$69,219 in 2022, **we direct Resort Gas to increase its delivery rates on a permanent basis, effective January 1, 2022, as follows:**

- **Rate Group 1 and 2 Residential and Small Commercial: an increase of \$0.6117/GJ from \$2.8175/GJ to \$3.4292/GJ; and**
- **Rate Group 3 Large Commercial: an increase of \$0.7203/GJ from \$3.3175/GJ to \$4.0378/GJ.**

The increase in delivery rates means that Resort Gas will have to recover the difference from its customers. This was contemplated in Directive 6 of Order G-286-21 that approved interim rates effective January 1, 2022, which states:

The BCUC will determine how any variance between approved interim and permanent delivery rates, with interest calculated at the average prime rate of Resort Gas' principal bank for its most recent year, will be refunded to or collected from ratepayers at the time the BCUC renders its final decision on permanent rates for Resort Gas.

Accordingly, the Panel directs Resort Gas to recover the difference between the revenue collected under 2022 interim rates and the approved permanent rates by way of bill adjustments over a period not to exceed 12 months, accruing interest at the average prime rate of Resort Gas' principal bank for its most recent year until fully recovered.

Resort Gas is directed to file a compliance filing with the BCUC within 30 days of the order issued concurrently that includes a schedule with the anticipated timing and amounts of the bill adjustments with interest applied.

5.0 Other Matters

5.1 Interim Rates for 2023

By Order G-301-22, the Panel set Resort Gas' existing basic charge and delivery rates (as outlined in Table 1 of this decision) as interim and recoverable or refundable, effective January 1, 2023, subject to any further determinations made by the BCUC.⁵²

Directive 2 of that order states that the BCUC will determine how any variance between approved interim and permanent basic charge and delivery rates, will be refunded to or collected from ratepayers at the time the BCUC renders its final decision on permanent rates, effective January 1, 2023, for Resort Gas.⁵³

Resort Gas currently forecasts that if delivery rates are increased in 2022 by 21.7 percent, then a further increase may not be necessary for 2023.⁵⁴

Panel Determination

⁵² Exhibit A-13, Order G-301-22 dated October 25, 2022 with reasons for decision, Directive 1.

⁵³ Exhibit A-13, Directive 2.

⁵⁴ Exhibit B-11, Panel IR 1.7.

The 2022 permanent delivery rates that the Panel has directed in Section 4.0 above, are higher than the interim delivery rates approved by Order G-301-22, and therefore **the Panel directs Resort Gas to set the 2023 interim delivery rates at the 2022 permanent delivery rates on a recoverable or refundable basis, effective January 1, 2023. In addition, the Panel directs Resort Gas to file a 2023 RRA for permanent rates for 2023, by March 31, 2023.**

We note Resort Gas' evidence to date suggests that a delivery rate increase in 2022 might obviate the need for a further rate increase in 2023, which suggests that it may be appropriate for the 2023 interim rates to become permanent. However, Resort Gas should update its forecast to justify either (i) making 2023 interim rates permanent; or (ii) changing the rates for 2023 on a permanent basis.

5.2 Tariff Pages

Resort Gas provides the "Table of Charges" tariff page in the Application which mentions "SPUCL." For example, the first paragraph on this tariff page states "Gas Service will be provided in accordance with the following Rate Groups. The Rate Groups are available in all territory served by SPUCL, provided adequate capacity exists in SPUCL's system."⁵⁵

During the IR process, Resort Gas confirmed that references to SPUCL in the gas tariff should be updated to Resort Gas.⁵⁶

Panel Determination

The Panel directs Resort Gas to update references from SPUCL to Resort Gas in the final tariff pages, as appropriate, and to submit the following updated tariff pages, that reflect the determinations made in this decision, to the BCUC for endorsement within 30 days of the order issued concurrently:

- **Final tariff pages effective January 1, 2022, updated for the 2022 permanent delivery rate increases as outlined in Section 4.0 of this decision; and**
- **Interim tariff pages effective January 1, 2023, updated for the 2023 interim delivery rates as outlined in Section 5.1 of this decision.**

⁵⁵ Exhibit B-2, p. 15.

⁵⁶ Exhibit B-8, BCUC IR 7.1.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2022.

Original signed by:

T. A. Loski
Panel Chair / Commissioner

Original signed by:

E. B. Lockhart
Commissioner



ORDER NUMBER
G-359-22

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

and

Resort Gas Ltd.
Proceeding to Set Delivery Rates for Resort Gas Ltd.

BEFORE:
T. A. Loski, Panel Chair
E. B. Lockhart, Commissioner

on December 12, 2022

ORDER

WHEREAS:

- A. By Order G-286-21, the British Columbia Utilities Commission (BCUC) initiated a proceeding to set delivery rates for Resort Gas Ltd. (Resort Gas), to set the existing delivery rates as interim and recoverable or refundable, and to establish a regulatory timetable for the review of permanent delivery rates, all effective January 1, 2022;
- B. On December 31, 2021, Resort Gas filed with the BCUC a revenue requirements application (RRA) pursuant to Order G-286-21 and requested no change to its existing delivery rates, effective January 1, 2022 (Application);
- C. By Orders G-19-22, G-36-22, and G-224-22, the BCUC established a further regulatory timetable for the review of the Application, which included the filing of supplemental information and two rounds of BCUC Information Requests (IR) to Resort Gas. This was followed by one round of Panel IRs, and the opportunity for Resort Gas to file a final argument;
- D. By Order G-301-22, the BCUC set Resort Gas' existing basic and delivery rates as interim and recoverable or refundable, effective January 1, 2023, subject to any further determinations made by the BCUC; and
- E. The BCUC has reviewed the Application and Resort Gas' responses to IRs and determines that setting permanent rates for 2022 for Resort Gas is warranted.

NOW THEREFORE pursuant to sections 58 to 61 of the *Utilities Commission Act* and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows:

- 1. Resort Gas is directed to increase its delivery rates on a permanent basis, effective January 1, 2022, as follows:

- Rate Group 1 and 2 Residential and Small Commercial: an increase of \$0.6117/Gigajoule (GJ) from \$2.8175/GJ to \$3.4292/GJ; and
 - Rate Group 3 Large Commercial: an increase of \$0.7203/GJ from \$3.3175/GJ to \$4.0378/GJ.
2. Resort Gas is directed to recover the difference between the revenue collected under 2022 interim rates and the approved permanent rates by way of bill adjustments over a period not to exceed 12 months, accruing interest at the average prime rate of Resort Gas' principal bank for its most recent year until fully recovered.
 3. Resort Gas is directed to file a compliance filing with the BCUC within 30 days of this order that includes a schedule with the anticipated timing and amounts of the bill adjustments set out in directive 2 of this order with interest applied.
 4. Resort Gas is directed to set the 2023 interim delivery rates at the 2022 permanent delivery rates on a recoverable or refundable basis, effective January 1, 2023.
 5. Resort Gas is directed to file a 2023 RRA for permanent rates for 2023, by March 31, 2023.
 6. Resort Gas is directed to update references from Sun Peaks Utilities Co. Ltd. to Resort Gas in the final tariff pages, as appropriate, and to submit the following updated tariff pages, that reflect the determinations outlined in this order and the decision issued concurrently, to the BCUC for endorsement within 30 days of this order:
 - Final tariff pages effective January 1, 2022, updated for the 2022 permanent delivery rate increases; and
 - Interim tariff pages effective January 1, 2023, updated for the 2023 interim delivery rates.
 7. Resort Gas 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 12th day of December 2022.

BY ORDER

Original signed by:

T. A. Loski
Commissioner

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

and

British Columbia Utilities Commission
Proceeding to Set Delivery Rates for Resort Gas Ltd.

EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated September 29, 2021 – BCUC appointing the Panel for the review of the BCUC Proceeding to Set Delivery Rates for Resort Gas Ltd.
A-2	Letter dated September 29, 2021 - BCUC Order G-286-21 establishing a Regulatory Timetable with Reasons for Decision
A-3	Letter dated October 4, 2021 – BCUC panel amendment letter appointing Blair Lockhart to the Panel
A-4	Letter dated January 26, 2022 – BCUC Order G-19-22 establishing a Regulatory Timetable
A-5	Letter dated February 16, 2022 – BCUC Order G-36-22 amending a Regulatory Timetable
A-6	Letter dated March 10, 2022 – BCUC Information Request No. 1 to Resort Gas
A-7	Letter dated April 11, 2022 – BCUC response to Resort Gas extension request
A-8	Letter dated June 2, 2022 – BCUC response to Resort Gas further extension request
A-9	Letter dated July 20, 2022 – BCUC response to Resort Gas further extension request
A-10	Letter dated August 12, 2022 – BCUC Order G-224-22 establishing a further Regulatory Timetable
A-11	Letter dated September 8, 2022 – BCUC Information Request No. 2 to Resort Gas
A-12	Letter dated October 20, 2022 – BCUC Panel Information Request No. 1 to Resort Gas
A-13	Letter dated October 25, 2022 – BCUC Order G-301-22 with reasons for decision

COMMISSION STAFF DOCUMENTS

- A2-1 Letter dated March 10, 2022 – BCUC Staff submitting Resort Gas Ltd Annual Report for the 12-month period ended December 31, 2020, p. 29 dated May 19, 2021
- A2-2 Letter dated March 10, 2022 – BCUC Staff submitting Resort Gas Ltd Revenue Requirement Application Extension Request – Response to BCUC Staff Questions No. 1, p. 3 dated September 7, 2021

APPLICANT DOCUMENTS

- B-1 **RESORT GAS LTD., SUN PEAKS MOUNTAIN RESORT MUNICIPALITY (SPMRM, FORMERLY SUN PEAKS UTILITIES) (RESORT GAS)** – Extension request to file Revenue Requirements Application dated June 29, 2021
- B-2 Letter dated December 31, 2021 – Resort Gas submitting Revenue Requirements Application
- B-3 Letter dated February 9, 2022 – Resort Gas submitting supplemental information in compliance with G-19-22
- B-4 Letter dated February 14, 2022 – Resort Gas submitting compliance with G-19-22 of public notice
- B-5 Letter dated February 22, 2022 – Resort Gas submitting compliance with G-36-22 of public notice
- B-6 Letter dated April 7, 2022 – Resort Gas submitting extension request for filings
- B-7 Letter dated May 31, 2022 – Resort Gas submitting further extension request for filings
- B-8 Letter dated July 18, 2022 – Resort Gas submitting responses to BCUC Information Request No. 1 with exception of Sections 4.5 and 4.6
- B-9 Letter dated July 27, 2022 – Resort Gas submitting responses to BCUC Information Request No. 1 – Sections 4.5 and 4.6
- B-10 Letter dated October 7, 2022 – Resort Gas submitting response to BCUC Information Request No. 2 on October 8, 2022
- B-11 Letter dated October 28, 2022 - Resort Gas submitting responses to Panel Information Request No. 1