



**ORDER NUMBER
G-133-21**

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

and

Stargas Utilities Ltd.
Natural Gas Purchase Plan and Commodity Rate Application
Effective November 1, 2020

BEFORE:

C. M. Brewer, Panel Chair
K. A. Keilty, Commissioner
B. A. Magnan, Commissioner

on May 3, 2021

ORDER

WHEREAS:

- A. On September 15, 2020, Stargas Utilities Ltd. (Stargas) filed an application under sections 71 and 61(4) of the *Utilities Commission Act* (UCA) to the British Columbia Utilities Commission (BCUC) seeking acceptance of its Natural Gas Purchase Plan for the contract year from November 1, 2020 to October 31, 2021 (2020-21 Contract Year) and approval to increase the natural gas commodity component of rates (commodity rate) from \$3.98 per gigajoule (GJ) to \$7.48 per GJ, or approximately 88 percent, effective November 1, 2020 (Application);
- B. By Order G-130-06 dated October 27, 2006, the BCUC approved the Rules for Natural Gas Energy Supply Contracts (Rules). The Rules are intended to facilitate the BCUC's review of natural gas energy supply contracts pursuant to section 71 of the UCA;
- C. By Order G-196-18 dated October 11, 2018, the BCUC approved a decrease in the gas commodity rate charged to Stargas customers from \$4.14 per GJ to \$3.98 per GJ, effective November 1, 2018;
- D. By Order G-271-20 dated October 27, 2020, the BCUC set an interim commodity rate of \$3.98 per GJ on an interim and refundable basis, effective November 1, 2020, and directed that any variance between approved and interim rates will be refunded to or collected from ratepayers with interest at the average prime rate of Stargas' principal bank for the most recent year. The BCUC also determined that Attachments B1, B3, B3a and B4 to the Application would be held confidential, until determined otherwise, since they contain commercially sensitive materials;
- E. By Orders G-271-20, G-321-20, G-329-20, G-10-21 and G-60-21, the BCUC established and furthered a written hearing process and regulatory timetable to review the Application. The regulatory timetable

included intervener registration, two rounds of BCUC and intervener information requests (IRs), final argument and reply;

- F. By October 29, 2020, Silver Star Property Owners Association (SSPOA) registered as an intervener in the proceeding;
- G. On October 21, 2020, Stargas filed an updated application with the BCUC seeking approval to increase the commodity rate from \$3.98 per GJ to \$7.87 per GJ or approximately 98 percent, effective November 1, 2020, based on updated forecast gas costs as on October 20, 2020;
- H. In a tariff page filing dated October 30, 2020, Stargas submitted a proposal asking that
 - 1. the BCUC require Stargas to maintain its existing commodity and delivery rates until revised commodity and delivery rates have been ruled upon, and
 - 2. that any difference in rates collected from November 1, 2020 until a determination is made on rates be captured in a regulatory account and recovered over 36 months with interest at Stargas' weighted average cost of debt, if the amount to be recovered from ratepayers exceeds \$30,000;
- I. On November 12, 2020, Gateway Property Management Corporation submitted letters of comment on behalf of Snowbird Lodge Strata, Silver Creek Lodge Strata, The Pinnacles Strata, Firelight at the Pond Strata, and Creekside Strata expressing opposition to the commodity rate increase proposed by Stargas;
- J. In response to BCUC IR No. 1, Stargas indicated that it had executed an agreement with FortisBC Energy Inc. (FEI) that provides for the sale of Stargas' regulatory assets and operations to FEI (Asset Purchase Agreement), subject to BCUC approval;
- K. On December 15, 2020, Stargas filed further updates to its Application with the BCUC on a confidential basis, and subsequently filed a redacted version January 25, 2021, seeking approval to increase the commodity rate from \$3.98 per GJ to \$7.06 per GJ or approximately 77 percent, effective November 1, 2020. Stargas calculates the proposed rate based on a \$5.82 per GJ forecast gas costs and \$1.24 per GJ for amortization of the Gas Cost Variance Account (GCVA) balance over 12 months (Updated Application);
- L. On February 24, 2021, Stargas requested an extension to the filing deadline for its final argument to a date five business days following the termination of the Asset Purchase Agreement, on the basis that if the Asset Purchase Agreement is approved, the unrecovered gas costs will have been addressed in that application;
- M. By Order G-54-21 dated March 2, 2021, the BCUC denied Stargas' request for extension on the basis that a permanent commodity rate should be set prior to a determination on the Asset Purchase Agreement, and that further delays to the regulatory timetable were not warranted nor in the public interest;
- N. On March 4, 2021, the SSPOA submitted a final argument to the BCUC and on March 5, 2021, Stargas submitted a reply argument; and
- O. The BCUC has completed its review of the Updated Application and the evidence and submissions by all parties in this proceeding and finds that the following determinations are warranted.

NOW THEREFORE pursuant to sections 59 to 61, 71 and 89 of the UCA and the Rules, and the Decision issued concurrently with this order, the BCUC orders as follows:

1. Stargas' Natural Gas Purchase Plan for the 2020-21 Contract Year is accepted as filed.
2. Stargas is directed to file with the BCUC, no later than September 15, 2021, Stargas' Natural Gas Purchase Plan for the contract year commencing November 1, 2021 and to include, at a minimum:
 - a. an evaluation of the gas purchase alternatives including contracting for the supply of gas under a FortisBC Energy Inc. bundled sales gas rate schedule, and
 - b. an evaluation of the effectiveness of the price risk management strategies undertaken by Stargas for the 2020-21 Contract Year.
3. The BCUC approves Stargas' calculation of the GCVA balance of a \$59,641 deficit as at October 31, 2020.
4. Stargas' request to include amortize the GCVA balance over a 12 month period by including \$1.24 per GJ in the proposed commodity rate is denied.
5. The BCUC approves the increase of commodity rate charged to Stargas customers from \$3.98 per GJ to \$5.82 per GJ effective November 1, 2020, based on the forecast gas commodity cost of \$5.82 per GJ.
6. Stargas is directed to include an explanation of the commodity rate change to customers in its next monthly billing.
7. Stargas is directed to file with the BCUC, within 10 business days of the issuance of this order, updated tariff pages in accordance with the terms of this order.
8. Regarding recovery of the difference between the interim and permanent commodity rates from November 1, 2020 until the date of this order, Stargas' request to establish a regulatory account is denied.
9. With respect to Stargas' request for confidentiality,
 - a. the following documents will be held confidential:
 - i. the "Estimated gas costs for the twelve months ending October 31, 2020" (attachment B3),
 - ii. the "Shell Confirmation" (attachment B4),
 - iii. the "Shell Market Update December 3, 2020" (attachment B5 to Exhibit B-1-1-3), and
 - iv. the final two paragraphs of the "Cost Estimates" (attachment B3a to Exhibits B-1-1); and
 - b. the following documents will not be kept confidential:
 - i. Stargas' Natural Gas Purchase Plan (attachment B1 to Exhibit B-1-1);
 - c. Stargas is directed to refile, within 10 days of this order:
 - i. a redacted version of Attachment B3a and B-1-1-3 redacting only the final two paragraphs.

- ii. unredacted versions of any other exhibit filed in this proceeding that contains redacted information disclosed in the Asset Purchase Agreement.
- d. In accordance with the BCUC's Rules of Practice and Procedure, Stargas may object to the determinations on confidentiality by providing written reasons. If no objection has been filed within 10 days of this order, the information will be posted publicly.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of May 2021.

BY ORDER

Original signed by:

C. M. Brewer
Commissioner