



**ORDER NUMBER**  
**G-271-20**

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 October 27, 2020

**ORDER**

**WHEREAS:**

- A. On September 15, 2020, Stargas Utilities Ltd. (Stargas) filed an application under Section 71 and Section 61(4) of the *Utilities Commission Act* (UCA) to the British Columbia Utilities Commission (BCUC) seeking approval of its natural gas purchase plan for the contract year from November 1, 2020 to October 31, 2021 and approval to increase the commodity rate from \$3.98 per gigajoule (GJ) to \$7.48 per GJ or approximately 88 percent, effective November 1, 2020 (Application);
- B. 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 (Updated Application), based on updated forecast gas cost as on October 20, 2020;
- C. By Order G-196-18 dated October 11, 2018, the BCUC approved a decrease in the gas commodity component of rates charged to Stargas customers from \$4.14 per GJ to \$3.98 per GJ, effective November 1, 2018;
- D. Silver Star Mountain Resort Ltd. (Resort) is the primary developer of a year-round resort community located at Silver Star Mountain (Silver Star), located approximately 22 kilometers north-east of Vernon, BC;
- E. In 1999, Stargas was formed by the Resort to own and operate the existing propane distribution system at Silver Star and acquired the existing propane distribution grid from the Resort;
- F. In addition, Stargas converted the existing propane distribution to natural gas and expanded the natural gas distribution grid to provide mains to substantially all of the resort properties which were developed at that time;

- G. By Order C-4-00, dated March 30, 2000, the BCUC approved a Certificate of Public Convenience and Necessity (CPCN) for Stargas to operate a natural gas distribution system in the resort community at Silver Star; and
- H. The BCUC has commenced review of the Application and the Updated Application and determines that establishing an interim rate and regulatory timetable are warranted.

**NOW THEREFORE**, pursuant to Sections 59 to 61 and 89 of the UCA, and for the reasons attached as Appendix A to this order, the BCUC orders as follows:

1. Stargas' Updated Application to increase the commodity rate from \$3.98 per GJ to \$7.87 per GJ is denied. Stargas is directed to maintain its commodity rate at the existing rate of \$3.98 per GJ on an interim and refundable basis, effective date November 1, 2020.
2. Any variance between approved interim rates and permanent rates as determined at the time the BCUC renders its final decision on the Updated Application will be refunded to or collected from ratepayers, with interest at the average prime rate of Stargas' principal bank for the most recent year.
3. A regulatory timetable for the review of the Updated Application is established, as set out in Appendix B to this order.
4. Stargas is directed to file with the BCUC, within 10 business days of the issuance of this order, amended Tariff pages in accordance with the terms of this order.
5. Stargas is directed to supplement the Updated Application with the additional information outlined in Appendix C to this order by no later than November 5, 2020.
6. Stargas is directed to provide the public notice, attached as Appendix D to this order, and a copy of this order to registered interveners in the Stargas Application to Vary Delivery Rate, Amend Cost of Service Formula and Approve Replacement Term Financing/Redemption of Preferred Shares proceeding, and to all affected customers using communication methods including Stargas' website and the Silver Star Resort centres, no later than Monday, November 2, 2020.
7. In accordance with the BCUC's [Rules of Practice and Procedure](#) attached as Appendix A to Order G-15-19, parties who wish to participate in the proceeding may submit a letter of comment, register as an interested party, or request intervener status. Parties requesting intervener status must register with the BCUC by completing a [Request to Intervene Form](#) available on the BCUC's website by the date established in the regulatory timetable attached as Appendix B to this order. Parties requesting intervener status are to specifically state the nature of their interest in the Application and to generally identify the issues they intend to pursue and the extent of their anticipated involvement in the proceeding.
8. The BCUC approves Stargas' request to hold Exhibits B1, B3, B3a and B4 of the Updated Application confidential, until determined otherwise, since they contain commercially sensitive materials.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 27<sup>th</sup> day of October 2020.

BY ORDER

*Original signed by:*

C. M. Brewer  
Commissioner

Attachment

Stargas Utilities Ltd.  
Natural Gas Purchase Plan and Commodity Rate Application

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**REASONS FOR DECISION**

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**1. Background and Application**

On September 15, 2020, Stargas Utilities Ltd. (Stargas) applied to the British Columbia Utilities Commission (BCUC) for approval of the following:

- Natural gas purchase plan for the contract year from November 1, 2020 to October 31, 2021; and
- Increase the commodity rate from \$3.98 per gigajoule (GJ) to \$7.48 per GJ or approximately 88 percent, effective November 1, 2020

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 (Updated Application), based on updated forecast gas cost as on October 20, 2020.

Stargas states that the increase in the commodity rate is based on recovering its forecast deficit in its Gas Cost Variance Account (GCVA) at October 31, 2020 and an estimate of its gas costs for the contract year from November 1, 2020 to October 31, 2021. Stargas further states that these estimates will be updated in accordance with Stargas' response to BCUC Information Requests (IRs) and the commodity rate will reflect those revised estimates.

**2. BCUC Determination**

The Panel notes that the proposed rate increase is approximately 98 percent over the existing rates and no changes have been made to the commodity rates since November 1, 2018.

The Panel acknowledges that Stargas intends to file supplemental information and updated estimates in response to BCUC IRs and the commodity rate will be updated in accordance with Stargas' responses. However, the Panel notes that an interim rate application in such circumstances should generally seek to maintain the status quo unless the utility is able to provide compelling evidence for changes to be made.

The Panel further notes BCUC Letter L-5-01, dated February 5, 2001,<sup>1</sup> which sets out the Guidelines for Setting Gas Recovery Rates and Managing the Gas Cost Reconciliation Account (GCRA) Balance (the Guidelines) and the BCUC's preferences with respect to discretion in rate changes, the frequency of rate adjustments and the amortization period for the GCRA balance. The Guidelines also provide the reporting requirements and information expected to be included when a utility files an application for setting gas recovery rates.

Although the Guidelines were developed with specific reference to BC Gas Ltd., now Fortis BC Energy Inc., the Panel notes that the BCUC anticipated that the Guidelines would also be appropriate for other utilities in similar situations. While the Panel is of the view the reporting requirements as set out in the Guidelines are not intended to be prescriptive, and may be adjusted to reflect Stargas' unique operating circumstances, the Panel

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<sup>1</sup> BCUC Guidelines for Setting Gas Recovery Rates and Managing the Gas Cost Reconciliation Account Balance, <https://www.ordersdecisions.bcuc.com/bcuc/orders/en/114786/1/document.do>

does expect sufficient information and evidence to be provided by Stargas' Application to support its requested increase to its commodity rate. In this instance, the Panel finds that Stargas has not provided such evidence.

The Panel therefore finds that the most reasonable approach is to maintain the commodity rate at the existing approved rate on an interim and refundable basis, pending a public review process and the BCUC rendering its final decision. Maintaining the commodity rate at the existing approved rate will prevent ratepayers from experiencing multiple rate changes, as it is likely that the permanent rate will be different than the interim rate.

**In consideration of the above, the Panel directs Stargas to maintain its current commodity rates at existing rates of \$3.98 per GJ on an interim and refundable basis, effective November 1, 2020.**

Stargas Utilities Ltd.  
Natural Gas Purchase Plan and Commodity Rate Application

**REGULATORY TIMETABLE**

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Action	Date (2020)
Stargas Notice of Application	Monday, November 2
Stargas to file Supplementary Information	Thursday, November 5
Intervener Registration	Thursday, November 12
BCUC Information Request (IR) No. 1 to Stargas	Thursday, November 19
Intervener IR No. 1 to Stargas	Thursday, November 26
Stargas responses to BCUC and Intervener IR No. 1	Thursday, December 3
Further process	To be determined

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

**SUPPLEMENTARY INFORMATION LIST**

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1. Please provide a monthly breakdown of the Gas Cost Variance Account (GCVA) balance from November 1, 2018 to October 31, 2020.
2. Please provide the forecast GCVA balance as at October 30, 2021, if the existing commodity rates are maintained.



# We want to hear from you

## STARGAS NATURAL GAS PURCHASE PLAN AND COMMODITY RATE APPLICATION

On October 21, 2020, Stargas Utilities Ltd. (Stargas) submitted an application to the British Columbia Utilities Commission (BCUC) for approval of its natural gas purchase plan and approval to increase its commodity rate.

The BCUC has denied Stargas' proposed increase to the commodity rate. The commodity rate for all customers is maintained at the existing approved rate, on an interim and refundable basis, pending a public review process and the BCUC rendering its final decision.

Any parties who wish to participate in the BCUC's regulatory review process are invited to register as interveners or submit a letter of comment. All submissions will be considered by the Panel in its review of the Application. For more information about the Application, please visit the BCUC's website ([www.bcuc.com](http://www.bcuc.com)). All documents filed on the public record are available on our [Current Proceedings](#) webpage.

### HOW TO PARTICIPATE

- 💡 **Submit a letter of comment**
- 💡 **Register as an interested party**
- 💡 **Request intervener status**

### IMPORTANT DATES

- 💡 **Thursday, November 12, 2020** – Deadline to register as an intervener with the BCUC
- 💡 **Thursday, November 26, 2020** – Deadline for registered interveners to submit first round of information requests

For more information on getting involved, please visit our website ([www.bcuc.com/get-involved](http://www.bcuc.com/get-involved)) or contact us at the information below.

## GET MORE INFORMATION

### Stargas Utilities Ltd.



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Kelowna, BC V1W 5L2



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