



ORDER NUMBER
G-45-16

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

and

Port Alice Gas Inc.
Application for Approval to Increase
the Basic Charge and Facility Charge

BEFORE:

B. A. Magnan

on April 6, 2016

ORDER

WHEREAS:

- A. On December 7, 2015, Port Alice Gas Inc. (PAG) applied to the British Columbia Utilities Commission (Commission) for an order approving an increase in the Basic Charge from \$6.00 per month to \$0.40 per day (nominally \$12.00 per month) and to increase the Facility Charge from \$17.32 to \$38.90 per cubic meter of propane, effective January 1, 2016 (the Application);
- B. By Order G-211-15 on December 21, 2015, the Commission approved the rate changes on an interim and refundable basis effective January 1, 2016;
- C. By Order G-4-16, the Commission established a regulatory timetable for the review of the Application, which was subsequently revised by Order G-18-16 to require PAG to file supplemental information by March 10, 2016, and set deadlines for information requests and responses;
- D. On March 2, 2016, PAG informed the Commission that the approved interim rate increase and the Village of Port Alice's (Village) position relative to alternate propane suppliers resulted in PAG volumes being curtailed, and the utility may no longer be economically viable. In its submission, PAG states that the Village will be holding a Council Meeting on March 9, 2016, to discuss whether the Village will take some measure to create conditions that will allow the utility to remain viable. PAG states that once the Village's position has been clarified, the utility may modify the Application and, as a result, requests that the current regulatory timetable be suspended until March 16, 2016;
- E. By letter dated March 8, 2016, the Commission reviewed PAG's March 2, 2016 submission and approved the request to suspend the Application's regulatory timetable established by Order G-18-16, until March 16, 2016. The Commission also requested that PAG file a submission by no later than March 14, 2016, that explains if PAG is requesting further modification to its Application;
- F. On March 14, 2016, PAG filed a submission reporting that the Village Council Meeting declined to tax, charge a royalty or apply some of the limitations or regulations that are charged to PAG on the alternate propane suppliers (PAG's Submission). The utility estimates that its customers will decline from under 200 in 2015 to approximately 160 in 2016 and delivery volumes will decline from 9,000 gigajoules (GJs) in 2015 to 6,000 GJs in 2016;

- G. PAG's Submission also requests that the utility be released from its obligations to operate as a regulated utility, and that PAG and the Commission no longer invest time in the Application while the request for PAG to be released from regulated utility operations is being considered. PAG requests that the interim increase in the Basic Charge and Facility Charge remain in effect while these requests are being considered; and
- H. The Commission has reviewed PAG's Submission and considers that the review of the Application should be suspended.

NOW THEREFORE pursuant to sections 58 to 60, 89 and 90 of the *Utilities Commission Act* and as set out in the Reasons for Decision attached as Appendix A to this order, the Commission orders as follows:

1. The review of the Port Alice Gas Inc. (PAG) application to increase the Basic Charge from \$6.00 per month to \$0.40 per day (nominally \$12.00 per month) and to increase the Facility Charge from \$17.32 to \$38.90 per cubic meter of propane, effective January 1, 2016, is suspended, subject to Directive 2.
2. PAG must file a separate application by April 25, 2016, that fully describes the modification to PAG operations that is being requested. This separate application must explain the changes that will be made to the grid storage tank, distribution piping and the customer's meter and the safety implications. PAG must also provide a customer information package in the application that explains how their current service will be maintained or impacted, timelines and their options for future service.
3. PAG must provide a copy of this order and its separate application to the Village of Port Alice and local community centres.
4. Pursuant to section 41 of the *Utilities Commission Act*, PAG must continue to provide service to its customers under the approved terms and conditions and interim rates approved by Order G-211-15.
5. The interim and refundable increases in the Basic Charge and the Facility Charge will remain in effect until the Commission makes a future determination.

DATED at the City of Vancouver, in the Province of British Columbia, this 6th day of April 2016.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner

Port Alice Gas Inc.
Application to Increase
the Basic Charge and Facility Charge

REASONS FOR DECISION

Application and orders sought

On December 7, 2015, Port Alice Gas Inc. (PAG) applied to the British Columbia Utilities Commission (Commission) for an order approving an increase in the Basic Charge from \$6.00 per month to \$0.40 per day (nominally \$12.00 per month), and to increase the Facility Charge from \$17.32 to \$38.90 per cubic meter of propane, effective January 1, 2016 (the Application)

Regulatory process

By Order G-211-15 the Commission approved the rate changes on an interim and refundable basis effective January 1, 2016. Order G-4-16 established a regulatory timetable to review the Application, which was later revised by Order G-18-16 to require PAG to file supplemental information by March 10, 2016. On March 2, 2016, PAG requested that the current regulatory timetable be suspended since the Village of Port Alice would be holding a Council Meeting on March 9, 2016, to discuss whether it should take some measure that will allow the utility to remain viable. By letter dated March 8, 2016, the Commission approved the suspension of the regulatory timetable for the review of the Application but required PAG to file a submission by March 14, 2016, that explains if PAG is requesting further modification to its Application.

Requested modification to the Application

On March 14, 2016, PAG filed a submission reporting that the Village Council Meeting declined to tax, charge a royalty or apply some of the limitations or regulations that are charged to PAG on alternate propane suppliers. PAG also made the following specific requests to modify its Application:

- a) To release PAG from its obligations as a regulated entity, which will allow PAG to be more nimble in the market and more protective of its customers. If PAG ceases to operate the grid it is committed to providing four months' notice to its customers to make alternative arrangements.
- b) That PAG and the Commission not spend time on the Application while the Commission is considering the modification to the Application. PAG also requested that the interim rates remain in effect while the modifications to the Application are being considered.

Commission determination

The Panel considers PAG's request that PAG and the Commission not spend time on the Application while the Commission is considering the requested modifications to the Application is a request to suspend the regulatory timetable for the review of the Application. The Panel also considers that PAG's request to be released from its obligations as a regulated entity could represent a proposal to either become :

- a) exempt from Commission regulation pursuant to section 88(3) of the *Utilities Commission Act (UCA)*,
- b) discontinue providing utility service and switch to a non-regulated bottled propane delivery pursuant to section 41 of the UCA, or
- c) discontinue providing utility service and shut down operations pursuant to section 41 of the UCA.

The requested modifications to the Application do not clearly identify which option is being proposed, and accordingly a separate application must be filed by PAG. The Panel observes that PAG has not discussed whether the utility could be sold to another owner/operator.

If PAG intends to apply for an exemption PAG would have to demonstrate that an exemption is warranted. In considering a request by a public utility for an exemption from certain sections or all of Part 3 of the UCA, the Commission generally examines:

- a) Any current or unresolved complaints;
- b) Safety and reliability risks;
- c) Active regulation is not required because either natural monopoly characteristics are not present or low to no potential for abuse of monopoly power;
- d) Affected parties are informed and ideally not opposed; and
- e) Small size or high sophistication of parties in negotiated agreement.

The Panel approves PAG's request to suspend the regulatory timetable for the review of the Application subject to PAG filing a separate application by April 25, 2016, which fully describes the modification to PAG operations that is being requested. This separate application must explain the changes that will be made to the grid storage tank, distribution piping, the customer's meter and the safety implications. PAG must also provide a customer information package in the application that explains how their current service will be maintained or impacted, timelines and their options for future service.