



BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-17-99

TELEPHONE: (604) 660-4700  
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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Pacific Northern Gas Ltd.  
Pacific Northern Gas (N.E.) Ltd. - Tumbler Ridge Division  
Pacific Northern Gas (N.E.) Ltd. - Dawson Creek Division  
Centra Gas Fort St. John Inc.

for Approval of 1999 Rate Increases and  
Updated 1999 Fort St. John/Dawson Creek Cost of Service Allocation/Rate Design Study

**BEFORE:** P. Ostergaard, Chair )  
L.R. Barr, Deputy Chair ) February 4, 1999  
P.G. Bradley, Commissioner )

**O R D E R**

**WHEREAS:**

- A. On November 26, 1998, Pacific Northern Gas Ltd. ("PNG") submitted a request that the Commission report to the Lieutenant Governor in Council in support of amalgamation of Pacific Northern Gas (N.E.) Ltd. ["PNG(N.E.)"], Centra Gas Fort St. John Inc. ("Centra FSJ") and Peace River Transmission Company Limited ("PRT") companies into PNG(N.E.), pursuant to Sections 53(1) and 53(3) of the Utilities Commission Act; and
- B. On November 4, 1998, Centra FSJ and PNG(N.E.) Dawson Creek Division, filed a 1998 Cost of Service Allocation/Rate Design Study ("the Study"); and
- C. On December 1, 1998, PNG, PNG(N.E.) - Dawson Creek and Tumbler Ridge Divisions, and Centra FSJ filed for approval of 1999 Revenue Requirements Applications ("the Applications") to increase their rates on an interim and final basis, effective January 1, 1999, pursuant to Sections 91 and 58 of the Utilities Commission Act; and
- D. On January 28, 1999, the Commission by Order No. G-8-99 approved for PNG, PNG(N.E.), and Centra FSJ, a regulatory process to deal with the Applications and the Study. Attached to that Order was a Regulatory Timetable to deal with the Applications; and

- E. On February 1, 1999, PNG filed additional information and amended its request for a Commission report to the Lieutenant Governor in Council supporting the amalgamation of PNG(N.E.), Centra FSJ and Peace River Transmission Company Limited ("PRT") companies into PNG(N.E.); and
- F. On February 3, 1999, Centra FSJ provided the Commission and Registered Intervenors with an update to the Centra FSJ Cost of Service Allocation/Rate Design Study; and
- G. The Commission has reviewed the PNG documentation subsequent to the original Applications and finds that the Regulatory Timetable established by Order No. G-8-99 requires amendment.

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

1. The Commission amends the Regulatory Timetable for the Applications and the Study by extending the deadline for filing of Information Requests on the Study to Friday, February 12, 1999. The Amended Regulatory Timetable is attached as Appendix A to this Order.
2. PNG's November 26, 1998 request concerning the amalgamation of PNG(N.E.), Centra FSJ and PRT into PNG(N.E.) is attached as Appendix B to this Order along with the November 27, 1998 Commission Staff Information Request and PNG's February 1, 1999 letter. The proposed amalgamation will be examined during the Alternative Dispute Resolution process concerning the Cost of Service Allocation/Rate Design Study as indicated in the Amended Regulatory Timetable.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 4th day of February, 1998.

BY ORDER

*Original signed by:*

Lorna R. Barr  
Deputy Chair

**AMENDED REGULATORY TIMETABLE**

**Pacific Northern Gas Ltd.  
Pacific Northern Gas (N.E.) Ltd. - Tumbler Ridge and Dawson Creek Divisions  
Centra Gas Fort St. John Inc.**

**1999 Revenue Requirements and  
Updated 1999 Cost of Service Allocation/Rate Design Study for Fort St. John and Dawson Creek**

**Proposed Amalgamation of Pacific Northern Gas (N.E.) Ltd.,  
Centra Gas Fort St. John Inc. and Peace River Transmission Company Limited.**

| <b>ACTION</b>                                                                                                                                                                                                                                   | <b>DATE (1999)</b>     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Filing of Revenue Requirement Information Requests to PNG                                                                                                                                                                                       | Friday, January 29     |
| Filing of budgets for Participant Assistance/Cost Awards                                                                                                                                                                                        | Friday, February 5     |
| PNG to respond to Revenue Requirement Information Requests                                                                                                                                                                                      | Wednesday, February 10 |
| Filing of Cost of Service Allocation/Rate Design Study<br>Information Requests to PNG                                                                                                                                                           | Friday, February 12    |
| Alternative Dispute Resolution process begins on PNG<br>Revenue Requirements Applications (Commission Offices)                                                                                                                                  | Monday, February 15    |
| PNG to respond to Cost of Service Allocation/Rate Design Study<br>Information Requests                                                                                                                                                          | Friday, February 26    |
| Alternative Dispute Resolution process begins on<br>Cost of Service Allocation/Rate Design Study and<br>Proposed Amalgamation of Pacific Northern Gas (N.E.) Ltd.,<br>Centra Fort St. John Inc. and Peace River Transmission Company<br>Limited | Monday, March 8        |

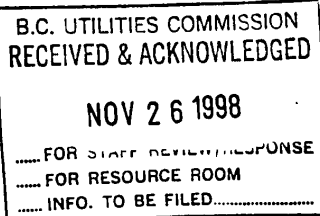


Pacific Northern Gas Ltd.  
Suite 1400  
1185 West Georgia Street  
Vancouver, British Columbia  
V6E 4E6  
(604) 691-5882  
Fax: (604) 691-5863

Craig P. Donohue  
Director, Regulatory Affairs & Gas Supply

Via Fax and Courier

November 26, 1998



B.C. Utilities Commission  
6th Floor - 900 Howe Street  
Vancouver, B.C.  
V6Z 2N3

File No.: 4.2

Attention: R.J. Pellatt  
Commission Secretary

Dear Sir:

Re: Amalgamation of:

1. Pacific Northern Gas (N.E.) Ltd. ("PNG (N.E.)");
2. Centra Gas Fort St. John Inc. ("Centra FSJ"); and
3. Peace River Transmission Company Limited ("PRT")

PNG (N.E.), Centra FSJ and PRT (the "Companies") hereby request the B.C. Utilities Commission ("BCUC"), pursuant to section 53(3) of the Utilities Commission Act (the "Act"), to submit a report to the Lieutenant Governor in Council pursuant to subsection 53(1)(a)(i) of the Act confirming the BCUC's opinion that the above referenced amalgamation would be beneficial and in the public interest. In support of this request the Companies submit the following:

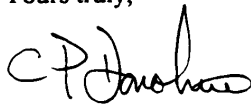
1. The Companies are public utilities as defined under section 1 of the Act.
2. A public utility may not amalgamate with another person unless the Lieutenant Governor in Council has first consented to the amalgamation pursuant to subsection 53(1)(a)(ii) of the Act.
3. Pacific Northern Gas Ltd. owns 100 percent of the shares of the Companies.
4. The amalgamation will be beneficial and in the public interest because:
  - One amalgamated company (i.e. PNG(N.E.)) will serve natural gas customers in the Fort St. John, Dawson Creek and Tumbler Ridge areas, thereby consolidating the operation of gas transmission and distribution systems that are physically located close to one another under one corporate entity. This will result in operational and administrative synergies;

- PNG (N.E.) will be able to more efficiently comply with administrative requirements under the Act; and
- The BCUC should experience some operating efficiencies by reducing the number of companies it regulates.

The Companies kindly request the Commission to expedite its consideration of this application to facilitate the completion of the amalgamation by December 31, 1998.

Please direct any questions regarding this letter to my attention.

Yours truly,

A handwritten signature in black ink, appearing to read "C.P. Donohue". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

C.P. Donohue

CPD/

WILLIAM J. GRANT  
EXECUTIVE DIRECTOR,  
REGULATORY AFFAIRS & PLANNING  
bill.grant@bcuc.com  
web site: <http://www.bcuc.com>



APPENDIX B  
to Order No. G-17-99  
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VIA FACSIMILE

November 27, 1998

Mr. C.P. Donohue  
Director, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
1400 - 1185 West Georgia Street  
Vancouver, B.C.  
V6E 4E6

Dear Mr. Donohue:

Re: Amalgamation of —  
1. Pacific Northern Gas (N.E.) Ltd. ["PNG(N.E.)"];  
2. Centra Gas For St. John Inc. ("Centra FSJ"); and  
3. Peace River Transmission Company Limited ("PRT")

Further to your letter dated November 26, 1998 in which you request that the Commission submit a report to the Lieutenant Governor in Council pursuant to subsection 53(1)(a)(i) of the *Utilities Commission Act* ("the Act"), confirming that in the BCUC's opinion the above-referenced amalgamation would be beneficial and in the public interest, please note that this request was discussed at the Commission meeting which was held Thursday, November 26, 1998. During that discussion, the Commission indicated that it had several concerns regarding this request. Accordingly, Commission staff are making the following Information Requests.

1. Section 53(1) states, in part, that before the Lieutenant Governor in Council will consent to an amalgamation, it must receive a report from the Commission indicating that the Commission holds the opinion that the amalgamation would be beneficial and in the public interest. In your letter, you make reference to the benefits which are expected to arise as a result of the amalgamation. These include operational and administrative synergies, more efficient compliance with the administrative requirements of the Act and a reduced regulatory burden for the Commission.

Please describe and quantify the specific operational and administrative synergies which are expected. Please describe and quantify how these synergies will benefit the utility and how these synergies will benefit the customers of each of the current utilities.

.../2

Please describe how the amalgamation will allow for more efficient compliance with the administrative requirements of the Act. Please quantify these benefits and explain how these benefits will affect customers.

Please explain how the amalgamation will result in a reduced regulatory burden for the Commission, particularly if the current companies continue to be operated as separate operating divisions of the larger company.

2. Please describe the process which PNG has undertaken to make affected parties aware of its desire to amalgamate these companies.

In particular, please describe the actions PNG has undertaken to inform the municipalities in which the various companies have service areas. Has PNG undertaken any actions to identify the impacts amalgamation may have on each of the local service areas? If so, please provide the results.

In addition, please describe the actions PNG has undertaken to inform the unions of each the companies of its plans to amalgamate. What has been the response to the proposal?

3. Section 53(4) of the Act states that the Commission must inquire into the application and may for that purpose hold a hearing.

Please provide PNG's views as to the form the inquiry should take.

Commission staff recognize that you wish to proceed with this matter as quickly as possible. Therefore, your timely response to these questions would be appreciated.

Yours truly,



*D.W. Emes*

for: W.J. Grant

WJG/ssc

PNG/Cor/IR-Amalgamation



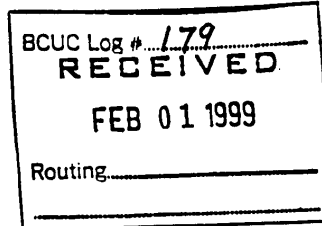
Pacific Northern Gas Ltd.  
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Fax: (604) 691-5863

Craig P. Donohue  
Director, Regulatory Affairs & Gas Supply

**Via Courier**

February 1, 1999

B.C. Utilities Commission  
6th Floor - 900 Howe Street  
Vancouver, B.C.  
V6Z 2N3



File No.: 4.2.20

Attention: R.J. Pellatt  
Commission Secretary

Dear Sir:

**Re: Amalgamation of PNG (N.E.), Centra FSJ and PRT**

Enclosed are 15 copies of PNG's response to Commission Staff's information request dated November 27, 1998. In PNG's original letter to the Commission dated November 26, 1998 requesting the Commission to submit a report to the Lieutenant Governor in Council confirming the amalgamation would be in the public interest we advised that we were attempting to complete the amalgamation by December 31, 1998. This date has now been changed to June 30, 1999. In order to complete the merger application before the Courts, we will need to have the LGIC consent by no later than May 31, 1999. In this regard, we would appreciate the Commission reviewing the enclosed in conjunction with our November 26, 1999 letter having regard to these time lines.

Please contact me if any further information is required.

Yours truly,

A handwritten signature in dark ink, appearing to be "C.P. Donohue".

For: C.P. Donohue

CPD/ekv  
encl:

**Pacific Northern Gas Ltd.**

**Amalgamation of:**

1. Pacific Northern Gas (N.E.) Ltd. ("PNG(N.E.)");
2. Centra Gas Fort St. John Inc. ("Centra FSJ"); and
3. Peace River Transmission Company Limited ("PRT")

**Response to**

**BCUC Staff Information Request #1**

**Dated November 27, 1998**

- 1.0 Section 53(1) states, in part, that before the Lieutenant Governor in Council will consent to an amalgamation, it must receive a report from the Commission indicating that the Commission holds the opinion that the amalgamation would be beneficial and in the public interest. In your letter, you make reference to the benefits which are expected to arise as a result of the amalgamation. These include operational and administrative synergies, more efficient compliance with the administrative requirements of the Act and a reduced regulatory burden for the Commission.

Please describe and quantify the specific operational and administrative synergies which are expected. Please describe and quantify how these synergies will benefit the utility and how these synergies will benefit the customers of each of the current utilities.

**Response:**

The Fort St. John and Dawson Creek gas distribution systems are currently operated by staff located in Fort St. John and Dawson Creek with administrative support from the Vancouver head office. The two systems will continue to be operated with current staff complement. However, the corporate reorganization is expected to result in some operational and administrative synergies.

Administrative workload in Vancouver is expected to be lessened in the areas of corporate reporting and document handling as there will be consistency of documentation and record keeping. Similarly it is expected there will be increased consistency of service to customers. Specifically operating practices both in the field and in the office will become

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Dated Nov. 27/98  
re: PNG(N.E.)/FSJ/PR  
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common where appropriate. Also an increased level of comfort around emergency response will be created for customers as potential responders will be more widely distributed (i.e. throughout the Fort St. John/Dawson Creek ("FSJ/DC") service area) rather than restricted to current boundaries.

The anticipated synergies will benefit mainly the customers through more efficient operation and administration of the merged FSJ/DC service area. The resulting decreases in cost of service will help to maintain natural gas rates at competitive levels. Keeping natural gas rates competitive compared to alternative energy sources will benefit PNG (N.E.) by helping to retain and grow its merged customer base.

**Please describe how the amalgamation will allow for more efficient compliance with the administrative requirements of the Act. Please quantify these benefits and explain how these benefits will affect customers.**

**Response:**

Merging FSJ, DC and PRT into one entity for regulatory purposes will eliminate duplication of effort in the following areas:

1. Revenue requirement and rate design applications. Only one application will need to be reviewed by the Commission.
2. Gas tariffs. PNG (N.E.) and Centra FSJ have two separate gas tariffs which are very similar to one another. The merged utility would develop one gas tariff for application to the FSJ/DC service area. Only one gas tariff would need to be maintained by the Commission and PNG (N.E.).
3. Annual Reports to the Commission. Only one report will need to be filed with the Commission. This would reduce Commission staff review time accordingly.

Customers will benefit from the fact only one tariff will apply in the FSJ/DC merged service area. This will enable customers to know their rates will be the same whether they live in Fort St. John or Dawson Creek. A marginal benefit results from enabling a customer to move from Fort St. John to Dawson Creek knowing that natural gas rates will not change as a result of the move.

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Dated Nov. 27/98  
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The cost of regulation will be reduced as two proceedings will be replaced with one proceeding for rate making purposes. Groups of customers may be able to obtain synergies with respect to intervening into only one proceeding instead of two. Customers of similar interests in each community may be able to band together to share costs more effectively.

**Please explain how the amalgamation will result in a reduced regulatory burden for the Commission, particularly if the current companies continue to be operated as separate operating divisions of the larger company.**

**Response:**

The previous response addressed how the Commission staff time will be reduced as a result of having to deal with only one of a variety of applications and submissions where there is presently two submissions. If the Commission did not approve of common rates being applied in each of the Fort St. John and Dawson Creek areas, it would still be necessary to administer two separate operating areas for regulatory accounting purposes. This is currently how PNG (N.E.) administers its Dawson Creek and Tumbler Ridge operating divisions. There is only company (i.e. PNG (N.E.) ), that operates the two separate divisions. If the Fort St. John and Dawson Creek service areas were to continue to be separate operating divisions, then the regulatory efficiencies described above would not occur.

It would still be better to have only one company operating three divisions (i.e. the Fort St. John, Dawson Creek and Tumbler Ridge divisions). There would be cost savings associated with having standard company stationary. Corporate filings could be made under one company. Therefore, even if the operating areas were separate for regulatory accounting purposes, it would still be beneficial for the all the areas to be owned and operated under the superintendence of one corporate entity.

**2.0 Please describe the process which PNG has undertaken to make affected parties aware of its desire to amalgamate these companies.**

**In particular, please describe the actions PNG has undertaken to inform the municipalities in which the various companies have service areas. Has PNG undertaken any actions to identify the impacts amalgamation may have on each of the local service areas? If so, please provide the results.**

**In addition, please describe the actions PNG has undertaken to inform the unions of each of the companies of its plans to amalgamate. What has been the response to the proposal?**

**Response:**

The only parties that will be directly affected by the amalgamation of the companies are the employees of Centra FSJ and PNG (N.E.). PNG advised the employees of its intention to amalgamate Centra FSJ and PNG (N.E.) after Centra FSJ was acquired in 1997. At present the Teamsters represent the employees of Centra FSJ and the IBEW represents the employees of PNG (N.E.). The IBEW was advised several months ago of PNG's intention to seek approval of the Labour Relations Board, after the completion of the amalgamation, to have one union represent the employees of the merged company. The Teamsters were advised of this intention late last year. The unions have not indicated their position to PNG concerning this issue. Similarly, PNG has not indicated what union it will be recommending should be the bargaining agent for the employees. The respective positions will be made before the Labour Relations Board when the common employer/union application is filed by PNG subsequent to the completion of the amalgamation in June, 1999.

PNG will be arranging meetings with the Mayors of Fort St. John and Dawson Creek to advise that the amalgamation will not affect the current relationship between the gas company and the municipalities. In particular, the Franchise Agreements will not change and the day to day interaction of the gas company employees with their municipal counterparts will not change. They will be advised that the legal corporate structure will not in itself bring about significant changes to how the pipeline systems are operated. PNG as the sole owner of the systems was striving for operational efficiencies and improved service regardless of the corporate ownership structure.

3. Section 53(4) of the Act states that the Commission must inquire into the application and may for that purpose hold a hearing.

Please provide PNG's views as to the form the inquiry should take.

**Response:**

There is no need for a hearing, oral or written, into PNG's application to amalgamate three corporate entities into one corporate entity. The amalgamation is simply a change in the corporate structure of PNG. The application is not seeking any changes to how the rates are determined in each of the operating areas. Therefore, the amalgamation can take place without affecting any customers. Hence, it is not necessary for the Commission to conduct a hearing process into the corporate amalgamation of Centra FSJ, PNG (N.E.) and PRT.

The issue of the integration of the FSJ and DC rates is the subject of another current separate application. The Commission is dealing with this application in the ordinary course. PNG does not consider the amalgamation will affect rates in other than a positive way by reducing costs because only one legal corporate entity will need to be maintained. These corporate cost reductions will be minor and it is not necessary to review this type of synergy through a formal proceeding. PNG submits the Commission can make a decision concerning the merits of the amalgamation of the corporate entities on the basis of the information already provided by PNG. As noted above the more contentious issues concerning rate integration can be dealt with separately from the amalgamation application.