



IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Application by Pacific Northern Gas Ltd.
for Approval to Amend 2003 Rates

BEFORE: K.L. Hall, Acting Chair)
and Commissioner) December 12, 2002
P.G. Bradley, Commissioner)

O R D E R

WHEREAS:

- A. On November 29, 2002, Pacific Northern Gas Ltd. ("PNG") filed for approval of its 2003 Revenue Requirements Application ("the Application") to increase its rates on an interim and final basis, effective January 1, 2003, pursuant to Sections 91 and 58 of the Utilities Commission Act ("the Act"); and
- B. The Application proposed to increase rates to all customers, except Methanex Corporation, as a result of increases in cost of service and decreased deliveries to most customer classes; and
- C. PNG expressed an interest in resolving the Application through an Alternate Dispute Resolution ("ADR") process and proposed a workshop in December 2002 with intervenors from the last PNG proceeding and Commission staff resulting in an ADR process in January 2003; and
- D. The Application also requested approval of an increase to Gas Supply Charges for 2003 based on November 22, 2002 forward natural gas prices and forecast propane prices; and
- E. On December 11, 2002 PNG filed its Fourth Quarter 2002 Report on gas supply costs and Gas Cost Variance Account ("GCVA") balances, which reaffirmed the request in the Application regarding Gas Supply Charges and proposed no change to GCVA riders for January 1, 2003; and
- F. The Commission requires that interim rate increases and a regulatory process to deal with the Application be established.

NOW THEREFORE the Commission orders as follows:

- 1. The PNG Application will be examined in a Negotiated Settlement Process and the Regulatory Timetable, attached as Appendix A, has been established. The Commission will hold a Workshop on Wednesday, January 8, 2003 in the Commission's Hearing Room to address issues in the Application prior to the deadline

for information requests. Settlement discussions into the PNG Application will commence on Monday, February 10, 2003 in Vancouver, B.C., at a location to be determined.

2. The Commission accepts PNG's evidence in support of its requested interim rate increases, except for the revenue requirement resulting from the requested increase in the common equity component.
3. The Commission, pursuant to Sections 89 and 91 of the Act, approves for PNG an interim rate increase in the delivery charge for all classes of customers, except Methanex Corporation. The interim rate increase is based on the 2003 Revenue Requirement, excluding the revenue requirement resulting from the requested increase in the common equity component.
4. The Commission, pursuant to Sections 89 and 91 of the Act, approves for PNG interim increases in Gas Supply Charges as set out in the Application and directs PNG to make interim changes to GCVA riders for PNG that would amortize the projected December 31, 2002 GCVA balances for core market sales and company use gas excluding the 2000 UFAG Volume Deferral Credit, over 2003.
5. The interim rate increases are subject to refund with interest at the average prime rate of PNG's principal bank as determined by the Negotiated Settlement Process for PNG.
6. The Commission will accept, subject to timely filing by PNG, amended Gas Tariff Rate Schedules in accordance with the terms of this Order. PNG is to provide all affected customers with notification of the interim rates. PNG is to provide the Commission with a draft copy of the customer notice in advance of its distribution to customers.
7. PNG will publish, as soon as possible, in display-ad format, the Notice of Workshop and Negotiated Settlement Process, attached as Appendix B, in such appropriate local news publications as may properly provide adequate notice to the public in its service areas.
8. The Application and supporting material will be made available for inspection at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James, and at the Head Office of PNG at Suite 950, 1185 West Georgia Street, Vancouver, B.C., V6E 4E6 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.
9. PNG is to provide a copy of this Order, by facsimile if possible, to all Intervenor and Interested Parties registered in the PNG 2002 Revenue Requirements Application proceedings, as well as all large industrial customers, as soon as possible.
10. Intervenor and Interested Parties should register with the Commission, in writing, by Friday, January 3, 2003, of their intention to intervene and/or to attend the Workshop.
11. Intervenor intending to apply for participant assistance must submit a budget estimate by Friday, January 17, 2003 consistent with the Commission's Participant Assistance/Cost Award Guidelines. Copies are available upon request or can be downloaded from the Commission's web site at <http://www.bcuc.com/bcuc/paca.html>.

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-91-02

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2002.

BY ORDER

Original signed by:

Kenneth L. Hall
Acting Chair
and Commissioner

Attachments

PACIFIC NORTHERN GAS LTD.
Application for Approval of 2003 Revenue Requirements

REGULATORY AGENDA

<u>Action</u>	<u>Date 2003</u>
Registration of Intervenors and Interested Parties	Friday, January 3
Workshop	Wednesday, January 8
Information Requests issued to PNG	Friday, January 17
Budget Estimates for Participant Assistance submitted	Friday, January 17
PNG Responses to Information Requests	Friday, January 31
Settlement Negotiations commence	Monday, February 10

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PACIFIC NORTHERN GAS LTD.
Application for Approval of 2003 Revenue Requirements

**NOTICE OF WORKSHOP AND
NEGOTIATED SETTLEMENT PROCESS**

Date: Wednesday, January 8, 2003
Time: 9:00 a.m.
Location: Commission Hearing Room
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

THE APPLICATION

Pacific Northern Gas Ltd. ("PNG") has applied to the British Columbia Utilities Commission ("the Commission") for approval to adjust rates, effective January 1, 2003. This Application seeks to recover increased revenue requirements associated with delivering natural gas and with the commodity cost of gas. The Application requests an increase in the gas delivery charge in residential rates of about 21 percent and an increase in the gas delivery charge in small commercial rates of about 20 percent to be effective January 1, 2003. PNG has also applied for an increase in the cost of gas of about 25 percent.

THE REGULATORY PROCESS

By Order No. G-91-02, the Commission approved interim rate increases in the gas delivery charge of about 17 percent and in the gas commodity charge of about 20 percent for residential and small commercial customers effective January 1, 2003. The difference between the interim rates and the permanent 2003 rates are refundable with interest.

The Commission has established a Negotiated Settlement Process for the review of PNG's Application and has scheduled a Workshop on Wednesday, January 8, 2003 in the Commission Hearing Room and Settlement Discussions commencing on Monday, February 10, 2003, in Vancouver, B.C., at a location to be determined.

PUBLIC INSPECTION OF THE DOCUMENTS

The Application and supporting material will be made available for inspection at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James and at the Head Office of PNG at Suite 950, 1185 West Georgia Street, Vancouver, B.C., V6E 4E6, and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

INTERVENTIONS

Persons who expect to actively participate in the PNG proceeding should register as Intervenors with the Commission, in writing, by Friday, January 3, 2003. Intervenors will receive copies of the Application, all correspondence and filed documentation. Intervenors who have not previously participated in a negotiated settlement should read the Commission's "Negotiated Settlement Process: Policy, Procedures and Guidelines" that is available from the Commission's website at <http://www.bcuc.com> (item #4 under Brochures & Documents button) or which can be sent to you if requested.

Persons not expecting to actively participate, but who have an interest in the PNG proceeding should register as Interested Parties with the Commission, in writing, by Friday, January 3, 2003. Interested Parties will receive a copy of the Application's Executive Summary and all Orders issued.

PARTICIPANT ASSISTANCE

Intervenors intending to apply for Participant Assistance must submit a budget estimate consistent with the Commission's Participant Assistance/Cost Award Guidelines. Copies are available upon request or on the Commission's web site: <http://www.bcuc.com/bcuc/paca.html>

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary, or Mr. Barry McKinlay, Manager, Rates and Finance as follows:

Telephone: (604) 660-4700
Facsimile: (604) 660-1102

E-Mail: Commission.Secretary@bcuc.com
Telephone: (B.C. Toll Free) 1-800-663-1385