



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

and

Centra Gas British Columbia Inc.
(now Terasen Gas (Vancouver Island) Inc.)
2002 Cost of Service Allocation Study,
2002 Rate Design Application and
Application for Approval of Amending Agreements

BEFORE: P. Ostergaard, Chair)
P.G Bradley, Commissioner) June 5, 2003
N.F. Nicholls, Commissioner)

O R D E R

WHEREAS:

- A. The December 1995 Special Direction to the Commission, attached to Order in Council 1510, directed the Commission to fix rates for the period beginning January 1, 2003 for all customer classes except the Apartment Customer Rates ("ACR") ACR-2 class so that Centra Gas British Columbia Inc. ("Centra") is able to recover its cost of service in accordance with the requirements of the Special Direction and such regulatory principles that are otherwise applicable that are not inconsistent with the Special Direction; and
- B. On May 3, 2002, Centra filed a Cost of Service Allocation ("COSA") study to support a determination of future rates. On July 31, 2002, Centra applied, pursuant to Section 23 of the Utilities Commission Act ("the Act") and the Special Direction (Order in Council 1510, 1995), for approval of its 1999 to 2001 actual revenue deficiencies and its forecast 2003 to 2005 revenue requirements as Phase 1 of a two phase process ("the Phase 1 Application") for its Vancouver Island and Sunshine Coast service areas. Centra proposed that the Phase 1 Application be reviewed through a Negotiated Settlement Process; and
- C. On September 30, 2002, Centra Gas filed its Phase 2 Rate Design Application, pursuant to Sections 60 and 61 of the Act, to determine rates effective January 1, 2003 that are appropriate for the recovery of both the current cost of service and amortization of accumulated revenue deficiencies. The Phase 2 Application was also made pursuant to Sections 2.8 and 2.10(j) of the Special Direction. Centra proposed that the Phase 2 Application be reviewed through a Negotiated Settlement Process; and
- D. On October 22, 2002, participants at the Pre-hearing Conference, established by Order No. G-71-02, were advised of the regulatory review options and did not oppose the establishment of Negotiated Settlement Processes for both the Phase 1 and Phase 2 Applications; and
- E. By Order No. G-76-02, the Commission determined that the Applications should proceed to Negotiated Settlement Processes and established a regulatory timetable for those processes; and

- F. Participants in the Negotiated Settlement Process with respect to the Phase 1 Application met on November 25 and 26, 2002 and reached a tentative settlement agreement; and
- G. Participants in the Negotiated Settlement Process with respect to the Phase 2 Application met on December 3, 2002, but were unable to reach a settlement agreement; and
- H. On December 10, 2002, Centra filed an Application for Interim Rate Class Segments and Rates (“Interim Rate Application”); and
- I. By Order No. G-97-02 dated December 17, 2002, the Commission approved the rate class segments and interim rates applied for by Centra in its Interim Rate Application.
- J. On December 20, 2002, Centra applied for approval of three amending agreements (the “Amending Agreements”) involving Centra, British Columbia Hydro and Power Authority, and BC Gas Utility Ltd.; and
- K. By Letter No. L-2-03 dated January 9, 2003, the Commission determined that it would conduct its review of the Amending Agreements as part of the Phase 2 Rate Design oral public hearing; and
- L. In accordance with Commission Orders No. G-86-02 and G-96-02, an oral public hearing was conducted on February 5, February 7 and from March 3 to March 6, 2003. Written submissions were received from Centra on March 17, 2003, from Intervenor by March 28, 2003, and Centra’s Reply Submissions were received on April 7, 2003; and
- M. Following the filing of Argument and Reply, Counsel for the Vancouver Island Joint Venture (“Joint Venture”) objected to certain of the submissions made by Centra in its Reply Submissions. By letter dated April 22, 2003, the Commission established a timetable for responses to the Joint Venture objection. The only party to reply was Centra, which responded on April 22, 2003. The Joint Venture replied on May 9, 2003.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves as permanent the core customer class segmentation and core customer rates proposed by Centra in its September 2002 Rate Design Application, effective January 1, 2003.
- 2. The Commission approves a permanent rate for Firm Transportation (“FT”) service of \$1.074/GJ, effective January 1, 2003. For the interim period between the Island Cogeneration Plant’s (“ICP”) Commercial Operation Date of April 12, 2002 and December 31, 2002, the Commission approves the interim ICP FT rate as permanent.
- 3. The Commission approves a permanent summer Interruptible Transportation (“IT”) rate of \$1.074/GJ, equal to the approved FT rate, effective January 1, 2003. The Commission approves a permanent winter IT rate of \$1.492/GJ, equal to the approved FT rate at a 72 percent load factor, effective January 1, 2003. The Commission approves the interim ICP IT rate as permanent for the period prior to January 1, 2003.
- 4. The Commission approves the Amending Agreements.
- 5. The Commission determines that it will allow Centra to recover \$700,000 of its COSA and rate design costs, to be allocated as a general cost in rates, amortized over 3 years beginning in 2003.
- 6. Centra is to abide by all Commission directions and determinations in the Decision which accompanies this Order.

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7. Centra is to inform all affected customers of the permanent rates by way of a bill insert or customer notice, to be submitted to the Commission in draft form prior to its release.
8. The Commission will accept, subject to timely filing, amended Gas Tariff rate schedules in accordance with the terms of this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of June 2003.

BY ORDER

Original signed by:

Peter Ostergaard
Chair