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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-32-04

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

and

A Report by Pacific Northern Gas Ltd. and
Pacific Northern Gas (N.E.) Ltd.
on their Gas Cost Variance Accounts and
First Quarter 2004 Report on Gas Supply Costs

BEFORE: L.A. Boychuk, Panel Chair and)
Commissioner)
N.F. Nicholls, Commissioner) March 26, 2004
R. Milbourne, Commissioner)

O R D E R

WHEREAS:

- A. On March 18, 2004, Pacific Northern Gas Ltd. ("PNG-West") and Pacific Northern Gas (N.E.) Ltd. ["PNG (NE)"] filed their First Quarter 2004 Report ("the Report") on Gas Supply Costs and Gas Cost Variance Accounts ("GCVA"), pursuant to the Guidelines contained in Commission Letter No. L-5-01; and
- B. The Report projects a credit balance in the GCVA of \$1,955,785 at March 31, 2004 for PNG-West core sales which is projected to decrease to a debit balance of \$1,667,453 by March 31, 2005 if customer rates remain unchanged; and
- C. For PNG (NE) the GCVA is projected to have a debit balance at March 31, 2005 of \$2,370,915 for Fort St. John and Dawson Creek, and a debit balance of \$171,231 for Tumbler Ridge, if rates remain unchanged; and
- D. The Report was subsequently updated on March 24, 2004 with March 15, 2004 natural gas Forward Strip prices. PNG-West's and PNG (NE)'s subsequent information filed on March 24, 2004 identified that the natural gas Forward Strip prices project a deficiency in the revenue-to-cost ratio in excess of the deadband established by Letter No. L-5-01; and
- E. The Commission has reviewed the Report and subsequent PNG-West and PNG (NE) information and finds that the revenue-to-cost ratio for natural gas prices in PNG-West and PNG (NE) requires an adjustment to customer rates effective April 1, 2004, pursuant to the Guidelines established by Letter No. L-5-01.

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NOW THEREFORE the Commission orders as follows:

1. PNG-West and PNG (NE) are ordered to file amended Gas Tariff Rate Schedules that will permit a recovery from customers of natural gas costs pursuant to the March 15, 2004 natural gas Forward Strip prices, using rates effective April 1, 2004 identified in the Table attached as Appendix A to this Order.
2. PNG-West and PNG (NE) are required to advise all customers of the rate increase by way of a bill notice to be reviewed by Commission staff in advance of its distribution.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of March 2004.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair and Commissioner

Attachment

Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.
Comparison of Gas Supply Costs Recovery Rates By Customer Class
Jan '04 Gas Cost Recovery Rates
vs.
April '04 Gas Cost Recovery Rates Using March 15 '04 Forward Strip

	Permanent Jan'04 Rates \$/GJ	Indicative April'04 Rates \$/GJ	Difference \$/GJ	Difference % Change
PNG - West				
Residential (RS1)	6.128	6.544	0.416	6.8
Commercial Firm (RS2)	6.120	6.601	0.481	7.9
Commercial Interruptible (RS3)	4.827	5.297	0.470	9.7
Small Industrial (RS5)	5.384	5.773	0.389	7.2
Seasonal Off Peak (RS6)	4.453	4.75	0.297	6.7
NGV (RS7)	5.079	5.462	0.383	7.5
Total				
Company Use	0.236	0.246	0.010	4.2
PNG (N.E.) - FSI and Dawson Creek				
Residential (RS1)	5.665	6.080	0.415	7.3
Small Commercial (RS2)	5.730	6.142	0.412	7.2
Large Commercial Firm (RS3)	5.439	5.812	0.373	6.9
Small Industrial Sites (RS4)	5.110	5.448	0.338	6.6
Total				
PNG (N.E.) - Tumbler Ridge				
Residential (RS1)	5.593	6.145	0.552	9.9
Small Commercial (RS2)	5.593	6.145	0.552	9.9
Large Commercial (RS3)	5.593	6.145	0.552	9.9
Total				
Granite	11.879	11.879	0.000	0.0

- Note:
1. Permanent January, 2004 rates are based on the forward gas price strip dated November 26, 2003.
 2. Indicative April, 2004 rates are based on the forward gas price strip dated March 15, 2004.