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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-69-04

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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.
for Approval of 2004 Revenue Requirements**

BEFORE: L. Boychuk, Panel Chair)
and Commissioner)
N.F. Nicholls, Commissioner) July 29, 2004
R.J. Milbourne, Commissioner)

O R D E R

WHEREAS:

- A. In a 2004 Revenue Requirements Application dated November 28, 2003 and revised on January 14, 2004, February 23, 2004 and March 3, 2004 (the "Application"), Pacific Northern Gas Ltd. ("PNG") applied to amend its rates on an interim and final basis, effective January 1, 2004, pursuant to Sections 89 and 58 of the Utilities Commission Act (the "Act"); and
- B. The Application proposed to increase delivery rates to all customers, except Methanex Corporation, as a result of decreases in cost of service and decreased deliveries to most customer classes and also requested approval of a flow through decrease to Gas Supply Charges for 2004 based on November 26, 2003 forward gas prices and forecast propane prices; and
- C. The Application also requested approval to continue to record in a deferral account any costs incurred to repair damage caused by a terrorist act, and to fix the allocation of overhead to capital projects for 2004 at a rate of 19.1 percent of actual overhead expenses; and
- D. By Order No. G-85-03 dated December 18, 2003, the Commission approved an interim rate increase effective January 2, 2004, in the delivery rates for all classes of customers, except Methanex Corporation, subject to refund with interest; and

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- E. By Order No. G-85-03, the Commission also established a Pre-hearing Conference (“PHC”) to be conducted in Vancouver on January 16, 2004, to identify issues raised by, and an appropriate process to consider, the Revenue Requirements Application; and
- F. Following the PHC, by Order No. G-12-04 dated January 26, 2004, the Commission established a Regulatory Timetable for an oral public hearing process to commence March 23, 2004, in Terrace, BC, to consider the 2004 Revenue Requirements Application and an anticipated application by PNG to recapitalize PNG under an income trust ownership structure (“Recapitalization Application”); and
- G. On February 23, 2004, PNG and West Fraser Mills Ltd. (“West Fraser”), an industrial customer, announced that they had reached an agreement with respect to the principal terms of a new ten-year fixed rate demand charge contract, which is intended to become effective as of January 1, 2004 and to replace existing agreements. On March 2, 2004, PNG filed with the Commission a copy of the PNG and West Fraser Agreement dated February 17, 2004, and PNG’s submission in support thereof; and
- H. The Commission suspended the Regulatory Timetable established under Order No. G-12-04 when PNG’s responses to the Commission and Intervenor Information Requests and the update to the Application were filed on February 24, 2004 rather than the deadline of February 18, 2004; and
- I. The Commission by Order No. G-22-04 established a new Regulatory Timetable for the oral public hearing commencing March 31, 2004 in Terrace, BC and resuming in Vancouver, BC, April 13, 2004; and
- J. At the conclusion of the oral public hearing on April 14, 2004 the Commission Panel accepted a schedule proposed by the parties for written argument on the Application and the MOA; and

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- K. On April 23, 2004, an intervenor comment letter was received from Avista Energy Canada Ltd. and Final Argument was received from the BC Old Age Pensioners' Organization et al. on May 3, 2004; and
- L. PNG and West Fraser provided Final Argument on April 26, 2004 and Reply Argument on the issues raised by the Intervenor on May 10, 2004; and
- M. The Commission considered the Applications, the evidence adduced in relation thereto, and the comment letter and Written Argument, all as set forth in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission orders as follows:

1. The adjustments contained in the Decision issued concurrently with this Order will result in a 2004 revenue deficiency that is lower than the revenue deficiency used as a basis for setting the 2004 interim rate increases. As directed by Order No. G-85-03, the interim rate increases are subject to refund with interest at the average prime rate of PNG's principal bank. PNG is to report the average refund by customer class that will result from the 2004 permanent rates and advise the Commission on whether the refund should occur as a credit on customer bills or as a refund payment.
2. The Commission approves the MOA between West Fraser Mills and PNG as set out in Chapter 2 of the Decision, effective January 1, 2004.
3. PNG is to file regulatory schedules and an amended summary of Rates and Bill Comparison schedule based on PNG's Application as revised and the adjustments contained in the Decision.
4. The Commission will accept, subject to timely filing, amended Gas Tariff Rate Schedules and Bill Comparison Schedules in accordance with this Order.
5. PNG is to comply with all directions contained in the Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of July 2004.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair and Commissioner