

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-25-06

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

and

**Filings by Terasen Gas Inc.
regarding Natural Gas and Propane Commodity Charges
effective April 1, 2006
for the Lower Mainland, Inland, Columbia, Fort Nelson and Revelstoke Service Areas**

BEFORE: L.F. Kelsey, Commissioner March 16, 2006
L.A. Boychuk, Commissioner

O R D E R

WHEREAS:

- A. On March 7, 2006, pursuant to Commission Letter No. L-5-01, Terasen Gas Inc. ("Terasen Gas") filed a 2006 First Quarter Report on Commodity Cost Reconciliation Account ("CCRA") and Midstream Cost Reconciliation Account ("MCRA") balances and gas commodity charges for the Lower Mainland, Inland and Columbia Service Areas effective April 1, 2006 that were based on February 22, 2006 forward gas prices (the "2006 First Quarter Report"); and
- B. The 2006 First Quarter Report forecast that commodity cost recoveries at current rates would be 120.2 percent of costs for the following 12 months, and requested a reduction in Commodity Cost Recovery Charges for natural gas customers in the Lower Mainland, Inland and Columbia Service Areas effective April 1, 2006; and
- C. The 2006 First Quarter Report forecast that midstream cost recoveries at current rates would be 88.2 percent of costs for the following 12 months, but did not propose changes to the Midstream Cost Recovery Charges for the Lower Mainland, Inland and Columbia Service Areas; and
- D. On March 13, 2006, Terasen Gas filed a revised 2006 First Quarter Report on CCRA and MCRA balances and gas commodity charges for the Lower Mainland, Inland and Columbia Service Areas effective April 1, 2006 that were based on March 7, 2006 forward gas prices (the "Revised 2006 First Quarter Report"); and
- E. The Revised 2006 First Quarter Report requested a reduction in Commodity Cost Recovery Charges and an offsetting reduction in the credit Midstream Cost Recovery Charge Riders for natural gas customers in the Lower Mainland, Inland and Columbia Service Areas effective April 1, 2006 that would result in overall rates for sales customers equal to those proposed in the 2006 First Quarter Report; and

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- F. The requested rate changes would in total reduce the sum of the commodity charges for residential customers in the Lower Mainland by \$1.648 per gigajoule (“GJ”) or 16.8 percent, to \$8.137/GJ. Similar changes were requested in the rates for other sales rate classes. The annual bill for a typical residential customer in the Lower Mainland would decrease by approximately 11.9 percent; and
- G. Also on March 7, 2006, Terasen Gas filed a 2006 First Quarter Report (“Fort Nelson 2006 First Quarter Report”) on Fort Nelson Gas Cost Reconciliation Account (“GCRA”) balances and gas commodity charges based on February 22, 2006 forward prices which indicated that gas commodity revenue will be 110.2 percent of gas cost over the following 12 months. The Fort Nelson GCRA is forecast to have a before-tax credit balance of \$364,200 at April 1, 2006; and
- H. In the Fort Nelson 2006 First Quarter Report, Terasen Gas recommends that Fort Nelson sales rates decrease by \$0.774/GJ effective April 1, 2006. This will reduce the Residential Gas Cost Recovery Charge to \$7.568/GJ and reduce a typical residential annual bill by 7.8 percent; and
- I. Also on March 7, 2006, Terasen Gas filed a 2006 First Quarter Report on the Revelstoke Propane Cost Deferral Account, which forecast that propane commodity revenue at current rates will be 94.7 percent of costs over the following 12 months, and that the account will have a before-tax debit balance of \$225,000 at April 1, 2006; and
- J. In the 2006 First Quarter Report for Revelstoke, Terasen Gas recommends that the propane reference price increase from \$0.3624 per litre to \$0.3825 per litre and that customer rates increase by \$0.817/GJ, effective April 1, 2006. This rate charge will increase the Residential Commodity Charge to \$15.888/GJ, and increase the typical Residential annual bill by 4.2 percent; and
- K. In the 2006 First Quarter Report for Revelstoke, Terasen Gas used a propane price forecast that was derived from forward crude oil prices on the NYMEX exchange on February 22, 2006. On March 9, 2006, in response to an information request, Terasen Gas provided a propane price forecast that was based on forward prices for propane on the NYMEX exchange, and which showed forecast prices that are significantly lower than those in the 2006 First Quarter Report; and
- L. The Commission concludes that the requested changes to Commodity Cost Recovery Charges and the Midstream Cost Recovery Charge Rider for natural gas customers in the Lower Mainland, Inland, Columbia and Fort Nelson Service Areas should be approved. However, considering the price projections and the ratio of forecast propane revenue to costs, Commission is not persuaded that a change to the propane rates for Revelstoke is necessary at this time.

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NOW THEREFORE pursuant to Section 61(4) of the Utilities Commission Act, the Commission orders as follows:

1. Commodity Cost Recovery Charges and Midstream Cost Recovery Charge Riders for natural gas customers in the Lower Mainland, Inland and Columbia Service Areas will change effective April 1, 2006 to the amounts set out in Terasen Gas' Revised 2006 First Quarter Report.
2. The Commodity Cost Recovery Charge for natural gas customers in the Fort Nelson Service Area will decrease by \$0.774/ GJ to \$7.568/GJ effective April 1, 2006, as requested in Terasen Gas' Fort Nelson 2006 First Quarter Report.
3. Terasen Gas' request to increase the Revelstoke propane reference price and propane customer rates effective April 1, 2006, as set out in the 2006 First Quarter Report for Revelstoke, is denied.
4. Terasen Gas will notify all customers that are affected by the rate changes with a bill insert to be included with the next monthly gas billing.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of March 2006.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner