SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: http://www.bcuc.com

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-153-06

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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

and

Application by Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
for Approval of 2007 Revenue requirements and Rates

BEFORE: L.A. Zaozirny, Panel Chair and Commissioner
L.A. O'Hara, Commissioner November 30, 2006

O R D E R

WHEREAS:

A. On October 26, 2006, Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions filed for approval of its 2007 Revenue Requirements Application ("the Application"). PNG (N.E.) proposes to amend its rates on an interim and final basis, effective January 1, 2007, pursuant to Sections 89 and 58 of the Utilities Commission Act ("the Act"); and

B. PNG (N.E.) FSJ/DC Division projects a revenue deficiency of $109,000 for the 2007 test year. This revenue deficiency is primarily driven by increases in the 2007 cost of service; and

C. For the PNG (N.E.) FSJ/DC Division, a detailed analysis of property, plant and equipment cost and retirement records has been conducted in 2006, as a result of which various assets were identified as retired or disposed of in prior years with no retirement being recorded. The PNG (N.E.) FSJ/DC Division has reversed this accumulated depreciation, and transferred the balance to a new credit deferral account for refund to customers. The PNG (N.E.) FSJ/DC Division is amortizing the depreciation credit in rates ($300,000 per annum) over the 2007/2008 two year period; and

D. For all customers of the PNG (N.E.) FSJ/DC Division, the Application proposes to increase the Delivery Charge in rates; and

E. For all customers of the PNG (N.E.) FSJ/DC Division, the Application proposes to decrease the Company Use Gas Cost ("CUGC") rate by $0.001/GJ; and

F. The PNG (N.E.) TR Division projects a revenue sufficiency of $167,000 for the 2007 test year. This revenue sufficiency is primarily the result of reductions in the cost of service and an increased margin revenue forecast; and

G. For the PNG (N.E.) TR Division, a detailed analysis of property, plant and equipment cost and retirement records has been conducted in 2006, as a result of which various assets were identified as retired or disposed of in prior years with no retirement being recorded. The PNG (N.E.) TR Division has reversed this accumulated depreciation, and transferred the balance to a new credit deferral account, for refund to customers. A total of $288,000 was recorded in the depreciation adjustment credit deferral account in 2006. The PNG (N.E.) TR Division decided to amortize part of this credit deferral in 2006 as an offset to the pre-existing Babcock line break and the Tumbler Ridge processing plant upset debit deferral accounts. The balance of these two debit deferral accounts at the end of 2006 would have been $131,000. The PNG (N.E.) TR Division is seeking Commission approval to fully amortize these deferral accounts in 2006 by using $131,000 of the depreciation adjustment credit deferral account in 2006. The PNG (N.E.) TR Division is amortizing the 2007 opening balance of the depreciation adjustment credit deferral account in rates over the 2007/2008 two year period; and

H. For all customers of the PNG (N.E.) TR Division, the Application proposes to decrease the Delivery Charge in rates; and

I. For all customers of the PNG (N.E.) TR Division, except Industrial Transportation Service customers, the Application proposes to decrease the CUGC rate by $0.148/GJ; and

J. PNG (N.E.) proposes to amortize the projected September 30, 2006 Revenue Stabilization Adjustment Mechanism ("RSAM") balances over a three-year period and recover the annual amortization by way of a rate rider. The rider is only applicable to the Residential and Small Commercial sales rate classes. For the PNG (N.E.) FSJ/DC Division the rider amounts to $0.155/GJ, effective January 1, 2007 (an increase of $0.041/GJ over the rider of $0.114/GJ in effect on October 1, 2006). For the PNG (N.E.) TR Division the rider amounts to $0.370, effective January 1, 2007 (a decrease of $0.161/GJ from the rider of $0.531/GJ in effect on October 1, 2006); and

K. The Commission requires that interim rates be approved and a regulatory process to deal with the Application be established.

NOW THEREFORE the Commission orders as follows:

1. The Commission, pursuant to Section 89 of the Act, approves for the PNG (N.E.) FSJ/DC and TR Divisions, interim rate changes in the Delivery Charge in rates for all classes of customers, and an interim rate change in the RSAM rider for Residential and Small Commercial sales customers, all as filed in the Application, effective January 1, 2007.

2. The Commission, pursuant to Section 61(4) and 89 of the Act, approves the Company Use Gas Cost rates of $0.086/GJ for the PNG (N.E.) FSJ/DC Division and $0.487/GJ for the PNG (N.E.) TR Division, as interim rates effective January 1, 2007.

3. The differences between the 2007 interim and permanent rates for the Delivery Charge, CUGC rates, and the RSAM rider that are determined by the Commission following consideration of this Application are subject to refund with interest at the average prime rate of PNG (N.E.)'s principal bank as set out in a Commission Order that establishes permanent rates for the PNG (N.E.) FSJ/DC and TR Divisions.

4. The Commission will accept, subject to timely filing by PNG (N.E.) FSJ/DC and TR Divisions, amended Gas Tariff Rate Schedules in accordance with the terms of this Order. The PNG (N.E.) FSJ/DC and TR Divisions is to provide all affected customers with a Customer Notice notification of the interim rates, to be reviewed by the Commission in advance of its release.

5. PNG (N.E.) will publish, as soon as possible, in display-ad format, the Notice of Public Review Process, attached as Appendix A, in such appropriate local news publications as may properly provide adequate notice to the public in its service areas.

6. The Application and supporting material will be made available for inspection at public libraries in Fort St. John, Dawson Creek, and Tumbler Ridge, and at the Head Office of PNG (N.E.) 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.

7. PNG (N.E.) is to provide a copy of this Order, by facsimile if possible, to all Intervenors and Interested Parties registered in the PNG (N.E.) 2006 Revenue Requirements Application proceedings.

8. Intervenors and Interested Parties should register with the Commission, via the BCUC website or in writing, by Thursday, December 21, 2006. Intervenors are invited to make submissions with respect to the type of process (e.g. oral public hearing, written hearing or negotiated settlement process) they view as being appropriate for the review of the Application.

9. Intervenors intending to apply for Participant Assistance under Section 118 of the Act are requested to submit their Budget Estimates to the Commission by no later than Friday, January 12, 2007.

DATED at the City of Vancouver, in the Province of British Columbia, this 30th day of November 2006.

BY ORDER

Original signed by:

L.A. Zaozirny
Panel Chair and Commissioner

Attachment

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PACIFIC NORTHERN GAS (N.E.) LTD.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
Application for Approval of 2007 Revenue Requirements and Rates

NOTICE OF PUBLIC REVIEW PROCESS

THE APPLICATION

Pacific Northern Gas (N.E.) Ltd. [“PNG (N.E.)”] Fort St. John/Dawson Creek (“FSJ/DC”) and Tumbler Ridge (“TR ”) Divisions has applied to the British Columbia Utilities Commission (“the Commission”) for approval to adjust rates, effective January 1, 2007.

PNG (N.E.) FSJ/DC Division projects a revenue deficiency of $109,000 for the 2007 test year. This revenue deficiency is primarily driven by increases in the 2007 cost of service.

PNG (N.E.) requests for the FSJ/DC Division an increase in the Delivery Charge and the Revenue Stabilization Adjustment Mechanism (“RSAM”) rider for Residential and Small Commercial sales customer rate classes, effective January 1, 2007. The PNG (N.E.) FSJ/DC Division also proposes to decrease, for the same customer rate classes, the Company Use Gas Cost (“CUGC”) rate, effective January 1, 2007. The resulting net increase in rates will increase the annual natural gas bills for these customer rate classes by approximately 2.5 and 3.2 percent, respectively.

The PNG (N.E.) TR Division projects a revenue surplus of $167,000 for the 2007 test year. This revenue surplus is primarily the result of reductions in the cost of service and an increased margin revenue forecast.

PNG (N.E.) requests for the TR Division a decrease in the Delivery Charge, the CUGC rate, and the RSAM rider for Residential and Small Commercial sales customer rate classes, effective January 1, 2007. The resulting decrease in rates will reduce annual natural gas bills for these customer rate classes by approximately 18.4 and 20.0 percent, respectively.

APPROVAL OF INTERIM RATES

By Order No. G-153-06, the Commission approved for the PNG (N.E.) FSJ/DC Division, interim rate increases in the natural gas Delivery Charge and the RSAM rider, and interim rate decreases in the CUGC rate, all effective January 1, 2007. In the same Order, the Commission also approved for the PNG (N.E.) TR Division, interim rate decreases in the natural gas Delivery Charge, RSAM rider and CUGC rate, all effective January 1, 2007. The differences between the 2007 interim and permanent rates that are determined by the Commission following consideration of this Application are subject to refund with interest at the average prime rate of PNG (N.E.)’s principal bank as set out in a Commission Order that establishes permanent rates for the PNG (N.E.) FSJ/DC and TR Divisions.

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INTERVENTIONS/REGISTRATIONS AND REGULATORY PROCESS

Persons who expect to actively participate in the PNG (N.E.) FSJ/DC and TR Divisions proceeding should register as Intervenors with the Commission, via the BCUC website or in writing, by Thursday, December 21, 2006. Intervenors will receive copies of the Application, all correspondence and filed documentation.

Intervenors are invited in their registrations to make submissions with respect to the type of process (e.g. oral public hearing, written hearing or negotiated settlement process) they view as being appropriate for the review of the Application.

Persons not expecting to actively participate, but who have an interest in the PNG (N.E.) FSJ/DC and TR Divisions proceeding should register as Interested Parties with the Commission, via the BCUC website or in writing, by Thursday, December 21, 2006. Interested Parties will receive a copy of the Application's Executive Summary and all Orders issued.

Once Intervenors and Interested Parties have registered, the Commission will consider the comments received and will provide further direction concerning the appropriate process to review PNG (N.E.)'s Application and the regulatory process steps and timelines.

All submissions and/or correspondence received from active participants or the public relating to the Application will be placed on the public record and posted to the Commission's web site.

PUBLIC INSPECTION OF THE DOCUMENTS

The Application and supporting material will be made available for inspection at public libraries in Fort St. John, Dawson Creek, and Tumbler Ridge and at the Head Office of PNG (N.E.) 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.

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary as follows:

Telephone:	(604) 660-4700	E-Mail: Commission.Secretary@bcuc.com
Facsimile:	(604) 660-1102	Telephone: (B.C. Toll Free) 1-800-663-1385