



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-127-07

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

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 Ltd.
(PNG-West and Granisle)
for Approval of 2008 Revenue Requirements and Rates**

BEFORE: L.A. O'Hara, Commissioner October 17, 2007

O R D E R

WHEREAS:

- A. On October 9, 2007, Pacific Northern Gas Ltd. ("PNG", "PNG-West" and "Granisle") filed for approval of its 2008 Revenue Requirements Application ("the Application") to amend its rates on a permanent basis, effective January 1, 2008, pursuant to Section 58 of the Utilities Commission Act ("the Act"); and
- B. PNG forecasts a revenue deficiency of approximately \$583,000 for the 2008 test year primarily due to a reduction in forecast margin recovery from customers due to lower projected gas deliveries. This revenue reduction is partly offset by the forecast lower cost of service in 2008. PNG estimates the average delivery charge rate increase for residential customers and small commercial customers is 2.2 percent; and
- D The Application proposes to increase the PNG's equity thickness to 47.5 percent from the present level of 40 percent due to its inability to reduce the actual common equity to the level approved by the Commission without putting its debt rating at risk of a downgrade. PNG has decided not to request an additional rate increase arising from the increase of its equity thickness to 47.5 percent in the current Application. Instead, PNG proposes to record the foregone equity return resulting from setting its rates based on a 40 percent common equity component rather than 47.5 percent in a return on equity ("ROE") deferral account on an after-tax basis. A return equal to PNG's approved rate of return on common equity will be calculated on the monthly balance in the ROE deferral account; and
- D PNG currently plans to use an isolation and trenching technique for the permanent repair of the MP 302 Skeena River crossing in 2008 for a budgeted cost of \$1.65 million. If the isolation and trenching technique is not permitted, PNG expects the cost of alternative repairs to be significantly higher and therefore requests Commission approval to accrue the Allowance for Funds Used During Construction ("AFUDC") on the actual project costs in excess of \$1.65 million budgeted for trenching; and
- E. PNG seeks Commission approval of an additional \$48,000 before tax in 2008, net of the allocation of \$12,000 to Pacific Northern Gas (N.E.) Ltd., to Bill 198 Compliance Costs deferral account with amortization of the 2008 addition to be deferred until 2009; and

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- F. On September 7, 2007 PNG filed its Third Quarter 2007 Report on gas supply costs and Gas Cost Variance Account ("GCVA") balances, which recommended no changes to Gas Supply Cost Recovery Rates and the GCVA rate riders for PNG-West and Granisle effective October 1, 2007, based on August 31, 2007 natural gas and propane forward prices. The Commission accepted PNG's recommendations in Letter No. L-70-07; and
- G. PNG considers a Negotiated Settlement Process ("NSP") would be efficient for the review of its Application and proposes a regulatory schedule that sets out a Settlement meeting in the week of November 19 with an objective to negotiate a settlement of the Application prior to the end of 2007; and
- H. The Commission considers that establishing a Regulatory Timetable for the registration of Intervenor and for the preliminary review of the Application, and to allow intervenors to make written submissions on a formal review process, is necessary and in the public interest. The Commission will consider the comments received and will provide further direction concerning the appropriate process and regulatory timetable to review PNG's Application.

NOW THEREFORE the Commission orders as follows:

1. The Application and supporting material will be made available for inspection at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James, and at the Head Office of PNG 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.
2. Intervenor and Interested Party registration, an initial round of Information Requests from the Commission and Intervenor, and responses to Information Requests by PNG will occur according to the Preliminary Regulatory Timetable attached as Appendix A to this Order.
3. Intervenor and Interested Parties should register with the Commission, via the BCUC website or in writing, by Friday, November 2, 2007, of their intention to intervene. Intervenor are requested to make submissions with reasoning concerning the type of process (e.g. oral public hearing, written hearing or negotiated settlement process) and regulatory timetable they view as being appropriate for the review of the Application.
3. PNG is to provide a copy of this Order, by e-mail if possible, to all Intervenor and Interested Parties registered in the PNG 2006 and 2007 Revenue Requirements Application proceedings, as well as all large industrial customers, as soon as possible.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of October 2007.

BY ORDER

Original signed by:

L.A. O'Hara
Commissioner

Attachment

PACIFIC NORTHERN GAS LTD.
(PNG-West and Granisle)
Application for Approval of 2008 Revenue Requirements and Rates

PRELIMINARY REGULATORY TIMETABLE

ACTION	DATES
BCUC Information Request No. 1	Friday, November 2, 2007
Registration of Intervenor and Interested Parties	Friday, November 2, 2007
Intervenor Written Submissions on the Review Process and Timetable	Friday, November 2, 2007
Intervenor Information Requests No. 1	Friday, November 9, 2007
PNG Responses to Commission and Intervenor Information Requests No. 1	Friday, November 16, 2007