



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-131-09

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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 (N.E.) Ltd.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
for Approval of its 2010 Revenue Requirements
for the PNG (N.E.) Service Area

BEFORE: D.A. Cote, Panel Chair/Commissioner October 30, 2009
R. K. Ravelli, Commissioner

O R D E R

WHEREAS:

- A. On October 5, 2009, Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions applied to the British Columbia Utilities Commission ("Commission") for approval of its 2010 Revenue Requirements Application (the "Application") to amend its rates on an interim basis, effective January 1, 2010, pursuant to sections 89 and 58 of the *Utilities Commission Act* (the "Act"); and
- B. PNG (N.E.)'s FSJ/DC Division projects a revenue deficiency of \$896,000 comprised of a net increase in cost of service of \$882,000 and a decreased margin of approximately \$14,000; and
- C. PNG (N.E.)'s FSJ Division seeks the Commission approval to increase the delivery charge for residential service by \$0.281/GJ from \$2.471/GJ to \$2.752/GJ representing an increase of 11.4 percent compared to the 2009 delivery rates, and for small commercial service by \$0.191/GJ from \$2.180/GJ to \$2.371/GJ corresponding to an increase of 8.8 percent compared to 2009 delivery rates; and
- D. PNG (N.E.)'s DC Division seeks Commission approval to increase the delivery charge for residential service by \$0.281/GJ from \$2.273/GJ to \$2.554/GJ representing an increase of 12.4 percent compared to 2009 delivery rates, and for small commercial service by \$0.191/GJ from \$1.643/GJ to \$1.834/GJ corresponding to an increase of 11.6 percent compared to 2009 delivery rates; and
- E. PNG (N.E.)'s FSJ/DC Division seeks approval to continue the unaccounted for gas volume deferral account to record the difference between forecast and actual unaccounted for gas ("UAF") volumes based on using a 1 percent of deliveries UAF loss factor for 2010 and requiring PNG (N.E.) to apply for Commission approval to record actual 2010 UAF losses above 1.5 percent in the deferral account; and
- F. The PNG (N.E.) TR Division projects a revenue deficiency of \$90,000 comprised of a net increase in cost of service of \$106,000 offset somewhat by increased margin of \$16,000; and

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- G. The PNG (N.E.) TR Division seeks Commission approval to increase the delivery charge for residential service by \$0.454/GJ from \$4.473/GJ to \$4.927/GJ representing an increase of 10.1 percent compared to 2009 delivery rates, and for small commercial service by \$0.333/GJ from \$4.012/GJ to \$4.345/GJ corresponding to an increase of 8.3 percent compared to delivery rates; and
- H. For the PNG (N.E.) TR Division, the Application seeks approval to continue the unaccounted for gas volume deferral account to record the difference between forecast and actual UAF volumes based on using a 0 percent of deliveries UAF loss factor for 2010 and requiring PNG (N.E.) to apply for Commission approval to record actual 2010 UAF losses above 1.0 percent in the deferral account; and
- I. On July 16, 2009 PNG (N.E.) and its parent Pacific Northern Gas Ltd. filed with the Commission a Capital Structure and Equity Risk Premium Application (the "CAP/ROE Application") seeking a common equity thickness for PNG (N.E.) of 42.5 percent and a rate of return on common equity ("ROE") set at 75 basis points above the Commission's low risk benchmark utility ROE. The Application includes the impact of changes to PNG (N.E.)'s capital structure and rate of return as set forth in the CAP/ROE Application; and
- J. PNG (N.E.) considers a Negotiated Settlement Process ("NSP") would be the most efficient process for the review of the Application; and
- K. The Application requests the Commission to consider approving interim rates at the level sought under the Application effective January 1, 2010; and
- L. The Commission considers that establishing a Preliminary Regulatory Timetable for the registration of Intervenor and for the preliminary review of the Application, and to allow Intervenor to make written submissions on a formal review process, is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The preliminary regulatory timetable for the Application is as set out in Appendix A to this Order. The dates in Appendix A for events after December 4, 2009 are subject to further Order establishing the review process and the regulatory timetable for review of the Application.
2. The Commission approves for PNG (N.E.) delivery rates, on an interim basis, effective January 1, 2010 based on Commission approved common equity thickness of 36 percent and a rate of return on common equity set at the existing 40 basis points for Fort St. John/ Dawson Creek Division ("FSJ/DC") and 65 basis points for Tumbler Ridge Division ("TR") above the Commission's low risk benchmark utility ROE.

Based on the above common equity thickness and rate of return parameters, the forecasted 2010 revenue deficiency for FSJ/DC is approximately \$627,000 comprised of a net increase in cost of service of \$612,000 and a decrease in margin of \$15,000 and interim rates are set as follows:

Increase the delivery charge for FSJ residential service by \$0.196/GJ from \$2.471/GJ to \$2.667/GJ, and for FSJ small commercial service by \$0.134/GJ from \$2.180/GJ to \$2.314/GJ.

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Increase the delivery charge for DC residential service by \$0.196/GJ from \$2.273/GJ to \$2.469/GJ, and for DC small commercial service by \$0.134/GJ from \$1.643/GJ to \$1.777/GJ.

Based on the above common equity thickness and rate of return parameters, the forecasted 2010 revenue deficiency for TR is approximately \$76,000 comprised of a net increase in cost of service of \$92,000, offset somewhat by an increase in margin of \$16,000 and interim rates are set as follows:

Increase the delivery charge for TR residential service by \$0.381/GJ from \$4.473/GJ to \$4.854/GJ, and for small commercial service by \$0.279/GJ from \$4.012/GJ to \$4.291/GJ.

3. Any differences between the 2010 interim and permanent delivery rates that are determined by the Commission following final disposition of the Application and the CAP/ROE Application are subject to refund/recovery, with interest at the average prime rate of PNG (N.E.)'s principal bank, in the manner as set out by a Commission Order that establishes permanent rates.
4. The Commission will accept, subject to timely filing by PNG (N.E.), amended Gas Tariff Rate Schedules in accordance with the terms of this Order. PNG (N.E.) is to provide notice of the interim rates to customers via a bill message, to be reviewed in advance by Commission Staff to confirm compliance with this Order.
5. 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, BC, V6E 4E6 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, BC, V6Z 2N3.
6. Intervenor and Interested Parties should register with the Commission, via the Commission's website or in writing, by November 23, 2009, of their intention to intervene. The Commission is to receive submissions from Intervenor by December 2, 2009 on the appropriate regulatory review process that should be followed in the review of the Application.
7. PNG (N.E.) will publish, as soon as reasonably possible following the issuance of this Order but no later than the week ending November 13, 2009, in display-ad format, the Notice of Revenue Requirements Application, attached as Appendix B, in local news publications to provide adequate notice to the public in the PNG (N.E.) service area.
8. PNG (N.E.) is to provide a copy of this Order, by e-mail, to all Intervenor and Interested Parties registered in the PNG (N.E.) 2009 Revenue Requirements Application proceedings as soon as possible.

DATED at the City of Vancouver, in the Province of British Columbia, this 2nd day of November 2009.

BY ORDER

Original signed by:

D.A. Cote
Panel Chair/Commissioner

Attachments

Orders/G-131-09_PNGNE 2010RR RegTimetable - Ntc

Pacific Northern Gas (N.E.) Ltd.

Application for Approval of 2010 Revenue Requirements
for PNG (N.E.) Service Area

PRELIMINARY REGULATORY TIMETABLE

ACTION	DATES
PNG (N.E.) to publish Notice of Revenue Requirements Application	by Friday, November 13, 2009
Commission Information Request No. 1	Monday, November 23, 2009
Intervenor Registration	Monday, November 23, 2009
Intervenor Information Request No. 1	Friday, November 27, 2009
Intervenor Comments regarding Regulatory Process	Wednesday, December 2, 2009
PNG (N.E.) Response to Commission and Intervenor IRs No. 1	Friday, December 4, 2009
Commission Order setting out Regulatory Process	Wednesday, December 9, 2009
Commission and Intervenor IR No. 2, if necessary	Wednesday, December 15, 2009
PNG (N.E.) Response to Commission and Intervenor IR No. 2	Friday, December 18, 2009
Potential commencement date for Negotiated Settlement Process	Monday, January 18, 2010



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(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
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NOTICE OF REVENUE REQUIREMENTS APPLICATION

THE APPLICATION

On October 5, 2009, Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions filed its 2010 Revenue Requirements Application (the "Application") seeking approval of delivery rate increases on an interim basis pursuant to Sections 58 and 89 of the Utilities Commission Act (the "Act"), effective January 1, 2010.

For the FSJ/DC Division, the average delivery rate increase is estimated to be approximately \$32 per year for a typical residential customer consuming 113 gigajoules ("GJ") per year. This represents an increase of approximately 11.8 percent compared to 2009 delivery rates. Similarly, an average small commercial customer consuming 564 GJ per year will pay approximately \$107 per year more for gas delivery service. This corresponds to an increase of approximately 9.9 percent compared to 2009 delivery rates.

For the FSJ/DC Division, based on the gas cost recovery and GCVA rate riders, approved by the Commission effective October 1, 2009 and the applied for delivery rates, the overall average bundled rate increase, for a typical residential customer consuming 113 GJ per year, is 3.2 percent, and for a small commercial customer consuming 564 GJ per year, is 2.5 percent.

For the TR Division, the average delivery rate increase is estimated to be approximately \$37 per year for a typical residential customer consuming 85 GJ per year. This represents an increase of approximately 9.8 percent compared to 2009 delivery rates. Similarly, an average small commercial customer consuming 657 GJ per year will pay approximately \$209 per year more for gas delivery service. This corresponds to an increase of approximately 7.9 percent compared to 2009 delivery rates.

For the TR Division, based on the gas cost recovery and GCVA rate riders, approved by the Commission effective October 1, 2009 and the applied for delivery rates, the overall average bundled rate increase, for a typical residential customer consuming 85 GJ per year, is 5.2 percent, and for a small commercial customer consuming 657 GJ per year, is 4.6 percent.

INTERIM RATES SET BY COMMISSION

Based on Commission approved common equity thickness of 36 percent and the existing 40 and 65 basis points for the FSJ/DC and TR Divisions respectively, above the Commission's low risk benchmark utility return on common equity, the Commission approved interim rates effective January 1, 2010 in Order-131-09 as follows:

For the FSJ/DC Division - residential customer delivery charge increase of \$0.196/GJ from \$2.471/GJ to \$2.667/GJ in the FSJ Division and from \$2.273/GJ to \$2.469/GJ in the DC Division; small commercial customer delivery charge increase of \$0.134/GJ from \$2.180/GJ to \$2.314/GJ in the FSJ Division and from \$1.643/GJ to \$1.777/GJ in the DC Division.

For the TR Division - residential customer delivery charge increase of \$0.381/GJ from \$4.473/GJ to \$4.854/GJ; small commercial customer delivery charge increase of \$0.279/GJ from \$4.012/GJ to \$4.291/GJ.

PUBLIC INSPECTION OF THE APPLICATION

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, BC, V6E 4E6 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, BC, V6Z 2N3.

The Application will also be available for viewing on the PNG website at www.png.ca (www.png.ca/ir_utilities.cfm) and on the Commission's website at www.bcuc.com, which also contains detailed materials related to the Application including Commission Orders and Intervenor materials (<http://www.bcuc.com/Proceeding.aspx?ApplicationType=Current>).

REGISTERING TO PARTICIPATE

Persons who expect to actively participate in this proceeding are required to register as Intervenor with the Commission, in writing or electronic submission, by Monday, November 23, 2009, identifying their interest in the Application and the issues they intend to pursue and the nature and extent of their anticipated involvement in the review process.

Persons not expecting to actively participate, but who have an interest in the proceeding should register as Interested Parties with the Commission, in writing or electronic submission, by Monday, November 23, 2009, identifying their interest in the Application.

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.

FURTHER INFORMATION

For further information, please contact Ms. Erica M. Hamilton, Commission Secretary, or Mr. Philip Nakoneshny, Director, Rates and Finance, as follows:

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