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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-13-10**

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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. (PNG-West Division) and Pacific Northern Gas (N.E.) Ltd.
(Fort St John/Dawson Creek and Tumbler Ridge Divisions)
for Capital Structure and Equity Risk Premium

BEFORE: L.A. O'Hara, Panel Chair
M.R. Harle, Commissioner

January 19, 2010

O R D E R

WHEREAS:

- A. By letter dated July 16, 2009, Pacific Northern Gas Ltd. (PNG-West Division) and Pacific Northern Gas (N.E.) Ltd. [collectively ("PNG")] filed with the British Columbia Utilities Commission (the "Commission"), an application for Capital Structure and Equity Risk Premium (the "Application"); and
- B. Specifically, PNG is applying to have the common equity ratio for the PNG-West Division established at 47.5 per cent and to have the common equity ratio for both divisions of PNG (N.E.) set at 42.5 per cent. PNG is also applying to have the rate of return on common equity set at 75 basis points above the Commission's low-risk benchmark utility return on common equity ("ROE") for all three divisions; and
- C. Commission Order G-174-08 dated November 27, 2008 determined that the Initial Option Fee and Option Extension Fee related to PNG deactivated assets be reviewed by the Commission as part of the 2009 revenue requirements application. PNG is reapplying in this Application to recover from the Option Fee and Option Extension Fee the foregone return to date as it believes that it is most efficient to consider this matter during the public hearing into the capital structure and equity risk premium issues; and
- D. PNG requests that the Commission approves a deferral account to record the difference between the approved 2009 cost of service used for rate making purposes and the 2009 cost of service based on the higher common equity thickness and equity risk premium for PNG-West. The Application also states that PNG (N.E.) is not applying for Commission approval of a common equity deferral account but would do so if there are any adjustments to the benchmark utility ROE in 2009; and
- E. By letter dated August 6, 2009, the Commission replied to PNG and indicated that the Commission would not commence a review of the Application until after the submission of written Arguments in the Terasen Utilities ROE and Capital Structure ("ROE/CAP") proceeding then underway; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-13-10**

2

- F. On October 20, 2009, PNG filed its Argument in the Terasen Utilities ROE/CAP proceeding with the Commission and submitted that PNG would assess whether any adjustments to the PNG-West Division and PNG (N.E.) specific risk premiums are required as a result of the Commission's decision on ROE/CAP and, if adjustments are required, PNG would file an update to its Application; and
- G. By letter dated December 21, 2009, PNG filed its amendments to the Application ("Amended Application") to reflect the impact of the Commission's determinations in the December 16, 2009 Decision on Terasen Utilities' ROE/CAP Application; and
- H. In the Amended Application, PNG-West revises its 2009 cost of service and reiterates its application for approval of a deferred return on common equity deferral account. PNG (N.E.) recalculates the NSP 2009 cost of service based on the revised ROE for 2009 for Fort St. John/Dawson Creek Division and the Tumbler Ridge Division and seeks Commission approval to record the increase in deferral accounts for the two divisions; and
- I. By Order G-172-09, the Commission ordered PNG to establish separate deferral accounts for its three divisions to record potential differences in approved cost of service and 2009 cost of service based on higher equity risk premium and thick equity. The Order also established a Procedural Conference on January 19, 2010.
- J. At the Procedural conference, all Parties agreed on a proposed timetable and accepted commission staff view that a written hearing is appropriate in the circumstances but the timetable should leave an opportunity for an NSP as well.

NOW THEREFORE the Commission orders that the deadlines for Commission and Intervenor Information Requests No. 1 and No. 2 to PNG, the responses from PNG, and the dates for NSP (if required) and Arguments are set out in the Regulatory Timetable attached as Appendix A to this Order.

DATED at the City of Vancouver, In the Province of British Columbia, this 19th day of January 2010

BY ORDER

Original signed by:

L.A. O'Hara
Panel Chair

Attachment

An Application by
Pacific Northern Gas Ltd. (PNG-West Division) and Pacific Northern Gas (N.E.) Ltd.
(Fort St John/Dawson Creek and Tumbler Ridge Divisions), [collectively ("PNG")]
for Capital Structure and Equity Risk Premium

REGULATORY TIMETABLE

ACTION	DATE (2010)
Commission Information Request No. 1 to PNG	Friday, February 5
Intervenor Information Requests No. 1 to PNG	Friday, February 12
PNG's Responses to Information Requests No. 1	Monday March 1
Commission and Intervenor Information Requests No. 2 to PNG	Monday March 15
PNG's Responses to Information Requests No. 2	Monday, March 29
Negotiated Settlement Process, if required	Thursday-Friday, April 8-9
PNG Final Argument	Friday, April 16
Intervenor Arguments	Monday, April 26
PNG Reply Argument	Monday, May 3