



**LETTER NO. L-1-10**

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Log No. 30067

**VIA EMAIL**

[cdonohue@png.ca](mailto:cdonohue@png.ca)

January 5, 2010

**PNGW / PNGNE**

**CAPITAL STRUCTURE/EQUITY RISK PREMIUM**

**EXHIBIT A-3**

Mr. Craig P. Donohue  
Director, Regulatory Affairs & Gas Supply  
Pacific Northern Gas Ltd.  
Pacific Northern Gas (N.E.) Ltd.  
Suite 950, 1185 Wet Georgia Street  
Vancouver, BC V6E 4E6

Dear Mr. Donohue:

Re: 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")]  
Project No. 3698566/Order G-172-09  
Application for Capital Structure and Equity Risk Premium

Further to Commission Order G-172-09, a scheduling conflict has made it necessary to change the time of the Procedural Conference. The Procedural Conference will commence at 8:30 a.m. instead of 9:00 a.m. The date and the location remain the same as in the Order.

PNG has been advised to add to the 'Notice of Procedural Conference' that it will make available the Application, the Amended Application, together with any supporting materials at the appropriate public libraries in its PNG (N.E.) service area. The revised 'Notice of Procedural Conference' is attached.

Yours truly,

*Original signed by:*

Erica M. Hamilton

EC/ac  
Attachment  
cc: Intervenor

**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**

## NOTICE OF PROCEDURAL CONFERENCE



**Date:** Tuesday, January 19, 2010

**Time:** 8:30 a.m.

**Location:** B.C. Utilities Commission Hearing Room  
12th Floor, 1125 Howe Street, Vancouver, B.C.



### THE APPLICATION

On July 16, 2009, PNG filed the Capital Structure and Equity Risk Premium Application ("Application") to have the common equity ratio for the PNG-West Division established at 47.5 percent from 40 percent, and to have the common equity ratio for both divisions of PNG (N.E.) set at 42.5 percent from 36 percent. In the Application, PNG also applies to have the rate of return on common equity set at 75 basis points above the British Columbia Utilities Commission's ("Commission") low-risk benchmark utility return on common equity for all three divisions.

In the 2009 Negotiated Settlement Agreement, PNG and its customers were unable to reach an agreement on the treatment of the Merrill Lynch option fees. Therefore, PNG is also applying for Commission approval so that PNG-West can recover from option fees paid to PNG-West by Merrill Lynch Commodities Inc. ("MLCI") and eventually from any annual firm revenue from MLCI the foregone return on facilities previously deactivated.

By letter dated August 16, 2009, the Commission informed PNG that it would not commence review of the Application until after the filing of written submissions in the proceeding on Terasen Utilities' Application on Return on Equity and Capital Structure ("Terasen ROE Application") then underway.

The Commission rendered its decision on the Terasen ROE Application on December 16, 2009 and PNG filed amendments with the Commission to its July 16, 2009 Application ("Amended Application"). In the Amended Application, PNG requests: (a) approval of a deferred return on common equity deferral account to record the revised difference of \$1.571 million for future recovery from customers in the PNG-West Division; (b) approval to record \$96,000 in a deferred 2009 return on common equity deferral account for future recovery from customers for the Fort St. John/Dawson Creek Division; and (c) approval to record \$4,000 in a deferred 2009 return on common equity deferral account for future recovery from customers in the Tumbler Ridge Division.

### PUBLIC INSPECTION OF THE APPLICATION

The Application, Amended Application and supporting material will be made available for inspection at the public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof, Fort St. James, Dawson Creek, Fort St. John, and Tumbler Ridge, the Head Office of PNG 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](http://www.png.ca), and on the Commission's website at [www.bcuc.com](http://www.bcuc.com), which also contains detailed materials related to the Application and Amended Application.

### 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 January 15, 2010, identifying their interest in the Application, the issues they intend to pursue and the nature and extent of their anticipated involvement in the review process. They should also advise the Commission whether they intend to attend the Procedural Conference.

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 January 15, 2010, 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, as follows:

Telephone: 604-660-4700 or  
(B.C. Toll Free) 1-800-663-1385  
Facsimile: 604-660-1102  
E-Mail: [commission.secretary@bcuc.com](mailto:commission.secretary@bcuc.com)