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web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-34-10

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

**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 March 4, 2010
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 and Tumbler Ridge 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. 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; and
- C. 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 recommends that rates set by this Application remain interim pending the Commission's disposition of the CAP/ROE Application; and
- D. For the PNG (N.E.) Fort St. John/Dawson Creek (FSJ/DC) Division, the Application forecasts 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
- E. Based on a common equity thickness and rate of return on common equity as applied for in the CAP/ROE Application PNG (N.E.)'s FSJ Division sought 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. PNG (N.E.)'s FSJ/DC Division sought 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

- F. By Order G-131-09 the Commission approved for PNG (N.E.) FSJ/DC Division interim delivery rates, 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 above the Commission's low risk benchmark utility ROE; and
- G. Based on the common equity thickness and rate of return parameters as set forth in Order G-131-09, 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. Interim rates were set as follows:
 - The delivery charge for FSJ residential service increased 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.
 - The delivery charge for DC residential service increased 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; and
- H. For PNG (N.E.) Tumbler Ridge (TR) Division, the Application forecasts 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
- I. Based on a common equity thickness and rate of return on common equity as applied for in the CAP/ROE Application PNG (N.E.)'s TR Division sought 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
- J. By Order G-131-09 the Commission approved for PNG (N.E.) TR Division interim delivery rates, effective January 1, 2010 based on Commission approved common equity thickness of 36 percent and a rate of return on common equity set at 65 basis points above the Commission's low risk benchmark utility ROE; and

- K. Based on the common equity thickness and rate of return parameters as set forth in Order G-131-09, 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. Interim rates were 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; and
- L. For PNG (N.E.) FSJ/DC and TR Divisions, Order G-131-09 also set the preliminary regulatory timetable for the Application and allowed for: Intervener registration, the preliminary review of the Application, and Interveners to make written submissions on a formal review process; and
- M. On December 8, 2009 by Letter L-109-09 the Commission confirmed the Application to be reviewed through a Negotiated Settlement Process (NSP) with negotiations to commence on January 18, 2010; and
- N. The Commission revised the Regulatory Timetable in Letter L-111-09 to have negotiations commence on February 8, 2010 in order to accommodate the availability requirements of the participants; and
- O. The NSP discussions were held in Vancouver on February 9 and 10, 2010. An Interim Negotiated Settlement Agreement was reached among the participants and circulated to all registered Interveners and the Commission on February 22, 2010; and
- P. Final rates are to be calculated following the Commission's disposition PNG's CAP/ROE proceeding and after the completion of PNG-West's 2010 final Revenue Requirements negotiations; and
- Q. The Commission has reviewed the Interim Negotiated Settlement Agreement for PNG (N.E.)'s 2010 Revenue Requirements and considers that approval is warranted.

NOW THEREFORE the Commission orders as follows:

1. The Interim Negotiated Settlement Agreement for PNG (N.E.)'s 2010 Revenue Requirements Application, as issued on February 22, 2010 and attached as Appendix A to this Order, is approved.
2. PNG (N.E.)'s 2010 delivery rates will remain as interim until PNG (N.E.)'s CAP/ROE proceeding is completed and PNG-West's Revenue Requirements negotiations have resumed to establish permanent 2010 delivery rates for PNG-West and a further PNG (N.E.) Negotiated Settlement Agreement is provided for Commission approval.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-34-10

4

DATED at the City of Vancouver, in the Province of British Columbia, this 4th day of March 2010.

BY ORDER

Original signed by:

D.A. Cote
Commissioner

Attachment

WILLIAM J. GRANT
Consultant TO BCUC
bill.grant@bcuc.com
web site: <http://www.bcuc.com>



SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
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VIA EMAIL

February 22, 2010

Log No. 30927

To: Registered Intervenors
(PNGNE-2010 RRA)

Dear Registered Intervenors:

Re: Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"]
Interim Negotiated Settlement Agreement
2010 Revenue Requirements Application

Enclosed with this letter is the proposed interim settlement package for PNG (N.E.)'s 2010 Revenue Requirements Application.

This settlement package is now public and is being submitted to the Commission and all Intervenors. Also enclosed are Letters of Support and Comment received to date from the participants in the negotiated settlement process. Final rates are to be calculated following completion of PNG's Return on Equity and Capital Structure proceeding

Yours truly,

A handwritten signature in dark ink, appearing to read "William J. Grant".
William J. Grant

CM/dg

Attachments

cc: Mr. Craig Donohue
Director, Regulatory Affairs and Gas Supply
Pacific Northern Gas Ltd.
cdonohue@png.ca



Craig P. Donohue
Director, Regulatory Affairs & Gas Supply

Pacific Northern Gas Ltd.
Suite 950
1185 West Georgia Street
Vancouver, BC V6E 4E6
Tel: (604) 691-5673
Tel: (604) 697-6210
Email: cdonohue@png.ca

Via E-Mail

February 17, 2010

B.C. Utilities Commission
6th Floor - 900 Howe Street
Vancouver, B.C.
V6Z 2N3

File No.: 4.2.7(2010)

Attention: William J Grant
Consultant to BCUC

Dear Sir:

**Re: Interim Negotiated Settlement Agreement dated February 12, 2010
for PNG(N.E.)'s 2010 Revenue Requirements Application
Project No. 3698579**

Further to your letter dated February 16, 2010 enclosing the Interim Negotiated Settlement Agreement for the PNG(N.E.) 2010 revenue requirements application, Pacific Northern Gas (N.E.) Ltd. hereby confirms its acceptance of the Interim NSP 2010 Agreement.

Please direct any questions regarding this letter to my attention.

Yours truly,

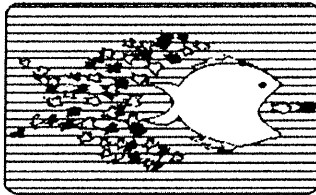
A handwritten signature in black ink, appearing to read 'C.P. Donohue', written over a horizontal line.

C.P. Donohue

cc. Philip Nakoneshny

**The
British Columbia
Public Interest
Advocacy Centre**

208-1090 West Pender Street
Vancouver, BC V6E 2N7
Coast Salish Territory
Tel: (604) 687-3003 Fax: (604) 682-7896
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Eugene Kung	687-3006
James L. Quail	687-3034
Ros Salvador	488-1315
Leigha Worth	687-3044

Barristers & Solicitors

Peggy Lee
Article Student

Our file: 7442

February 17, 2010

VIA EMAIL

Erica M. Hamilton
Commission Secretary
BC Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

**Re: Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"]
Interim Negotiated Settlement Agreement
2010 Revenue Requirements Application**

Further to your letter of February 16, 2009 enclosing the Interim Negotiate Settlement Agreement for the PNG (N.E.) 2010 revenue requirements application, BCOAPO writes to confirm its acceptance of the interim agreement.

Please contact the undersigned should you have any further questions.

Yours truly,

BC PUBLIC INTEREST ADVOCACY CENTRE

Original in file signed by:

Eugene Kung
Barrister & Solicitor

YOUNG, ANDERSON
BARRISTERS & SOLICITORS

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VIA FACSIMILE

REPLY TO: VANCOUVER OFFICE

February 22, 2010

Ms. Erica M. Hamilton
Commission Secretary
BC Utilities Commission
Sixth Flr., 900 Howe Street
Vancouver B.C. V6Z 2N3

Dear Ms. Hamilton:

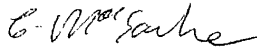
Re: PNG (NE) Ltd. – 2010 Revenue Requirements Application
Our File No. 00033-0398

We are writing further to the Commission's letter of February 16, 2010 and confirm that the Peace River Regional District accepts the terms of the Interim Negotiated Settlement Agreement attached to that letter.

If you have any questions, please contact the writer at your earliest convenience.

Yours very truly,

YOUNG, ANDERSON



Carolyn M. M^{re}Eachern
maceachern@younganderson.ca

CMM/mw

cc: Wayne Hiebert, Director, Peace River Regional District
Fred Banhwa, CAO, Peace River Regional District

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 1

~~CONFIDENTIAL~~
February 12, 2010

**Pacific Northern Gas (N.E.) Ltd. ("PNG(N.E.)")
[Fort St. John/Dawson Creek ("FSJ/DC") and Tumbler Ridge ("TR") Divisions]**

2010 Revenue Requirements Application

INTERIM NEGOTIATED SETTLEMENT AGREEMENT

Introduction

B.C. Utilities Commission staff, representatives of PNG(N.E.), BCOAPO and the Peace River Regional District met on February 9 and 10, 2010 for the purpose of negotiating an interim settlement of the PNG(N.E.) 2010 revenue requirements application (the "RR Application") for its FSJ/DC and TR Divisions. The following sets out the agreement reached on February 10, 2010 among the parties that participated in the negotiated settlement process ("NSP"). Prior to commencing substantive negotiations, the parties discussed what regulatory process should apply having regard to the fact PNG(N.E.) has two related applications before the Commission at the present time. The RR Application reflects the requested common equity thickness and risk premium increases set forth in the PNG/PNG(N.E.) Capital Structure and Equity Risk Premium Application dated July 16, 2009 (the "CAP/ROE Application"). The regulatory timetable for the CAP/ROE Application was set down by the Commission on January 19, 2010. In view of the fact the findings under the CAP/ROE Application will affect the determination of the 2010 revenue requirements that will underpin the determination of final delivery rates under the RR Application, the parties agreed to the regulatory process set forth below.

Regulatory Process

The parties agreed to negotiate an interim settlement of all the cost of service matters under the RR Application that can be addressed in the absence of having a final decision on the issues set forth in the CAP/ROE Application. This interim settlement agreement and the letters of support will be distributed to the Commission for approval. It is expected the main issues to be addressed through the CAP/ROE Application review process will be common equity thickness, relative risk premium and the return on equity deferral account established under Order No. G-172-09. PNG(N.E.)'s gas delivery rates will remain interim pending the final disposition of the CAP/ROE Application. The CAP/ROE Application regulatory timetable provides for an information request/response process that concludes by March 29, 2010 and provides for the opportunity to negotiate a settlement on April 8/9, 2010. This time frame will enable the Commission to formally approve the interim NSP 2010 revenue requirements agreement within sufficient time to reflect the agreed to cost of service adjustments in the regulatory schedules being considered by the Commission under the CAP/ROE Application review process. The updated regulatory schedules would become an exhibit under the CAP/ROE Application proceeding.

**Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 2**

CONFIDENTIAL
February 12, 2010

Assuming a settlement is negotiated in respect of the CAP/ROE Application, PNG(N.E.) would update its regulatory schedules to reflect both the terms set forth in the interim NSP 2010 revenue requirements settlement agreement and those agreed to under the CAP/ROE Application NSP process. The parties would then meet to ensure there is agreement on the resulting rates for 2010 having regard to the terms agreed to through both NSP processes. If required, the parties would agree at this final NSP meeting on other revenue requirements matters of a housekeeping nature primarily resulting from the impact of year end 2009 balances on the 2010 revenue requirements calculations.

The interim NSP 2010 revenue requirements settlement agreement would then be updated to address all items agreed to for the purpose of setting 2010 rates. The final comprehensive agreed to NSP 2010 settlement agreement document would be distributed by Commission staff to the parties for review and comment. The draft NSP 2010 settlement agreement would then be finalized and made available for public comment and review by the RR Application Commission panel. Upon Commission approval of the final NSP 2010 revenue requirements settlement agreement, PNG(N.E.) would file the tariff sheets required to document the agreed to permanent rates effective January 1, 2010.

Terms of Settlement

The parties agreed that the FSJ/DC Division Test Year 2010 applied for cost of service would be reduced by a lump sum settlement allowance of \$20,000. It was acknowledged the TR Division Test Year 2010 applied for cost of service would not be reduced by a lump sum settlement allowance. However, it was noted that negotiated reductions in the PNG-West Division Test Year 2010 cost of service would result in lower shared service costs being allocated from the PNG-West Division to both the FSJ/DC and TR Divisions.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 3

CONFIDENTIAL
February 12, 2010

1.0 **FSJ/DC –Other Including Account 665 Expenses**

References:

Exhibit B-1, FSJ/DC, pp. 5 and 6
Exhibit B-3, FSJ/DC, IR 1.3.5

Issue:

Whether the forecasted Test Year 2010 budget for Account 665-Pipeline was overstated by \$20,000.

Resolution:

The parties agreed that the budget for Account 665-Pipeline was not overstated by \$20,000 and therefore no adjustments were required.

2.0 **FSJ/DC – Budgeted Test Year 2010 Maintenance Expenses**

References:

Exhibit B-1, FSJ/DC, p. 7
Exhibit B-3, FSJ/DC, IR 1.5.1-3

Issue:

Whether the Test Year 2010 budget for maintenance expenses should be decreased given the \$283,000 budget figure was 27 percent higher than the NSP 2009 figure of \$223,000.

Resolution:

The FSJ/DC agreed to lump sum settlement allowance takes into account the proposed reduction of \$42,000 to budgeted 2010 maintenance expenses.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 4

CONFIDENTIAL
February 12, 2010

3.0 **FSJ/DC - Account 721, Non-Regulated Business ("NRB")**

References:

Exhibit B-5, IR FSJ/DC 2.2.1
Exhibit B-4, West, IR 2.11.1

Issue:

Should NRB contractor charges be included in the Test Year 2010 cost of service?

Resolution:

The NRB contractor charges are reflected in Account 721 through the shared service cost allocation by the PNG-West Division to the FSJ/DC Division. The PNG-West Division NRB Test Year 2010 contractor charges were reduced by 95 percent with a corresponding decrease in the shared service cost allocation to the FSJ/DC Division.

4.0 **FSJ/DC – Transfers to Capital**

References:

Exhibit B-1, FSJ/DC, pp. 3-5, 8, & 10
Exhibit B-2, FSJ/DC, IR 1.16.0

Issue:

Should the overhead capitalization rate of 20.49 percent for Test Year 2010 set forth in the FSJ/DC RR Application be used to determine the level of transfers to capital in 2010?

Resolution:

The transfers to capital rate of 20.49 percent is accepted subject to modification upon filing of the 2010 revenue requirements regulatory schedules following the Commission's final disposition of both the RR Application and the CAP/ROE Application.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 5

CONFIDENTIAL
February 12, 2010

5.0 **FSJ/DC - Dawson Creek Industrial Customer Deferral Account ("DC-ICDDA")**

References:

Exhibit B-1, FSJ/DC, Tab 2, p. 9, line 7
Exhibit B-2, FSJ/DC, IR 1.19.4

Issue:

Should the year end DC-ICDDA 2009 balance be used for determination of the ICDDA amortization expense in 2010?

Resolution:

The actual DC-ICDDA balance at year end 2009 will be used to determine the DC-ICDDA amortization expense in 2010.

6.0 **FSJ/DC - Rate Stabilization Adjustment Mechanism ("RSAM") - Opening Balance Gross Up**

References:

Exhibit B-1, FSJ/DC, Tab Rates, p. 20
Exhibit B-1, FSJ/DC, Tab 2, p. 9, line 6

Issue

Should the 2010 substantially enacted tax rate be applied when grossing up the estimated 2009 RSAM year end balance used to calculate the Test Year 2010 RSAM rate rider?

Resolution:

PNG(N.E.)'s accounting group will communicate with Commission staff to ensure the year end 2009 RSAM balance is calculated correctly having regard to what income tax rates should apply to this determination based on applicable regulatory accounting principles. The 2010 RSAM rate rider will be adjusted to reflect the actual year end 2009 balance accordingly.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 6

CONFIDENTIAL
February 12, 2010

7.0 **FSJ/DC – Unaccounted for Gas Volume Deferral Account**

References:

Exhibit B-2, FSJ/DC, IR 1.21.1-3
Order G-40-09

Issue:

Should the current FSJ/DC Division unaccounted for (“UAF”) gas volume deferral account continue on the basis that the UAF gas volume forecast for Test Year 2010 is set at 1 percent of deliveries UAF loss factor with PNG(N.E.) being permitted to record the variance between one percent and a loss of up to 1.5 percent without having to seek further Commission approval of the deferral.

Resolution:

PNG(N.E.) is to continue the FSJ/DC Division UAF gas volume deferral account on the basis that the UAF gas volume forecast for Test Year 2010 is set at 1 percent of deliveries UAF loss factor with PNG(N.E.) being permitted to record the variance between one percent and a loss of up to 1.5 percent without having to seek further Commission approval of the deferral.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 7

CONFIDENTIAL
February 12, 2010

8.0 **FSJ/DC - Shared Service Costs from PNG-West**

References:

Exhibit B-1, pp. 5, 8, & 9
Exhibit B-2, FSJ/DC; IR 1.13.0; IR 1.14.0; IR 1.15.0
Order G-165-07
Order G-40-09

Issue:

Should the calculation of the shared service costs from the PNG-West Division to the FSJ/DC Division for Test Year 2010 be accepted by the parties?

Resolution:

The revised shared service costs allocated from the PNG-West Division for Test Year 2010 to the FSJ/DC Division are accepted, subject to modification of the underlying PNG-West Division cost pools and cost allocators (i.e. rate base and customer count allocators) as may result from other agreed to NSP cost of service and/or CAP/ROE Application adjustments and due to reflecting actual year end 2009 figures in the RR Application.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 8

CONFIDENTIAL
February 12, 2010

9.0 **FSJ/DC - Capital Additions in 2010**

References:

Exhibit B-1, FSJ/DC, p. 14-16
Exhibit B-2, FSJ/DC; IR 1.27.1: IR 1.30.1
Exhibit B-5, FSJ/DC; IR 2.6.1: IR 2.7.1: IR 2.8.1

Issue:

Should the Test Year 2010 capital additions budget for small projects for structure and grounds upkeep, the distribution system, customer growth be reduced having regard to the fact the projects were not specifically identified by PNG(N.E.) in the RR Application. Should a service truck be replaced that meets PNG(N.E.)'s criteria of 7 years and/or 160,000 kilometres, whichever first occurs retirement policy.

Resolution:

PNG(N.E.) provided historical capital expenditures on small projects for the 2007 to 2009 three year period. Based on this new information, the parties accepted the applied for Test Year capital additions budget for the small projects in these cost centers. PNG(N.E.) explained the high cost of maintaining the service truck and the parties agreed the vehicle should be replaced in Test Year 2010.

10.0 **FSJ/DC - Residential Load Forecast for Test Year 2010**

References:

Exhibit B-2, FSJ/DC; IR 1.37.1.1: IR 1.42.1: IR 1.43.1.1: IR 1.43.2: IR 1.44.1.1: IR 1.44.2

Issue:

Should the forecast of 2010 deliveries to residential customers be increased.

Resolution:

The forecast Test Year 2010 FSJ residential use per account will be set at 115 GJ/year. The forecast Test Year 2010 DC residential use per account will be set at 114 GJ/year. The FSJ and DC year end 2009 residential customer counts will be used to forecast Test Year 2010 gas deliveries resulting in a higher forecast.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 9

CONFIDENTIAL
February 12, 2010

11.0 **TR - Account 721 Non-Regulated Business**

References:

Exhibit B-5, TR 2.2.1
Exhibit B-4, West, IR 2.11.1

Issue:

Should NRB contractor charges be included in the Test Year 2010 cost of service?

Resolution:

The NRB contractor charges are reflected in Account 721 through the shared service cost allocation by the PNG-West Division to the TR Division. The PNG-West Division NRB Test Year 2010 contractor charges were reduced by 95 percent with a corresponding decrease in the shared service cost allocation to the TR Division.

12.0 **TR – Transfers to Capital**

References:

Exhibit B-1, TR, pp. 3-5, 7 & 9
Exhibit B-2, TR, IR 1.10.0

Issue:

Should the overhead capitalization rate of 5.64 percent for Test Year 2010 set forth in the TR RR Application be used to determine the level of transfers to capital in 2010?

Resolution:

The transfers to capital rate of 5.64 percent is accepted subject to modification upon filing of the 2010 revenue requirements regulatory schedules following the Commission's final disposition of both the RR Application and the CAP/ROE Application.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 10

CONFIDENTIAL
February 12, 2010

13.0 **TR - Unaccounted for Gas Deferral Account ("UAF")**

References:

Exhibit B-2, TR, IR 1.15.1
Order G-40-09

Issue:

Should the current TR Division unaccounted for ("UAF") gas volume deferral account continue on the basis that the UAF gas volume forecast for Test Year 2010 is set at zero percent with PNG(N.E.) being permitted to record the variance between zero percent and a loss of up to 1.0 percent without having to seek further Commission approval of the deferral.

Resolution:

PNG(N.E.) is to continue the TR Division UAF gas volume deferral account on the basis that the UAF gas volume forecast for Test Year 2010 is set at zero percent of deliveries with PNG(N.E.) being permitted to record the variance between zero percent and a loss of up to 1.0 percent without having to seek further Commission approval of the deferral.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 11

CONFIDENTIAL
February 12, 2010

14.0 **TR - Shared Service Costs from PNG-West**

References:

Exhibit B-1, TR, pp. 5 & 8
Exhibit B-2, TR, IR 1.8.1-3
B-2, FSJ/DC, IR 1.14.1
Order G-165-07
Order G-40-09

Issue:

Should the calculation of the shared service costs from the PNG-West Division to the TR Division for Test Year 2010 be accepted by the parties?

Resolution:

The revised shared service costs allocated from the PNG-West Division for Test Year 2010 to the TR Division are accepted, subject to modification of the underlying PNG-West Division cost pools and cost allocators (i.e. rate base and customer count allocators) as may result from other agreed to NSP cost of service and/or CAP/ROE Application adjustments and due to reflecting actual year end 2009 figures in the RR Application.

15.0 **TR - Residential UPC Forecast for Test Year 2010**

References:

Exhibit B-2, TR, IR 1.30.1.1
Exhibit B-5, TR, IR 2.9.1

Issue:

Should the Test Year 2010 forecast of gas deliveries to the TR Division residential customers be increased.

Resolution:

The forecast Test Year 2010 TR residential use per account will be increased from 84.5 GJ/year to 87 GJ/year.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 12

CONFIDENTIAL
February 12, 2010

16.0 **NE - Depreciation includes Negative Salvage, Realized Gains/ Losses**

References:

Exhibit B-2, FSJ/DC, IR 1.18.1-2
Exhibit B-5, FSJ/DC, IR 2.3.1-7

Exhibit B-2, TR, IR 1.12.1-2
Exhibit B-5, TR, IR 2.3.1-7

Issue

PNG(N.E.) is not able to quantify the salvage rate included in accumulated depreciation with the actual salvage costs incurred, nor are they able to quantify the total realized gains/losses included in accumulated depreciation.

Resolution:

PNG(N.E.) has engaged a consultant to conduct a depreciation study. PNG will advise its consultant of Commission staff and BCOAPO concerns that any proposed negative salvage should be clearly identified and the rationale for negative salvage articulated in the depreciation study. Commission staff will write to PNG(N.E.), with a copy to BCOAPO, to state its expectations for information regarding the depreciation study and the identification of negative salvage.

Interim NSP 2010
PNG(N.E.)
2010 RR Application
Page 13

~~CONFIDENTIAL~~
February 12, 2010

17.0 **Other Matters**

PNG(N.E.) will update the RR Application regulatory schedules to reflect a number of matters, including the following:

- the year end 2009 DC-ICDDA deferral account balance will be used in the determination of 2010 amortization expense;
- the addition in late 2009 of the return on equity deferral account approved under Commission Order No. G-172-09 and the unamortized debt issue costs deferral account approved under Commission Order No. G-146-09;
- the most recent forecast short and long term debt interest rates;
- the flow through of shared service cost reductions from the PNG-West Division due to reductions in forecast Test Year 2010 pension expense and insurance premiums;
- the 2010 gas deliveries forecast will be updated to reflect year end 2009 customer counts; and
- the Test Year 2010 RSAM rate rider will be recalculated based on the year end 2009 RSAM balance which will include adjustments as may be required to reflect the use of the correct income tax rate.

It is understood the above list is representative of the majority of the anticipated adjustments. However, other changes to the Test Year 2010 cost of service may occur in the ordinary course as a result of reflecting year end 2009 figures in the RR Application regulatory schedules. PNG(N.E.) will provide a detailed explanation of the changes when it files the updated regulatory schedules as an exhibit under the CAP/ROE Application review process.

18.0 **Tomslake Gas Distribution System Information**

The Commission granted PNG(N.E.) a Certificate of Public Convenience and Necessity for the Tomslake gas distribution system under Order No. C-3-09, dated July 16, 2009 (the "CPCN Order"). The Commission directed PNG(N.E.) under the CPCN Order to file information with the Commission regarding the number of customers connecting to the system over the first four calendar years and a breakdown of the final costs of the Tomslake gas distribution system. PNG(N.E.) will copy BCOAPO and the Peace River Regional District with the information it files with the Commission pursuant to the CPCN Order.