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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-76-14**

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**Generic Cost of Capital Proceeding (Stage 2) Decision and Order G-47-14
Pacific Northern Gas (N.E.) Ltd. Fort St. John/Dawson Creek and Tumbler Ridge Divisions
Return on Equity and Capital Structure Compliance Filing and Approval of Permanent Rates**

BEFORE: D.A. Cote, Commissioner/Panel Chair
L.A. O'Hara, Commissioner
C. van Wermeskerken, Commissioner
June 12, 2014

O R D E R

WHEREAS:

- A. On December 10, 2012, the British Columbia Utilities Commission (Commission) issued Order G-187-12 in the Generic Cost of Capital (GCOC) Stage 1 proceeding, directing that the Return on Equity (ROE) and capital structure for all regulated entities in BC that rely on the benchmark utility to establish rates were to be maintained and made interim, effective January 1, 2013, pending a decision in Stage 2 of the proceeding;
- B. On May 10, 2013, the Commission issued its Decision and accompanying Order G-75-13 in the GCOC Stage 1 proceeding (Stage 1 Decision), setting for the benchmark utility, FortisBC Energy Inc. (FEI), the common equity component at 38.5 percent, and established an ROE at 8.75 percent effective January 1, 2013;
- C. On March 25, 2014, the Commission issued its Decision and its accompanying Order G-47-14 in the GCOC Stage 2 proceeding (Stage 2 Decision), establishing, among other things, effective January 1, 2013, the common equity component of the capital structure at 41.0 percent for the PNG (N.E.) Fort St. John/Dawson Creek (FSJ/DC) Divisions and at 46.5 percent for the Tumbler Ridge (TR) Division, and the equity risk premium over the Benchmark ROE of 50 basis points for FSJ/DC Divisions and of 75 basis points for TR Division;
- D. Directive 4 of Order G-47-14 directed PNG (N.E.) to file, within 40 days, a document setting out: (a) how and when it would implement the change to the capital structures for the FSJ/DC and TR Divisions; (b) the amended rate schedules in accordance with the Stage 2 Decision, as well as (c) a proposal on the treatment of the difference between the interim rates being charged to customers and the permanent rates established by the Stage 2 Decision;
- E. On May 5, 2014, PNG (N.E.) filed its compliance filing;
- F. In the compliance filing, PNG (N.E.) submits that it plans to implement the change to the capital structures of: (a) FSJ/DC during the second quarter of 2014 by injecting approximately \$1 million of equity to supplement the approximately \$0.2 million of new common equity that was required to fund growth capital; and (b) TR during the second quarter of 2014 by injecting approximately \$0.1 million of equity to comply with the Stage 2 Decision;

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2

- G. PNG (N.E.) proposes that the 2013 rates filed on October 23, 2013 pursuant to Commission Order G-131-13 and the accepted tariff pages be made permanent. PNG (N.E.) estimates that the net impact of the increase in the common equity component of the capital structure and the decrease in the ROE for the year 2013 is \$105,000 for FSJ/DC and \$6,000 for TR; these amounts represent an average refund owing to residential customers of less than \$4.00 and less than \$2.00 respectively for FSJ/DC and TR Divisions;
- H. PNG (N.E.) also indicates that as the proceeding on the 2014 Revenue Requirements Application (RRA) is in progress. PNG (N.E.) will be filing its 2014 Gas Tariff Rate Schedules to reflect the revised cost of capital as determined in the Stage 2 Decision in the schedules to be prepared for the 2014 RRA Negotiated Settlement Process and in the subsequent final Regulatory Schedules; and
- I. The Commission has reviewed the filing and determined that approval is warranted.

NOW THEREFORE pursuant to sections 59-61 of the *Utilities Commission Act*, the Commission orders as follows:

1. Pacific Northern Gas (N.E.) Ltd.'s proposal that its 2013 rates that were filed on October 23, 2013 pursuant to Order G-131-13 and acknowledged by the Commission on October 25, 2013 are made permanent.
2. The net impact effect arising from the Generic Cost of Capital Stage 2 Decision and the 2013 rates are to be recorded in a deferral account to be amortized, with the length of the amortization to be established as part of its 2014 Revenue Requirement Application Negotiated Settlement Process.
3. Incorporation of the impact of Pacific Northern Gas (N.E.) Ltd.'s 2014 rates in the schedules prepared for the Negotiated Settlement Process and in the subsequent final Regulatory Schedules.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of June 2014.

BY ORDER

Original signed by:

D.A. Cote
Commissioner/Panel Chair