



## BACKGROUND

Pacific Northern Gas Ltd. ("PNG") and Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] submitted a Rate Design Application (the "Application") dated July 6, 1995, to the British Columbia Utilities Commission (the "Commission"). Subsequently, the Commission held a public hearing into the Application from October 23 through October 25, 1995, followed by written argument. On December 15, 1995 the Commission issued its Decision (the "Decision") and Order No. G-106-95 on the Application.

## THE RECONSIDERATION APPLICATION

On February 1, 1996, Methanex Corporation ("Methanex") applied to the Commission under section 114 of the Utilities Commission Act, S.B.C, 1980, c. 60 (as amended), (the "Act") for Reconsideration (the "Reconsideration Application") of two aspects of the Decision with respect to the PNG - West Division, namely:

- The forecast volume of interruptible gas sales to Methanex used by the Commission. Methanex alleges that the forecast volume of interruptible gas sales used by the Commission in the rate design determination did not represent actual or anticipated volumes for 1995 and 1996.
- The decision of the Commission to combine firm and interruptible sales revenues in the revenue to cost ratio calculations.

On February 8, 1996, the Commission issued Order No. G-14-96 requesting Written Submissions on the Reconsideration Application from registered intervenors and other affected parties. The submissions were to address two preliminary points: whether there should be any reconsideration by the Commission and, if so, whether the Commission should allow the presentation of new evidence. The Order specified that Written Submissions were to be provided to the Commission and Methanex by February 23, 1996. Methanex was to provide Written Reply to the Commission by March 1, 1996.

## GUIDING PRINCIPLES FOR RECONSIDERATION

Subsection 114. (1) of the Act states:

"The commission may reconsider, vary or rescind a decision, order, rule or regulation made by it, and may rehear an application before deciding it."

Under section 114 of the Act the authority of the Commission to allow a reconsideration is discretionary. To determine if there is a reasonable basis to allow a reconsideration, the Commission assesses an application for reconsideration to determine if the applicant has demonstrated the existence, on a prima facie basis, of one or more of the following:

1. An error in fact or law;
2. A fundamental change in circumstance or facts since the decision in question;
3. A basic principle that had not been raised in the original proceedings; and
4. A new principle that has arisen as a result of the decision in question.

The Commission will exercise its discretion to reconsider in other situations, where it considers there to be just cause. However, the decision to allow a reconsideration is not taken lightly. The Commission's discretion to reconsider and vary a decision or order is applied with a view to ensuring there is consistency and predictability in the Commission's decision making.

For an application to proceed to a reconsideration hearing, the applicant alleging that an error has been made, is required through reference to the decision and through submissions and argument in support of the reconsideration application to meet the following criteria:

1. The claim of error appears to be substantiated on a prima facie basis; and
2. The error has significant material implications.

## **FINDINGS**

### Interruptible Gas Volumes

In its Reconsideration Application, Methanex claims that the Commission made an error in fact by using volumes of interruptible gas sales in the rate design determination that do not accurately reflect the actual or anticipated volumes for 1995 and 1996. The volume of interruptible gas sales the Commission used in the Decision was 3,298,806 GJ. This was the volume PNG used in its rate design study for the PNG - West Division. During the hearing, PNG provided a revised estimate for this volume of 1,250,000 GJ, as the quantity which would attract the delivery margin of \$0.22/GJ. Methanex submits that since the hearing there is new information to support the use of a lower figure for 1995 and to show that the trend towards

lower interruptible volumes is anticipated to continue for 1996. In argument, Methanex notes that the use of the higher figure in the Decision has resulted in higher rates for Methanex. The revision in volumes suggested by Methanex would affect the rates and the revenue to cost ratios for Methanex.

In its submission on the Reconsideration Application, PNG maintains that the Commission was aware that it was using forecast volumes that would be subject to variability. Consequently, the Commission did not make "an error in fact" nor has there been a "fundamental change in circumstances or facts" to require the use of the actual volume for 1995. For 1996 PNG provides a forecast of .021 PJ for interruptible sales to Methanex attracting the interruptible margin.

Inland Pacific Energy Services Limited responded to the Reconsideration Application on behalf of its clients, Eurocan Pulp and Paper Company and Skeena Cellulose Inc. (the "Mills"). The Mills consider that the hearing addressed all of the issues raised by Methanex but do not preclude a reconsideration request if a fundamental change affecting the viability of the applicant has occurred. The Mills are unable to determine at this time whether the reduced volumes are a short term condition or represent a more fundamental change. The Mills are also concerned about the costs and impacts on resources of recurring hearings.

Having reviewed the information contained in the Reconsideration Application, the submissions from PNG and the Mills, and reply argument from Methanex, the Commission finds that the applicant has established a sufficient basis to warrant a reconsideration of this aspect of the Decision. In making this determination the Commission gave particular consideration to the arguments about changes in facts or circumstances since the Decision especially as they relate to anticipated volumes for 1996. Moreover, these changes could have material implications for Methanex and other PNG - West Division customers.

In its submission, Methanex asks the Commission to allow the introduction of new evidence in support of its Reconsideration Application. PNG argues that new evidence on the actual or forecast volumes is not necessary because those facts are not in dispute. The Commission is of the view that further evidence is required to thoroughly canvass the issue in question. Therefore, the Commission will allow the introduction of new evidence on this aspect of the Decision.

#### Combining Firm and Interruptible to Achieve an Overall Revenue to Cost Ratio

Methanex submits that the Commission erred by combining firm and interruptible revenues and costs for the large industrial customers in the PNG - West Division. Methanex argues that interruptible revenue to cost ratios cannot be determined with certainty and that combining all costs and revenues in one ratio can lead to rates which give incorrect price signals.

Both PNG and the Mills argue that the Commission did not err in its Decision. They both maintain that this issue was addressed in the evidence presented at the hearing and that the Commission considered the Methanex argument in reaching its Decision.

The issues of whether separate firm and interruptible revenue to cost ratios or a combined ratio should be used, and the consequences of using one approach or the other were well canvassed in the evidence that the Commission reviewed in reaching its Decision.

The Commission denies the Methanex application for reconsideration of this aspect of the Decision.

## **OTHER ISSUES**

Two further issues have been raised in the filings of the Mills and Methanex which involve requests for reconsideration of other parts of the Decision.

In its submission the Mills asked that, if there is to be a reconsideration, the reconsideration also review other parts of the Decision with a direct impact on the Mills. However, the Mills did not provide further information in support of the request.

In reply argument, Methanex also identifies a further issue for reconsideration that has arisen since the filing of its original application. Methanex submits that the Commission should reopen its Decision with respect to the imputed value of service of \$0.42/GJ for valley gas sold to interruptible sales customers. To support its request Methanex cites information that has become available since the hearing.

The Commission has noted earlier in this decision that requests for reconsideration are evaluated against certain criteria before being allowed to proceed. The fact that reconsideration of a part of a decision is allowed does not automatically lead to the reconsideration of other parts of the Decision without sufficient justification that the parts in question also meet the criteria.

Before deciding whether either of these issues should be reconsidered, the Commission requires the requests to proceed through the reconsideration process and be evaluated against the usual criteria. In the case of the Mills this involves the submission of a more detailed application for reconsideration with the Commission. Once filed with the Commission, the applications will be circulated to other registered intervenors and affected parties for comment on whether there should be a reconsideration and, if so, whether the introduction of new evidence should be allowed. After receiving these comments and reply

from the Mills and Methanex, the Commission will evaluate the requests against the criteria contained in this decision.

## DECISION

In summary, the Commission allows the first part of the Methanex Reconsideration Application concerning the forecasting of the interruptible gas volumes to proceed to the next phase of the reconsideration. The Commission denies reconsideration of the second part of the Methanex Application involving the use of a combined revenue to cost ratio. The request to present new evidence on the matter being reconsidered is granted.

The next step in the reconsideration involves a re-examination of the actual and forecast interruptible gas volumes in an oral hearing to determine whether the Commission should vary this aspect of the Decision. A schedule for the hearing is included in Order No. G-26-96 which accompanies this Decision.

The supplementary requests for reconsideration must proceed through the reconsideration process and be evaluated against the criteria contained in this Decision. To avoid the possibility of more than one reconsideration hearing, the Commission requires the supplementary requests to be filed with the Commission by March 25, 1996. Submissions by other parties on the supplementary requests are to be provided to the Commission and other parties by April 9, 1996. Any reply from the Mills or Methanex is to be filed by April 12, 1996.

DATED at the City of Vancouver, in the Province of British Columbia, this                      day of March, 1996.

Lorna R. Barr  
Chair of the Division

Ken L. Hall, P.Eng.

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

An Application by Methanex Corporation  
for Reconsideration of the  
Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.  
December 15, 1995 Rate Design Decision and Commission Order No. G-106-95

**BEFORE:** L.R. Barr, Deputy Chairperson; and )  
K.L. Hall, Commissioner ) March 15, 1996

## ORDER

**WHEREAS:**

- A. On February 1, 1996 Methanex Corporation ("Methanex"), applied to the Commission pursuant to section 114 of the Utilities Commission Act ("the Act"), for a reconsideration (the "Methanex Reconsideration Application") of the Pacific Northern Gas Ltd. ("PNG") and Pacific Northern Gas (N.E.) Ltd. ["PNG(N.E.)"] Rate Design Decision dated December 15, 1995 (the "Decision") with respect to the following matters:
  - (i) The use of a forecast volume of interruptible gas sales to Methanex in the rate design determination which, according to Methanex, was not representative of actual or anticipated volumes for the years 1995 and 1996.
  - (ii) The Commission's Decision to combine firm and interruptible sales revenues in the revenue to cost ratio calculations; and
- B. On February 8, 1996 the Commission, by Order No. G-14-96, established a process for affected parties to file Written Submissions to address the preliminary questions of whether there should be any reconsideration and, if so, whether the Commission should hear new evidence; and
- C. On February 29, 1996, Eurocan Pulp and Paper Company and Skeena Cellulose Inc. (the "Mills") filed a submission which included a request for a reconsideration of other parts of the Decision which directly impact on the Mills; and
- D. On March 11, 1996, Methanex filed a reply submission which included a request for a reconsideration of the imputed value of service for interruptible sales gas which is purchased from PNG; and
- E. The Commission has considered the Methanex Reconsideration Application and the other submissions which it has received and, recognizing that it is desirable to avoid more than one reconsideration hearing, has determined that the following actions are required.

**NOW THEREFORE** the Commission orders as follows:

1. The Commission allows the first part of the Methanex Reconsideration Application concerning the forecasting of the interruptible Methanex volumes to proceed to the next phase of the reconsideration and denies the second part of the application concerning the use of a combined revenue to cost ratio. The request to present new evidence on the matter being reconsidered is granted.
2. Any party that intends to request a reconsideration on a matter ("supplementary matter") other than those raised in the Methanex Reconsideration Application is requested to file a submission ("Supplementary Reconsideration Application") by Monday, March 25, 1996 which identifies (or confirms) the subject of the request and provides evidence in support of the request. The Commission will distribute copies of any submissions it receives to Registered Intervenors in the PNG/PNG(N.E.) 1995 Cost of Service/Rate Design proceeding and to other affected parties.
3. Any Registered Intervenor in the PNG/PNG(N.E.) 1995 Cost of Service/Rate Design proceeding or any other affected party who wishes to comment on a Supplementary Reconsideration Application, is to file a Written Submission with the Commission Secretary and the party who filed the Application, by Tuesday, April 9, 1996. Written Submissions should address the following preliminary matters:
  - (i) Should there be a reconsideration of any of the supplementary matters by the Commission?
  - (ii) If there is to be a reconsideration of supplementary matters, should the Commission hear new evidence?
4. Parties who filed Supplementary Reconsideration Applications are to file with the Commission Secretary, no later than Friday, April 12, 1996, a written reply to any written submissions which they receive.
5. The Commission will issue its decision by Wednesday, April 24, 1996 regarding which, if any, of the matters that were raised in the Supplementary Reconsideration Applications will proceed to the next phase of the reconsideration and whether new evidence will be heard on such matters. The Commission will also publish a Reconsideration Intervenor List for the reconsideration proceeding.
6. The oral public hearing to present and examine evidence on the forecasting of the interruptible Methanex volumes and on other matters arising from Supplementary Reconsideration Applications which the Commission approves to proceed to the next phase of the reconsideration, will commence at 9:00 a.m. on Friday, May 31, 1996, in the Commission Hearing Room, 6th Floor, 900 Howe Street, Vancouver, B.C.
7. Methanex, or any party who raised a matter in a Supplementary Reconsideration Application which has been approved for reconsideration, is to file any additional written evidence upon which it will rely by Wednesday, May 1, 1996.
8. All parties intending to apply for Participant Funding for the Reconsideration hearing should file a budget consistent with the Commission's Guidelines outlined in Order No. G-117-93, by Wednesday, May 1, 1996.
9. Reconsideration Intervenors intending to make requests for additional information should do so by Monday, May 6, 1996. Information Requests made by May 6, 1996 shall be responded to on or before Monday, May 13, 1996.

10. Reconsideration Intervenors intending to file written evidence must do so with the Commission and other Reconsideration Intervenors by Friday, May 17, 1996. Any Information Requests regarding such written evidence should be made by Thursday, May 23, 1996. Information Requests made by May 23, 1996 shall be responded to by Monday, May 27, 1996.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of March, 1996.

BY ORDER

*Original signed  
by Author*

Lorna R. Barr  
Deputy Chairperson