



IN THE MATTER OF

An Application by Methanex Corporation
for Reconsideration of the

**PACIFIC NORTHERN GAS LTD.
PACIFIC NORTHERN GAS (N.E.) LTD.**

1995 Rate Design Decision

RECONSIDERATION

DECISION: Phase I

MARCH 15, 1996

SUPPLEMENT

APRIL 23, 1996

BEFORE:

Lorna R. Barr, Chair of the Division
Ken L. Hall, P.Eng., Commissioner

BACKGROUND

Pacific Northern Gas Limited ("PNG") and Pacific Northern Gas (N.E.) Limited ["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.

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

On February 8, 1996, the Commission issued Order No. G-14-96 asking for written submissions on the reconsideration application from registered intervenors and other affected parties. 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.

In the written submissions for the February 1, 1996 reconsideration application, Methanex and Inland Pacific Energy Services Limited on behalf of its clients, Eurocan Pulp and Paper Company and Skeena Cellulose Inc. (the "Mills"), raised further issues for reconsideration.

On March 15, 1996 the Commission issued its Reconsideration Decision: Phase I (the "Phase I Decision") and Order No. G-26-96 on the Methanex reconsideration application. In that Decision, the Commission required that the supplementary issues for reconsideration proceed through the reconsideration process and be evaluated against the usual criteria.

SUPPLEMENTARY RECONSIDERATION APPLICATIONS

By Order No. G-26-96 the Commission requested the submission or confirmation of any supplementary reconsideration applications by March 25, 1996.

By letter dated March 25, 1996, Methanex confirmed that it wished its supplementary reconsideration application, as set out in its March 11, 1996 filing, to proceed. The Commission did not receive any other supplementary reconsideration applications.

As established in Order No. G-26-96, the Commission circulated the supplementary reconsideration application information submitted by Methanex to interested parties. Written submissions from interested parties were to be filed with the Commission by April 9, 1996. The submissions were to address two preliminary points: whether there should be any reconsideration of the supplementary issues by the Commission and, if so, whether the Commission should allow the presentation of new evidence. Parties who filed an application for the reconsideration of supplementary issues were to file any written reply to the submissions by April 12, 1996.

No submissions on Methanex's supplementary reconsideration application were received.

GUIDING PRINCIPLES FOR RECONSIDERATION

The guiding principles for reconsideration are presented in the Phase I Decision to which this Decision becomes a supplement.

THE SUPPLEMENTARY RECONSIDERATION APPLICATION

In its supplementary reconsideration application, Methanex applied to the Commission for reconsideration of another aspect of the Decision with respect to the PNG - West Division. The Methanex application concerns the value of \$0.42/GJ which the Decision determined as the imputed value of service for valley gas that is sold to interruptible sales customers of PNG. Methanex submits that new evidence has become available since the Decision which indicates that the \$0.42/GJ imputed value of service for interruptible sales to Methanex is excessive. In support of its application, Methanex states that PNG, in its application to the Commission for approval of its 1996 Off-System Sales Incentive Program ("OSIP"), indicates that PNG anticipates an average net unit revenue of \$0.176/GJ from the sale of valley gas on the (off-system) spot market under the 1996 OSIP. Furthermore, the OSIP proposal anticipates that the net return actually received for the gas sold on the off-system spot market would be the amount credited to the firm customers. Methanex maintains that this proposal by PNG is essentially what Methanex proposed with respect to on-system sales of valley gas at the October, 1995 hearing, and contradicts the rationale that was put forward previously by PNG for establishing an imputed value for interruptible service.

In the absence of submissions from other parties on this issue, and having evaluated the supplementary reconsideration application against the criteria for reconsideration, the Commission finds that the applicant has established a sufficient basis to warrant a reconsideration of this aspect of the Decision. The Commission expects that the particular value which was determined for valley gas that is sold to

interruptible sales customers, and also the methodology that is appropriate for calculating and recovering the value of this gas for firm sales customers, will be addressed as a part of the reconsideration.

In its submission Methanex asks the Commission to allow the introduction of new evidence in support of its supplementary reconsideration application. The Commission grants the request for the introduction of new evidence on the issue in question.

DECISION

In summary, the Commission allows the Methanex supplementary reconsideration application concerning the imputed value of service for valley gas that is sold to interruptible sales customers to proceed to the next phase of the reconsideration. The request to present new evidence on the matter being reconsidered is granted.

As established previously by Order No. G-26-96, this supplementary reconsideration matter will become part of the oral public hearing on May 31, 1996. Order No. G-26-96 also sets out the schedule for submissions and information requests on the matters that are being reconsidered. This Order is attached as an Appendix to Order No. G-37-96 which accompanies this Supplement to the Phase I Decision.

DATED in the City of Vancouver, in the Province of British Columbia this 23rd day of April, 1996.



Lorna R. Barr
Chair of the Division



Ken L. Hall, P.Eng.
Commissioner



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) April 23, 1996

O R D E R

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"); and
- B. 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 impacts on the Mills; and
- C. On March 11, 1996 Methanex filed a 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. On March 15, 1996 the Commission issued its Reconsideration Decision: Phase I and Order No. G-26-96 which allowed 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 established an oral public hearing for May 31, 1996, and denied the second part of the application concerning the use of a combined revenue to cost ratio; and
- F. The Reconsideration Decision and Order No. G-26-96 also requested the submission or confirmation of any supplementary reconsideration applications by March 25, 1996 and established a schedule for submissions commenting on whether the matters raised in such applications should proceed to reconsideration; and
- G. By letter dated March 25, 1996 Methanex confirmed its March 11, 1996 submission; and
- H. The Commission has not received any other supplementary reconsideration applications or comments on the Methanex supplementary application; and
- I. The Commission has considered the March 11, 1996 Methanex supplementary reconsideration application.

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-37-96

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NOW THEREFORE the Commission orders as follows:

1. The Commission allows the Methanex supplementary reconsideration application, regarding the imputed value of service for interruptible sales gas which is purchased from PNG, to proceed to the next phase of the reconsideration. Reconsideration of the matter will include the methodology that is appropriate for calculating and recovering the value of this gas for firm sales customers. The request to present new evidence on the matter being reconsidered is granted.
2. As set out in Order No. G-26-96, which is attached as Appendix I to this Order, the oral public hearing to present and examine evidence on the forecasting of the interruptible Methanex volumes and on the imputed value of service for interruptible sales gas, 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. Order No. G-26-96 also sets out the schedule for submissions and information requests on the matters that are being considered.

DATED at the City of Vancouver, in the Province of British Columbia, this 23rd day of April, 1996.

BY ORDER



Lorna R. Barr
Deputy Chairperson

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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-26-96

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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

O R D E R

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.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

ORDER
NUMBER.....G-26-96.....

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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.

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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



Lorna R. Barr
Deputy Chairperson