IN THE MATTER OF THE UTILITIES
COMMISSION ACT, SBC 1980, c. 60

and

IN THE MATTER OF APPLICATIONS BY
VANCOUVER ISLAND GAS COMPANY LTD.

DECISION

February 19, 1982

Before M. Taylor, Chairman and J.D.V. Newlands, Commissioner
and Deputy Chairman

The Applications of Vancouver Island Gas Company Ltd. dated May 7, 1981 and July 20, 1981 to amend its filed tariffs was heard on September 15, 1981 in Nanaimo, British Columbia.

The Division of the Commission comprised M. Taylor, Chairman, and J.D.V. Newlands, Commissioner and Deputy Chairman.

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APPEARANCES

D. FARQUHAR	Commission Counsel
R.B. WALLACE	for Applicant, Vancouver Island Gas Company Ltd.
HEARING SECRETARY	W.R. Harper
COMMISSION STAFF	R.J. Fletcher W.J. Krampl J.A. Hodson
COURT REPORTER	Allwest Reporting Ltd.

LIST OF EXHIBITS

<u>LIST OF EXHIBITS</u>
(con't)

I. INTRODUCTION

This Decision deals with the Applications by Vancouver Island Gas Company Ltd. (hereinafter referred to as "Vigas" or "the Applicant") dated May 7, 1981 for an interim increase and July 20, 1981 for permanent rate relief.

The Commission by Order No. G-45-81 dated June 30, 1981 authorized a 19.16 cents/Ccf interim increase effective June 1, 1981. This interim rate relief, which was granted subject to refund with interest at 15% per annum, represented approximately 67% of the ultimate permanent relief sought.

By this Order, the Commission also set down the above Applications for public hearing commencing in Nanaimo, British Columbia on September 15, 1981, with direction to Vigas that each customer be sent a copy of the Notice of Hearing. Final responses to outstanding information requests were provided to the Commission on December 18, 1981.

By letter dated July 23, 1981, Vigas made Application for approval of a special tariff rate for the supply of gas service to Malaspina College Vocational School on an interruptible basis. By letter dated October 16, 1981, Application was made for approval of a special tariff rate for the supply of interruptible gas service to Nelson's Laundry. By letter dated October 30, 1981, Application was made for approval of an accelerated depreciation rate relative to certain plant assets associated with expansion in the vicinity of the Woodgrove Shopping Centre. These Applications are dealt with in this Decision.

The Applicant was incorporated in 1955 as a gas distribution company. In 1956, a franchise agreement was negotiated with the City of Nanaimo, enabling the Company to operate a butane-air system within the city boundaries. This agreement was renewed for a further 20 years in 1974. In 1980, a propane-air mix was substituted for the butane-air mix, as approved by the Commission.

Vigas is owned as to 92.7% by Fort St. John Petroleums Ltd., with ultimate control vested in Inter-City Gas Corporation Ltd. of Winnipeg. Major financing is by way of loans and advances from the Applicant's parent and affiliated companies, and a bank line of credit secured by a general assignment of book debts and a first floating charge against the assets of the company.

The Applicant in presenting its case was represented by R.B. Callow, Vice President and General Manager of ICG Utilities (Plains-Western) Ltd., supported by D.G. Olsen, General Manager and J. McCartan, Office Manager.

In addition, the Applicant was represented by H.M. Kast, Director, Rate Administration and P.D. Zarnett, Coordinator, Rate Administration, both of ICG Utilities Ltd., and D.R. Bolster, an economist and consultant with Foster Associates, Inc., who gave evidence as to financing and rate of return.

II. TEST PERIOD

The Applicant based its request for permanent rate relief on a forecast test year ending December 31, 1981, which coincides with the Applicant's fiscal year. The test year included plant expenditures, revenues and expenses relative to expansion to the Woodgrove Shopping Centre.

The Commission considers as appropriate the use of a forecast test year in view of the continued inflationary pressures and changing operating conditions of the utility.

It may be in the public interest to have future applications based on a completely forecast test period, rather than on a partially actual and partially forecast test year. This approach would provide customers with more stablility in rates, enhance the ability of the Company to achieve its allowed rate of return, and act to reduce costs by extending the period of time between rate hearings.

III. RATE BASE

(a) Woodgrove Facilities

The material in support of the main filing included annualized revenue and expenses relative to the Woodgrove expansion. In view of the substantial increase in plant in service relative to the existing plant in service, Vigas was requested to file a revision to reflect the entire cost of expansion in rate base. The Commission is of the opinion that proper matching should be facilitated and has therefore included the mid-year value of the required additional plant.

(b) Accelerated Depreciation

The Applicant provided for accelerated depreciation of 20% on certain plant assets associated with the Woodgrove expansion on the basis that natural gas would be available in the area within five years, rendering these assets obsolete. No similar adjustment was made for existing assets which will also become obsolete with the possible advent of natural gas.

As no date has been established for the delivery of natural gas to Vancouver Island communities, the Commission has taken the position to deny the Application of October 30, 1981 for approval of the accelerated depreciation rate, and has decreased rate base in the amount of $4,847 to reflect normal depreciation. Should natural gas be available in Nanaimo, it is expected that obsolete assets will be treated as extraordinary retirements as provided in the Uniform System of Accounts Prescribed for Gas Utilities and amortized to operations over an appropriate period of time.

IV. REVENUE AND COST OF SERVICE

(a) Revenue

The Commission considered the Applications for approval of special tariff rates to cover the supply of gas service to Malaspina College Vocational School and to Nelson's Laundry, and found that a positive contribution would be made to the net revenues of the utility. It is evident that, due to the interruptible nature of these loads, off-peak service can be provided at reasonable cost. The

Commission therefore approves the Applications of July 23 and October 16, 1981, and has adjusted the Application to take into account the net annual effect of these special tariff rates.

(b) Cost of Service

(i) Maintenance Expense - Distribution Mains and Services

The Applicant's 1981 forecast included an amount of $75,500 relating to Maintenance Expenses - Distribution Mains and Services. The Commission believes that a more reasonable position would be to estimate the 1981 amount by including the balance of unamortized leak investigation costs, forecasted 1981 inflation, plus a maintenance provision of 2.2% on the cost of new mains and services. The Commission has therefore reduced this forecasted expense category by $27,648.

(ii) Maintenance Expense - Distribution Meters, and Other Distribution Expense

The Commission has adopted a similar methodology with regard to these expense categories and reduced the forecasted expenditures by $2,360 and $2,870 respectively.

(iii) Charges to Special Projects

The Applicant has included an increase in Administrative and General Expenses of $11,500 as a result of the Woodgrove project. The Commission believes that the Applicant has not sufficiently demonstrated the need for this increased expenditure and has therefore disallowed this amount in its entirety.

(iv) Operating Expenses - Other Distribution

The Applicant included an amount of $8,000 in 1981 test year expenses to cover the cost of a leak survey. The evidence indicates that a leak survey is usually conducted every five years. The Commission has therefore reduced the test year expense to $1,600 to reflect a five year amortization.

(v) Operating Expense - Service on Customers' Premises

In Exhibit 9, the Applicant indicated service work revenues would decline from a 1980 amount of $24,200 to $22,100 for 1981. In Exhibit 6, the related expenditures are shown to increase from $31,300 in 1980 to $36,800 in 1981. The Commission considers costs and revenues to be related, and has therefore reduced costs associated with service work revenues to $28,577.

(vi) Inter-Company Charges

The utility has been reliant for a number of years on management services provided by its parent company and this arrangement has been accepted in previous Commission Decisions.

The Applicant's current level of inter-corporate charges are indicated on Exhibit 13 of the proceedings and are included as Schedule V in this Decision. Essentially Vigas is charged $12,000 for data processing, office services, personnel, safety, payroll and corporate management. It is also charged $33,000 for accounting and administration and $59,000 for general rate administration exclusive of costs incurred regarding this Application.

The concern of the Commission centres on the amount of the inter-corporate charges in relation to amounts charged in previous years. The Commission recognises the desire of the Applicant to provide the most efficient service to the customers and is aware that inter-corporate costs are difficult to substantiate in rate proceedings. However the Commission must make some judgement as to what it believes is the level of cost necessary to provide the required level of service. It also must consider the relationship of current costs to those considered adequate in previous years. For these reasons the Commission has disallowed costs to the amount of $41,100.

The Commission believes that combining the operations of the British Columbia companies into a separate division may well act to reduce overall administrative costs.

(vii) Rate Hearing Costs

In the "undertakings arising from Hearing", Tab 9, the Applicant has indicated that the cost of this rate application amounted to $45,876. This amount compares to rate hearing costs of $15,530 expended on the previous hearing, occurring in 1980.

The Commission regularly monitors expenditures on rate hearing costs to determine whether in its view they represent fairly costs that are necessary for the Applicant to put forward its point of view. In its review the Commission normally takes into account such matters as the size of the Applicant, the complexity of the issues, the appropriateness of the data provided, and the frequency of hearings.

For this rate case the Commission has determined the disposition of rate hearing costs to be as follows:

(a) The 1980 hearing costs of $15,530 are to be amortized equally over a two year period commencing in 1980. However, as the final rates are not to be effective until 1982 the Commission has not taken these costs into account in the cost of service.

(b) Rate Administration Department costs of $29,809 are to be excluded from rate base and amortized over a 10 year period.

(c) The balance of $14,067 is to be amortized over two years commencing in 1981.

(viii) Organization Costs

Historically the Company has deferred in its accounts certain charges related to organization costs and has amortized these when related revenues are earned. In this Application the utility has proposed an accelerated amortization period of 10 years. The Commission finds the former amortization policy to represent a more reasonable matching of costs and revenues and consequently has made an adjustment to reflect the former policy in the test year.

(ix) Depreciation Expense

The Commission has increased depreciation expense by $9,694 to take into account additional depreciation associated with the inclusion of the Woodgrove plant.

V. OTHER MATTERS

(a) Account Codes and Depreciation Rates

During the proceedings, questions were raised as to whether or not the Company operates its accounts in conformity with the Uniform System of Accounts for Gas Utilities as prescribed by the Commission. Questions were also raised as to the correctness of the depreciation rates being applied. As a result the Applicant undertook to appoint an independent financial consultant to examine these matters. The Consultant's report indicated that, while Vigas does not operate its accounts in strict conformity with the Uniform System of Accounts, the differences do not appear to affect the validity of the financial or operating statements of the Company. The report also stated that the depreciation rates used by the Applicant are in accordance with the rates prescribed by the Commission.

The Company has made an undertaking, which the Commission accepts, to bring its accounting into full conformity with the Uniform System of Accounts and to file a complete code of accounts incorporating a fourth digit to provide for the subdivision of the prime accounts for management purposes.

(b) Overhead Capitalization

The utility's capitalization policy comprises the capitalization of actual labour costs incurred on capital projects together with an allocation of 15% of company direct construction labour to match the associated administrative and general costs. The Commission is of the opinion that a study should be performed by the Applicant to substantiate the appropriate overhead allocation. Such a study should include reference to the capitalization of administrative costs associated with the use of contractors.

VI. CAPITAL STRUCTURE FOR REGULATORY PURPOSES

The Applicant's long term debt is primarily in the form of advances from its parent, and, in consideration of overall risk, the Applicant's financial witness found its actual capital structure and the capital structure of the parent to be inappropriate.

The Applicant submitted a capital structure analysis of several representative United States and Canadian utilities which indicated that a 58% debt component at an embedded cost of 10.6% would be appropriate for this utility. The Commission has adopted the proposed embedded cost and regulatory capital structure on the basis that it reflects the appropriate risk profile of the utility.

VII. RETURN ON EQUITY

Using both the Comparable Earnings and Discounted Cash Flow methods, the Applicant's financial witness found a return of 16.5% to 17% to be appropriate. The Commission concurs and has adopted the proposed return in this Decision.

VIII. RATES

The rates proposed by the Applicant in Exhibit 6 were designed to recover a revenue deficiency of $562,000, on a before tax basis or $.2392/Ccf. Commission adjustments have reduced this amount to $440,943, or $.1877/Ccf, excluding Malaspina Community College and Nelson's Laundry volumes and revenues. The Commission therefore finds the interim rates to be just and reasonable, confirms the interim rates, but denies the Application for further permanent relief.

IX. TARIFF MATTERS

(a) Guarantee Deposit (Original Page 3)

The current provision for interest thereon is no longer appropriate. The Commission believes the following is appropriate and applicable:

"The Company shall pay interest on guarantee deposits at a rate equivalent to the current savings account interest rate employed by the Company's principal bank in the Company's service area as at the date of payment to the consumer. Such interest shall be credited annually to the Consumer's billing account in the month of January."

(b) Moving Meters (Original Page 5)

The Applicant is directed to delete the current reference stating that the Company shall be entitled to make a reasonable charge for moving meters and replace it with provisions establishing a definite dollar amount.

(c) Bank Charges (New)

When customers' cheques are returned by banks for reasons beyond the control of the Company, any bank charge arising from the return will be charged to the customer.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of February, 1982.

M. Taylor

M. Taylor, Chairman

J.D.V. Newlands, Commissioner
and Deputy Chairman

ORDER NUMBER G-21-82

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

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

and

IN THE MATTER OF an Application by Vancouver Island Gas Company Ltd.

BEFORE:	M. Taylor, Chairman; and J.D.V. Newlands, Commissioner	February 19, 1982

O R D E R

WHEREAS Vancouver Island Gas Company Ltd. ("Vigas") applied May 7, 1981 for interim rate relief and July 20, 1981 for permanent rate relief; and

WHEREAS Commission Order No. G-45-81 authorized interim rate relief effective June 1, 1981 with the interim increase subject to refund with interest at 15% per annum; and

WHEREAS Commission Order No. G-45-81 also established September 15, 1981 as the date of commencement for public hearing of the Application at Nanaimo, B.C.; and

WHEREAS the Application was subsequently heard in public at Nanaimo, B.C. on September 15, 1981; and

WHEREAS the Commission has considered the Application and evidence adduced thereon, together with a final submission dated December 18, 1981 all as set forth in a Decision issued concurrently with this Order.

.../2

NOW THEREFORE the Commission hereby orders Vancouver Island Gas Company Ltd. as follows:

1. The Rate Base for the 1981 Test Year is approximately $2,330,000.
2. The total Cost of Service for the 1981 Test Year is approximately $2,600,000.
3. The Commission will accept for filing effective with consumption on and after February 1, 1982, subject to timely filing, amended Tariff Rate Schedules which will permit Vigas to generate the annual gross revenue requirement of approximately $2,600,000 as set out in Schedule II of the Commission Decision dated February 19, 1982. The amended Tariff Rate Schedules will be designed in accordance with the terms contained in the Commission Decision and a reconciliation schedule must be filed concurrently.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of February, 1982.

BY ORDER

M. Taylor

Chairman

SCHEDULE I

VANCOUVER ISLAND GAS COMPANY LTD.

Rate Base - 1981 Forecast

	Per Application Exhibit 6	Applicants Adjustments Exhibit 11	Final Application		Commission Adjustments	Final Adjusted Balance
Gross Plant in Service December 31, 1981	$2,992,700	-	$2,992,700	(g)	$(18,756)	$2,973,944
Accumulated Depreciation December 31, 1981	680,800	-	680,800	(a)	9,694	690,494
Net Plant in Service December 31, 1981	2,311,900	-	2,311,900		(28,450)	2,283,450
Gross Plant in Service December 31, 1980	2,241,800	-	2,241,800	(b)	367,200	2,609,000
Accumulated Depreciation December 31, 1980	622,400	-	622,400		-	622,400
Net Plant in Service December 31, 1980	1,619,400	-	1,619,400	(c)	367,200 (100)	1,986,600
Net Plant in Service, Mid-Year	1,965,700	-	1,965,700		169,325	2,135,025
Organization Costs, Mid-Year	32,100	-	32,100	(d)	1,501	33,601
Leak Investigation and Repair Costs, Mid-Year	2,700	-	2,700		-	2,700
Unamortized Rate Hearing Costs, Mid-Year	15,900	$ (200)	15,700	(e)	(12,183)	3,517
Unamortized Conversion Costs, Mid-Year	20,500	-	20,500		-	20,500
Customer Contributions, Mid-Year	(29,600)	-	(29,600)		-	(29,600)
Leak Survey Costs, Mid-Year	-	-	-	(f)	3,200	3,200
Sub total	2,007,300	(200)	2,007,100		161,843	2,168,943
Working Capital						
- Cash Expenses	135,300	-	135,300		-	135,300
- Inventories, Materials	30,200	-	30,200		-	30,200
- Inventories, Gas	43,200	-	43,200		-	43,200
- Customer Deposits	(50,500)	-	(50,500)		-	(50,500)
	158,200	-	158,200		-	158,200
Rate Base	$2,165,500	$ (200)	$2,165,300		$161,843	$2,327,143

VANCOUVER ISLAND GAS COMPANY LTD.

Notes to Schedule I

(a) To reflect normal depreciation on Woodgrove facilities:

Annual depreciation	$9,694
Mid-year reserve	$4,847

(b) To add Woodgrove facilities at December 31, 1980:

Woodgrove facilities	$367,200
Mid-year increase in Plant in Service	$183,600

(c) Rounding adjustment to balance.

(d) To adjust Organization Costs, Mid-Year:

Balance, December 31, 1980	$33,811
Amortization, 1981	420
	$33,391
Mid-year balance	$33,601
Per Application	32,100
Increase in Rate Base	$ 1,501

(e) To adjust Mid-year Unamortized Rate Hearing Costs:

Balance, December 31, 1980	$ -
1981 Costs, per Decision	14,067
1981 Amortization	7,034
Balance, December 31,1981	7,033
Mid-year balance	3,517
Balance per Revision 2, Exhibit 11	15,700
Decrease in Rate Base	$(12,183)

(f) To set up Leak Survey Costs as a deferred charge:

Balance, December 31, 1980	$ -
1981 Costs	8,000
1981 Amortization	1,600
Balance, December 31, 1981	$ 6,400
Mid-year balance	$ 3,200

(g) Adjustments to Inter-company Charges - Main Filing, Exhibit 6:

Estimated Rate Administration Department Hearing Costs	$11,000
Corporate Costs disallowed per Decision	12,100
Engineering Costs disallowed per Decision	29,000
	52,100
Capitalized - 36% - Reduction in Plant in Service	(18,756)
Expensed - Reduction in Cost of Service	$(33,344)

VANCOUVER ISLAND GAS COMPANY LTD.

Utility Income and Earned Return
1981 Forecast

	Per Application Exhibit 6	Applicants Adjustments Exhibit 11	Final Application	Commission Adjustments	Final Adjusted Balance
Sales Revenue	$2,564,500	$ 5,300	$2,569,800	(a) $ 56,800	
				(b) 52,315	
				(j) (121,057)	$2,557,858
Other Revenue	47,700	-	47,700	-	47,700
Total Revenue	2,612,200	5,300	2,617,500	(11,942)	2,605,558
				(a) 45,300	
Cost of Gas	1,477,700	-	1,477,700	(b) 44,082	1,567,082
Gross Margin	1,134,500	5,300	1,139,800	(101,324)	1,038,476
Operating and Maintenance Expenses	589,900	5,300	595,200	(a) 2,600	
				(b) 1,745	
				(c) (7,111)	
				(d) (27,648)	
				(e) (5,230)	
				(f) (11,500)	
				(g) (8,223)	
				(h) (33,344)	506,489
Property and Other Taxes	127,300	-	127,300	(a) 1,700	
				(b) 1,523	
				(j) (3,353)	127,170
Depreciation	58,400	-	58,400	(i) 9,694	68,094
Total Utility Operating Expenses	775,600	-	780,900	(79,147)	701,753
Utility Operating Income	358,900	-	358,900	(22,177)	336,723
Income Taxes	72,000	-	72,000	(43,623)	28,377
Earned Return	$ 286,900	$ -	$ 286,900	$ 21,446	$ 308,346
Rate Base	$2,165,500	$ (200)	$2,165,300	$161,843	$2,327,143
Rate of Return on Rate Base	13.25%		13.25%		13.25%

VANCOUVER ISLAND GAS COMPANY LTD.

Notes to Schedule II

(a) Additional revenue and expense re Malaspina College Vocational School special contract - Revision 2, Exhibit 11:

Sales Revenue	$56,800
Cost of Gas	45,300
Operating and Maintenance	2,600
Franchise Tax	1,700

(b) Additional revenue and expense re Nelson's Laundry:

Sales Revenue	61,000 Ccf x $.85763	$52,315
Cost of Gas	61,000 Ccf x $.72266	44,082
Operating and Maintenance	61,000 Ccf x $.11 x .26	1,745
Franchise Tax	61,000 Ccf x $.02497	1,523

(c) Adjustments to amortization expense:

		Adjustments
Organization Expense per Reply to Information Request No. 16, Exhibit 9	$ 3,381	
Allowed	420	$(2,961)
Amortization of Rate Hearing Costs per Note (e) to Schedule I	$ 7,034	
Amortization of Rate Administration Department costs per Decision ($29,809 x .10)	2,981	
	10,015	
Amortization per Revision 2, Exhibit 11	15,765	(5,750)
Amortization of Leak Survey Costs per Note (f) to Schedule I		1,600
Net Adjustment		$(7,111)

VANCOUVER ISLAND GAS COMPANY LTD.

Notes to Schedule II (cont'd)

(d) Adjustment to Maintenance Expense - Distribution Mains and Services:

1980 Expense - Main Filing - Exhibit 6	$54,700
1980 Amortization - Leak Investigation	23,000
	31,700
Inflation @10.5%	3,328
Woodgrove Maintenance	2,900
Other Mains and Services Maintenance ($210,200 x .022)	4,624
1981 Amortization - Leak Investigation	5,300
	47,852
Per Revision 2, Exhibit 11	75,500
Reduction in Maintenance Expense	$(27,648)

(e) Adjustments to Maintenance Expense - Distribution Meters, and Other Distribution Expense:

	Maintenance Expense Distribution Meters	Other Distribution Expense	
1980 Expense - Main Filing, Exhibit 6	$8,000	$6,000	
Inflation @10.5%	840	630	
	8,840	6,630	
Per Main Filing, Exhibit 6	11,200	9,500	
Reduction in Expense	$(2,360)	$(2,870)	$(5,230)

(f) Deletion of Charges to Special Projects - $11,500.

(g) Adjustment of Operating Expense - Service on Customers' Premises:

Service Work Revenues - Reply to Information Request #13 - Exhibit 9	1980	$24,200
	1981	22,100
Reduction		$ 2,100
Reduction percent		8.7%

VANCOVER ISLAND GAS COMPANY LTD.

Notes to Schedule II (cont'd)

Service Work Expense - 1980 -	
Main Filing, Exhibit 6	$31,300
8.7% Reduction	2,723
	28,577
Service Work Expense - 1981 -	
Main Filing, Exhibit 6	36,800
Reduction in Expense	$(8,223)

(h) Reduction to Inter-Company charges per Note (g) to Schedule I $(33,344)

(i) Depreciation on Woodgrove facilities per Note (a) to Schedule I.

(j) Adjustment to produce required return.

SCHEDULE III

VANCOUVER ISLAND GAS COMPANY LTD.

Income Taxes
1981 Forecast

	Per Application Exhibit 6	Applicants Adjustments Exhibit 11	Final Application	Commission Adjustments	Final Adjusted Balance
Utility Operating Income	$358,900	-	$358,900	(a)$(22,177)	$336,723
Add: Depreciation Expense	58,400	-	58,400	(b) 9,694	68,094
Amortization of Deferreds	29,400	-	29,400	(c) (7,111)	22,289
	446,700	-	446,700	(19,594)	427,106
Less: Capital Cost Allowance	(176,700)	-	(176,700)	-	(176,700)
Inventory Allowance - 3%	(3,000)	-	(3,000)	-	(3,000)
Debt Interest	(133,200)	$ 100	(133,100)	(d) (9,973)	(143,073)
Current year expenditures on Deferreds	-	-	-	(e) (51,588)	(51,588)
	(312,900)	100	(312,800)	(61,561)	(374,361)
Taxable Income	$133,800	$ 100	$133,900	$(81,115)	$ 52,745
Income Tax Thereon					
- Federal @36%	$ 48,200		$48,200	$(29,212)	$ 18,988
- Surtax @5%	2,400		2,400	(1,450)	950
- Provincial @16%	21,400		21,400	(12,961)	8,439
Total Income Taxes	$ 72,000		$ 72,000	$(43,623)	$ 28,377

VANCOUVER ISLAND GAS COMPANY LTD.

Notes to Schedule III

(e) To deduct current year expenditures on deferreds on the same basis as the amortization of Rate Hearing Costs

Current year expenditures:		
Rate hearing costs	$14,067	
Rate Administration		
Department costs	29,809	
Conversion costs	51,300	
Leak Survey	8,000	
	$103,176	x 50% = $51,588

(a) Adjustment per Schedule II.

(b) Adjustment per Note (i) to Schedule II.

(c) Adjustment per Note (c) to Schedule II.

(d) 10.6% x 58% x $2,327,143 = $143,073

Final Application	133,100
Adjustment	$(9,973)

SCHEDULE IV

VANCOUVER ISLAND GAS COMPANY LTD.

Return on Capital
1981 Forecast

	Per Application Exibit 6	Commission Adjustments	Final Adjusted Balance	% of Capital Structure	Embedded Cost %	Cost Component %
Debt	$1,255,874	$ 93,869	$1,349,743	58.0	10.6	6.15
Common Equity	909,426	67,974	977,400	42.0	16.9	7.10
TOTAL	$2,165,300	$161,843	$2,327,143	100.0		13.25

VANCOUVER ISLAND GAS CO[MPANY LTD.]

FLOW OF INTER-COMPANY CHARGES

(Expressed in $'000)

INTER-CITY GAS CORPORATION

Corporate Office

Total: $6,527

By Department	$3,029	$1,970	$1,038	$294	$196
Departments	Corporate Management	Data Processing	Personnel	Payroll	Marketing
Direct Costs: Amount	$130	$872	$140	$0	$0
General Costs: Allocation	Time Sheet	CPU & Time Sheet	Time Sheet	Number of Employees	Time Sheet
Amount	$247	$12	$117	$28	$196

Total: $1,742

ICG UTILITIES LTD.

Utility Division $5,101

Total: $6,843

Departments	Corporate Office	Accounting & Administration	Rate Administration	Engineering
Direct Costs: Amount	$1,142	$637	$34	$2,705
General Costs: Allocation	Customers	Time	Time	Time
Amount	$600	$642	$433	$650
Allocated to Vancouver Island Gas Co.				
Direct	0	15	2	48
General	12	18	20	11
Total	12	33	22	59

Total: 126