

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

and

IN THE MATTER OF APPLICATIONS BY
ICG UTILITIES (BRITISH COLUMBIA) LTD.

DECISION

February 19, 1982

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

The Applications of ICG Utilities (British Columbia) Ltd. dated May 7, 1981 and July 13, 1981 to amend its filed tariffs was heard on September 17, 1981 in Port Alice, 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, ICG Utilities
(British Columbia) Ltd.

HEARING SECRETARY

W.R. Harper

COMMISSION STAFF

W.J. Krampl
J.A. Hodson

COURT REPORTER

Allwest Reporting Ltd.

LIST OF EXHIBITS

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I. INTRODUCTION

This Decision deals with the Applications by ICG Utilities (British Columbia) Ltd. (hereinafter referred to as "ICG" or "the Applicant") dated May 7, 1981 for an interim rate increase and dated July 13, 1981 for a permanent rate increase.

By Order No. G-44-81 dated June 30, 1981, the Commission authorized a 50.388 cents/Ccf interim increase effective June 1, 1981. This interim rate increase, which was granted subject to refund with interest at 15% per annum, was approximately 71% of the ultimate permanent relief sought.

By this Order, the Commission also set down the above Applications for public hearing commencing in Port Alice, British Columbia on September 17, 1981, with direction to ICG that each customer be sent a copy of the Notice of Hearing. Final responses to outstanding information requests were received by the Commission on December 8, 1981.

The Applicant (formerly Rockgas Utilities Ltd.) operates under a Certificate of Public Convenience and Necessity dated December 30, 1965 and serves the Town of Port Alice on Vancouver Island.

The Applicant is a wholly-owned subsidiary of ICG Utilities Ltd., formerly Great Northern Gas Utilities Ltd., which in turn is a wholly-owned subsidiary of Inter-City Gas Corporation of Winnipeg.

The Applicant is financed by way of long term inter-company advances from its parent at a rate of interest of 6 1/4%.

These advances have no fixed term of repayment and are limited to a total of \$130,000 outstanding at any given time. At December 31, 1979 advances from ICG Utilities Ltd. totalled \$109,000. For the purposes of calculating the utility's return on equity in the 1975 Decision, the Commission used the actual debt/equity structure of the utility. Inter-company advances with no fixed repayment terms were treated as long term debt.

The Applicant in presenting its case was represented by R.B. Callow, Vice President and General Manager of ICG Utilities (Plains-Western) Ltd., as policy witness, supported by D.G. Olsen, General Manager of the Applicant and Vancouver Island Gas Company Ltd. (Vigas) and J. McCartan, Office Manager of Vancouver Island Gas Company Ltd..

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.

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.

By letter dated August 31, 1981, the Company submitted a revised Application to reflect several minor adjustments to the 1980 and 1981 schedules, and during the course of the proceedings, a further revision was filed to combine the interim and main Applications.

III. RATE BASE

After minor adjustments, the Company presented a rate base amounting to \$151,000. The Commission finds the Applicant's rate base to be reasonable and has made no adjustments in the Decision.

IV. CAPITAL STRUCTURE FOR REGULATORY PURPOSES AND RETURN ON EQUITY

In the interest of economy, the Applicant did not call an external financial witness, but consulted with the financial witness for the associated companies to establish its capital structure and return on equity. The Applicant's negative common equity precludes the use of its actual position to arrive at a rate of return. The use of the parent Company's debt-equity ratio is also considered inappropriate due to the diversified nature of its business activities.

Due to the business risk inherent in the operation of this Applicant the Commission accepts the 50/50 capitalization proposed, and the proposed return of 18% on equity, which, with a 6.25% cost of debt, equates to a 12.125% return on rate base.

V. RATES AND COST OF SERVICE

In Exhibit 6, the Applicant requested a permanent rate increase to cover a before tax revenue deficiency of \$73,500, or 70.531¢/Ccf. The Commission, by Order No. G-44-81 approved an interim increase, subject to refund, of 50.388¢/Ccf.

In its considerations in this Decision the Commission has taken into account the interventions of Mr. L. Loraas and Mr. D. Edwards, residents of Port Alice and customers of the Applicant. Both intervenors pointed out that the Applicant's rate schedule relative to alternate fuels will induce customers to convert to competing fuels. The Commission acknowledges the situation but at the same time is aware that the major cost factor of the Applicant is the cost of purchased propane and associated taxes. However, this is a cost over which the Applicant has no control.

Some discussion occurred at the hearing concerning the venting of the Applicant's propane from the trucks of an associated Company. The Commission understands that regulations require such a procedure prior to the repairing of vehicles. The Commission acknowledges the intervenor's concern but would emphasize that the utility's management must observe the required safety standards. The Commission will continue to monitor the incidence of gas losses.

Administration and operating functions are performed for the Applicant by Vigas. Accordingly, Commission comments in the Vigas Decision dated February 19, 1982 relative to Account Codes, Application Preparation, Cost Projections and Overhead Capitalization apply equally to this utility.

The Commission has examined the cost of service of the Applicant and finds it to be appropriate in relation to the operation of the utility. The Commission is aware of the magnitude of the requested increase but is nevertheless obliged to confirm the existing interim rates as just and reasonable, and finds that the Applicant is entitled to recover the requested permanent increase over and above the existing

interim rates, of 20.143¢/Ccf. The approved rates which will provide the requested return on equity, are to be effective, upon timely filing, with consumption on and after February 1, 1982.

VI. TARIFF MATTERS

The Commission is concerned about the current state of the Applicant's filed tariff. As a result, the Applicant is directed to address the following, and file with the Commission as soon as possible the necessary revisions:

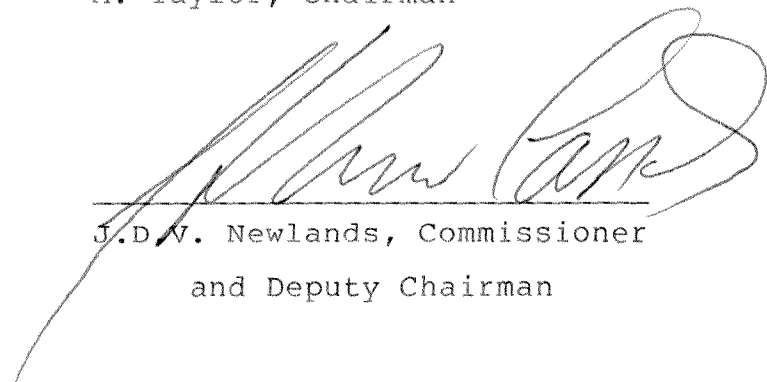
- (a) The Tariff shall be reviewed and revised for presentation in the format approved by the Commission. This will necessitate the inclusion of an index and definitions, and where applicable, all references should be to the Utilities Commission Act. The arrangement of material forming the Tariff should provide for three basic elements:
 - 1. Terms and Conditions, referring to specified matters and requirements related to the service offered.
 - 2. Rate Schedules.
 - 3. Tariff Supplements (if applicable) to include any and all special contracts for service.
- (b) Specific reference is made to the following matters:
 - 1. A contract is mentioned several times within the existing tariff, but is not described as to content. This is to be clarified.

2. The terms of payment are to be made more specific.,
3. Interest to be paid on guarantee deposits is to be changed to provide payment at the current savings account interest rate employed by the Company's principal bank as at the date of payment to the consumer.

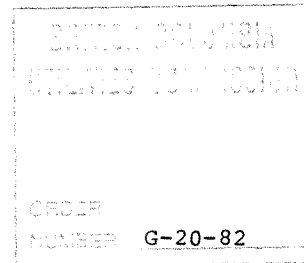
DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of February, 1982.



M. Taylor, Chairman



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



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
ICG Utilities (British Columbia) Ltd.

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

O R D E R

WHEREAS ICG Utilities (British Columbia) Ltd.
("ICG") applied May 7, 1981 for interim rate relief and
July 13, 1981 for permanent rate relief; and

WHEREAS Commission Order No. G-44-81 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-44-81 also
established September 17, 1981 as the date of commencement for
public hearing of the Application; and

WHEREAS the Application was subsequently heard in
public at Port Alice on September 17, 1981; and

WHEREAS the Commission has considered the
Applications and evidence adduced thereon, together with a
final submission dated December 8, 1981 all as set forth in a
Decision issued concurrently with this Order.

.../2

NOW THEREFORE the Commission hereby orders
ICG Utilities (British Columbia) Ltd. as follows:

1. The Rate Base for the 1981 Test Year is approximately \$151,000.
2. The total Cost of Service for the 1981 Test Year is approximately \$297,000.
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 ICG to generate the annual gross revenue requirement of approximately \$297,000 as set out in Exhibit 8 of the Application dated July 13, 1981. 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



Chairman