



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-80-87

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

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

and

IN THE MATTER OF Applications by
Inland Natural Gas Co. Ltd.

BEFORE: J.D.V. Newlands,)
Deputy Chairman; and) December 11, 1987
N. Martin,)
Commissioner)

O R D E R

WHEREAS on June 18, 1985 Inland Natural Gas Co. Ltd. ("Inland") submitted an Application concerning Rate Design embodying proposals to "close" certain existing rate schedules and create new rate schedules; the shifting of costs of service from industrial customers to residential and commercial customers; procedures to be used in amending Inland's Tariff Schedules; and

WHEREAS on September 27, 1985 Inland filed preliminary Transportation Rate Schedules 15 and 16 which the Commission by Order No. G-97-85 accepted for filing, on an interim basis effective October 11, 1985; and

WHEREAS on October 31, 1985 Inland filed a supplement to the June, 1985 Application which, among other matters, introduced Schedule 6 as a means of defense against the conversion of sawmill operators from gas to woodwaste, and to develop new markets; and

WHEREAS on December 20, 1985, by Order No. G-97-85, the Commission required Inland to remove from Tariff Rate Schedules 15 and 16 any and all references to Net Income Indemnification; effective on and after February 1, 1986; and

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WHEREAS on June 30, 1986 Inland filed further revisions to previous filings of June and October, 1985; and

WHEREAS on July 29, 1986 by Order No. G-46-86 the Commission established November 3, 1986 as the commencement date for the public hearing of Inland's Rate Design Application; and

WHEREAS on October 28, 1986 because of new amended tolls for Westcoast Transmission Company, Limited ("Westcoast") as determined by the National Energy Board ("N.E.B."), and amended natural gas field prices in British Columbia, both effective November 1, 1986, the Commission by Order No. G-60-86 postponed the hearing commencement from November 3, 1986 to February 24, 1987; and

WHEREAS because of continuing requests for consideration of various other concerns involving Transportation Service, by Industrial customers served by Inland, and by producers of natural gas, the Commission ordered a Pre-hearing Conference in December, 1986 to seek clarification of the issues; and

WHEREAS on December 18, 1986 by Order No. G-85-86 the Commission declared that the Rate Design hearing was to be segmented into two phases as follows:

Phase 1, Transportation Tariffs,
to commence on February 10, 1987;
Phase 2, Rate Design to commence
on March 3, 1987; and

WHEREAS on January 16 and 23, 1987 Inland filed Volumes A and B to further revise its Application as a result of deregulation and changing energy prices, noting that Volumes A and B essentially replaced all previously-filed material; and

WHEREAS because intensive negotiations between Inland and interested parties continued apace, March 3, 1987 was established as the new commencement date of Phase 1 (Transportation Tariffs) of proceedings related to Rate Design; and

WHEREAS on March 3, 1987 Inland further updated its Application by introducing 17 points for consideration; and

WHEREAS following two weeks of hearing at Prince George and Kelowna it was determined appropriate to adjourn the proceedings to permit further intensive negotiations to continue, with the hearing to resume at Vancouver on May 19, 1987 until June 3, 1987; and

WHEREAS the Commission issued its Decision on Transportation matters on June 17, 1987; and

WHEREAS on June 22, 1987 Phase 2 of the Rate Design proceedings, concerned primarily with the appropriate method of determining customer rates, commenced at Kelowna, B.C.; and

WHEREAS the Rate Design proceedings considered the adjustments occurring in the market-place as a result of the impact of deregulation of the natural gas industry in recognition of competition, and the appropriate redistribution among customer classes resulting from recognition of the cost to the utility of providing such gas service; and

WHEREAS during the aforementioned proceedings which concluded on July 20, 1987 the matter of the propriety of permitting Industrial customers to construct and operate pipeline facilities which would effectively duplicate and bypass existing pipeline facilities operated by Inland was considered; and

WHEREAS by letter dated October 9, 1987 the Commission responded to Inland concerning Applications for approval of Letters of Intent between Inland and Prince George Pulp and Paper Limited ("PGPP") and Husky Oil Operations Ltd. ("Husky"), respectively, advising that negotiated rates for industrial customers are desirable for those customers with a bypass option, and stating that it approves only the first year rates under Appendix "A" (revised) of the Applications as above-noted; also drawing attention to the potential for a re-entry fee to be applicable to Transportation Service customers wishing to return to sales service; and

WHEREAS by letter dated October 20, 1987 the Commission responded to Mr. R.B. Wallace, acting on behalf of PGPP and Husky, advising that, within the restrictions of the Utilities Commission Act, the Commission responds in the affirmative to each of the following questions:

1. Does this Commission, in approving the Inland agreements, accept the principle that the rates negotiated by Inland should be based on the bypass costs in 1987/88, being the time the bypass line would have been constructed were that alternative taken, and not subject to revision from time to time?
2. Does this Commission accept the principle that incremental rate adjustments through the years should be based upon the cost increments that PGPP and Husky would have experienced over time had they constructed a bypass in 1987/88?

WHEREAS a public hearing of a bypass Application by Northwood Pulp and Timber Limited was heard by Commissioner Vernon Millard during September, 1987 with a Report and Recommendations thereon submitted to the Lieutenant Governor in Council on October 22, 1987; and

ORDER

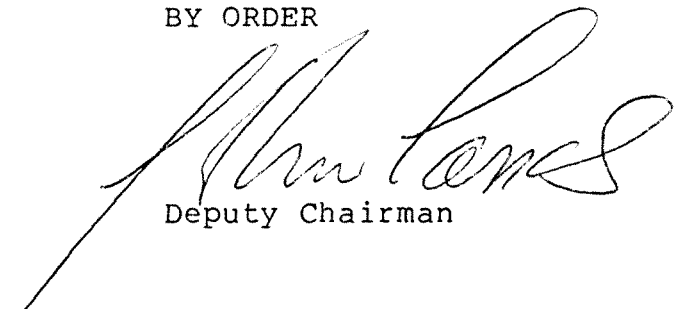
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WHEREAS the Commission has considered the Applications by Inland for Transportation Tariffs and for Rate Design and the evidence adduced thereon during the public hearing of the said Applications all as set forth in a Decision issued concurrently with this Order.

NOW THEREFORE the Commission orders Inland Natural Gas Co. Ltd. to comply with the several directions of the Commission appearing in the Decision issued concurrently with this Order, with rate changes to be effective with consumption on and after November 1, 1987.

DATED at the City of Vancouver, in the Province of British Columbia, this 11TH day of December, 1987.

BY ORDER



Deputy Chairman