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BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-120-93

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

and

Application by BC Gas Utility Ltd.

BEFORE: M.K. Jaccard, Chairperson; and ) December 9, 1993  
K.L. Hall, Commissioner )

**ORDER**

**WHEREAS:**

- A. On November 22, 1993 BC Gas Utility Ltd. ("BCGUL") filed with the Commission an application based on a two-year test period to increase rates on an interim and permanent basis to the captive rates of customers in the Lower Mainland, Inland and Columbia Divisions effective January 1, 1994 and a further increase effective January 1, 1995 ("the Application") pursuant to Sections 64, 67 and 106 of the Utilities Commission Act ("the Act"); and
- B. The Application requested the Commission to approve an increase of 9.21 percent on the gross margin of all captive rate schedules (equivalent to an average of 3.63 percent on general revenue), and the operation of a Revenue Stabilization Adjustment Mechanism ("RSAM") effective January 1, 1994. The Application further requested an increase of 13.69 percent on gross margin (equivalent to 5.73 percent on general revenue), effective January 1, 1995; and
- C. BCGUL stated in its Application that, in order to avoid a significant shortfall in revenues during 1994 and not to jeopardize its financial integrity, the interim rate increase is required to become effective commencing January 1, 1994; and
- D. BCGUL calculated its required January 1, 1994 interim and permanent rate increases which are based on a proposed 33 percent common equity component of its capital structure and a 12.25 percent return on common equity which was awarded as a result of the last revenue requirements hearing ; and
- E. The Commission considered that since the withdrawal of the 1993 BCGUL Application on May 18, 1993 which was approved by Order No. G-33-93; interest rates in general have declined and the yields on the Government of Canada Long Bonds have declined by approximately 0.70 percent; and
- F. The Commission has reviewed the Application and is satisfied that approval of an interim rate increase, less than that requested by the Applicant, is appropriate.

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

1. The Commission approves for BCGUL an interim rate increase of 6.26 percent on the gross margin revenue of the captive rate schedules (equivalent to an average of 2.47 percent on general revenue) effective January 1, 1994 for the Lower Mainland, Inland and Columbia Divisions, subject to refund with interest calculated at the average prime rate of the principal bank with which BCGUL conducts its business.
2. The interim increase has been adjusted downward incorporating a rate of return on common equity of 11.20 percent by the Commission to reflect a general decline in interest rates and the reduced yield on the Government of Canada Long Bonds from the time of the withdrawal of the BCGUL 1993 Application in May, 1993 to the date of this Order. The lower return on common equity for interim increase purposes does not prejudice BCGUL's case for a permanent increase.
3. The interim increase of 6.26 percent on the gross margin revenue shall be collected in accordance with the Application except that for residential and commercial customers, the increase shall be collected through increases to the delivery charges only.
4. The request for interim approval of a RSAM is approved effective January 1, 1994.
5. The Commission requests submissions from all interested parties before January 5, 1994 with respect to the holding of a separate joint hearing to deal with the rates of return on common equity for both BCGUL and Pacific Northern Gas Ltd. The matter of a public hearing or the use of an Alternate Dispute Resolution into the disposition of the Application will be the subject of a further Order of the Commission.
6. BCGUL, is to inform customers, in its next regular billing cycles, of the interim rate increase effective January 1, 1994, and of the effect on monthly gas bills along with reasons for the increased rates. BCGUL will also publish an appropriate notice in the business section of both The Vancouver Sun and The Province newspapers as well as in local papers in its service areas before December 31, 1993.
7. The Commission will accept, subject to timely filing, amended Gas Tariff Rate Schedules in accordance with the terms of this Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of December, 1993.

BY ORDER



Dr. M.K. Jaccard  
Chair