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

and

An Application by BC Gas Utility Ltd.
for Approval of an Increase in 1995 Revenue Requirements

BEFORE: M.K. Jaccard, Chairperson; and)
K.L. Hall, Commissioner) December 15, 1994

O R D E R

WHEREAS:

- A. On December 9, 1994 BC Gas Utility Ltd. ("BC Gas") applied to the Commission for approval to amend its Gas Tariff Rate Schedules in its Lower Mainland, Inland and Columbia Divisions effective January 1, 1995; and
- B. In the Application, BC Gas estimated that it will incur a \$40.4 million revenue deficiency in its 1995 fiscal year, which is equivalent to a rate increase of 5.73 percent on total revenue or 14.77 percent on gross margin of captive rates. Of the above amount, \$36.8 million relates to the core market customers. In accordance with direction contained in the Phase 1 Decision dated June 16, 1994, this deficiency is proposed to be first offset by \$19 million drawn from the Lower Mainland/Inland Gas Cost Reconciliation Account ("GCRA") credit and \$0.5 million from the Columbia GCRA - \$19.5 million in total in excess of a \$5 million buffer. The balance of \$17.3 million is further offset by the cost of gas flow-through reduction of \$18.3 million as determined in Order No. G-98-94. The latter is made up of \$18.9 million in gas cost reduction to Lower Mainland/Inland customers and \$0.6 million increase to Columbia customers. As a result, most Lower Mainland/Inland customer rates will be relatively the same as in 1994 due to a cost of gas reduction and withdrawal from the GCRA. However, Columbia has a revenue deficiency of \$0.5 million and a cost of gas increase of \$0.6 million for a total of \$1.1 million. Columbia's residential and commercial customers will be charged rate increases ranging from 7.1 percent to 17.3 percent. After the proposed rate changes, the Columbia residential winter rates are still lower than the Lower Mainland/Inland rates by 8.5 percent and 1.3 percent respectively; and


- C. BC Gas also attributed part of the revenue deficiency to an increase in the 1995 Rate of Return on Common Equity as authorized by the Commission's Return on Equity ("ROE") Decision which was confirmed on December 2, 1994 by Letter No. L-39-94; and
- D. The Commission has reviewed the Application and finds that approval is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves for BC Gas rate changes that will recover a revenue deficiency of \$40.4 million which includes additional revenue required from the ROE Decision, the draw down of the GCRA and the amortization of the following deferral accounts:
 - Residential Programmable Thermostat Pilot Program (Order No. G-77-94);
 - BC 21 Power Smart Program (Order No. G-87-94);
 - the Off-System Sales Coordination Centre (Order No. G-90-94); and
 - the unbudgeted B.C. Hydro / BC Gas Service Agreements (subject to future adjustment and approval by the Commission).
2. The Commission approves the offset of \$19.5 million from the GCRA for the Lower Mainland and Inland Divisions and will allow the Columbia Division GCRA to run into a negative balance of up to \$200,000.
3. The Commission approves the discontinuation of Riders 3, 4, and 5 in the Gas Tariff Rate Schedules effective January 1, 1995.
4. BC Gas, by way of customer notice, is to provide all customers with an explanation for the changes to Gas Tariff Rate Schedules effective January 1, 1995.
5. 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 20th day of December, 1994.

BY ORDER


Dr. Mark K. Jaccard
Chairperson