



BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-4-94

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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. and  
An Application by West Kootenay Power Ltd. and  
An Application by Pacific Northern Gas Ltd.

BEFORE: M.K. Jaccard, Chairperson; and )  
K.L. Hall, Commissioner ) January 20, 1994

O R D E R

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 rates of captive customers in the Lower Mainland, Inland and Columbia Divisions by 9.21 percent on a gross margin basis effective January 1, 1994 and a further increase of 13.69 percent on a gross margin basis effective January 1, 1995 ("the Application") pursuant to Sections 64, 67 and 106 of the Utilities Commission Act ("the Act"); and
- B. The Application calculated the utility's required January 1, 1994 interim and permanent rate increases 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
- C. By Order No. G-120-93, the Commission approved an interim increase which had been adjusted downward to incorporate a rate of return on common equity of 11.20 percent 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 the Order; and
- D. On November 30, 1993 West Kootenay Power Ltd. ("WKP") filed with the Commission, pursuant to Sections 67 and 106 of the Act, an Application requesting a Commission Order granting an interim refundable rate increase of 7.6 percent uniformly to all classes of service effective with consumption on and after January 1, 1994 along with a further increase of 5.6 percent on January 1, 1995 ("the Rate Application"); and

- E. WKP's Application calculated its required January 1, 1994 interim increase based on a proposed 44.04 percent common equity component of its capital structure and an 11.5 percent return on common equity; and
- F. By Order No. G-125-93 the Commission approved for WKP an interim rate increase to all customers of 5.7 percent that reflected a return on equity of 11.2 percent and a deemed capital structure of 39 percent. The interim increase has been adjusted downward by the Commission to reflect a general decline in interest rates and the reduced yields on the Government of Canada Long Bonds from the date of the 1993 Commission Decision on WKP's 1993 Revenue Requirements and the date of this Order, and the targeted mid-year 1994 capital structure of 39 percent common equity determined by Order No. G-41-93; and
- G. On December 2, 1993 Pacific Northern Gas Ltd. ("PNG") applied to the Commission for approval to amend its Gas Tariff rate schedules on an interim and permanent basis by 6.66 percent on a gross margin basis effective January 1, 1994 ("the Application") pursuant to Sections 64 and 101 of the Act; and
- H. PNG calculated its required interim and permanent 1994 rate increases based on a proposed 13.25 percent return on common equity, which was awarded as a result of the last revenue requirements hearing, and a common equity component of 31.41 percent; and
- I. By Order No. G-121-93 the Commission approved for PNG an interim rate increase of 4.36 percent on gross margin that included a rate of return on common equity of 12.20 percent to reflect a general decline in interest rates and the yields on Government of Canada Long Bonds; and
- J. The Commission advised BCGUL, WKP and PNG ("the Utilities") that the lower return on common equity for interim increase purposes does not prejudice the Utilities' case in the permanent applications for revenue requirements; and
- K. By Order No. G-121-93 the Commission requested 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 ("ROE") for both PNG and BCGUL; and

- L. On January 14, 1994, a pre-hearing conference was held with interested parties who expressed the view that a joint ROE hearing would be beneficial; and
- M. Known Intervenors to the WKP Application were notified of the pre-hearing conference; and
- N. WKP asked the Commission to be included in the joint ROE hearing.

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

1. A public hearing will be held into the appropriate rates of return on common equity (ROE) and capital structure for the Utilities commencing at 8:30 a.m., Tuesday, April 5, 1994 in the Commission's Hearing Room, Sixth Floor, 900 Howe Street, Vancouver, B.C.
2. The Commission also wishes to hear evidence on future processes or mechanisms that may be employed to improve the determination of ROE and capital structures for the Utilities in future years.
3. The Utilities will arrange for publication in display-ad format, not later than Friday, February 4, 1994, of a Notice of Public Hearing in the business sections of The Vancouver Sun, The Province and such other appropriate local news publications in the service areas of each Utility so as to provide adequate notice to the public.
4. The Utilities are to file with the Commission, not later than Wednesday, February 9, 1994, any additional prepared testimony and supplemental material, including material concerning future processes or mechanisms that may be employed to improve the determination of ROE and capital structures in future years, upon which they intend to rely.
5. All interested parties who wish to participate in the hearing or act as Intervenors should give written notice of intention to do so to the Commission Secretary and to the Utilities by Friday, February 11, 1994. Such notice should state the nature of the interest in the proceeding. Questions regarding the above should be directed in writing to the Commission Secretary at Box 250, 900 Howe Street, Vancouver, B.C. V6Z 2N3, or by telephone to Mr. Robert J. Pellatt, Commission Secretary or Ms. Deborah Emes, Manager, Strategic Services at (604)-660-4700 or B.C. Toll Free 1-800-663-1385. The Commission can also be reached on the Government Electronic Mail System ("GEMS") at RPELLAT @ BCSC or, on the Internet at RPELLAT @ VAXBCSC.GOV.BC.CA

6. A Pre-hearing conference is established for Monday, February 14, 1994 to discuss phasing and other issues related to the provision of evidence at the hearing.
7. All parties intending to apply for Participant Funding must file a budget consistent with the Commission's Guidelines outlined in Commission Order No. G-117-93 by Monday, February 14, 1994.
8. Registered Intervenors and Interested Parties intending to make requests for additional information from the Utilities should do so by Monday, February 21, 1994. Information Requests made by February 21, 1994 shall be responded to by the Utilities on or before Monday, March 14, 1994.
9. Registered Intervenors intending to file written evidence pertaining to these matters must do so with the Commission and the Utilities by Monday, February 28, 1994.

DATED at the City of Vancouver, in the Province of British Columbia, this 21<sup>st</sup> day of January 1994.

BY ORDER



Dr. Mark K. Jaccard  
Chairperson