



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER **G-115-98**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by BC Gas Utility Ltd.
for Approval of Rate Changes effective January 1, 1999

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Deputy Chair)
F.C. Leighton, Commissioner) December 17, 1998
K.L. Hall, Commissioner)
P.G. Bradley, Commissioner)

O R D E R

WHEREAS:

- A. The Commission, by Order No. G-85-97, approved the terms of the BC Gas Utility Ltd. ("BC Gas") July 4, 1997 Settlement Agreement, as revised by its Consolidated Settlement Document, setting up a rate adjustment mechanism for a three-year test period beginning January 1, 1998; and
- B. On October 29, 1998, BC Gas filed its Revised Target Costs and Revenues for 1999 in accordance with the Settlement Agreement. The material provided projected 1998 results for the incentive mechanisms (Capital, Demand-Side Management, and Earnings Sharing) and forecasts for 1999, showing a revenue requirement increase of \$12.7 million (1.67 percent) before adjustment for 1999 gas costs and the allowed Return on Equity; and
- C. An Annual Review was held on November 19, 1998 in Vancouver, B.C., pursuant to Order No. G-88-98; and
- D. On December 3, 1998, BC Gas filed updated Revised Targets for its 1999 Revenue Requirements responding to issues raised at the Annual Review and incorporating the 9.25 percent return on equity, approved by Commission Letter No. L-89-98, for BC Gas for the calendar year 1999 ("the 1999 Revenue Requirements Application"). The updated material reduced the revenue requirement increase to \$0.938 million, equivalent to a 0.12 percent increase in revenues, effective January 1, 1999; and
- E. Intervenors and participants in the Annual Review were given until December 8, 1998 to make submissions on the material, after which time the Commission would make its decision on the 1999 Revenue Requirements Application. The British Columbia Public Interest Advocacy Centre was the only party to make a submission; and
- F. On December 14, 1998, BC Gas applied for approval to flow through gas purchase cost changes for the 1999 calendar year under its approved gas supply portfolio for the Lower Mainland, Inland and Columbia Divisions ("the Cost of Gas Application"). The Cost of Gas Application provided an analysis of BC Gas' projected gas costs for 1999, and indicated approximately a 14 percent total increase in typical residential annual bills, and 14 to 21 percent increases to other rate classes; and

- G. The Cost of Gas Application also provided a sensitivity analysis of gas cost increases for 1999 based on several forecasts of gas prices for 1999. BC Gas' "Low Case" gas cost scenario projected an average bill increase to residential customers of 11 to 12 percent, and increases of 11 to 16 percent for other rate classes; and
- H. In the Cost of Gas Application, BC Gas projected the Gas Cost Reconciliation Account ("GCRA") to have a credit balance of \$14.4 million at the end of 1998; and
- I. The Commission recognizes that there is considerable uncertainty with respect to forecasts of gas prices for 1999 and that actual costs for 1999 may be lower than the costs BC Gas used to calculate its proposed rates for 1999; and
- J. The differences between the gas cost forecast upon which rates are based and the actual cost of gas will accumulate in the GCRA, and, if actual and forecast gas costs diverge significantly, BC Gas may apply for a rate change during 1999; and
- K. The Commission has reviewed the Applications and is satisfied that approval of the rate changes in the December 3, 1998 filing, and of gas cost changes based on the "Low Case" gas cost scenario in the Cost of Gas Application, is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

1. Changes to BC Gas' Gas Tariff Rate Schedules, to reflect the following rate changes, are approved effective January 1, 1999, for the Lower Mainland, Inland and Columbia service areas:
 - the 1999 Revenue Requirements Application resulting from the Annual Review,
 - gas cost recovery charges that are calculated using the "Low Case" gas cost forecast scenario, as set out in the Cost of Gas Application, and
 - refund of the entire end-of-1998 credit balances in the GCRA and GCRA interest accounts in 1999 rates.
2. BC Gas, by way of a Customer Notice, is to provide all affected customers with an explanation of the rate changes. BC Gas is to provide the Commission with a detailed breakdown of the rate changes by each customer class rate schedule, on a cost per gigajoule basis, and showing the bill impacts for the average consumption for each class.
3. 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 22nd day of December, 1998.

BY ORDER

Original signed by:

Peter Ostergaard
Chair