



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, 2000

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Deputy Chair)
P.G. Bradley, Commissioner)
B.L. Clemenhagen, Commissioner) December 16, 1999
K.L. Hall, Commissioner)
F.C. Leighton, 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, 1999, BC Gas filed its Revised Target Costs and Revenues for 2000 in accordance with the Settlement Agreement, projecting 1999 results for the incentive mechanisms (Capital, Demand-Side Management, and Earnings Sharing) and forecasts for 2000 to be included in 2000 rates. Supplementary material for the Annual Review was filed on November 18, 1999; and
- C. An Annual Review was held on November 19, 1999 in Vancouver, B.C., pursuant to Order No. G-106-99; and
- D. On December 3, 1999, BC Gas filed updated Revised Targets for its 2000 Revenue Requirements responding to issues raised at the Annual Review and incorporating the approved 9.50 percent return on equity for BC Gas for the calendar year 2000 ("the 2000 Revenue Requirements Application"). The updated financial schedules in Tab 4 added the impact of a two-year Gas Cost Reconciliation Account ("GCRA") amortization period, resulting in a revenue deficiency of \$7.1 million, equivalent to a 0.80 percent increase in rates, effective January 1, 2000; and

- E. Intervenors and participants in the Annual Review were given until December 14, 1999 to make submissions on the material, after which time the Commission would make its decision on the 2000 Revenue Requirements Application. The British Columbia Public Interest Advocacy Centre was the only party to make a submission by the deadline date; and
- F. On December 14, 1999, BC Gas applied for approval to flow through gas purchase cost changes for the 2000 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 requested approval of rates to recover BC Gas’ projected gas costs for 2000 under its Base Case forecast; and
- G. In the Cost of Gas Application, BC Gas projected the GCRA to have a debit balance (amount to be recovered) of \$39 million at the end of 1999 and requested approval to recover this amount in rates over 2000; and
- H. The rates resulting from the December 3, 1999 revenue requirement filing, plus the requested gas cost and GCRA recovery increases, resulted in approximately a 10 percent total increase in typical residential annual bills, and 10 to 16 percent increases to other rate classes; and
- I. The Cost of Gas Application also provided a sensitivity analysis of gas cost increases for 2000 based on a Low Case forecast of gas prices for 2000. BC Gas’ Low Case gas cost scenario projected an average bill increase to residential customers of 9 percent, and increases of 9 to 15 percent for other rate classes; and
- J. Recovery of the GCRA debit balance over two years has the effect of reducing the increase in 2000 to typical residential bills by approximately 2 percentage points; and
- K. The Commission recognizes that there is considerable uncertainty with respect to forecasting gas prices for 2000. Differences between the revenue that is generated by the gas commodity portion of rates and the actual cost of gas will accumulate in the GCRA; and
- L. The Commission has reviewed the Applications and is satisfied that approval of the delivery charge rate changes in Tab 4 of the December 3, 1999 filing, and the gas cost changes under the Low Case gas cost scenario in the December 14, 1999 Cost of Gas Application with a 2-year recovery of the GCRA debit balance, 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, 2000, for the Lower Mainland, Inland and Columbia service areas:
 - the December 3, 1999 Revenue Requirements Application, as adjusted for a two-year Gas Cost Reconciliation Account amortization (Tab 4);
 - refinement to the Category A Capital Incentive Mechanism as filed November 18, 1999, for mains and service lines only; and
 - gas cost recovery charges calculated using the Low Case gas cost forecast scenario, as set out in the December 14, 1999 Cost of Gas Application, except that the Gas Cost Reconciliation Account Riders will be recalculated so as to recover in 2000 one-half of the Gas Cost Reconciliation Account debit balance at the end of 1999.
2. A Core Market Administration Costs budget of \$1,546,000 is approved for 2000.
3. BC Gas, by way of a Customer Notice, is to provide all customers with an explanation of the rate changes. BC Gas is to provide the Commission with a final draft customer notice for each Division prior to publication. BC Gas is also to provide the Commission with a detailed breakdown of the rate changes by each customer class rate schedule and service area, on a cost per gigajoule basis, and show the bill impacts for the average annual consumption for each class.
4. The Commission will accept, subject to timely filing, amended Gas Tariff Rate Schedules in accordance with the terms of this Order.
5. BC Gas is directed to file an updated Price Risk Management Plan by January 25, 2000.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of December 1999.

BY ORDER

Original signed by:

Peter Ostergaard
Chair