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

and

An Application by Pacific Northern Gas Ltd.
for Approval of Gas Supply Charges and
Deferral Account Rate Rider effective January 1, 2001

BEFORE: P. Ostergaard, Chair)
B.L. Clemenhagen, Commissioner)
K.L. Hall, Commissioner) December 20, 2000
N.F. Nicholls, Commissioner)

O R D E R

WHEREAS:

- A. On September 28, 2000, Pacific Northern Gas Ltd. ("PNG") applied to the Commission for interim and permanent rates effective October 1, 2000 and January 1, 2001 for customers in the PNG-West service area (the "Application"); and
- B. Commission Order No. G-94-00, dated October 6, 2000, approved rates for PNG effective October 1, 2000 that are interim, and subject to refund with interest; and
- C. On December 8, 2000, PNG revised the Application to flow through projected higher natural gas purchase costs for 2001 under the approved gas supply contracts for the service area, based on November 23, 2000 forward gas prices for 2001 that averaged US\$5.47/MMBtu at Sumas and a currency exchange rate of US\$0.650/\$Cdn. The gas cost allocation calculation deemed that gas commodity purchase costs are 25 percent fixed charges and 75 percent variable charges; and
- D. On December 18, 2000, PNG again revised the Application, and included a request to increase the gas supply cost deferral account Rider from \$0.10/GJ to \$0.30/GJ, based on recovery of the account balance to the end of 2000 over three years. PNG also requested an increase in the propane Gas Supply Charge in the Granisle rate; and
- E. On December 19, 2000, PNG provided a gas cost allocation calculation that deemed that gas commodity purchase costs are 100 percent variable charges. This calculation yielded Gas Supply Charges that are more comparable to the market value of the natural gas commodity, especially for commercial interruptible, small industrial, seasonal off peak and NGV customers; and
- F. The portion of gas commodity purchase costs that is deemed to be variable charges is a matter that parties may raise as an issue in the March 5, 2001 public hearing that the Commission has established to deal with the Application; and
- G. Gas Supply Charges based on deeming gas commodity purchase costs as 100 percent variable charges, plus the proposed gas supply cost deferral account Rider, are estimated to increase typical annual bills for residential customers by 25 percent, for small commercial customers by 28 percent and for small industrial customers by 52 percent, relative to July 2000 rates; and

H. The Commission has reviewed the Application and revisions and is satisfied that approval of changes to Gas Supply Charges and the gas supply cost deferral account Rider are necessary.

NOW THEREFORE pursuant to Section 61(4) of the Utilities Commission Act, the Commission orders as follows:

1. The Commission accepts PNG's December 18, 2000 projection of total natural gas purchase costs for 2001.
2. Gas Supply Charges based on deeming gas commodity purchase costs as 100 percent variable charges, are approved as interim rates effective January 1, 2001, subject to refund with interest at the average prime rate of PNG's principal bank. Corresponding changes to fixed monthly charges that include a quantity of gas commodity are also approved as interim rates.
3. Gas supply cost deferral account Riders of \$0.300/GJ for PNG sales customers, and of \$0.001/GJ for PNG transportation customers, are approved, effective January 1, 2001.
4. A propane Gas Supply Charge for Granisle of \$13.685/GJ is approved.
5. PNG is to provide all affected customers with notice of the rate changes, and is directed to review its communication plan, advertisements and bill inserts related to the gas price increase with Commission staff prior to release.
6. The Commission will accept, subject to timely filing, amended Gas Tariff Rate Schedules in accordance with the terms of this Order.
7. PNG is directed to file, by June 5, 2001, a report on actual gas prices and costs for the 2001 year to date compared to forecast, price expectations for the remainder of the year, impact on the gas supply cost deferral account, and any rate changes that are proposed. The report should also discuss the effect of current and proposed rates on sales.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of December 2000.

BY ORDER

Original signed by:

Peter Ostergaard
Chair