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BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-128-00

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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 (N.E.) Ltd.  
for Approval of Rate Changes 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 December 1, 2000, Pacific Northern Gas (N.E.) Ltd. ("PNG (N.E.)") applied to the Commission for interim and permanent rates effective January 1, 2001 for customers in its Fort St. John, Dawson Creek, and Tumbler Ridge service areas ("the Application"); and
- B. The Application included a request for approval to flow through projected higher natural gas purchase costs for 2001 under the approved gas supply contracts for the service areas, 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 for Fort St. John and Dawson Creek deemed that the gas commodity purchase costs are 25 percent fixed charges and 75 percent variable charges; and
- C. On December 18, 2000, PNG (N.E.) 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; and
- D. On December 19, 2000, PNG (N.E.) provided a gas cost allocation calculation for Fort St. John and Dawson Creek that deemed gas commodity purchase costs as 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 large commercial and small industrial customers; and
- E. PNG (N.E.) and Pacific Northern Gas Ltd. ("PNG") have a single consolidated gas supply pool for the Fort St. John, Dawson Creek and PNG-West service areas. The Commission's June 18, 1998 PNG Revenue Requirements and Rate Design Decision approved the gas cost allocation methodology that applies to the three areas; 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 proceeding that the Commission establishes to deal with the Application and in the hearing commencing March 5, 2001 that the Commission has established to deal with PNG's application for new rates for the PNG-West service area; 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 in Fort St. John and Dawson Creek by 32 to 33 percent and for commercial customers by 36 to 39 percent. The gas cost increase in annual bills for residential and small commercial customers in Tumbler Ridge would be 27 and 30 percent, respectively; and

H. The Commission has reviewed the Application and other submissions and is satisfied that approval of changes to the 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 (N.E.)'s December 18, 2000 projection of total natural gas purchase costs for 2001.
2. Gas Supply Charges for Fort St. John and Dawson Creek, 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 (N.E.)'s principal bank.
3. Gas Supply Charges for Tumbler Ridge, as set out in the Application, are approved, effective January 1, 2001.
4. A gas supply cost deferral account Rider of \$0.300/GJ for all PNG (N.E.) sales customers is approved, effective January 1, 2001.
5. PNG (N.E.) 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 (N.E.) 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 27<sup>th</sup> day of December 2000.

BY ORDER

*Original signed by:*

Peter Ostergaard  
Chair