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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-124-00

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

and

Applications by BC Gas Utility Ltd.
for Approval of Rate Changes effective January 1, 2001

BEFORE: P. Ostergaard, Chair)
B.L. Clemenhagen, Commissioner) December 20, 2000
K.L. Hall, Commissioner)
N.F. Nicholls, 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. Commission Order No. G-48-00 extended the 1998-2000 Performance Based Rate Settlement to determine BC Gas' Revenue Requirements for 2001; and
- C. On October 31, 2000, BC Gas filed its Revised Target Costs and Revenues for 2001 in accordance with the Settlement Agreement, projecting 2000 results for the incentive mechanisms (Capital, Demand-Side Management, and Earnings Sharing) and forecasts for 2001 to be included in 2001 rates. BC Gas responded to an Information Request from Commission staff on November 20, 2000; and
- D. An Annual Review was held on November 21, 2000 in Vancouver, B.C., pursuant to Order No. G-90-00; and
- E. On December 6, 2000, BC Gas filed updated Revised Targets for its 2001 Revenue Requirements responding to issues raised at the Annual Review and incorporating a projected 9.50 percent return on equity for BC Gas for the calendar year 2001 (the "Revenue Requirements Application"). The updated financial schedules showed the impact on return on rate base of amortizing the Gas Cost Reconciliation Account ("GCRA") balance over the period from January 1, 2001 to October 31, 2002, resulting in a revenue deficiency of \$28.7 million, equivalent to a 1.79 percent increase in total revenue, effective January 1, 2001; and
- F. Intervenors and participants in the Annual Review had until December 11, 2000 to make submissions on the material, after which time the Commission would make its decision on the Revenue Requirements Application. The British Columbia Public Interest Advocacy Centre and Ilse Leis were the only parties to make submissions, and BC Gas responded to the submissions on December 14, 2000; and
- G. On December 19, 2000, BC Gas filed additional material for Commission consideration, and requested approval of a further \$3.1 million reduction in forecast delivery margin revenue from industrial customers; and

- H. Commission Letter No. L-61-00 approved a return on common equity of 9.25 percent for 2001 for a low risk benchmark utility; and
- I. On December 6, 2000, BC Gas applied for approval to flow through gas purchase cost changes for the 2001 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 based on November 30, 2000 forward gas prices for 2001 that averaged US\$6.45/MMBtu at Sumas and a currency exchange rate of US\$0.667/\$Cdn.; and
- J. In the Revenue Requirements Application and the Cost of Gas Application, BC Gas projected the GCRA to have a debit balance (amount to be recovered) of \$160 million to the end of 2000 and requested approval to recover this amount in rates over the period January 1, 2001 through October 31, 2002; and
- K. The rates resulting from the December 6, 2000 revenue requirement filing, plus the requested gas cost and GCRA recovery increases, resulted in a 30 percent total increase in typical residential annual bills, and 30 to 41 percent increases to other rate classes; and
- L. On December 12, 2000, BC Gas provided information showing that extending recovery of the GCRA balance over three years would reduce the bill increase for a typical residential customer to 27 percent; and
- M. The Commission recognizes that there is considerable uncertainty with respect to forecasting gas prices for 2001. 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
- N. The Commission has reviewed the submissions and is satisfied that approval of the delivery rate changes in the Revenue Requirements Application, adjusted for a 9.25 percent return on equity, and the gas cost changes in the Cost of Gas Application, with a 3-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, 2001, for the Lower Mainland, Inland and Columbia service areas:
 - Basic Charges, Delivery Charges and Riders, excluding the GCRA Rider, generally as calculated in the December 6, 2000 Revenue Requirements Application, with adjustments for a 9.25 percent return on equity and three-year amortization of the GCRA balance;
 - Gas Cost Recovery Charges as set out in the December 6, 2000 Cost of Gas Application
 - Gas Cost Reconciliation Account Riders calculated so as to recover in 2001 one-third of the projected GCRA debit balance to the end of 2000.
2. A Core Market Administration Costs budget of \$1,581,000 is approved for 2001.

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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 typical 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 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 GCRA balance, 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 28th day of December 2000.

BY ORDER

Original signed by:

Peter Ostergaard
Chair