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BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-149-01

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

and

Applications by Pacific Northern Gas Ltd.  
and  
Pacific Northern Gas (N.E.) Ltd.  
(Fort St. John, Dawson Creek, and Tumbler Ridge Divisions)

for Approval of 2002 Rate Increases

**BEFORE:** P. Ostergaard, Chair )  
N.F. Nicholls, Commissioner ) December 19, 2001  
P.G. Bradley, Commissioner )

**O R D E R**

**WHEREAS:**

- A. By Order No. G-127-01 dated November 22, 2001, the Commission directed that Methanex Corporation's ("Methanex") September 28, 2001 application for a load retention rate would be reviewed coincident with Pacific Northern Gas Ltd.'s ("PNG") 2002 Revenue Requirements Application. That Order made PNG's rates to Methanex interim effective October 1, 2001; and
- B. On November 30, 2001, PNG and Pacific Northern Gas (N.E.) Ltd. (Fort St. John, Dawson Creek and Tumbler Ridge Divisions) ["PNG (N.E.)"] filed for approval its 2002 Revenue Requirements Applications ("the Applications") to increase its rates on an interim and final basis, effective January 1, 2002, pursuant to Sections 91 and 58 of the Utilities Commission Act ("the Act"); and
- C. The Applications proposed to increase rates to all customers as a result of increases in cost of service and decreased deliveries to most customer classes; and
- D. Forecasted changes in gas supply costs for 2002 were reflected in the Applications but are separately determined by the Commission; and
- E. On December 5, 2001, Mr. Karl Gustafson, on behalf of Eurocan Pulp and Paper Co. Ltd. ("Eurocan") objected to PNG's request for an interim rate increase and the inclusion of an increased risk premium and common equity component in calculating the interim rate increase. On December 12, 2001, Mr. Brian Wallace, on behalf of Methanex, raised an objection similar to Eurocan's; and
- F. On December 11, 2001, PNG provided a response to Eurocan's objection, identifying the special circumstances requiring the interim increase, noted that the Commission may grant interim relief under Section 89 of the Act and included a summary of the evidence on capital structure and rate of return on equity; and
- G. On December 13, 2001 the Commission, by Order No. G-132-01, established a Pre-hearing Conference on the Applications for January 8, 2002, and scheduled the commencement date for an oral public hearing into the PNG Application for March 6, 2002 in Terrace, B.C.; and

H. The Commission considers that a determination of the requested interim rate increases is required.

**NOW THEREFORE** the Commission orders as follows:

1. The Commission accepts PNG and PNG (N.E.)'s evidence in support of its requested interim rate increases, except for the revenue requirement resulting from requested increases in the common equity component and increases in risk premium in the rate of return on common equity.
2. The Commission finds that the initial submissions by PNG and PNG (N.E.) for interim increases in the common equity component and increases in risk premium in the rate of return on common equity are incomplete, but the Commission will consider the matter through the course of the scheduled public hearing for PNG and the proceeding to be established for PNG (N.E.).
3. The Commission, pursuant to Sections 89 and 91 of the Act, approves for PNG and PNG (N.E.) an interim rate increase in the delivery charge for all classes of customers based on the 2002 Revenue Requirement, except for the revenue requirement resulting from requested increases in the common equity component and increases in risk premium in the rate of return on common equity.
4. The interim rate increases are subject to refund with interest at the average prime rate of PNG's principal bank as determined by a public hearing for PNG and the regulatory process for PNG (N.E.).
5. PNG is to provide a copy of this Order, by facsimile if possible, to all Intervenors and Interested Parties registered in the PNG and PNG (N.E.) 2001 Revenue Requirements Applications, as well as all large industrial customers, as soon as possible.
6. PNG and PNG (N.E.) are to inform all affected customers of the interim rates by way of customer notice, to be submitted to the Commission in draft form prior to its release.
7. The Commission will accept, subject to timely filing, amended Gas Tariff Rate Schedules in accordance with this Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 20<sup>th</sup> day of December 2001.

BY ORDER

*Original signed by:*

Peter Ostergaard  
Chair