



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 2002 Rate Increases

BEFORE: P. Ostergaard, Chair)
N.F. Nicholls, Commissioner) July 31, 2002
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 ("Methanex Application") would be reviewed coincident with the anticipated Pacific Northern Gas Ltd. ("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 filed for approval its 2002 Revenue Requirements Application (the "Application") 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. On December 13, 2001 the Commission, by Order No. G-132-01, established a Pre-hearing Conference on the Application and the Methanex Application for January 8, 2002, and scheduled the commencement date for an oral public hearing into these Applications for March 6, 2002 in Terrace, B.C.; and
- D. The Pre-hearing Conference took place in Vancouver on January 8, 2002, and an oral public hearing on the Applications was held in Terrace, B.C. on March 6, 7, and 8, 2002, and completed in Vancouver on March 11, 2002; and
- E. At the conclusion of the oral public hearing, the Commission set a timetable for final argument commencing with the filing of final argument by PNG and Methanex on March 28, 2002; and
- F. PNG and Methanex entered into a Memorandum of Agreement as of March 20, 2002, to terminate their existing agreements for firm transportation and interruptible gas sales service and to replace those agreements with a new agreement effective November 1, 2002 (the "MOA"). The new agreement, if approved, would result in the withdrawal of the Methanex Application; and
- G. Having regard to the impact of the terms of the MOA upon the Application presently before the Commission, PNG applied to the Commission on March 27, 2002 to postpone the filing of final argument to a date to be set by the Commission, and to fix a date for an oral hearing of the revised application, and to approve a revised hearing and argument schedule; and
- H. PNG's March 27, 2002 application also explained the revisions to the Application that are required to reflect the terms of the implementation of the new agreement contemplated under the MOA effective November 1, 2002 (the "Revised Application"); and

- I. By Order No. G-20-02 dated March 28, 2002, the Commission approved postponement of the filing of final argument to a date to be fixed by the Commission. That Order also requested that intervenors advise the Commission in writing, by April 2, 2002, whether they consented to PNG filing the Revised Application and for their position on PNG's proposed timetable; and
- J. On April 2, 2002, intervenor comment letters were received from the British Columbia Public Interest Advocacy Centre ("BCPIAC"); West Fraser Timber Co. Ltd., Canadian Forest Products Co. Ltd. and Eurocan Pulp and Paper Co. Ltd. (the "Forest Companies"); and Alcan Primary Metal Group ("Alcan"); and
- K. On April 3, 2002, PNG provided written comments on the issues raised by the Forest Companies; and
- L. By Order No. G-23-02 dated April 3, 2002, the Commission requested that intervenors and PNG provide comments by April 12, 2002 on the issues raised by the Forest Companies with a reply by the Forest Companies by April 19, 2002; and
- M. The Commission reviewed the submissions from the intervenors and PNG and by Order No. G-31-02 reconvened the oral public hearing on May 27, 2002 in Vancouver to review PNG's Revised Application and the MOA, and by Reasons for Decision addressed the issues raised by the intervenors and PNG; and
- N. The oral public hearing concluded on May 27, 2002. A new schedule for written final argument was established, concluding with PNG and Methanex filing replies on July 5, 2002; and
- O. Methanex in argument dated July 5, 2002 stated that if the Commission approves the MOA, then it will be unnecessary to rule on the merits of the Methanex Application; and
- P. The Commission considered the Applications and the evidence adduced thereon, all as set forth in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves the MOA, subject to the conditions contained in the Decision issued concurrently with this Order. By providing conditional approval of the MOA, the Commission considers that a ruling on the merits of the Methanex Application is unnecessary.
- 2. The Commission confirms the Methanex interim rates as permanent from October 1, 2001 to December 31, 2001.
- 3. PNG is to file regulatory schedules and an amended Summary of Rates and Bill Comparison schedule based on PNG's Revised Application and the adjustments contained in the Decision issued concurrently with this Order.
- 4. The Commission anticipates that the adjustments contained in the Decision will result in a 2002 revenue deficiency that is lower than the revenue deficiency used as a basis for setting the 2002 interim rate increases. As directed by Order No. G-149-01, the interim rate increases are subject to refund with interest at the average prime rate of PNG's principal bank. PNG is to report the average refund by

customer class that will result from the 2002 permanent rates and advise the Commission on whether the refund should occur as a credit on customers' bills or a refund payment.

5. 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 31st day of July 2002.

BY ORDER

Original signed by:

Peter Ostergaard
Chair