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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-80-03

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

**and**

**An Application by Terasen Gas Inc.  
for Approval of 2004 Revenue Requirements and Delivery Rates**

**BEFORE:** R.H. Hobbs, Chair )  
L.F. Kelsey, Commissioner ) December 11, 2003

**O R D E R**

**WHEREAS:**

- A. Commission Order No. G-51-03 approved for Terasen Gas Inc. ("Terasen Gas", "the Company") a Negotiated Settlement for 2004 to 2007. The Settlement requires Terasen Gas to hold its first Annual Review in November with projections and forecasts provided three weeks in advance; and
- B. Commission Order No. G-66-03 scheduled an Annual Review for November 21, 2003 and directed Terasen Gas to file advance material by October 31, 2003, provide a copy of the material to participants in the settlement discussions, and publish a public notice of the Annual Review; and
- C. On October 31, 2003, Terasen Gas filed the advance material which also contained a business case study on the separation of Terasen Inc. and the creation of a corporate centre as directed in the 2003 Decision ("the Separation Study"). On November 10, 2003, Commission staff issued an information request to Terasen Gas on the advance materials with the utility responding on November 19, 2003; and
- D. At the Annual Review participants requested additional information from Terasen Gas on various scenarios in residential and commercial use rate decreases with related revenue forecast changes, possible future revenue requirement increases and an assessment of revenue margin to cost ratios for various rate classes; and

- E. On November 28, 2003, Terasen Gas applied for approval of its 2004 revenue requirements and delivery rates pursuant to Sections 58, 60 and 61 of the Utilities Commission Act (“the Act”) and the terms of the 2004-2007 Negotiated Settlement (“the Application”). The Application updated the Annual Review information to include the 2004 allowed rate of return on equity under the Commission’s automatic adjustment mechanism; and
- F. The Application requested approval, effective January 1, 2004, to increase delivery rates by 4.3 percent to recover a 2004 revenue deficiency of \$19.15 million, to cancel a ten-month rider approved by Order No. G-7-03 and to increase the Revenue Stabilization Adjustment Mechanism (“RSAM”) rider by \$0.061/GJ to \$0.195/GJ. The Application also requested approval to increase the property tax incentive included in the Settlement from 10 percent to 25 percent, approval of a Utility Asset Utilization Incentive subject to the Company providing project details and economics and an incentive for pension and insurance costs similar to the property tax incentive; and
- G. Submissions were received from Weyerhaeuser Company Ltd., Tech Cominco Metals Ltd., Celgar Pulp Company and Canadian Forest Products Ltd. (collectively referred to as the “Inland Industrials”), the British Columbia Public Interest Advocacy Centre representing the BC Old Age Pensioners’ Organization et al (“BCOAPO”), Elk Valley Coal Corporation (“Elk Valley”) and the Heating Ventilating Cooling Industry Association of BC (“HVCI”). The Inland Industrials requested that Terasen Gas be directed to file a cost of service study and set applied for rates as interim as of January 1, 2004. HVCI requested that the Commission set in early 2004 a process for examination of affiliate outsourcing. Terasen Gas filed a response to the submissions; and
- H. The Commission has considered the Application and the submissions received.

**NOW THEREFORE** pursuant to Sections 58, 60 and 61 of the Act the Commission orders for Terasen Gas with Reasons to follow:

1. The Commission accepts Terasen Gas’s 2004 volume and revenue forecast as filed.

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2. The Commission considers that the allocation of the 2004 Terasen Gas revenue deficiency should be in accordance with the recent Terasen Gas rate design decision. Accordingly, the request by Inland Industrials for a Commission direction to Terasen Gas to file a cost of service study to examine the continued appropriateness of the current cost allocation methodology is denied. The request for applied for rates to be made interim is also denied.
3. The Commission is satisfied with the cost allocation as contained in the Separation Study.
4. The increase in delivery rates by 4.30 percent effective January 1, 2004, is approved as filed in the Application to recover the 2004 revenue deficiency of \$19.15 million, subject to the timely filing of revised Gas Tariff pages.
5. The cancellation of the ten-month rider that was established by Commission Order No. G-7-03 is approved effective January 1, 2004. This rider recovered the foregone January/February 2003 rate increase over the remaining the months of 2003.
6. The increase to the RSAM rider by \$0.061/GJ from the current \$0.134/GJ to \$0.195/GJ is approved effective January 1, 2004.
7. The request to increase the property tax incentive included in the Settlement Agreement from 10 percent to 25 percent is denied.
8. The Utility Asset Utilization Incentive as described in Section B-5 of the Annual Review material is incomplete and accordingly is denied.
9. The request of an incentive for pension and insurance costs similar to the property tax incentive mechanism is denied.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 17<sup>th</sup> day of December 2003.

BY ORDER

*Original signed by:*

Robert H. Hobbs  
Chair