

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-81-03

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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 (Vancouver Island) Inc.
for Approval of 2002 Actual Revenue Deficiency, Forecast 2004 Royalty Adjusted Cost of Gas,
Amortization of Gas Cost Variance Account Balance, Creation of an Apartment Rate Class-AGS
and 2004 Customer Rates**

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

O R D E R

WHEREAS:

- A. On November 12, 2003, Terasen Gas (Vancouver Island) Inc. ("TGV") (formerly Centra Gas British Columbia Inc.) filed its Annual Review material and an Application in accordance with the 2003-2005 Negotiated Settlement as approved by Commission Order No. G-2-03 ("the Application"). The Settlement required that an Annual Review be held in November of each year to review TGV's performance for that year and its proposed activities for the upcoming year; and
- B. The Application requested approval, pursuant to Sections 23, 60 and 61 of the Utilities Commission Act ("the Act") and the Special Direction (Order in Council 1510, 1995) of the 2002 Actual Revenue Deficiency, Forecast 2004 Royalty Adjusted Cost of Gas, Amortization of the forecast Gas Cost Variance Account Balance, the creation of an Apartment Rate Class-AGS and 2004 Customer Rates; and
- C. The 2003-2005 Negotiated Settlement did not include the incremental operating, maintenance and administrative expenses ("OM&A") of the possible significant capital projects such as the Sooke main extension. That extension was filed as a Certificate of Public Convenience and Necessity ("CPCN") Application and approved by Order No. C-15-02. The Application includes the incremental OM&A of the Sooke extension for 2003 and 2004; and
- D. The Annual Review was held on November 19, 2003 with information requests, responses and participant submissions completed by December 8, 2003. Submissions were filed by the British Columbia Public Interest Advocacy Centre, British Columbia Hydro and Power Authority ("BC Hydro"), LSM Consulting representing the Joint Venture and Willis Energy Services Ltd.; and
- E. The Joint Venture and BC Hydro raised certain issues concerning the Cost of Service Analysis ("COSA") and rate design that were the subject of the Commission's June 5, 2003 Decision regarding the Centra Gas British Columbia Inc. 2002 Rate Design Application, which is currently the subject of an appeal; and
- F. The Commission has considered the Application and the submissions received.

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NOW THEREFORE pursuant to Sections 23, 60 and 61 of the Act the Commission approves for TGVI as follows:

1. The 2002 actual revenue requirements as filed in the Application and a 2002 revenue deficiency of \$2,873,609 with a cumulative balance in the RDDA of \$87,910,503 at the end of 2002.
2. The creation of an Apartment Rate Class, AGS, to replace the existing ACR-2 rate class that expires on December 31, 2003 as required by the Special Direction.
3. The rates effective January 1, 2004 for RGS, AGS, LCS-1, LCS-2, LCS-3, LCS-13, HLF, Firm Transportation and Interruptible Transportation classes as proposed in the Application, subject to TGVI filing corresponding Gas Tariff pages in a timely manner.
4. The 2004 capitalization of OM&A of \$5,028,115.
5. The 2004 Royalty Adjusted unit cost of gas of \$3.753/GJ is accepted based on a sales forecast of 11.4 PJ.
6. The incremental OM&A costs of the Sooke extension are approved as forecast in the CPCN Application.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of December 2003.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair