



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

An Application by BC Gas Utility Ltd.  
for Approval of Market-Based Commodity Rates for Rate Schedules 7, 10, 14 and 14A  
for the 2003/04 Gas Contract Year

**BEFORE:**

R.H. Hobbs, Commissioner )  
P.G. Bradley, Commissioner ) April 10, 2003  
K.L. Hall, Commissioner )

**O R D E R**

**WHEREAS:**

- A. By Commission Order No. G-32-02 dated April 25, 2002, the Commission approved market-based gas commodity rates, effective November 1, 2002 for BC Gas Utility Ltd. ("BC Gas") for Rate Schedule 7 – General Interruptible Service, Rate Schedule 10 – Large Volume Interruptible Sales, and Rate Schedules 14 and 14A – Term and Spot Gas Sales; and
- B. On February 28, 2003, BC Gas requested approval of market-based gas commodity rates, effective November 1, 2003, for Rates Schedules 7, 10, 14 and 14A (the "Application"); and
- C. BC Gas provided copies of the Application to interested parties, and Commission staff requested interested parties to file comments on the Application by March 14, 2003. The date for interested parties to file comments was subsequently extended to April 7, 2003; and
- D. On April 2, 2003, BC Gas responded to Information Requests from Avista Energy Canada Ltd. ("Avista") and IGI Resources, Inc. ("IGI"); and
- E. On April 7, 2003, Avista and IGI submitted comments on the Application and Direct Energy Business Services ("Direct") filed an Information Request; and
- F. On April 8, 2003, BC Gas responded to the submissions from Avista, IGI, and Direct; and

G. The Commission has considered the Application and the submissions and is satisfied that market-based rate arrangements for Rate Schedules 7, 10, 14 and 14A should be approved for the gas contract year commencing November 1, 2003 and ending October 31, 2004 ("the 2003/04 gas contract year"), as set out in the Reasons for Decision attached as Appendix A to this Order.

**NOW THEREFORE** the Commission orders as follows for BC Gas :

1. The Commission approves the extension of Rate Schedule 7 and Rate Schedule 10 tariffs without change, as set out in the Application.
2. The Commission approves the Rate Schedule 14 and 14A tariffs, as set out in the Application, except that the Swing Premium under the Annual Fixed Price Option will continue to be \$0.84/GJ.
3. BC Gas will file a report for Rate Schedules 14 and 14A within 30 days of the end of each month that summarizes gas purchase and sales quantities, and costs and revenue for each rate option for the month.
4. The Commission will accept, subject to timely filing, Gas Tariff Rate Schedules in accordance with this Order and the attached Reasons for Decision. BC Gas will also file Rate Schedules 14 and 14A in black-lined format showing the changes for the 2003/04 gas contract year.
5. BC Gas is to provide a copy of this Order and Reasons for Decision to all interested parties to the Application and to customers of Rate Schedules 7, 10, 14 and 14A.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of April 2003.

BY ORDER

*Original signed by:*

Robert H. Hobbs  
Commissioner

Attachment

BC GAS UTILITY LTD.

MARKET-BASED COMMODITY RATES FOR RATE SCHEDULES 7, 10, 14 AND 14A

**REASONS FOR DECISION**

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**1.0 BACKGROUND**

The Commission, by Order No. G-32-02, approved Rate Schedule 10 (“RS10”, Large Volume Interruptible Sales), Rate Schedule 7 (“RS7”, General Interruptible Service) and Rate Schedules 14 and 14A (“RS14”, “RS14A”, Term and Spot Gas Sales) for the 2002/03 gas contract year. On February 28, 2003, BC Gas requested approval of RS7, RS10, RS14 and RS14A tariffs for the 2003/04 gas contract year starting November 1, 2003 and ending October 31, 2004 (“the Application”).

BC Gas sent copies of the Application to active marketers with customers in its service area, certain large customers and the Consumers’ Association of Canada (B.C. Branch) et al. [“CAC (B.C.) et al.”]. Commission staff requested comments on the Application by March 14, 2003. The date for comments from interested parties was extended to April 7, 2003.

BC Gas responded to Information Requests from Avista Energy Canada Ltd. (“Avista”), IGI Resources, Inc. (“IGI”) and Direct Energy Business Services (“Direct”). Avista and IGI also filed comments on the Application and BC Gas responded to these comments on April 8, 2003.

In past years, the Commission has generally reviewed and approved the annual applications for market-based commodity sales rates without a hearing. The proposed amendments for 2003/04 to RS7, RS10, RS14 and RS14A are reasonably small changes that are similar to previous changes that have been made to these Rate Schedules. The Commission considers that interested parties have had a reasonable opportunity to review and comment on the proposed changes and believes it must act on the Application to accommodate supply arrangements for the 2003/04 gas contract year.

**2.0 RATE SCHEDULE 7 - GENERAL INTERRUPTIBLE SERVICE**

BC Gas proposed no changes to RS7. No comments were received about the recommended terms for RS7 sales.

RS7 sales currently average about 250 GJ per day. The Commission finds that RS7 service should be maintained for the 2003/04 gas contract year, and expects that each of the rate options will recover the cost of providing the service.

**The Commission approves the RS7 tariff for the 2003/04 gas contract year as applied for.**

### **3.0 RATE SCHEDULE 10 - LARGE VOLUME INTERRUPTIBLE SALES**

BC Gas proposed no changes to RS10. No comments were received about the recommended terms for RS10 sales.

RS10 sales in November 2002 through February 2003 averaged 2,900 GJ/day, with 82 percent under the Daily Index Option. This indicates that the Daily Index Option is the preferred rate option for RS10 gas, in recognition of the expected number of days of curtailment and notwithstanding the three percent winter discount for the Monthly Index Option.

The Commission finds that each proposed rate option is based on the competitive market value of the gas.

**The Commission approves the RS10 tariff for the 2003/04 gas contract year as applied for.**

### **4.0 RATE SCHEDULES 14 AND 14A - TERM AND SPOT GAS SALES**

The Application proposed a number of changes to RS14 and RS14A to increase the number of options that are available to customers, improve the flexibility of the service and reformat the Rate Schedules to improve readability. Under certain conditions that include a take-or-pay obligation, customers will be able to buy RS14 supply on a non-exclusive basis. Customers in the Interior with firm Duke Energy Gas Transmission transportation-south capacity will be able to buy gas with a rate that is referenced to Station No. 2 prices. BC Gas also proposed that the Swing Premium under the Annual Fixed Price Option be reduced from \$0.84/GJ to \$0.75/GJ, and provided a calculation supporting the proposed Swing Premium.

At the time of the Application, 77 customers using about 5,900 GJ/d were served under RS14 and RS14A. During the 2001/02 gas year, the core market received net proceeds of approximately \$1.0 million due to the Swing Premium and market factors that were charged to customers served under the Rate Schedule.

Avista expressed concern that tariff flexibility could result in the tariffs not being applied uniformly to all customers. Also, given the administrative costs of RS14 and RS14A, and other ways to realize the benefits of the Rate Schedules, Avista questioned the need for these rate schedules. Avista questioned whether the Swing Premium adequately compensated core customers for RS14 and RS14A volume risk (under the Annual Fixed Price Option), particularly noting the proposal to reduce the premium.

IGI stated that BC Gas should not be permitted to offer the Annual Fixed Price Option, due to the financial risk to core customers. IGI indicated that this is an option that is not otherwise available in the marketplace.

Direct expressed concern about the potential for BC Gas to use core gas supply assets to cross-subsidize RS14 and RS14A activities, and about the Commission's ability to audit these rate schedules.

BC Gas responded that RS14 and RS14A are intended to provide choice of supply options for customers, and stated that customers value this service and support its continuation. BC Gas considers that the Swing Premium and the maximum participation limits under the Annual Fixed Price Option adequately protect core customers. Also, BC Gas does not believe that its storage and other supply resources give it a unique advantage.

The Commission recognizes the concerns that were raised by Avista, IGI and Direct and shares several of these concerns. Also, the gas marketplace in British Columbia has matured, and transportation customers have a range of non-utility supply alternatives. Nevertheless, in the interest of providing as wide a range of supply options as possible for customers, the Commission determines that RS14 and RS14A are in the public interest.

The Commission is not persuaded that the Swing Premium under the Annual Fixed Price Option should be reduced from \$0.84/GJ. Although BC Gas filed information that supported a somewhat lower premium, the recent volatility and upward trend in gas prices increases the risk to core customers. The Commission finds that the premium should continue at its current level for the 2003/04 gas contract year.

BC Gas currently files reasonably detailed reports to the Commission on RS14 and RS14A gas purchases and sales, in order to show that revenues fully recover costs. The Commission will continue to require the filing of this information, and may expand the requirement if necessary.

To make the terminology in Rate Schedules RS14 and RS14A consistent with the Utilities Commission Act, the tariff should refer to approved customer rates as "rates" rather than "prices". For example, the term "Annual Fixed Price Option" as used in the Application should be replaced with "Annual Fixed Rate Option".

**The Commission approves the RS14 and RS14A tariffs for the 2003/04 gas contract year as set out in the Application, except that the Swing Premium will remain at \$0.84/GJ. The filed tariff should include the wording changes that BC Gas identified in its response to the Information Request from Avista, and should refer to an approved customer rate as a "rate". The current monthly RS14 and RS14A reporting will continue.**