

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-85-03**

TELEPHONE: (604) 660-4700
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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**Application by Pacific Northern Gas Ltd.
for Approval to Amend 2004 Rates**

BEFORE: L.A. Boychuk, Panel Chair and)
Commissioner) December 18, 2003
R.J. Milbourne, Commissioner)
N. Nicholls, Commissioner)

O R D E R

WHEREAS:

- A. On November 28, 2003, Pacific Northern Gas Ltd. ("PNG") filed for approval of its 2004 Revenue Requirements Application ("the Application") to amend its rates on an interim and final basis, effective January 1, 2004, pursuant to Sections 89 and 58 of the Utilities Commission Act ("the Act"); and
- B. The Application proposes to increase delivery rates to all customers, except Methanex Corporation, as a result of decreases in cost of service and decreased deliveries to most customer classes; and
- C. The Application also requests approval of a flow through decrease to Gas Supply Charges for 2004 based on November 26, 2003 forward natural gas prices and forecast propane prices; and
- D. On December 8, 2003 PNG filed its Fourth Quarter 2003 Report on gas supply costs and Gas Cost Variance Account ("GCVA") balances ("the Report"), which reaffirmed the request in the Application regarding Gas Supply Charges for January 1, 2004; and
- E. The Report also requested the continuation or implementation of GCVA riders that would amortize the projected end-of-2003 GCVA balances over 2004 and 2005. The two-year amortization was proposed in recognition of the volatility of gas prices and to provide more stable rates; and
- F. PNG requested that the Application be reviewed through a Negotiated Settlement Process and a Regulatory Agenda be established that is consistent with the review of its 2003 rate application and Commission Order No. G-91-02; and
- G. By Order No. G-71-03 the Commission approved the acquisition by Tricor Acquisition (STP) Inc. of a reviewable interest in PNG and in its subsidiary Pacific Northern Gas (N.E.) Ltd. from Westcoast Energy Inc. In the Application PNG advised that it may file an application in late December 2003 or early January 2004 to convert PNG to an income trust structure; and

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H. The Commission, in its desire to deal efficiently with the Application, requires that a Pre-hearing Conference be established.

NOW THEREFORE the Commission orders as follows:

1. A Pre-hearing Conference will be held before the Commission Panel on Friday, January 16, 2004, commencing at 1:30 p.m. in the Commission's Hearing Room, to address procedural matters which will include, but not be limited to, the following:
 - identification of principal issues arising from or related to the Application,
 - process options for review of the Application, including,
 - oral public hearing
 - negotiated settlement process
 - written hearing
 - or, as appropriate, some combination of the above
 - timetable (information requests, responses, intervenor evidence, etc.),
 - location(s) of the proceeding, and
 - other matters that will assist the Commission to efficiently review all aspects of the Application.

After the Pre-hearing Conference, the Commission will issue a further procedural order and regulatory agenda for the review of the Application.

2. PNG will hold a Workshop on Friday, January 16, 2004, commencing at 9:00 a.m. in the Commission's Hearing Room.
3. The Commission, pursuant to Section 89 of the Act, approves for PNG an interim rate increase in the delivery rates for all classes of customers as filed in the Application effective January 1, 2004, except Methanex Corporation.
4. The Commission, pursuant to Section 61(4) of the Act, approves for PNG permanent decreases in Gas Supply Charges as set out in the Application and permanent GCVA riders as set out in the Report, effective January 1, 2004.
5. The interim rate increases in delivery rates are subject to refund with interest at the average prime rate of PNG's principal bank as determined by the Commission Order that establishes permanent rates for PNG.
6. The Commission will accept, subject to timely filing by PNG, amended Gas Tariff Rate Schedules in accordance with the terms of this Order. PNG is to provide all affected customers with notification of the interim and permanent rates. PNG is to provide the Commission with a draft copy of the customer notice in advance of its distribution to customers.

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7. PNG will publish, as soon as possible, in display-ad format, the Notice of Workshop and Pre-hearing Conference, attached as Appendix A, in such appropriate local news publications as may properly provide adequate notice to the public in its service areas.
8. The Application and supporting material will be made available for inspection at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James, and at the Head Office of PNG at Suite 950, 1185 West Georgia Street, Vancouver, B.C., V6E 4E6 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.
9. PNG is to provide a copy of this Order, by facsimile if possible, to all Intervenor and Interested Parties registered in the PNG 2003 Revenue Requirements Application proceedings, as well as all large industrial customers, as soon as possible.
10. Intervenor and Interested Parties should register with the Commission, in writing, by Friday, January 9, 2004, of their intention to intervene and/or to attend the Workshop and Pre-hearing Conference.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of December 2003.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair
and Commissioner

Attachments



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APPENDIX A
to Order No. G-85-03
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PACIFIC NORTHERN GAS LTD.
Application for Approval of 2004 Revenue Requirements

**NOTICE OF WORKSHOP AND
PRE-HEARING CONFERENCE**

PNG Workshop

Date: Friday, January 16, 2004
Time: 9:00 a.m.
Location: Commission Hearing Room
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Pre-Hearing Conference

Date: Friday, January 16, 2004
Time: 1:30 p.m.
Location: Commission Hearing Room
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

THE APPLICATION

Pacific Northern Gas Ltd. ("PNG", "the Company") has applied to the British Columbia Utilities Commission ("the Commission") for approval to adjust rates, effective January 1, 2004. This Application seeks to recover increased revenue requirements associated with delivering natural gas and the decreased commodity cost of gas. The Application requests an increase in the gas delivery charge in residential and small commercial rates of about 15 percent effective January 1, 2004. PNG has also applied for a decrease in the gas commodity charges of about 20 percent.

The Application forecasts a reduction in delivery revenue due to lower deliveries and proposed a 20 percent increase in Administration and General Costs, the elimination of the \$100,000 reduction in revenue requirements introduced in 2003 when the Revenue Stabilization Adjustment Mechanism was established and a 47 percent reduction in maintenance costs by postponing a compressor overhaul.

By Order No. G-71-03, the Commission approved the acquisition by Tricor Acquisition (STP) Inc. of a reviewable interest in PNG and in its subsidiary Pacific Northern Gas (N.E.) Ltd. from Westcoast Energy Inc. In the Application, PNG also advised that it is considering conversion of the Company to an income trust structure.

THE REGULATORY PROCESS

By Order No. G-85-03, the Commission approved the requested interim rate increases in the gas delivery charge and permanent decreases in the gas commodity charge effective January 1, 2004. The differences between the 2004 interim and permanent delivery rates is refundable with interest.

The Commission has scheduled a Workshop to be conducted by PNG on Friday, January 16, 2004 commencing at 9:00 a.m. in the Commission Hearing Room.

The Commission Panel will hold a Pre-hearing Conference on Friday, January 16, 2004, commencing at 1:30 p.m. in the Commission's Hearing Room, to address procedural matters which will include, but not be limited to, the following:

- identification of principal issues arising from or related to the Application,
- process options for review of the Application, including,
 - oral public hearing
 - negotiated settlement process
 - written hearing
 - or, as appropriate, some combination of the above
- timetable (information requests, responses, intervenor evidence, etc.),
- location(s) of the proceeding, and
- other matters that will assist the Commission to efficiently review all aspects of the Application.

Following the Pre-hearing Conference, the Commission will issue a further procedural order and regulatory agenda for the review of the Application.

PUBLIC INSPECTION OF THE DOCUMENTS

The Application and supporting material will be made available for inspection at public libraries in Prince Rupert, Terrace, Kitimat, Houston, Smithers, Burns Lake, Vanderhoof and Fort St. James and at the Head Office of PNG at Suite 950, 1185 West Georgia Street, Vancouver, B.C., V6E 4E6, and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3.

INTERVENTIONS

Persons who expect to actively participate in the PNG proceeding should register as Intervenors with the Commission, in writing, by Friday, January 9, 2004. Intervenors will receive copies of the Application, all correspondence and filed documentation.

Persons not expecting to actively participate, but who have an interest in the PNG proceeding should register as Interested Parties with the Commission, in writing, by Friday, January 9, 2004. Interested Parties will receive a copy of the Application's Executive Summary and all Orders issued.

FURTHER INFORMATION

For further information, please contact Mr. Robert J. Pellatt, Commission Secretary, or Mr. Barry McKinlay, Manager, Rates and Finance as follows:

Telephone: (604) 660-4700
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