

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-86-03**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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

and

**Application by Pacific Northern Gas (N.E.) Ltd.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
for Approval to Amend 2004 Rates**

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

O R D E R

WHEREAS:

- A. On November 28, 2003, Pacific Northern Gas (N.E.) Ltd. Fort St. John/Dawson Creek and Tumbler Ridge Divisions ["PNG (N.E.)"] 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 as a result of increases in cost of service and decreased deliveries to most customer classes, except for the Tumbler Ridge Division where decreased cost of company use gas resulted in decreased delivery rates for sales service customers; and
- C. The Application also requests approval of a decrease to Gas Supply Charges for 2004 based on November 26, 2003 forward natural gas prices; and
- D. On December 8, 2003 PNG (N.E.) 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 the Fort St. John/Dawson Creek Division for January 1, 2004; and
- E. The Report requested approval of a Gas Supply Charge of \$5.177/GJ for the Tumbler Ridge Division, which is the average of the rates of \$4.761/GJ in the Application and a rate of \$5.593/GJ from a gas cost forecast based on December 4, 2003 forward gas prices. PNG (N.E.) recommended the average of the two rates due to its inability to obtain fixed-price supply for Tumbler Ridge and the debit balance in the GCVA for the Division; and

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- F. 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
- G. By Order No. G-71-03 the Commission approved the acquisition by Tricor Acquisition (STP) Inc. of a reviewable interest in PNG (N.E.) and in its parent company Pacific Northern Gas Ltd. ("PNG", the "Company") from Westcoast Energy Inc. In the 2004 PNG Revenue Requirements Application the Company advised that it may file an application in late December 2003 or early January 2004 to convert PNG to an income trust structure; and
- H. The Commission requires that interim rates and a regulatory process to deal with the Application be established.

NOW THEREFORE the Commission orders as follows:

1. The PNG (N.E.) Application will be examined in a written public hearing process and the Regulatory Timetable, attached as Appendix A, has been established.
2. The Commission, pursuant to Sections 61(4) and 89 of the Act, approves for PNG (N.E.) interim rate changes effective January 1, 2004 in the delivery rates and permanent rate changes in the Gas Supply Charge and GCVA rider for all classes of customers as filed in the Application and amended in the Report, except that the permanent Gas Supply Charge for the Tumbler Ridge Division will be \$5.593/GJ effective January 1, 2004.
3. The difference between the 2004 interim and permanent delivery rate is subject to refund with interest at the average prime rate of PNG (N.E.)'s principal bank as determined by the Commission Order that establishes permanent rates for PNG (N.E.).
4. The Commission will accept, subject to timely filing by PNG (N.E.), amended Gas Tariff Rate Schedules in accordance with the terms of this Order. PNG (N.E.) is to provide all affected customers with notification of the interim and permanent rates. PNG (N.E.) is to provide the Commission with a draft copy of the customer notice in advance of its distribution to customers.
5. PNG (N.E.) will publish, as soon as possible, in display-ad format, the Notice of Written Hearing Process, attached as Appendix B, in such appropriate local news publications as may properly provide adequate notice to the public in its service areas.
6. The Application and supporting material will be made available for inspection at public libraries in Fort St. John, Dawson Creek, and Tumbler Ridge, and at the Head Office of PNG (N.E.) 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.

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7. PNG (N.E.) is to provide a copy of this Order, by facsimile if possible, to all Intervenors and Interested Parties registered in the PNG (N.E.) 2003 Revenue Requirements Application proceedings, as well as all large industrial customers, as soon as possible.
8. Intervenors and Interested Parties should register with the Commission, in writing, by Friday, January 9, 2004, of their intention to intervene.

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

PACIFIC NORTHERN GAS (N.E.) LTD.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
Application for Approval of 2004 Revenue Requirements

REGULATORY AGENDA

<u>Action</u>	<u>Date 2004</u>
Registration of Intervenors and Interested Parties	Friday, January 9
Information Requests issued to PNG (N.E.)	Friday, January 30
PNG (N.E.) Responses to Information Requests	Friday, February 13
Intervenor Written Submissions	Friday, February 27
PNG (N.E.) Written Reply	Friday, March 5



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APPENDIX B
to Order No. G-86-03
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PACIFIC NORTHERN GAS (N.E.) LTD.
(Fort St. John/Dawson Creek and Tumbler Ridge Divisions)
Application for Approval of 2004 Revenue Requirements

**NOTICE OF WRITTEN PUBLIC
HEARING PROCESS**

THE APPLICATION

Pacific Northern Gas (N.E.) Ltd. ["PNG (N.E.)"] 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 a decreased commodity cost of gas. The Application requests for the Fort St. John/Dawson Creek Division an increase in the gas delivery charge in residential rates of about 10 percent, an increase in the gas delivery charge in small commercial rates of about 9 to 13 percent and a decrease in the gas commodity charges of about 20 percent to be effective January 1, 2004. The Application requests for the Tumbler Ridge Division a decrease in the gas delivery charge in residential rates of about 5 percent, a decrease in the gas delivery charge in small commercial rates of about 7 percent and a decrease in the gas commodity charges of about 17 percent to be effective January 1, 2004.

THE REGULATORY PROCESS

By Order No. G-86-03, the Commission approved the requested interim rate increases in the gas delivery charge for the Fort St. John/Dawson Creek Division and permanent rate decreases in gas commodity charges effective January 1, 2004. For the Tumbler Ridge Division, Order No. G-86-03 approved interim decreases in the gas delivery charge of 5 to 7 percent and a permanent decrease in the cost of gas of about 11 percent. The difference between the 2004 interim and permanent delivery rate is refundable with interest.

The Commission has established a Written Public Hearing Process for the review of PNG (N.E.)'s Application.

By Order No. G-71-03, the Commission approved the acquisition by Tricor Acquisition (STP) Inc. of a reviewable interest in PNG (N.E.) and in its parent company Pacific Northern Gas Ltd. ("PNG", the "Company") from Westcoast Energy Inc. In the 2004 PNG Revenue Requirements Application the Company advised that it may file an application in late December 2003 or early January 2004 to convert PNG to an income trust structure.

PUBLIC INSPECTION OF THE DOCUMENTS

The Application and supporting material will be made available for inspection at public libraries in Fort St. John, Dawson Creek, and Tumbler Ridge and at the Head Office of PNG (N.E.) 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 (N.E.) 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 (N.E.) 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
Facsimile: (604) 660-1102

E-Mail: Commission.Secretary@bcuc.com
Telephone: (B.C. Toll Free) 1-800-663-1385